Stock Code:
8044

PChome Online Inc.

2018 Annual Report

Market Observation Post System Website: http://mops.twse.com.tw

Annual Report of the Company is Available at:

http://corporate.pchome.com.tw/about_us/annual_reports.php

Date of Publication: May 14, 2019

I.Names, Titles, Telephone Number and Email Address of the Company's Spokesperson and Deputy Spokesperson

Spokesperson
Name: Leo Lu
Title: Deputy General Manager
Tel: (02)2700-0898
Email: leolu@staff.pchome.com.tw

Deputy Spokesperson
Name: Allen Ning
Title: Senior Manager
Tel: (02)2700-0898
Email: widow@staff.pchome.com.tw

II.Addresses and Telephone Numbers of Company Headquarters, Branches, and Plants:

Address: 12th Floor, No. 105, Section 2, Dunhua South Road, Taipei City 106, Taiwan (R.O.C.)
Tel: (02)2700-0898
Branches and Plants: None.

III.Name, Address, Website and Telephone Number of the Share Registrar:

Name: Stock-Affairs Agency Department, Taishin International Bank
Address: B1, No. 96, Section 1, Jianguo North Road, Taipei City 104, Taiwan (R.O.C.)
Website: www.tsc.com.tw
Tel: (02)2504-8125

IV.Names, Accounting Firm, Address, Website and Telephone Number of Independent Auditors for the Latest Financial Report:

Names of Independent Auditors: Liu-Fong Yang and Tsao-Jen Wu
Name of Accounting Firm: KPMG Taiwan
Address: 68th Floor, No. 7, Section 5, Xinyi Road, Taipei City 110, Taiwan (R.O.C.)
Website: www.kpmg.com.tw
Tel: (02) 8101-6666

V.Overseas Trading Places for Listed Negotiable Securities and the Inquiry Method of Overseas Securities Information

None

VI.Corporate Website: www.pchome.com.tw

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Chapter 1 Letter to Shareholders

PChome Online Inc. (8044-tw) has upheld its core spirit of being "service-oriented" and its four business values of “Change, Advancement, Innovation, and Intelligence.” We are committed to providing comprehensive e-commerce services, building an excellent customer experience of “Everyday Reliable,” and proactively creating maximum value for the community.

The Company generated consolidated operating revenue of NT$34,595 million in 2018, marking another record high with 17.6% growth over 2017. However, due to the continuous increase in the market share of the Personal Store business and investments in self-operated logistics, operating expenses also surged by NT$1,377 million compared to 2017 and resulted in negative net income of NT$995 million.

Looking back on 2018, the Company aggressively expanded its operational scale and boosted market share in Taiwan's highly competitive e-commerce market. Operational highlights during the year are summarized as follows:

I. With strong growth momentum, the B2C online shopping business generated double-digit year-over-year growth in revenue every quarter. Furthermore, fourth-quarter revenue exceeded the NT$10 billion milestone, achieving an annual growth rate of nearly 25% and setting a new record for quarterly revenue. Out of this, the Double 11 Festival hit another historical high. Two days into the festival, revenue already surpassed the record set by the Double 11 Festival in 2017. While our performance continued to break records and we secured our position as Taiwan’s largest B2C e-commerce company in terms of revenue, we relentlessly strengthened our core advantages and enlarged our membership ecosystem. Key achievements include the following. (1) Our Taichung warehouse, having adopted an automated guided vehicle system, commenced operations and continued to develop and introduce new smart warehouse system and equipment. Meanwhile, our self-operated delivery fleet joined the operation of the B2C online shopping business and enhanced overall delivery quality. (2) After being the only authorized direct sales platform of Xiaomi in Taiwan, the Company was once again the single e-commerce operator in Taiwan qualified as Apple’s authorized T1 distributor. We formed alliances with hundreds of leading brands to engage in meaningful marketing collaboration and strategically introduced overseas products that passed our scrutiny. (3) We incorporated the top five mobile payment systems, approximately forty banks, and PChome Deposit Program to build the most comprehensive payment flow environment among peers. (4) We accelerated in enhancing the mobile shopping experience. App optimization spurred a year-over-year increase of over 50 percent in the mobile segment's sales and an impressive 200 percent growth in the number of monthly active members. (5) We issued the Citi PChome Prime cobrand card and E. Sun Pi Wallet Credit Card to fully cover reward scheme application scenarios in both the virtual and physical channels and across fields. The P coins could now be utilized across reward redemption platforms, such as OpenPoint, Asia Miles, Happy Go, etc., and over 30,000 online or offline channels. Moreover, the monthly average consumption amount and repurchase rates of Prime members were two to three times more than the general members, and the cumulative number of high spenders with spending exceeding NT$1 million was over one hundred in the short span of two quarters. This demonstrated that the Prime cobrand card is indeed the right strategy.

II. As competition in the mobile e-commerce market intensified, the Company invested enormous marketing resources to support PChomeStore in 2018. This allowed for continuous expansion in the scale of the Personal Store, and successfully secured its leading position in the mobile e-commerce market. Gross merchandise value in the third quarter of 2018 was close to three times that of 2017 and the loss in the fourth quarter was down to one-tenth of the amount in the first quarter. We will strive to return to profitability in 2019.

III. Ruten Auction maintained its stable growth in 2018. It achieved a growth rate of 20.1% year-over-year with over 248 million listings. Meanwhile, the RUTOPIA-Ruten’s AI lab established in 2017 began to implement its research and development results. It launched a series of data-application services including personalized recommendation systems, a real-time bidding advertising system, an ad agency robot, and seller analytics. It will continue to introduce AI technical services and launch cross-border collaborations.

Looking forward to 2019, the Company will continue to expand its services in various fields and remain insistent on open cooperation and enterprise innovations. Initiatives include enlarging the smart warehouse and logistic systems; expanding the scale of self-operated logistics; tapping into fresh produce services; accelerating cross-border business and cross-industry alliances; initiating O2O Omnichannel deployment; and thoroughly utilizing advanced technologies, such as Big Data, artificial intelligence, and the Internet of Things. We will focus on service innovations, expedite the integration of the Company's internal and external resources, expand the PChome ecosystem, realize long-term organic growth, and create a shared value chain for the community.

We wish every shareholder good health and all the best.

PChome Online Inc.

Chairman: Hung-Tze Jan

General Manager: Kevin Tsai

Chapter 2 Company Profile

I. Date of Incorporation：July 14, 1998

II. Company History

(I)Merger, reinvestment in affiliated companies or restructure in the most recent year up to the date of publication of this report: None.

(II)Major equity transfer or exchange events involving directors, supervisors or major shareholders holding more than 10% of the Company's shares in the most recent year up to the date of publication of this report: None.

(III)Major changes in the management, operations or businesses and other significant events that have serious impact on the rights of shareholders and the company in the most recent year up to the date of publication of this report: None.

(IV)Material information in prior years and up to the date of publication of this report

Month/Year	History
07/1998	The Company was officially launched.
10/1998	The Company launched "todo portal site", making its official debut in portal service.
06/2000	The Company established the E-Commerce Shopping Department, stepping into the field of e-commerce.
07/2000	Business Next Publishing Corp. names PChome Online #1 in Top 100 Chinese Websites in Taiwan and #3 in the overall Chinese category.
01/2003	The shares of PChome Online were officially registered for trading at the Emerging Stock Board.
09/2003	The monthly revenue of PChome Online shopping channel exceeded NT$100 million, securing our position as the leading brand in e-commerce operated by a domestic portal.
07/2004	The Company became the first strategic partner of Skype, the well-known Internet telephone company, and unveiled PChome & Skype VoIP service in Taiwan.
11/2004	The SkypeOut charging service was launched, establishing Skype’s business model.
01/2005	The Company was listed as "PChome Online" (Stock Code: 8044) at the Taipei Exchange, the first internet company to be listed in Taiwan.
10/2005	PChome online shopping becomes the first online shopping portal to receive approval from the Ministry of Finance to issue electronic invoice.
10/2005	The Company established the Shopping Department, launching PChome Online Store platform service.
11/2005	PChome Shopping won the Gold Medal of the "e-21 Golden Web Awards".
09/2006	PChome Online and eBay Inc. formed a joint venture to establish Ruten, an online auctioning platform.
01/2007	PChome Shopping introduced 24-hour Delivery Service and established 24-hour logistic transfer center, the first in global

Month/Year	History
	e-commerce and set a new standard for Taiwan's e-commerce.
04/2008	The Company formed a joint venture with Sinyi Realty Inc., H&B Business Group, Pacific Realtor, ChinaTrust Real Estate Co., and Century 21 (Taiwan) to establish Rakuya, crossing over into the real estate e-commerce.
10/2009	The Speedy Delivery ERP System of PChome 24h Shopping won the Award of Excellence of the 2009 eASIA Awards.
11/2009	PChome 24h Shopping won the Excellence Award of the "9th e-21 Golden Web Awards".
	Sue Yen, Vice General Manager of the Company's Shopping Department, was nominated as a Creative Entrepreneur of the "9th e-21 Golden Web Awards".
12/2009	PChome Photo won the Golden Award for Social Networking of the 10th Click! Awards for Media and Service Websites.
03/2010	The Company's shareholders' meeting resolved to spin off the Shopping Department as a subsidiary, PCHomestore Inc.
07/2010	Entering the global market as Taiwan's e-commerce leader, PChome Global Shopping was officially launched online.
11/2010	PChome 24h Shopping was the winner of the "3rd Taiwanese Superior Commercial Service Brand of Excellence" by the Ministry of Economic Affairs.
12/2010	PChome 24h Shopping won both the E-Commerce Golden Award and the Annual Best Media and Service Website Award of the 11th Click! Awards.
03/2011	The Company transferred PChome & Skype service to its subsidiary, LinkTel Inc.
04/2011	The subsidiary, PCHomestore Inc. (Stock Code: 4965), was listed at the Taipei Exchange.
06/2011	The Company was ranked #73 in the "Info Tech 100 Taiwan", and #1 in the Information Services Category released by Business Next Magazine.
07/2011	PChome 24h Shopping ranked #1 for online shopping in the Golden Service Awards of CommonWealth Magazine.
02/2012	PChome Global Shopping introduced the English website.
04/2012	The B2C platform of "PChome US", a subsidiary, was unveiled, providing online shopping services to Chinese communities in North America.
05/2012	The Company was ranked #105 in the "Top 500 Service Companies" by CommonWealth Magazine.
06/2012	The Company was ranked #37 in the "Top 100 Technology Companies" by Business Next Magazine.
10/2012	The Company garnered the Award of Excellence in Innovation for Organizations of the 2nd National Industrial Innovation Awards of

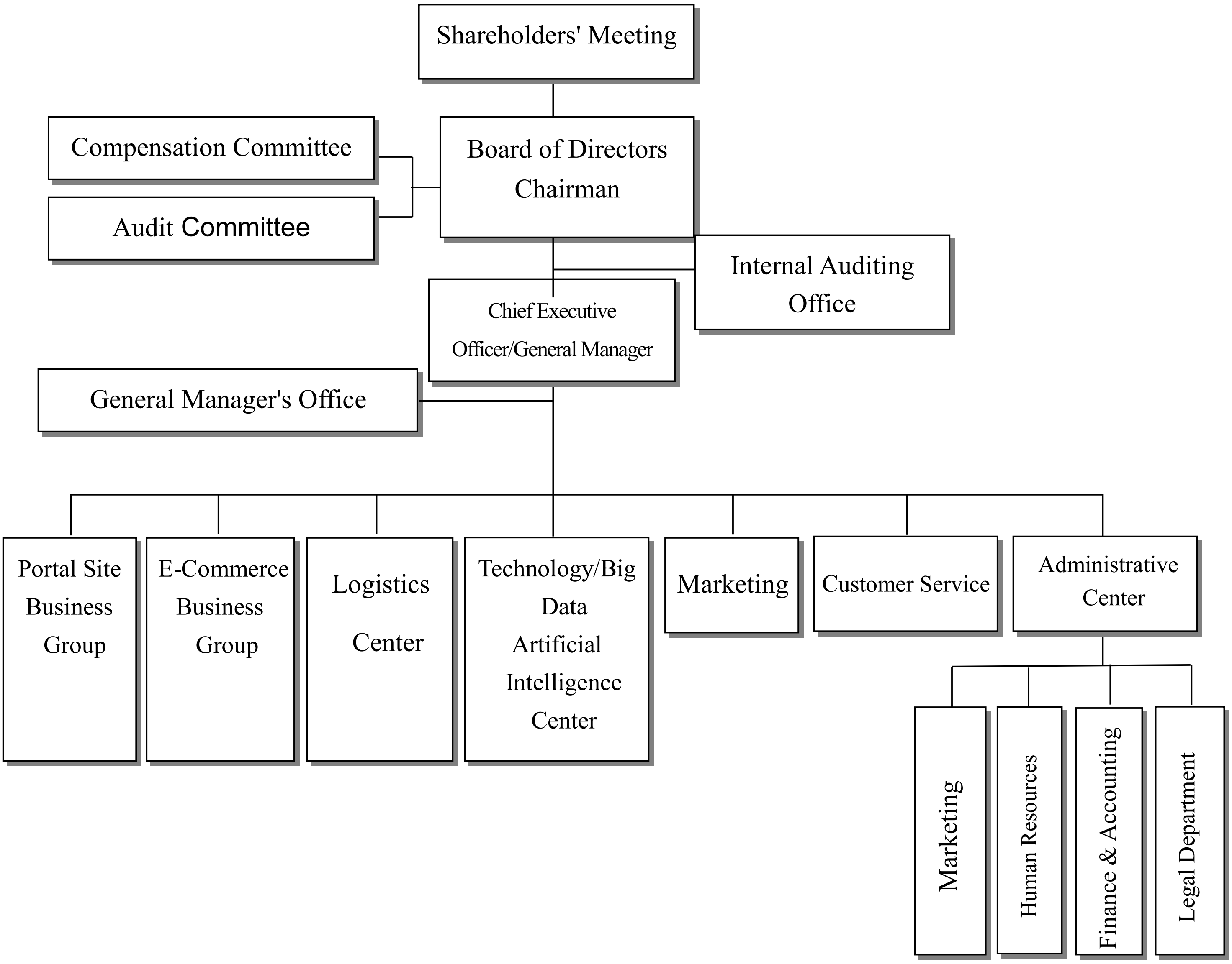
Month/Year	History
	Ministry of Economic Affairs.
11/2012	The Company garnered the Gold Medal for Platform Business - Shopping Malls Category of the 12th Golden Web Awards of Ministry of Economic Affairs.
01/2013	The Company was an online partner in the Lunar New Year Fair of "2013 Taipei Lunar New Year's Festival".
03/2013	PChomePay, a third-party credit card payment system, was launched. Ruten merchants could initiate the credit card payment service online.
04/2013	The Company launched Internet-specific Mandarin Phonetic Symbols Input Method.
07/2013	The Company received Level-A and Progress Award in the 10th Information Disclosure Evaluation of Listed Companies.
11/2013	PChomePay upgraded the entire security standard of its credit card payment collection services to formally meet the international standards of Payment Card Industry Data Security Standard (PCI-DSS) required by credit card companies.
12/2013	The Company introduced the "6-Hour Delivery in Taipei" service and performed trial operation in Taipei City. Normal delivery times applied during weekends and holidays as well.
	The Company won and was qualified for government assistance in the 2nd Taiwan Mittelstand Awards of MOEA.
02/2014	LinkTel Inc. established the "PChomeTalk" brand and released the first Android-exclusive Skype phone in the world.
04/2014	PChomeUSA's C2C e-commerce platform went online, providing an user-friendly platform for starting up business to Chinese communities in the U.S.2C
05/2014	PChome 24h Shopping won the Gold Award for online shopping category in the Golden Service Awards of CommonWealth Magazine.
12/2014	The Company launched "Yiabi", offering mobile application services and satisfying the "save, read, and share" demands of information.
01/2015	The Company received the "Super Power Brand" and the "First Prize of E-Commerce Platform Award" in 2015 Brand Asia hosted by MANAGER Today Magazine.
03/2015	The Company introduced "PChome search", focusing on "shopping first".
04/2015	The Company ranked #23 in the "The Most Influential 100 Brands in Taiwan" survey conducted by Business Weekly.
	The Company won "Super Power Brand" and the "First Prize of E-Commerce Platform Award" in 2015 Brand Asia hosted by MANAGER Today Magazine.
	The Company won Gold Award for online shopping category in the "Golden Service Awards" of CommonWealth Magazine.
05/2015	The Company launched "Pi Mobile Wallet" service, which contained

Month/Year	History
	functions that were "easy-to-use and safe-to-pay" and was the first mobile payment services conducted via mobile phone numbers.
11/2015	The Company won 2015 Innovative Product Award of the Information Technology Month.
01/2016	PChome InterPay obtained permission to operate as a specialized electronic payment institution.
03/2016	PChome InterPay obtained business license to operate as a specialized electronic payment institution.
06/2016	About 70% of bills can be paid via "Pi Mobile Wallet" in seven cities/counties, namely, Taipei City, Yilan, Keelung, New Taipei City, Taichung, Kaohsiung and Hsinchu.
10/2016	PChome InterPay officially commenced operation, providing comprehensive online payment service to members of Taiwan's #1 e-commerce market – Ruten.
	PChome Thai announced the approval of its Electronic Payment Service Business License, which allowed the Company to be the first Taiwanese e-commerce operator to conduct receivables and payables collection business in Thailand.
11/2016	The Company launched "top up" service to speed up online shopping payment transactions, allowing 8 million members to enjoy speedy checkout experience.
03/2017	The Company collaborated with the Skype founding team again to launch "Lingvist", an AI-based language leaning platform. Through AI, big data and personalized learning materials, users can master English language in 200 hours.
08/2017	PChome 24h Shopping worked with Kinmen County Government to provide shipping cost discounts to all online purchases made from outlying islands. The shipping cost for each order was merely NT$100, and if a single transaction exceeded NT$1,000, buyers were entitled to free shipping.
03/2018	The Company formed strategic partnership with Chunghwa Telecom for the first time and established the "CHT-PCH NO. 1", a venture capital fund to support new business ventures in Taiwan.
05/2018	The Company was committed to build membership economy and P Coin Ecosystem. It announced the launch of "Citi PChome Prime cobrand card" with Citibank Taiwan in May.
08/2018	The mobile payment service, Pi Wallet, joined forces with E. Sun Bank and launched the "E. Sun Pi Wallet Credit Card" in August.
10/2018	The Company established a 100% owned subsidiary, PChome Express Inc., to provide logistic service.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational structure



(II) Responsibilities and functions of major departments

Department Name	Functions
Internal Auditing Office	Execute internal audit and self-assessment on internal control; inspect and assess the effectiveness on the Company's execution of internal control.
General Manager's Office	Oversee the execution and coordination of company-wide business, set operational objectives, command and supervise the business of each department, and establish forward-looking policies.
Portal Site Business Group	Formulate business expansion plans, seek advertisers for website channels, produce advertising campaigns, and manage accounts receivables from clients.
E-Commerce Business Group	Plan and execute the operation of online shopping websites, enhance overall product competitiveness, provide professional and rich product information, assure safe and reliable payment service, and supervise suppliers' product delivery quality
Logistics Center	Overall planning on the information management of merchandises in self-owned warehouses, introduce control mechanism on product inspection and build shipment allocation system for logistics, integrate the shipment capacities of various logistic companies in Taiwan by enhancing the functions of logistic management and information system as a whole, improve the distribution modes self-owned and cooperative logistics companies through real-time computing, management and dispatch from AI centers. Externally, it builds PChome's logistics fulfillment mode and provides the most optimized smart logistics services in Taiwan.
Technology/Big Data Artificial Intelligence Center	Develop APP/web design, program design, information system development and maintenance, and the planning, construction and maintenance of internal network environment. Establish e-commerce AI laboratory to utilize AI, Big Data and cloud computing, and integrate large volume of product and geographical area data to compile a model encompassing all consumer data in Taiwan. Externally, it develops business intelligence, integrates the payment, logistics, and information flows of the websites, and unlock the potential of Big Data; work with external parties in the future to develop a brand-new business model.
Marketing Center	Analyze and compile data through AI center, converge traffic by utilizing trendy products, build consumer database specifically for e-commerce; integrate information to formulate media procurement plan, draw up advertisement strategies, manage brand marketing, manage official social media accounts, and fully implement 360-degree marketing strategies.
Customer Service Center	Responsible for the after-sales services of the Company's shopping website, collect consumer feedback and compile various information, and promptly react and adjust the website's merchandises and services; assist with customer complaints and provide customers with satisfactory services based on consumer needs.

Department Name	Functions
Marketing Department	Responsible for maintaining the Company's external relationships, strengthening and promoting brand image, planning and executing PR campaigns, drawing up website or channel marketing strategies, initiating media promotion, and formulating marketing strategies and PR timeline.
Human Resources Department	Plan and execute payroll operation and administrative procedures, deliver occupational safety and skills training, manage general affairs, and is responsible for general purchases and storeroom management.
Finance & Accounting Department	Conduct accounting/cost/cash management, carry out tax/bookkeeping/finalizing accounts procedures, and coordinate annual budget preparation and financing activities.
Legal Department	Process domestic and overseas trademark applications and patent review cases, plan and handle company setup, assist all departments to draw up and review collaboration agreements, handle civil and criminal litigation cases, domain name applications and pertaining matters, and provide legal consultations.

II. Directors, Supervisors, General Manager, Deputy General Manager, Assistant Vice Presidents and Managers of Departments and Branches

(I)Directors and Supervisors

April 30, 2019

Title	Nationality/Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Concurrent Positions Held in the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation
Chairman	R.O.C.	Hung-Tze Jan	Male	2018.06.13	3 years	1999.12.09	1,262,926	1.45%	1,592,427	1.36%	0	0%	0	0%	Department of Economics, National Taiwan University Editor of the Commentary Section of United Daily News General Manager of Yuan-Liou Publishing	Note	None	None	None
Director	R.O.C.	Yun Su	Female	2018.06.13	3 years	1999.12.09	559,331	0.64%	701,903	0.60%	0	0%	0	0%	Institute of Communication Studies, National Chiao Tung University Deputy General Manager of PChome Online Inc.	Note	None	None	None
Director	R.O.C.	Kevin Tsai	Male	2018.06.13	3 years	2015.06.22	1,100	0%	1,461	0%	0	0%	0	0%	Royal Roads University MBA in Executive Management Deputy General Manager of PChome Online Inc.	Note	None	None	None
Director	R.O.C.	Jerry Hsu	Male	2018.06.13	3 years	2015.06.22	0	0%	0	0%	0	0%	0	0%	International Business School, Waseda University	Note	None	None	None
Director Corporate shareholder	R.O.C.	Site Inc.		2018.06.13	3 years	2002.06.11	15,067,228	17.36%	18,907,864	16.14%	0	0%	0	0%	None	None	None	None	None
Director (Corporate representative)	R.O.C.	Vicky Tseng (Note 1)	Female	2018.06.13	3 years	2017.10.05	428,252	0.37%	428,252	0.37%	0	0%	0	0%	MS, Administrative studies －e-commerce, systems & technology, Boston University EMBA, Accounting, National Taiwan University Marketing Director of PChome Online Inc.	Note	None	None	None
Director (Corporate representative)	R.O.C.	Johnson Fong (Note 1)	Male	2018.11.01	3 years	2018.11.01	0	0%	0	0%	0	0%	0	0%	Department of Industrial Management, National Taiwan University of Science and Technology Assistant Vice President of Quanta Computer Inc.	Note	None	None	None

Title	Nationality/Place of Incorporation	Name	Gender	Date Elected (Appointed)	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Concurrent Positions Held in the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation
Independent Director	R.O.C.	Chang-Sung Yu	Male	2018.06.13	3 years	2008.06.27	0	0%	0	0%	0	0%	0	0%	Ph.D. of Graduate School of Industrial Administration, Carnegie Mellon University Professor and Founding Director of Department of Information Management, National Taiwan University Head of Network Management Division, Computer and Information Networking Center of National Taiwan University	Note	None	None	None
Independent Director	R.O.C.	Shao-Hua Huang	Male	2018.06.13	3 years	2005.01.13	0	0%	0	0%	0	0%	0	0%	Department of Communications Engineering, National Chiao Tung University Co-founder of the Acer Inc. Corporate Chief Financial Officer of Acer Group	Note	None	None	None
Independent Director	R.O.C.	Yuan Li	Male	2018.06.13	3 years	2018.06.13	0	0%	0	0%	0	0%	0	0%	Department of Biology, National Taiwan Normal University Department of Communications Engineering, National Chiao Tung University President of Chinese Television System Inc. Manager of Program Department of Taiwan Television Enterprise, Ltd.	Note	None	None	None

Note 1: The corporate representative of Site Inc., Ming-Tung Chung, resigned in October 2018, and Johnson Fong was appointed.

Note: Concurrent positions held by Directors and Supervisors in the Company and other companies

Title	Name	Concurrent Positions Held in the Company and Other Companies
Chairman	Hung-Tze Jan	Chairman: PCHomestore Inc.; Eastern Online Co., Ltd.; Eolembrain Co., Ltd.; PChome eBay Co., Ltd.; Site Inc.; Business Next Publishing Corp.; PChome InterPay Inc.; PChomePay Inc.; Yiabi Inc.; PC Home Online International Co.,(B.V.I.); PC Home Online (Cayman) Inc.; PC Home Online (HK) Ltd.; eCommerce Group Co., Ltd. (BVI); Ruten Global Inc. (Cayman); EC Global Limited; PChome US Inc.; Linktel Inc.; PayEasy Ltd.; PCHOME US INC., Taiwan Branch; PChome Japan KK; Ruten Japan KK; EOL social Co., Ltd.; PChome (Thailand) Co., Ltd.; Pi Mobile Technology Inc.; Meet Digital Innovation Co., Ltd.; IT Home Publications Inc.; Yin Te Lian International Co., Ltd.; Yun Tung Bao International Co., Ltd.; Zhen Jain Lian International Co., Ltd.; PChome Financial Technology Inc.; Ruten Singapore Pte. Ltd.; PChome Travel Inc.; PChome Express Inc.; Chunghwa PChome Fund 1 Co., Ltd.; Keystone Innovation Venture Capital Co., Ltd. Director of CDIB Capital Innovation Advisors Corporation; Independent Director of Sinyi Realty Inc.; Independent Director and Remuneration Committee member of ASMedia Technology Inc.; Independent Director and Remuneration Committee and Audit Committee member of Lion Travel Service Co., Ltd.; Director of funP Innovation Group, Taipei Culture Foundation, and Rakuya International Info. Co., Ltd.
Director	Yun Su	Director and General Manager of PCHomestore Inc.; Director of PChome InterPay Inc.; Director of PChomePay Inc.; Director of Yiabi Inc.; Director of Yin Te Lian International Co., Ltd.; Director of Yun Tung Bao International Co., Ltd.; Director of Zhen Jain Lian International Co., Ltd.; Director of PChome Financial Technology Inc.
Director	Kevin Tsai	General Manager of PChome Online Inc.; Director of Rakuya International Info. Co., Ltd.; Director of PChomePay Inc.; Director of PChome InterPay Inc.; Director of Pi Mobile Technology Inc.; Director of PChome Travel Inc.; Director of PChome Express Inc.; Director of Chunghwa PChome Fund 1 Co., Ltd.; Director of Keystone Innovation Venture Capital Co., Ltd.
Director	Jerry Hsu	Deputy Manager of Investment Management of Compal Electronics, Inc.; Executive Deputy General Manager of AcBel Polytech Inc.; Director of Cal-Comp Biotech Co., Ltd.; Director of PK Venture Capital Corp.; Director of Kinpo Electronics, Inc.; Director of Prudence Venture Investment Corporation; Director of Breeze Comprehensive Development Inc.; Director of Cal-Comp Big Data, Inc.; Independent Director of Winbond Electronics Corp.; Independent Director of Sirtec International Co., Ltd.; Independent Director of Nuvoton Technology Corp.; Supervisor of Rich Treasure Investment Limited; Supervisor of Teleport Access Services, Inc.; Supervisor of CastleNet Technology Inc.; Supervisor of Baotek Industrial Materials Ltd.
Director (Corporate representative)	Vicky Tseng (Note 1)	Director and General Manager of PChome eBay Co., Ltd.; Chief Strategy Officer of PChome Online Inc.; Director of PCHomestore Inc.; Director of PChome Travel Inc.; Director of Chunghwa PChome Fund 1 Co., Ltd.; Director of Keystone Innovation Venture Capital Co., Ltd.
Director (Corporate	Johnson Fong (Note 1)	Assistant Vice President of Quanta Computer Inc.; Director of Techview International Technology Inc.

Title	Name	Concurrent Positions Held in the Company and Other Companies
representative)		
Independent Director	Chang-Sung Yu	Professor of National Taiwan University; Independent Director, Remuneration Committee and Audit Committee member of Lion Travel Service Co., Ltd.; Chairman of Secure Online Shopping Association
Independent Director	Shao-Hua Huang	Director of Acer Inc.; Supervisor of Les enphants Co., Ltd.; Director of Motech Industries Inc.; Supervisor of Apacer Technology Inc.; Independent Director and convener of Remuneration Committee of BIONET Corp.; Independent Director and Remuneration Committee member of Taiwan Taxi
Independent Director	Yuan Li	Director of Paper Windmill Foundation; Director of Synnex Cultural and Educational Foundation; Remuneration Committee member of PChome Online Inc.; Chairman of Taipei Culture Foundation; Principal of Taipei Media School; executive member of the General Association of Chinese Culture; member of the Taipei Film Festival Advisory Committee; member of Taiwan Television Enterprise, Ltd. Press Council

Note 1: The corporate representative of Site Inc.

1.Major shareholders of Directors and Supervisors who are corporate shareholders

For representatives of corporate shareholders, the names of corporate shareholders and the names of the corporate shareholders' top ten shareholders are in the table below:

April 30, 2019

Name of Corporate Shareholder	Major Shareholders of the Corporate Shareholders
Site Inc.	PuMa Co., Ltd. (20.87%), HILDER Investment Limited (13.88%), Fei-Peng Ho (5.24%), Ssu-Yuen Pan (4.52%), Cite Publishing Ltd. (3.88%), Chun-Chi Chou (3.63%), Sung-Mao Cheng (3.04%), Jen-Chiang Hsu (2.74%), Li-Chu Tsai (2.26%), Jerry Hsu (1.82%)

Major shareholders of major shareholders in the table above who are judicial persons

April 30, 2019

Name of Corporate Shareholder	Major Shareholders of the Corporate Shareholders
HILDER Investment Limited	Arthur Lee (100%)
PuMa Co., Ltd.	Hung-Tze Jan (61%), Apu Jan (37%), Hsin-I Wang (1%), Chien-Sheng Li (1%)
Cite Publishing Ltd.	Media Focus Malaysia Co., Ltd. (100%)

2.Information on the Independence of Directors and Supervisors

Conditions / Name	Has More Than 5 Years of Work Experience and the Following Professional Qualifications			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who has Passed a National Examination with a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Hung-Tze Jan			✓				✓		✓	✓		✓	✓	3
Yun Su			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Kevin Tsai			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Jerry Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Corporate representative of Site Inc.: Vicky Tseng			✓			✓	✓	✓	✓	✓	✓	✓		0
Corporate representative of Site Inc.: Johnson Fong			✓			✓	✓	✓	✓	✓	✓	✓		0
Chang-Sung Yu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Shao-Hua Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yuan Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes if Directors have met any of the following conditions during the two years prior to being elected or during the term of office.✓

(1)Not an employee of the Company or any of its affiliates.

(2)Not a Director or Supervisor of the Company's affiliates (This restriction does not apply, however, in cases where the person is an Independent Director of the Company's parent company, or any subsidiary whose voting shares are 50 percent held, directly or indirectly, by the Company).

(3)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held in the name of others, in an aggregate amount of 1 percent or more of the total number of outstanding shares of the Company or ranks in the top ten in holdings.

(4)Not a spouse, second-degree relative, or third-degree lineal relative, of any of the persons in the preceding three subparagraphs.

(5)Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of outstanding shares of the Company or that ranks in the top five of shareholding.

(6)Not a Director, Supervisor, manager, or shareholder with 5 percent or more of the shareholding of a specified company or institution that has a financial or business relationship with the Company.

(7)Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. However, the restriction does not apply to any member of the compensation committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx.

(8)Not a spouse or second-degree relative to any other Director of the Company.

(9)Not being a person of any conditions defined in Article 30 of the Company Act.

(10)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(II)General Manager, Deputy General Manager, Assistant Vice Presidents and Managers of Departments and Branches

April 30, 2019

Title (Note 1)	Nationality	Gender	Name	Date Elected (Appointed)	Spouse & Minor Shareholding		Shareholding of Spouse and Minor Children		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Positions Concurrently Held in Other Companies	Managers who are Spouses or Within Two Degrees of Kinship		
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation
General Manager	R.O.C.	Male	Kevin Tsai	2017.11.02	1,461	0%	0	0%	0	0%	Royal Roads University MBA in Executive Management Deputy General Manager of PChome Online Inc.	Note 3	None	None	None
Chief Strategy Officer	R.O.C.	Female	Vicky Tseng	2017.03.16	428,252	0.37%	0	0%	0	0%	MS, Administrative studies — e-commerce, systems & technology, Boston University EMBA, Accounting, National Taiwan University Marketing Director of PChome Online Inc.	Note 3	None	None	None
Deputy General Manager	R.O.C.	Male	Leo Lu	2000.03.13	397,557	0.34%	1,015	0%	0	0%	Department of Accounting, Chinese Culture University	Supervisor of PChome eBay Co., Ltd. Supervisor of Pi Mobile Technology Inc. Supervisor of PChome Financial Technology Inc.	None	None	None
Deputy General Manager	R.O.C.	Female	Yu-Shu Hu	2018.10.01	0	0%	0	0%	0	0%	Department of Insurance, Chaoyang University of Technology Deputy Director of E-Commerce Department	None	None	None	None

Note1：Information regarding General Manager, Deputy General Manager, Assistant Vice Presidents and managers of departments and branches, or equivalent positions shall be disclosed regardless of the job titles.

Note2：Work experience of anyone in the table above that are related to their current positions, e.g., previous employment at the Company's CPA firms or affiliates, shall be disclosed with detailed job titles and responsibilities.

Note3：Please refer to page 12.

(III)Remuneration paid to Directors (including Independent Directors), General Manager and Deputy General Managers in the most recent fiscal year

1.Remuneration paid to Directors (including Independent Directors)

Unit: NT$ thousands December 31, 2018

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (Note 10)		Whether There Is Compensation from an Invested Company Other than the Company's Subsidiary (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay (B)		Directors Compensation (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 4)						
		The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company		All Companies in the Consolidated Financial Statements (Note 7)		The Company	All Companies in the Consolidated Financial Statements (Note 7)	
																Cash	Stock	Cash	Stock			
Chairman	Hung-Tze Jan	0	0	0	0	0	0	30	57	0%	0%	9,318	0	0	0	0	0	0	0	(0.95)%	0%	None
Director	Yun Su	0	0	0	0	0	0	30	57	0%	0%	0	2,103	0	0	0	0	0	0	0%	(0.12)%	None
Director	Kevin Tsai	0	0	0	0	0	0	27	27	0%	0%	16,924	0	0	0	0	0	0	0	(1.72)%	0%	None
Director	Jerry Hsu	0	0	0	0	0	0	15	15	0%	0%	0	0	0	0	0	0	0	0	0	0%	None
Independent Director	Chang-Sung Yu	600	868	0	0	0	0	30	57	0%	0%	0	0	0	0	0	0	0	0	0	0%	None
Independent Director	Shao-Hua Huang	600	0	0	0	0	0	18	18	0%	0%	0	0	0	0	0	0	0	0	0	0%	None
Independent Director	Yuan Li	350	750	0	0	0	0	12	42	0%	0%	0	0	0	0	0	0	0	0	0	0%	None
Director	Site Inc. Representative: Vicky Tseng	0	0	0	0	0	0	30	57	0%	0%	456	3,090	0	0	0	0	0	0	(0.05)%	(0.18)%	None
Director	Site Inc. Representative: Johnson Fong	0	0	0	0	0	0	0	0	0%	0%	0	0	0	0	0	0	0	0	0%	0%	None
Except for information disclosed above, remuneration paid for services rendered by Directors of the Company to all consolidated entities (e.g., serving as a non-employee consultant) in the most recent fiscal year: None.																						

Note 1: The name of Directors shall be listed separately (for corporate shareholders, their names and representatives shall be listed separately) and the amount of remuneration paid shall be disclosed in aggregate. If any Director concurrently serves as a General Manager or Deputy General Manager, please fill out this table and Tables (3-1) or (3-2) below.

Note 2: This refers to compensation to Directors in the most recent fiscal year (including salaries, allowances, severance pay, bonuses, incentive pay, etc. to Directors).

Note 3: This refers to Directors' compensation approved by the Board of Directors in the most recent fiscal year.

Note 4: This refers to Directors' allowances in the most recent fiscal year (including transport fee, special allowance, various subsidies, accommodation, vehicles, etc. provided). If housing, vehicle and other means of transportation or personal expense are provided, the nature and cost of the asset provided, the rentals calculated based on actual or fair market value, fuel, and other payments shall be disclosed. If a driver is hired, please disclose the amount of salaries paid by the Company to the driver as a footnote. However, this amount shall not be included in the compensation.

Note 5: This refers to salaries, allowances, severance pay, bonuses, incentive pay, transport fee, special allowance, various subsidies, accommodation, vehicles, etc. received by the Directors for being an employee concurrently (including concurrently holding the position of General Manager, Deputy General Manager, other executive officers, or employees) in the most recent fiscal year. If housing, vehicle and other means of transportation or personal expense are provided, the nature and cost of the asset provided, the rentals calculated based on actual or fair market value, fuel, and other payments shall be disclosed. If a driver is hired, please disclose the amount of salaries paid by the Company to the driver as a footnote. However, this amount shall not be included in the compensation. Salary expenses recognized pursuant to IFRS 2 "Share-based Payment", including employee stock options, restricted stock award shares, and share subscription at capital increase by cash shall be included as remuneration.

Note 6: Directors who hold concurrent positions as employees (including the position of General Manager, Deputy General Manager, other executive officers, or employees) and are entitled to employee compensation (including stocks and cash) shall disclose the amount of employee compensation approved in the Board of Directors' meeting in the most recent fiscal year. If the amount cannot be estimated, please calculate by using the actual distribution amount and percentage of last year. Also, Table 1-3 shall be filled out.

Note 7: The sum of various compensations paid to the Company's Directors by all consolidated entities (including the Company) shall be disclosed.

Note 8: For the sum of various compensations paid to each Directors by the Company, the name of each Director shall be disclosed in the proper range.

Note 9: For the sum of various compensations paid to the Company's Directors by all consolidated entities (including the Company), the name of each Director shall be disclosed in the proper range.

Note 10: Net income after taxes refers to net income after taxes in the most recent fiscal year. If IFRSs have been adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements in the most recent fiscal year.

Note 11: a. The amount of remuneration received by the Company's Directors from investees other than subsidiaries of the Company shall be stated clearly in this column.

b. If the Company's Directors received remuneration from investees other than subsidiaries of the Company, the amount received shall be included in I column of the Remuneration Range Table and the name of the field shall be changed to "All Investees".

c. Remuneration in this case shall refer to salaries, compensations (including compensation received as an employee, director, or supervisor), allowances, and other related remunerations received by the Company's Directors for being a Director, Supervisor, or managerial officer of investees other than subsidiaries.

＊ The remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for information disclosure, not for taxation.

2.Remuneration paid to Supervisors： Not applicable.

(The Company elected three Independent Directors at the Annual Shareholders' Meeting held on June 13, 2018, and set up an Audit Committee to replace the positions and the authority of Supervisors.)

3.Remuneration paid to the General Manager and Deputy General Managers (amounts are aggregated and names are disclosed in the proper range).

Unit: NT$ thousands December 31, 2018

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Base Compensation (A) (Note 2)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonus and Allowances, etc. (C) (Note 3)</th><th colspan="4">Employee Compensation (D) (Note 4)</th><th colspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 8)</th><th rowspan="3">Whether There Is Compensation from an Invested Company Other than the Company's Subsidiary (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All Companies in the Consolidated Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Companies in the Consolidated Financial Statements (Note 5)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Hung-Tze Jan</td><td rowspan="5">10,029</td><td rowspan="5">10,735</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">21,627</td><td rowspan="5">23,554</td><td rowspan="5">94</td><td rowspan="5">0</td><td rowspan="5">484</td><td rowspan="5">0</td><td rowspan="5">(3.22)%</td><td rowspan="5">(1.98)%</td><td rowspan="5">None</td></tr>
<tr><td>General Manager</td><td>Kevin Tsai</td></tr>
<tr><td>Chief Strategy Officer</td><td>Vicky Tseng</td></tr>
<tr><td>Deputy General Manager</td><td>Leo Lu</td></tr>
<tr><td>Deputy General Manager</td><td>Yu-Shu Hu</td></tr>
</table>

Table of Range of Remuneration

<table>
<tr><th rowspan="2">Range of Remuneration Paid to the General Manager and Deputy General Managers of the Company</th><th colspan="2">Name of General Manager and Deputy General Managers</th></tr>
<tr><th>The Company (Note 6)</th><th>All Companies in the Consolidated Financial Statements (Note 7) E</th></tr>
<tr><td>Less than NT$2,000,000</td><td>Vicky Tseng、Yu-Shu Hu</td><td>Yu-Shu Hu</td></tr>
<tr><td>NT$2,000,000 (inclusive) to 5,000,000 (exclusive)</td><td>Leo Lu</td><td>Leo Lu、Vicky Tseng</td></tr>
<tr><td>NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)</td><td>Hung-Tze Jan</td><td>Hung-Tze Jan</td></tr>
<tr><td>NT$10,000,000 (inclusive) to NT$30,000,000 (exclusive)</td><td>Keven Tsai</td><td>Keven Tsai</td></tr>
<tr><td>NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)</td><td>0</td><td>0</td></tr>
<tr><td>NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)</td><td>0</td><td>0</td></tr>
<tr><td>NT$100,000,000 and above</td><td>0</td><td>0</td></tr>
<tr><td>Total</td><td>5 people</td><td>5 people</td></tr>
</table>

Note 1: Names of the General Manager and Deputy General Managers shall be listed separately and the amount of remuneration shall be disclosed in aggregate. If any Director concurrently serves as a General Manager or Deputy General Manager, please fill out this table and Tables (1-1) or (1-2) above.

Note 2: This refers to salaries, allowances and severance pay of General Manager and Deputy General Managers in the most recent fiscal year.

Note 3: This refers to bonuses, incentive pay, transport fee, special allowance, various subsidies, accommodation, vehicles, etc. provided to General Manager and Deputy General Managers in the most recent fiscal year. If housing, vehicle and other means of transportation or personal expense are provided, the nature and cost of the asset provided, the rentals calculated based on actual or fair market value, fuel, and other payments shall be disclosed. If a driver is hired, please disclose the amount of salaries paid by the Company to the driver as a footnote. However, this amount shall not be included in the compensation. Salary expenses recognized pursuant to IFRS 2 "Share-based Payment", including employee stock options, restricted stock award shares, and share subscription at capital increase by cash shall be included as remuneration.

Note 4: This refers to employee compensation (including stocks and cash) to General Manager and Deputy General Managers approved in the Board of Directors' meeting in the most recent fiscal year. If the amount cannot be estimated, please calculate by using the actual distribution amount and percentage of last year. Also, Table 1-3 shall be filled out. Net income after taxes refers to net income after taxes in the most recent fiscal year. If IFRSs have been adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements in the most recent fiscal year.

Note 5: The sum of various compensations paid to the Company's General Manager and Deputy General Managers by all consolidated entities (including the Company) shall be disclosed.

Note 6: For the sum of various compensations paid to General Manager and Deputy General Managers by the Company, the name of each General Manager and Deputy General Managers shall be disclosed in the proper range.

Note 7: For the sum of various compensations paid to the Company's General Manager and Deputy General Managers by all consolidated entities (including the Company), the name of General Manager and Deputy General Managers shall be disclosed in the proper range.

Note 8: Net income after taxes refers to net income after taxes in the most recent fiscal year. If IFRSs have been adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements in the most recent fiscal year.

Note 9: a. The amount of remuneration received by the Company's General Manager and Deputy General Managers from investees other than subsidiaries of the Company shall be stated clearly in this column.

b. If the Company's General Manager and Deputy General Managers received remuneration from investees other than subsidiaries of the Company, the amount received shall be included in E column of the Remuneration Range Table and the name of the field shall be changed to "All Investees".

c. Remuneration in this case shall refer to salaries, compensations (including compensation received as an employee, director, or supervisor), allowances, and other related remunerations received by the Company's General Manager and Deputy General Managers for being a director, supervisor, or managerial officer of investees other than subsidiaries.

＊ The remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for information disclosure, not for taxation.

4.Employees compensation paid to executive officers

Unit: NT$ thousands December 31, 2018

Title		Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Chairman	Hung-Tze Jan	0	0	0	0%
	General Manager	Kevin Tsai				
	Deputy General Manager	Leo Lu				
	Chief Strategy Officer	Vicky Tseng				
	Deputy General Manager	Yu-Shu Hu				

Note1：This refers to employee compensation (including stocks and cash) to executive officers approved in the Board of Directors' meeting in the most recent fiscal year. If the amount cannot be estimated, please calculate by using the actual distribution amount and percentage of last year.

Note2：Net income after taxes refers to net income after taxes in 2018. If IFRSs have been adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements in the most recent fiscal year.

(IV)Analysis of the total remuneration paid to the Company's Directors, Supervisors, General Managers, and Deputy General Managers by the Company and all consolidated entities in the most recent two years as a percentage of net income, and explanation on the remuneration policy, standards and packages, determination procedures, and correlation with business performance

1.Total remuneration paid to the Company's Directors, Supervisors, General Managers, and Deputy General Managers by the Company in the most recent two years as a percentage of net income

(Amount paid to the Supervisors in the most recent two years as a percentage of net income: not applicable, as the Company elected three Independent Directors at the annual general meeting held on June 13, 2018, and set up an Audit Committee to replace the positions and authority of Supervisors.)

Unit: %

Year / Title	Percentage of Total Remuneration to Net Income			
	2017		2018	
	The Company	All Companies in the Consolidated Financial Statements	The Company	All Companies in the Consolidated Financial Statements
Director	147.30%	(15.30)%	(2.93)%	(1.79)%
Supervisor	1.74%	(0.16)%	None	None
General Manager and Deputy General Managers	143.60%	(14.80)%	(3.22)%	(1.98)%

Note 1. The Board of Directors has resolved not to distribute 2018 earnings in 2019.

2.Remuneration policy, standards and packages, determination procedures, and correlation with business performance and future risks

(1)The Company's remuneration standard for Directors was approved by the Board of Directors and submitted to the shareholders' meeting for approval in 2005. If the Directors hold concurrent positions as employees, additional compensations are provided in accordance with the provisions of (2) and (3) below.

(2)The appointment, discharge and compensation of the Company's General Manager and Deputy General Managers shall be handled in accordance with the Company's rules.

Remuneration standards are set by the Company's human resources department in accordance with the Company's performance assessment rules. Principles are determined based on individual performance, his/her contribution to the Company's overall operation, and peers' standards within the industry. Procedures are carried out in accordance with the Company's "Rules Governing Salaries" and "Rules Governing Employee Compensation", and the distribution of bonus and compensations to managers is determined by operation performance.

(3)The Company's remuneration policy is based on individual capability, contribution to the company, and performance, and it has a positive correlation with operation performance. Also, as the Company has controlled future risks, the correlation between remuneration policy and future risks is relatively low. There are three major parts to the remuneration package: base salaries, bonuses and employee compensations, and benefits. With regard to remuneration standards, the base salaries are approved based on the market rate of employee's position, bonuses and employee compensation are given in connection with achievement rates of employees or departments, or the Company's operation performance; benefits packages are designed in compliance with regulatory requirements and to meet employees' needs.

III. Corporate Governance Implementation

(I)Board of Directors' meetings

The Company has re-elected the Board of Directors at the shareholders' meeting on June 13, 2018, and set up an Audit Committee to replace the positions and authority of Supervisors.

Before the re-election, there were 11 Directors and Supervisors in total (6 Directors, 2 Independent Directors, and 3 Supervisors).After the re-election, there were 9 Directors (including 3 Independent Directors).

The Board of Directors convened ten Board meetings in 2018 (five before the re-election and five after) (A). The attendance of Directors is as follows:

Title	Name (Note 1)	Attendance in Person B	Attendance by Proxy	Attendance Rate (%) (B/A) (Note 2)	Remark
Chairman	Hung-Tze Jan	10	0	100%	Re-elected
Director	Yun Su	10	0	100%	Re-elected
Director	Kevin Tsai	9	0	90%	Re-elected
Director	Site Inc. Representative: Vicky Tseng	10	0	100%	Re-elected
Director	Site Inc. Representative: Ming-Tung Chung	5	0	50%	2018.10.31 Corporate representative resigned
Director	Site Inc. Representative: Johnson Fong	0	0	0%	2018.11.01 Incoming corporate representative
Director	Jerry Hsu	5	0	50%	Re-elected
Independent Director	Chang-Sung Yu	10	0	100%	Re-elected

Independent Director	Shao-Hua Huang	6	0	60%	Re-elected
Independent Director	Yuan Li	4	1	40%	Incoming
Supervisor	Li-Zu Chen	1	0	None	Outgoing (resigned after re-election)
Supervisor	Hsin-I Wang	3	0	None	Outgoing (resigned after re-election)
Supervisor	Johnson Fong	4	0	None	Outgoing (resigned after re-election)

Other mentionable items:

I. The date, session, agenda, opinions of all independent directors and the Company's means of processing the opinions of independent directors shall be specified if one of the following circumstances occurred in the operation of the board of directors：

(I) Matters listed under Article 14-3 of the Securities and Exchange Act： Not applicable, since the Company has established an audit committee； matters listed under Article 14-5 of the Securities and Exchange Act shall be applicable instead.

(II) Other board resolutions recorded and stated in writing with opposing or reserved opinions from independent directors other than those mentioned above： None; there was no opposing or reserved opinions of the period from the independent directors.

II. Directors' implementation on the avoidance of interest-related motions： As representative of Director, Vicky Tseng and Kevin Tsai, had a conflict of interest on matters pertaining to employee compensation to executive officers, salary adjustments of senior executives, evaluation on salary of individual senior executive, and year-end bonus, they were recused from discussion and voting of those matters.

III. Objectives of strengthening the functionality of the Board of Directors in the current year and the most recent fiscal year (e.g., setting up the Audit Committee, enhancing information transparency, etc.), and evaluation of the execution thereof:

The Company elected three Independent Directors at the Annual Shareholders' Meeting held on June 13, 2018, and set up an Audit Committee to replace the positions and authority of Supervisors. The Audit Committee was formally established on June 13, 2018, consisting of three Independent Directors. Meetings shall be held at least once every quarter. The Committee is responsible for the adequate presentation of the Company's financial statement, appointment and discharge, independence and performance of CPAs, effective implementation of internal control, legal compliance, and control over existing or potential risks of the Company. Three meetings have been convened by the Audit Committee since its establishment and its operation has been smooth.

The Company has amended its "Rules of Procedure for the Board of Directors' Meetings" in compliance with the amendments to the "Regulations Governing Procedure for Board of Directors Meeting of Public Companies" by the Financial Supervisory Commission on July 28, 2017, uploaded the attendance status of Board of Directors' meetings at the Market Observation Post System (MOPS), disclosed material resolutions of the Board of Directors meeting at the corporate website, and purchased liability insurance for all Directors and Supervisors.

The Company's first Compensation Committee was formally established on December 23, 2011, and the Compensation Committee Charter was drawn up. The second Compensation Committee was appointed by a resolution of the Board of Directors on June 27, 2012. It was responsible for formulating and regularly reviewing the policies, systems, standards and structures of Directors' and executive officers' performance assessment and compensations, as well as regularly evaluating and formulating compensation to Directors and executive officers, employee stock option programs and compensation plans, or other employee incentive schemes. The third

Compensation Committee was appointed by a resolution of the Board of Directors on June 30, 2015. It consisted of three Independent Directors. All relevant personnel had attended the Compensation Committee meeting in person for questions and discussion. After the re-election of Directors and Supervisors at the shareholders' meeting on June 13, 2018, the Company had appointed the fourth compensation members to form the Compensation Committee on June 21, 2018. Since the re-election of Compensation Committee, all relevant personnel had attended the Committee meeting in person for questions and discussion. Three meetings have been convened in 2018, and the Committee's operation has been smooth.
The Company continues to strengthen corporate governance and relevant procedures and rules are available on the Company's website. The Company has always been committed to the principles of information transparency and actively safeguards the shareholders' interests. Key resolutions from the Board of Directors' meeting are disclosed at the MOPS and corporate website.

Note1：For Directors and Supervisors who are judicial persons, the names of the corporate shareholders and their representatives shall be disclosed.

Note2：1. If any Director or Supervisor resigned before the end of the year, the resignation date shall be noted in the Remark column. The Attendance Rate (%) shall be calculated based on the number of Board of Directors' meeting held and the actual attendance during the term of office.

2. If Directors and Supervisors were re-elected before the end of the year, incoming and outgoing Directors and Supervisors shall be listed accordingly, and the Remark column shall indicate whether the status of Director and Supervisor is "Outgoing", "Incoming" or "Re-elected", and the date of re-election. The Attendance Rate (%) shall be calculated based on the number of Board of Directors' meeting held and the actual attendance during the term of office.

(II)Audit Committee or Supervisors Participation in the Board of Directors meetings

1.Operations of the Audit Committee:

The Company's first Audit Committee was formally established on June 13, 2018, consisting of three Independent Directors. Independent Director, Chang-Sung Yu, was elected to be the convener. Meetings shall be held at least once every quarter. The Committee is responsible for the adequate presentation of the Company's financial statement, appointment and discharge, independence and performance of CPAs, effective implementation of internal control, legal compliance, and control over existing or potential risks of the Company. Its primary duties and are as follows:

(1)Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
(2)Evaluation of the effectiveness of the internal control system.
(3)Adoption or amendment of the procedures for significant financial or business conducts, e.g., Procedures for Acquisition or Disposal of Assets, Procedures for Derivative Transactions, Procedures for Lending Funds to Other Parties, and Procedures for Endorsement and Guarantee, pursuant to Article 36-1 of the Securities and Exchange Act.
(4)Matters related to the Directors' own interests.
(5)Significant asset or derivative transactions.
(6)Significant lending, endorsement or provision of guarantees.
(7)Offering, issuance or private placement of equity-type marketable securities.
(8)The appointment, discharge and compensation of CPAs.
(9)The appointment and discharge of finance, accounting or internal auditing officers and managers.
(10)Annual and semi-annual financial reports.
(11)Other significant matters as required by the Company or the competent authority.

The Audit Committee convened three meetings (A) in 2018. The attendance is as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A) (Note)	Remark
Independent Director	Chang-Sung Yu	3	100%	Incoming
Independent Director	Shao-Hua Huang	1	33%	Incoming
Independent Director	Yuan Li	2	66%	Incoming

Other mentionable items:

I. The date, session, agenda, resolution of the Audit Committee and the Company's means of processing the opinions of the Audit Committee shall be specified if one of the following circumstances occurred in the operation of the Audit Committee:

(I) Matters listed under Article 14-5 of the Securities and Exchange Act:

Date of Meeting	Content of Motion	Opinions of all Independent Directors and the Company's handling of these opinions
2018.3.19	1. Amendments for the Company's "Procedures for Lending Funds to Other Parties" 2. Short-term financing for the PCHOMESTORE INC.	Approved by all Independent Directors
2019.3.18	1. Amendments for the Company's "Procedures for Acquisition or Disposal of Assets" 2. Amendments for the Company's "Procedures for Lending Funds to Other Parties" 3. Review and approval of 2019 CPA fees	Approved by all Independent Directors

(II) Except for the foregoing, other matters that were not approved by the Audit Committee but were approved by more than two-thirds of all directors： None； there was no objection or reservation from the independent directors for the period.

II. Implementation of the independent directors' avoidance of motion with conflict of interests (please specify the independent director's name, content of the motion, reasons for the avoidance of conflict of interests, and participation in voting)： None； each member of the Audit Committee has fully expressed his/her opinions.

III. Communication between the independent directors and chief audit executive and accountant (include major topics, methods and results relating to the Company's financial and business status that shall be communicated)：

(I) There are channels of direct contact between the independent directors and chief audit executive and the Certified Public Accountant and the communication condition is good；

(II) The Company convenes the Audit Committee meeting on regular basis, which will invite accountant, chief auditing executive to attend and invite related supervisors to attend if necessary；

(III) The chief audit executive submits aggregated auditing report to the Audit Committee on monthly basis according to the annual audit plan；

(IV) Evaluate the independence of the accountant annually and submit to the Audit Committee for review；

(V) The Company's independent directors and accountant or auditors convene communication meetings on as need basis. Independent Directors and internal auditing officer and CPAs have direct communication channels. There is sound communication. The internal auditing officer would submit the audit report on internal control system every month and the annual audit plan to the Independent Directors. During the monthly Audit Committee meeting, the internal auditing officer would also deliver the audit report and ask the CPAs to attend during the review of financial statements. Independent Directors would discuss finance and business matters within the statements with CPAs and their key opinions shall be documented in the meeting minutes.

2.Supervisors' participation in the Board of Directors

The Company held re-election at the Annual Shareholders' Meeting on June 13, 2018, and set up an Audit Committee to replace the positions and authority of Supervisors.

The Board of Directors convened ten Board meetings in 2018 (five before the re-election and five after) (A). The attendance of Supervisors is as follows:

December 31, 2018

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A)	Remark
Supervisor	Li-Zu Chen	1	20%	Outgoing (resigned after re-election)
Supervisor	Hsin-I Wang	3	60%	Outgoing (resigned after re-election)
Supervisor	Johnson Fong	4	80%	Outgoing (resigned after re-election)
Other mentionable items： Not applicable.				

(III)Corporate governance implementation status and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

Evaluation Item	(Note 1) Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration (Note 2)	
1. 1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?		✓	The Company has not established the corporate governance practices. However, its Directors and internal control system were in compliance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and relevant supervisory rules.	The Company will establish its own corporate governance practices when needed.
2. Shareholding structure & shareholders' rights				
(1) Has the Company established an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has set up a spokesperson and a deputy spokesperson system to ensure that it can disclose information that may affect shareholders' decision-making in a timely manner. The investor relations and shareholder service departments are units dedicated to handle the mailbox for shareholders' proposals, inquiries, disputes, etc. Litigations raised by shareholders are properly handled by the legal department.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company pays close attention to the changes in shareholding or pledge of shareholders with more than 5% of shareholdings, Directors, Supervisors and executive officers. The Company updates the changes in shareholdings of Directors, Supervisors, executive officers and shareholders with more than 10% shareholdings at the information disclosure website designated by the securities competent authority every month pursuant to relevant laws and regulations.	None
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓		In addition to the various risk control mechanisms already established by the Company, there are procedures in place to govern the operation, business and finance transactions between the Company and its affiliates. Besides assisting subsidiaries with formulating a written control system, the subsidiaries' level of authority, management over related party transactions, and operation procedures for transactions of specific companies, related parties and group enterprises are established. Also, the Procedures for Acquisition or Disposal of Assets, Procedures for Endorsement and Guarantee subsidiaries, Procedures for Lending Funds to Other Parties, and Procedures for Derivative Transactions are formulated in reference to the parent company's procedures for a comprehensive implementation of risk control mechanism concerning subsidiaries. The subsidiary has	None

Evaluation Item	(Note 1) Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration (Note 2)	
			established its own risk control mechanisms, and set up the risk control mechanism and firewall with its affiliates according to the relevant operating procedures of the Company.	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		The Company has established internal rules to prevent insiders from using undisclosed information to trade marketable securities and as the basis for the Company's material information handling and disclosure mechanisms.	None
3. Composition and responsibilities of the Board of Directors				
(1) Has the Board of Directors established a diversity policy for the composition and has it been implemented accordingly?	✓		The Board of Directors members have a diverse range of professional backgrounds and work experiences to fulfill the Board's diversity policy, which includes but not limited to gender, age, nationality, culture, professional background (such as legal, accounting, industry, finance, marketing or technology). The Company plans to organize the Board's seats towards gender equality.	None
(2) Other than Compensation and Audit Committees which are required by law, does the Company plan to set up other functional Committees?		✓	The Company has set up the Compensation Committee and the Audit Committee according to laws, and will set up other functional committees in the future if the need arises.	None
(3) Has the Company established procedures and methods to evaluate the performance of its Board of Directors annually?		✓	Although the Company has not established the procedures for performance evaluation of the Board of Directors, the Compensation Committee regularly reviews the policy, system, standards and structure of management performance evaluation and compensation, and submits recommendations to the Board of Directors for discussion.	None
(4) Has the Company periodically evaluate the independence of the CPAs?	✓		The Company cooperates with a globally renowned CPA firm. The CPAs have no conflict of interest with the Company and they are professional and independent auditors. To enhance CPA's independence and familiarity with the Company's business, the Company conducts an internal adequacy assessment on CPAs annually.	None
4. Has the Company established an exclusively (or concurrently) dedicated corporate governance unit or personnel to handle matters pertaining to corporate governance (including but not limited to provide information required for business execution by Directors and Supervisors, handle matters relating to Board meetings and shareholders' meetings according	✓		The Company has relevant personnel in charge of corporate governance matters.	None

Evaluation Item	(Note 1) Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration (Note 2)	
to laws and regulations, handle corporate registration and amendment registration, produce minutes of Board meetings and shareholders meetings, etc.)				
5. Has the Company established a communication channel with its stakeholders (including but not limited to shareholders, employees, customers and suppliers) and created a stakeholder relations section on the Company's website to appropriately respond to corporate social responsibilities issues that are essential to stakeholders?	✓		The Company has a spokesperson system in place and adopted various channels, such as the stakeholder relations section, external seminars, industry-government-academic meetings and customer satisfaction surveys, as communication channels to deliver the latest news and key corporate social responsibilities issues.	None
6. Has the Company appointed a professional shareholder service agency to organize the shareholders' meetings?	✓		The Company appointed Stock Affairs Agency Department of Taishin International Bank as the shareholder service agency to handle matters pertaining to shareholders' meetings.	None
7. Information disclosure				
(1) Has the Company established a corporate website to disclose information regarding the Company's financials, business and corporate governance status?	✓		1. Disclosure of financial information: The Company regularly updates financial information for investors through the investor relations section on its corporate website. 2. Disclosure of business information: The Company provides real-time product information and uploads the latest business activities for the public through the product section on its corporate website. 3. Disclosure of corporate governance information: The Company's important corporate governance files (including the organization and operation of internal audits, the Articles of Incorporation, Procedures for Acquisition or Disposal of Assets, Procedures for Endorsement and Guarantee, Procedures for Lending Funds to Other Parties, Compensation Committee Charter, Principles of Business Ethics, etc.) are disclosed on the corporate website.	None
(2) Does the Company have other information disclosure channels (e.g., maintaining an English-language website, designating personnel to handle information collection and disclosure, implementing spokesperson system, uploading investor conference recordings to the corporate website)?	✓		1. Designated personnel responsible for the collection and disclosure of Company information: The Company has maintained Chinese-language and English-language websites. There are designated personnel responsible for the collection and disclosure of Company information, and the Company's latest and accurate information are disclosed to the public via	None

Evaluation Item	(Note 1) Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration (Note 2)	
			press releases or material information. 2. Implementation of the spokesperson system: Leo Lu, Finance Deputy General Manager, is appointed as the spokesperson, and Allen Ning, Senior Manager, is appointed as the deputy spokesperson. 3. The investor conference recordings are available on the corporate website: The audio recordings and presentations of the Company's investor conferences are available at the investor relations section of the corporate website. In addition to the investor relations section, the finance and business operation data from investor conferences are uploaded to the MOPS in accordance with relevant rules.	
8. Does the Company have other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to employee rights and welfare, investor relations, supplier relations, rights of stakeholders, continuing education of Directors and Supervisors, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and liability insurance for Directors and Supervisors provided by the Company)?	✓ ✓ ✓ ✓ ✓		(1) Employee rights and welfare In terms of employee rights and welfare, the Company has drawn up personnel management rules using Labor Standards Act, Act of Gender Equality in Employment, Sexual Harassment Prevention Act, and relevant laws and regulations as the minimum requirements to ensure employees' rights and interests. (2) Investor relations In terms of investor relations, the Company has a dedicated investor relations department serving as the communication channel between the Company and investor. It allows investors to promptly and fully understand the Company's performance and long-term business strategies, and provides best services to investors and domestic and foreign professional investment institutions. (3) Supplier relations The Company has always maintained long-term and good cooperation relationship with its suppliers. (4) Rights of stakeholders In terms of the rights of stakeholders, the Company has established various good and open communication channels and handled relevant matters by the principle of honesty and in a responsible manner to protect stakeholders' rights and interests. (5) Implementation of risk management policies and risk evaluation measures and implementation of customer relations policies The Company has analyzed and	None None None None None None

Evaluation Item	(Note 1) Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration (Note 2)	
	✓		formulated action plans regarding highly likely and influential risks associated with the Company's operational objectives, financial reporting accuracy and fraud prevention, so as to strengthen the corporate governance and build a sound risk management operation. The Company has also established customer service department, regularly reviewed customer feedback, and paid close attention to consumers' rights and interest while maintaining regular business development and maximizing shareholders' interests. Meanwhile, to protect consumers' rights and interests, the Company has obtained the "Global Trust", "Excellent E-Store" and "Online Shopping Compensation of Net Consumer Association" so that consumers can enjoy a safer shopping experience. (6) Liability insurance for Directors The Company has taken out liability insurance for its Directors and Supervisors covering their job scopes during their terms of office in order to lower and spread risk of significant damage to the Company and its shareholders due to error or negligence.	

(7) Continuing education of Directors and Supervisors:

Title	Name	Date From	Date To	Sponsoring Organization	Course	Duration (Hour)	Whether the Course Meets the Requirements
Chairman	Hung-Tze Jan	October 4, 2018	October 4, 2018	Securities and Futures Institute	Development Strategy for Innovative Technology Services	3	Yes
		December 18, 2018	December 18, 2018	Taiwan Corporate Governance Association	Trend and Challenges for Information Security Governance	3	Yes
Director	Jerry Hsu	April 2, 2018	April 2, 2018	Taiwan Corporate Governance Association	Industry 4.0 Now or Future	3	Yes
		December 18, 2018	December 18, 2018		The Design of AI Data Engines; Practice of Data Science in Manufacturing	3	Yes
		December 18, 2018	December 18, 2018		Taiwan Industry AI Transformation - How to Take the First Step; Graph & AI - Optimize	3	Yes

					Your AI Model		
Independent Director	Chang-Sung Yu	October 4, 2018	October 4, 2018	Securities and Futures Institute	FIT Global Development & Competition Strategy	3	Yes
		October 4, 2018	October 4, 2018		Development Strategy for Innovative Technology Services	3	Yes
Independent Director	Shao-Hua Huang	August 8, 2018	August 8, 2018	Taiwan Corporate Governance Association	Updates of Important Regulations	1.5	Yes
		November 7, 2018	November 7, 2018		2019 International Trade Outlook - Trade Conflicts between the U.S. and China	1.5	Yes

9. The improvement status for the outcome of Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporate Governance Center in the most recent fiscal year and the priority of pending issues. (Companies not included in the Evaluation are exempted.)

The Company continuously improves and enhances its corporate governance to protect investors' rights and interests. Investors can access the Company's overview, financial information, shareholders' meeting information, shareholders' service, corporate governance, and stakeholder information on the corporate website.

Note1：Please provide details at the Summary column regardless of whether "Yes" or "No" is ticked under "Status".

Note2：The Company's self-assessment corporate governance report refers to the report on current practices and execution status of items in the Company's self-conducted corporate governance assessment.

(IV)For companies having a compensation committee, the committee's composition, duties and operations shall be disclosed

1.The Company's Board of Directors establishes the Compensation Committee pursuant to the approved Compensation Committee Charter. The Committee's main duties are to fulfill the following functions and submit its recommendations to the Board of Directors for discussion.

(1)Formulate and regularly review the policies, systems, standards, and structures of performance assessment and compensations of Directors, Supervisors, and executive officers.

(2)Regularly assess and determine compensation of Directors, Supervisors, and executive officers.

2.After the re-election of Directors and Supervisors at the shareholders' meeting on June 13, 2018, the Company had appointed the compensation members to form the fourth Compensation Committee on June 21, 2018. The Committee shall convene at least two meetings every year and the convener and chairperson of the meeting shall be an Independent Director. Ever since its establishment, the Committee has operated smoothly.

3.Members of Compensation Committee

Title (Note 1)	Conditions / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Compensation Committee Member	Remark
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Chang-Sung Yu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Shao-Hua Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Yuan Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note1：For Title column, please identify whether the individual is a Director, Independent Director or other.

Note2：Please tick the corresponding boxes if members have met any of the following conditions during the two years prior to being elected or during the term of office:✓

(1)Not an employee of the Company or any of its affiliates.

(2)Not a Director or Supervisor of the Company or any of its affiliates. The restriction does not apply, however, in cases where the person is an Independent Director of the Company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.

(3)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held in the name of others, in an aggregate amount of 1 percent or more of the total number of outstanding shares of the Company or ranks in the top ten in holdings.

(4)Not a spouse, second-degree relative, or third-degree lineal relative, of any of the persons in the preceding three subparagraphs.

(5)Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of outstanding shares of the Company or that ranks in the top five of shareholding.

(6)Not a Director, Supervisor, manager, or shareholder with 5 percent or more of the shareholding of a specified company or institution that has a financial or business relationship with the Company.

(7)Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8)Not a person of any conditions defined in Article 30 of the Company Act.

4.Attendance of Members at Compensation Committee Meetings

(1)The Company's Compensation Committee consists of three members.

(2)The term of office: June 21, 2018 to June 20, 2021. The Compensation Committee convened two meetings in 2018 (A). The qualification and attendance of members are as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Remark
Convener	Chang-Sung Yu	2	0	100%	None
Member	Shao-Hua Huang	1	0	50%	None
Member	Yuan Li	2	0	100%	None
Other mentionable items: 1. If the Board of Directors decline to adopt or amend a recommendation of the Compensation Committee, the date and session of the Board meeting, content of the motion, resolution and actions taken regarding the Compensation Committee's opinions shall be specified (if the compensation package approved by the Board is better than the recommendation made by the Committee, please specify the discrepancy and its reason): None. 2. As to the Compensation Committee's resolutions, if a member has objections or reservations with records or in writing, the date and session of the Committee meeting, contents of motions, all members' opinions and actions taken regarding the opinions shall be specified: None.					

Note：

(1)If any member resigned before the end of the year, the resignation date shall be noted in the Remark column. The Attendance Rate (%) shall be calculated based on the number of Compensation Committee's meeting held and the actual attendance during the term of office.

(2)If any member was re-elected before the end of the year, incoming and outgoing members shall be listed accordingly, and the Remark column shall indicate whether the member's status is "Outgoing", "Incoming" or "Re-elected", and the date of re-election. The Attendance Rate (%) shall be calculated based on the number of Compensation Committee's meeting held and the actual attendance during the term of office.

(V)Implementation of corporate social responsibility: The system and measures adopted by the Company regarding environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health, and other social responsibilities activities, and the implementation status

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
1. Implementation of corporate governance				
(1) Has the Company set out corporate social responsibility (CSR) policies or systems and reviewed the effectiveness of CSR actions?		✓	The Company has not yet established the CSR policies. However, we remain committed to fulfill our responsibilities in accordance with our corporate policies. Relevant policies will be drawn up in the future when the need arises.	For legal compliance or when the need arises, actions shall be taken pursuant to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies" and relevant laws and regulations.
(2) Does the Company regularly organize training sessions for CSR?	✓		The Company regularly organizes employee education and training to promote social responsibility, and enhance regulatory compliance and corporate ethics of employees, aiming for mutual growth of employees and the Company.	None
(3) Has the Company established an exclusively (or concurrently) dedicated CSR unit with senior executives being authorized by the Board of Directors to handle relevant issues and report to the Board?	✓		The marketing department concurrently carries out social welfare activities and its operation has been smooth.	None
(4) Has the Company established a reasonable compensation policy which incorporates employees' performance review with CSR policy, and a specific and effective disciplinary system?	✓		The Company builds work culture and environment which allow employees to achieve work-life balance and offers a compensation system which is superior than the industry average. Our aim is to create a workplace that is safe and friendly and where employees can enjoy life. The Company determines salary levels based on employees' education, work experience, professional knowledge, professional seniority and personal performance. Employee performance assessment shall be conducted according to the Company's reward-disciplinary guidelines within the personnel management rules.	None
2. Sustainable environment development				
(1) Is the Company committed to improving the efficiency of various resources and utilizing	✓		The Company recycles to save resource consumption and sets a certain time each week for cleaning and recycling.	None

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
renewable materials that have low environmental impact?				
(2) Has the Company established a suitable environmental management system based on the industry characteristics?	✓		The self-inspections on internal environment and safety and health, and smoke-free rules are implemented.	None
(3) Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inventories, as well as establish Company strategies for energy conservation and carbon reduction?	✓		In line with conservation, the Company has applied effective utilization and control mechanisms on energy, water resources and paper consumption to avoid unnecessary waste.	None
3. Promotion of social welfare				
(1) Does the Company draw up management policies and procedures in compliance with relevant laws and regulations and the International Bill of Human Rights?	✓		The Company complies with relevant labor regulations and respects internationally recognized human right principles in drawing up the personnel management system so as to secure employees' rights and interest and conform to the equal employment policy. The Group also provides stable and sound compensation packages, comprehensive education and training, and promotion and development system, and creates a safety and health work environment to enhance employees' professional competence.	None
(2) Has the Company established complaint mechanism and channels for employees and appropriately managed relevant issues?	✓		In addition to Skype, employees can report issues to supervisors or departments associated with human resource via mails. Once received, personnel in those departments shall discuss with their supervisors for an appropriate handling method.	None
(3) Has the Company provided employees with a safe and healthy working environment, and regularly offer safety and health education to employees?	✓		The Company belongs to the information service industry and has no factory. Fire drills are scheduled on a random basis at the Headquarters building to ensure workplace safety. In addition, the Company regularly conducts employee health checkups and offers safety and health education to employees.	None
(4) Has the Company established a mechanism for regular communication with employees and used reasonable measures to notify employees of operational changes which may cause significant impact to employees?	✓		The Company regularly convenes management meetings to convey the Company's policies and operation updates, and each department periodically hold departmental meetings as an employee communication mechanism. The Employee Welfare Committee meetings are also held regularly to communicate and formulate employee welfare policies in order to optimize	None

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
			employee benefits.	
(5) Has the Company established effective career and competence development training plans?	✓		The Company has arranged appropriate courses and training for employees based on their professional background and the Company's future needs, so that employees can be placed at an appropriate position to realize their potentials.	None
(6) Has the Company formulated consumer protection policies and consumer appeal procedures in its R&D, procurement, production, operations, and service processes?	✓		The Company primarily provides e-commerce services. All consumer protection policies are offered online to ensure that consumers' rights and interests are safeguarded. Consumers can request for assistance or file disputes via online customer service or telephone calls.	None
(7) Has the Company followed regulations and international standards in the marketing and labeling of products and services?	✓		The Company complies with regulations and international standards in the marketing and labeling of products and services.	None
(8) Has the Company evaluated the environmental and social track records of potential suppliers before engaging in commercial dealings with them?	✓		The Company has conducted appropriate assessments with a general review on environmental and social track records before engaging in commercial dealings with suppliers to protect consumers.	None
(9) Do contracts between the Company and its major suppliers include terms where the Company may terminate or rescind the contract at any time if the said supplier has violated the company's CSR policy and caused significant impact on the environment and society?		✓	For certain suppliers, the Company reviews whether they are in compliance with the code of conduct for e-commerce or local laws and regulations. Suppliers' violations of the said rules will have a negative impact on their relationship with the Company.	Clauses will be added when the need arises.
4. Enhancement on information disclosure (1) Has the Company disclosed relevant and reliable CSR information on its corporate website or the MOPS?		✓	The Company has established a corporate website to disclose relevant information, and there are dedicated personnel in charge of data maintenance and updates.	The Company will gradually disclose more information.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
5. If the Company has established its own CSR practices according to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies", please describe the implementation status and any deviations from the Principles.		✓	The Company has not established its own Corporate Social Responsibility Best Practice Principles. However, our CSR operations are conducted in accordance with the Principles with full compliance.	The Company's Principles will be drawn up when the need arises.
6. Other important information to facilitate better understanding of the Company's CSR practices: The Company believes that corporations can have a profound impact on the nation and the society. Besides donations to disadvantaged groups and employment for disabled persons, the Company focuses on its core business and provides a stable and sound work environment to seek maximum benefits for its shareholders and stakeholders. The Company upholds the spirit of "giving back to the society which nurtures you" and will play an active role in social charity events and sponsorship for disadvantaged groups. Furthermore, the Company will proactively fulfill its corporate social responsibilities while engaging in business in order to catch up with the international trend of achieving a balance between environment, society and corporate governance development. Moreover, the Company actively works with the Ministry of Finance to improve the issuance of uniform invoices and accelerate the process of delivering invoices to consumers simultaneously. The project would allow the Company to become the first enterprise in Taiwan to adopt the e-invoice and saves over 5 million invoices each year. This is a demonstration of energy conversation as it cuts down paper waste, reduces the logistic cost of mailing invoices, lowers carbon emissions, and saves trees. In addition, the Company carries out social welfare events and initiates the idea of inviting consumers to participate. PChome 24h Shopping calls for love sharing by donating invoices. The total prizes for invoices donated in 2018 amounted to several millions. The money is used to provide long-term sponsorship to Eden Social Welfare Foundation, Liver Disease Prevention & Treatment Research Foundation, United Way of Taiwan, Taiwan Motor Neuron Disease Association, John Tung Foundation, and Go Dreamer Association, etc. The aim is to help disadvantaged groups in various degrees of difficulties in Taiwan, including liver disease patients, disadvantaged kids from dysfunctional families, teenagers, adults and elders with disability, new immigrants, and ALS patients, with education and assistance. The work also includes smoking hazards prevention, nutrition, mental health, etc. The Company provides comprehensive care for the physical and mental health of every citizen to create a better future for Taiwan. On top of focusing on enhancing the efficiency of online shopping quality and strengthening service competitiveness and professional talent cultivation, the Company actively demonstrates corporate responsibility, fulfills corporate social responsibilities, and implements corporate core values.				
7. Other information regarding CSR report which is verified by certification bodies: To safeguard online trading security, the Company has obtained the following qualifications: (1) The Company was formally reviewed and accredited by the Net Consumer Association as an outstanding website. (2) The Company was certified by HiTrust as a "Global Trust" website and employed its VeriSign e-trading authentication services.				

Note1：Please provide details at the Summary column regardless of whether "Yes" or "No" is ticked under "Status".

Note2：For companies that have prepared CSR reports, the methods to check the content of the report and relevant page numbers can be entered in the Summary column instead.

(VI)Implementation of ethical management and measures adopted：

The Company will, pursuant to the Principles, which was adopted by the Board of Directors and reported at the Shareholders' Meeting on June 17, 2011, manage the business in a practical manner, build ethical corporate culture and sound development, and keep a close watch on regulatory developments associated with business ethics. It would also encourage Directors, Independent Directors, executive officers and employees to offer recommendations as the basis for reviewing and improving the existing Principles in order to enhance the effect of ethical operation and achieve a more thorough implementation of the Principle.

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
1. Establishment of ethical management policies and implementation measures				
(1) Does the Company clearly express in the Company's internal policies and external documents of ethical management policies and measures, and the Board and management's commitment to implement those policies?	✓		The Company has drawn up the "Principles of Business Ethics" in reference to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" released by the Financial Supervisory Commission. The "Principles of Business Ethics" have been approved by the Board of Directors on 2010/12/24. The objective is to assist the Company with building corporate culture and sound development of ethical management, and provide a framework for establishing good business operations which are applicable to companies and organizations within the group, including the subsidiaries.	None
(2) Has the Company formulated plans to prevent unethical conduct from taking place, and specified the procedures, guidelines, penalties for violations and complaint and grievance systems in the various solutions?	✓		Based on the business philosophy and policies of ethics, the Company has clearly and at great length formulated plans including procedures, guidelines and education and training, to prevent unethical conducts.	None
(3) Has the Company adopted preventive measures for the business activities prescribed in the subparagraphs of Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and any other such activities associated with high risk of unethical conduct?	✓		When formulating preventive plans, the Company analyzes business activities associated with high risk of unethical conduct within the business scope and strengthens relevant preventive measures. The preventive plans shall cover preventive measures for the following conducts: offering and acceptance of bribes, provision of illegal political contribution, improper charitable donations or sponsorship, and offering or acceptance of	None

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			unreasonable gifts, hospitality, or other improper benefits.	
2. Implementation of ethical management				
(1) Has the Company reviewed the counterparty's history of ethical conduct and included the compliance of business ethics as a clause in the contract?	✓		When engaging in business activities, the Company shall avoid counterparties with a history of unethical conducts and stipulate business ethics compliance as a clause in contracts for compliance with the Company's ethical policy.	None
(2) Has the Company established an exclusively (or concurrently) dedicated department under the Board of Directors to promote ethical conducts and report to the Board of Directors periodically?	✓		The Company's Board of Directors shall exercise duty of care for a prudent administrator, monitor and prevent Company from engaging in unethical conducts, and constantly review and continue to improve the implementation results in order to ensure the integrity of the ethical management policy. For a sound management on ethical conducts, the General Manager's Office is responsible for drawing up and monitoring the execution of ethical management policies and preventive plans.	None
(3) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels and thoroughly implement the policies?	✓		The Company has established policies to prevent conflicts of interests and provided appropriate reporting channels. These operations have been smooth.	None
(4) Has the Company established effective accounting and internal control systems for the implementation of ethics policies and appointed internal auditors or CPAs to audit such execution and compliance?	✓		The Company has established effective accounting and internal control systems for activities associated with high risk of unethical conducts. There are no two sets of account books and no secretive accounts. The Company conducts regular reviews to ensure the design and execution of the systems remains effective. The Company's internal auditors regularly audit the compliance of the aforementioned systems, and prepare audit reports accordingly to be submitted to the Board of Directors.	None
(5) Has the Company regularly held internal and external training sessions on ethical management?	✓		The Company organizes internal and external training sessions on ethical management from time to time to increase employees'	None

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
			awareness and understanding of the Company's ethical management.	
3. Implementation of whistleblowing system				
(1) Has the Company established a concrete whistleblowing and reward system, established convenient whistleblowing channels, and designated appropriate personnel to handle the case being exposed by the whistle-blower?	✓		Violations of business ethics identified by personnel of the Company during the course of business can report through the following channels: Internal: Direct supervisor, General Manager's Mailbox External: After an external party files the complaint, an investigation will be initiated and conducted by designated personnel of the Company.	None
(2) Has the Company established standard operating procedures for investigating the complaints received and relevant confidentiality mechanism?	✓		Although the Company has not established a standard operating procedure for investigating the complaint, there are certain procedures and confidentiality mechanism to comply with during the investigation.	None
(3) Has the Company established measures to protect whistleblowers from retaliation?	✓		The Company takes protection measures to ensure the whistleblowers will not be punished by inappropriate disciplinary actions.	None
4. Enhancement on information disclosure (1) Has the Company disclosed its Principles of Business Ethics and information about implementation of such guidelines on its website and MOPS?	✓		The Company has established a corporate website to disclose relevant information.	The Company will gradually disclose more information.
5. If the Company has established its own Principles of Business Ethics pursuant to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies", please describe the implementation status and any deviations from the Principles: The Company has established its own Principles of Business Ethics and continued to promote via various activities for increasing awareness at the management level. The Company's principles and its implementation are not significantly different from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies".				
6. Other important information to facilitate better understanding of the Company's ethical management practices (e.g., the Company reviews and revises its Principles of Business Ethics, etc.): The Company regularly conveys its ethical management policies to business counterparties and there are relevant clauses in business contracts to prevent any violation of the Principles of Business Ethics.				

Note 1: Please provide details at the Summary column regardless of whether "Yes" or "No" is ticked under "Status".

(VII)For companies having principles and regulations on corporate governance, access shall be disclosed:

The Company has not established principles and regulations on corporate governance. Those will be drawn up when the need arises. The Company has two Independent Directors and has established the Rules of Procedure for Shareholders' Meeting, Rules of Procedure for the Board of Directors' Meetings, Rules for Election of Directors and Supervisors, and Rules of Scope of Responsibilities of Independent Directors. It also has built comprehensive internal auditing and internal control systems, all of which are consistent with the spirit of corporate governance.

(VIII)Other important information to facilitate better understanding of the Company's corporate governance shall be disclosed all together：

Other matters, such as the Independent Directors' nomination and election method, nomination process, information on candidates (qualification criteria), and election process and outcome, are available at the corporate website.

(IX)Internal control system

1.Statement of Internal Control

PChome Online Inc.

Statement on Internal Control System

Date： March 18, 2019

Based on the findings of a self-assessment, PChome Online Inc. states the following with regard to its internal control system during the year of 2018:

1. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and the executive officers of the Company. The Company has established such a system. The objectives are to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness and transparency of our financial reporting, and compliance with applicable laws and regulations.
2. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three aforementioned objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. However, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any deficiencies identified.
3. The Company makes judgments on the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of internal control based on the process of management: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system by adopting the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2018, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability, timeliness and transparency of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the aforementioned objectives.
6. This Statement will be an essential content of the Company's Annual Report and prospectus, and will be publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.
7. This Statement has been passed in the Board of Directors meeting on March 18, 2019, with none of the seven attending Directors expressing objectives; all Directors affirmed the content of this Statement.

PChome Online Inc.

Chairman: Hung-Tze Jan (Signature)

General Manager: Kevin Tsai (Signature)

2.Where CPAs are retained to audit the internal control system, please disclose the CPAs' audit report: None.

(X)Penalties imposed upon the Company or internal personnel by laws, or punishment imposed by the Company or internal personnel for violation of the Company's internal control system regulations, and the major defects and corrective action thereof in the most recent fiscal year and as of the date of this annual report: None.

(XI)Major resolutions of the Shareholders' Meetings and Board of Directors' meetings in the most recent fiscal year and as of the date of this annual report

1.Major resolutions of the Shareholders' Meetings in the most recent fiscal year and as of the date of this annual report

Date	Proposals and Implementation Status
June 13, 2018	(1) Adoption of 2017 business report and financial statements Implementation status: Resolved as proposed. (2) Adoption of 2017 earnings distribution Implementation status: The 2017 earnings was resolved not to be distributed. (3) Election of Directors and Supervisors Implementation status: There were nine newly-elected Directors (including three Independent Directors). (4) Amendments for the Procedures for Endorsement and Guarantee Implementation status: The amendments for the Procedures for Endorsement and Guarantee were approved and took effect. (5) Amendments for the Procedures for Lending Funds to Other Parties Implementation status: The amendments for the Procedures for Lending Funds to Other Parties were approved and took effect. (6) Amendments for the Rules for Election of Directors and Supervisors Implementation status: The amendments for the Rules for Election of Directors and Supervisors were approved and took effect.

2.Major resolutions of the Board of Directors' meetings in the most recent fiscal year and as of the date of this annual report

Date	Major Proposals	Resolution
March 19, 2018	1. Distribution of 2017 employee compensation and remuneration to Director and Supervisors 2. 2017 business report and financial statements 3. 2017 earnings distribution 4. Amendments for the Articles of Incorporation 5. Amendments for the Company's "Procedures for Endorsement and Guarantee" and "Rules for Election of Directors and Supervisors" 6. Amendments for the Company's "Procedures for Lending Funds to Other Parties" 7. Re-election of all nine Directors (including three Independent Directors) 8. Nomination of candidates for Independent Directors 9. For the Company's overall business development, it is proposed to raise capital by cash through PChome Japan KK, an overseas subsidiary whose voting shares are 100 percent held by the Company 10. It is proposed to form a joint venture with Chunghwa Telecom Co., Ltd. to establish a venture capital company and a venture capital advisory firm	All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections.

Date	Major Proposals	Resolution
	11. Formulate plans associated with the 2018 Annual Shareholders' Meeting 12. 2017 Statement on Internal Control System	All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. The Annual Shareholders' Meeting is scheduled to be held on June 13, 2018. All attending Directors voted in favor of the proposal without any objections.
April 23, 2018	Adjustments on the investment structure of Ruten Global Inc. (Cayman), an overseas subsidiary.	All attending Directors voted in favor of the proposal without any objections.
May 8, 2018	To delist the subsidiary, PCHomestore Inc., from the Taipei Exchange and cancel the public offering	All attending Directors voted in favor of the proposal without any objections.
June 4, 2018	The Company proposes to purchase all common shares of the subsidiary PCHomestore Inc.	All attending Directors voted in favor of the proposal without any objections.
June 21, 2018	1. Election of Chairman of the Board 2. Appointment of the fourth Compensation Committee	All attending Directors voted in favor of Hung-Tze Jan as the Chairman of the Board. All attending Directors voted in favor of the proposal without any objections.
September 3, 2018	Participation in the capital increase by cash of PCHomestore Inc. through subsidiaries	All attending Directors voted in favor of the proposal without any objections.
March 18, 2019	1. Distribution of 2018 employee compensation and remuneration to Director and Supervisors 2. 2018 business report and financial statements 3. 2018 deficit compensation 4. Amendments for the Articles of Incorporation 5. Amendments for the Company's "Procedures for Acquisition or Disposal of Assets" 6. Amendments for the Company's "Procedures for Lending Funds to Other Parties" 7. Proposal to issue restricted employee shares 8. Appointment of the Company's CEO 9. Formulate plans associated with the 2019 Annual Shareholders' Meeting	All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections.

(XII)Where Directors or Supervisors expressed different opinions regarding major resolutions of the Board meetings, either by recorded statement or in writing, in the most recent fiscal year and as of the date of this annual report, please disclose the details： None.

(XIII)Resignation or discharge of Chairman, General Manager, and officers of accounting, finance, internal auditing, and research and development in the most recent fiscal year and as of the date of this annual report： None.

(XIV)Other required disclosures

1.Professional training

Title	Name	Date	Organizer	Course	Duration (Hours)
Deputy General Manager	Leo Lu	January 22, 2018 ~ January 23, 2018	Accounting Research and Development Foundation	Continuous Education for Accounting Supervisors	12
Auditing Manager	Hsien-Cheng Li	November 6, 2018	Accounting Research and Development Foundation	Trend of E-commerce Profitability Model in the FinTech Era	6
Auditing Manager	Hsien-Cheng Li	December 19, 2018	Accounting Research and Development Foundation	Internal Audit and Control Practices in the Digital Economy Era	6

2.The Company has not formulated the "Procedures for Handling Material Inside Information". However, the Company's actual practices have complied with the "XXX Co., Ltd. Procedures for Handling Material Inside Information" sample drawn up by the Taiwan Stock Exchange Corporation and Taipei Exchange.

IV. Audit Fees for Independent Auditors

(I)Where non-audit fees paid to the CPAs, the CPAs' accounting firms and their affiliates exceeding 25% of the audit fees, the dollar amount of audit and non-audit fee and services rendered for the non-audit fee shall be disclosed.

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fees	Non-Audit Fees					Period Covered by CPA's Audit	Remark
			System Design	Company Registration	Human Resource	Others	Sub-total		
KPMG	Liu-Fong Yang and Tsao-Jen Wu	3,600	0	752	0	350	1,102	2018	Others Tax services: 330

(II)Change of accounting firms with audit fee paid in the year of change being less than the previous year: None.

(III)Where the audit fees were reduced by 15% or more on a year-to-year basis, the amount and percentage of decrease in audit fees, and the reason for such decrease shall be disclosed: The Company's 2018 audit fees did not decrease by more than 15% from the 2017 audit fees.

V. Change of Independent Auditors

None.

VI. Any of the Company’s Chairman, General Manager, or Managers in Charge of Finance or Accounting Held a Position in the Independent Auditors' Firm or Its Affiliates in the Most Recent Year: None.

VII.Changes in Shareholding and Shares Pledged by Directors, Supervisors, Managers, and Shareholders with 10% Shareholdings or More in the Most Recent Year up to the Date of Publication of This Annual Report. When the Counterparties of Shares Transfer or Pledge are Related Parties, Their Names, Relationship with the Company, Directors, Supervisors and Shareholders with 10% Shareholdings or More, and the Number of Shares Acquired

or Pledged Shall be Disclosed.

(I)Changes in shareholding and shares pledged by Directors, executive officers and shareholders with 10% shareholdings or more:

Unit: Shares

Title	Name	2018		As of April 30, 2019	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Hung-Tze Jan	0	0	0	0
Director	Yun Su	0	0	0	0
Directors and shareholders with 10% shareholdings or more	Site Inc.	0	0	0	0
Representative of corporate Director	Ming-Tung Chung (Note 1)	0	0	0	0
Representative of corporate Director	Johnson Fong (Note 1)	0	0	0	0
Representative of corporate Director	Vicky Tseng	0	0	0	0
Director and General Manager	Kevin Tsai	0	0	0	0
Director	Jerry Hsu	0	0	0	0
Independent Director	Chang-Sung Yu	0	0	0	0
Independent Director	Shao-Hua Huang	0	0	0	0
Deputy General Manager	Leo Lu	0	0	0	0
Deputy General Manager	Yu-Shu Hu	0	0	0	0

Note1：Ming-Tung Chung resigned from the position of corporate representative on October 1, 2018, and Site Inc. appointed Johnson Fong to take the position.

(II)Where the counterparty of share transfer or pledged is a related party： None.

VIII. Top 10 Shareholders Who are Related Parties, Spouses, or within Second Degree of Kinship to Each Other

April 15, 2019

Name (Note 1)	Individual Shareholding		Shareholding of Spouse and Minor Children		Shareholding by Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree Relatives to Each Other (Note 3)		Remark
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Title (or Name)	Relationship	
Site Inc.	18,907,864	16.14%	0	0%	0	0%	None	None	None
HSBC Hosts BuenaVista Asia Opportunity Master Fund Co., Ltd.	7,046,295	6.01%	0	0%	0	0%	None	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund － Templeton Asian Smaller Companies Fund	5,407,256	4.62%	0	0%	0	0%	None	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for MFS Series 5 Trust Company － MFS International New Quest Fund	4,918,504	4.20%	0	0%	0	%	None	None	None
HSBC Trust Yishun Fund - Yishun Greater China Equity Fund	4,362,899	3.72%	0	0%	0	0%	None	None	None
Deutsche Bank Taipei Branch in custody for Teacher Retirement System of Texas entrusted to Wellington Management Company	2,987,899	2.55%	0	0%	0	0%	None	None	None
Bank of Taiwan in custody for Marathon-London Group Trust For Employee Benefit Plans	2,618,084	2.23%	0	0%	0	0%	None	None	None
Apu Jan	2,502,505	2.14	0	0%	0	0%	None	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton	2,372,092	2.02%	0	0%	0	0%	None	None	None

April 15, 2019

Name (Note 1)	Individual Shareholding		Shareholding of Spouse and Minor Children		Shareholding by Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree Relatives to Each Other (Note 3)		Remark
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Title (or Name)	Relationship	
Investment Fund − Templeton Emerging Markets Smaller Companies Fund									
JPMorgan Chase Bank N.A. Taipei Branch in custody for Templeton Emerging Markets Investment Trust Fund	2,260,000	1.93%	0	0%	0	0%	None	None	None

Note1：All top ten shareholders shall be listed. The names and representatives of corporate shareholders shall be listed separately.

Note2：Shareholding percentage is calculated separately based on the number of shares held in the name of the individual, his/her spouse, minor children, or in nominee arrangement.

Note3：Relationship between the aforementioned shareholders, including judicial and natural persons, shall be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

For the Top Ten Shareholders Who Are Judicial Persons, the Names and Shareholder Percentages of Their Top Ten Shareholders

Name of Judicial Person	Major Shareholders and Shareholding Percentage of the Judicial Person
Site Inc.	PuMa Co., Ltd. (20.87%), HILDER Investment Limited (13.88%), Fei-Peng Ho (5.24%), Ssu-Yuen Pan (4.52%), Cite Publishing Ltd. (3.88%), Chun-Chi Chou (3.63%), Sung-Mao Cheng (3.04%), Jen-Chiang Hsu (2.74%), Li-Chu Tsai (2.26%), Jerry Hsu (1.82%)

IX. Number of Shares Held and the Consolidated Shareholding Percentage of the Company, the Company's Directors, Supervisors, Managers and Directly or Indirectly Controlled Entities on the Same Investee.

Unit: Thousands of Shares; % March 31, 2019

Investee (Note)	Investment by the Company		Investment by Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities		Total Investment	
	Number of Shares	Shareholding Percentage (%)	Number of Shares	Shareholding Percentage (%)	Number of Shares	Shareholding Percentage (%)
IT Home Publications Inc.	5,015	100	0	0	5,015	100
Linktel Inc.	17,326	100	0	0	17,326	100

Unit: Thousands of Shares; % March 31, 2019

Investee (Note)	Investment by the Company		Investment by Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities		Total Investment	
	Number of Shares	Shareholding Percentage (%)	Number of Shares	Shareholding Percentage (%)	Number of Shares	Shareholding Percentage (%)
PChome Online International Co., Ltd.	122	100	0	0	122	100
Rakuya International Info. Co., Ltd.	2,411	21.03	624	5.44	3,035	26.47
PChomestore Inc.	18,435	34.35	31,103	57.94	49,538	92.29
PChomePay Inc.	18,000	21.18	49,320	58.02	67,320	79.20
PCHOME US INC.	45,800	91.97	0	0	45,800	91.97
Ecommerce Group Co. Ltd.	349,508	100	0	0	349,508	100
Pi Mobile Technology Inc.	7,000	100	0	0	7,000	100
PChome (Thailand) Co., Ltd.	6,500	65	0	0	6,500	65
PChome Travel Inc.	3,600	100	0	0	3,600	100
PChome Financial Technology Inc.	1,000	100	0	0	1,000	100
Pchome Holding Inc.(B.V.I.)	385,000	100	0	0	385,000	100
PChome Express Inc.	20,000	100	0	0	20,000	100
Chunghwa PChome Fund 1 Co.,Ltd.	20,000	50	0	0	20,000	50
Keystone Innovation Venture Capital Co., Ltd.	510	51	0	0	510	51
Yiabi Inc.	0	0	500	100	500	100
PChome InterPay Inc.	0	0	50,100	100	50,100	100
Zhen Jain Lian International Co., Ltd.	0	0	300	100	300	100
Yin Te Lian International Co., Ltd.	0	0	300	100	300	100
Yun Tung Bao International Co., Ltd.	0	0	300	100	300	100
PChome Online Inc. (Cayman)	0	0	10,000	100	10,000	100
PChome Online (HK) Ltd.	0	0	5,641	100	5,641	100
PChome Japan KK	0	0	43,500	100	43,500	100
Ruten Japan KK	0	0	11,995	100	11,995	100
Ruten Global Inc. (Cayman)	0	0	266,063	100	266,063	100
EC Global Limited	0	0	7,495	100	7,495	100
PChome eBay Co., Ltd.	0	0	27,300	65	27,300	65
Ruten Singapore Pte. Ltd.	0	0	20,800	65	20.800	65

Unit: Thousands of Shares; % March 31, 2019

Investee (Note)	Investment by the Company		Investment by Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities		Total Investment	
	Number of Shares	Shareholding Percentage (%)	Number of Shares	Shareholding Percentage (%)	Number of Shares	Shareholding Percentage (%)
PChome Marketplace Inc. (Cayman)	0	0	38,335	100	38,335	100

Note: The Company's long-term investments accounted for under the equity method.

Chapter 4 Capital Overview

I. Capital and Shares

(I)Source of capital: State the type of shares issued by the Company in the most recent fiscal year and as of the date of this annual report. If marketable securities are approved to be offered and issued by shelf registration, the approved amount and information concerning securities scheduled to be issued and already issued shall be additionally disclosed.

April 30, 2019 Unit: Shares; NT$

Month/ Year	Issue Price (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
1998.07	10	5,000,000	50,0000,000	1,450,000	14,500,000	Initial capital	None	Note 1
1998.12	10	5,400,000	54,000,000	5,100,000	51,000,000	Capital increase by cash NT$36,500,000	None	Note 2
1999.05	10	7,800,000	78,000,000	6,000,000	60,000,000	Capital increase by cash NT$9,000,000	None	Note 3
1999.07	20	20,600,000	206,000,000	11,000,000	110,000,000	Capital increase by cash NT$50,000,000	None	Note 4
1999.11	20	20,600,000	206,000,000	13,000,000	130,000,000	Capital increase by cash NT$20,000,000	None	Note 5
1999.12	58.5	20,600,000	206,000,000	16,000,000	160,000,000	Capital increase by cash NT$30,000,000	None	Note 5
2000.09	25	88,800,000	888,000,000	50,000,000	500,000,000	Capital increase by cash NT$340,000,000	None	Note 6
2004.07	10	88,800,000	888,000,000	54,175,392	541,753,920	Capital increase from retained earnings NT$41,753,920	None	Note 7
2005.07	10	88,800,000	888,000,000	56,274,045	562,740,450	Capital increase from retained earnings NT$20,986,530	None	Note 8
2005.12	10	88,800,000	888,000,000	55,462,545	554,625,450	Cancellation of treasure stocks (NT$8,115,000)	None	Note 9
2006.08	10	88,800,000	888,000,000	55,981,873	559,818,730	Capital increase from retained earnings NT$5,193,280	None	Note 10
2010.08	10	88,800,000	888,000,000	58,260,149	582,601,490	Capital increase from retained earnings NT$22,782,760	None	Note 11
2011.03	25.08 18.74	88,800,000	888,000,000	58,585,649	585,856,490	Capital increase from employee stock options NT$3,255,000	None	Note 12
2011.05	25.08 18.74	88,800,000	888,000,000	58,725,649	587,256,490	Capital increase from employee stock options NT$1,400,000	None	Note 13

Month/ Year	Issue Price (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2011.08	25.08 18.74	88,800,000	888,000,000	59,390,649	593,906,490	Capital increase from employee stock options NT$6,650,000	None	Note 14
2011.08	10	88,800,000	888,000,000	68,999,845	689,998,450	Capital increase from retained earnings NT$96,091,960	None	Note 15
2011.11	21.17 15.84	88,800,000	888,000,000	69,243,845	692,438,450	Capital increase from employee stock options NT$2,440,000	None	Note 16
2012.04	21.17 15.84	88,800,000	888,000,000	69,367,845	693,678,450	Capital increase from employee stock options NT$1,240,000	None	Note 17
2012.05	21.17 15.84	88,800,000	888,000,000	70,001,345	701,013,450	Capital increase from employee stock options NT$7,335,000	None	Note 18
2012.05	10	88,800,000	888,000,000	69,995,345	699,953,450	Cancellation of treasure stocks (NT$1,060,000)	None	Note 18
2012.07	21.17 15.84	88,800,000	888,000,000	70,850,345	708,503,450	Capital increase from employee stock options NT$8,550,000	None	Note 19
2012.08	10	88,800,000	888,000,000	81,911,787	819,117,870	Capital increase from retained earnings NT$110,614,420	None	Note 20
2012.11	17.9 13.41	88,800,000	888,000,000	82,130,787	821,307,870	Capital increase from employee stock options NT$2,190,000	None	Note 21
2013.01	13.41	88,800,000	888,000,000	82,244,787	822,447,870	Capital increase from employee stock options NT$1,140,000	None	Note 22
2014.08	10	88,800,000	888,000,000	86,816,764	868,167,640	Capital increase from retained earnings NT$45,719,770	None	Note 23
2015.09	10	150,000,000	1,500,000,000	92,845,871	928,458,710	Capital increase from retained earnings NT$60,381,070	None	Note 24
2015.10	358	150,000,000	1,500,000,000	99,854,871	998,548,710	Capital increase by cash NT$70,000,000	None	Note 25
2016.07	10	150,000,000	1,500,000,000	110,316,078	1,103,160,780	Capital increase from retained earnings NT$104,612,070	None	Note 26
2017.08	10	150,000,000	1,500,000,000	117,159,446	1,171,594,460	Capital increase from retained earnings NT$68,433,680	None	Note 27

Month/ Year	Issue Price (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others

Note 1: Construction-I No. 87309687 on July 14, 1998

Note 2: Construction-I No. 87364033 on December 29, 1998

Note 3: Construction-I No. 88288232 on May 5, 1999

Note 4: MOEA (088) Commerce No. 088126140 on July 23, 1999

Note 5: MOEA (088) Commerce No. 088146765 on Decemner 29, 1999

Note 6: (89) Taiwan-Finance-Securities (I) No. 46470 on May 29, 2000

Note 7: Financial-Supervisory-Securities-I-0930133564 on July 29, 2004

Note 8: Financial-Supervisory-Securities-I-0940130243 on July 26, 2005

Note 9: MOEA-Authorized-Commerce-09401260560 on December 19, 2005

Note 10: Financial-Supervisory-Securities-I-0950135382 on August 10, 2006

Note 11: MOEA-Authorized-Commerce-09901184620 on Auguest 16, 2010

Note 12: MOEA-Authorized-Commerce-10001053410 on March 21, 2011

Note 13: MOEA-Authorized-Commerce-10001093420 on May 9, 2011

Note 14: MOEA-Authorized-Commerce-10001189820 on August 16, 2011

Note 15: MOEA-Authorized-Commerce-10001183340 on August 17, 2011

Note 16: MOEA-Authorized-Commerce-10001255000 on November 7, 2011

Note 17: MOEA-Authorized-Commerce-10101063700 on April 11, 2012

Note 18: MOEA-Authorized-Commerce-10101093660 on May 23, 2012

Note 19: MOEA-Authorized-Commerce-10101135210 on July 9, 2012

Note 20: MOEA-Authorized-Commerce-10101167670 on August 14, 2012

Note 21: MOEA-Authorized-Commerce-10101234640 on November 12, 2012

Note 22: MOEA-Authorized-Commerce-10101267470 on January 2, 2013

Note 23: MOEA-Authorized-Commerce-10301176990 on August 27, 2014

Note 24: MOEA-Authorized-Commerce-10401192830 on September 14, 2015

Note 25: MOEA-Authorized-Commerce-10401223550 on October 26, 2015

Note 26: MOEA-Authorized-Commerce-10501151490 on July 7, 2016

Note 27: MOEA-Authorized-Commerce-106011115250 on August 17, 2017

April 30, 2019 Unit: Shares

Types of Shares	Authorized Capital			Remarks
	Outstanding Shares (Note)	Unissued Shares	Total	
Registered common shares	117,159,446	32,840,554	150,000,000	TPEx-listed shares

Note：Please indicate whether the shares are TWSE/TPEx-listed shares (Please note if the shares are restricted from trading at TWSE/TPEx).

Information for Shelf Registration: Not applicable.

(II)Shareholder composition

April 16, 2019

Type / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	7	40	6,050	190	6,287
Shareholding (shares)	0	350,311	20,704,022	25,702,524	70,402,589	117,159,446
Shareholding (%)	0%	0.30%	17.67%	21.94%	60.09%	100%

Note： Foreign issuers shall disclose the proportion of its shares held by investors from Mainland China. Investors from Mainland China refers to natural persons, juridical persons, organizations, or institutions of the Mainland China, or companies in areas other than Taiwan and Mainland China invested by aforementioned entities as defined in Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area. (The Company has no investors from Mainland China.)

(III)Shareholding distribution status

(Common Shares) April 15, 2019

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding Percentage (%)
1 ～ 999	2,669	407,376	0.35 %
1,000 ～ 5,000	2,942	5,423,991	4.63 %
5,001 ～ 10,000	294	2,108,806	1.80 %
10,001 ～ 15,000	88	1,074,100	0.92 %
15,001 ～ 20,000	38	674,420	0.58 %
20,001 ～ 30,000	59	1,456,715	1.24 %
30,001 ～ 40,000	27	924,035	0.79 %
40,001 ～ 50,000	23	999,089	0.85 %
50,001 ～ 100,000	41	2,882,429	2.46 %
100,001 ～ 200,000	26	4,114,733	3.51 %
200,001 ～ 400,000	33	9,544,961	8.15 %
400,001 ～ 600,000	12	6,091,900	5.20 %
600,001 ～ 800,000	7	4,693,870	4.01 %
800,001 ～ 1,000,000	4	3,403,417	2.90 %
1,000,001 or over	24	73,359,604	62.61 %
Total	6,287	117,159,446	100 %

(IV)List of major shareholders: The name, number of shares and shareholding percentage of shareholders with holdings equal to or exceed 5% or the top 10 shareholders：

April 15, 2019

Ranking	Shareholding Name of Major Shareholders	Shareholding (shares)	Shareholding Percentage (%)
1	Site Inc.	18,907,864	16.14%
2	HSBC Hosts BuenaVista Asia Opportunity Master Fund Co., Ltd.	7,046,295	6.01%
3	JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund － Templeton Asian Smaller Companies Fund	5,407,256	4.62%
4	JPMorgan Chase Bank N.A. Taipei Branch in custody for MFS Series 5 Trust Company － MFS International New Quest Fund	4,918,504	4.20%
5	HSBC Trust Yishun Fund - Yishun Greater China Equity Fund	4,362,899	3.72%
6	Deutsche Bank Taipei Branch in custody for Teacher Retirement System of Texas entrusted to Wellington Management Company	2,987,684	2.55%
7	Bank of Taiwan in custody for Marathon-London Group Trust For Employee Benefit Plans	2,618,084	2.23%
8	Apu Jan	2,502,505	2.14%
9	JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund – Templeton Emerging Markets Smaller Companies Fund	2,372,092	2.02%
10	JPMorgan Chase Bank N.A. Taipei Branch in custody for Templeton Emerging Markets Investment Trust Fund	2,260,000	1.93%

(V)Market price, net worth, earnings, and dividends in the past two years

Unit：NT$；Thousands of Shares；%

Item \ Year			2017	2018	January 1 to March 31, 2019
Market Prices per Share (Note 1)	Highest		296.5	191.0	148.5
	Lowest		103.5	112.0	123.0
	Average		196.65	150.60	137.25
Net Worth per Share (Note 2)	Before Distribution		44.00	29.22	26.69
	After Distribution		44.0	Note 8	Note 8
Earnings per Share	Weighted Average Shares (in thousands of shares)		117,159	117,159	117,159
	Earnings per Share (Note 3)	Before Adjustment	0.31	(8.49)	0.42
		After Adjustment	0.31	Note 8	Note 8
Dividends per Share	Cash Dividend		0	0	Not applicable
	Stock Dividend	From Retained Earnings	0	0	Not applicable
		From Capital Surplus	0	0	Not applicable
	Accumulated Undistributed Dividends (Note 4)		0	0	Not applicable
Return on Investment Analysis	Price/Earnings Ratio (Note 5)		0	0	Not applicable
	Price/Dividend Ratio (Note 6)		0	0	Not applicable
	Cash Dividend Yield Rate (Note 7)		0%	0%	Not applicable

*If stocks are distributed from capitalized retained earnings or capital surplus, the market prices and cash dividends retroactively adjusted based on number of shares distributed shall be disclosed additionally.

Note1：List the highest and lowest market price of the common shares for each year, and calculate average market price for each year in reference to the transaction value and volume.

Note2：The numbers are based on the number of shares outstanding at the end of year and the distribution plan approved by the shareholders' meeting held in the following year.

Note3：If there are any retroactive adjustments needed due to stock dividends, Earnings per Share before and after the adjustment shall be listed.

Note4：If conditions for equity securities issuance allow undistributed dividends to be accumulated for distribution until the year when profits are generated, the Company shall disclose separately the accumulated undistributed dividends up to this year.

Note5：Price/Earnings Ratio = Average Closing Price for the Year / Earnings per Share

Note6：Price/Dividend Ratio = Average Closing Price for the Year / Cash Dividends per Share

Note7：Cash Dividend Yield = Cash Dividends per Share / Average Closing Price for the Year

Note8：The numbers are confirmed once the earning distribution is resolved in the shareholders' meeting in the following year.

Note9：For net worth per share and earnings per share, the data from the audited (reviewed) financial statements in the most recent quarter as of the date of this annual report shall be used. For all other columns, the Company shall enter the yearly data up until the date of publication of this annual report.

(VI)Dividend policy and implementations:

1. Dividend policy as per the Articles of Incorporation

Profits for the year, if any, shall be used to pay all taxes in accordance with laws and regulations and to offset prior years' losses. 10% of the remaining balance thereafter shall be kept as legal reserve. If requested by the competent authority, a special reserve shall be made or reversed pursuant to Article 41 of the Securities and Exchange Act. Next, the remaining balance plus undistributed earnings from previous years, except for retained earnings, shall be allocated as follows：

Bonus to the Company's employees and employees of the Company's affiliates that are approved by the Board of Directors shall be between 1 percent and 15 percent of the balance. Remuneration to Directors and Supervisors shall not be higher than 1.5 percent of the balance. The Board of Directors shall draft earning distribution proposal on the remaining balance and submit it to the shareholders' meeting for a resolution.

The Company adopts the residual dividend policy. Capital expenditures estimated in the capital budget are financed by available earnings. The remaining earnings can then be used to pay dividends to shareholders in the form of stock or cash. However, the stock dividends distributed shall not exceed 80 percent of the total dividends. The amount, types and proportions of dividends to be paid shall be approved by the Board of Directors and be submitted to the shareholders' meeting for a resolution.

Concrete and clear dividend policy：Dividend distribution of previous years

Year	Cash Dividend	Stock Dividend		Ex-Right/Dividend Date	Date of Shareholders' Meeting
		From Retained Earnings	From Capital Surplus		
2004	0.72322086	0.31999989	0	2005.8.20	2005.6.24
2005	0.29963511	0.07490875	0	2006.9.5	2006.6.26
2006	0	0	0	Not applicable	2007.6.22
2007	0	0	0	Not applicable	2008.6.27
2008	0.52636330	0	0	2009.7.27	2009.6.10
2009	1.63095546	0.40773880	0	2010.8.5	2010.6.14
2010	3.78200038	1.62085737	0	2011.7.25	2011.6.17
2011	3.64289427	1.56124039	0	2012.8.7	2012.6.19
2012	2.99026946	0	0	2013.7.21	2013.6.26
2013	3.61334202	0.55589870	0	2014.8.17	2014.6.24
2014	4.52075130	0.69550010	0	2015.8.25	2015.6.22
2015	5.23820600	1.04764113	0	2016.8.10	2016.6.21
2016	4.96273487	0.62034185	0	2017.7.27	2017.6.22
2017	0	0	0	Not applicable	2018.6.13
2018	0	0	0	Not applicable	2019.6.14

Although the Company's Articles of Incorporation did not specify the distribution ratio of shareholders' bonus, the earnings distribution ratio to the aforementioned profits may be adjusted based on the actual profit, capital budgeting, and capital conditions, and carried out after a resolution from the shareholders' meeting.

Expected future dividend distribution policy：

Employees' compensation is between 1 percent and 15 percent. Directors' remuneration shall not exceed 1.5 percent.

In principle, the total amount of dividends distributed shall not be less than 50 percent of the earnings available for distribution from previous years.

2. Dividend distribution proposal of the year

The 2018 earnings distribution proposal was formulated in the Board of Directors meeting on March 18, 2019: Not to be distributed. Action will be taken pursuant to relevant provisions once the proposal is resolved in the Annual Shareholders' Meeting on June 14, 2019.

3. Expecting any major change in dividend policy： None

(VII)Impact of stock dividends on operation performance and earnings per share：Not applicable (The Company did not prepare financial forecasts).

(VIII)Compensation to employees, Directors and Supervisors

1.Percentage or range of compensation to employees, Directors and Supervisors in the Articles of Incorporation

(1)Employee compensation： 1%~15%

(2)The remuneration to Directors and Supervisors: No more than 1.5%.

2.The estimation basis of compensation to employees, Directors and Supervisors, calculation basis for number of shares distributed as employee compensation, and accounting treatments for difference between estimated and actual payment amount

The estimation basis of compensation to employees, Directors and Supervisors shall be based on relevant laws and regulations, the Company's Articles of Incorporation, and past experience. Difference between the actual distribution and estimated amount will be treated as changes in accounting estimates and recognized in profit or loss of the following year.

3.Proposed compensation approved by the Board of Directors

(1)Amount of compensation to employees, Directors and Supervisors in the form of cash or stock. If the amount is different from the estimates in the year expenses are recognized, the difference, cause and ways of reconciliation shall be disclosed.

The Company has resolved not to distribute earnings in the Board of Directors meeting on March 18, 2019.

(2)Amount of stock distributed as employee compensation and as a percentage to net income of parent company only or individual financial statements and to aggregate compensation to employees: There is no employee compensation in the form of stock.

4.Actual payment of compensation to employees, Directors and Supervisors in the previous year (including the number of shares, amount and stock price), and if it is different from the amount of compensation recognized, the differences, causes, and ways of reconciliation shall be disclosed.

For the Company’s 2017 earnings, the Board of Directors has resolved to pay NT$12,091,479 as employee compensation in the form of cash on March 19, 2018. The actual amount distributed is the same as the one recognized. There is no difference. No director and supervisor remuneration will be paid.

(IX)Buyback of the Company's own shares: None.

II. Corporate Bonds (Including Overseas Corporate Bonds)： None.

III. Preferred Shares： None.

IV. Participation in Global Depositary Receipts： None.

V. Employee Stock Options： None.

VI. Restricted Stock Award Shares： None.

VII. Status of New Share Issuance in Connection with Mergers and Acquisitions： None.

VIII. Capital Utilization Plan and Its Implementation： Non

Chapter 5 Operational Highlights

I.Business Activities

(I)Business scope

1.Main business

The Company's business operations focus on network information platform services, including e-commerce and portal services, as shown in the figure below.

Business Services and Content Framework of the Company

2.Product as a percentage to sales

Unit：NT$ thousands

Product \ Year	2018	Weighting (%)
E-commerce	34,350,066	99.3%
Others	244,298	0.7%
Total	34,594,364	100%

3.Current products (services)

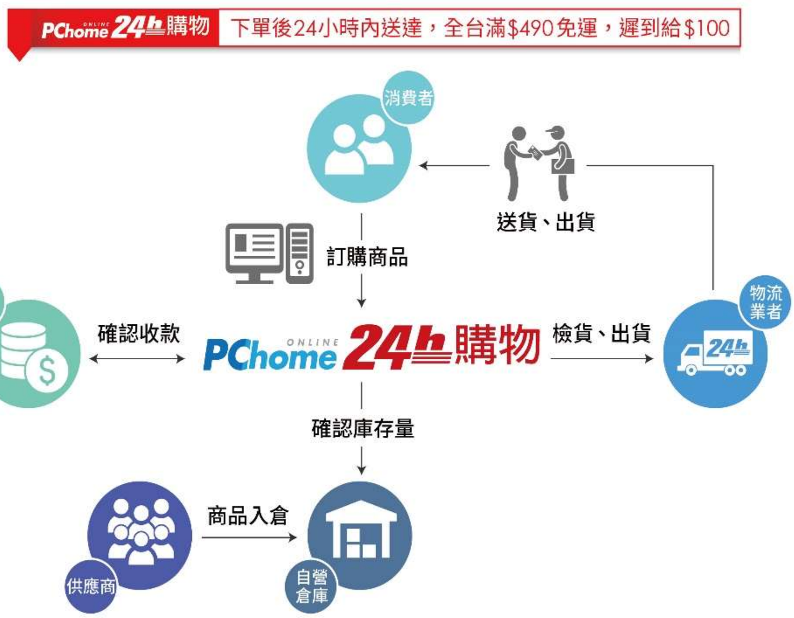
(1)E-commerce

E-commerce services operated by PChome Online Inc. are: PChome 24h Shopping, PChome Shopping, and PChome Global Shopping. More than 5 million types of products are available on our B2C website, among which, over 2 million merchandises are in stock and can be delivered within 24 hours to anywhere on the main island of Taiwan and 6 hours within Taipei City (trial operation). The Company pioneers guaranteed 24-hour delivery in Taiwan and is the e-commerce shopping website having the greatest number of merchandises in stock.

1)PChome 24h Shopping (http://24h.pchome.com.tw/)

PChome Online Inc. pioneers the 24-hour delivery service in January 2007, which has become the most popular and influential service in Taiwan and provided everyone a cloud warehouse. At present, there are more than 2 million merchandises in stock. Items ranging from small ones, such as flash drives and mobile phones, to large ones, such as refrigerators, big-size TVs and washing machines, can all be delivered to anywhere on the main island of Taiwan within 24 hours. Consumers can enjoy precise and prompt online shopping experience.

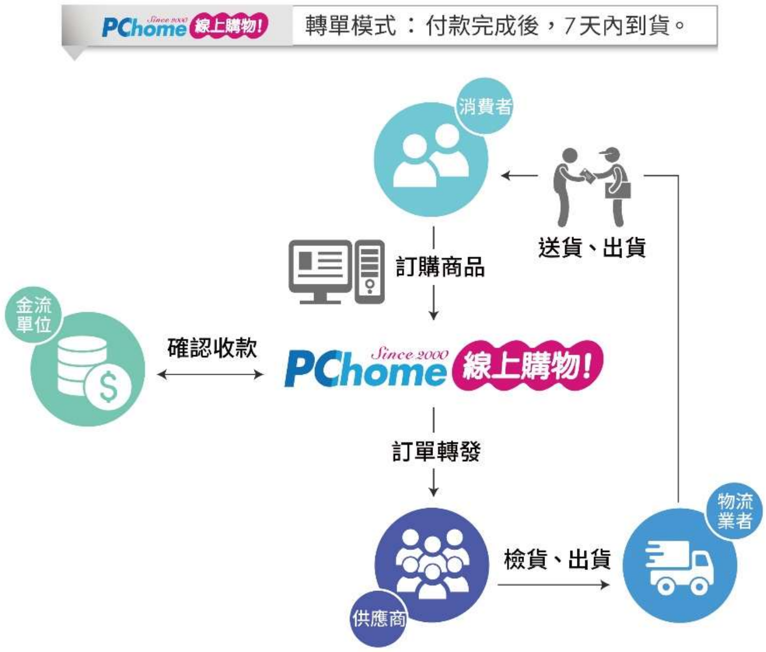
In order to provide innovative services and diverse product choices, the Company currently owns over 70,000 pings (approximately 231,000 square meters) of warehousing area. We continue to actively build warehouses, strengthen product depths, and offer choices beyond consumers' imagination. We also optimize delivery time and routes and invite suppliers to store their products in our warehouses in order to reduce the process time from order placed by consumers to delivery. Taiwanese consumers can thus quickly complete transactions, select multiple products from one stop, and enjoy 24-hour delivery shopping experience. We provide services that break down time and geographic constraints. To meet consumers' demand for speedy delivery, the Company launches 6-hour delivery service in Taipei City in December 2013. The operation is still on trial and there are normal deliveries during weekends and holidays. The service has been well received.



Delivery Model of PChome 24h Shopping

2)PChome Online (http://shopping.pchome.com.tw/)

PChome Online Inc. officially commenced e-commerce business in 2000. First, the Company established a B2C shopping website, "PChome Shopping". When consumers' orders are received, the website will initiate the "order transfer mode" and pass orders to suppliers. By integrating supplier development and management, merchandise information management, payment flows and customer services, the sales levels between consumers and suppliers can be significantly reduced, and the operation costs and selling prices be lowered. Consumers can in turn enjoy quality online shopping experience as a result of efficient processes.



Delivery Model of PChome Shopping

3)PChome Global Shopping (http://global.pchome.com.tw/)

In July 2010, PChome Online Inc. launched "PChome Global Shopping", offering delivery from Taiwan to overseas. Through Internet, we engage in global trade to satisfy over 7 billion users' demand for goods produced in Chinese-speaking territories and Chinese language interface devices, providing diverse product ranges and enjoyable cross-border online shopping experience. Through the warehouse management system at our self-operated central warehouse, consumers can easily purchase merchandises online. There are nine major categories: electronic appliances, accessories, digital products, laptops, home appliances, household products, daily products, bookstore, and clothes and fashion, all of which can be delivered to 104 countries and territories around the world within 3 to 7 days.

Also, PChome Global Shopping launched an English-language website in February 2012. Currently, there are three languages available: traditional Chinese, simplified Chinese, and English. The website accepts payments from credit card and Paypal and offers more diverse product choices to consumers worldwide.

4)Key awards and operating performance

PChome Online Inc. has won numerous awards over the years. Major achievements in the past five years are as follows:

Year	Award
2013	"Top Service Award" - Online & TV Shopping - Second Prize
	"2013 Mom Baby Best Product Award" – Online Shopping – Recommended Product
2014	"Golden Service Awards" of CommonWealth Magazine - Online Shopping Mall Category

Year	Award
	- Gold Award
	Winner in the 2nd Taiwan Mittelstand Awards of MOEA
	"2014 Mom Baby Best Product Award" － Online Shopping － Recommended Product
2015	2015 "The Most Influential Brands in Taiwan" of Business Weekly - No. 23
	"Golden Service Awards" of CommonWealth Magazine - Online Shopping Mall Category - Gold Award
	2015 "Super Power Brand" of MANAGER Today - E-commerce Platform Category - First Prize
	2015 Innovative Product Award of Information Technology Month
	2015 Outstanding Achievement Award of Computer Society
2016	2016 "Taiwan Original Brands" of Business Weekly
	"Best Reputation Benchmark Enterprise Survey" of CommonWealth Magazine - E-commerce Category - First Prize
	"The Best Service in Taiwan" of China Times - Large Online Shopping Website - Gold Prize
	2016 Promotion of Cross-Strait Development - Outstanding Performance Award
2017	2017 "Top Service Award" - Online Shopping - First Prize
	"2017 Brand Asia" - Online Services – Excellence Award
	"2017 DTA Award - Digital Service Innovation Award" - Trade Convenience and Cross-border E-commerce – Excellence Award
2018	2018 Innovative Product Award of Information Technology Month - Gold Prize for Innovation (PChome Fastag)
	Chapter MMXVIII.. **VATIVE PRODUCT AWARD OF INFORMATION TECHNOLOGY MONTH**

(2)Portal

The PChome Online Inc. provides a wide range of network services including news platforms, stock markets, e-mail, Kaza personal blog, news, travel, car-buying, customized photo album, and search channels and many more. These services have generated an enormous number of registered members and traffic. Portal also provides online adverting services such as display advertising and display network. The PChome Online currently has more than 14 million members. As the influence of network increases, PChome Online Portal will continue to strengthen the functions of each channel and provide customers with a satisfactory online service experience.

4.New products or services scheduled to be developed

As the Company is in the information services industry, continuous innovation on information services is our competitive niche. Therefore, in addition to close observation on consumers' demand and feedback, thorough implementation of schedule control on R&D projects, effective monitoring and tight control on progress to shorten R&D schedule, continuous effort on strengthening the competence of R&D team, and formulation of effective training to improve overall professional qualifications are all key factors which have direct impact on whether the projects will succeed. The Company constantly innovates and improves its internal operating procedures. Besides cutting down on procedures, it significantly enhances customer service quality, reduces customer complaints, and in turn increases the Company's competitiveness. The Company formulates different R&D projects based on needs and set plan objectives in line with market demand. The major products and services scheduled to be developed are as follows：

Project Name	Project Content
Artificial Intelligence and Big Data Analysis	Incorporate consumer behaviors accumulated over the years into the big data analytic database, bring in rapidly changing market demand, update and design diverse and appropriate services, and provide more convenient services through artificial intelligence.
Optimization of Mobile Shopping APP	Actively optimize user interfaces and user experience, correct and adjust functions weekly/monthly, review customers demand in response to market trends, and provide the most fitting mobile shopping services.
Introduction of Cross-border Merchandises	As the online shopping develops in Taiwan, the demands for cross-border merchandises is picking up. The Company will continue to develop diverse and quality offshore goods and introduce product sales services to satisfy the ever-changing market trends.

(II)Industry overview

1.Industry current status and developments

(1)Analysis of the online retail market in Taiwan

1)There were 17.38 million Internet users in Taiwan with an Internet penetration rate of 82.1% in 2018.

In the 2018 Taiwan Internet Report issued by TWNIC, overall Internet usage status includes the ratio of individual and household Internet access; individual Internet access ratio is further divided into ratios of users having been online, mobile device Internet users, and WiFi Internet users. At present, the rate for having been online for individual Internet users aged 12 and above is 82%, which is equivalent to an estimated number of 17.38 million people. Mobile device Internet access rate is 77.3%, an estimated number of 16.37 million people.

Figure: Overall Internet Usage for Users Aged 12 and Above in Taiwan
(Source: 2018 Taiwan Internet Report by TWNIC, 2018)

2)In 2018, close to 85% of Internet users used smartphones to access Internet.

According to the 2018 Individual/Household Digital Opportunity Survey issued by the National Development Council, with regard to personal accessible information devices, the ratio of people aged 12 and above who has used the Internet and owned smartphones, smart TVs, smart wearable devices and smart appliances has increased from 2017; however, the ratio has dropped for users who own desktop computers, notebook computers, and tablets. As for the length of time spend on information devices, Internet users who mostly use smartphones has increase from 66.7% in 2016, to 73.3% in 2017, and 75.3% in 2018, and smartphones rank number one among all information devices. In contrast, Internet users who mostly use desktops have decreased from 21.4% in 2016 to 14.9% in 2018. The outcome indicates a shift in the use of information devices.

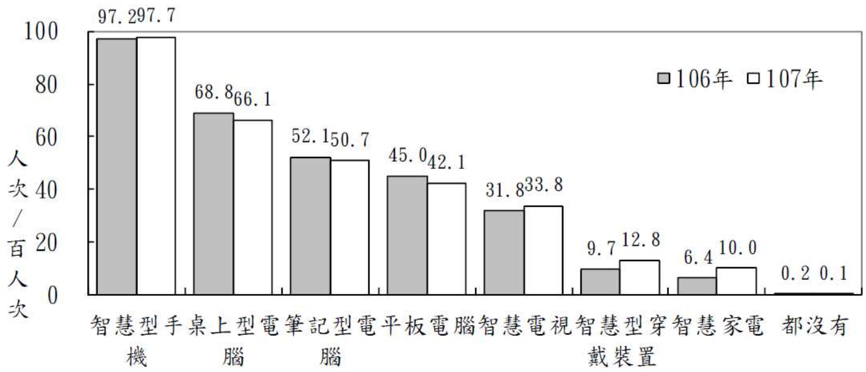


Figure: Information Devices Owned by Internet Users
(Source: 2018 Individual/Household Digital Opportunity Survey by National Development Council, 2018)

According to the Internet usage in the report, 84.9% of people aged 12 and above are in the habit of using mobile devices in 2018. If the target group is limited to frequent Internet users, 98.2% of Internet users use mobile devices to access Internet. This indicates that using mobile devices to surf the net has become the trend in modern society.

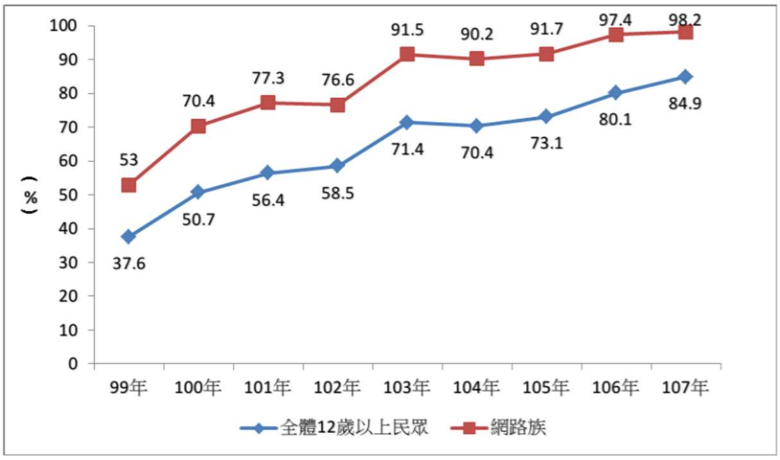


Figure: The Use of Mobile Internet for People Aged 12 and Above Over the Years
(Source: 2018 Individual/Household Digital Opportunity Survey by National Development Council, 2018)

3)The revenue of non-store retailing exceeded NT$250 billion in 2018, an annual growth rate of 6.7%.

Based on the survey conducted by the Department of Statistics, Ministry of Economic Affairs (MOEA), the revenue of non-store retailing amounted to NT$254.7 billion in 2018, which was an annual growth rate of 6.7%. A positive growth has been identified for 12 consecutive years and 2018 has hit a record high in the past five years.

The maturity of consumers' familiarity with Internet access and online shopping, business opportunities from mobile devices, Double 11 and Double 12 festivals organized by online shopping platforms, and the emergence of a comprehensive diverse payment system all provide strong momentum to support the positive growth in e-commerce under non-store retailing for consecutive years.

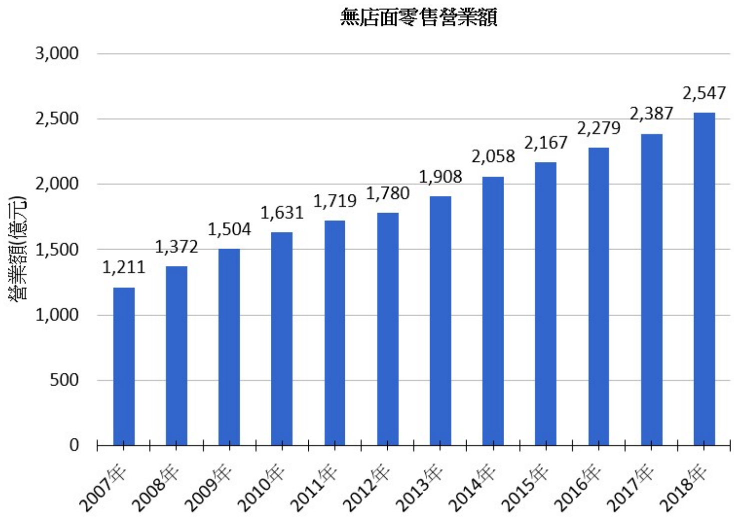


Figure: Revenue of Non-store Retailing from 2007 to 2018
(Source: Department of Statistics, MOEA, 2019)

4)Close to 60% of Internet users are in the habit of shopping online, and 36% of them would shop online every month.

According to the 2018 Individual/Household Digital Opportunity Survey issued by National Development Council, close to 60% of Internet users are in the habit of shopping online, and 36% of them would shop online at least once every month. This indicates a high Internet usage rate in Taiwan. On the other hand, about 40% of people shop online less than once on a monthly basis, which means Taiwan's online shopping market has not yet saturated. Taiwan's online shopping market is turning mature. If it can be complemented by comprehensive network environment and promotion activities in line with festivals organized by shopping websites to push for an increasing frequency of online shopping, the market can still enjoy strong potential and growth momentum.

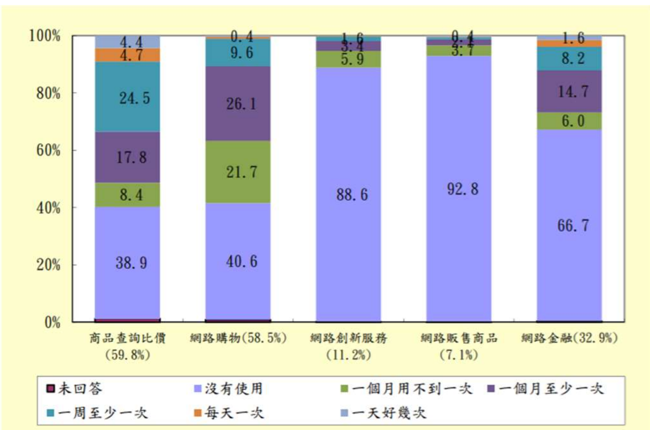


Figure: Internet Users' Participation in Economic Activities in 2018
(Source: 2018 Individual/Household Digital Opportunity Survey by National Development Council, 2018)

5)The influence of online shopping platform continues to increase and it has become the source of online shopping for 95% of consumers.

According to the survey on Taiwanese Internet users' online shopping habits conducted by the Institute for Information Industry in 2019, shopping websites have the highest weighting as the source of product information, followed by Google search, Facebook and price comparison engines. When Internet users aged between 18 to 60 are subdivided into 9 age groups, shopping websites are the number one source of information for each subgroup. This is a clear indication that shopping websites are now the primary information channel for Internet users.

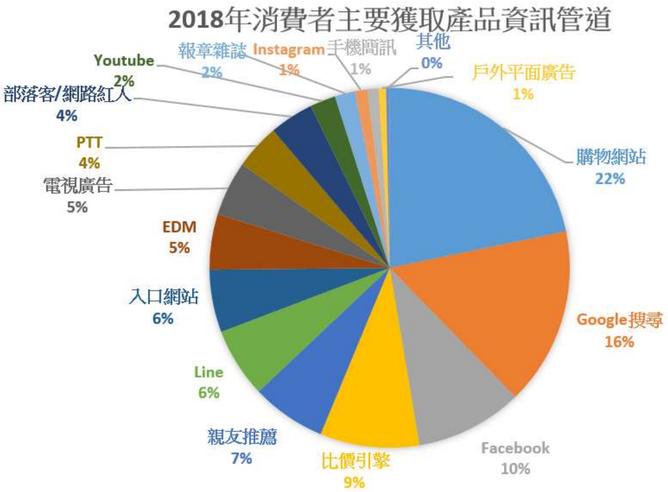


Figure: Primary Product Information Channel for Consumers in 2018

(Source: Taiwanese Internet Users' Consumption Survey – Online Shopping by Market Intelligence & Consulting Institute of Institute for Information Industry, 2019)

Comparing the online shopping channels often used by Taiwanese Internet users, the percentage of shopping at online shopping platforms increases from 93.5% in 2017 to 95.3% in 2018. When one looks at the weightings of shopping channels, online shopping platforms account for 64%, which is the highest among all channels.

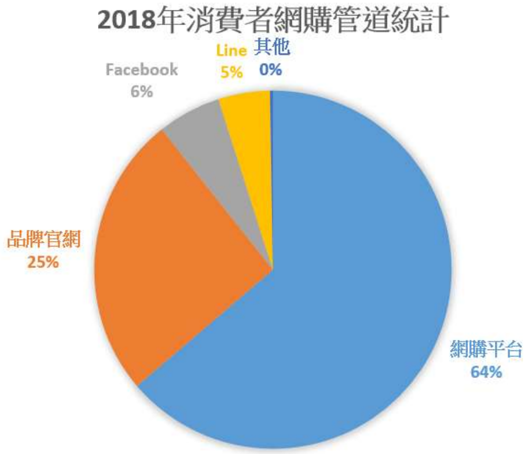


Figure: Statistics on Consumer Online Shopping Channel in 2018

(Source: Taiwanese Internet Users' Consumption Survey – Online Shopping by Market Intelligence & Consulting Institute of Institute for Information Industry, 2019)

Also, in 2018, the average annual spending on online shopping was NT$26,587, a slight increase of 0.38% comparing to that in 2017. When one looks at the spending distribution, the weighting of spending in the range of NT$10,000 to NT$19,999 was the highest. The frequency of shopping through the Internet increases from 2.1 times in 2017 to 2.5 in 2018, showing an increase in both online shopping frequency and spending amount in 2018, comparing to those in 2017.

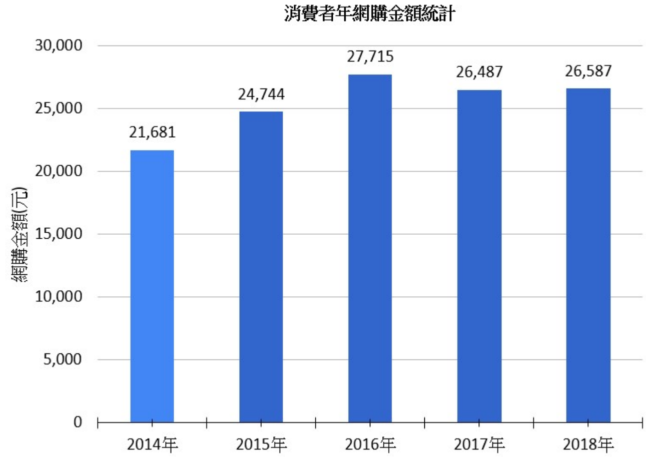


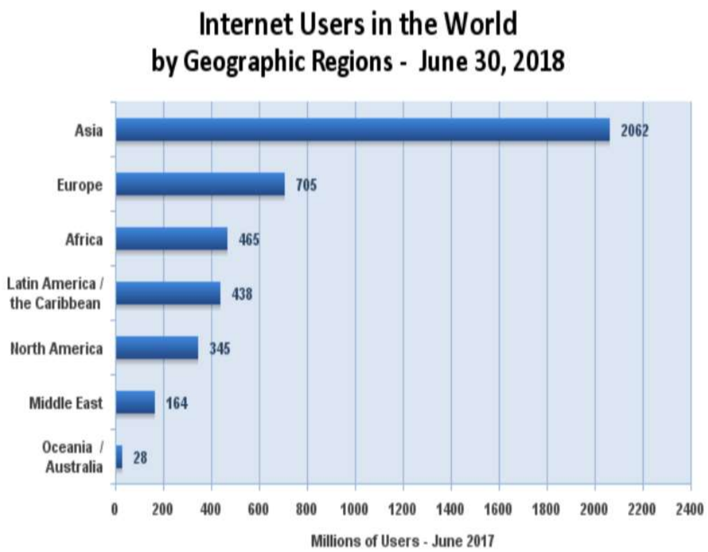
Figure: Statistics on Consumer Annual Online Shopping Spending in 2018

(Source: Taiwanese Internet Users' Consumption Survey – Online Shopping by Market Intelligence & Consulting Institute of Institute for Information Industry, 2019)

(2)Analysis on online retail market through global trends

1)Internet users in Asia account for 49% of the global users, as the market has enormous potential value

According to the Internet World Stats report, there were approximately 4.2 billion Internet users worldwide in 2018. Asia alone had 2 billion users and accounted for 49% of the global users, ranking number one among the regions. Europe ranked second with its 700 million users, which was merely one-third of Asia. The weighting of workforce continues to climb in the Asia-Pacific region, and this demographic dividend advantage will transform into a strong growth momentum.



Figure： Overview of Internet Users Worldwide

(Source: Internet Users in the World of Internet World Stats, 2018)

According to the survey report, with regard to Internet penetration rate, North America ranks first with its 95%, followed by 85.2% in Europe. Even with the highest number of Internet users, Asia ranks second to last with its penetration rate of 49%. The result again clearly shows that the Asian Internet market still has ample room for growth in terms of market scale and potential value.

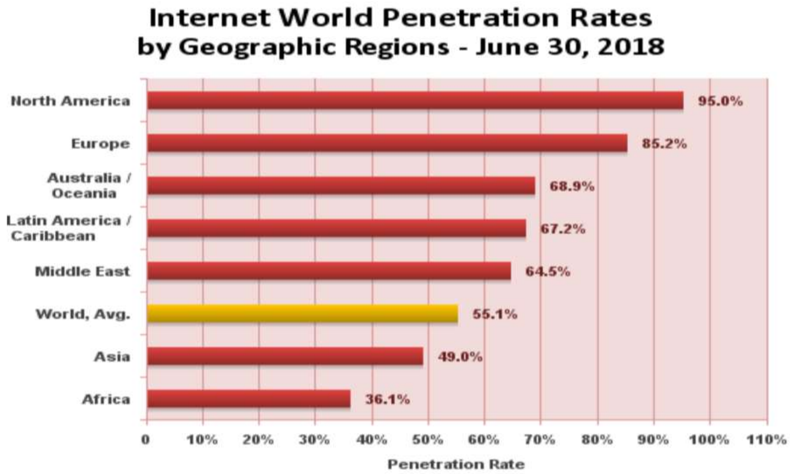


Figure: Global Internet Penetration Rate

(Source: Internet Users in the World of Internet World Stats, 2018)

2)In 2018, the global retail ecommerce sale amounted to US$2.84 trillion, an annual growth rate of 23.3%.

According to the survey report of eMarketer, the global retail ecommerce sale amounted to US$2.84 trillion, which represented an annual growth rate of 23.3% and accounted for 11.9% of the overall retail market. The report also shows that this number will increase to US$4.88 trillion in 2021, and the percentage of e-commerce sales will reach 18% of the overall retail market. Even though the number increases slowly due to high base period, the market continues to show a strong double-digit growth rate. Moreover, as sales number continuously increases every year, e-commerce still have plenty of room for growth.

Figure: Global E-commerce Market Scale from 2016 to 2021

(Source: Survey Report of eMarketer, January 2018)

3)Taiwan ranks fourth in the sales weighing of fast-moving consumer goods, according to Kantar Worldpanel.

According to the survey report of Kantar Worldpanel in 2018, in the ranking of global online sales value of the fast-moving consumer goods (FMCG), South Korea ranks first at 19.9%, followed by China at 9.5%, Taiwan at 8%, and Japan at 7.6%. The top four countries all are located in Asia, which demonstrates the fact that virtual channels have gradually become the alternative choice for consumers when purchasing FMCG. It also shows the online shopping market at this region is maturing. Taiwan's e-commerce market is relatively mature comparing to the world market, even though we are still a little bit behind comparing to South Korea. Thus, the development of FMCG still has growth potential.

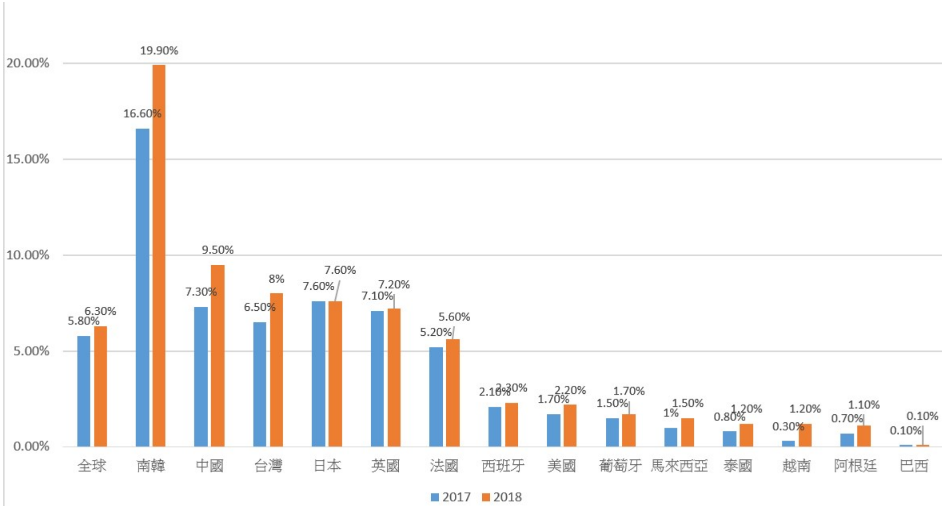


Figure: Percentage of Global FMCG Sales

(Source: Survey Report of Kantar Worldpanel, 2018)

Analyzing from a wider perspective, the growth rate of overall FMCG sales (both online and offline) was only 1.6% in 2018; however, the online sales growth rate was 13%. This shows a shift in people's consumption behavior regarding daily supplies. Furthermore, when comparing globally, Taiwan's growth rate of online FMCG sales reaches 23.4%, ranking only behind the U.S. and China. They are all countries with high growth potential.

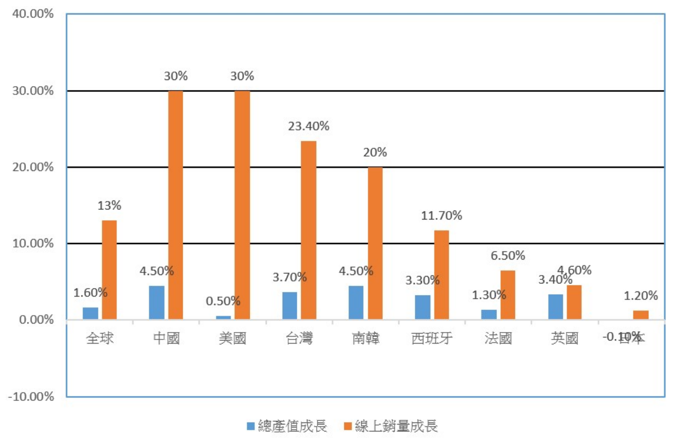
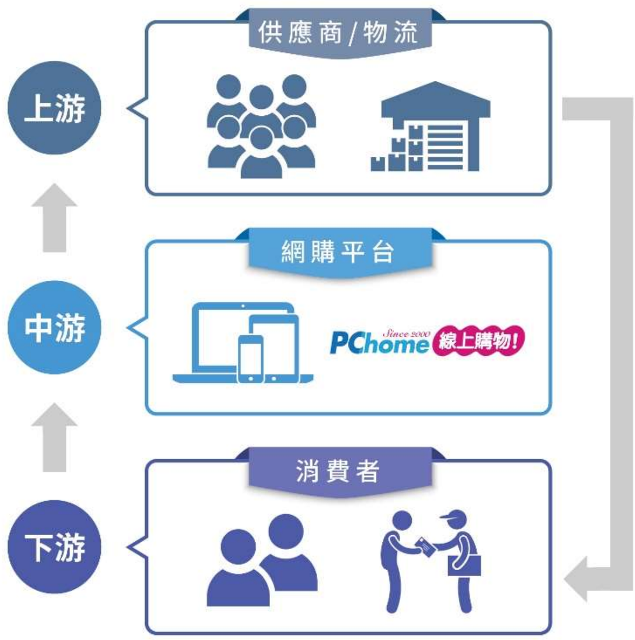


Figure: The Growth Rates of FMCG Value and Online Sales by Countries
(Source: Survey Report of Kantar Worldpanel, 2018)

2.Correlation between upstream, midstream, and downstream of the industry

The procedures the Company's main business, e-commerce, and its relationship with midstream and downstream are shown in the figure below:



3.Increasing attention on e-commerce from the competent authority

(1)Over US$100 billion from Taiwan's New Southbound trade in 2018; PChome Thai grabs business opportunities

Our subsidiary, PChome Thai, actively expands the market in Thailand and is looking to establish the bridge of cross-border e-commerce platform for small and medium enterprises in Taiwan and provide a friendly e-commerce environment. Recently, the economic and trading relationships between the United States and China have changed. Facing the ever-changing environment both at home and abroad, in an effort to explore more market opportunities, Taiwan has increased the importance of Southeast Asia as our future trading and investment focus.

The New Southbound Policy, aiming to strengthen our relationship with neighboring countries, was initiated in September 2016. According to the 2018 New Southbound Policy summary prepared by the Office of Trade Negotiations, Executive Yuan, the total trading amount equals US$117.104 billion, representing an increase of 5.69% year-over-year. In the e-commerce category, the government assists 25,081 companies with marketing through TaiwanTrade and generates over US$500 million business opportunities. In addition to the launch of Taiwan Store on New Southbound platform, PChome Thai, the government persistently establishes communication platforms at other nations' e-commerce websites and achieves the outstanding results of having close to 270,000 items for online stores.

Meanwhile, the government increases the New Southbound budget by over NT$1 billion in 2019, which indicates that the New Southbound Policy continues to be the key development theme for Government. The objective is to create brand-new economic momentum and reposition Taiwan in the supply chain. There are opportunities to form industry clusters and increase Taiwan's present in the Southeast Asia market.

(2)Financial Supervisory Commission (FSC) now allows the use of electronic payment account as a payment tool for fund trading, facilitating the development of electronic/mobile-payment business.

As the lines between the arenas of use and technology of e-ticketing and e-payment account are blurring, FSC has issued official letters requesting The Bankers Association of the ROC and each e-payment member institutions to conduct an "Consolidation of Rules Governing E-payment Institutions and E-Ticketing Issuance Agencies" study in early 2018 in order to integrate regulations governing e-payment institutions and e-ticketing issuance agencies, and expand the potential development opportunities for these two sectors. With regard to the development items on e-payment and e-ticketing provisions, effective implementation of financial monitoring, consumer protection, and promotion of e-payment and e-ticketing industries in Taiwan, these member institutions have reached consensus with bank unions in hope to propose concrete and practical recommendations. Once the regulations are integrated successfully, it will be beneficial to the domestic development of e-payment business.

In April 2018, FSC issued an official letter allowing e-payment institutions to provide funds collection or payment services as an agent for money market securities investment trust funds publicly offered and issued by securities investment trust enterprises and limited to domestic investments. However, as the Securities Investment Trust & Consulting Association of the R.O.C. (SITCA) is required to amend its self-discipline standards accordingly, this service has yet to be carried out. SITCA has issued an official letter to FSC concerning the approval of "SITCA Operating Standards for E-transactions of Domestic Securities Investment Trust Funds" on January 18, 2019. The section where "Securities investment trust enterprises or distributor of securities investment trust funds shall ask a customer to designate a bank account or e-payment account under his/her name on the agreement. In the event of redemption, he/she can only choose from those accounts or use a crossed, non-endorsable, non-negotiable check with him/her as the payee as payment for redemption price" has been amended. The amendments include e-payment accounts. Investment trust funds and e-payment enterprises can commence business of financial products or services where funds collection or payment as an agent is approved by the competent authority under regulations governing e-payment institutions at any time, which in turn increase investors' choices of financial products. As for investors, they can now pay for their purchase of monetary market funds through e-payment accounts in addition to their bank accounts. It facilitates the sales of funds and greatly benefits the development of e-payment and mobile payment.

(3)The Department of Commerce, MOEA promotes the "Cross-border E-Commerce Transactions Promotion Flagship Program"

To facilitate the internationalization of e-commerce platforms in Taiwan, and expand their overseas markets, the government has invested NT$120 million in 2018, providing a variety of programs, such as to strengthen Taiwan e-commerce platform enterprises' abilities in managing cross-border e-commerce markets in the Association of Southeast Asian Nations (ASEAN), help e-commerce platform with selling popular Taiwanese products to promote brand export, establish "cross-border e-commerce service network" to provide integrated e-commerce information in Southeast Asia, assist enterprises with evaluation legal and accounting challenges in the Southeast Asia markets, and provide professional consulting services, etc. The government also conducts surveys on consumers in Singapore, Malaysia, Thailand, Indonesia, Philippine and Vietnam, that is, six markets in the Southeast Asia, to understand the preference of local customers. It aims to bring Taiwanese brands and Internet service providers to ASEAN markets and Mainland China through the power of platforms.

4.Product development trends and competition status

(1)Product development trends

In line with Group's overall development strategy and development trends of domestic e-commerce retail market, the major development of PChome 24h Shopping in 2018 are as follows：

1)The brand cultivation program has been successful. PChome 24h Shopping is the only Taiwanese e-commerce company to be an authorized distributor of Apple for its complete series of products.

In 2018, PChome 24h Shopping became the only Taiwanese e-commerce company to be an authorized distributor of Apple for its complete series of products. When new models were released in September, our platform triggered strong sales momentum. iPhone XS series had initiated strong growth potential on its first day of sale in Taiwan. Apple enjoys high brand identification in Taiwan, which stimulates the sales of relevant products, for instance, Mac, iPhone, and iPad all have outstanding sales figures. The brisk sale of new iPhone model also spurs the sales of older models and delivers excellent sales volume on iPhone for three consecutive months.

The PChome 24h Shopping within PChome Online Inc. has actively involved with cultivating diverse brands and enhancing product mixes. The strategy has been a success and effectively brought in revenue. During the year, the Company has launched Brand Day and Brand Week promotions with well-known brands such as Xiaomi, Apple, Samsung, Sony, Asus, HP, Lenovo, Transcend, Surface Go, CORSAIR, Yuen Foong Yu, Unilever, etc. Also, we often organize debut sales of new models and earn the exclusive online selling rights; for instance, we are the only Taiwanese e-commerce company to be authorized by Xiaomi for the debut sale of Mi A2, the exclusive pre-order for the debut sale of Microsoft Surface Go 4G/64G, the exclusive pre-order for NVIDIA GeForce RTX graphic cards, the exclusive sale of Seagate 14TB hard drive which offers the highest capacity in the industry, and the exclusive right for the debut sale of Samsung's new flagship model, Galaxy Note 9 8G/512G. The flagship model sale also spurs the sales of other Samsung models and delivers excellent sales volume. Furthermore, we earn the debut pre-order rights for Acer's gaming chair, Predator Thronos, and the sales figure has been impressive. We also get the exclusive pre-order right to sell Razer's latest Blade gaming laptop online. We are committed to develop the brand market.

2)With help from the Internet celebrity economy, increase interactions with consumers through cross-sector collaboration with Aaron Finest and LangLive

With the development of digital community and live-streaming technology, Internet celebrity economy has emerged and live streaming has turned very popular. To offer diverse services and enhance online customer experience, the Company collaborates with Aaron Chen's "Aaron Finest" and live-streaming platform, LangLive, to break new ground for online shopping.

PChome Shopping collaborated with "Aaron Finest" during the 2018 Lunar New Year Fair and initiated a new type of shopping program, "Aason Finest New Year Banquet", for e-commerce, which offered more than one thousand new and quality Lunar New Year purchases to customers. The program ran for 24 days prior to the Lunar New Year and included celebrity live streaming, professional unboxing, real-time cooking, and online shopping guide to create a shopping frenzy. To extend the frenzy, we worked with the popular live streaming platform, LangLive, to launch the "PC Live Show". We made a strong entrance into the Internet celebrity economy by working with popular Internet celebrities who has garnered sufficient attention and follower-ship, incorporating entertaining product promotions into daily consumption topics, and offering online QR code discounts and real-time ordering at the website to increase customer interactions.

3)Gradually improve our logistic potential through promoting the 6-hour delivery program at six special municipalities in Taiwan, initiating the AI lab warehouse at Taichung and having PChome Express Inc. formally in operation

The Company actively plans warehousing logistics. There are seven warehouses in present, storing over 2 million types of products, and there are over 5 million types of products available online, all of which continue to increase our business momentum. We commenced the operation of Taichung warehouse and self-owned delivery fleet in the second half of 2018. Taichung warehouse is an AI lab transfer warehouse. It has relatively small storage area comparing to traditional warehouses. However, it has the advantages of being elastic and highly flexible. Through Big Data and AI system, the Company can pre-order seasonal popular products to facilitate delivery and meet consumers' demand with precision. Furthermore, we enhance speedy delivery effectiveness during the Double 11 Festival and significantly improve shipment efficiency. The service is initiated at the Greater Taichung Area and is scheduled to be adopted for the 6-hour delivery program at the six special municipalities, namely Taipei City, New Taipei City, Taoyuan City, Taichung City, Tainan City, and Kaohsiung City, to improve the delivery efficiency in the main island of Taiwan.

As the delivery volume cannot be expanded in a short period of time and there are significant increases in the Company's operation scale and logistic business, we established a 100%-owned subsidiary, PChome Express Inc., in the second half of 2018 to provide logistic services for B2B, B2C and B2B2C of e-commerce. The subsidiary will help to increase our delivery volume.

4)Build membership services and PChome Ecosystem

In May 2018, the PChome 24h Shopping and Citibank launched the "Citi PChome Prime cobrand card", and initiated the "P Coins" service exclusively for members. The P Coins exchange mechanism is also activated, allowing members to utilize P Coins across reward redemption platforms, such as Asia Miles, Payeasy, Open Point, UUpon, Happy Go, Hami Point, etc. By combing both online and offline consumer behavior analyses from those platforms with ours, we can create more exclusive benefits and services for our members. In August of the same year, the Company's mobile payment subsidiary, Pi wallet, joined forces with E. Sun Bank and launched the "E. Sun Pi Wallet Credit Card" where P Coins can be further applied to various daily scenarios. Besides using the Coins to offset purchases made at PChome 24h Shopping, they can be applied to parking fees, credit card bills, phone bill, utilities bills, mobile payments at hospitals, and library cards in Taipei. They can also be used to accumulate points and discounts at physical convenient stores or shopping channels. There have been over 30,000 application scenarios and we will integrate online and offline channels in the future to build an ecosystem for our members.

5)Promote new retail services and initiate O2O service, "Smart Tag - Fastag".

PChome 24h Shopping launched the brand-new "Smart Tag - Fastag" in July 2018. Through the new shopping mode of "scan and buy, prompt replenishment", online shopping processes are cut down significantly, and we can approach target groups with precision and enhance brand marketing and member exclusive services. The first-quarter results since the launch have been impressive. Exclusive repurchase discounts stimulate the use of coupons and significantly increase the diffusion rate of family and fried sharing. The Smart Tag – Fastag service integrates the most popular brands, e.g. Apple, Xiaomi, Pampers under P&G, Mamypoko under Unicharm, Orange House under Yuen Foong Yu, FreshSense, Frosch, Mayflower, Tender, Delight and Taiyen Biotech. Through enhanced brand segment and closed-loop marketing, we adopt differentiated selling technique. Members can immediately enjoy the privileged VIP member-only shopping experience.

6)Immersive entertainment has been successful. We organize e-commerce Double 11 Festival in Taiwan for two consecutive years and create new sales records.

The Company held the international Double 11 Festival for the second consecutive year. The theme was "PChome: Here Comes Double 11– Unlimited Night" in 2018. Consumers could earn tickets to the gala through online shopping or they could watch the event live on the shopping platform, MOD, video channels, or live stream through social media. During the four-hour event, PChome 24h Shopping set the record of having nine million visits and an average spending per member of approximately NT$10,000, which doubled their normal day spending. On November 11, there were close to 34 million visits at the website and the number of new members was six times higher than that on a normal day. The traffic generated excellent sales volume for all recommended products across every range and achieve a new sales record. We also provided several rebate programs through cross-industry alliance with LINE Shopping and launched an additional special of one-hour only 11% unlimited rebate, which generated over NT$100 million in sales. Looking at the overall sales performance, revenue on the first day of Double 11 Festival was 12-fold of that on a normal day. Two days into the festival, the sales number had achieved the record set by the four-day Double 11 Festival in 2017. Immersive entertainment marketing was proven to be effectively and set new sales record.

(2)Competitions

The competition in the Taiwan e-commerce market is intense. Competitions currently faced by the Company are as follows:

1)Subsidy strategy is coming to an end, as cultivating customer loyalty becomes the key

Taiwan e-commerce market has been through a period of subsidy marketing. Large e-commerce companies have gradually ended or completely stopped marketing strategies involving matters such as subsidizing shipping costs. This in turn has initiated a new era for e-commerce, inviting more consumers to try or get involved in online shopping and leads to a robust e-commerce market development.

E-commerce marketing returns to normal and shifts focus to cultivating loyal customers. Hence, major e-commerce players actively develop services associated with

AI and Big Data and continue to optimize user experience in order to entice the right groups of customers to the online shopping market.

The Company established a big data analysis department in 2018. Through a response center, real-time and dynamic information is integrated and various consumer activities are launched in line with sales status. We will continue to expand our "Deposit" service and work with large domestic banks and credit card companies to provide different special reward schemes to specific members. The objective is to turn traffic into sales momentum.

2)Rapid growth in e-commerce market and fierce competitions

The robust development of e-commerce platforms in Taiwan forges numerous e-commerce patterns, such as C2C, B2C, B2B2C, etc. The market scale of online shopping expands as money, material and information flows become smooth. However, due to market constraints, product types in Taiwan are highly repetitive and similar. Over-competition squeezes profit margins, and the e-commerce market is forced to sacrifice profits and heading towards the trend of low gross margin.

Therefore, the most important task is to establish differential product selling strategies, provide enticing product mixes and identify target customers. Starting from the second half of 2018, PChome Shopping introduced Japan-imported wagyu beef, as well as cookware sets and cosmetics of popular Korean brands. By offering products that are popular among customers, we achieved outstanding sales records during the Double 11 Festival, successfully attracted attention and stimulated sales momentum.

(III)Technology and R&D overview

1.Technical level and research and development

PChome Online Inc. has a sound R&D team. The R&D and design of all innovative programs are self-developed by the Company. The R&D results concentrate on online shopping process systems in connection with Internet services, front-end systems for Internet services, and back-end administrative systems. In contrast to other domestic websites who purchase most of the software systems required from overseas vendors or obtain their licenses, the Company's engineers develop most of our Internet service-related systems. Some of the systems have obtained patents or are in the process of submitting patent applications. The R&D expense in 2018 amounted to NT$368,935 thousand.

2.R&D expenses in the most recent year up to the date of publication of this annual report

Unit： NT$ thousands； %

Year / Item	2018	1st Quarter of 2019
Research and development expenses	368,935	112,712
Net revenue for the year	34,594,364	9,202,209
Percentage to net revenue for the year	1.07%	1.22%

3.Technologies or products successfully developed in the most recent year up to the date of publication of this annual report

The Company has focused on the development of various systems in recent years. The technologies and systems scheduled to be developed in recent years are as follows：

Project Name	Project Details

Project Name	Project Details
Smart Tag - Fastag	Self-developed Smart Tag – Fastag service: In response to the rapid growth and booming opportunities in online FMCG sales, we introduce this service to PChome 24h Shopping, providing targeted customers a closed-loop marketing channel and special prices. Through the new shopping mode of "scan and buy, prompt replenishment", online shopping processes are cut down. Through analysis on consumption cycles and purchase behaviors, we can adjust our marketing strategies on a real time basis and increase customer loyalty.
Connect cobrand cards and P Coins	In May 2018, the Company launched the "Citi PChome Prime cobrand card" with Citibank. Members can apply for the cobrand card at customer center on the PChome shopping platform directly, and the PChome system will assist them with linking the credit card to their accounts. Customers can then enjoy P Coins rewards and spending discounts, which in turn entice loyal customers to more frequent purchases.
Introduction of diverse money flow services	To allow for more diverse payment tools, starting from the second quarter of 2018, we have introduced all top six mobile payment services, namely, LINE Pay, Apple Pay, Google Pay, Samsung Pay, Pi Wallet, and JkoPay, in succession on top of the exiting PChome Deposit service and credit card services of over 30 banks in order to satisfy customers' payment demand.

(IV)Long-term and short-term business development plans

1.Short-term business development plans

(1)Continue to improve the completeness of product lines and build brand differentiation to drive revenue growth

Online shopping has become one of the mainstream shopping methods because of its advantages such as free from the hassles of going out and carrying bags, speedy delivery and product variety. The Company's PChome 24h Shopping has now become the only authorized direct sales platform of Xiaomi in Taiwan, the single e-commerce operator in Taiwan qualified as Apple's authorized distributor, the official direct-selling partner to top mobile phone brands, and the number one platform for the debut of new models.

According to the sales figures of retail channels released by the market research institution, GfK, the sales volume of smartphones in Taiwan was 6.6 million in 2018, representing a decrease of 10% comparing to the 7.328 million sets in 2017. As the overall market slowed down, PChome 24h Shopping managed to achieve an annual growth rate of 65% on the sale of mobile phones without data plans. The performance surpassed physical channels.

Moreover, during the Double 11 Festival, we initiated cross-border collaborations and introduced premium products from Japan and Korea to our platforms. We pioneered the sale of wagyu beef from Kyushu, Japan, A4 grade top blade steaks, and popular professional cookware sets from Japan. We also collaborated with the leading Korean e-commerce company, Home&Shopping, and transported numerous popular Korean cosmetics by air to be sold at our platforms. The cooperation successfully formed market segment and generated excellent sales performance.

We will expand our product ranges, strengthen our brand, establish good relationship with suppliers, provide services that exceed people's expectation, offer differentiated cross-border popular products, and build sales channels that minimize time zone difference. Not only to break ground for cross-border e-commerce services we also create unique value for our platform and add momentum to our revenue growth.

(2)Continue to expand warehouses, enhance logistic delivery capacity, and initiate the 6-hour delivery program at six special municipalities in Taiwan

In 2018, the Company had seven warehouses in operation with a total area exceeding 231 thousand square meters. We expect the online shopping market to continue its robust development. Consumers' demand for fast delivery on all ranges of products is increasing. Hence, we estimate an increase in the quantities of all product ranges and will continue to increase our inventories to satisfy consumers' need for shopping convenience. We also initiated our AI lab warehouse at Taichung in the second half of 2018, aiming to provide 6-hour delivery services in the Taichung region. We expect to expand this service to Taiwan's six special municipalities in the future. In addition, the Company established a 100%-owned logistics company in the second half of 2018. In addition to providing speedy delivery services in Taipei's central business district, we continue to cooperate with more than ten small and medium-sized logistics providers to establish high-efficiency logistics arrangements through different delivery methods and provide logistics services that satisfy consumers' needs most.

(3)Develop artificial intelligence and big data services to promote business momentum

The Company has a sound R&D team, which continues to develop cloud integration systems to launch service mechanisms that provide convenience to consumers. Through data from the Company and its e-commerce entities, we apply artificial intelligence algorithm to data computing and cross-analysis consumers shopping behaviors. This demonstrates the efficiency of big data cloud computing and provides customized recommendation systems to precisely meet consumers' demand and increase sales volume.

Furthermore, the Company will enhance its operational efficiency by connecting services from each of its entities, continue to gain access to various operational tools including money, material and information flows, and develop different business associated with e-commerce so that consumers, suppliers, and small and medium enterprises can all enjoy the enormous market scale of e-commerce.

2.Long-term business development plans

(1)Cultivate all-round e-commerce operation and management talents

According to the Internet World Stats report, the number of Internet users in Asia ranks first in the world; however, the Internet penetration rate is second to last. This shows that there is a huge market for Internet services in Asia. The rapid development in Internet technology drives fast evolution of e-commerce. Looking at the e-commerce industry in Taiwan, the work content constantly evolves with a fast pace and the average employee age is younger than that of other industries. It attracts talents and thus brings robust developments to the industry. The Company established a big data analysis department and a response center in 2018 and plan to form a deep learning team in the future. Therefore, we need to significantly expand our IT team and expect to offer jobs concerning AI, Big Data and cloud computing, system engineering, App/Webpage design, software design, etc. We will persistently develop competitive products and services, recruit all-round talents and explore market opportunities.

(2)The Company will start on warehousing a diverse range of products and service more Taiwanese suppliers

The Company will continue to accumulate online sales models and experience, invite brands and companies of different industries who are still new to online shopping channels to sell their promising products online. We will also develop and integrate upstream, midstream and downstream suppliers, find partners in payment flow and logistics as well as our affiliates in the supply chain to build a value network that emphasizes both retail and services together so as to provide fast and quality online shopping services to consumers.

(3)Continue to develop overseas markets and search for the best business model

The Company continues to explore overseas markets, integrate upstream, midstream, and downstream suppliers of the industry, and develop an e-commerce member ecosystem. With regard to overseas markets, following the establishment of PChome USA in the U.S. market in 2012, we created PChome Thai in Thailand in 2015. At present, the online retailing only accounts for 1% of total retail sales in many Southeast Asia countries. The market is highly promising. In March 2019, we collaborated with Rakuten, Inc. from Japan to jointly launch a customer loyalty program, utilizing the huge member bases and cross-field services of both parties, and drove the strategic alliance between Taiwan and Japan.

In the future, we will continue to look for cross-border e-commerce partners to import overseas services, including products, through e-commerce alliances with international brands and provide localized services through our e-commerce service platforms. People in Taiwan can also enjoy an abundance of choices in cross-border products. We will continue to accumulate cross-border selling experience and expand our service scale.

II.Market and Sales Overview

(I)Market analysis

1.Regions where main products (services) are sold (provided)

The Company's sales are mainly domestic, as overseas sales accounts for only a very small portion of our sales.

Unit：NT$ thousands

Region \ Year	2017		2018	
	Sales Amount	Percentage (%)	Sales Amount	Percentage (%)
Domestic sales	29,394,880	99.93	34,577,028	99.95
Overseas sales	20,297	0.07	17,336	0.05
Total	29,415,177	100	34,594,364	100

2.Market share, future supply and demand of the market, and growth of the market

(1)Market share

1)According to online shopping survey conducted by Market Intelligence & Consulting Institute of Institute for Information Industry in 2019, PChome 24h Shooing is the first choice for shopping online in 2018 and this is especially true for consumers aged between 26 to 60.

In the domestic online retail industry, the Company is not only a leader in the e-commerce sector in Taiwan, but also the most satisfying shopping website to customers. We enjoy high market share and fulfill consumers' needs for delivery to designated location in both main and offshore islands of Taiwan, a service that is highly appreciated by Internet users. The Company will continue to uphold the belief of "satisfying consumers' every shopping needs" in the future and develop various innovative services from consumer's perspectives in order to maintain our leading position in the market.

2)With regard to the global market, we have started on PChome Global Shopping in July 2010. This service aims to sell products to 104 countries and territories around the world via global EMS delivery service. It helps Taiwanese companies to develop international trade and builds reputation for quality Made in Taiwan products in the world. In addition, we also have plans for expansion at Northeast Asia and ASEAN markets and will later provide cross-border e-commerce services in more countries.

(2)Future supply and demand of the market

1)PChome Shopping and PChome 24h Shopping trend analysis

A.Brand cultivation strategy secures our leading position in 3C online channel

According to the sales figures of retail channels released by GfK, a market research institution, the 2018 sales volume of smartphones in Taiwan decreased by 10% comparing to that in 2017, showing a slowdown in the overall market. Also, after telecom operators released NT$499/month unlimited data plans, the number of Taiwanese chose to renew their plans or purchases phones linked with data plans decreased significantly. We can see that people are shifting to purchase their phones from retail stores, brand distributors, and online channels. PChome 24h Shopping continued to carry out the brand-focused strategy and formed alliances with well-known brands, such as Apple, Xiaomi, Samsung, Asus, and Sony, to offer members exclusive brand days and product mixes, and enhance loyalty. Within this context, the mobile phone sale at PChome 24h Shopping showed explosive growth. The sale of mobile phones without data plans increased 65% in 2017, which was a far better record than sales at physical stores and surpassed all other online channels. The record secured our leading position in 3C online channels.

B.Festival-theme promotion campaigns are the rage; continue to provide premium member service experience

PChome Shopping celebrated its 18th anniversary in June 2018 and organized the PChome Midsummer Concert where popular idols and singers were invited to perform. PChome Prime members could win the entry tickets through online shopping at our websites or they could watch the show live through PChome media platform, Facebook, YouTube, iQIYI Taiwan, and Vidol media platform. Coupons were distributed during live streaming which effectively attracted consumers to shop at our websites. At the same time, we organized a series of activities for the frenzy shopping month at our websites. We launched the best promotion activities in the first half of the year for a period of 30 days in connection with hundreds of well-known brands at home and abroad. Furthermore, in November of the same year, we organized the key event of e-commerce in second half of the year, the Double 11 Festival, with online sales and offline parties. We connected spending and entertainment interactive model to the combination of online virtual and offline physical experience and festival activities, which in turn simulated sales and set a brand new benchmark for e-commerce member services in Taiwan.

C.Booming opportunities during Lunar New Year as PChome lead the trend of one-stop Lunar New Year shopping

Consumers' demand for gifts rise to a new high before the Lunar New Year. Presents are needed for family gathering, worshipping, as a new year gifts or while visiting relatives and friends during the holiday. The demand translates into growing sales figures. Busy life in modern days pushes one-stop shop to be the best choice for shopping. PChome Shopping and PChome 24h Shopping introduced cross-border high-end fresh produce for the first time and sold gift boxes prepared by well-known stores with history or world-famous shops. Consumers can choose from different shops at home and satisfy their demand for diversity and high-end products.

D.The population using mobile shopping has gradually increased as we enhance cross-screen experience to drive sales momentum

We overhauled the PChome 24h Shopping mobile app and comprehensively optimized user interface and user experience to effectively improve consumer satisfaction. We evidenced a significant sales increase at mobile end due to the outstanding results. The new APP has advantages include a clear and simple overview page, smooth user interface, pictorial representation of product categories, fast tracking of favorites, and simplified search and shop processes. It adopts a user-oriented consumption environment and significantly improves payment efficiency.

2)Actively create diversified Internet services and engage in strategic cooperation with

Chunghwa Telecom

To provide diversity for Internet services and support the startup industry in Taiwan, we formed joint venture with Chunghwa Telecom to establish the venture capital fund of "CHT-PCH NO.1". The fund focuses on cooperation with emerging sectors, including AI, Big Data, Fintech, Smart Logistics, etc., and the investment subjects are startup groups engaging in Internet and e-commerce services. The objective is to support the development of startup industry at its early stage and the "Optimize Investment Environment for New Business" policy announced by the Executive Yuan, in hope to nurture startup unicorns in Taiwan. Chunghwa Telecom and the Company will share some platforms services and data with the startup groups supported by the fund so that these groups can explore opportunities in the Asia market with more application service scenarios, and user and traffic base.

3)PChome Thai and Taiwan External Trade Development Council (TAITRA) join forces to create the Taiwan Store

The total volume of Taiwan's New Southbound trade has risen and the business opportunities are huge. Our subsidiary PChome Thai joined forces with TAITRA and established the "PChome Thai Taiwan Store". The Store serves as a marketing platform for Taiwan's quality products, including 3C, cosmetics, baby, kids & maternity, and sports and leisure, and small and medium enterprise in Taiwan have the opportunity to tap into the Thai market through this cross-border e-commerce platform. By integrating one-stop cross-border trading solutions, including setting up shops at zero costs, interfaces in Traditional Chinese and Thai, customer services in Mandarin Chinese and Thai, localized marketing, goods collection, transshipment and international logistics, money flow services for sellers, etc., we assist small and medium enterprises in Taiwan with promoting quality products to Thailand and provide a friendly e-commerce environment.

(3)Growth

1)AI will bring revolutionary changes

E-commerce is an important arena which assembles numerous consumption behaviors, integrates various consumption channels, and rapidly accumulates large amount of data. It applies AI for data analysis and machine learning, and generates and pushes personalized messages on a real-time basis. It accelerates service services and enhances the efficiency of customer communication. E-commerce may also use behavioral data to understand consumers' purchasing habits and identify preferences in order to make better marketing decisions. AI has gradually changed the e-commerce business. The Company has already applied this technology comprehensively on e-commerce service interface for the interface to maintain at the best operating status.

2)Expand virtual and physical fields and integrate e-commerce big data to drive the new retailing

The retail market is still dominated by physical channels. However, studies indicate that online shopping has gradually become one of the options and has strong growth momentum. In order to provide more comprehensive services, the Company will integrate the advantages of physical and virtual channels to provide consumers with comprehensive shopping services. We have launched the P Coins reward mechanism in the second half of 2018. We connected six reward systems where points were exchangeable and also linked more than 30,000 virtual and physical channels. The spending behaviors of our members will also be accumulated as part of the Big Data to help with improving and correcting services, marketing and advertisement, etc., to provide cross virtual and physical shopping experience continuously, and to assist the Company with developing PChome member ecosystem in order to create a brand-new retailing field.

3.Competitive niches, favorable and unfavorable factors, and response measures for future developments

(1)Competitive niches

1)Taiwan is the only place where all three e-commerce business models have developed.

The global e-commerce development is dominated by three models: B2C, B2B2C, and C2C. In contrast to the e-commerce development in other countries, Taiwan is one of the few places where all three models have developed simultaneously. Continuous innovations by e-commerce enterprises, high sophistication in logistic services and having small and medium enterprise as the drivers of economic developments bring about the robust development of different e-commerce models in Taiwan. Both the transaction amount and number of buyers are rapidly increasing each year.

2)The Group's outstanding performance is well received by consumers and market

Even though there are many competitors in e-commerce, after over a decade of operation, PChome Online is now the biggest e-commerce service group in Taiwan. Take the Company-initiated PChome 24h Shopping for example: It emphasizes on 24-hour delivery of the over 2 million products on the website. Consumers are entitled to points equivalent to NT$100 if there are any delays. Consumers in Taiwan start to rely on the speed economy brought forth by e-commerce. Therefore, even though other websites have launched fast delivery services, PChome 24h Shopping is still well ahead others in terms of comprehensive delivery range, which covers everywhere in Taiwan, a low minimum requirement for free delivery, and a wide range of products. It is recognized as highly satisfactory and trustworthy by the market and consumers.

In addition, the Company ranks in the first tier of the top 500 operating performance comprehensive indicator for service industry published by the China Credit Information Service Ltd. This indicator is integrated within the ranking of top 5,000 comprehensive indicators, the ranking of net revenue for service industry, and top 5,000 mixed net revenue.

3)Recognized as a mittelstand with potential by the government and continue to receive national awards

The Company's operating performance continues to receive national-level recognition. Also, the Company won the qualification for government assistance in the 2nd Taiwan Mittelstand Awards of MOEA. With our development of unique and crucial technology in e-commerce and our performance as a self-own brand in the international markets and channels, we continue our path towards being a mittelstand and create new growth drives for the industry.

The analysis of principal competitive advantages is as follows：

A.The Company has a sound corporate image and possesses high level of brand awareness. It is the first online shopping company that is listed on the Taipei Exchange, and its financial information is fully disclosed.

B.The Company develops its own IT system platform and warehouse management system, persistently improves logistic speed and comprehensiveness of products, and continuously provides innovative services in response to changes in consumption behaviors to meet consumers' demand.

C.Through advantages from the Group's scale, the Company introduces innovative services in line with market environment and internal planning, integrates platform's marketing resources and persistently develops competitive products and services.

D.We have cultivated e-commerce for many years with Taiwan being our service and business center. We expand our business to international e-commerce market and formulate cross-border e-commerce operation strategies.

(2)Favorable and unfavorable factors and response measures for future developments

1)Favorable factors：

A.The government has gradually lifted restrictions on e-commerce. Products that can be sold online might increase every year or there will be supporting measures available. The chances of communications among the industry, government, and academic will increase, all of which are beneficial to the development of e-commerce industry.

B.Online shopping becomes part of people's lives; it creates a cloud warehouse for everyone, and there is an increasing awareness on e-commerce industry which creates attention. Popularization of WiFi and mobile devices increases people's dependency and stickiness towards Internet.

C.The types and numbers of Internet vehicles increase rapidly, the weighting of online shopping continues to climb, and mobile commerce is gaining popularity. All these factors contribute to booming sales.

D.The rise of social media boosts the booming online shopping and creates topics and promotion activities. The exposure on social media platforms triggers discussion at each e-commerce platform and shorten the distance with customers.

E.After mobile payment and e-payment are underway, the government actively promotes numerous benefits and reduces transaction complexity. Inclination to mobile shopping will increase.

2)Unfavorable factors and response measures:

A.Fierce competition in the domestic market: The rise of diverse new services including content and brand e-commerce

Response measures:

The scale of domestic e-commerce companies is increasing. Numerous brand and content e-commerce are emerging and expanding the market. With regard to this, the Company continues to optimize our payment flows, sales and service contents, warehousing, and logistics, etc. For example, we simplify and accelerate payment procedures and allow the use of more than 30 credit cards and 5 major mobile payment tools; compute spending data so we can pre-order seasonal popular products to improve warehousing efficiency; develop AI warehousing and speed up inventory inspection; build a delivery fleet to provide convenient, fast, and quality delivery services. As the proportion of mobile shopping increases year over year, the Company also constantly updates the shopping App to secure customer base. In line with younger generations' shopping experience and Internet celebrity economy, we invite Internet celebrities to recommend products via live streaming to boost sales. The Company captures market dynamics and provides quality shopping experience through products, distribution and marketing services. It actively improves market share and continues to lead the development of Taiwan e-commerce industry.

B.The scale of e-commerce market is limited by the population in Taiwan

Response measures:

With e-commerce market in Taiwan as the base, the Company aggressively explores overseas markets. While expanding the overseas market, we hope to promote quality products from Taiwan to overseas Chinese, or government officials and trade personnel stationed in other countries. Through selling at local markets, we push Taiwanese products to go international and build a bridge for those products to gain reputations overseas.

(II)Main purpose and production process of the key products

The Company's key products are e-commerce and Internet services, including 24h shopping, global shopping and portal services. The Company offers a convenient shopping environment and a wide range of products to 7.5 billion people worldwide and consumers in Taiwan. We service a vast number of consumers through the user-friendly Internet services.

(III)Supply of key raw materials

The Company's main business is to provide a wide range of products to consumers through e-commerce sales platform. Those products are not manufactured by the Company. Hence, the supply of key materials does not apply.

(IV)Suppliers/customers accounted for at least 10% of purchase/sales in the most recent two years and respective amount and percentage

1.Suppliers accounted for at least 10% of purchase in the most recent two years and respective amount and percentage, and the reasons for the changes

The Company's business focuses on e-commerce. To meet customers' demand for diversity, purchases are not concentrated on specific suppliers.

2.Customers accounted for at least 10% of sales in the most recent two years and respective amount and percentage, and the reasons for the changes

The Company's operating revenue comes mostly from products sold through the e-commerce sales platform. Thus, customers are diverse and none of them accounts for 10% or more in the most recent two years.

(V)Production volume and value in the most recent two years

This is not applicable as the Company is not in the manufacturing industry.

(VI)Sales volume and value in the most recent two years

Unit：NT$ thousands

Year / Main Product	2017		2018	
	Overseas Sales	Domestic Sales	Overseas Sales	Domestic Sales
E-commerce	20,297	29,129,309	17,336	34,332,730
Others	0	265,671	0	244,298
Total	20,297	29,394,880	17,336	34,577,028

III.Human Resources

Human resources are a company's most important assets, and each company shall be committed to provide a safe workplace, so that employees are willing to realize their full potential. Therefore, to attract excellent talents, the Company not only provides steady and competitive salaries and comprehensive benefits, but also comprehensive training and promotion systems. The objective is to realize the basic policy of allowing human resources to realize their full potentials.

Year		2017	2018	Up to the Publication Date of Annual Report in 2019
Number of Employees	Sales personnel	1,576	1,652	1,521
	R&D personnel	152	195	198
	Administrative personnel	67	69	78
	Total	1,795	1,916	1,797
Average age		32.5	33.6	33.3
Average Years of Service		3.56	4.12	4.09
Education Distribution Ratios	Ph.D.	0%	0%	0%
	Master's degree	7.6%	7.5%	7.3%
	Bachelor's degree and associate degree	62.6%	63.5%	65.0%
	Senior high school	27.0%	26.3%	25.0%
	Below senior high school	2.8%	2.7%	2.7%

IV.Environmental Protection Expenditure

The Company's aggregate loss (including compensation) and fines for environmental pollution in the most recent fiscal year up to the publication date of this annual report, and disclosure of future countermeasures (including improvement measures) and possible expenditures (including estimated amount of losses, fines and compensations if countermeasures are not adopted. If the amount cannot be reasonably estimated, please state the reasons): None. The Company mainly engages in Internet business, including services at websites and e-commerce. Since the Company does not have a factory, there is no environmental pollution. Products of the Company and its subsidiaries are not involved in RoHS regulations.

V.Labor Relations

(I)The Company's employee benefits, continuing education, training, retirement systems and the implementation status, agreements between employees and employer, and protections over employees' rights and interests:

1.Employee benefits

The Company has established an Employee Welfare Committee in accordance with regulations, contributes to the fund on a monthly basis, and arranges various benefits with detailed planning and budgets. Activities include movie screenings, dinner gatherings, Christmas events, clubs for employees to balance their life and work as well as release work stress, health check-ups, labor and health group insurances, etc. The Company establishes a reasonable and competitive compensation package based on the labor market, and provides a steady salary adjustment policy, as well as annual bonuses depending on the Company's performance. In addition, to improve employees' conversation and reading abilities in English and Japanese, the Company encourages employees to take TOEIC and JLPT tests and have education subsidies and incentive schemes in place. Furthermore, the Company provides the following benefits:

(1)Employees are entitled to paid leaves at a rate that is superior to the Labor Standards Act three months after they are on-board.

(2)The company library has various leisure books, magazines and newspapers and it provides a quiet space for taking a break.

(3)Birthday celebrations are held regularly for employees to celebrate with one another.

(4)Christmas and year-end parties are organized to thank employees for their hard work during the year.

(5)Club activities allow employees to enjoy a work-life balance.

(6)Set up breastfeeding rooms.

2.Continuing education and training

Human resources are the most important assets of a company and they are the driving forces of a sustainable business. However, talents need to be cultivated through nurturing and training. Hence, the Company has comprehensive training systems in place which encompass orientation training for new recruits, and basic, professional and external trainings for job functions. Employees can learn correct knowledges, concepts and skills required at work, continue to build their knowledge and capabilities, stimulate their potential, and improve work efficiency. A sound learning environment at work is also formed. The Company is committed to nurture proactive professional talents having innovative concepts. Also, the comprehensive training programs at each stage of career would promote employees towards self-development and become great talents with professional and management practices.

(1)Employee training costs, headcount, and duration

Employee training costs, headcount, and duration as of March 31, 2019 are shown below.

Course	Total number of employees	Total hours	Total costs (NT$ thousands)
Orientation training	2,875	3,486	1,262
Professional training			
General knowledge training			
Management capabilities			

(2)Implementation of education and training

The Company has set employee learning and development as the key projects for human resources management in response to the rapid changes in industry technology and to ensure the development of employees' capabilities and career. Based on core competency, the Company launches various training activities and talent training programs commencing from operating strategies and in connection with professional competency training blueprints. These activities and programs are supported by diverse training methods, knowledge management system, physical courses, mixed courses, and workshops. The training categories include orientation for new recruits (covering the Company's culture, organization, introduction on the operation of information and network system, occupational safety and health, and internal environment), common competencies development, management capabilities training for managerial officers, professional training, etc. The Company provides vast training resources to employees.

3.Retirement system

To provide for employees' life after retirement, the Company appropriates pension reserves each month in accordance with the Labor Standards Act for employees who are subject to the old pension regulations of the Act. Transactions are supervised by the Company's Employee Pension Reserve Supervisory Committee and the fund is deposited in the name of the Committee who is in charge of the bookkeeping, safekeeping, and utilization of the fund. For employees who are subject to the new pension regulations of the Labor Pension Act, the Company shall make monthly contributions at a rate no less than 6% of the employees' salaries in accordance with the Labor Pension Act. The salaries shall be as prescribed in the Table of Monthly Contribution Wage Classification approved by the

Executive Yuan. The contributions are then deposited in the employee pension account at the Labor Insurance Bureau.

4.Agreements between the employer and employees

The Company has a well-functioned communication channel. It is committed to strengthen labor relations and encourages two-way communication to solve issues. Labor conditions are either superior to regulatory requirements or stipulated in accordance with the Labor Standards Act. There has been a sound labor relation and no labor disputes. The Company regularly holds management meetings to collect employees' opinions. It improves labor relation through constant communicates. In addition, the Company has set up e-mail accounts for direct communications with senior executives in the Company's internal and corporate websites. Any employee can file complaints or express opinions through this channel.

5.Protection measures for employees' rights and interests

The Company has formulated work and personnel management rules, which provide clear guidelines on matters pertaining to the rights and obligations of employers and employees, and governance thereof, so that employees can fully understand and protect their rights and interests.

6.Rules on employee compensation and share subscription

The employee profit-sharing scheme allows employees to truly participate and share the Company's performance, and connect with its operational objectives. The Company's Articles of Incorporation stipulates that if the Company generates profits during the year, it shall appropriate 1% to 15% as employee compensation. Moreover, when new shares are issued for capital increase via cash, the Company would set aside a certain percentage of shares for employees to subscribe. Employees may subscribe shares at their own free will.

7.Code of ethical conducts for employees

The Company has not established the "Code of Ethical Conducts for Employees". Instead, it regulates employees to behalf in accordance with corporate policies or objectives through relevant rules or norms.

(1)Establish work rules

The Company has clear work rules in place for employees to comply with and follow. Those rules ensure that employees' behaviors do not deviate from requirements and regulations of the Company.

(2)Guidelines for rewards and punishments

The Company has clearly set out reward and punishment guidelines in the work rules to prevent unethical behaviors of employees which might damage the interests of the Company.

(3)Division of responsibilities of departments

The Company clearly defines the job responsibilities and organizational functions of each unit by its function in order to achieve specialization and good interactions between units, and enhance the effectiveness of organizational operations.

(4)Implementation of the trade secrets protection regulations

To ensure business interests and enhance the Company's competitiveness, employees have the obligations and responsibilities to keep trade secrets confidential. When new recruits come on-board, they are all required to sign the "Non-Competition and Confidentiality Agreement" and "Employment Agreement". The latter contains agreements of confidentiality and protection of intellectual property to ensure that the Company's information is secured and prevent trade secrets from leaking.

(5)A sound attendance system

The Company has strict controls at entrances. The entry and exit of all personnel are documented in details. Employees taking leaves shall carry out the leave procedures pursuant to the Company's governance system. Through the sound attendance system, the Company can enhance its disciplines and thus improve work quality.

Through existing governance systems and the promotion and execution of relevant rules, employees' individual behaviors and work ethics can be improved.

8.Protection measures for work environment and employees' personal safety

The Company is in the information service, not manufacturing, industry. Employees' work environment aims for safe, healthy, and comfortable. Protecting employees' safety is the number one priority in the office to ensure that employees can enjoy maximum protection during work. The Company has set up access card devices at each entrance to protect the personal safety of employees. Repair and maintenance work shall be scheduled regularly, either annually, quarterly or monthly pursuant to regulations, for electromechanical or fire equipment (such as fire alarms or fire extinguishers) to ensure that they can function well at all times. In addition, the Company annually organizes health check-ups and carries out fire drills as scheduled by the building management committee so that employees are well informed about their physical conditions and know the correct responses at the time of emergencies. The Company also provides employees with group insurance to increase their protection at work. Regular maintenance and inspections are conducted on employees' water fountains to ensure they have access to safe drinking water.

(II)Losses arising as a result of labor disputes in the most recent year up to the date of publication of this annual report, and disclosure of potential losses at present and in the future and countermeasures

The Company has good labor relation. In the most recent year up to the date of publication of this annual report, there have been no labor disputes; thus, no losses arise in association with disputes. The Company will continue to be honest and responsible, stay committed to employee benefits, and pursue growth relentlessly with employees. We expect no labor disputes in the future.

VI.Important Contracts

April 30, 2019

Nature of Contract	Counterparty	Contract Period	Details	Restrictive Provisions
Contract	Chunghwa Telecom Co.,	August 1, 2017 ~ July 31, 2018	Co-location	None

Nature of Contract	Counterparty	Contract Period	Details	Restrictive Provisions
	Ltd.			
Lease Agreement for Co-location Services	New Century InfoComm Tech Co., Ltd.	Commenced on March 1, 2004 (The Company can terminate the contract anytime with written notice served four days in advance.)	Co-location	None
Asset acquisition agreement; Trademark license agreement; Derivative license agreement	PChome eBay Co., Ltd.	Signed on September 15, 2006	To comply with the contract signed for the joint venture (PChome eBay Co., Ltd.) between the Company and eBay International AG, the Company transfers its auction business to PChome eBay Co., Ltd. and authorizes the joint venture to use the Company's trademark within the scope of online auction business. According to the contract, the Company is entitled to acquire the platform technology developed by the joint venture and related information.	None

Chapter 6 Financial Information

I.Condensed Financial Data of the Most Recent Five Years

(I)Condensed balance sheet

1.Condensed parent company only balance sheets - IFRS

Unit: NT$ thousands

Item / Year		Financial Information in the Most Recent Five Years (Note 1)					Financial Information for the Three Months Ended March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		3,122,924	5,624,462	5,948,986	5,484,052	5,843,149	
Property, plant, and equipment		214,720	203,516	324,422	509,789	443,799	
Intangible assets		6,117	28,274	45,025	44,192	24,040	
Other assets		1,253,243	1,722,167	1,771,137	2,234,839	1,065,849	
Total assets		4,597,004	7,578,419	8,089,570	8,272,872	7,376,837	
Current liabilities	Before distribution	2,365,505	2,523,978	2,810,141	3,543,049	3,632,034	
	After distribution	2,757,982	3,047,038	3,357,610	3,543,049	(Note 2)	
Non-current liabilities		112,237	51,499	39,876	12,827	811,070	
Total liabilities	Before distribution	2,477,742	2,575,477	2,850,017	3,555,876	4,443,104	
	After distribution	2,870,219	3,098,537	3,397,486	3,555,876	(Note 2)	
Equity attributable to owners of parent company		2,119,262	5,002,942	5,239,553	4,716,996	2,933,733	
Capital		868,168	998,549	1,103,161	1,171,595	1,171,595	
Capital surplus		65,321	2,498,301	2,497,037	2,507,459	2,507,423	
Retained earnings	Before distribution	1,183,751	1,510,362	1,642,136	1,042,062	(790,347)	
	After distribution	791,274	987,302	1,094,667	1,042,062	(Note 2)	
Other equity		2,002	(4,270)	(2,781)	(4,120)	45,062	
Treasury stock		0	0	0	0	0	
Non-controlling interests		0	0	0	0	0	
Total equity	Before distribution	2,119,262	5,002,942	5,239,553	4,716,996	2,933,733	
	After distribution	1,726,785	4,479,882	4,692,084	4,716,996	(Note 2)	

Note1：Financial information from 2014 to 2018 has been audited and certified by CPAs.

Note2：The Company's distribution of 2018 earnings has been approved by the Board of Directors, but not yet resolved by the shareholders' meeting.

2.Condensed consolidated balance sheets - IFRS

Unit: NT$ thousands

Item \ Year		Financial Information in the Most Recent Five Years (Note 1)					Financial Information for the Three Months Ended March 31, 2019 (Note 1)
		2014	2015	2016	2017	2018	
Current assets		5,968,921	9,359,296	9,817,358	10,772,761	10,265,101	10,452,846
Property, plant, and equipment		267,480	257,493	377,923	574,409	541,005	513,444
Intangible assets		11,863	38,336	53,541	49,850	28,224	30,215
Other assets		167,130	301,756	282,289	220,436	326,579	3,631,213
Total assets		6,415,394	9,956,881	10,531,111	11,618,909	11,160,909	14,627,718
Current liabilities	Before distribution	3,730,419	4,215,202	4,516,193	6,445,837	6,369,104	7,040,626
	After distribution	4,122,896	4,738,262	5,063,662	6,445,837	(Note 2)	(Note 2)
Non-current liabilities		28,193	14,426	22,405	18,264	1,368,261	4,108,243
Total liabilities	Before distribution	3,758,612	4,229,628	4,538,598	6,464,101	7,737,365	11,148,869
	After distribution	4,151,089	4,752,688	5,086,067	6,464,101	(Note 2)	(Note 2)
Equity attributable to owners of parent company		2,119,262	5,002,942	5,239,553	4,716,996	2,933,733	3,00,945
Capital		868,168	998,549	1,103,161	1,171,595	1,171,595	1,171,595
Capital surplus		65,321	2,498,301	2,497,037	2,507,459	2,507,423	2,508,374
Retained earnings	Before distribution	1,183,751	1,510,362	1,642,136	1,042,062	(790,347)	(741,202)
	After distribution	791,274	987,302	1,094,667	1,042,062	(Note 2)	(Note 2)
Other equity		2,002	(4,270)	(2,781)	(4,120)	45,062	62,178
Treasury stock		0	0	0	0	0	0
Non-controlling interests		537,520	724,311	752,960	437,415	489,811	477,904
Total equity	Before distribution	2,656,782	5,727,253	5,992,513	5,154,411	3,423,544	3,478,849
	After distribution	2,264,305	5,204,193	5,445,044	5,154,411	(Note 2)	(Note 2)

Note1：Financial information from 2014 to 2018 has been audited by CPAs and financial information of the first quarter of 2019 has been reviewed by CPAs.

Note2：The Company's distribution of 2018 earnings has been approved by the Board of Directors, but not yet resolved by the shareholders' meeting.

(II)Condensed statement of comprehensive income

1.Condensed parent company only statement of comprehensive income - IFRS

Unit： NT$ thousands

Item \ Year	Financial Information in the Most Recent Five Years (Note 1)					Financial Information for the Three Months Ended March 31, 2019
	2014	2015	2016	2017	2018	
Operating revenue	17,941,138	19,893,565	22,675,224	26,965,853	32,113,665	
Gross profit	2,632,003	3,051,718	3,623,864	3,907,416	3,912,699	
Operating income (loss)	612,548	735,250	897,232	790,239	326,915	
Non-operating income and expenses	179,128	190,461	34,502	(627,427)	(1,274,707)	
Income before income tax	791,676	925,711	931,734	162,812	(947,792)	
Net income of continuing operations	679,280	777,839	765,992	36,490	(994,643)	
Loss from discontinued operations	0	0	0	0	0	
Net income (loss) of the period	679,280	777,839	765,992	36,490	(994,643)	
Other comprehensive income of the period (net of tax)	(5,520)	(4,662)	(5,057)	2,576	9,849	
Total comprehensive income	673,760	773,177	760,935	39,066	(984,794)	
Net income attributable to owners of parent	679,280	777,839	765,992	36,490	(994,643)	
Net income attributable to non-controlling interests	0	0	0	0	0	
Total comprehensive income attributable to owners of parent	673,760	773,177	760,935	39,066	(984,794)	
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	
Earnings per share	7.32	7.46	6.54	0.31	(8.49)	

Note1：Financial information from 2014 to 2018 has been audited and certified by CPAs.

2.Condensed consolidated statement of comprehensive income - IFRS

Unit ; NT$ thousands

Item \ Year	Financial Information in the Most Recent Five Years (Note 1)					Financial Information for the Three Months Ended March 31, 2019 (Note 1)
	2014	2015	2016	2017	2018	
Operating revenue	19,885,198	22,880,411	25,742,560	29,415,177	34,594,364	9,202,209
Gross profit	3,461,892	3,933,988	4,406,661	4,438,009	4,298,457	1,128,763
Operating income (loss)	904,914	1,051,429	1,055,994	(210,154)	(1,726,844)	73,558
Non-operating income and expenses	43,166	30,446	10,322	(11,940)	27,041	(17,450)
Income before income tax	948,080	1,081,875	1,066,316	(222,094)	(1,699,803)	56,108
Net income of continuing operations	761,945	852,584	824,358	(391,745)	(1,766,873)	41,348
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) of the period	761,945	852,584	824,358	(391,745)	(1,766,873)	41,348
Other comprehensive income of the period (net of tax)	(5,920)	(7,800)	(5,307)	3,360	6,447	17,821
Total comprehensive income	756,025	844,784	819,051	(388,385)	(1,760,426)	59,169
Net income attributable to owners of parent	679,280	777,839	765,992	36,490	(994,643)	49,145
Net income attributable to non-controlling interests	82,665	74,745	58,366	(428,235)	(772,230)	(7,797)
Total comprehensive income attributable to owners of parent	673,760	773,177	760,935	39,066	(984,794)	66,261
Total comprehensive income attributable to non-controlling interests	82,265	71,607	58,116	(427,451)	(775,632)	(7,092)
Earnings per share	7.32	7.46	6.54	0.31	(8.49)	0.42

Note1 : Financial information from 2014 to 2018 has been audited and certified by CPAs and financial information of the first quarter of 2019 has been reviewed by CPAs.

(III)Names and audit opinions of CPAs for the 5 most recent years

Year	Name of Accounting Firm	CPAs	Audit Opinion
2014	KPMG	Lilian Lien, Pearl Chen	Unqualified opinion
2015	KPMG	Pearl Chen, Liu-Fong Yang	Unqualified opinion
2016	KPMG	Pearl Chen, Liu-Fong Yang	Unqualified opinion
2017	KPMG	Liu-Fong Yang, Pearl Chen	Unqualified opinion
2018	KPMG	Liu-Fong Yang, Tsao-Jen Wu	Unqualified opinion

II.Financial Analysis of the Most Recent Five Years

(I)Financial analysis on parent company only financial statement - IFRS

Item		Financial Analysis of the Most Recent Five Years (Note 1) 2014	2015	2016	2017	2018	Financial Information for the Three Months Ended March 31, 2019
Financial Structure	Debt ratio (%)	53.90	33.98	35.23	42.98	60.23	
	Long-term fund to property, plant and equipment ratio (%)	1,039.26	2,483.56	1,627.33	927.80	663.40	
Liquidity Analysis	Current ratio (%)	132.02	222.84	211.70	154.78	160.88	
	Quick ratio (%)	114.45	204.37	189.16	126.81	124.61	
	Times interest earned (times)	--	--	11,946.31	198.59	(111.71)	
Operating Performance	Average collection turnover (times)	69.87	82.79	86.86	83.59	64.00	
	Days sales outstanding	5.2	4.4	4.2	4.4	5.7	
	Inventory turnover (times)	41.68	39.23	35.68	29.19	25.33	
	Average payment turnover (times)	9.06	9.00	9.44	9.50	10.39	
	Average inventory turnover days	8.8	9.3	10.2	12.5	14.4	
	Property, plant and equipment turnover (times)	83.56	97.75	69.89	52.90	72.36	
	Total assets turnover (times)	3.90	2.63	2.80	3.26	4.35	
Profitability	Return on assets (%)	16.11	12.78	9.78	0.45	(12.62)	
	Return on equity (%)	35.21	21.84	14.96	0.73	(26.00)	
	Net income before income tax to paid-in capital ratio (%)	91.19	92.71	84.46	13.90	(80.90)	
	Net margin (%)	3.79	3.91	3.38	0.14	(3.10)	
	Earnings per share (NT$)	7.32	7.46	6.54	0.31	(8.49)	
Cash Flow	Cash flow ratio (%)	41.87	26.84	36.40	31.90	(29.47)	
	Cash flow adequacy ratio (%)	165.86	156.76	142.76	136.36	78.62	
	Cash flow reinvestment ratio (%)	27.54	5.26	8.71	10.46	(24.07)	
Leverage	Operating leverage	3.14	3.08	3.02	3.52	7.86	
	Financial leverage	1.0	1.0	1.0	1.0	1.03	

Reasons for changes in various financial ratios in the most recent two years (Analysis is not required if the change is within 20%). 1.Debt ratio: Mainly due to an increase in total liabilities in 2018 over that in 2017. 2.Long-term fund to property, plant, and equipment ratio: Mainly due to a decrease in total equity in 2018 over that in 2017. 3.Times interest earned: Mainly due to a decrease in net income before income tax in 2018 over that in 2017. 4.Average collection turnover: Mainly due to an increase in average receivables in 2018 over that in 2017. 5.Days sales outstanding: Mainly due to a decrease in average collection turnover in 2018 over that in 2017. 6.Property, plant and equipment turnover: Mainly due to an increase in net sales in 2018 over that in 2017. 7.Total assets turnover: Mainly due to an increase in net sales in 2018 over that in 2017. 8.Return on assets: Mainly due to a decrease in net income in 2018 over that in 2017. 9.Return on equity: Mainly due to a decrease in net income in 2018 over that in 2017. 10.Net income before income tax to paid-in capital ratio: Mainly due to a decrease in net income before income tax in 2018 over that in 2017. 11.Net margin: Mainly due to a decrease in net income in 2018 over that in 2017. 12.Earnings per share: Mainly due to a decrease in net income in 2018 over that in 2017. 13.Cash flow ratio: Mainly due to a decrease in net cash generated by operating activities in 2018 over that in 2017. 14.Cash flow adequacy ratio: Mainly due to a decrease in net cash generated by operating activities in 2018 over that in 2017. 15.Cash flow reinvestment ratio: Mainly due to a decrease in net cash generated by operating activities in 2018 over that in 2017. 16.Operating leverage: Mainly due to a decrease in operating income in 2018 over that in 2017.

Note1：Financial analysis data from 2014 to 2018 is based on numbers in the parent company only financial statements audited and certified by CPAs.

(II)Financial analysis on consolidated financial statement - IFRS

Item	Year	Financial Analysis of the Most Recent Five Years (Note 1)					Financial Information for the Three Months Ended March 31, 2019 (Note 1)
		2014	2015	2016	2017	2018	
Financial Structure	Debt ratio (%)	58.59	42.48	43.10	55.63	69.33	76.22
	Long-term fund to property, plant and equipment ratio (%)	1,003.80	2,229.84	1,591,57	900.34	885.72	1,477.69
Liquidity Analysis	Current ratio (%)	160.01	222.04	217.38	167.13	161.17	148.46
	Quick ratio (%)	148.46	210.29	202.50	150.86	137.99	130.10
	Times interest earned (times)	--	135,235.38	703.91	(87.13)	(69.49)	4.47
Operating Performance	Average collection turnover (times)	57.31	68.18	73.76	74.05	64.24	63.66
	Days sales outstanding	6.4	5.4	4.9	4.9	5.7	5.7
	Inventory turnover (times)	44.31	43.59	39.68	31.50	27.13	27.73
	Average payment turnover (times)	9.25	9.46	9.71	9.69	10.70	11.61
	Average inventory turnover days	8.2	8.4	9.2	11.6	13.5	13.2
	Property, plant and equipment turnover (times)	74.34	88.86	68.12	51.21	63.94	71.69
	Total assets turnover (times)	3.10	2.30	2.44	2.53	3.10	2.52
Profitability	Return on assets (%)	13.04	10.42	8.06	(3.52)	(15.34)	0.42
	Return on equity (%)	31.73	20.34	14.07	(7.03)	(41.20)	1.20
	Net income before income tax to paid-in capital ratio (%)	109.20	108.34	96.66	(18.96)	(145.08)	4.79
	Net margin (%)	3.83	3.73	3.20	(1.33)	(5.11)	0.45
	Earnings per share (NT$)	7.32	7.46	6.54	0.31	(8.49)	0.42
Cash Flow	Cash flow ratio (%)	39.26	19.64	26.34	11.65	(41.58)	5.46
	Cash flow adequacy ratio (%)	234.51	211.45	184.99	153.99	43.12	15.06
	Cash flow reinvestment ratio (%)	37.25	6.91	9.94	3.41	(45.90)	7.21
Leverage	Operating leverage	2.20	2.18	2.40	(10.54)	(1.01)	7.13
	Financial leverage	1.0	1.0	1.0	0.99	0.99	1.28

Reasons for changes in various financial ratios in the most recent two years (Analysis is not required if the change is within 20%). 1.Debt ratio: Mainly due to an increase in total liabilities in 2018 over that in 2017. 2.Times interest earned: Mainly due to a decrease in net income before income tax in 2018 over that in 2017. 3.Property, plant and equipment turnover: Mainly due to an increase in net sales in 2018 over that in 2017. 4.Total assets turnover: Mainly due to an increase in net sales in 2018 over that in 2017. 5.Return on assets: Mainly due to a decrease in net income over 2017. 6.Return on equity: Mainly due to a decrease in net income in 2018 over that in 2017. 7.Net income before income tax to paid-in capital ratio: Mainly due to a decrease in net income before income tax in 2018 over that in 2017. 8.Net margin: Mainly due to a decrease in net income in 2018 over that in 2017. 9.Earnings per share: Mainly due to a decrease in net income in 2018 over that in 2017. 10.Cash flow ratio: Mainly due to a decrease in net cash generated by operating activities in 2018 over that in 2017. 11.Cash flow adequacy ratio: Mainly due to a decrease in net cash generated by operating activities in 2018 over that in 2017. 12.Cash flow reinvestment ratio: Mainly due to a decrease in net cash generated by operating activities in 2018 over that in 2017. 13.Operating leverage: Mainly due to a decrease in operating income in 2018 over that in 2017.

Note 1：Financial data from 2014 to 2018 is based on numbers in the consolidated financial statements audited and certified by CPAs. Financial data of the first quarter of 2019 is based on numbers in the consolidated financial statements reviewed by CPAs.

Note 2：The following lists the formulas used for performing the financial analysis:

1.Financial structure

(1)Debt ratio = Total liabilities / total assets.

(2)Long-term fund to property, plant and equipment ratio = (Total equity + Non-current liabilities) / Net property, plant and equipment.

2.Liquidity analysis

(1)Current ratio = Current assets / Current liabilities.

(2)Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities.

(3)Times interest earned = Earnings before interests and taxes (EBIT) / Interest expenses over this period.

3.Operating performance

(1)Average collection turnover (including accounts receivable and notes receivable resulting from business operations) = Net sales / Average receivable of the period (including accounts receivable and notes receivable resulting from business operations).

(2)Days sales outstanding = 365 / Average collection turnover.

(3)Inventory turnover = Cost of sales / Average inventories.

(4)Average payment turnover (including accounts payable and notes payable resulting from business operations) = Cost of sales / Average payable of the period (including accounts payable and notes payable resulting from business operations).

(5)Average inventory turnover days = 365 / Inventory turnover.

(6)Property, plant and equipment turnover = Net sale/Average net property, factory and equipment.

(7)Total assets turnover = Net sales / Average total assets.

4.Profitability

(1)Return on assets (ROA) = (Net income (loss) + Interest expenses * (1 - Tax rate)) / Average total assets.

(2)Return on equity (ROE) = Net income (loss) / Average total equity.

(3)Net margin = Net income (loss) / Net sales.

(4)Earnings per share = (Net income attributable to owners of parent company - Preferred stock dividend) / Weighted average number of shares outstanding. (Note 3)

5.Cash flow

(1)Cash flow ratio = Net cash generated by operating activities / Current liabilities.

(2)Cash flow adequacy ratio = Net cash generated by operating activities in the 5 most recent years / (Capital expenditure + Inventory increase + Cash dividends) in the 5 most recent years.

(3)Cash flow reinvestment ratio = (Net cash generated by operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other non-current assets + Working capital).

(Note 4)

6.Leverage:

(1)Operation leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income (Note 5).

(2)Financial leverage = Operating income / (Operating income - Interest expenses).

Note 3：Special attention shall be paid to the following matters when using the formula of earning per share above:

1.It shall be based on the weighted average number of common shares rather than the number of outstanding shares at the end of the year.

2.Where there is capital increase by cash or treasury share transaction, the circulation period shall be considered when calculating the weight average number of shares.

3.Where there is capital increase by earnings or by capital surplus, the annual and semi-annual earnings per share of previous years shall be retrospectively adjusted in accordance with the proportion of capital increase without considering the issuance period of such capital increase.

4.If the preferred stocks are inconvertible cumulative preferred stocks, dividends of the year (whether paid or not) shall be deducted from net income or included in the net loss. If the preferred stocks are not cumulative, preferred stock dividends shall be deducted from the net income (if any), and no adjustment is required in the case of net loss.

Note 4：Special attention shall be paid to the following matters for cash flow analysis:

1.Net cash generated by operating activities is the net cash inflow from operating activities in the statement of cash flows.

2.Capital expenditure is the annual cash outflow of capital investment.

3.The increase in inventory is included only when the ending balance is greater than the beginning balance. If the year-end inventory balance decreases, it is counted as zero.

4.Cash dividends include the cash dividends of common and preferred stocks.

5.Gross property, plant and equipment shall refer to the balance of property, plant and equipment before deducting accumulated depreciation.

Note 5：The issuer shall classify operating costs and operating expenses as fixed or variable by their nature. If estimation or subjective judgment is involved, attention shall be paid to its reasonableness and consistency.

Note 6：Where the company's shares have no par value or where the par value per share is not NT$10, calculations involving paid-in capital shall replace it with the equity attributable to owners of parent company on the balance sheet.

III.Audit Committee's Review Report of the Most Recent Year

審計委員會審查報告書

董事會造具本公司民國 107 年度營業報告書、財務報表 及虧損撥補表等，其中財務報表業經委託安侯建業聯合會計師事務所查核完竣，並出具查核報告。上述營業報告書、 財務報表及虧損撥補表經本審計委員會查核，認為尚無不符， 爰依證券交易法第十四條之四及公司法第二一九條規定 報告如上，敬請 鑒核。

網路家庭國際資訊股份有限公司

審計委員會召集人：游張松 游張松

中 華 民 國 1 0 8 年 3 月 18 日

IV.Financial Statements of the Most Recent Year: Please refer to Attachment I in this annual report from page 125 to 187.

V.Audited and Certified Consolidated Financial Statements of the Most Recent Year: Please refer to Attachment II in this annual report from page 188 to 262.

VI.Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Year up to the Date of Publication of This Annual Report, and Their Impact on the Company's Financial Position： None.

Chapter 7 Review and Analysis of Financial Conditions, Financial Performance, and Risk Management

I.Financial Status

Unit： NT$ thousands； %

Item \ Year	2017	2018	Difference	
			Amount	%
Current assets	10,772,761	10,265,101	(507,660)	(4.71)%
Financial assets at fair value through other comprehensive income - non-current (financial assets carried at cost - non-current, before 2017)	43,557	89,842	46,285	106.26%
Investments accounted for using equity method	12,234	27,908	15,674	128.12%
Property, plant, and equipment	574,409	541,005	(33,404)	(5.82)%
Intangible assets	49,850	28,224	(21,626)	(43.38)%
Other assets	164,645	208,829	44,184	26.84%
Total assets	11,618,512	11,160,909	(457,603)	(3.94)%
Current liabilities	6,445,837	6,369,104	(76,733)	(1.19)%
Non-current liabilities	18,264	1,368,261	1,349,997	7,391.57%
Total liabilities	6,464,101	7,737,365	1,273,264	19.70%
Capital	1,171,595	1,171,595	0	0.00%
Capital surplus	2,507,459	2,507,423	(36)	0.00%
Retained earnings	1,042,062	(790,347)	(1,832,409)	(175.84)%
Other equity	(4,120)	45,062	49,182	(1,193.74)%
Equity attributable to owners of parent company	4,716,996	2,933,733	(1,783,263)	(37.81)%
Non-controlling interests	437,415	489,811	52,396	11.98%
Total equity	5,154,411	3,423,544	(1,730,867)	(33.58)%

Analysis: For changes in percentage exceed 20% or changes in dollar amount exceed NT$10 million, the analysis is set out below.

1.Financial assets at fair value through other comprehensive income - non-current: Investments designated by the consolidated entity as financial assets at fair value through other comprehensive income on the first-time adoption date pursuant to IFRS 9.
2.Investments accounted for using equity method: Long-term investments from the consolidated entity's loss of control over the once-consolidated subsidiary of Ruten Japan K.K.
3.Intangible assets: Mainly due to amortization charge recognized by the consolidated entity for the period.
4.Other assets: Mainly due to the additions of deposits from warehouse contracts and tax effects from evaluating the profit or loss of foreign investees for the period.
5.Non-current liabilities: Mainly due to new long-term loans of the consolidated entity for the period.
6.Retained earnings: Mainly due to operating loss for the period and subscription of shares in consolidated subsidiary's capital increase at a percentage not proportional to the capital surplus.

7.Other equity: Adjustments due to retrospective adjustments from designating investments as ones at fair value through other comprehensive income on the first-time adoption date pursuant to IFRS 9 and evaluation effects of foreign-currency assets.
8.Equity attributable to owners of parent company: Mainly due to operating loss for the period and subscription of shares in consolidated subsidiary's capital increase at a percentage not proportional to the capital surplus.
9.Non-controlling interests: Mainly due to changes resulting from new investees and capital increase of consolidated subsidiary for the period.
Changes mentioned above are normal operation changes, and have no significant impact on the Company's finances.

II. Financial Performance

(I)Main causes of major changes in operating revenue, operating income, and income before income tax in the most recent two years

Unit： NT$ thousands； %

Year / Item	2017	2018	Changes in Dollar Amount	Changes in Percentage (%)
Net operating revenue	29,415,177	34,594,364	5,179,187	17.61%
Operating costs	24,977,168	30,295,907	5,318,739	21.29%
Gross profit	4,438,009	4,298,457	(139,552)	(3.14)%
Operating expenses	4,648,163	6,025,301	1,377,138	29.63%
Net operating income (loss)	(210,154)	(1,726,844)	(1,516,690)	(721.70)%
Non-operating income and expenses	(11,940)	27,041	38,981	326.47%
Net income (loss) before income tax	(222,094)	(1,699,803)	(1,477,709)	(665.35)%
Income tax expense	169,651	67,070	(102,581)	(60.47)%
Net income (loss)	(391,745)	(1,766,873)	(1,375,128)	(351.03)%

Analysis on changes in percentage in the most recent two years: (For changes in percentage exceed 20% or changes in dollar amount exceed NT$10 million)
1.Operating costs: Mainly due to the increase in consolidated entity's revenue for the period, which drove up the corresponding costs.
2.Operating expenses: Mainly due to the consolidated entity's promotion of personal stores for the period, which drove up the corresponding marketing expenses.
3.Net operating loss: The increase in operating loss was mainly due to the consolidated entity's promotion of personal stores for the period, which drove up the corresponding marketing expenses.
4.Non-operating income and expenses: The increase in non-operating income was mainly due to the consolidated entity's foreign exchange gains from the appreciation of New Taiwan Dollars.
5.Income before income tax: The increase in loss before income tax was mainly due to the consolidated entity's promotion of personal stores for the period, which drove up the corresponding marketing expenses.
6.Income tax expense (gain): The decrease was mainly due to the decrease in the consolidated entity's net operating loss for the period.
7.Net income (loss) for the period: The increase in net loss was mainly due to the consolidated entity's promotion of personal stores for the period, which drove up the corresponding marketing expenses.

(II)Expected sales volume in the coming year and its basis

The Company expects online shopping to grow in the coming year based on industry environment and future supply and demand of the market while taking into account business expansion and expected growth rate. The Company's e-commerce business shall be able to achieve a stable growth.

(III)Possible impact on the Company's financial operations and response plans

The Company is in a growing industry. Depending on changes in market demand, the Company will expand its market share and improve profitability in the future. Its business is expected to continue its growth and the financial status is well-maintained.

III.Cash Flow

Analysis of changes in cash flow, improvement plans for liquidity shortage, and the liquidity analysis for the coming year:

(I)Analysis of cash flow changes in the most recent fiscal year

Unit：NT$ thousands

Cash - Beginning Balance (1)	Net Cash Inflow (Outflow) from Operating Activities in the Year (2)	Cash Inflow (Outflow) in the Year (3)	Amount of Cash Surplus (Shortage) (1)＋(2)＋(3)	Measures for Cash Shortage	
				Investing Plan	Financing Plan
8,370,267	(2,648,358)	1,159,253	6,881,162	None	None

1.Operating activities：

Net cash outflow from operating activities of NT$2,648,358 thousand was mainly due to net loss before income tax of NT$1,699,803 thousand, a decrease in net changes of assets relating to operating activities of NT$973,758 thousand, a decrease in net changes of liabilities relating to operating activities of NT$49,252 thousand, and cash used in operating activities of NT$2,483,680 thousand.

2.Investing activities：

Net cash outflow from investing activities of NT$467,478 thousand was mainly caused by the acquisition of property, plants, intangible assets and equipment, and an increase in non-controlling interests.

3.Financing activities：

Net cash inflow from financing activities of NT$1,606,141 thousand was mainly due to the decrease in short-term loans of NT$50,000 thousand, the increase in long-term loans of NT$1,450,000 thousand, and the increase in non-controlling interests of NT$206,141 thousand.

(II)Measures for cash shortage and liquidity analysis

1.There is no cash shortage in the most recent year.

2.The liquidity analysis of the most recent two years is as follows:

Year / Item	2017	2018	Changes in Percentage (%)
Cash flow ratio (%)	11.65	(41.58)	(457)%
Cash flow adequacy ratio (%)	153.99	43.12	(72)%
Cash flow reinvestment ratio (%)	3.41	(45.90)	(1,447)%

Analysis on changes in percentage:

1.The decrease in cash flow ratio compared to that in 2017 was mainly due to the net cash outflows from operating activities as a result of increases in inventories and promotion activities.

2.The decrease in cash flow adequacy ratio compared to that in 2017 was mainly due to the decrease in net cash flows from operating activities.

3.The decrease in cash flow reinvestment ratio compared to that in 2017 was due to the decrease in net cash flows from operating activities.

(III)Cash liquidity analysis for the following year

Unit: NT$ thousands

Cash - Beginning Balance (1)	Net Cash Inflow (Outflow) from Operating Activities in the Year (2)	Cash Inflow (Outflow) in the Year (3)	Amount of Cash Surplus (Shortage) (1)＋(2)＋(3)	Measures for Cash Shortage	
				Investing Plan	Financing Plan
6,881,162	1,530,385	(452,778)	7,958,769	None	None

IV.Major Capital Expenditures in the Most Recent Year and Their Impacts on the Company's Finance and Operations： None.

V.Reinvestment Policies of the Most Recent Year, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of the Upcoming Year

Reinvestment Project (Note 1)	Reinvestment Policy	Main Reason for Profits or Losses	Improvement Plan	Investment Plan for the Coming Year (Note 2)
IT Home Publications Inc.	Strategic investment associated with internet	Perform well in terms of profitability and operation	Continuous development	None
Linktel Inc.	Strategic investment associated with internet	Losses due to internet competition	Continuous development	None
PCHomestore Inc.	Strategic investment associated with internet	Losses due to market competition; adjustments made in operating strategies	Continuous development	None
PChomePay Inc.	Strategic investment associated with internet	In line with the Company's business strategies, not yet profitable	Continuous development	None
PCHOME US INC.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
Pi Mobile Technology Inc.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
PChome (Thailand) CO., LTD.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
PChome Travel Inc.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
PChome Financial Technology Inc.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None

Reinvestment Project (Note 1)	Reinvestment Policy	Main Reason for Profits or Losses	Improvement Plan	Investment Plan for the Coming Year (Note 2)
Yiabi Inc.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
PChome InterPay Inc.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
Zhen Jain Lian International Co., Ltd.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
Yin Te Lian International Co., Ltd.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
Yun Tung Bao International Co., Ltd.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
PChome Japan KK	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
Ruten Japan KK	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
PChome eBay Co., Ltd.	Strategic investment associated with internet	Perform well in terms of profitability and operation	Continuous development	None
Ruten Singapore Pte.	Strategic investment associated with internet	New company, not yet profitable	Continuous development	None
PChome Trading (Shenzhen) Ltd.	Strategic investment associated with internet	Not yet profitable	Continuous development	None
Shanghai Todo Inc.	Strategic investment associated with internet	Making small profits	Continuous development	None

Note 1：This table contains only investees with actual operations. Holding companies are not included.
Note 2：It includes direct and indirect investments.

The Company's investment gain and loss is detailed in the Independent Auditors' Report. Future investments will continue to focus on long-term investments which can enhance the Company's core business and internet-related industries.

VI.Risk Analysis and Assessment in the Most Recent Year up to the Date of Publication of This Annual Report

(I)Impact of changes in interest rates, foreign exchange rates, and inflation on the Company's profits or losses and future response measures

1.Changes in interest rates

(1)Impact on the Company's profit or loss

The Company is in a sound financial condition with sufficient equity fund. There has been no interest payment in the most recent year. Thus, interest rate changes shall not have a significant impact on the Company's profit or loss.

(2)Future response measures

With a growing business scale, enhanced profitability, sufficient equity funds, and good and close relationship with financial institutions, the Company has a sound financial structure, good credibility and access to better interest rates. Thus, it is expected that future interest rate changes will not have a significant impact on the Company's overall operation and profit or loss.

2.Changes in foreign exchange rates

(1)Impact on the Company's profit or loss

The Company's business is dominated by domestic sales. The net foreign exchange gain was NT$28,249 thousand in 2018, which accounted for a very low percentage of annual operating revenue and income. Therefore, it is expected that future exchange rate changes will not have a significant impact on the Company's overall operation and profit or loss.

(2)Future response measures

In response to exchange rate changes, the Company's finance department conducts risk assessment and adopts dynamic natural hedging. Spot and forward foreign exchange transactions are carried out to hedging the remaining risks. The Company maintains a high hedging ratio to minimize its risk exposure.

3.Inflation

(1)Impact on the Company's profit or loss

Inflation was mild in 2018. The Company's operation was not significantly affected by inflation.

(2)Future response measures

In the future, the Company will continue to monitor inflation where cost control and price quotations are concerned, and adjust price quotations when necessary.

(II)Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for the profits or losses generated thereby, and future response measures

The Company does not engage in high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading.

The Company's policies for endorsement and guarantee and derivative trading are implemented in accordance with the relevant regulations and countermeasures stipulated in the Company's "Procedures for Lending Funds to Others", "Procedures for Endorsement and Guarantee", and "Procedures for Acquisition or Disposal of Assets". The Company will continue to follow relevant regulations strictly to protect the Company's rights and interests.

(III)Future research and development (R&D) plans and estimated R&D expenses

The Company is in the information service industry. Thus, continuing innovations in information services are the Company's competitive niche. Hence, besides observing consumers' demand closely, the key factors having direct impact on the success of R&D

projects include a thorough implementation of project management, effective supervision and control over project schedule to shorten R&D timeframe, and continuous effort to strengthen the R&D team through effective training to improve the overall professional qualification. The Company constantly innovates and improves the internal operating procedures to streamline the procedures, significantly enhance the quality of consumer services, and reduce customer complaints, which in turn increases the Company's competitiveness.

The Company will develop different R&D projects based on future needs and set project objectives in accordance with market demand. Major projects are listed below. The R&D expense is estimated to be approximately NT$100,000 thousand in 2019.

Project Title	Descriptions
Smart shipping system	Enhance the distribution efficiency between warehouses and save the cost of time. Improve the use performance of warehouses, and the delivery speed and service quality for deliveries to central and southern Taiwan, Yilan, Hualien, Taitung, and remote outlying islands.
Smart inspection system	The operating efficiency of warehouse is crucial to the delivery and logistics management of goods. With orders gradually increase each year, the inspection process will be optimized and the issues concerning the supply of goods upon shipment and the corresponding logistics will be solved.
Big data analysis	Through big data analysis, the Company can design and provide different information to consumers based on their requirements definition and understand market trends and demand.

(IV)Effect of changes in policies and regulations at home and abroad on the Company's financial operations and response measures

The Company executes each business operation in compliance with the laws and regulations of the competent authority. In the most recent year up to the date of publication of this annual report, the Company's financial operations were not affected by changes in policies and regulations at home and abroad.

(V)Impact of changes in technology and industry on the Company's financial operations and response measures

The Company has always valued the enhancement of its R&D capabilities and has been taking proactive steps in the development of new products and businesses. Guided by improving advance technologies, the Company has not only persistently increased its R&D investments and also maintained steady and flexible financial management to meet the challenges brought on the technology changes and customers' demand.

1.The Group develops operation strategies as a whole and in line with the development trends and industrial changes in the domestic e-commerce retailing market. Major developments in 2018 are as follows:

(1)The brand cultivation program has been successful. PChome 24h Shopping is the only Taiwanese e-commerce company to be an authorized distributor of Apple for its complete series of products.

In 2018, PChome 24h Shopping became the only Taiwanese e-commerce company to be an authorized distributor of Apple for its complete series of products. When new models were released in September, our platform triggered strong sales momentum. iPhone XS series had initiated strong growth potential on its first day of sale in Taiwan. Apple enjoys high brand identification in Taiwan, which stimulates the sales of relevant products, for instance, Mac, iPhone, and iPad all have outstanding sales figures. The brisk sale of new iPhone model also spurs the sales of older models and delivers excellent sales volume on iPhone for three consecutive months.

The PChome 24h Shopping within PChome Online Inc. has actively involved with cultivating diverse brands and enhancing product mixes. The strategy has been a success and effectively brought in revenue. During the year, the Company has launched Brand Day and Brand Week promotions with well-known brands such as Xiaomi, Apple, Samsung, Sony, Asus, HP, Lenovo, Transcend, Surface Go, CORSAIR, Yuen Foong Yu, Unilever, etc. Also, we often organize debut sales of new models and earn the exclusive online selling rights; for instance, we are the only Taiwanese e-commerce company to be authorized by Xiaomi for the debut sale of Mi A2, the exclusive pre-order for the debut sale of Microsoft Surface Go 4G/64G, the exclusive pre-order for NVIDIA GeForce RTX graphic cards, the exclusive sale of Seagate 14TB hard drive which offers the highest capacity in the industry, and the exclusive right for the debut sale of Samsung's new flagship model, Galaxy Note 9 8G/512G. The flagship model sale also spurs the sales of other Samsung models and delivers excellent sales volume. Furthermore, we earn the debut pre-order rights for Acer's gaming chair, Predator Thronos, and the sales figure has been impressive. We also get the exclusive pre-order right to sell Razer's latest Blade gaming laptop online. We are committed to developing the brand market.

(2)With help from the Internet celebrity economy, increase interactions with consumers through cross-sector collaboration with Aaron Finest and LangLive

With the development of digital community and live-streaming technology, Internet celebrity economy has emerged and live streaming has turned very popular. To offer diverse services and enhance online customer experience, the Company collaborates with Aaron Chen's "Aaron Finest" and live-streaming platform, LangLive, to break new ground for online shopping.

PChome Shopping collaborated with "Aaron Finest" during the 2018 Lunar New Year Fair and initiated a new type of shopping program, "Aason Finest New Year Banquet", for e-commerce, which offered more than one thousand new and quality Lunar New Year purchases to customers. The program ran for 24 days prior to the Lunar

New Year and included celebrity live streaming, professional unboxing, real-time cooking, and online shopping guide to create a shopping frenzy. To extend the frenzy, we worked with the popular live streaming platform, LangLive, to launch the "PC Live Show". We made a strong entrance into the Internet celebrity economy by working with popular Internet celebrities who has garnered sufficient attention and follower-ship, incorporating entertaining product promotions into daily consumption topics, and offering online QR code discounts and real-time ordering at the website to increase customer interactions.

(3)Gradually improve our logistic potential through promoting the 6-hour delivery program at six special municipalities in Taiwan, initiating the AI lab warehouse at Taichung and having PChome Express Inc. formally in operation

The Company actively plans warehousing logistics. There are seven warehouses in present, storing over 2 million types of products, and there are over 5 million types of products available online, all of which continue to increase our business momentum. We commenced the operation of Taichung warehouse and self-owned delivery fleet in the second half of 2018. Taichung warehouse is an AI lab transfer warehouse. It has relatively small storage area comparing to traditional warehouses. However, it has the advantages of being elastic and highly flexible. Through Big Data and AI system, the Company can pre-order seasonal popular products to facilitate delivery and meet consumers' demand with precision. Furthermore, we enhance speedy delivery effectiveness during the Double 11 Festival and significantly improve shipment efficiency. The service is initiated at the Greater Taichung Area and is scheduled to be adopted for the 6-hour delivery program at the six special municipalities, namely Taipei City, New Taipei City, Taoyuan City, Taichung City, Tainan City, and Kaohsiung City, to improve the delivery efficiency in the main island of Taiwan.

As the delivery volume cannot be expanded in a short period of time and there are significant increases in the Company's operation scale and logistic business, we established a 100%-owned subsidiary, PChome Express Inc., in the second half of 2018 to provide logistic services for B2B, B2C and B2B2C of e-commerce. The subsidiary will help to increase our delivery volume.

(4)Build membership services and PChome Ecosystem

In May 2018, the PChome 24h Shopping and Citibank launched the “Citi PChome Prime cobrand card”, and initiated the “P Coins” service exclusively for members. The P Coins exchange mechanism is also activated, allowing members to utilize P Coins across reward redemption platforms, such as Asia Miles, Payeasy, Open Point, UUpon, Happy Go, Hami Point, etc. By combing both online and offline consumer behavior analyses from those platforms with ours, we can create more exclusive benefits and services for our members. In August of the same year, the Company's mobile payment subsidiary, Pi wallet, joined forces with E. Sun Bank and launched the "E. Sun Pi Wallet Credit Card" where P Coins can be further applied to various daily scenarios. Besides using the Coins to offset purchases made at PChome 24h Shopping, they can be applied to parking fees, credit card bills, phone bill, utilities bills, mobile payments at hospitals, and library cards in Taipei. They can also be used to accumulate points and discounts at physical convenient stores or shopping channels. There have been over 30,000 application scenarios and we will integrate online and offline channels in the future to build an ecosystem for our members.

(5)Promote new retail services and initiate O2O service, "Smart Tag - Fastag"

PChome 24h Shopping launched the brand-new "Smart Tag - Fastag" in July 2018. Through the new shopping mode of "scan and buy, prompt replenishment", online shopping processes are cut down significantly, and we can approach target groups with precision and enhance brand marketing and member exclusive services. The first-quarter results since the launch have been impressive. Exclusive repurchase discounts stimulate the use of coupons and significantly increase the diffusion rate of family and fried sharing. The Smart Tag – Fastag service integrates the most popular brands, e.g. Apple, Xiaomi, Pampers under P&G, Mamypoko under Unicharm, Orange House under Yuen Foong Yu, FreshSense, Frosch, Mayflower, Tender, Delight and Taiyen Biotech. Through enhanced brand segment and closed-loop marketing, we adopt differentiated selling technique. Members can immediately enjoy the privileged VIP member-only shopping experience.

(6)Immersive entertainment has been successful. We organize e-commerce Double 11 Festival in Taiwan for two consecutive years and create new sales records.

The Company held the international Double 11 Festival for the second consecutive year. The theme was "PChome: Here Comes Double 11– Unlimited Night" in 2018. Consumers could earn tickets to the gala through online shopping or they could watch the event live on the shopping platform, MOD, video channels, or live stream through social media. During the four-hour event, PChome 24h Shopping set the record of having nine million visits and an average spending per member of approximately NT$10,000, which doubled their normal day spending. On November 11, there were close to 34 million visits at the website and the number of new members was six times higher than that on a normal day. The traffic generated excellent sales volume for all recommended products across every range and achieve a new sales record. We also provided several rebate programs through cross-industry alliance with LINE Shopping and launched an additional special of one-hour only 11% unlimited rebate, which generated over NT$100 million in sales. Looking at the overall sales performance, revenue on the first day of Double 11 Festival was 12-fold of that on a normal day. Two days into the festival, the sales number had achieved the record set by the four-day Double 11 Festival in 2017. Immersive entertainment marketing was proven to be effectively and set new sales record.

2.Technical level and research and development

PChome Online Inc. has a sound R&D team. The R&D and design of all innovative programs are self-developed by the Company. The R&D results concentrate on online shopping process systems in connection with Internet services, front-end systems for Internet services, and back-end administrative systems. In contrast to other domestic websites who purchase most of the software systems required from overseas vendors or obtain their licenses, the Company's engineers develop most of our Internet service-related systems. Some of the systems have obtained patents or are in the process of submitting patent applications. The R&D expense in 2018 amounted to NT$368,935 thousand.

(VI)The impacts of change of corporate image on the business crisis management and the response measures： None.

(VII)Expected benefits from merger and acquisition, and possible risks

The Company had neither mergers nor acquisitions in the most recent year up to the date of publication of this annual report. Therefore, this is not applicable.

(VIII)The expected benefits and potential risks of any plant expansion: The Company is not a manufacturer. Therefore, this is not applicable.

(IX)Risks of concentrated sources of sales or purchases: The Company does not have concentrated sources of sales or purchases.

(X)Impact and risks relating to major equity transfer or exchange events involving Directors, Supervisors, or major shareholders holding more than 10% of the Company's shares

The Company had no major equity transfer involving Directors, Supervisors, or major shareholders holding more than 10% of the Company's shares in the most recent year up to the date of publication of this annual report.

(XI)Impact and risks relating to changes in ownership

The circumstance did not occur in the most recent year up to the date of publication of this annual report.

(XII)For litigations or non-litigations which involve the Company, Directors, Supervisors, General Manager, de facto person in charge, major shareholders holding more than 10% of the Company's shares and affiliates, the litigation, non-litigious proceeding, or administrative dispute shall be disclosed. If the outcome might have significant impacts on the interests of shareholders or share prices, the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case up to the date of publication of this annual report shall be disclosed

The aforementioned circumstance did not occur in the most recent year up to the date of publication of this annual report.

(XIII)Other significant risks and response measures

1.Risk management policy

The Company's risk management policies focus on building a risk management mechanism which encompasses early detection, accurate measurement, effective monitoring and tight control, structuring an integrated risk management system, and promoting a management model oriented towards adequate risk management. The objective is to contain risks to an acceptable range in hope to optimize shareholders' value.

2.Risk management framework

The Company classifies its risks into three aspects: management, safety and health, and information security. The Company's risk management and risk response organization are structured based on these aspects. The General Manager is the chief coordinator, who is in charge of promoting and executing risk management plans. Business units are competent units in charge of managing and responding to each risk.

Administrative units：The allocation and response to human resources, evaluation of financial risks, implementation of various insurance operations, maintenance of system operation, establishment and maintenance of environmental safety and health, the review and establishment of the regulations, and media relations and public relations.

General Manager's Office：Responsible for planning business decisions and assessing the effectiveness of medium and long-term investments to reduce the strategic risks.

Internal Auditing Office：Responsible for revising and promoting internal control system so as to strengthen the internal control functions and to ensure its continued effectiveness.

Legal units：Responsible for legal risk management, including the review, drafting, negotiation and management of contracts, the Company's legal compliance and legality assessment of decisions, and management of intellectual property, litigations, and non-litigations, so as to reduce legal risk.

Financial units： Responsible for the fund management and utilization and establishing hedging mechanisms to reduce financial risks; complying with relevant laws and regulations to ensure the reliability of financial reporting so as to reduce accounting risks.

Information technology services units：To maintain and manage systems, network, computers, hosts and related peripherals; integrate, utilize and develop automated systems and software to reduce network and information security risks.

Marketing units：Responsible for formulating product and market promotion strategies and grasping market trends to reduce market risks.

Business units：Responsible for carrying out the Company's annual business goals and execution plans, providing customers with shipment, collections, customer complaints and return services, and establishing customers' credit line in order to reduce business risks.

3.Information security risk assessment analysis

The Company has established a complete network and computer security protection system to control or maintain the important corporate functions, such as the operation, database security management, and financial and accounting aspects of the Company. However, there can be no assurance that its computer system can completely avoid the third-party cyber attacks that might paralyze the system. These cyberattacks breach into the Company's internal network systems, and carry out activities that damage the

Company's operations and goodwill. The Company's systems may lose important information in the event of serious cyberattacks, and the database may be suspended indefinitely while problems caused by the attacks remain unsolved. Cyberattacks may also try to steal confidential information such as the Company's trade secrets and consumers' personal information. Malicious hackers can also try to import computer viruses, destructive software or ransomware into the Company's network system to disrupt the Company's operations, demand ransom payments for Company to regain control over its own computer system, or to pry into confidential information. These attacks may cause the Company to compensate customers for delays or interruptions during shopping, to bear an enormous amount of expenses associated with remedy and improvement measures in strengthening the Company's internet security systems, or to bear significant legal responsibilities for becoming involved with litigations or regulatory investigations concerning the breaching the confidentiality obligation towards customers or the third-party information.

Response measures：

1. The Company reviews and evaluates its network safety rules and procedures annually to ensure their adequacy and effectiveness.
2. Annual reporting and e-mail social engineering drills.
3. Regularly organize information security audits every year for continuous improvement and to reduce information security risks.
4. Expand information security functions and educational training, and cultivate the required information security talents.
5. Proactively identify weakness in the website system through attack and defense drills and mend the weakness in a timely manner.

In the most recent year up to the date of publication of this annual report, the Company did not find any significant cyberattacks or events that have or may have a material adverse impact on the business and operations of the Company nor is there any litigation or regulatory investigation that involved the Company.

VII.Other Significant Matters

(I)Evaluation basis and ground for balance sheet valuation accounts

Balance Sheet Valuation Account	Evaluation Basis
Allowance for bad debts	Notes and accounts receivables are claims arising from the sales of goods or services, whereas other receivables are receivables and notes arising from non-operation activities. For financial assets, the Company first assesses whether there is objective evidence indicating that individually significant financial assets carried at amortized cost is impaired or ones that are not individually significant are either individually or collectively impaired. Financial assets that are assessed individually for impairment with impairment losses recognized or continued to be recognized need not be included in a collective assessment of impairment. Impairment loss is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of financial assets is reduced through the

Balance Sheet Valuation Account	Evaluation Basis
	use of an allowance account and the amount of impairment loss is recognized in profit or loss in the period it arises. In determining the impairment amount, the estimation of expected future cash flows includes the recoverable amount of collateral and related insurance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss may be reversed. However, the reversal is limited so that the carrying amount of the financial asset does not exceed the amortized cost that would have been determined, had no impairment loss been recognized for the financial assets previously. The amount of reversal shall be recognized in profit or loss in the period it arises. Allowance for bad debts is recognized for notes and accounts receivables prior to 2018 (inclusive) according to these receivables' recoverability.
Allowance for inventory valuation and obsolescence loss	The original cost of inventories is the estimated costs to be incurred to make inventories reach their selling condition and location. In subsequent periods, inventories are valued at the lower of cost or net realizable value item by item. Cost is calculated using the weighted average method and net realizable value is the estimated selling price in the ordinary course of business, less the costs and selling costs to be incurred in bring the inventories to their selling conditions, on the balance sheet date. For inventories that are obsolete, outdated, or unable to use, allowance for inventory valuation and obsolescence loss is recognized based on their usable or residual value.

(II)The Company's objectives and methods for adopting hedge accounting

The Company adopts overall risk management and control system to identify all the risks (including market risk, credit risk, liquidity risk, and cash flow risk), which allows the management level to effectively control and measure market risk, credit risk, liquidity risk, and cash flow risk.

The Company's market risk management objectives are to achieve the optimal risk position, maintain adequate liquidity, and pursue centralized management of all market risks with proper consideration on economic environment, competitions, and market value risk. In order to achieve the risk management objectives, the Company's hedging activities center on market value risk and cash flow risk.

(III)Industry-specific key performance indicators (KPIs)

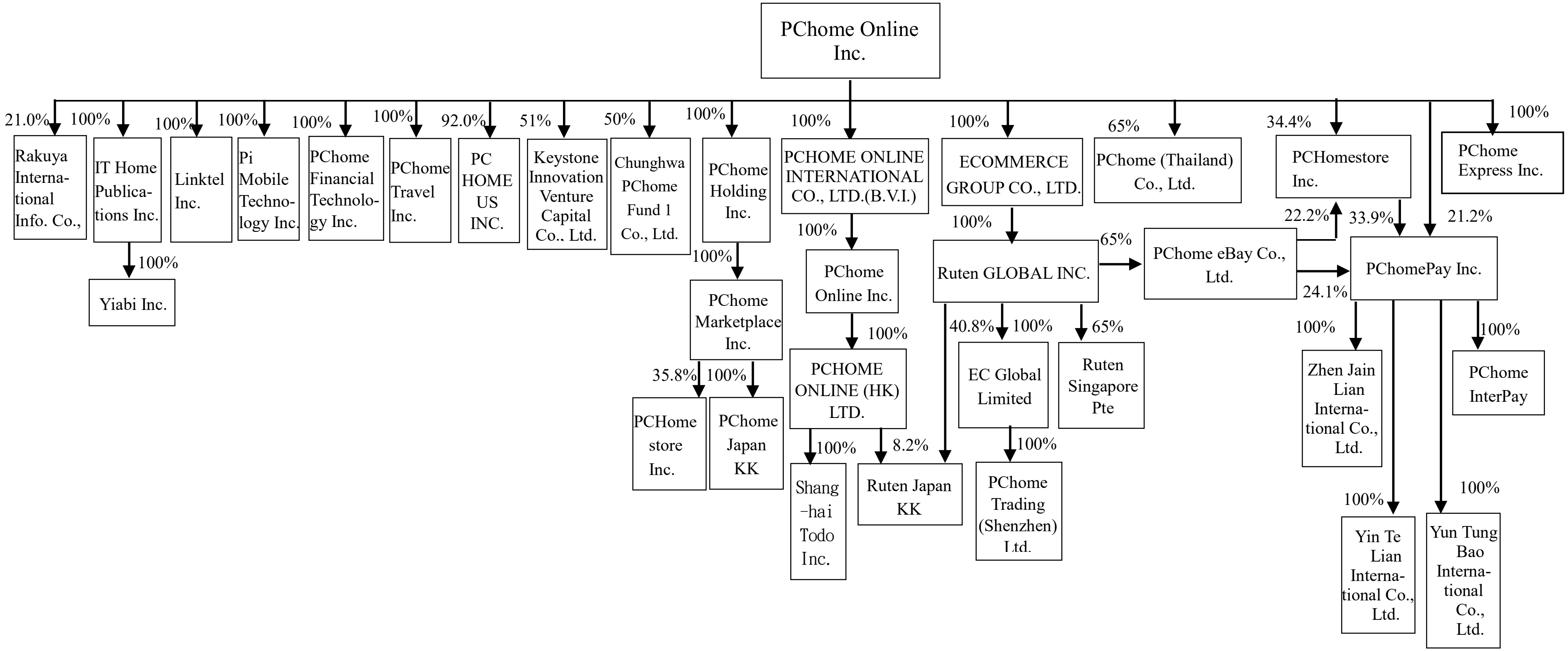
Besides regularly reviewing the performance indicators of financial analysis, ROE and net margin are the Company's industry-specific KPIs. 2018 KPIs and annual achievement rates are: Parent company only ROE (26.0)% and consolidated ROE (41.2)%; parent company only net margin (3.10)% and consolidated net margin (5.11)%.

Chapter 8 Special Disclosure

I. Affiliated Companies

(I) Consolidated operation report of affiliates

1. Organizational structure of affiliates



2. Basic information of affiliates

December 31, 2018; Unit： NT$ thousands; Foreign currency

Company	Date of Establishment	Address	Paid-in Capital	Primary Business or Products
IT Home Publications Inc.	2001.09.26	12th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	50,148	Publication of magazines and books
Linktel Inc.	2004.10.19	12th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	173,259	Type 2 telecommunications enterprise, etc.
PCHOME ONLINE INTERNATIONAL CO., LTD.	2000.05.08	Tropic Isle Building, P.O. BOX 438, Road Town, Tortola, British Virgin Islands	USD122,328	Investment business
Rakuya International Info. Co., Ltd.	2008.04.24	12th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	114,646	Real estate business, and online rental information service
PCHomestore Inc.	2010.05.27	14th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	526,760	Internet services
PChomePay Inc.	2011..08.10	12th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	850,000	Online money flow services
PCHOME US INC.	2011.05.12	11501 Dublin Blvd Ste 200, Dublin CA 94568	USD4,650,000	E-commerce trading platform
ECOMMERCE GROUP CO., LTD.	2011.04.01	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD26,800,000	Investment business
Pi Mobile Technology Inc.	2015.1.29	12th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	20,000	Online money flow services
PChome (Thailand) Co., Ltd.	2015.01.26	No. 191/54,191/57, 18th Floor, CTI Tower, Ratchdapisek Road, Khlong Toei sub-District, Khlong Toei District, Bangkok	THB100,000,000	E-commerce trading platform and online payment flow services
PChome Travel Inc.	2015.05.05	13th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	6,000	Online tourism business
PChome Financial Technology Inc.	2016.10.18	12th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	80,000	Information services
Yiabi Inc.	2013.11.4	11th Floor, No. 6, Section 2, Nanjing East Road, Zhongshan District, Taipei City 104, Taiwan (R.O.C.)	5,000	Information processing and provision of electronic information
PChome InterPay Inc.	2009.11.9	12th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	501,000	Online money flow services
Zhen Jain Lian International Co., Ltd.	2015.10.22	12th Floor, No. 105, Section 2, Dunhua South Road, Daan	3,000	Online money flow services

Company	Date of Establishment	Address	Paid-in Capital	Primary Business or Products
		District, Taipei City 106, Taiwan (R.O.C.)		
Yin Te Lian International Co., Ltd.	2015.10.22	12th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	3,000	Online money flow services
Yun Tung Bao International Co., Ltd.	2015.10.22	12th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	3,000	Online money flow services
PChome Express Inc.	2018.10.18	11th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	200,000	Logistics services
PChome Online Inc.	2001.01.04	The Grand Pavilion Commercial Centre,802 West Bay Road, P.O. Box 2428, Grand Cayman, KY 1-1105, Cayman Islands	USD100,000	Investment business
PCHOME ONLINE (HK) LIMITED	2000.05.29	25/F., OTB Building, 160 Gloucester Road, Wanchai, Hong Kong	HKD5,641,239	Investment business
PChome Holding Inc. (B.V.I.)	2018.03.13	Vistra Corporate Services Centre,Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands	USD38,500,000	Investment business
PChome Marketplace Inc. (Cayman)	2018.03.23	P. 0. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KYl - 1205 Cayman Islands.	USD38,335,000	E-commerce for international trade
PChome Japan KK	2013.05.15	3-20-1 Minami-Azabu, Minato-ku, Tokyo, Japan	JPY8,000,000	E-commerce for international trade
Ruten Japan KK	2015.08.12	3-20-1 Minami-Azabu, Minato-ku, Tokyo, Japan	JPY20,000,000	E-commerce for international trade
RUTEN GLOBAL INC.	2011.04.11	Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands	USD26,782,000	Investment business
EC Global Limited	2011.05.18	Unit 1405-1406 Dominion Centre 43-59 Queen's Road East, Wanchai, Hong Kong	USD749,464.17	Investment business
PChome eBay Co., Ltd.	2006..08.10	5th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	420,000	Provision of electronic information
Shanghai Todo Inc.	2004.09.29	Room 209, Floor Level, No. 1 Building, No. 23, Shaoxing Road, Huangpu District, Shanghai City, Zhejiang Province, China	USD150,000	Technical advisory and consultant services on software and Internet
PChome Trading (Shenzhen) Ltd.	2011.11.15	22A, B, Cb, Ca, D, E-22B2, Office Building A, BOC Garden, Hongli Road South, Caitian Road West, Futian	USD350,000	International trade

Company	Date of Establishment	Address	Paid-in Capital	Primary Business or Products
		District, Shenzhen City, Guangdong Province, China		
Ruten Singapore Pte. Ltd.	2017.07.27	135 Cecil Street #10-01MYP Plaza, Singapore	USD3,200,000	Provision of electronic information
Chunghwa PChome Fund 1 Co., Ltd.	2018.10.23	24th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	400,000,000	Venture capital
Keystone Innovation Venture Capital Co., Ltd.	2018.10,30	24th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	10,000,000	Venture capital

3. Information of Directors, Supervisors, and General Managers of the affiliates

December 31, 2018; Unit: Shares; Foreign Currency

Company	Job Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	Shareholding Percentage
IT Home Publications Inc.	 Chairman Director Director Supervisor	PChome Online Inc. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Zu-Hui Gu Representative: Hsin-I Wang	5,015	100%
Linktel Inc.	 Chairman Director Supervisor	PChome Online Inc. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Hsin-I Wang	17,326	100%
PCHOME ONLINE INTERNATIONAL CO., LTD.	 Director Director Director	PChome Online Inc. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Shi-Hong Li	122	100%
Rakuya International Info. Co., Ltd.	 Chairman Director Director Director Director Director Director Director Director Supervisor	Chinatrust Real Estate Co., Ltd. Representative: Cheng-Chuan Cheng-Yu PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Sinyi Realty Inc. Representative: Rock Tsai Representative: Chih-Huan Chen Pacific Realtor Representative: Ke-Chin Chang Century 21 Representative: Wei-Jie Wang H&B Business Representative: Hsi-Tsong Chen Representative: Li-Ling Yin Linktel Inc.	1,681 2,411 2,581 782 667 2,449 624	14.7% 21.0% 22.5% 6.8% 5.8% 21.4% 5.4%

Company	Job Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	Shareholding Percentage
	Supervisor Supervisor	Representative: Wen-Hsiong Cai Hsiao-Chen Wu Shih-Zong Chang	0 0	0 0
PCHomestore Inc.	Chairman Director Director Director Director Director Director Supervisor Supervisor General Manager	PChome Online Inc. Representative: Hung-Tze Jan Representative: Vicky Tseng Representative: Yun Su Representative: Chien-Chuan Lin Representative: Cheng-Ching Wei ITOCHU Corporation Representative: Miura Atsushi PChome eBay Co., Ltd. Representative: Ying-Hsuan Chao Ming Fang Yu-Yun Tu Yun Su	18,435 1,380 11,896 0 0 179	34.35% 2.57% 22.16% 0 0 0 0.33%
PChomePay Inc.	Chairman Director Director Director Director Director Director Supervisor	PCHomestore Inc. Representative: Hung-Tze Jan Representative: Yun Su PChome Online Inc. Representative: Kevin Tsai Representative: Chien-Chuan Lin PChome eBay Co., Ltd. Representative: Cheng-Ching Wei Representative: Yi-Chang Lin Qunchi Investment Co., Ltd. Hsin-I Wang	28,800 18,000 20,520 12,600 0	33.9% 21.2% 24.14% 14.8% 0
PCHOME US INC.	Chairman Director Director	Hung-Tze Jan Arthur Lee Ming-Tung Chung	24,500	92.0%
ECOMMERCE GROUP CO., LTD. (B.V.I.)	Director	PChome Online Inc.	394,508	100%
Pi Mobile Technology Inc.	Chairman Director Director Supervisor	PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Kun-Ju Han Representative: Leo Lu	6,000	100%
PChome (Thailand) Co., Ltd.	Chairman Director Director	Hung-Tze Jan Arthur Lee Shen, Shyh-Yong	6,500	65%
PChome Travel Inc.	Chairman Director	PChome Online Inc. Representative: Hung-Tze Jan Representative: Vicky Tseng	3,600	100%

Company	Job Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	Shareholding Percentage
	Director Supervisor	Representative: Kevin Tsai Representative: Leo Lu		
PChome Financial Technology Inc.	 Chairman Director Director Director Supervisor	PChome Online Inc. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Yun Su Representative: Chih-Rong Hu Representative: Leo Lu	8,000	100%
Yiabi Inc.	 Chairman Director Supervisor	IT Home Publications Inc. Representative: Hung-Tze Jan Representative: Yun Su Representative: Chih-Rong Hu	500	100%
PChome Holding Inc. (B.V.I.)	Director	PChome Online Inc. Representative: Hung-Tze Jan	385,000	100%
PChome Marketplace Inc. (Cayman)	Director	PChome Holding Inc. (B.V.I.) Representative: Hung-Tze Jan	38,335	100%
PChome InterPay Inc.	 Chairman Director Director Supervisor	PChomePay Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Yun Su Representative: Hsin-I Wang	50,100	100%
Zhen Jain Lian International Co., Ltd.	 Chairman Director Director Supervisor	PChomePay Inc. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Yun Su Representative: Hsin-I Wang	300	100%
Yin Te Lian International Co., Ltd.	 Chairman Director Director Supervisor	PChomePay Inc. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Yun Su Representative: Hsin-I Wang	300	100%
Yun Tung Bao International Co., Ltd.	 Chairman Director Director Supervisor	PChomePay Inc. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Yun Su Representative: Hsin-I Wang	300	100%
PChome Express Inc.	 Chairman Director Director Supervisor	PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Hsiang-Rui Chong Representative: Leo Lu	20,000	100%
PChome Online Inc.	 Director Director	PChome Online International Co., Ltd. Representative: Hung-Tze Jan Representative: Arthur Lee	10,000	100%
PC HOME ONLINE (HK) LTD.	 Director	PCHOME ONLINE INC. (Cayman) Representative: Hung-Tze Jan	5,641	100%

Company	Job Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	Shareholding Percentage
PChome Japan KK	 Chairman Director Director	PChome Marketplace Inc. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Chuan-Sheng Jin	43,500	100%
Ruten Japan KK	 Chairman Director Director	RUTEN GLOBAL INC. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Yun Su	9,995	40.8%
RUTEN GLOBAL INC.	 Director Director Director Director	ECOMMERCE GROUP CO., LTD. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Vicky Tseng Representative: Bi-Chu Liang	267,820	100%
EC Global Limited	 Director	Ruten Global Inc. Representative: Hung-Tze Jan	7,495	100%
PChome eBay Co., Ltd.	 Chairman Director Director Director Director Supervisor Supervisor	Ruten Global Inc. (Cayman) Representative: Hung-Tze Jan Representative: Yun Su Representative: Vicky Tseng EBAY INTERNATIONAL AG Representative: Joo Man Park Representative: Yi-Chang Lin Leo Lu James Junghwan Moon	27,300 14,700 0 0	65% 35% 0 0
Ruten Singapore Pte. Ltd.	 Chairman Director Director	Ruten Global Inc. Representative: Hung-Tze Jan Shen, Shyh-Yong Edison Tan Keng Hui	20,800	65%
Chunghwa PChome Fund 1 Co., Ltd.	 Chairman Director Director Director Director Supervisor Supervisor	PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Vicky Tseng Chunghwa Telecom Co., Ltd. Representative: Kun-Rong Wu Representative: Yi-Chiao Guo Jing-Mei Lu Yi-Yu Liang	20,000,000 20,000,000 0 0	50% 50% 0 0
Keystone Innovation Venture Capital Co., Ltd.	 Chairman Director Director Director	PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Vicky Tseng Chunghwa Telecom Co., Ltd. Representative: Yu Cheng	510,000 490,000	51% 49%

Company	Job Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	Shareholding Percentage
	Director Supervisor Supervisor	Representative: Yuan-Kai Chen Jing-Mei Lu Hui-Ling Liu	 0 0	 0 0
Shanghai Todo Inc.	Chairman	PCHOME ONLINE (HK) LTD Representative: Hsin-I Wang	Capital contribution: USD150,000	100%
PChome Trading (Shenzhen) Ltd.	Chairman	EC Global Limited Representative: Hsin-I Wang	Capital contribution: USD350,000	100%

4. Operational highlights of affiliates

Refer to the disclosure on the Company's investees in the notes to financial statements

(II) Consolidated financial statements of affiliates

The entities that are required to be included in the combined financial statements of the Company for 2018 (from January 1, 2018 to December 31, 2018) 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 the International Financial Reporting Standards No. 10 endorsed by the FSC. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Therefore, the Company does not prepare a separate set of combined financial statements.

(III) Affiliates reports： Not applicable.

II. Private Placement Securities in the Most Recent Fiscal Year up to the Publication Date of This Annual Report：None.

III. The Company's Shares Held or Disposed of by Subsidiaries in the Most Recent Fiscal Year up to the Publication Date of This Annual Report：None.

IV. Other Matters that Require Additional Description

1. The Company's affiliates do not engage in endorsement, guarantee, lending funds to other parties, or derivative trading.
2. The Company has no commitments to TPEx yet to be fulfilled.

V. Events in the Most Recent Fiscal Year up to the Publication Date of This Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act： None.

Stock Code:8044

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

PCHOME ONLINE INC.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: 12Fl, No. 105, Sec. 2, Tun Hwa S. Rd., Taipei 106, Taiwan
Telephone: (02)2700-0898

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

KPMG

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Independent Auditors' Report

To the Board of Directors of PChome Online Inc.:

Opinion

We have audited the financial statements of PChome Online Inc.(" the Company"), which comprise the statement of financial position as of December 31, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

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

Key Audit Matters Explanation:

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

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

How the matter was addressed in our audit:

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

2. Valuation of inventories

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

Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

Our principal audit procedure included:

·Inspecting and analyzing the aging report of the inventory;

·Assessing the rationality of the policies of allowance for inventory valuation and obsolescence losses;

·Inspecting the post period sales situation and evaluating the net realizable value of measurement applied on aging inventory in order to verify the evaluation accuracy of the estimated inventory allowance by the Company;

·Assessing if the disclosure of the key management regarding the allowance of the inventory is appropriate.

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

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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

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

KPMG

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

The engagement partners on the audit resulting in this independent auditors' report are Liu-Fong Yang and Tsao-Jen Wu.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2019

Notes to Readers

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

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)

PCHOME ONLINE INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	ASSETS	2018.12.31 Amount	%	2017.12.31 Amount	%
	Current Assets:				
1100	Cash and cash equivalents (Note (6)(a))	$ 2,682,386	36	3,865,177	47
1150	Notes receivable, net (Note (6)(d))	92	-	1,297	-
1170	Accounts receivable, net (Notes (6)(d) and (7))	638,283	9	363,313	4
1200	Other receivables, net (Notes (6)(d) and (7))	217,002	3	210,743	2
1210	Other receivables due from related parties, net (Notes (6)(d) and (7))	900,000	12	-	-
1300	Inventories (Note (6)(e))	1,249,594	17	959,574	12
1476	Other current financial assets (Note (8))	68,987	1	60,011	1
1479	Other current assets, others	57,384	1	23,937	-
1481	Current asset recognised as right to recover products from customers	29,421	-	-	-
		5,843,149	79	5,484,052	66
	Non-Current Assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note (6)(b))	89,842	1	-	-
1543	Non-current financial assets at cost (Note (6)(c))	-	-	43,557	1
1550	Investments accounted for using equity method, net (Note (6)(f))	789,525	11	2,042,261	25
1600	Property, plant and equipment (Note (6)(h))	443,799	6	509,789	6
1780	Intangible assets (Note (6)(i))	24,040	-	44,192	1
1840	Deferred tax assets (Note (6)(o))	43,680	1	29,364	-
1975	Net defined benefit asset, non-current (Note (6)(n))	3,228	-	1,056	-
1980	Other non-current financial assets (Notes (8))	123,861	2	112,185	1
1990	Other non-current assets, others	15,713	-	6,416	-
		1,533,688	21	2,788,820	34
	Total assets	$ 7,376,837	100	8,272,872	100

	LIABILITIES AND EQUITY	2018.12.31 Amount	%	2017.12.31 Amount	%
	Current Liabilities:				
2130	Current contract liabilities(Note (6)(k))	253,363	3	-	-
2150	Notes payable	298	-	1,066	-
2170	Accounts payable (Note (7))	2,692,355	37	2,735,607	33
2200	Other payables (Note (7))	530,756	7	538,033	7
2230	Current tax liabilities (Note (6)(o))	15,932	1	79,012	1
2300	Other current liabilities (Notes (6)(k) and (6)(m))	7,387	-	189,331	2
2320	Long-term liabilities, current portion (Note (6)(j))	100,000	1	-	-
2365	Current refund liabilities (Note (6)(k))	31,943	-	-	-
		3,632,034	49	3,543,049	43
	Non-Current liabilities:				
2540	Long-term borrowings (Note (6)(j))	800,000	11	-	-
2570	Deferred tax liabilities (Note (6)(o))	646	-	-	-
2670	Other non-current liabilities, others (Note (6)(m))	10,424	-	12,827	-
		811,070	11	12,827	-
	Total liabilities	4,443,104	60	3,555,876	43
	Equity (Note (6)(p)):				
	Share capital:				
3110	Ordinary share	1,171,595	16	1,171,595	14
3200	Capital surplus	2,507,423	34	2,507,459	30
	Retained earnings:				
3310	Legal reserve	408,184	6	404,535	5
3320	Special reserve	4,120	-	2,781	-
3350	Unappropriated retained earnings (accumulated deficit)	(1,202,651)	(16)	634,746	8
	Other equity interest:				
3410	Exchange differences on translation of foreign financial statements	11,524	-	(4,120)	-
3420	Unrealized gains from financial assets measured at fair value through other comprehensive income	33,538	-	-	-
	Total equity	2,933,733	40	4,716,996	57
	Total liabilities and equity	$ 7,376,837	100	8,272,872	100

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

PCHOME ONLINE INC.

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018 Amount	%	2017 Amount	%
4111	Sales revenue	$ 32,593,508	101	27,466,872	102
4170	Less: Sales returns	479,843	1	501,019	2
	Operating revenue, net (Notes (6)(r) and (7))	32,113,665	100	26,965,853	100
5000	Total operating costs (Notes (6)(e) and (7))	28,200,966	88	23,058,437	86
	Gross profit from operations	3,912,699	12	3,907,416	14
	Operating expenses(Note (7)):				
6100	Selling expenses	3,206,869	10	2,807,531	10
6200	Administrative expenses	168,678	-	165,821	1
6300	Research and development expenses	210,498	1	143,825	1
6450	Expected credit loss(Note (6)(d))	(261)	-	-	-
	Total operating expenses	3,585,784	11	3,117,177	12
	Net operating income	326,915	1	790,239	2
	Non-operating income and expenses (Note (6)(t)):				
7010	Other income	34,256	-	50,121	-
7020	Gains and losses	721	-	(15,108)	-
7050	Finance costs	(8,409)	-	(824)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	(1,301,275)	(4)	(661,616)	(2)
	Total non-operating income and expenses	(1,274,707)	(4)	(627,427)	(2)
	(Loss) profit before income tax	(947,792)	(3)	162,812	-
7950	Less: Tax expense (Note (6)(o))	46,851	-	126,322	-
	(Loss) profit	(994,643)	(3)	36,490	-
	Other comprehensive income (loss):				
8310	Components of other comprehensive income that will not be reclassified subsequently to profit or loss				
8311	Remeasurement from defined benefit plans(Note (6)(n))	1,088	-	4,100	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,490)	-	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(1,494)	-	512	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss(Note (6)(o))	101	-	(697)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(5,795)	-	3,915	-
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	15,644	-	(1,339)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	15,644	-	(1,339)	-
	Other comprehensive income, net of tax	9,849	-	2,576	-
8500	Total comprehensive income	$ (984,794)	(3)	39,066	
	Earnings per share (Note (6)(q))				
9750	Basic earnings per share (NT dollars)	$	(8.49)		0.31
9850	Diluted earnings per share (NT dollars)	$	(8.49)		0.31

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

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

PCHOME ONLINE INC.

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained Earnings			Other Equity Interest		
	Ordinary Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total Equity
Balance at January 1, 2017	$ 1,103,161	2,497,037	327,935	4,271	1,309,930	(2,781)	-	5,239,553
Profit for the year ended December 31, 2017	-	-	-	-	36,490	-	-	36,490
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	3,915	(1,339)	-	2,576
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	40,405	(1,339)	-	39,066
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	76,600	-	(76,600)	-	-	-
Reversal of special reserve	-	-	-	(1,490)	1,490	-	-	-
Cash dividends of ordinary share	-	-	-	-	(547,469)	-	-	(547,469)
Stock dividends of ordinary share	68,434	-	-	-	(68,434)	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(390)	-	-	-	-	-	(390)
Changes in ownership interests in subsidiaries	-	10,812	-	-	(24,576)	-	-	(13,764)
Balance at December 31, 2017	1,171,595	2,507,459	404,535	2,781	634,746	(4,120)	-	4,716,996
Effects of retrospective application	-	-	-	-	3,975	-	39,028	43,003
Equity at beginning of period after adjustments	1,171,595	2,507,459	404,535	2,781	638,721	(4,120)	39,028	4,759,999
Loss for the year ended December 31, 2018	-	-	-	-	(994,643)	-	-	(994,643)
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(305)	15,644	(5,490)	9,849
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(994,948)	15,644	(5,490)	(984,794)
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	3,649	-	(3,649)	-	-	-
Special reserve appropriated	-	-	-	1,339	(1,339)	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(517,932)	-	-	(517,932)
Changes in ownership interests in subsidiaries	-	(36)	-	-	(323,504)	-	-	(323,540)
Balance at December 31, 2018	$ 1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	33,538	2,933,733

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

PCHOME ONLINE INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
(Loss) profit before tax	$ (947,792)	162,812
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	149,944	125,469
Amortization expense	24,077	21,301
Expected credit (gain) loss	(261)	299
Interest expense	8,409	824
Interest income	(15,346)	(13,195)
Dividend income	(4,025)	(3,921)
Share of loss of associates and joint ventures accounted for using equity method	1,301,275	661,616
Gain on disposal of property, plant and equipment	(540)	(1,139)
Loss on disposal of investments	-	7,257
Total adjustments to reconcile profit	1,463,533	798,511
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	1,205	(387)
Accounts receivable	(274,709)	(84,560)
Other receivable	(905,022)	(37,971)
Inventories	(290,020)	(353,951)
Other financial assets	(20,652)	39,372
Other current assets	(33,473)	(3,073)
Current asset recognized as right to recover products from customers	(1,898)	-
Total changes in operating assets	(1,524,569)	(440,570)
Changes in operating liabilities:		
Contract liabilities	70,430	-
Notes payable	(768)	(268)
Accounts payable	(70,775)	616,846
Other payable	53,180	3,258
Other current liabilities	989	125,397
Net defined benefit liabilities	(1,059)	(970)
Current refund liabilities	1,783	(29,193)
Other non-current liabilities	(2,403)	7,304
Total changes in operating liabilities, net	51,377	722,374
Total changes in operating assets and liabilities, net	(1,473,192)	281,804
Total adjustments	(9,659)	1,080,315
Cash flow (used in) generated from operations	(957,451)	1,243,127
Interest received	14,109	13,760
Dividends received	4,025	12,218
Interest paid	(7,509)	(824)
Income taxes paid	(123,500)	(166,775)
Net cash flows (used in) from operating activities	(1,070,326)	1,101,506
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(8,772)	-
Acquisition of financial assets at cost	-	(35,664)
Proceeds from disposal of financial assets at cost	-	16,167
Acquisition of investments accounted for using equity method	(1,895,601)	(1,223,788)
Proceeds from capital reduction of investments accounted for using equity method	1,019,740	-
Acquisition of property, plant and equipment	(120,134)	(239,051)
Proceeds from disposal of property, plant and equipment	4,096	1,565
Acquisition of intangible assets	(2,965)	(21,267)
Proceeds from disposal of intangible assets	468	105
Other non-current assets	(9,297)	3,857
Net cash flows used in investing activities	(1,012,465)	(1,498,076)
Cash flows from financing activities:		
Increase in long-term loans	900,000	-
Cash dividends paid	-	(547,469)
Net cash flows (used in) from financing activities	900,000	(547,469)
Net decrease in cash and cash equivalents	(1,182,791)	(944,039)
Cash and cash equivalents at beginning of period	3,865,177	4,809,216
Cash and cash equivalents at end of period	$ 2,682,386	3,865,177

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

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(1) Organization and Business

PChome Online Inc. (the Company) was incorporated on July 14, 1998. The primary business scope of the Company 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.

The subsidiary PChome Store Inc. was approved for TPEx listed on April 6, 2011. On May 8, 2018, the board of directors resolved to apply for the future termination of it's trading stocks and abolishment of it's public offering with Taipei Exchange. In accordance with the Ruling No. 10702006361, the Company terminated the securities trading of the PChome Store Inc. on June 22, 2018.

(2) Approval Date and Procedures of the Financial Statements

The Board of Directors approved and issued the financial statements on March 18, 2019.

(3) New Standards and Interpretations Not Yet Adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

IFRS 15 and related amendment require that when another party is involved in providing goods or services to a customer, the Company is a principal if it controls the specified good or service before that good or service is transferred to a customer. Since a specified good or service is a distinct good or service, the Company determines whether it is a principal or an agent for each specified good or service.

The Company is a principal if it obtains control of any one of the following:

1) The good or another asset that it then transfers to the customer.

2) The right to a service to be performed by other party, which gives the Company the ability to direct that party to provide the service to the customer on its behalf.

3) The good or service from the other party that it then combines with other goods or services in providing a specified good or service to the customer.

Indicators to support the Company's assessment of whether it controls a specified good or service include, but are not limited to, the following:

1) The Company is primarily responsible for fulfilling the promise to provide the specified good or service.

2) The Company has inventory risk before or after the specified good or service is transferred to the customer.

3) The Company has discretion in establishing the price of the specified good or service.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

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The following tables summarize the impacts of adopting IFRS15 on the Company's financial statements:

	December 31, 2018			January 1, 2018		
Impacted line items on the balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Current asset recognized as right to recover products from customers	$ -	29,421	29,421	-	27,523	27,523
Impact on assets		29,421			27,523	
Contract liabilities	$ -	253,363	253,363	-	182,933	182,933
Accounts payable	2,662,934	29,421	2,692,355	2,735,607	27,523	2,763,130
Other Payable	562,699	(31,943)	530,756	538,033	(30,160)	507,873
Other current liabilities	260,750	(253,363)	7,387	189,331	(182,933)	6,398
Refund liabilities	-	31,943	31,943	-	30,160	30,160
Impact on liabilities		29,421			27,523	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4)(f).

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The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss' model in IAS 39 with the ‘expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note (4)(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	3,865,177	Amortized cost	3,865,177
Equity instruments	Financial assets measured at cost (note 1)	43,557	FVOCI	86,560
			FVTPL	-
Trade and other receivables	Loans and receivables (note 2)	575,353	Amortized cost	575,353

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Note1: These equity securities (including financial assets measured at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI.

Note2: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 43,557	(43,557)	-		-	-
Addition – equity instruments:						
From measured at cost	-	43,557	43,003		3,975	39,028
Total	$ 43,557	-	43,003	86,560	3,975	39,028

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

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

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

—IFRS 16 definition of a lease to all its contracts; or

— a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can either apply the standard using the following:

—retrospective approach; or

—modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment in 2019 and the following years, with no restatement of comparative information and unrecognized an adjustment to the opening balance of retained earnings at January 1, 2019.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using these practical expedients. The Company chooses to elect the following practical expedients:

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

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– adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

– apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

– exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

– use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices and warehouses. The Company estimated that the right-of-use assets and the lease liabilities to increase by 2,428,740 thousand respectively, on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

Those which may be relevant to The Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

(4) Significant Accounting Policies

The accompanying 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 financial statements, the Chinese version shall prevail.

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

(a) Statement of compliance

These 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, ROC.

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(b) Basis of preparation

1.Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

The net defined benefit liabilities (or assets) is recognized as the fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed in Note 4(o).

2.Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment. The 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) Foreign Currency

1.Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Those foreign currency differences arising on retranslation are recognized in profit or loss.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) Fair value through other comprehensive income (Available for sale) equity investment;

2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) Qualifying cash flow hedges to the extent that the hedge is effective.

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2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Company 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 Company 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, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) 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, 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 (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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.It 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.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and 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.

(f) Financial assets

1.Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

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 amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

On initial recognition of an equity investment that is not held for trading, the Company 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.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, derived from debt investments are recognized in profit or loss; whereas dividends derived from equity investments 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 of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex dividend date. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Business model assessment

The Company 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 Company'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.

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 Company' s continuing recognition of the assets.

4) 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.

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In assessing whether the contractual cash flows are solely payments of principal and interest, the Company 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 Company 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 Company's claim to cash flows from specified assets (e.g. non-recourse features).

5) Impairment of financial assets

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

The Company 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.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month 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 Company 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 Company 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 Company'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 Company in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company 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 recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

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 Company 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 Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

2.Financial assets (policy applicable before January 1, 2018)

The Company classifies financial assets into the following categories: loans and receivables, and financial assets measured at cost.

1) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

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2) Financial assets measured at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost and are included in financial assets measured at cost.

The dividend revenue of investment should be recognized when the Company have the right to receive it, and is included in the statement of comprehensive income.

3) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management' s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is reduced from the carrying amount, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance accounts are recognized in profit or loss.

Provision for doubtful accounts is recorded as general and administrative expenses. The impairment loss on financial assets other than accounts receivable is recorded as other gains and losses under non-operating income and expenses.

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3.Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held for trading, or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in the statement of comprehensive income.

2) Derecognizing of financial liabilities

The Company 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.

3) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) 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.

(h) Investment in associates

Associates are those entities in which the Company 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.

The financial statements include the Company's share of the profit or loss and other comprehensive income of associates, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio under 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 controlling power.

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Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Company has an obligation or has made payments on behalf of the associate.

(i) Investment in subsidiaries

The Company uses the equity method to evaluate an investee which is under control when preparing the financial statements. Under the equity method, the profit or loss and other comprehensive income shall be attributed to the owners of the parent on the basis of the proportion of existing ownership interests. The Company's equity in the financial statement shall be equal to the share attributed to the parent in the financial statement.

Changes in the Company's ownership interests in subsidiaries do not result in loss of control of subsidiaries are equity transactions with owners.

(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. Cost includes expenditure that is directly attributed to the acquisition of the asset.

The gain or loss arising from derecognizing an item of property, plant or equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses and included in the statement of comprehensive income.

2.Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

3.Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Transportation equipment	5 years
2) Furniture and office equipment	3 ~ 5 years
3) Leasehold improvements	1 ~10years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(k) Leases

Lessee

According to the condition of the lease, the Company should classify the lease as financial lease when it undertakes almost all the risks and rewards of the lease. The Company initially recognizes lease asset with lower of the fair value of the asset or the present value of the minimum lease payments. Afterwards, the Company should yield to its own accounting policy.

The minimum payments of the financial lease should be allotted to financial costs, and proportionately decrease the unpaid liabilities. The financial cost have to be apportioned to the lease period with specific rate of the liabilities.

Other leases are operating leases and are not recognized in the Company's statement of financial position.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Intangible assets

1.Intangible assets

Software that is acquired by the Company is measured at cost less accumulated amortization and any accumulated impairment losses.

2.Subsequent expenditure

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

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	1 ~ 5 years

The residual value, amortization period and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

(m) Impairment – non financial assets

To ensure inventories, deferred tax assets, and assets arising from employee benefits are carried at no more than their recoverable amount, and to define how the recoverable amount is determined, if it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognized immediately in profit or loss.

The Company should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

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.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(n) Revenue

1.Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

1) Sale of goods - consumer electronics

The Company 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 Company grants its customers the right to return the product. Therefore, the Company 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 Company reassesses the estimated amount of expected returns.

2) Services

The Company 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.

2.Revenue (policy applicable before January 1, 2018)

1) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

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2) Services

Revenue from internet and management services rendered are recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(o) Employee benefits

1.Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as employee benefit expense in profit or loss in the periods during which services are rendered by the employees.

2.Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company' s net obligation with respect to the defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Any fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company' s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are amended, the relating expenses, resulting from the portion of the increased benefit relating to past services provided by the employees, are recognized immediately in profit or loss to the extent that the benefits are vested immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

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3.Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company 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) Income taxes

Income tax expenses include both 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 shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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 shall not be recognized for the below exceptions:

1.Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

2.Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

3.Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1.the entity has the legal right to settle tax assets and liabilities on a net basis; and

2.the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Company 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.

(r) Operating segments

The Company has provided the operating segments disclosure in the consolidated financial statements.

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

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(6) **Summary of Major Accounts**

(a) Cash and cash equivalents

	2018.12.31	2017.12.31
Cash on hand	$ 747	768
Checking accounts	36,694	15,243
Savings accounts	2,068,049	1,708,016
Foreign currency deposits	7,447	114,764
Time deposits	567,700	2,012,700
Cash equivalents	1,749	13,686
Cash and cash equivalents in statement of cash flows	$ 2,682,386	3,865,177

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

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

	2018.12.31
Equity instruments at fair value through other comprehensive income	
Stocks unlisted on domestic markets	$ 89,842

1.The Company holds these equity instruments, which are not held for trading at designated fair value through other comprehensive income, for long-term strategic purposes. These investments were recognized at financial assets measured at cost on December 31, 2017.

2.The Company acquired 877 thousand shares of Readmoo Co., Ltd.'s common stock for $8,772 thousand for the nine months ended September 30, 2018, and the transaction was recognized at non-current financial assets at fair value through other comprehensive income. The shareholding ratio for the year ended December 31, 2018 was 18.85%.

3.For credit risk and market risk; please refer to note (6)(v).

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

(c) Financial assets at cost

Financial assets measured at cost:

	2017.12.31
Domestic stock of non-listed company	$ 43,557

The aforementioned investments held by the Company are measured at amortized cost at year-end Given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined. Therefore, the Company management has determined that the fair value cannot be measured reliably.

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The Company acquired 2,000 thousands shares of Readmoo Co., Ltd.'s common stock for $20,000 for the year ended December 31, 2017, and the transaction was recognized as financial assets measured at cost. The shareholding ratio at the year ended 2017 was 19.49%.

The Company acquired 1,387 thousand of IPEVO's common stock for $15,664 for the year ended December 31, 2017, and the transaction was recognized as financial assets measured at cost. The shareholding ratio for the year ended 2017 was 7.36%.

As of January 12, 2017, the Company disposed the shares of 17Life Ltd., Pay Easy Ltd., Eastern Online Co., Ltd., and Taiwan Star Telecom Co., Ltd. to Linktel Inc. for $503.

The Company received the capital reduction proceeds amounting to $15,664 from P2V Holding Limited, and recognized the loss on disposal of investments amounting to $7,257 for the year ended December 31, 2017.

The aforementioned investments were recognized at FVOCI and FVTPL on December 31, 2018; please refer to note (6)(b).

As of December 31, 2017, the Company's financial assets were not pledged as collateral.

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

	2018.12.31	2017.12.31
Notes receivable-measured as amortized cost	$ 92	1,297
Trade receivable-measured as amortized cost	638,437	363,768
Other receivables-measured as amortized cost	1,117,247	210,961
Less: Allowance for impairment loss	(399)	(673)
	$ 1,755,377	575,353

The Company applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporate forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	$ 1,754,204	0.001%	13
Overdue 1 to 180 days	1,313	10%	131
Over 181 days past due	259	25%~100%	255
	$ 1,755,776		399

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As of December 31, 2017, the Company applies incurred loss model to consider the loss allowance provision of notes and trade receivable. As of December 31, 2017, the aging analysis of notes and trade receivable which were past due but not impaired was as follows:

	2017.12.31
Past under 90 days	$ 2,131
Past due 91-180 days	37
Over 360 days past due	4,513
	$ 6,681

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

	2018	2017 Individually assessed impairment	2017 Collectively assessed impairment
Balance on January 1, 2018 and 2017 (Under IAS 39)	$ 673	-	396
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 (Under IFRS 9)	673		
Impairment losses recognized	-	-	299
Impairment losses reversed	(261)	-	-
Amounts written off	(13)	-	(22)
Balance on December 31, 2018 and 2017	$ 399	-	673

(e) Inventories

	2018.12.31	2017.12.31
Merchandise inventories	$ 1,259,713	967,092
Less: Allowance for inventory valuation and obsolescence losses	(10,119)	(7,518)
	$ 1,249,594	959,574

As of December 31, 2018 and 2017, the Company's inventories were not pledged as collateral.

The details of operating cost were as follows:

	2018	2017
Cost of goods sold	$ 28,195,552	23,054,939
Provision for inventory market price decline and obsolescence	2,601	571
Loss on physical inventory	1,781	1,862
Loss on disposal of scrap	1,032	1,065
	$ 28,200,966	23,058,437

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(f) Investments accounted for using equity method

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

	2018.12.31	2017.12.31
Subsidiaries	$ 781,310	2,032,541
Associates	8,215	9,720
	$ 789,525	2,042,261

1.Subsidiaries

Please refer to the consolidated financial report for the year ended December 31, 2018.

2.Associates

Affiliates to the Company consisted of the followings：

Name of Affiliates	Nature of Relationship with The Company	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights 2018.12.31	Proportion of shareholding and voting rights 2017.12.31
Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	Taiwan	21.03 %	21.03 %

3.Collateral

As of December 31, 2018 and 2017, The Company did not provide any investment accounted for using equity method as collaterals.

(g) Changes in a parent's ownership interest in a subsidiary

The third quarter of 2018, the Company acquired an additional interest in PChome Store Inc. for $241,724 thousand in cash, increasing its ownership from 37.57% to 53.52%.

The Company's effect to changes in subsidiaries' equity attributable to parent's equity are as below:

	2018
Carrying amounts to acquire non-controlling interest	$ (276,208)
Consideration to pay to non-controlling interest	(241,724)
Paid-in Capital-difference between consideration and carrying amount of subsidiaries acquired or disposed	$ (517,932)

The fourth quarter of 2018, the subsidiary of PChome Store Inc. increased the capital that amounted to $1,000,000. The Company decreased its ownership from 53.52% to 34.35% and Retained Earning was written off against, amounted to $323,504.

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(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

		Furniture and office equipment	Leasehold improvements	Leased assets	Transportation equipment	Total
Cost:						
Balance at January 1, 2018	$	615,765	444,371	16,115	-	1,076,251
Additions		71,610	13,957	-	2,291	87,858
Obsolescence		(7,542)	-	-	-	(7,542)
Disposals		(5,970)	(186)	-	(2,291)	(8,447)
Balance at December 31, 2018	$	673,863	458,142	16,115	-	1,148,120
Balance at January 1, 2017	$	492,075	287,592	6,364	-	786,031
Additions		137,017	123,881	9,751	-	270,649
Transfer from prepayments for business facilities		235	40,377	-	-	40,612
Obsolescence		(12,840)	-	-	-	(12,840)
Disposals		(722)	(7,479)	-	-	(8,201)
Balance at December 31, 2017	$	615,765	444,371	16,115	-	1,076,251
Depreciation and impairment loss:						
Balance at January 1, 2018	$	339,513	225,083	1,866	-	566,462
Depreciation for the year		94,861	51,669	3,223	191	149,944
Obsolescence		(7,542)	-	-	-	(7,542)
Disposals		(4,336)	(16)	-	(191)	(4,543)
Balance at December 31, 2018	$	422,496	276,736	5,089	-	704,321
Balance at January 1, 2017	$	273,536	187,967	106	-	461,609
Depreciation for the year		79,275	44,434	1,760	-	125,469
Obsolescence		(12,840)	-	-	-	(12,840)
Disposals		(458)	(7,318)	-	-	(7,776)
Balance at December 31, 2017	$	339,513	225,083	1,866	-	566,462
Carrying amounts:						
At December 31, 2018	$	251,367	181,406	11,026	-	443,799
At December 31, 2017	$	276,252	219,288	14,249	-	509,789

As of December 31, 2018 and 2017, the property, plant and equipment were not pledged as collateral.

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(i) Intangible assets

The costs and amortization and impairment loss of intangible assets of the Company for the years ended December 31, 2018 and 2017, were as follows:

		Software
Cost:		
Balance at January 1, 2018	$	102,416
Acquired separately		4,045
Disposals		(1,612)
Balance at December 31, 2018	$	104,849
Balance at January 1, 2017	$	81,978
Acquired separately		20,574
Disposals		(136)
Balance at December 31, 2017	$	102,416
Amortization and impairment losses:		
Balance at January 1, 2018	$	58,224
Amortization for the year		24,077
Disposals		(1,492)
Balance at December 31, 2018	$	80,809
Balance at January 1, 2017	$	36,953
Amortization for the year		21,301
Disposals		(30)
Balance at December 31, 2017	$	58,224
Carrying amounts:		
Balance at December 31, 2018	$	24,040
Balance at December 31, 2017	$	44,192

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

	2018	2017
Operating expense	$ 24,077	21,301

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(j) Long tem borrowings

The details were as follows:

	2018.12.31			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.20%	2028	$ 900,000
Less: current portion				(100,000)
Total				$ 800,000
Unused long-term credit lines				$ 100,000

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

	2018.12.31	2017.12.31
Current contract liabilities	$ 253,363	-
Advance receipts	-	182,933
Other	7,387	6,398
Current refund liabilities	31,943	-
	$ 292,693	189,331

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

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

(l) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018.12.31	2017.12.31
Less than one year	$ 417,644	469,289
Between one and five years	1,459,783	1,430,656
Over five years	321,369	814,408
	$ 2,198,796	2,714,353

The Company leases a number of offices and warehouses under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date.

For the years ended December 31, 2018 and 2017, the operating leases recognized in profit or loss were $357,106 and $431,035, respectively.

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(m) Lease obligations payable

The Company lease obligations payable were as follows:

	2018.12.31			2017.12.31		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 3,427	1,023	2,404	3,426	1,298	2,128
Between one and five years	11,522	1,149	10,373	14,948	2,171	12,777
	$ 14,949	2,172	12,777	18,374	3,469	14,905

(n) Employee benefits

1. Defined benefit plans

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

	2018.12.31	2017.12.31
Present value of defined benefit obligation	$ 40,080	39,563
Fair value of plan assets	(43,308)	(40,619)
Net defined benefit assets	$ (3,228)	(1,056)

The Company 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 Company 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 Company's Bank of Taiwan pension reserve account balance amounted to $43,308 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.

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2) Movements in present value of the defined benefit obligations

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

		2018	2017
Defined benefit obligation at January 1	$	39,563	43,225
Current service costs and interest		643	648
Remeasurement on the net defined benefit assets			
–Actuarial loss (gain) arising from changes in financial assumptions		(126)	(4,310)
Defined benefit obligation at December 31	$	40,080	39,563

3) Movements of defined benefit plan assets

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

		2018	2017
Fair value of plan assets at January 1	$	40,619	39,237
Interest income		668	596
Remeasurement on the net defined benefit assets			
–Return on plan assets (excluding current interest)		962	(210)
Contribution made		1,059	996
Fair value of plan assets at December 31	$	43,308	40,619

4) Expenses recognized in profit or loss

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

		2018	2017
Net interest of net defined benefit liabilities (assets)	$	(25)	52
Operating costs	$	(1)	-
Selling expenses		(21)	45
Administrative expenses		(1)	2
Research and development expenses		(2)	5
	$	(25)	52

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

The Company's remeasurement on the net defined benefit liabilities (assets) recognized in other comprehensive income as at December 31, 2018 and 2017 were as follows:

	2018	2017
Cumulative amount at January 1	$ (1,343)	2,757
Recognized during the period	(1,088)	(4,100)
Cumulative amount at December 31	$ (2,431)	(1,343)

6) Actuarial assumptions

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

	2018	2017
Discount rate	1.375%	1.625%
Future salary increases	3.000%	3.000%

The Company will pay the defined benefit plans amounting to $1,080 within 1 year after the reporting date in December 31, 2018.

The weighted average duration of the defined benefit obligation is 19.41 years.

7) When calculating the present value of the defined benefit obligations, the Company 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:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2018		
Discount rate	(1,753)	1,845
Future salary increasing rate	1,791	(1,712)
December 31, 2017		
Discount rate	(1,803)	1,899
Future salary increasing rate	1,847	(1,765)

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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.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017, respectively.

2. Defined contribution plans

The Company 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 Company 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, 2018 and 2017, the Company set aside $55,131 and $50,122, respectively, under the pension plan to the Bureau of the Labor Insurance.

(o) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

1. Income tax expense recognized in profits or losses

The amount of income tax was as follows:

	2018	2017
Current income tax expense:		
Current period	$ 74,710	136,483
Adjustment for prior periods	(14,290)	(12,938)
	60,420	123,545
Deferred tax expense:		
Origination and reversal of temporary differences	(8,706)	2,777
Adjustment in tax rate	(4,863)	-
	(13,569)	2,777
Income tax expense	$ 46,851	126,322

Income tax benefit (expense) recognized in other comprehensive income:

	2018	2017
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	$ 101	(697)

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

	2018	2017
(Loss) Profit excluding income tax	$ (947,792)	162,812
Income tax using the Company's domestic tax rate	(189,558)	27,678
Permanent differences-loss of domestic subsidiaries	254,673	104,739
Change in temporary differences	889	-
Over provision in prior periods	(14,290)	(12,938)
Undistributed earnings additional tax at 10%	-	6,843
Adjustment in tax rate	(4,863)	-
Total	$ 46,851	126,322

2. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 are as follows:

	Defined Benefit Plans	Unrealized Gain (Loss) of Investment	Unrealized profits of Related Company	Others	Total
Deferred Tax Liabilities:					
Balance at January 1, 2018	$ -	-	-	-	-
Debited (Credited) Income statement	646	-	-	-	646
Balance at December 31, 2018	$ 646	-	-	-	646
Balance at January 1, 2017	$ -	-	-	1,172	1,172
Debited (Credited) Income statement	-	-	-	(1,172)	(1,172)
Balance at December 31, 2017	$ -	-	-	-	-
Deferred Tax Assets:					
Balance at January 1, 2018	$ 572	26,651	-	2,141	29,364
(Debited) Credited Income statement	(673)	9,850	-	5,038	14,215
(Debited) Credited Other Comprehensive Income	101	-	-	-	101
Balance at December 31, 2018	$ -	36,501	-	7,179	43,680

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	Defined Benefit Plans	Unrealized Gain (Loss) of Investment	Unrealized profits of Related Company	Others	Total
Balance at January 1, 2017	$ 1,429	25,653	4,963	1,965	34,010
(Debited) Credited Income statement	(160)	998	(4,963)	176	(3,949)
(Debited) Credited Other Comprehensive Income	(697)	-	-	-	(697)
Balance at December 31, 2017	$ 572	26,651	-	2,141	29,364

3. The Company's tax returns for the years through 2016 were examined and approved by the Taipei National Tax Administration.

(p) Capital and other equity

As of December 31, 2018 and 2017, the total value of nominal ordinary shares both amounted to $1,500,000. The face value of each share is $10. In total, there were both 117,159 in thousands of ordinary shares issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2018 and 2017 was as follows:

	Ordinary shares (in thousands of shares)	
	2018	2017
Balance at January 1	117,159	110,316
Stock dividends	-	6,843
Balance at December 31	117,159	117,159

1. Issuance of common stock

On June 22, 2017, the Company's shareholders resolved to capitalize its unappropriated retained earnings of $68,434, with a total of 6,843 thousand shares issued at par value. The capital increase was effective on August 2, 2017, with all registration amendments completed.

2. Capital surplus

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

	2018.12.31	2017.12.31
Share capital	$ 2,484,507	2,484,507
Difference between consideration and carrying amount of subsidiaries acquired or disposed	8,643	8,643
Changes in ownership interests in subsidiaries	14,273	14,309
	$ 2,507,423	2,507,459

In accordance with the Company Act as amended in January 2012, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

3. Retained earnings

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

The Company adopts a residual dividend policy determined by taking the following factors into consideration:

1) The reserve for the Company's projected capital expenditure;

2) The reserve used to repay outstanding borrowings;

3) Bonuses and dividends that may be distributed in cash and by issuing shares.

The distribution ratio of stock dividends may not exceed 80% of total dividends.

1) Legal reserve

In accordance with the Company Act as amended in 2012, 10 percent of net income should be set aside as statutory earnings reserve until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash, of up to 25 percent of the actual share capital.

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.

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3) Earnings distribution

On June 13, 2018, the shareholders resolved not to appropriate the 2017 earnings. On June 22, 2017, the shareholders resolved to appropriate the 2016 earnings. These earnings were appropriated as follows:

	2016	
	Dividend per Share (TWD$)	Amount
Dividends distributed to ordinary shareholders		
Cash	$ 4.9627	547,469
Shares	0.6203	68,434
Total		615,903

4. Other equity (net of tax)

	Exchange difference on translation of foreign financial statements	Unrealized gains(losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2018	$ (4,120)	-
Effects of retrospective application	-	39,028
Balance at January 1, 2018 after adjustments	(4,120)	39,028
Exchange difference on translation of foreign financial statements	15,644	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(5,490)
Balance at December 31, 2018	$ 11,524	33,538
Balance at January 1, 2017	$ (2,781)	-
Exchange difference on translation of foreign financial statements	(1,339)	-
Balance at December 31, 2017	$ (4,120)	-

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(q) Earnings per share

The Company calculated the basic and diluted EPS as follows:

1. Basic earnings per share (NT dollars)

	2018	2017
(Loss) Profit attributable to ordinary stockholders of the Company	$ (994,643)	36,490
Weighted-average number of ordinary shares	117,159	117,159
Basic earnings per share (NT dollars)	$ (8.49)	0.31

2. Diluted earnings per share (NT dollars)

	2018	2017
(Loss) Profit attributable to ordinary stockholders of the Company	$ (994,643)	36,490
Weighted-average number of ordinary shares (basic)	117,159	117,159
Effect of employee stock compensation	-	163
Weighted-average number of ordinary shares (diluted)	117,159	117,322
Diluted earnings per share (NT dollars)	$ (8.49)	0.31

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

	2018	2017
Effect of employee stock compensation	86	-

(r) Revenue from contracts with customers

	2018	2017
Revenue of electronic commerce	$ 32,113,665	26,965,853

(s) Rewards of employees, directors and supervisors

According to the Company's article, which was approved by the board on directors but yet resolved by the shareholders, the Company shall assign 1%~15% as rewards to employees, and less than 1.5% as rewards to directors and supervisors, if there are earnings during the year. However, the Company has to retain the amount while there are accumulated loss.

The employees mentioned before include the employees in the subsidiaries who meet the specific conditions.

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The Company incurred losses before tax for the year ended December 31, 2018, therefore, there were no remuneration allocated to employees, directors and supervisors. The rewards to employees amounted to $12,091, and the rewards to directors and supervisors amounted to $1,357 for the years ended December 31, 2017. The remuneration to employees was no differences between the actual amounts and the estimated amounts in 2017. The remuneration to directors and supervisors was determined to be not allocated in 2017, the changes would be recognized as profit or loss in 2018. Related information would be available at the website of the Market observation post system.

(t) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	2018	2017
Interest income	$ 15,346	13,195
Dividend income	4,025	3,921
Other income	14,885	33,005
Total other revenue	$ 34,256	50,121

2. Other gains and losses, net

The details of other gains and losses were as follows:

	2018	2017
Gains on disposals of property, plant and equipment	$ 540	1,139
Loss on disposals of investments	-	(7,257)
Foreign currency exchange gain (loss), net	186	(8,985)
Miscellaneous disbursements	(5)	(5)
Other gains and losses, net	$ 721	(15,108)

3. Finance costs

The details of finance cost were as follows:

	2018	2017
Interest expense	$ 8,409	824

(u) 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, 2018 and 2017, the maximum exposure to credit risk amounted to $4,720,453 and $4,656,283, respectively.

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2. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Balance at December 31, 2018							
Non-derivative financial liabilities							
Long-term borrowings	$ 900,000	900,000	100,000	-	100,000	300,000	400,000
Notes payable	298	298	298	-	-	-	-
Accounts payable	2,692,355	2,692,355	2,692,355	-	-	-	-
Other payables	283,622	283,622	283,622	-	-	-	-
Lease obligations payable	12,777	14,949	1,713	1,713	3,426	8,097	-
	$ 3,889,052	3,891,224	3,077,988	1,713	103,426	308,097	400,000
Balance at December 31, 2017							
Non-derivative financial liabilities							
Notes payable	$ 1,066	1,066	1,066	-	-	-	-
Accounts payable	2,735,607	2,735,607	2,735,607	-	-	-	-
Other payables	304,122	304,122	304,122	-	-	-	-
Lease obligations payable	14,905	18,374	1,713	1,713	3,426	11,522	-
	$ 3,055,700	3,059,169	3,042,508	1,713	3,426	11,522	-

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

3. Currency risk

1) Currency risk exposure

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

	2018.12.31			2017.12.31		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 32	30.71	977	3,641	29.76	108,342

2) Sensitivity analysis

The Company'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.

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A 5% appreciation or depreciation of the TWD against the USD as at December 31, 2018 and 2017, would have increased or decreased net income by $39 and $4,496, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the years ended December 31, 2018 and 2017.

Due to the variety of functional currency, the Company disclosed the foreign currency gain or loss on monetary items aggregately. The foreign currency gains and losses (include realized and unrealized) were $186 (gain) and $8,985 (loss) in 2018 and 2017, respectively.

4. Interest analysis

The interest rate exposure of the Company's financial assets and liabilities is described in Note (6)(u)2. 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 Company's net income would increase or decrease by $1 and $1 as of December 31, 2018 and 2017. This is mainly due to the Company's borrowing and its cash and cash equivalents being at variable rates.

5.Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2018		2017	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 1%	$ 898	-	-	-
Decreasing 1%	(898)	-	-	-

6.Fair value of financial instruments

1) Fair value hierarchy

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

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

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2) Valuation techniques for financial instruments measured at fair value

The financial instruments held by the Company 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.

3) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Opening balance, January 1, 2018	$ 86,560
Total gains and losses recognized:	
In other comprehensive income	(5,490)
purchasing	8,772
Ending Balance, December 31, 2018	$ 89,842

For the years ended December 31, 2018 and 2017, total gains and losses that were included in "unrealized gains and losses from fair value through other comprehensive income" were as follows:

	For the years ended December 31,	
	2018	2017
Total gains and losses recognized:		
In other comprehensive income, and including "unrealized gains and losses from fair value through other comprehensive income"	(5,490)	-

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

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income" Quantified information of significant unobservable inputs was as follows:

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

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

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

			Profit or loss		Other comprehensive income	
	Input	Variation	Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2018						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Liquidity discounted rate	5%	$ -	-	4,492	(4,492)

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.

(v) Financial risk management

1. Summary

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

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

2. Risk management framework

The General Manager's office has responsibility for the development and control of the Company's risk management policies and regularly reports to the Board on its operation, if necessary. The Company establishes risk management policies for the identification and analysis of the Company'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 Company. The Company 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 Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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3. Credit risk

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

1) Accounts receivable and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company's standard payment terms are offered. The Company'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's office; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company 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's office. If customers default, the Company will stop transactions with those customers or trade on a cash basis.

The Company 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 Company 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 Company'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. As of December 31, 2018 and 2017, the Company's information of guarantees for non-related parties to fulfill their obligations in accordance with the service contract with its subsidiary Linktel Inc. is described in Note (7)(c).

4. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company'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 Company'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 Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company. These transactions are denominated in TWD and USD.

(w) Capital management

The Company 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 Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shareholders, issue new shares or sell assets to settle any liabilities.

(7) Related-Party Transactions

(a) Ultimate controlling party

The Company is the ultimate controlling party of the Group.

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(b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
PChome Store Inc.	Subsidiary of the Company
Linktel Inc.	〃
PChome Pay Inc.	〃
IT Home Publications Inc.	〃
PCHOME US INC.	〃
PC HOME ONLINE INTERNATIONAL CO., LTD.	〃
ECOMMERCE GROUP CO., LTD.	〃
Pi Mobile Technology Inc.	〃
PChome (Thailand) Co., Ltd.	〃
PChome Travel Inc.	〃
PChome Financial Technology Inc.	〃
Pay and Link Inc.	〃
RUTEN GLOBAL INC.	〃
RUTEN SINGAPORE PTE. LTD.	〃
PChome eBay Co., Ltd	〃
EC Global Limited	〃
PChome Trading (Shenzhen) Ltd.	〃
PChome Express Co., Ltd.	〃
Chunghwa PChome Fund 1 Co., Ltd.	〃
Cornerstone Ventures Co., Ltd.	〃
PChome Holding Inc.	〃
PChome Marketplace Inc.	〃
Rakuya International Info. Co. Ltd.	Associate of the Company
PC Home Ventures Fund(I) Corporation	Other related party

(c) Related-party transactions

1.Operating revenue

Operating revenue of the Company from the related parties were as follows:

	2018	2017
Subsidiaries	$ 199,537	78,379
Associates	286	-
	$ 199,823	78,379

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The sales prices and payment terms to related parties were not different from those of sales to third parties.

2.Purchases

The amounts of significant purchase transactions and outstanding balances between the Company entity and related parties were as follows:

	2018	2017
Subsidiaries	$ 24	100

Prices for the purchases above were negotiated, and there were no comparable prices with non-related parties.

3.Receivables from related parties

Item	Related party categories	2018.12.31	2017.12.31
Accounts receivable	Subsidiaries	$ 74,840	4,227
Accounts receivable	Associates	25	25
Other receivable	Subsidiaries	14,897	5,369
Other receivable	PChome Store Inc.	900,000	-
Other receivable	Associates	29	26
Other receivable	Other related parties	6	6
		$ 989,797	9,653

The other receivable (interest bearing borrowings) to PChome Store Inc. bears interest at 1.3%.

4.Payables to related parties

Payable of the Company from related parties were as follows：

Item	Related party categories	2018.12.31	2017.12.31
Accounts payables	Subsidiaries	$ 32	302
Other payables	Subsidiaries	6,233	912
Other payables	Associates	12	12
		$ 6,277	1,226

5.Others

1) For the years ended December 31, 2018 and 2017, advertisement expense and the cost of services are as follows.

	2018	2017
Subsidiaries	$ 18,157	10,653

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2) As of December 31, 2018 and 2017, the Company's internet trading platform deposit received through PChomePay Inc. which is recognized at cash equivalents are amounted to $37 and $1,929, respectively.

3) In 2018, the Company' s interest revenue resulting from loan to subsidiaries amounted to $7,373.

6.Endorsements and guarantees with related parties

As of December 31, 2018 and 2017, the Company's guarantees for non-related parties to fulfill their obligations in accordance with the service contract with its subsidiary Linktel Inc. were $4,686 and $5,935, respectively.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 33,763	58,056

(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	2018.12.31	2017.12.31
Deposit account-current	Security for performance and purchase guarantee	$ 68,987	60,011
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	123,861	112,185
		$ 192,848	172,196

(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, 2018 and 2017, notes payable deposited as guarantee for commercial vehicle and office and building leases were $264,559 and $226,830, respectively.

(c) As of December 31, 2018 and 2017, The Company has entered into an agreement with a financial institution for providing performance guarantee for The Company on the balance amount received through The Company' s online payment processing services to online sellers; the amount of performance guarantee agreed therein are $884,500 and $303,000, respectively.

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(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

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

Categorized as / Nature	For the year ended December 31, 2018			For the year ended December 31, 2017		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	31,438	1,215,034	1,246,472	5,964	1,139,879	1,145,843
Labor and health insurance	3,012	101,040	104,052	643	94,067	94,710
Pension	1,622	53,484	55,106	356	49,818	50,174
Remuneration of directors	-	2,108	2,108	-	3,157	3,157
Other employee benefits	1,009	42,240	43,249	314	47,180	47,494
Depreciation	-	149,944	149,944	-	125,469	125,469
Amortization	-	24,077	24,077	-	21,301	21,301

As of December 31, 2018 and 2017, the Company had 1,896 and 1,705 employees, respectively, including 3 and 2 independent directors.

(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 Company for the years ended December 31, 2018:

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 Name	Collateral Value	Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
0	The Company	PChome Store Inc.	Other receivables	Yes	900,000	900,000	900,000	1.30%	2	-	Operating Capital	-		-	586,747	1,173,493

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

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

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

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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 endorsements/ 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	1,466,867	11,061	4,686	4,686	-	0.16 %	2,933,733	Y	N	N

Note 1: 0 is issuer.

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

Note 3: Relationship with the Company

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

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

3. Information regarding securities held at balance sheet date:

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

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Note
				Number	Book value	Percentage	Market value	
	Common Stock:							
PChome Online Inc.	Syspower Ltd.	-	FVOCI	744,118	18,112	3.72 %	18,112	
〃	Openfind Information Technology, Inc.	-	〃	800,000	24,944	6.26 %	24,944	
〃	Career Consulting Co., Ltd.	-	〃	113,005	1,914	0.72 %	1,914	
〃	Readmoo Co., Ltd.	-	〃	2,877,193	27,190	18.85 %	27,190	
〃	IPEVO Corp.	-	〃	1,386,822	17,682	7.36 %	17,682	

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:

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

Company name (Note 1)	Marketable Securities type and name (Note 1)	Financial statement account	Counter -party	Nature of relationship	Beginning balance		Acquisitions		Disposal				Ending balance	
					Units/shares (Thousands)	Amount	Units/shares (Thousands)	Amount	Units/shares (Thousands)	Amount	Carrying value	Gain (loss) on disposal	Units/shares (Thousands)	Amount
PChome Online Inc.	Pchome Store Inc.	Investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	-

Note 1: The market securities listed under account investment, using the equity method, is exempted from disclosure.

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.

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7. Buying/selling products with the dollar amount reaches $100 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of Company	Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase /Sale	Amount	Percentage of total purchases /sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable)	
PChome Online Inc.	PChome Store Inc.	Subsidiary	Sale	(182,982)	(0.57)%	Open Account 30 Days	-	-	3,283	0.51 %	

8. Accounts receivable from related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital:

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

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
PChome Online Inc.	PChome Store Inc.	Subsidiary	900,000	- %	-		-	-

9. Derivative transactions: None.

(b) Information on investees:

For the years ended December 31, 2018, the following was the information on investees (excluding investees in Mainland China) :

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

Name of Investor	Name of Investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
PChome Online Inc.	IT Home Publications Inc.	Taiwan	Magazine publication	30,000	30,000	5,014,802	100.00 %	51,284	478	478	Note
〃	Linktel Inc.	〃	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	103,890	(6,169)	(6,169)	〃
〃	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	6,648	(2,030)	(2,030)	〃
〃	Rakuya International Info. Co. Ltd.	Taiwan	Real estate business, and internet information rental service	45,199	45,199	2,411,315	21.03 %	8,215	(7,155)	(1,505)	〃
〃	PChome Store Inc.	〃	Internet services	326,494	84,770	18,435,220	34.35 %	(335,385)	(2,031,549)	(800,674)	〃
〃	PChomePay Inc.	〃	Online payment processing services	180,000	180,000	18,000,000	21.18 %	121,812	(72,608)	(15,378)	〃
〃	PChome US Inc.	United States of America	E-commerce platform	134,065	124,378	45,800,000	91.97 %	12,781	(2,526)	(2,319)	〃
〃	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	1,069,297	2,089,037	349,508,366	100.00 %	450,961	(407,818)	(407,818)	〃
〃	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	60,000	20,000	6,000,000	100.00 %	3,969	(42,954)	(42,954)	〃

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Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
PChome Online Inc.	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	66,200	66,200	6,500,000	65.00 %	27,510	(16,450)	(10,692)	Note
〃	PChome Travel Inc.	Taiwan	Travel agency business	36,000	6,000	3,600,000	100.00 %	32,055	(3,182)	(3,182)	〃
〃	PChome Financial Technology Inc.	〃	Information service	80,000	80,000	8,000,000	100.00 %	74,527	(1,003)	(1,003)	〃
〃	PChome Holding Inc.	British Virgin Islands	Investment activities	1,169,090	-	385,000,000	100.00 %	(170,247)	(4,434)	(4,434)	〃
〃	PChome Express Co., Ltd.	Taiwan	Transportation and logistics	200,000	-	20,000,000	100.00 %	197,579	(2,421)	(2,421)	〃
〃	Chunghwa PChome Fund 1 Co., Ltd.	〃	Investment activities	200,000	-	20,000,000	50.00 %	198,974	(2,052)	(1,026)	〃
〃	Cornerstone Ventures Co., Ltd.	〃	〃	5,100	-	510,000	51.00 %	4,952	(291)	(148)	〃
IT Home Publications Inc.	Yiabi Inc.	〃	Information processing and provision of electronic information	5,000	5,000	500,000	100.00 %	709	(705)	(705)	〃
Linktel Inc.	Rakuya International Info. Co. Ltd.	〃	Real estate business, and internet information rental service	6,238	6,238	623,800	5.44 %	2,125	(7,155)	(389)	〃
PChome eBay Co., Ltd.	PChomePay Inc.	〃	Online payment processing services	205,200	205,200	20,520,000	24.14 %	138,836	(72,608)	(17,528)	〃
〃	PChome Store Inc.	〃	Internet services	632,258	632,258	11,896,486	22.16 %	(90,075)	(2,031,549)	(700,763)	〃
PChome Store Inc.	PChomePay Inc.	〃	Online payment processing services	288,000	288,000	28,800,000	33.88 %	194,853	(72,608)	(24,615)	〃
PChomePay Inc.	Pay and Link Inc.	〃	Electronic payment business	500,388	500,388	50,100,000	100.00 %	394,815	(38,592)	(38,592)	〃
〃	Zhen Jain Lian International Co., Ltd.	〃	Online payment processing services	3,000	3,000	300,000	100.00 %	2,676	(57)	(57)	〃
〃	Yin Te Lian International Co., Ltd.	〃	〃	3,000	3,000	300,000	100.00 %	2,676	(57)	(57)	〃
〃	Yun Tung Bao International Co., Ltd.	〃	〃	3,000	3,000	300,000	100.00 %	2,676	(57)	(57)	〃
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 %	7,894	(1,943)	(1,943)	〃
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 %	9,780	(1,764)	(1,764)	〃
PC Home Online (HK) Ltd.	Ruten Japan KK	Japan	Information processing and provision of electronic information	5,438	5,438	2,000,000	8.17 %	2,929	(27,416)	(2,269)	〃
eCommerce Group Co., Ltd.	Ruten Global Inc.	Cayman Islands	Investment activities	831,606	2,090,181	266,063,307	100.00 %	532,985	(429,103)	(429,103)	〃
Ruten Global Inc.	EC Global Limited	Hong Kong	〃	22,740	22,740	7,494,642	100.00 %	3,990	(1,266)	(1,266)	〃
〃	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	391,807	(636,205)	(413,533)	〃
〃	Ruten Japan KK	Japan	〃	27,040	27,040	9,994,850	40.83 %	14,638	(27,416)	(11,493)	〃
〃	Ruten Singapore Pte. Ltd.	Singapore	〃	63,045	63,045	20,800,000	65.00 %	61,846	315	205	〃
Pchome Holding Inc.	PChome Marketplace Inc.	Cayman Islands	Investment activities	585	-	38,335,000	100.00 %	1,170,988	(4,798)	(4,798)	〃
PChome Marketplace Inc.	PChome Japan KK	Japan	Information processing and provision of electronic information	119,330	-	43,500,000	100.00 %	116,780	(2,161)	(2,054)	〃
〃	PChome Store Inc.	Taiwan	Internet services	998,758	-	19,206,893	35.78 %	991,171	(2,031,549)	(2,696)	〃

(English Translation of Financial Statements and Report Originally Issued in Chinese)

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

(c) Information on investment in Mainland China:

1. Information on investment in Mainland China:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan (R.O.C.)	Investment Flows		Accumulated Outflow of Investment from Taiwan	Net income (loss) of the investee	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2(2))	Carrying Amount	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
Shanghai Todo Inc.	Software and internet technical consulting service	4,607	(2)	4,607	-	-	4,607	800	100.00 %	800	2,659	-
PChome Trading (Shenzhen) Ltd.	International trading E-commerce	10,749	(2)	10,749	-	-	10,749	(721)	100.00 %	(721)	(4,378)	-

2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission(Note 3)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 4)
15,356	59,271	2,054,126

Note 1: Investments in Mainland China are differentiated by the following five methods:

1. Direct investment in Mainland China with remittance through a third region
2. Incorporation of an investee company in a third region and indirect re-investment in Mainland China through the new entity.
3. Indirect investment in Mainland China through an existing investee company in a third region.
4. Direct investment in Mainland China
5. Other methods

Note 2: Recognition of investment gain or loss during current period is pursuant to the following:

1. If the corporation is in the set-up phase, no investment gain or loss recognition is required.
2. Recognition basis of investment gains or losses is determined by the following three types:
   (1) Financial statements of the investee company were audited and certified by an international firm in cooperation with an R.O.C. accounting firm.
   (2) Financial statements of the investee company were audited and certified by the external accountant of the parent company.
   (3) Others — financial statement compiled by investee.

Note 3: In the above table, all relevant amounts are disclosed in TWD, and the foreign currency was translated on the exchange rate 30.71 at the year ended December 31, 2018.

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

3. Significant transactions: None.

(14) Segment Information

Please refer to the consolidated financial report for the year ended December 31, 2018.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: 12Fl, No. 105, Sec. 2, Tun Hwa S. Rd., Taipei 106, Taiwan
Telephone: 886-2-2700-0898

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.

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, 2018 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: March 18, 2019

KPMG
安侯建業聯合會計師事務所
KPMG
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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, 2018 and 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and 2017 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.

KPMG

How the matter was addressed in our audit:

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

2. Valuation of inventories

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

Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

Our principal audit procedure included:

·Inspecting and analyzing the aging report of the inventory;

·Assessing the rationality of the policies of allowance for inventory valuation and obsolescence losses;

·Inspecting the post period sales situation and evaluating the net realizable value of measurement applied on aging inventory in order to verify the evaluation accuracy of the estimated inventory allowance by the Group;

·Assessing if the disclosure of the key management regarding the allowance of the inventory is appropriate.

Other Matter

PChome Online Inc. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

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.

KPMG

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 aggregate, 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.

KPMG

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 Liu-Fong Yang and Tsao-Jen Wu.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2019

Notes to Readers

The accompanying consolidated financial statementsfinancial statements are intended only to present the consolidated financial statementsstatement of financial position, financial performance and its 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 statementsfinancial statements are those generally accepted and applied in the Republic of China.

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	ASSETS	2018.12.31 Amount	%	2017.12.31 Amount	%
	Current Assets:				
1100	Cash and cash equivalents (Note (6)(a))	$ 6,881,162	61	8,370,267	72
1150	Notes receivable, net (Note (6)(d))	112	-	3,183	-
1170	Accounts receivable, net (Notes (6)(d) and (7))	634,691	6	437,831	4
1200	Other receivables, net (Notes (6)(d) and (7))	726,672	7	615,023	5
1300	Inventories (Note (6)(e))	1,250,825	11	961,528	8
1476	Other current financial assets (Note (8))	528,096	5	306,090	3
1479	Other current assets, others	213,585	2	78,839	1
1481	Current asset recognized as right to recover products from customers	29,958	-	-	-
		10,265,101	92	10,772,761	93
	Non-Current Assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note (6)(b))	89,842	1	-	-
1543	Non-current financial assets at cost (Note (6)(c))	-	-	43,557	-
1550	Investments accounted for using equity method (Note (6)(f))	27,908	-	12,234	-
1600	Property, plant and equipment (Note (6)(j))	541,005	5	574,409	5
1780	Intangible assets (Note (6)(k))	28,224	-	49,850	1
1840	Deferred tax assets (Note (6)(r))	45,062	1	30,491	-
1975	Net defined benefit asset, non-current (Note (6)(q))	3,228	-	1,056	-
1980	Other non-current financial assets (Note (8))	144,812	1	127,738	1
1990	Other non-current assets, others	15,727	-	6,416	-
		895,808	8	845,751	7
	Total assets	$ 11,160,909	100	11,618,512	100

	LIABILITIES AND STOCKHOLDERS' EQUITY	2018.12.31 Amount	%	2017.12.31 Amount	%
	Current Liabilities:				
2100	Short-term borrowings (Note (6)(l))	$ 300,000	3	350,000	3
2130	Current contract liabilities (Note (6)(m))	399,708	4	-	-
2150	Notes payable	773	-	1,865	-
2170	Accounts payable	2,796,281	25	2,861,964	25
2200	Other payables	727,544	7	922,740	8
2230	Current tax liabilities	23,632	-	104,851	1
2320	Total long-term liabilities, current portion (Note (6)(n))	100,000	1	-	-
2300	Other current liabilities (Notes (6)(m) and (6)(p))	1,988,656	18	2,204,417	19
2365	Current refund liabilities (Note (6)(m))	32,510	-	-	-
		6,369,104	58	6,445,837	56
	Non-Current liabilities:				
2541	Long-term bank loans (Note (6)(n))	1,350,000	12	-	-
2570	Deferred tax liabilities (Note (6)(r))	659	-	-	-
2640	Net defined benefit liability, non-current (Note (6)(q))	6,931	-	5,229	-
2670	Other non-current liabilities, others (Note (6)(m))	10,671	-	13,035	-
		1,368,261	12	18,264	-
	Total liabilities	7,737,365	70	6,464,101	56
	Equity attributable to owners of parent (Note (6)(s)):				
	Share capital:				
3110	Ordinary share	1,171,595	10	1,171,595	10
3200	Capital surplus	2,507,423	22	2,507,459	22
	Retained earnings:				
3310	Legal reserve	408,184	4	404,535	3
3320	Special reserve	4,120	-	2,781	-
3350	Unappropriated retained earnings (accumulated loss)	(1,202,651)	(11)	634,746	5
	Other equity interest:				
3410	Exchange differences on translation of foreign financial statements	11,524	-	(4,120)	-
3420	Unrealized gains from financial assets measured at fair value through other comprehensive income	33,538	-	-	-
	Total equity attributable to owners of parent:	2,933,733	25	4,716,996	40
36XX	**Non-controlling interests (Notes 6(i) and 6(s))**	489,811	5	437,415	4
	Total equity	3,423,544	30	5,154,411	44
	Total liabilities and equity	$ 11,160,909	100	11,618,512	100

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018		2017	
		Amount	%	Amount	%
4111	Sales revenue	$ 35,083,149	101	29,927,596	102
4170	Less: Sales returns	488,785	1	512,419	2
	Operating revenue, net (Note (6)(v))	34,594,364	100	29,415,177	100
5000	**Operating costs (Note (6)(e))**	30,295,907	88	24,977,168	85
	Gross profit from operations	4,298,457	12	4,438,009	15
	Operating expenses:				
6100	Selling expenses	5,347,190	15	4,060,374	14
6200	Administrative expenses	309,419	1	305,962	1
6300	Research and development expenses	368,935	1	281,827	1
6450	Expected credit loss (gain)(Note (6)(d))	(243)	-	-	-
	Total operating expenses	6,025,301	17	4,648,163	16
	Net operating loss	(1,726,844)	(5)	(210,154)	(1)
	Non-operating income and expenses (Note (6)(x)):				
7010	Other income	34,755	-	30,601	-
7020	Other gains and losses, net	31,372	-	(37,551)	-
7050	Finance costs	(24,113)	-	(2,520)	-
7060	Share of loss of associates and joint ventures accounted for using equity method, net	(14,973)	-	(2,470)	-
	Total non-operating income and expenses	27,041	-	(11,940)	-
	Loss before income tax	(1,699,803)	(5)	(222,094)	(1)
7950	**Less: Tax expense (Note (6)(r))**	67,070	-	169,651	-
	Loss	(1,766,873)	(5)	(391,745)	(1)
	Other comprehensive income (loss):				
8310	**Components of other comprehensive income that will not be reclassified subsequently to profit or loss (Notes (6) (q) and (r))**				
8311	Remeasurement from defined benefit plans	(1,092)	-	5,130	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,490)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	631	-	(872)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(5,951)	-	4,258	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss (Note (6)(s))**				
8361	Exchange differences on translation	12,398	-	(898)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	12,398	-	(898)	-
	Other comprehensive income, net of tax	6,447	-	3,360	-
8500	**Total comprehensive income**	$ (1,760,426)	(5)	(388,385)	(1)
	(Loss) profit, attributable to:				
8610	(Loss) profit, attributable to owners of parent	$ (994,643)	(3)	36,490	
8620	Loss, attributable to non-controlling interests	(772,230)	(2)	(428,235)	(1)
		$ (1,766,873)	(5)	(391,745)	(1)
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ (984,794)	(3)	39,066	-
8720	Comprehensive income, attributable to non-controlling interests	(775,632)	(2)	(427,451)	(1)
		$ (1,760,426)	(5)	(388,385)	(1)
	Earnings per share (Note (6)(u))				
9750	**Basic earnings per share (NT dollars)**	$	(8.49)		0.31
9850	**Diluted earnings per share (NT dollars)**	$	(8.49)		0.31

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

(English Translation of Consolidated Financial Statements and Report 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, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent									
	Share capital		Retained Earnings			Other Equity Interest				
	Ordinary Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total Equity Attributable to Owners of Parent	Non-Controlling Interests	Total Equity
Balance at January 1, 2017	$ 1,103,161	2,497,037	327,935	4,271	1,309,930	(2,781)	-	5,239,553	752,960	5,992,513
Profit (loss) for the year months ended December 31, 2017	-	-	-	-	36,490	-	-	36,490	(428,235)	(391,745)
Other comprehensive loss for the year months ended December 31, 2017	-	-	-	-	3,915	(1,339)	-	2,576	784	3,360
Total comprehensive income (loss) for the year months ended December 31, 2017	-	-	-	-	40,405	(1,339)	-	39,066	(427,451)	(388,385)
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	76,600	-	(76,600)	-	-	-	-	-
Special reserve reversed	-	-	-	(1,490)	1,490	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(547,469)	-	-	(547,469)	-	(547,469)
Stock dividends of ordinary share	68,434	-	-	-	(68,434)	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(390)	-	-	-	-	-	(390)	390	-
Changes in ownership interests in subsidiaries	-	10,812	-	-	(24,576)	-	-	(13,764)	27,349	13,585
Changes in non-controlling interests	-	-	-	-	-	-	-	-	84,167	84,167
Balance at December 31, 2017	1,171,595	2,507,459	404,535	2,781	634,746	(4,120)	-	4,716,996	437,415	5,154,411
Effects of retrospective application	-	-	-	-	3,975	-	39,028	43,003	-	43,003
Equity at beginning of period after adjustments	1,171,595	2,507,459	404,535	2,781	638,721	(4,120)	39,028	4,759,999	437,415	5,197,414
Loss for the year months ended December 31, 2018	-	-	-	-	(994,643)	-	-	(994,643)	(772,230)	(1,766,873)
Other comprehensive income (loss) for the year months ended December 31, 2018	-	-	-	-	(305)	15,644	(5,490)	9,849	(3,402)	6,447
Total comprehensive income (loss) for the year months ended December 31, 2018	-	-	-	-	(994,948)	15,644	(5,490)	(984,794)	(775,632)	(1,760,426)
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	3,649	-	(3,649)	-	-	-	-	-
Special reserve appropriated	-	-	-	1,339	(1,339)	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(517,932)	-	-	(517,932)	517,932	-
Changes in ownership interests in subsidiaries	-	(36)	-	-	(323,504)	-	-	(323,540)	103,955	(219,585)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	206,141	206,141
Balance at December 31, 2018	$ 1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	33,538	2,933,733	489,811	3,423,544

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from (used in) operating activities:			
Loss before tax	$	(1,699,803)	(222,094)
Adjustments:			
Adjustments to reconcile profit:			
Depreciation expense		184,329	157,003
Amortization expense		26,372	23,319
Expected credit (gain) loss		(243)	182
Interest expense		24,113	2,520
Interest income		(16,595)	(20,887)
Dividend income		(4,025)	(3,921)
Share-based payments of subsidiaries		13,332	13,585
Share of loss of associates and joint ventures accounted for using equity method		14,973	2,470
Gain on disposal of property, plant and equipment		(540)	(1,139)
(Gain) loss on disposal of investments		(2,583)	7,257
Total adjustments to reconcile profit		239,133	180,389
Changes in operating assets and liabilities:			
Changes in operating assets:			
Notes receivable		3,071	(539)
Accounts receivable		(196,618)	(92,065)
Other receivable		(109,571)	(335,018)
Inventories		(289,297)	(353,399)
Other current assets		(137,774)	(24,221)
Other financial assets		(241,942)	65,299
Current asset recognized as right to recover products from customers		(1,627)	-
Total changes in operating assets		(973,758)	(739,943)
Changes in operating liabilities:			
Contract liabilities		77,438	-
Notes payable		(1,092)	(328)
Accounts payable		(94,020)	575,565
Other payable		(135,631)	212,213
Other current liabilities		136,097	949,824
Net defined benefit liabilities		(1,522)	(1,437)
Current refund liabilities		1,494	-
Other non-current liabilities		(32,016)	7,512
Total changes in operating liabilities		(49,252)	1,743,349
Total changes in operating assets and liabilities		(1,023,010)	1,003,406
Total adjustments		(783,877)	1,183,795
Cash flow (used in) generated from operations		(2,483,680)	961,701
Interest received		15,394	21,530
Dividends received		4,025	3,921
Interest paid		(22,480)	(2,423)
Income taxes paid		(161,617)	(233,645)
Net cash flows (used in) from operating activities		(2,648,358)	751,084
Cash flows used in investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(8,772)	-
Acquisition of financial assets at cost		-	(35,664)
Proceeds from disposal of financial assets at cost		-	15,664
Acquisition of property, plant and equipment		(188,107)	(289,142)
Proceeds from disposal of property, plant and equipment		45	1,440
Acquisition of intangible assets		(3,143)	(23,150)
Other non-current assets		(9,345)	1,051
Acquisition of non-controlling interests		(241,724)	-
Other investing activities		(16,432)	(68,692)
Net cash flows used in investing activities		(467,478)	(398,493)
Cash flows from financing activities:			
(Decrease) Increase in short-term loans		(50,000)	253,010
Increase in long-term debt		1,450,000	-
Cash dividends paid		-	(547,469)
Change in non-controlling interests		206,141	124,959
Net cash flows (used in) from financing activities		1,606,141	(169,500)
Effect of exchange rate changes on cash and cash equivalents		20,590	(1,004)
Net (decrease) increase in cash and cash equivalents		(1,489,105)	182,087
Cash and cash equivalents at beginning of period		8,370,267	8,188,180
Cash and cash equivalents at end of period	$	6,881,162	8,370,267

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

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(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.

The subsidiary PChome Store Inc. was approved for TPEx-listed on April 6, 2011. On May 8, 2018, the board of directors resolved to apply for the future termination of it's trading stocks and abolishment of it's public offering with Taipei Exchange. In accordance with the Ruling No. 10702006361, the Group terminated the securities trading of the PChome Store Inc. on June 22, 2018.

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

The Board of Directors approved and issued the consolidated financial statements on March 18, 2019.

(3) New Standards and Interpretations Not Yet Adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

IFRS 15 and related amendment require that when another party is involved in providing goods or services to a customer, the Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. Since a specified good or service is a distinct good or service, the Group determines whether it is a principal or an agent for each specified good or service.

The Group is a principal if it obtains control of any one of the following:

1) The good or another asset that it then transfers to the customer.

2) The right to a service to be performed by other party, which gives the Group the ability to direct that party to provide the service to the customer on its behalf.

3) The good or service from the other party that it then combines with other goods or services in providing a specified good or service to the customer.

Indicators to support the Group's assessment of whether it controls a specified good or service include, but are not limited to, the following:

1) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.

2) The Group has inventory risk before or after the specified good or service is transferred to the customer.

3) The Group has discretion in establishing the price of the specified good or service.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

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The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15
Current asset recognized as right to recover products from customers	$ -	29,958	29,958	-	28,331	28,331
Impact on assets		29,958			28,331	
Contract liabilities	$ -	399,708	399,708	-	322,270	322,270
Accounts payable	2,766,323	29,958	2,796,281	2,861,964	28,331	2,890,295
Other Payable	759,487	(31,943)	727,544	922,740	(30,160)	892,580
Other current liabilities	2,388,931	(400,275)	1,988,656	2,204,417	(323,126)	1,881,291
Refund liabilities	-	32,510	32,510	-	31,016	31,016
Impact on liabilities		29,958			28,331	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4)(g).

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The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note (4)(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	8,370,267	Amortized cost	8,370,267
Equity instruments	Financial assets measured at cost (note 1)	43,557	FVOCI	86,560
			FVTPL	-
Trade and other receivables	Loans and receivables (note 2)	1,056,037	Amortized cost	1,056,037

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Note1: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI.

Note2: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 43,557	(43,557)	-		-	-
Addition – equity instruments:						
From measured at cost	-	43,557	43,003		3,975	39,028
Total	$ 43,557	-	43,003	86,560	3,975	39,028

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

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

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

– IFRS 16 definition of a lease to all its contracts; or

– a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can either apply the standard using the following:

– retrospective approach; or

– modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment in 2019 and the following years, with no restatement of comparative information and unrecognized an adjustment to the opening balance of retained earnings at January 1, 2019.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients. The Group chooses to elect the following practical expedients:

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

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– adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

– apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

– exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

– use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices and warehouses. The Group estimated that the right-of-use assets and the lease liabilities to increase by 2,565,468 thousand and 2,577,598 thousand respectively, on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

Those which may be relevant to The Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

(4) 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, ROC.

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(b) Basis of preparation

1.Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

1) Liabilities for cash-settled share-based payment arrangements are measured at fair value;

2) The net defined benefit liabilities (or assets) is recognized as the fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed 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) Business combination

1.Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that 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. Losses applicable to the non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have 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.

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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 losses 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 losses 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.

2.List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding 2018.12.31	Shareholding 2017.12.31	Note
The Company	PChome Store Inc.	Internet services	34.35 %	37.57 %	
〃	Linktel Inc.	Type II Telecommunications Business	100.00 %	100.00 %	
〃	PChomePay Inc.	Online payment processing services	21.18 %	21.18 %	Note 1
〃	IT Home Publications Inc.	Magazine publication	100.00 %	100.00 %	
〃	PChome US Inc.	E-commerce platform	91.97 %	91.40 %	
〃	PC Home Online International Co., Ltd.	International trade and investment activities	100.00 %	100.00 %	
〃	Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	21.03 %	21.03 %	Note 2
〃	eCommerce Group Co., Ltd.	Investment activities	100.00 %	100.00 %	
〃	Pi Mobile Technology Inc.	Online payment processing services	100.00 %	100.00 %	
〃	PChome (Thailand) Co., Ltd.	E-commerce platform	65.00 %	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 %	- %	Note 4
〃	PChome Express Co., Ltd.	Transportation and logistics	100.00 %	- %	Note 6
〃	Chunghwa PChome Fund 1 Co., Ltd.	Investment activities	50.00 %	- %	Note 7
〃	Cornerstone Ventures Co., Ltd.	Investment activities	51.00 %	- %	Note 8

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Name of investor	Name of subsidiary	Principal activity	Shareholding 2018.12.31	Shareholding 2017.12.31	Note
PChome eBay Co., Ltd.	PChomePay Inc.	Online payment processing services	24.14 %	24.14 %	Note 1
〃	PChome Store Inc.	Internet services	22.16 %	34.54 %	
PChome Store Inc.	PChomePay Inc.	Online payment processing services	33.88 %	33.88 %	Note 1
PChomePay Inc.	Pay and Link Inc.	Electronic payment business	100.00 %	100.00 %	
〃	Zhen Jin Lian International Co., Ltd.	Online payment processing services	100.00 %	100.00 %	
〃	Yin Te Lian International Co., Ltd.	〃	100.00 %	100.00 %	
〃	Yun Tung Bao International Co., Ltd.	〃	100.00 %	100.00 %	
IT Home Publications Inc.	Yiabi Inc.	Information processing and provision of electronic information	100.00 %	100.00 %	
Linktel Inc.	Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	5.44 %	5.44 %	Note 2
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 Japan KK	〃	40.83 %	83.33 %	Note 3
〃	Ruten Singapore Pte. Ltd.	〃	65.00 %	65.00 %	
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Software and internet technical consulting service	100.00 %	100.00 %	
〃	PChome Japan KK	International trading E-commerce	- %	100.00 %	Note 5
〃	Ruten Japan KK	Information processing and provision of electronic information	8.17 %	16.67 %	Note 3
EC Global Limited	PChome Trading (Shenzhen) Ltd.	International trading E-commerce	100.00 %	100.00 %	
PChome Holding Inc.	PChome Marketplace Inc.	Investment activities	100.00 %	- %	Note 4
PChome Marketplace Inc.	PChome Japan KK	International trading E-commerce	100.00 %	- %	Note 5
〃	PChome Store Inc.	Internet services	35.78 %	- %	

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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 Group lost direct control over Rakuya International Info. Co., Ltd starting June 15, 2017 due to its newly elected board of directors. Therefore, Rakuya International Info. Co. Ltd is no longer included in the consolidated financial report of the Group.

Note 3: The Group lost direct control over Ruten Japan KK starting January 15, 2018 due to its capital increased by cash. Therefore, Ruten Japan KK is no longer included in the consolidated financial report of the Group.

Note 4: The subsidiary was established in second quarter of 2018.

Note 5: PChome Marketplace Inc. bought all shares of PChome Japan KK from PC Home Online (HK) Ltd. on April 30, 2018.

Note 6: The subsidiary was established on October 18, 2018.

Note 7: The subsidiary was established on October 23, 2018.

Note 8: The subsidiary was established on October 30, 2018.

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

(d) Foreign Currency

1. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Those foreign currency differences arising on retranslation are recognized in profit or loss.

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Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) Fair value through other comprehensive income (Available for sale) equity investment;

2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) Qualifying cash flow hedges to the extent that the hedge is effective.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Assets and liabilities classified as current and non-current

An entity shall classify an asset as current when:

1.It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

2.It holds the asset primarily for the purpose of trading;

3.It expects to realize the asset within twelve months after the reporting period; or

4.The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify a liability as current when:

1.It expects to settle the liability in its normal operating cycle;

2.It holds the liability primarily for the purpose of trading;

3.The liability is due to be settled within twelve months after the reporting period; or

4.It 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 and cash equivalents comprise cash, cash in bank, and 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 assets

1.Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

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 amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

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.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, derived from debt investments are recognized in profit or loss; whereas dividends derived from equity investments 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 of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group' s right to receive payment is established, which in the case of quoted securities is normally the ex dividend date. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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 and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Group may irrevocably designate a financial asset, which otherwise 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.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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.

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 on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable 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.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month 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 recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

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.

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7) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

2.Financial assets (policy applicable before January 1, 2018)

The Group classifies financial assets into the following categories: loans and receivables, and financial assets measured at cost.

1) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

2) Financial assets measured at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost and are included in financial assets measured at cost.

The dividend revenue of investment should be recognized when the Company have the right to receive it, and is included in the statement of comprehensive income.

3) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

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All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management' s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is reduced from the carrying amount, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance accounts are recognized in profit or loss.

Provision for doubtful accounts is recorded as general and administrative expenses. The impairment loss on financial assets other than accounts receivable is recorded as other gains and losses under non-operating income and expenses.

3.Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held for trading, or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in the statement of comprehensive income.

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.

3) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities 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.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of associates, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio under 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 controlling power.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has 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. Cost includes expenditure that is directly attributed to the acquisition of the asset.

The gain or loss arising from derecognizing an item of property, plant or equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses and included in the statement of comprehensive income.

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. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

3.Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

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

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(k) Leases

Lessee

According to the condition of the lease, the Group should classify the lease as financial lease when it undertakes almost all the risks and rewards of the lease. The Group initially recognizes lease asset with lower of the fair value of the asset or the present value of the minimum lease payments. Afterwards, the Group should yield to its own accounting policy.

The minimum payments of the financial lease should be allotted to financial costs, and proportionately decrease the unpaid liabilities. The financial cost have to be apportioned to the lease period with specific rate of the liabilities.

Other leases are operating leases and are not recognized in the Group' s statement of financial position.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

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(l) Intangible assets

1.Intangible assets

Software that is acquired by the Group is measured at cost less accumulated amortization and any accumulated impairment losses.

2.Subsequent expenditure

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

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	1 ~ 5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(m) Impairment – non financial assets

To ensure inventories, deferred tax assets, and assets arising from employee benefits are carried at no more than their recoverable amount, and to define how the recoverable amount is determined, if it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognized immediately in profit or loss.

The Group should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

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.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(n) Revenue

1.Revenue from contracts with customers (policy applicable from January 1, 2018)

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.

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.

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2.Revenue (policy applicable before January 1, 2018)

1) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

2) Services

Revenue from internet and management services rendered are recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(o) Employee benefits

1.Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as employee benefit expense in profit or loss in the periods during which services are rendered by the employees.

2.Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group' s net obligation with respect to the defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Any fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are amended, the relating expenses, resulting from the portion of the increased benefit relating to past services provided by the employees, are recognized immediately in profit or loss to the extent that the benefits are vested immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

3.Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

For share-based payment awards with non vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

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 tax expenses include both 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 shall be recognized in profit or loss.

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Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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 shall not be recognized for the below exceptions:

1. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. the entity has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
   1) levied by the same taxing authority; or
   2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) 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.

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(s) 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(6) Summary of Major Accounts

(a) Cash and cash equivalents

	2018.12.31	2017.12.31
Cash on hand	$ 897	915
Checking accounts	37,145	15,378
Savings accounts	5,625,018	5,589,369
Foreign currency deposits	118,421	164,115
Time deposits	1,091,700	2,588,700
Cash equivalents	7,981	11,790
Cash and cash equivalents in consolidated statement of cash flows	$ 6,881,162	8,370,267

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

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

	2018.12.31
Equity instruments at fair value through other comprehensive income	
Stocks unlisted on domestic markets	$ 89,842

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. These investments were recognized at non-current financial assets measured at cost on December 31, 2017.

2.The Group acquired 877 thousand shares of Readmoo Co., Ltd.'s common stock for $8,772 thousand for the nine months ended September 30, 2018, and the transaction was recognized at non-current financial assets at fair value through other comprehensive income. The shareholding ratio for the year ended December 31, 2018 was 18.85%.

3.For credit risk and market risk; please refer to notes (6)(y) and (6)(z) .

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

(c) Non-current financial assets at cost

	2017.12.31
Domestic stock of non-listed company	$ 43,557

The aforementioned investments held by the Group are measured at amortized cost at year-end given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined. Therefore, the Group management has determined that the fair value cannot be measured reliably.

The Group acquired 2,000 thousand shares of Readmoo Co., Ltd.'s common stock for $20,000 for the year ended December 31, 2017, and the transaction was recognized as financial assets measured at cost. The shareholding ratio at the year ended 2017 was 19.49%.

The Group acquired 1,387 thousand shares of IPEVO' s common stock for $15,664 for the year ended December 31, 2017, and the transaction was recognized as financial assets measured at cost. The shareholding ratio for the year ended December 31, 2017 was 7.36%.

As of January 12, 2017, the Group disposed the shares of 17Life Ltd., Pay Easy Ltd., Eastern Online Co., Ltd., and Taiwan Star Telecom Co., Ltd. to Linktel Inc. for $503. The aforementioned inter-company transactions have been eliminated in the consolidated financial statement.

The Group received the capital reduction proceeds amounting to $15,664 from P2V Holding Limited, and recognized the loss on disposal of investments amounting to $7,257 for the year ended December 31, 2017.

The aforementioned investments were recognized at FVOCI and FVTPL on December 31, 2018; please refer to note (6)(b).

As of December 31, 2018 and 2017, the Group's financial assets were not pledged as collateral.

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

	2018.12.31	2017.12.31
Notes receivable-measured as amortized cost	$ 112	3,183
Trade receivable-measured as amortized cost	635,159	438,581
Other receivables-measured as amortized cost	726,918	615,241
Less: Allowance for impairment loss	(714)	(968)
	$ 1,361,475	1,056,037

The Group applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporate forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	$ 1,315,836	0.001%~0.023%	20
Overdue 1 to 180 days	45,770	10%~20%	188
Over 181 days past due	583	25%～100%	506
	$ 1,362,189		714

As of December 31, 2017, the Group applies incurred loss model to consider the loss allowance provision of notes and trade receivable. As of December 31, 2017, the aging analysis of notes and trade receivable which were past due but not impaired was as follows:

	2017.12.31
Past under 90 days	$ 2,131

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

	2018	2017 Individually assessed impairment	2017 Collectively assessed impairment
Balance on January 1, 2018 and 2017 (Under IAS 39)	$ 968	-	955
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 (Under IFRS 9)	968		
Impairment losses recognized	-	107	75
Impairment losses reserved	(243)	-	-
Derecognition effect of subsidiaries	-	-	(7)
Amounts written off	(11)	-	(162)
Balance on December 31, 2018 and 2017	$ 714	107	861

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(e) Inventories

	2018.12.31	2017.12.31
Merchandise inventories	$ 1,263,022	970,013
Less: Allowance for inventory valuation and obsolescence losses	(12,197)	(8,485)
	$ 1,250,825	961,528

As of December 31, 2018 and 2017, the Group's inventories were not pledged as collateral.

The details of operating cost were as follows:

	For the years ended December 31,	
	2018	2017
Cost of goods sold	$ 30,289,382	24,973,241
Provision for inventory market price decline and obsolescence	3,712	1,000
Loss on physical inventory	1,781	1,862
Loss on disposal of scrap	1,032	1,065
	$ 30,295,907	24,977,168

(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:

	2018.12.31	2017.12.31
Associates	$ 27,908	12,234

1.Associates

Affiliates to the Group consisted of the followings:

Name of Affiliates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights 2018.12.31	2017.12.31
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 %	100.00 %

2.Collateral

As of December 31, 2018 and 2017, the Group did not provide any investment accounted for using equity method as collaterals.

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(g) Changes in a parent's ownership interest in a subsidiary

The third quarter of 2018, the Group acquired an additional interest in PChome Store Inc. for $241,724 thousand in cash, increasing its ownership from 37.57% to 53.52%.

The Company's effect to changes in subsidiaries' equity attributable to parent's equity are as below:

		2018
Carrying amounts to acquire non-controlling interest	$	(276,208)
Consideration to pay to non-controlling interest		(241,724)
Paid-in Capital-difference between consideration and carrying amount of subsidiaries acquired or disposed	$	(517,932)

In the fourth quarter of 2018, the subsidiary of PChome Store Inc. increased the capital that amounted to $1,000,000. The Company decreased its ownership from 53.52% to 34.35% and retained earning was written off, amounted to $323,504.

(h) Losing control of subsidiaries

The Group decreased its ownership to 49%, and lost direct control over Ruten Japan KK starting January 15, 2018 due to its capital increased by cash. The Group recognized a gain on disposal of $2,583, and recorded it as net gains on disposal of investments. The Group still has significant influence over Ruten Japan KK, and the transaction was recognized as investments accounted for using the equity method.

The carrying amount of assets and liabilities of Ruten Japan KK on January 15, 2018 as follow:

Cash and cash equivalents	$	16,432
Property, plant and equipment		5,358
Intangible assets		23
Other current asset		3,310
Other financial assets - non-current		2,828
Accounts payable and other payable		(233)
Carrying amount of net assets	$	27,718

The Group lost direct control over Rakuya International Info. Co. Ltd starting June 15, 2017 due to its newly elected board of directors. However, the decision did not result in a disposal gain or loss. The Group still has significant influence over Rakuya International Info. CO Ltd., and the transaction was recognized as investments accounted for using the equity method.

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The carrying amount of assets and liabilities of Rakuya International Info. Co. Ltd. on June 15, 2017 as follow:

Cash and cash equivalents	$	68,692
Accounts receivable and other receivables		2,567
Property, plant and equipment		3,421
Other current assets		501
Intangible assets		2,857
Other financial assets - non-current		10
Accounts payable and other payable		(3,357)
Other current liabilities		(18,660)
Carrying amount of net assets	$	56,031

(i) 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 2018.12.31	2017.12.31
PChome Store Inc.	Taiwan	7.71 %	27.89 %
PChomePay Inc.	Taiwan	20.80 %	20.80 %
PChome eBay Co., Ltd.	Taiwan	35.00 %	35.00 %

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

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

	2018.12.31	2017.12.31
Current assets	$ 1,665,480	1,547,050
Non-current assets	223,174	231,494
Current liabilities	(2,311,793)	(1,720,065)
Non-current liabilities	(553,248)	(2,315)
Net assets	$ (976,387)	56,164
Non-controlling interests	$ (119,486)	(28,541)

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	For the years ended December 31, 2018	For the years ended December 31, 2017
Sales revenue	$ 1,566,622	1,252,351
Net loss	$ (2,031,549)	(1,062,367)
Other comprehensive income	(1,002)	859
Comprehensive income	$ (2,032,551)	(1,061,508)
Loss, attributable to non-controlling interests	$ (527,416)	(382,990)
Comprehensive income, attributable to non-controlling interests	$ (527,494)	(382,750)

2.PChomePay Inc.'s collective financial information:

	2018.12.31	2017.12.31
Current assets	$ 1,182,153	1,244,662
Non-current assets	406,708	446,263
Current liabilities	(1,013,732)	(1,043,188)
Net assets	$ 575,129	647,737
Non-controlling interests	$ 119,627	134,714

	For the years ended December 31, 2018	For the years ended December 31, 2017
Sales revenue	$ 30,405	24,803
Net loss	$ (72,608)	(68,928)
Other comprehensive income	-	-
Comprehensive income	$ (72,608)	(68,928)
Loss, attributable to non-controlling interests	$ (15,087)	(14,335)
Comprehensive income, attributable to non-controlling interests	$ (15,087)	(14,335)

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

	2018.12.31	2017.12.31
Current assets	$ 703,466	633,321
Non-current assets	88,595	345,601
Current liabilities	(195,861)	(217,396)
Net assets	$ 596,200	761,526
Non-controlling interests	$ 208,670	266,534

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	For the years ended December 31, 2018	2017
Sales revenue	$ 862,431	976,282
Net loss	$ (636,205)	(54,580)
Other comprehensive income	(222)	297
Comprehensive income	$ (636,427)	(54,283)
Loss, attributable to non-controlling interests	$ (222,672)	(19,103)
Comprehensive income, attributable to non-controlling interests	$ (222,750)	(18,999)

(j) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Transportation equipment	Furniture and office equipment	Leasehold improvements	Leased assets	Total
Cost:					
Balance at January 1, 2018	$ 1,165	887,459	471,326	16,363	1,376,313
Additions	24,877	110,610	20,776	-	156,263
Obsolescence	-	(7,542)	-	-	(7,542)
Disposals	-	(793)	-	-	(793)
Effect of movements in exchange rates	37	260	7	-	304
Effect of losing control of subsidiaries	-	(5,467)	30	-	(5,437)
Balance at December 31, 2018	$ 26,079	984,527	492,139	16,363	1,519,108
Balance at January 1, 2017	$ 1,261	743,226	314,490	6,702	1,065,679
Additions	-	181,107	167,007	9,909	358,023
Obsolescence	-	(14,960)	-	-	(14,960)
Disposals	-	(265)	(7,479)	(248)	(7,992)
Effect of movements in exchange rates	(96)	(395)	(36)	-	(527)
Effect of losing control of subsidiaries	-	(21,254)	(2,656)	-	(23,910)
Balance at December 31, 2017	$ 1,165	887,459	471,326	16,363	1,376,313
Depreciation and impairment loss:					
Balance at January 1, 2018	$ 1,165	550,374	248,333	2,032	801,904
Depreciation for the year	472	125,706	54,852	3,299	184,329
Obsolescence	-	(7,542)	-	-	(7,542)
Disposals	-	(750)	-	-	(750)
Effect of movements in exchange rates	36	198	7	-	241
Effect of losing control of subsidiaries	-	(109)	30	-	(79)
Balance at December 31, 2018	$ 1,673	667,877	303,222	5,331	978,103

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	Transportation equipment	Furniture and office equipment	Leasehold improvements	Leased assets	Total
Balance at January 1, 2017	$ 1,069	474,612	211,885	190	687,756
Depreciation for the year	185	108,413	46,458	1,947	157,003
Obsolescence	-	(14,486)	-	-	(14,486)
Disposals	-	-	(7,318)	(105)	(7,423)
Effect of movements in exchange rates	(89)	(332)	(36)	-	(457)
Effect of losing control of subsidiaries	-	(17,833)	(2,656)	-	(20,489)
Balance at December 31, 2017	$ 1,165	550,374	248,333	2,032	801,904
Carrying amounts:					
Balance at December 31, 2018	$ 24,406	316,650	188,917	11,032	541,005
Balance at December 31, 2017	$ -	337,085	222,993	14,331	574,409

As of December 31, 2018 and 2017, the property, plant and equipment were not pledged as collateral.

(k) Intangible assets

The costs and amortization of intangible assets of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Software	Patent and Trademark	Total
Cost:			
Balance at January 1, 2018	$ 121,531	-	121,531
Acquired separately	4,836	-	4,836
Disposals	(1,612)	-	(1,612)
Effect on movements in exchange rates	93	-	93
Effect of losing control of subsidiaries	(26)	-	(26)
Balance at December 31, 2018	$ 124,822	-	124,822
Balance at January 1, 2017	$ 110,777	2,857	113,634
Acquired separately	22,664	-	22,664
Disposals	(11,019)	-	(11,019)
Effect on movements in exchange rates	39	-	39
Effect of losing control of subsidiaries	(930)	(2,857)	(3,787)
Balance at December 31, 2017	$ 121,531	-	121,531

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		Software	Patent and Trademark	Total
Amortization and impairment losses:				
Balance at January 1, 2018	$	71,681	-	71,681
Amortization for the year		26,372	-	26,372
Disposals		(1,492)	-	(1,492)
Effect of movements in exchange rates		40	-	40
Effect of losing control of subsidiaries		(3)	-	(3)
Balance at December 31, 2018	$	96,598	-	96,598
Balance at January 1, 2017	$	60,093	-	60,093
Amortization for the year		23,319	-	23,319
Disposals		(10,812)	-	(10,812)
Effect of movements in exchange rates		11	-	11
Effect of losing control of subsidiaries		(930)	-	(930)
Balance at December 31, 2017	$	71,681	-	71,681
Carrying amounts:				
Balance at December 31, 2018	$	28,224	-	28,224
Balance at December 31, 2017	$	49,850	-	49,850

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

		2018	2017
Operating expense	$	26,372	23,319

(l) Short-term borrowings

		2018.12.31	2017.12.31
Unsecured bank loans	$	200,000	350,000
Secured bank loans		100,000	-
Total	$	300,000	350,000
Unused short-term credit line	$	50,000	50,000
Range of interest rates		1.15%~1.59%	1.56%

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

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

	2018.12.31	2017.12.31
Current contract liabilities	$ 399,708	-
Advance receipts	-	322,799
Receipts under custody-online payment processing service	1,887,958	1,870,703
Other	100,698	10,915
Current refund liabilities	32,510	-
	$ 2,420,874	2,204,417

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

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

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

(n) Long-tem borrowings

The details were as follows:

	2018.12.31			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.20%	2028	$ 900,000
Secured bank loans	NTD	1.59%	2025	550,000
Less: current portion				(100,000)
Total				$ 1,350,000
Unused long-term credit lines				$ 100,000

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

The subsidiary PChome Store Inc. entered into the syndicated credit agreement with the financial institution. According to the terms of the agreement, PChome Store Inc. should maintain certain financial ratios on balance sheet date. As of December 31, 2018, the Group was in compliance with the financial covenants mentioned above.

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(o) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018.12.31	2017.12.31
Less than one year	$ 440,693	506,337
Between one and five years	1,470,810	1,442,756
Over five years	321,368	814,408
	$ 2,232,871	2,763,501

The Group leases a number of offices and warehouses under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date.

For the years ended December 31, 2018 and 2017, the operating leases recognized in profit or loss were $396,368 and $467,769, respectively.

(p) Lease obligations payable

The Group lease obligations payable were as follows:

	2018.12.31			2017.12.31		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 3,427	1,023	2,404	3,426	1,298	2,128
Between one and five years	11,522	1,149	10,373	14,948	2,171	12,777
	$ 14,949	2,172	12,777	18,374	3,469	14,905

(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:

	2018.12.31	2017.12.31
Present value of defined benefit obligation	$ 61,866	58,530
Fair value of plan assets	(58,163)	(54,357)
Net defined benefit liabilities	$ 3,703	4,173

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.

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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 $58,163 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.

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:

	2018	2017
Defined benefit obligation at January 1	$ 58,530	62,988
Current service costs and interest	969	938
Remeasurement on the net defined benefit liabilities (assets)		
—Experience adjustments arising on the actuarial gains or losses	682	(405)
—Actuarial loss (gain) arising from changes in financial assumptions	1,685	(4,991)
Defined benefit obligation at December 31	$ 61,866	58,530

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:

	2018	2017
Fair value of plan assets at January 1	$ 54,357	52,274
Interest income	911	793
Remeasurement on the net defined benefit liabilities (assets)		
—Return on plan assets (excluding current interest)	1,275	(266)
Contribution made	1,620	1,556
Fair value of plan assets at December 31	$ 58,163	54,357

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4) Expenses recognized in profit or loss

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

	2018	2017
Net interest of net defined benefit liabilities (assets)	$ 58	145
Operating costs	$ (1)	-
Selling expenses	(21)	45
Administrative expenses	82	95
Research and development expenses	(2)	5
	$ 58	145

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, 2018 and 2017 were as follows:

	2018	2017
Cumulative amount at January 1	$ 601	5,731
Recognized during the period	1,092	(5,130)
Cumulative amount at December 31	$ 1,693	601

6) Actuarial assumptions

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

	2018	2017
Discount rate	1.375%~1.5%	1.625%~1.750%
Future salary increases	3.000%	3.000%

The Group will pay the defined benefit plans amounting to $1,641 within 1 year after the reporting date in December 31, 2018.

The weighted average duration of the defined benefit obligation is 18.05~20.32 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.

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8) Sensitivity analysis

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

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2018		
Discount rate	(2,729)	2,871
Future salary increasing rate	2,788	(2,666)
December 31, 2017		
Discount rate	(2,690)	2,832
Future salary increasing rate	2,757	(2,634)

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.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017, 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, 2018 and 2017, the Group set aside $73,894 and $68,338, respectively, under the pension plan to the Bureau of the Labor Insurance.

(r) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

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1. Income tax expense recognized in profits or losses

The amount of income tax was as follows:

	For the years ended December 31, 2018	2017
Current income tax expense:		
Current period	$ 96,149	186,078
Adjustment for prior periods	(15,798)	(15,215)
	80,351	170,863
Deferred tax benefit:		
Origination and reversal of temporary differences	(8,133)	(1,212)
Increase in tax rate	(5,148)	-
	(13,281)	(1,212)
Income tax expense	$ 67,070	169,651

Income tax expense (benefit) recognized in other comprehensive income:

	For the years ended December 31, 2018	2017
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement from defined benefit plans	$ 631	(872)

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

	2018	2017
Loss excluding income tax	$ (1,699,803)	(222,094)
Income tax using the Company's domestic tax rate	(730,544)	(167,234)
Permanent differences-the share of loss of domestic subsidiaries, etc.	399,702	136,226
Change in temporary differences	418,858	189,736
Over provision in prior periods	(15,798)	(15,085)
10% surtax on unappropriated earnings	-	26,008
Adjustment in tax rate	(5,148)	-
Total	$ 67,070	169,651

2. Deferred tax assets and liabilities

1) Unrecognized Deferred Tax Liabilities

For the years ended December 31, 2018 and 2017, deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries, except where the

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Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The relevant amounts are as follow:

	2018.12.31	2017.12.31
Consolidated amount of taxable temporary differences associated with investments in subsidiaries	$ 454,404	706,508
Amounts are not recognized as deferred tax liabilities	$ 90,881	141,302

2) Unrecognized deferred tax assets

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

	2018.12.31	2017.12.31
Deductible Temporary Differences	$ 775	446
Tax losses	679,398	258,392
	$ 680,173	258,838

The ROC 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, 2018 the Group had not recognized the prior years' loss carry-forwards as deferred tax assets. The expiry years are as follows:

Year of Occurrence	Operating Loss Carry Forwards	Year of Expiration
2010	$ 175	2020
2011	730	2021
2012	12,514	2022
2013	18,397	2023
2014	25,761	2024
2015	36,715	2025
2016	50,067	2026
2017	1,119,562	2027
2018	2,133,067	2028
	$ 3,396,988	

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3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 are as follows:

	Defined Benefit Plans	Unrealized Gain (Loss) of Investment	Unrealized profits of Related Company	Others	Total
Deferred Tax Liabilities:					
Balance at January 1, 2018	$ -	-	-	-	-
Debited (Credited) Income statement	645	-	-	14	659
Balance at December 31, 2018	$ 645	-	-	14	659
Balance at January 1, 2017	$ -	-	-	6,168	6,168
Debited (Credited) Income statement	-	-	-	(6,168)	(6,168)
Balance at December 31, 2017	$ -	-	-	-	-
Deferred Tax Assets:					
Balance at January 1, 2018	$ 1,232	26,651	-	2,608	30,491
(Debited) Credited Income statement	(975)	9,850	-	5,065	13,940
(Debited) Credited Other Comprehensive Income	631	-	-	-	631
Balance at December 31, 2018	$ 888	36,501	-	7,673	45,062
Balance at January 1, 2017	$ 2,834	25,653	4,963	2,869	36,319
(Debited) Credited Income statement	(730)	998	(4,963)	(261)	(4,956)
(Debited) Credited Other Comprehensive Income	(872)	-	-	-	(872)
Balance at December 31, 2017	$ 1,232	26,651	-	2,608	30,491

3. The Company's tax returns for the years through 2016 were examined and approved by the Taipei National Tax Administration.

(s) Capital and other equity

As of December 31, 2018 and 2017, the total value of nominal ordinary shares amounted to $1,500,000. The face value of each share is $10. In total, there were both 117,159 in thousands of ordinary shares issued. All issued shares were paid up upon issuance.

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Reconciliation of shares outstanding for the years ended December 31, 2018 and 2017 was as follows:

	Ordinary shares (in thousands of shares)	
	2018	**2017**
Balance at January 1	117,159	110,316
Stock dividends	-	6,843
Balance at December 31	117,159	117,159

1. Issuance of common stock

On June 22, 2017, the Company's shareholders resolved to capitalize its unappropriated retained earnings of $68,434, with a total of 6,843 thousand shares issued at par value. The capital increase was effective on August 2, 2017, with all registration amendments completed.

2. Capital surplus

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

		2018.12.31	2017.12.31
Share capital	$	2,484,507	2,484,507
Difference between consideration and carrying amount of subsidiaries acquired or disposed		8,643	8,643
Changes in equity of subsidiaries		14,273	14,309
	$	2,507,423	2,507,459

In accordance with the Company Act as amended in January 2012, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

3. Retained earnings

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

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

The amounts of distribution, the kinds of dividend, and the ratio for dividend depend on the actual profit and capital status of the Company. The distribution will be resolved by the Board of Directors and submitted to the stockholders' meeting for approval.

1) Legal reserve

In accordance with the Company Act as amended in 2012, 10 percent of net income should be set aside as statutory earnings reserve until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash, of up to 25 percent of the actual share capital.

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

On June 13, 2018, the shareholders resolved not to appropriate the 2017 earnings in the general meeting of the shareholders. On June 22, 2017, the shareholders resolved to distribute the 2016 earnings as follows:

	2016	
	Dividend per Share (TWD$)	Amount
Dividends distributed to common shareholders		
Cash	$ 4.9627	547,469
Shares	0.6203	68,434
Total		$ 615,903

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4. Other equity, net of tax

	Exchange difference on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2018	$ (4,120)	-
Effects of retrospective application	-	39,028
Balance at January 1, 2018 after adjustments	(4,120)	39,028
Exchange differences on foreign operations	15,644	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(5,490)
Balance at December 31, 2018	$ 11,524	33,538
Balance at January 1, 2017	$ (2,781)	-
Exchange differences on foreign operations	(1,339)	-
Balance at December 31, 2017	$ (4,120)	-

5. Non-controlling Interests

	For the years ended December 31, 2018	2017
Balance at January 1	$ 437,415	752,960
Shares of non-controlling interests		
Loss for the years ended December 31, 2018/2017	(772,230)	(428,235)
Foreign currency translation differences for foreign operations	(3,246)	441
Remeasurement from defined benefit plans	(156)	343
Difference between consideration and carrying amount of subsidiaries acquired or disposed	517,932	390
Changes in ownership interests in subsidiaries	103,955	27,349
Changes in non-controlling interests	206,141	84,167
Balance at December 31	$ 489,811	437,415

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(t) Share-based payment

The Group had share-based payment arrangements as follows as of December 31, 2018:

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

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

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:

	For the year ended December 31, 2017
	Employee stock option plan1
Exercise price	USD 0.09
Expected volatility (%)	28.78%~60.78%
Expected life of the option (years)	5 years
Risk-free interest rate (%)	0.95%~1.31%

2. Employee stock options

Information on aforesaid employee stock options was as follows:

(Unit: Thousands)

	For the years ended December 31,			
	2018		2017	
	Weighted-average exercise price	Numbers of options	Weighted-average exercise price	Numbers of options
Balance, beginning of January 1	USD 0.09	31,128	USD -	-
Options granted	-	-	0.09	33,372
Options forfeited	-	(2,391)	-	(2,244)
Options exercised	-	-	-	-
Options expired	-	-	-	-
Balance, end of December 31	0.09	28,737	0.09	31,128
Options exercisable, end of December 31		7,184	-	-

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3. Expenses and liabilities resulted from share-based payments

The incurred expenses from share-based payments transactions were $13,332 and $13,585 for the years ended December 31, 2018 and 2017.

(u) Earnings per share

The Group calculated the basic and diluted EPS as follows:

1. Basic earnings per share (NT dollars)

		2018	2017
(Loss) Profit attributable to common stockholders of the Company	$	(994,643)	36,490
Weighted-average number of ordinary shares		117,159	117,159
Basic earnings per share (NT dollars)	$	(8.49)	0.31

2. Diluted earnings per share (NT dollars)

		2018	2017
(Loss) Profit attributable to common stockholders of the Company	$	(994,643)	36,490
Weighted-average number of ordinary shares (basic)		117,159	117,159
Effect of employee stock compensation		-	163
Weighted-average number of ordinary shares (diluted)		117,159	117,322
Diluted earnings per share (NT Dollar)	$	(8.49)	0.31

The following items have an anti-dilutive effect, and hence they are not included in the calculation of the weighted average number of shares (diluted).

	For the years ended December 31,	
	2018	2017
Effect of employee stock compensation	86	-

(v) Revenue from contracts with customers

		2018	2017
Revenue of electronic commerce	$	34,350,066	29,149,606
Revenue of non-electronic commerce		244,298	265,571
	$	34,594,364	29,415,177

(w) Rewards of employees, directors and supervisors

According to the Company's article, which was approved by the board on directors but yet resolved by the shareholders, the Company shall assign 1%~15% as rewards to employees, and less than 1.5% as rewards to directors and supervisors, if there are earnings during the year. However, the Company has to retain the amount while there are accumulated loss.

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The employees mentioned before include the employees in the subsidiaries who meet the specific conditions.

The Group incurred losses before tax for the year ended December 31, 2018, therefore, there were no remuneration allocated to employees, directors and supervisors. The rewards to employees amounted to $12,091, and the rewards to directors and supervisors amounted to $1,357 for the years ended December 31, 2017. The remuneration to employees was no differences between the actual amounts and the estimated amounts in 2017. The remuneration to directors and supervisors was determined to be not allocated in 2017, the changes would be recognized as profit or loss in 2018. Related information would be available at the website of the Market observation post system.

(x) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	2018	2017
Interest income	$ 16,595	20,887
Dividend income	4,025	3,921
Others	14,135	5,793
Total other revenue	$ 34,755	30,601

2. Other gains and losses, net

The details of other gains and losses were as follows:

	2018	2017
Gains on disposal of property, plant and equipment	$ 540	1,139
Gains and (losses) on disposal of investments	2,583	(7,257)
Foreign currency exchange gains and (losses), net	28,249	(31,427)
Others	-	(6)
Other gains and losses, net	$ 31,372	(37,551)

3. Finance costs

The details of finance cost were as follows:

	2018	2017
Interest expense	$ 24,113	2,520

(y) Financial instruments

1. Credit risk

1) Credit risks exposure

The carrying amount of financial assets represents the maximum exposure to credit risk. As of December 31, 2018 and 2017, the maximum exposure to credit risk amounted to $9,005,387 and $9,903,689, respectively.

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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:

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Balance at December 31, 2018							
Non-derivative financial liabilities							
Short-term borrowings	$ 300,000	300,000	250,000	50,000	-	-	-
Notes payable	773	773	773	-	-	-	-
Accounts payable	2,796,281	2,796,281	2,796,281	-	-	-	-
Other payables	438,809	438,809	438,809	-	-	-	-
Receipts under custody	1,887,958	1,887,958	1,887,958	-	-	-	-
Lease obligations payable	12,777	14,949	1,713	1,713	3,426	8,097	-
Long-term borrowings	1,350,000	1,350,000	150,000	50,000	200,000	600,000	350,000
	$ 6,786,598	6,788,770	5,525,534	101,713	203,426	608,097	350,000
Balance at December 31, 2017							
Non-derivative financial liabilities							
Short-term borrowings	$ 350,000	350,000	150,000	200,000	-	-	-
Notes payable	1,865	1,865	1,865	-	-	-	-
Accounts payable	2,861,964	2,861,964	2,861,964	-	-	-	-
Other payables	621,737	621,737	621,737	-	-	-	-
Receipts under custody	1,870,703	1,870,703	1,870,703	-	-	-	-
Lease obligations payable	14,905	18,374	1,713	1,713	3,426	11,522	-
	$ 5,721,174	5,724,643	5,507,982	201,713	3,426	11,522	-

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

3. Currency risk

1) Currency risk exposure

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

	2018.12.31			2017.12.31		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 3,799	30.71	116,677	7,358	29.76	218,977
Financial liabilities						
Monetary items						
USD	314	30.71	9,639	472	29.76	14,043

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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, 2018 and 2017, would have increased or decreased net income by $4,282 and $8,505, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the years ended December 31, 2018 and 2017.

Due to the variety of functional currency, the group disclosed the foreign currency gain or loss on monetary items aggregately. The foreign currency gains and losses (include realized and unrealized) were $28,249 (gain) and $31,427 (loss) for the years ended December 31, 2018 and 2017, 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 $4 and $4 as of December 31, 2018 and 2017. This is mainly due to the Group' s borrowing and its cash and cash equivalents being at variable rates.

5.Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2018		2017	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 1%	$ 898	-	-	-
Decreasing 1%	(898)	-	-	-

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6.Fair value of financial instruments

1) Fair value hierarchy

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

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

2) Valuation techniques for financial instruments measured at fair value

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.

3) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Opening balance, January 1, 2018	$ 86,560
Total gains and losses recognized:	
In other comprehensive income	(5,490)
purchasing	8,772
Ending Balance, December 31, 2018	$ 89,842

For the years ended December 31, 2018 and 2017, total gains and losses that were included in "unrealized gains and losses from fair value through other comprehensive income" were as follows:

	For the years ended December 31,	
	2018	2017
Total gains and losses recognized:		
In other comprehensive income, and including "unrealized gains and losses from fair value through other comprehensive income"	(5,490)	-

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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 other comprehensive income" Quantified information of significant unobservable inputs was as follows:

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

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

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

	Input	Variation	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2018						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Liquidity discounted rate	5%	$ -	-	4,492	(4,492)

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.

(x) 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.

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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's 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's office. If customers default, the Group will stop transactions with those customers or trade on a cash basis.

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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. As of December 31, 2018 and 2017, the Group's guarantees for non-related parties to fulfill their obligations in accordance with the service contract with its subsidiary Linktel Inc. were $4,686 and $5,935, respectively.

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.

(y) 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 shareholders, issue new shares or sell assets to settle any liabilities.

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(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.

Name of related party	Relationship with the Group
Rakuya International Info. Co. Ltd.	Associate of the Company
PC Home Ventures Fund(I) Corporation	Other related party

(c) Related-party transactions

1.Sales

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

	2018	2017
Associates	$ 286	-

2.Receivables from related parties

The receivables from related parties were as follows:

Item	Related party categories	2018.12.31	2017.12.31
Accounts receivable	Associates	$ 25	25
Other receivable	Associates	29	26
Other receivable	Other related party	6	6
		$ 60	57

3.Payables to related parties

Item	Related party categories	2018.12.31	2017.12.31
Other payables	Associates	$ 12	12

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 39,292	64,042

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(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	2018.12.31	2017.12.31
Deposit account-current	Security for performance, purchase guarantee and loans with certificate of deposits	$ 528,096	306,090
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	144,812	127,738
		$ 672,908	433,828

(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, 2018 and 2017, notes payable deposited as guarantee for commercial vehicle and office and building leases were $265,488 and $227,063, respectively.

(c) According to the "Standardized contract for telecom product or service", the payment guarantee for Skype stored-value service should be fully provided by financial institutions. Therefore, the Group entered into an agreement with a financial institution, with having a guarantee limit of $20,000 and $40,000 as of December 31, 2018 and 2017, respectively.

(d) As of December 31, 2018 and 2017, 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 $1,884,500 and $1,148,000, respectively.

(e) As of December 31, 2018 and 2017, the Group has entered into several agreements with different financial institutions for providing performance guarantee for the Group on the balance amount received through the Group' s online payment processing services; the amount of performance guarantee agreed therein are $1,010,000 and $900,000, respectively.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

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(12) Others

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

Categorized as / Nature	For the year ended December 31, 2018			For the year ended December 31, 2017		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	119,602	1,507,602	1,627,204	75,707	1,431,677	1,507,384
Labor and health insurance	10,849	127,760	138,609	16,886	119,770	136,656
Pension	4,488	69,464	73,952	3,132	65,351	68,483
Others employee benefits	4,224	52,160	56,384	2,255	55,767	58,022
Depreciation	20,275	164,054	184,329	20,474	136,529	157,003
Amortization	-	26,372	26,372	-	23,319	23,319

(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, 2018:

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 Name	Collateral Value	Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
0	The Company	PChome Store Inc.	Other receivables	Yes	900,000	900,000	900,000	1.30%	2	-	Operating Capital	-		-	586,747	1,173,493

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

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

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

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

2. Guarantees and endorsements for other parties:

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

No. (Note 1)	Name of company	Counter-party Name	Counter-party Relationship with the Company (Note 3)	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
0	The Company	Lidael Inc.	2	1,466,867	11,061	4,886	4,666	-	0.16 %	2,933,733	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.

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Note 3: Relationship with the Company

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

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

3. Information regarding securities held at balance sheet date:

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

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Peak Holding	Note
				Number	Book value	Percentage	Market value	Percentage	
	Common Stock:								
PChome Online Inc.	Syspower Ltd.	-	FVOCI	744,118	18,112	3.72 %	18,112	3.72 %	
〃	Openfind Information Technology, Inc.	-	〃	800,000	24,944	6.26 %	24,944	6.26 %	
〃	Career Consulting Co., Ltd.	-	〃	113,005	1,914	0.72 %	1,914	0.72 %	
〃	Readmoo Co., Ltd.	-	〃	2,877,193	27,190	18.85 %	27,190	19.49 %	
〃	IPEVO Corp.	-	〃	1,386,822	17,682	7.36 %	17,682	7.36 %	
Linktel Inc.	Eastern Online Co., Ltd.	-	FVTPL	118,750	-	3.18 %	-	3.18 %	
〃	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 %	

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:

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

Company name (Note 1)	Marketable Securities type and name (Note 1)	Financial statement account	Counter-party	Nature of relationship	Beginning balance		Acquisitions		Disposal				Ending balance	
					Units/shares (Thousands)	Amount	Units/shares (Thousands)	Amount	Units/shares (Thousands)	Amount	Carrying value	Gain (loss) on disposal	Units/shares (Thousands)	Amount
PChome Online Inc.	PChome Store Inc.	Investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	-
PChome Marketplace Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note 1: The market securities listed under account investment, using the equity method, is exempted from disclosure.
Note 2: The aforementioned transaction of subsidiary have been eliminated in the consolidated financial statements.

5. Acquisition of real estate for which the dollar amount reaches $300 million or : None.
6. Disposition of real estate for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.

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7. Buying/selling products with the dollar amount reaches $100 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of Company	Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase /Sale	Amount	Percentage of total purchases /sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable)	
PChome Online Inc.	PChome Store Inc.	Subsidiary	Sale	(182,982)	(0.57)%	Net 30 days	-	-	3,283	0.51 %	

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

8. Accounts receivable from related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
PChome Online Inc.	PChome Store Inc.	Subsidiary	900,000	- %	-		-	-

9. Derivative transactions: None.

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.	IT Home Publications Inc.	1	Professional Service fees	1,800	Usual terms and conditions	0.01 %
0	〃	Linktel Inc.	1	Sales	4,046	〃	0.01 %
0	〃	〃	1	Professional Service fees	2,118	〃	0.01 %
0	〃	PChome eBay Co., Ltd.	1	Sales	8,063	〃	0.02 %
0	〃	〃	1	Advertisement expenses	6,600	〃	0.02 %
0	〃	PChome Store Inc.	1	Account receivables	3,283	〃	0.03 %
0	〃	〃	1	Other receivables	901,119	〃	8.08 %
0	〃	〃	1	Sales	182,982	〃	0.53 %
0	〃	〃	1	Interest revenue	7,373	〃	0.02 %
0	〃	Pi Mobile Technology Inc.	1	Account receivables	70,675	〃	0.63 %
0	〃	〃	1	Accrued expense	1,164	〃	0.01 %
0	〃	〃	1	Sales	2,901	〃	0.01 %
0	〃	〃	1	Bank charges	7,439	〃	0.02 %

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No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets
0	PChome Online Inc.	PChome Express Co., Ltd.	1	Other receivables	7,965	Usual terms and conditions	0.07 %
0	"	"	1	Accrued expense	4,152	"	0.04 %
0	"	"	1	Other income	4,349	"	0.01 %
0	"	Cornerstone Ventures Co., Ltd.	1	Other receivables	1,205	"	0.01 %
0	"	PChome Trading (Shenzhen) Ltd.	1	Other receivables	3,944	"	0.04 %

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

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

Note 2: Relationship is classified into three types:

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

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

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

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

(b) Information on investees:

For the years ended December 31, 2018, 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 %	51,284	100.00 %	478	478	Note
"	Linktel Inc.	"	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	103,890	100.00 %	(6,169)	(6,169)	"
"	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	6,648	100.00 %	(2,030)	(2,030)	"
"	Rakuya International Info. Co. Ltd.	Taiwan	Real estate business, and internet information rental service	45,199	45,199	2,411,315	21.03 %	8,215	21.03 %	(7,155)	(1,505)	"
"	PChome Store Inc.	"	Internet services	326,494	84,770	18,435,220	34.35 %	(335,385)	53.52 %	(2,031,549)	(800,674)	"
"	PChomePay Inc.	"	Online payment processing services	180,000	180,000	18,000,000	21.18 %	121,812	21.18 %	(72,608)	(15,378)	"
"	PChome US Inc.	United States of America	E-commerce platform	134,065	124,378	45,800,000	91.97 %	12,781	91.97 %	(2,526)	(2,319)	"
"	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	1,069,297	2,089,037	349,508,366	100.00 %	450,961	100.00 %	(407,818)	(407,818)	"

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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.	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	60,000	20,000	6,000,000	100.00 %	3,969	100.00 %	(42,954)	(42,954)	Note
〃	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	66,200	66,200	6,500,000	65.00 %	27,510	65.00 %	(16,450)	(10,692)	〃
〃	PChome Travel Inc.	Taiwan	Travel agency business	36,000	6,000	3,600,000	100.00 %	32,055	100.00 %	(3,182)	(3,182)	〃
〃	PChome Financial Technology Inc.	〃	Information service	80,000	80,000	8,000,000	100.00 %	74,527	100.00 %	(1,003)	(1,003)	〃
〃	PChome Holding Inc.	British Virgin Islands	Investment activities	1,169,090	-	385,000,000	100.00 %	(170,247)	100.00 %	(4,434)	(4,434)	〃
〃	PChome Express Co., Ltd.	Taiwan	Transportation and Logistics	200,000	-	20,000,000	100.00 %	197,579	100.00 %	(2,421)	(2,421)	〃
〃	Chunghwa PChome Fund I Co., Ltd.	〃	Investment activities	200,000	-	20,000,000	50.00 %	198,974	50.00 %	(2,052)	(1,026)	〃
〃	Cornerstone Ventures Co., Ltd.	〃	Investment activities	5,100	-	510,000	51.00 %	4,952	51.00 %	(291)	(148)	〃
IT Home Publications Inc.	Yiabi Inc.	〃	Information processing and provision of electronic information	5,000	5,000	500,000	100.00 %	709	100.00 %	(705)	(705)	〃
Linktel Inc.	Rakuya International Info. Co. Ltd.	〃	Real estate business, and internet information rental service	6,238	6,238	623,800	5.44 %	2,125	5.44 %	(7,155)	(389)	〃
PChome eBay Co., Ltd.	PChomePay Inc.	〃	Online payment processing services	205,200	205,200	20,520,000	24.14 %	138,836	24.14 %	(72,608)	(17,528)	〃
〃	PChome Store Inc.	〃	Internet services	632,258	632,258	11,896,486	22.16 %	(90,075)	34.54 %	(2,031,549)	(700,763)	〃
PChome Store Inc.	PChomePay Inc.	〃	Online payment processing services	288,000	288,000	28,800,000	33.88 %	194,853	33.88 %	(72,608)	(24,615)	〃
PChomePay Inc.	Pay and Link Inc.	〃	Electronic payment business	500,388	500,388	50,100,000	100.00 %	394,815	100.00 %	(38,592)	(38,592)	〃
〃	Zhen Jain Lian International Co., Ltd.	〃	Online payment processing services	3,000	3,000	300,000	100.00 %	2,676	100.00 %	(57)	(57)	〃
〃	Yin Te Lian International Co., Ltd.	〃	〃	3,000	3,000	300,000	100.00 %	2,676	100.00 %	(57)	(57)	〃
〃	Yun Tung Bao International Co., Ltd.	〃	〃	3,000	3,000	300,000	100.00 %	2,676	100.00 %	(57)	(57)	〃
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 %	7,894	100.00 %	(1,943)	(1,943)	〃
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 %	9,780	100.00 %	(1,764)	(1,764)	〃
PC Home Online (HK) Ltd.	Ruten Japan KK	Japan	Information processing and provision of electronic information	5,438	5,438	2,000,000	8.17 %	2,929	100.00 %	(27,416)	(2,269)	〃
ECOMMERCE GROUP CO., LTD.	Ruten Global Inc.	Cayman Islands	Investment activities	831,606	2,090,181	266,063,307	100.00 %	532,985	100.00 %	(429,103)	(429,103)	〃
Ruten Global Inc.	EC Global Limited	Hong Kong	〃	22,740	22,740	7,494,642	100.00 %	3,990	100.00 %	(1,266)	(1,266)	〃
〃	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	391,807	65.00 %	(636,205)	(413,533)	〃
〃	Ruten Japan KK	Japan	〃	27,040	27,040	9,994,850	40.83 %	14,638	83.33 %	(27,416)	(11,493)	〃
〃	Ruten Singapore Pte. Ltd.	Singapore	〃	63,045	63,045	20,800,000	65.00 %	61,846	65.00 %	315	205	〃

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(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:

2018	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	$ 31,913,999	2,416,370	263,995	-	34,594,364
Inter-company revenue	199,666	12,712	20,342	(232,720)	-
Total Revenue	$ 32,113,665	2,429,082	284,337	(232,720)	34,594,364
Reportable Segment net operating income (loss)	$ 326,915	(1,887,847)	(170,268)	4,356	(1,726,844)
Income tax expense (benefit)	$ 46,851	20,384	(165)	-	67,070
Depreciation and Amortization	174,021	28,699	7,981	-	210,701
Reportable segment assets	$ 7,376,837	2,695,527	5,032,910	(3,947,593)	11,157,681
Reportable segment liabilities	$ 4,443,104	3,061,817	1,369,631	(1,140,415)	7,734,137
2017					
Revenue:					
Non-inter-company revenue	$ 26,888,047	2,210,565	316,565	-	29,415,177
Inter-company revenue	77,806	18,098	6,951	(102,855)	-
Total Revenue	$ 26,965,853	2,228,663	323,516	(102,855)	29,415,177
Reportable Segment net operating income (loss)	$ 790,239	(873,933)	(126,530)	70	(210,154)
Income tax expense (benefit)	$ 126,322	47,394	(4,065)	-	169,651
Depreciation and Amortization	146,770	25,429	8,123	-	180,322
Reportable segment assets	$ 8,272,872	2,765,504	4,308,235	(3,729,155)	11,617,456
Reportable segment liabilities	$ 3,555,876	1,941,656	1,197,957	(232,444)	6,463,045

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(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	2018	2017
Revenue of electronic commerce	$ 34,350,066	29,149,606
Other	244,298	265,571
Total	$ 34,594,364	29,415,177

2.Information about Geographic Areas: None.

3.Information about Major Customers: None.

PChome Online Inc.

Chairman: Hung-Tze Jan