Stock Code:
8044

PChome Online Inc.

2019 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, 2020

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 Annual Financial Report:

Names of Independent Auditors: Chung-I Chiang 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

Table of Contents

Chapter 1 Letter to Shareholders **1**
Chapter 2 Company Profile **4**
I.Date of Incorporation *4*
II.Company History *4*
Chapter 3 Corporate Governance Report **9**
I.Organization *9*
II.Directors, Supervisors, General Manager, Deputy General Manager, Assistant Vice Presidents and Managers of Departments and Branches *12*
III.Remuneration paid to Directors (including Independent Directors), General Manager and Deputy General Managers in the most recent fiscal year *16*
IV.Corporate Governance Implementation *20*
V.Audit Fees for Independent Auditors *41*
VI.Change of Independent Auditors *42*
VII.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 *42*
VIII.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, Managers and Shareholders with 10% Shareholdings or More, and the Number of Shares Acquired or Pledged Shall be Disclosed. *42*
IX.Top 10 Shareholders Who are Related Parties, Spouses, or within Second Degree of Kinship to Each Other *44*
X.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. *45*
Chapter 4 Capital Overview **46**
I.Capital and Shares *46*
II.Corporate Bonds (Including Overseas Corporate Bonds) *53*
III.Preferred Shares *53*
IV.Participation in Global Depositary Receipts *53*
V.Employee Stock Options *53*

VI.Restricted Stock Award Shares *53*
VII.Status of New Share Issuance in Connection with Mergers and Acquisitions *53*
VIII.Capital Utilization Plan and Its Implementation *53*
Chapter 5 Operational Highlights **54**
I.Business Activities *54*
II.Market and Sales Overview *75*
III.Human Resources *84*
IV.Environmental Protection Expenditure *84*
V.Labor Relations *84*
VI.Important Contracts *88*
Chapter 6 Financial Information **89**
I.Condensed Financial Data of the Most Recent Five Years *89*
II.Financial Analysis of the Most Recent Five Years *93*
III.Audit Committee's Review Report of the Most Recent Year *97*
IV.Financial Statements of the Most Recent Year. *98*
V.Audited and Certified Consolidated Financial Statements of the Most Recent Year *98*
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 *98*
Chapter 7 Review and Analysis of Financial Conditions, Financial Performance, and Risk Management **99**
I.Financial Status *99*
II.Financial Performance *100*
III.Cash Flow *101*
IV.Major Capital Expenditures in the Most Recent Year and Their Impacts on the Company's Finance and Operations *102*
V.Reinvestment Policies of the Most Recent Year, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of the Upcoming Year *102*
VI.Risk Analysis and Assessment in the Most Recent Year up to the Date of Publication of This Annual Report *103*
VII.Other Significant Matters *112*
Chapter 8 Special Disclosure **114**
I.Affiliated Companies *114*

II.Private Placement Securities in the Most Recent Fiscal Year up to the Publication Date of This Annual Report 121
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........ 121
IV.Other Matters that Require Additional Description..................................... 121
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.. 121

Chapter 1 Letter to Shareholders

PChome Online Inc. (8044-tw) has always been committed to providing comprehensive e-commerce services in creating a wonderful customer experience of "Everyday Reliable". In the past year, the Company took active measures in building the One PChome internet ecosystem, where the One PChome login was activated for over ten million members, who can now use any one of the service accounts to access ten other services provided by the Company. Also, through the customer loyalty reward program founded on P Points, not only are e-commerce, payment flow and various internet services connected, the scope has extended to offline transactions and public service fees and dues. The results of our efforts to optimize APP in the past two years have been obvious. The growth rate of mobile segment sales surged 40% on a year-over-year basis and brought on an increase in the proportion of young users where consumers under 35 accounted for 50%. Meanwhile, in terms of consumers, the number of female consumers exceeded male for the first time. Embracing the integration of online and offline in 2019, the weighting of new customers quickly increased to 30%. We will continue to utilize the resource of ten million members and huge amounts of data to actively build various online services.

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

Operational highlights during the year are summarized as follows:

I. The growth momentum of B2C online shopping business remain strong. Key achievements included: (1) Revenue of 3C products exceeded NT$26 billion. Being the sole e-commerce operator qualified as Apple's authorized T1 distributor, we ranked first in the 3C channels in Taiwan; (2) The strategy of having well-known brands joining the platform succeeded and the authorized direct sales of over 200 famous brands such as L'Oréal Taiwan – BIOTHERM, Haagen-Dazs, Hitachi air conditioning have been realized gradually; (3) Diverse deployment in N3C business, with a focus on beauty, food, sports and daily necessities to bring an upgraded online shopping experience; (4) To satisfy consumers' various demand in life, new services (e.g. PChome travel, Bibian cross-border e-commerce, ticketing service and other new forms of sales services) were developed, and the possibilities of different cooperation types (e.g. Fu Wan chocolate, famous Baan Thai hot pot restaurant, World Dream cruise of the Star Cruise series, and Mercedes-Benz Taiwan) were explored; (5) Continued to develop cross-border e-commerce. In the Northeast Asia region, we promoted Taiwan-Japan strategic alliance with the world's leading e-commerce, communication and fintech group, Japan Rakuten, and built the mechanism allowing mutual accumulation and redemption of P Points and Rakuten Super Points as well as linking application scenarios of various online and offline service types. Next, we formed alliance with one of South Korea's top three leading logistics companies, Nonghyup Hanaro Mart Inc., and took an aggressive stance in trading Japan and Korean products at Southeast Asia. We continue to develop Southeast Asia e-commerce with PChome Thailand as the base while the long-term goal is for Taiwan to be the hub for e-commerce in East Asia; and (6) Our own logistic business, PChome Express Inc., has covered 20% of B2C online shopping's logistic needs and will continue to improve its overall delivery quality and develop customized logistics services.

II.Ruten, an online auctioning platform, launched regional alliance with eBay and Rakuten. Through information exchange and AI technology, commodity information can flow freely across borders and platforms, allowing buyers and sellers to complete transactions directly on their local platforms. As of December 2019, approximately 67 million products from 8 countries have been available for purchase through cross-border services. In 2020, the Company plans to provide the cross-border services in the ASEAN market and the open community trading tools in the Taiwan market.

III.PChomestore Inc. generated net operating revenue of NT$1,389 million in 2019, with an after-tax net loss of NT$99.87 million, a decrease of NT$1,933 million from 2018. The operation performance of PChomestore Inc. in 2019 showed the mobile phone market continued to stay in the leading position and loss was reduced significantly after a prompt change in marketing. The loss in the fourth quarter was down by 80% comparing to the first quarter. We will be back to profitability once we acquire the market. PChomestore will continue its operation with the advantages of having more than 400 million items and 120 thousand stores on the platform.

IV.The Pi Mobile Wallet evolved around consumer needs in the past year and had more than 180,000 channels through continuous efforts. In addition to general consumption and bill payment, the service was expanded to insurance, loans and other financial fields. Also, the strategy of cobrand card jointly issued by Pi Wallet and E.SUN Bank was successful. With strong support from our financial partners and distributors, P Points accumulated in 2019 equaled an equivalent of NT$2 billion, further strengthened the P Point ecosystem and enhanced user loyalty and transaction volume. In terms of single-month transaction volume, the growth rate was nearly three times, whereas the member numbers increased significantly by more than 50%. By the end of 2019, there were more than 800,000 members and active members accounted for more than 80%.

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

We wish all shareholders good health and prosperity!

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 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

Month/Year	History
	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 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

Month/Year	History
	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.
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 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

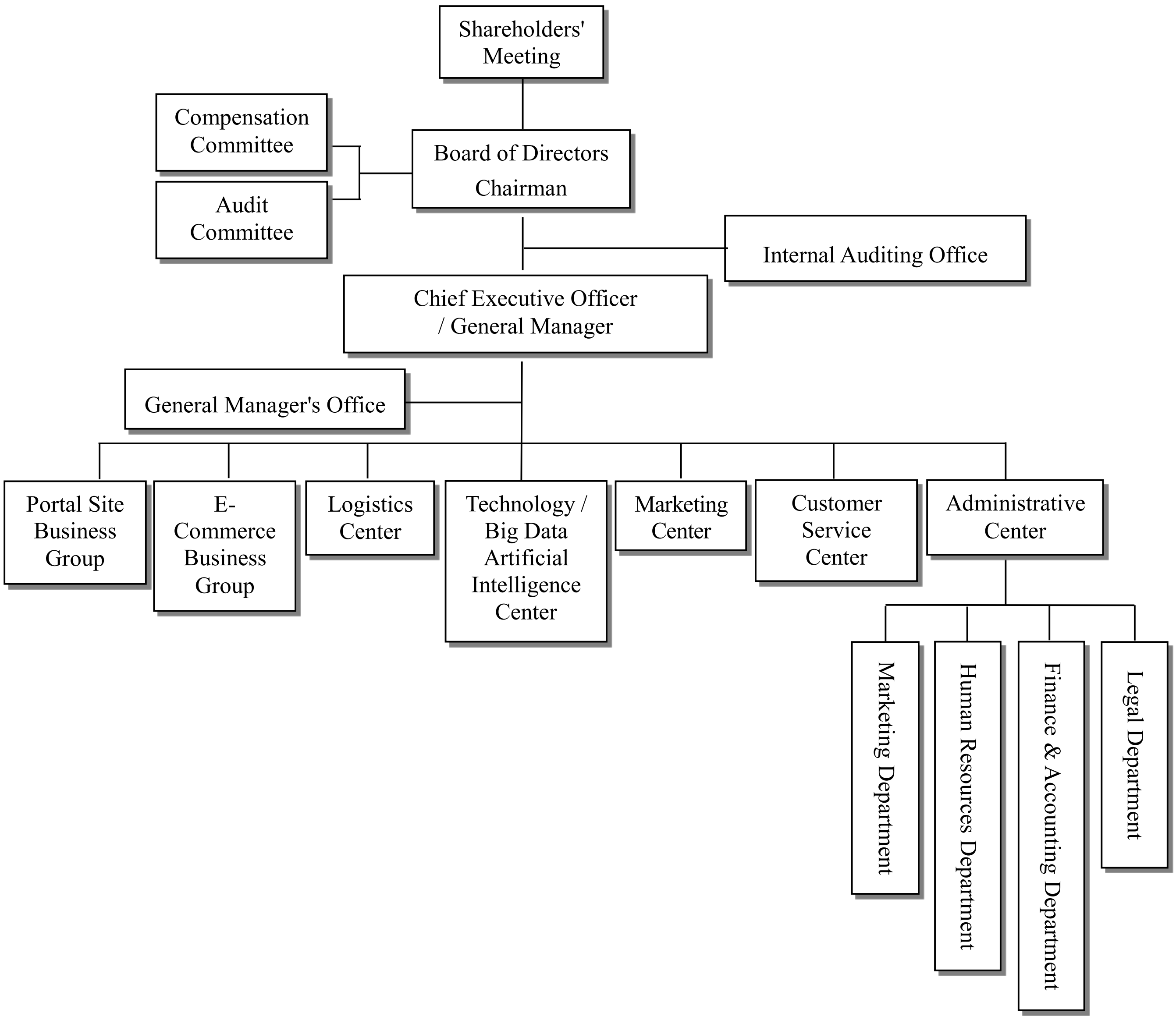
Month/Year	History
	electronic payment institution.
06/2016	About 70% of bills can be paid via "Pi Mobile Wallet" in seven cities/counties, namely, Taipei City, Yilan, Keelung, New Taipei City, Taichung, Kaohsiung and Hsinchu.
10/2016	PChome InterPay officially commenced operation, providing comprehensive 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 Point 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.
03/2019	The Company and Rakuten Inc signed a cooperation agreement to form a strategic alliance. Pooling the large number of members and cross-domain services owned by each party to promote customer loyalty programs, the alliance also built a mechanism allowing mutual accumulation and redemption of P Points and Rakuten Super Points as well as linking application scenarios of various online and offline service types.
07/2019	The Company launched the new type of eco-friendly cartons with design focusing on the three features of "100% recycled pulp in primary colors, small-area printing using eco-friendly water-based inks, and materials with high strength for repeated use".
08/2019	The Company initiated the first festival created during the year, namely

Month/Year	History
	the "August Hearty gifts festival", which combined Chinese Valentine's Day, Father’s Day and Ghost Festival. Based on the culture of gift-giving, the new festival retained traditional customs having a strong human touch and connected them with inspirations from the new era.
10/2019	For the first time, the whole Group participated in the Double 11 event. "ONE PChome" joined forces with 9 subordinate units: PChome, PChome 24h Shopping, Ruten, PChome Online Store, Pi Wallet, PChomePay, PChome Travel, PChome Thai, and PChome Express.

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 order picking and build shipment allocation system for logistics, integrate shipment capacities of various logistic companies in Taiwan by enhancing the functions of logistic management and information system as a whole, and improve the distribution modes of self-owned and cooperative logistics companies through real-time computing, management and dispatch from AI centers. Externally, it builds the Company'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 unlocks the potential of Big Data. It will 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.
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/account finalizing 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 26, 2020

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			Remarks (Note 2)
							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	1,592,427	1.36%	1,627,427	1.39%	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	None
Director	R.O.C.	Kevin Tsai	Male	2018.06.13	3 years	2015.06.22	1,461	0%	41,461	0.04%	0	0%	0	0%	ROYAL ROADS University MBA in Executive Management Deputy General Manager of PChome Online Inc.	Note	None	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	None
Director Corporate shareholder	R.O.C.	Site Inc.		2018.06.13	3 years	2002.06.11	18,907,864	16.14%	18,907,864	16.14%	0	0%	0	0%	None	None	None	None	None	None
Director (Corporate representative)	R.O.C.	Vicky Tseng (Note 1)	Female	2018.06.13	3 years	2017.10.05	438,252	0.37%	438,252	0.37%	5,833	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	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	None
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	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	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 President of Chinese Television System Inc.	Note	None	None	None	None

Note 1: The corporate representative of Site Inc.

Note 2: Where the company's chairman and general manager or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, please state the reasons, reasonability, necessity and measures to be taken (e.g. increase the number of independent directors and have majority of directors not serving as employees or managerial officers).

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.; 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; EOL social Co., Ltd.; PChome (Thailand) Co., Ltd.; Pi Mobile Technology Inc.; Meet Digital Innovation Co., Ltd.; IT Home Publications Inc.; Yun Tung Bao 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.; Miho International Cosmetic Co., Ltd.; Mitch Co., Ltd.; PCHOME CB Co., Ltd.; PuMa 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；Rakuya International Info. Co., Ltd.,；PCHOME CBS Co., Ltd.,；PCHOME CB PTE. LTD.；Bibian Co., Ltd.；Ruten Japan KK
Director	Kevin Tsai	General Manager of PChome Online Inc.; Director of Rakuya International Info. Co., Ltd., PChomePay Inc., PChome InterPay Inc., Pi Mobile Technology Inc., PChome Travel Inc., PChome Express Inc., Chunghwa PChome Fund 1 Co., Ltd., Keystone Innovation Venture Capital Co., Ltd., Miho International Cosmetic Co., Ltd., Mitch Co., Ltd., PCHomestore Inc., PChome Financial Technology Inc., and PCHOME CB Co., Ltd.
Director	Jerry Hsu	Directors of AcBel (USA) Polytech Inc., Acbel Polytech (SAMOA) Investment Inc., AcBel Polytech (Singapore) Pte Ltd., AcBel Polytech (UK) Limited, AcBel Polytech Japan Inc., Power Station Holding Ltd., PK Venture Capital Corp.; Cal-Comp Biotech Co., Ltd.; Kinpo Electronics, Inc.; Breeze Comprehensive Development Inc.; Prudence Venture Investment Corporation; The eslite spectrum Corporation; Cal-Comp Big Data, Inc. Director and General Manager of AcBel Polytech Inc.; Actel Electronic (Dong Guan) Co., Ltd.; AcBel Electronic (Dong Guan) Co., Ltd.; AcBel Electronic (Wuhan) Co., Ltd. Independent Director of Sirtec International Co., Ltd.; Winbond Electronics Corp.; Nuvoton Technology Corp. Supervisor of Teleport Access Services, Inc.; CastleNet Technology Inc.; Rich Treasure Investment Limited; Baotek Industrial Materials Ltd. Others: Executive Deputy General Manager of AcBel Polytech Inc.; Compensation and Audit Committees member of Sirtec International Co., Ltd., Winbond Electronics Corp., Nuvoton Technology Corp.
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., PChome Travel Inc., Chunghwa PChome Fund 1 Co., Ltd., Keystone Innovation Venture Capital Co., Ltd., MIHO International Cosmetic Co., Ltd., PChome Financial Technology Inc., and IPEVO Corp.
Director(Corporate representative)	Johnson Fong (Note 1)	Assistant Vice President of Quanta Computer Inc.; Director of Techview International Technology Inc.
Independent Director	Chang-Sung Yu	Professor of National Taiwan University; Independent Director, Remuneration Committee member 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., Les enphants Co., Ltd., Motech Industries Inc.; Supervisor of Apacer Technology Inc.; Independent Director and convener of Remuneration Committee of BIONET Corp.
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 26, 2020

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 26, 2020

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

Director Information

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	11	12	
Hung-Tze Jan			✓					✓	✓	✓	✓	✓	✓	✓	✓	3
Kevin Tsai			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Jerry Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Corporate representative of Site Inc.: Vicky Tseng			✓			✓			✓	✓	✓	✓	✓	✓	✓	0
Corporate representative of Site Inc.: Johnson Fong			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Chang-Sung Yu	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Shao-Hua Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
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 or any of its affiliates. (Not applicable in cases where the person is an independent director of the Company and its parent company or subsidiaries, or subsidiaries of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent 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 Company's total number of issued shares 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 of managerial officers in (1) or any of the persons in (2) and (3).

(5)Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's total number of issued shares, ranks in the top five in holding, or appoints representatives to be the Company's directors or supervisors pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (Not applicable in cases where the person is an independent director of the Company and its parent company or subsidiaries, or subsidiaries of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(6)Not a director, supervisor, or employee of a company which owns the majority of the Company's directorships or voting rights. (Not applicable in cases where the person is an independent director of the Company and its parent company or subsidiaries, or subsidiaries of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(7)Not a director, supervisor or employee of a company or institution whose chairman, general manager, or an officer of equivalent position is the same person as, or a spouse to, one of the persons holding the same positions in the Company. (Not applicable in cases where the person is an independent director of the Company and its parent company or subsidiaries, or subsidiaries of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(8)Not a director, supervisor, managerial officer, or shareholder with shareholding of 5% or more of a specific company or institution that has a financial or business relationship with the Company. (Not applicable in cases where the specific company or institution owns 20% (inclusive) to 50% (exclusive) of the Company's total number of issued shares, and the person is an independent director of the Company and its parent company or subsidiaries, or subsidiaries of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(9)Not a professional individual, nor an owner, partner, director, supervisor, or managerial officer, and the spouse thereof, of a sole proprietorship, partnership, company, or institution that provides auditing service or commercial, legal, financial, or accounting services with a cumulative compensation not exceeding NT$500 thousand in the past two years to the Company or any of its affiliate. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

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

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

(12)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 26, 2020

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			Remarks (Note 4)
					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	41,461	0.04%	0	0%	0	0%	ROYAL ROADS University MBA in Executive Management PChome Online Inc. Deputy General Manager	Note 3	None	None	None	None
Chief Strategy Officer	R.O.C.	Female	Vicky Tseng	2017.03.16	438,252	0.37%	5,833	0%	0	0%	MS, Administrative studies e-commerce, systems & technology, Boston University EMBA, Accounting, National Taiwan University PChome Online Inc. Marketing Director	Note 3	None	None	None	None
Deputy General Manager	R.O.C.	Male	Leo Lu	2000.03.13	200,557	0.17%	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. Supervisor of PChome Travel Inc. Supervisor of PChome Express Inc. Supervisor of PCHOME CBS Co., Ltd.	None	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	None
Chief Information Security Officer	R.O.C.	Female	Ying-Hsuan Chao	2019.05.15	10,620	0.01%	0	0%	0	0%	Master of Business Administration, Long Island University, New York	Director of PCHomestore Inc. Director of eCrowd Media, Inc. Director of Mitch Co., Ltd. Director of PChome eBay Co., Ltd. Chief Operating Officer of PChome eBay Co., Ltd.	None	None	None	None

Note 1: 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.
Note 2: 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.
Note 3: Please refer to page 13.
Note 4: Where the company's general manager or personnel with equivalent position (chief manager) and chairman are the same person, spouses or relatives within one degree of kinship, please state the reasons, reasonability, necessity and measures to be taken (e.g. increase the number of Independent Directors and have majority of Directors not serving as employees or managerial officers).

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

(I)Remuneration paid to Directors (including Independent Directors)

Unit: NT$ thousands December 31, 2019

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 Subsidiaries or the Parent Company (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	69	120	0.04%	0.74%	42,370	45,498	0	0,	0	0	0	0	26.13%	32.36%	None
Director	Kevin Tsai																					
Director	Jerry Hsu																					
Director	Site Inc. Representative: Vicky Tseng																					
Director	Site Inc. Representative: Johnson Fong																					
Independent Director	Chang-Sung Yu	1,800	1,800	0	0	0	0	42	42	1.13%	1.13%	0	0	0	0	0	0	0	0	1.13%	1.13%	None
Independent Director	Shao-Hua Huang																					
Independent Director	Yuan Li																					

1.Please state the policy, system, standard and structure of remuneration paid to Independent Directors and the correlation between factors such as responsibilities and risks assumed as well as time contributed and the amount of payment: Pursuant to the Articles of Incorporation, the Board of Directors has been delegated to determine the remuneration to Directors based on the their involvement in the business operation of the Company and their contributions to the Company with reference to the remuneration standard of the industry both at home and abroad. In addition, the Company's Articles of Incorporation also states that remuneration to Directors shall not exceed 1.5% of the annual profit. According to provisions in the Company's Compensation Committee Charter, relevant performance evaluation and the reasonableness of remuneration are reviewed by the Compensation Committee and the Board of Directors. Remuneration system is constantly reviews based on actual operational status and relevant laws and regulation to seek a balance between the Company's sustainable operation and risk control.

2.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.

Note1：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.

Note2：This refers to compensation to Directors in the most recent fiscal year (including salaries, allowances, severance pay, bonuses, incentive pay, etc. to Directors).

Note3：This refers to Directors' compensation approved by the Board of Directors in the most recent fiscal year.

Note4：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.

Note5：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.

Note6：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.

Note7：The sum of various compensations paid to the Company's Directors by all consolidated entities (including the Company) shall be disclosed.

Note8：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.

Note9：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.

Note10：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 of the most recent fiscal year.

Note11：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.

Table of Remuneration Ranges

Range of remuneration paid to directors	Names of directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Companies in the Consolidated Financial Statements (Note 9) H	The Company (Note 8)	All Companies in the Consolidated Financial Statements (Note 9) I
Less than NT$1,000,000	8 people including Hung-Tze Jan, Kevin Tsai, Jerry Hsu, Vicky Tseng, Johnson Fong, Chang-Sung Yu, Shao-Hua Huang and Yuan Li		5 people including Jerry Hsu, Johnson Fong, Chang-Sung Yu, Shao-Hua Huang and Yuan Li	
NT$1,000,000 (inclusive) to 2,000,000 (exclusive)	0	0	0	0
NT$2,000,000 (inclusive) to 3,500,000 (exclusive)	0	0	0	0
NT$3,500,000 (inclusive) to 5,000,000 (exclusive)	0	0	Vicky Tseng	Vicky Tseng
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	0	0	0	0
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	0	0	0	0
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	0	0	Hung-Tze Jan,Kevin Tsai	Hung-Tze Jan, Kevin Tsai
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	0	0		
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	0	0	0	0
NT$100,000,000 and above	0	0	0	0
Total	8 People	8 People	8 People	8 People

(II)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, 2019

Title	Name	Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus and Allowances, etc. (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 8)		Whether There Is Compensation from an Invested Company Other than the Company's Subsidiary or the Parent Company (Note 9)
		The Company	All Companies in the Consolidated Financial Statements (Note 5)	The Company	All Companies in the Consolidated Financial Statements (Note 5)	The Company	All Companies in the Consolidated Financial Statements (Note 5)	The Company		All Companies in the Consolidated Financial Statements (Note 5)		The Company	All Companies in the Consolidated Financial Statements (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman	Hung-Tze Jan	16,583	17,385	0	0	34,528	38,559	1,124	0	1,124	0	32.16%	40.28%	None
General Manager	Kevin Tsai													
Chief Strategy Officer	Vicky Tseng													
Deputy General Manager	Leo Lu													
Deputy General Manager	Yu-Shu Hu													
Chief Information Security Officer	Ying-Hsuan Chao													

Table of Remuneration Ranges

Range of Remuneration Paid to the General Manager and Deputy General Managers of the Company	Names of General Manager and Deputy General Managers	
	The Company (Note 6)	All Companies in the Consolidated Financial Statements (Note 7)E
Less than NT$1,000,000	0	0
NT$1,000,000 (inclusive) to 2,000,000 (exclusive)	Vicky Tseng,	0
NT$2,000,000 (inclusive) to 3,500,000 (exclusive)	Yu-Shu Hu, Leo Lu	Yu-Shu Hu, Leo Lu,
NT$3,500,000 (inclusive) to 5,000,000 (exclusive)	Ying-Hsuan Chao	Vicky Tseng, Ying-Hsuan Chao
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	0	0
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	0	0
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	Hung-Tze Jan, Kevin Tsai	Hung-Tze Jan, Kevin Tsai
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)	0	0
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	0	0
NT$100,000,000 and above	0	0
Total	6 People	6 People

Note1：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.

Note2：This refers to salaries, allowances and severance pay of General Manager and Deputy General Managers in the most recent fiscal year.

Note3：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.

Note4：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.

Note5：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.

Note6：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.

Note7：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.

Note8：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.

Note9：a.The amount of remuneration received by the Company's General Manager and Deputy General Managers from investees other than the Company's subsidiaries or the parent 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 the Company's subsidiaries or the parent 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 "Parent Company and 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 or the parent company.

*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.

(III)Employees compensation paid to executive officers

Unit: NT$ thousands December 31, 2019

<table>
<tr><th colspan="2">Title</th><th>Name</th><th>Stock</th><th>Cash</th><th>Total</th><th>Ratio of Total Amount to Net Income (%)</th></tr>
<tr><td rowspan="6">Executive Officers</td><td>Chairman</td><td>Hung-Tze Jan</td><td rowspan="6">0</td><td rowspan="6">1,124</td><td rowspan="6">0</td><td rowspan="6">0.69%</td></tr>
<tr><td>General Manager</td><td>Kevin Tsai</td></tr>
<tr><td>Deputy General Manager</td><td>Leo Lu</td></tr>
<tr><td>Chief Strategy Officer</td><td>Vicky Tseng</td></tr>
<tr><td>Deputy General Manager</td><td>Yu-Shu Hu</td></tr>
<tr><td>Chief Information Security Officer</td><td>Ying-Hsuan Chao</td></tr>
</table>

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 2019. 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, 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 set up an Audit Committee to replace the positions and authority of Supervisors.)

Unit: %

<table>
<tr><th rowspan="3">Year / Title</th><th colspan="4">Percentage of Total Remuneration to Net Income</th></tr>
<tr><th colspan="2">2018</th><th colspan="2">2019</th></tr>
<tr><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th><th>The Company</th><th>All Companies in the Consolidated Financial Statements</th></tr>
<tr><td>Director</td><td>(2.93)%</td><td>(1.79)%</td><td>27.26%</td><td>33.49%</td></tr>
<tr><td>General Manager and Deputy General Managers</td><td>(3.22)%</td><td>(1.98)%</td><td>32.16%</td><td>40.28%</td></tr>
</table>

Note1：The Board of Directors has resolved not to distribute 2019 earnings in 2020.

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.

IV.Corporate Governance Implementation

(I)Board of Directors' meetings

The Company set up an Audit Committee to replace the positions and authority of Supervisors. 8 Directors (including 3 Independent Directors).

The Board of Directors convened five Board meetings in 2019 (A). The attendance of Directors is as follows:

Title	Name (Note 1)	Attendance in person	Attendance by Proxy	Attendance Rate (%) (B/A) (Note 2)	Remarks
Chairman	Hung-Tze Jan	5	0	100%	Re-elected
Director	Kevin Tsai	5	0	100%	Re-elected
Director	Site Inc. Representative: Vicky Tseng	5	0	100%	Re-elected
Director	Site Inc. Representative: Johnson Fong	2	0	40%	Incoming corporate representative
Director	Jerry Hsu	3	1	60%	Re-elected
Independent Director	Chang-Sung Yu	5	0	100%	Re-elected
Independent Director	Shao-Hua Huang	4	0	80%	Re-elected
Independent Director	Yuan Li	5	0	100%	Incoming
Other mentionable items: I.The date, session, content of the motion, 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, it shall be subject to matters listed under Article 14-5 of the Securities and Exchange Act 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 objection or reservation from the Independent Directors in 2019.

II.For Directors' implementation on the avoidance of interest-related motions, the Directors' names, content of the motion, causes for the recusal, and participation in voting shall be specified: As representative of corporate 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.The TWSE/TPEx Listed Companies shall disclose information on the evaluation frequency, period, scope, method and details of the Board's self (or peer) evaluation, and fill out Table 2(2), the implementation of Board evaluation: The Company has not adopted the Board's self (or peer) evaluation.

IV.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. Eight 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-term Compensation Committee was formally established on December 23, 2011, and the Compensation Committee Charter was drawn up. The second-term 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-term 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-term 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. Two meetings have been convened in 2019, 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.

Note 1:For Directors and Supervisors who are judicial persons, the names of the corporate shareholders and their representatives shall be disclosed.

Note 2:1.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 status of Director and Supervisor, i.e. whether he/she is "Outgoing", "Incoming" or "Re-elected", and the date of re-election shall be indicated 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.

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

1.Operations of the Audit Committee:

The Company's first-term 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 four meetings (A) in 2019. The attendance is as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A) (Note)	Remarks
Audit Committee member	Chang-Sung Yu	4	100%	Incoming
Audit Committee member	Shao-Hua Huang	4	100%	Incoming
Audit Committee member	Yuan Li	4	100%	Incoming
Other mentionable items: I.The date, session, content of the motion, 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:				

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A) (Note)	Remarks

(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
2019.3.18	1.Approval of 2018 financial statements 2.Amendments for the Company's "Procedures for Acquisition or Disposal of Assets" 3.Amendments for the Company's "Procedures for Lending Funds to Other Parties" 4.Review and approval of 2019 CPA fees	Approved by all Independent Directors
2019.05.14	Approval of provision of short-term financing funds to the subsidiary, PChomestore Inc.	Approved by all Independent Directors
2020.3.26	1.Approval of 2019 financial statements 2.Review and approval of 2020 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 in 2019.

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 internal auditing officer and CPAs (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 internal auditing officer and the Certified Public Accountant and the communication condition is good;

(II)The Company convenes the Audit Committee meeting on a regular basis, inviting CPAs and internal auditing officer to attend and related supervisors if necessary;

(III)The internal auditing officer submits summarized auditing report to the Audit Committee on a monthly basis according to the annual audit plan;

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

(V)There are channels of direct contact between the member of Audit Committee and internal auditing officer and the CPAs and the communication condition is good. The internal auditing officer regularly reports to the Audit Committee based on the annual audit plan and cooperate with the routine internal control audits conducted by CPAs. For the Board of Directors' meetings, CPAs would attend to provide relevant opinions, and the internal auditing officer would submit audit reports. While reviewing the financial reports, Audit Committee members would discuss relevant 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' meeting

Not applicable. (The Company has set up an audit committee to replace the positions and authority of Supervisors.)

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

Evaluation Item	(Note 1) Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
I.Has the Company established and disclosed the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has established the “Corporate Governance Best-Practice Principles” which contains regulations governing the establishment of an effective corporate governance structure, protection of shareholders' rights, enhancement of Board functions, realization of Audit Committee functions, respect for stakeholders' rights and enhancement on information transparency. To access the Corporate Governance Best-Practice Principles, please visit https://corporate.pchome.com.tw/about_us/internal_policies.php?item_id=32&lang=2.	None
II.Shareholding structure & shareholders' rights				
(I)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 instructs relevant departments, including investor relations, stock affairs, legal affairs, etc., to handle shareholder suggestions, doubts, disputes, and litigations in accordance with internal operating procedures, and to proceed in accordance with the procedures.	None
(II)Does the Company possess the list of its major shareholders as well as the ultimate owners of those shareholders?	✓		The Company is always in control of shareholding status of Directors, managers, and major shareholders with 10% or more shareholdings.	None
(III)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 subsidiaries have established their 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.	None
(IV)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
III.Composition and responsibilities of the Board of Directors				
(I)Has the Board of Directors established a diversity policy for the composition and has it been implemented accordingly?	✓		The Board 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), expertise and industry experience. The Company organizes the Board's seats towards gender equality.	None
(II)Other than Compensation and Audit Committees which are required by laws, 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
(III)Has the Company formulated rules and methods for the performance assessment of the Board of Directors and evaluate the Board performance every year? Is the outcome of performance assessment submitted to the Board of Directors and used as reference for the remuneration and re-election nomination of individual Director?		✓	Even though the Company has not drawn up rules governing the Board performance evaluation, the Compensation Committee would regularly review performance evaluation of management and the policies, system, standard and structure of salaries and compensation as well as submit its recommendations to the Board for discussion. Based on the Company’s corporate governance philosophy, the primary responsibilities of the Board are to supervise and assess the performance of management team, appoint and discharge executives, resolve important matters and offer guidance to the management team. The Company’s Board members have vast experience in company operations or specialized fields, and hold fast to extremely high moral standards and their commitments to the Company. Board meetings are held quarterly to not only resolve proposals but also discuss business strategies and future directions with the management team in order to create maximum benefits for shareholders. The sound performance of the Company’s Board is evidenced by the long-term business performance of the Company.	None
(IV)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. The outcome was reviewed and approved by the Audit Committee and the Board to implement corporate governance and enhance the functions of the	None

Evaluation Item	(Note 1) Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
			Board.	
IV.Does the Company have an adequate number of qualified corporate governance personnel and appoint a chief corporate governance officer to handle matters pertaining to corporate governance (including but not limited to provide information required for business execution by Directors and Supervisors, assist Directors and Supervisors with regulatory compliance, handle matters pertaining to board meetings and shareholders' meetings according to laws and regulations, produce minutes of Board meetings and shareholders meetings, etc.)?	✓		The Company has relevant personnel to handle matters pertaining to corporate governance, including the provision of information required for business execution by Directors, the handling of matters relating to Board meetings and Shareholders' Meetings according to laws and regulations, the handling of corporate registration and amendment registration, and the preparation of minutes of Board meetings and shareholders meetings, with the intent of securing shareholders' rights and enhancing Board competency.	None
V.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 corporate website to appropriately respond to corporate social responsibilities issues that are essential to stakeholders?	✓		Depending on situations, the Company instructs units including investor relations, stock affairs, human resources, customer service, and procurement to communicate with stakeholders and have contact information of the spokesperson and relevant departments on the corporate website. There is also a stakeholder section to properly address issues concerned by stakeholders.	None
VI.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
VII.Information disclosure				
(I)Has the Company established a corporate website to disclose information regarding the Company's financials, business and corporate governance status?	✓		The Company has set up a corporate website to provide financial, business and other information, and has designated personnel responsible for maintaining the data. Please visit the corporate website for details.	None
(II)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)?	✓		Besides Chinese-language corporate website, the Company has set up an English-language website and had designated personnel responsible for the collection and disclosure of material information as well as a spokesperson communicating with external parties. The audio or video recordings of investor conference are available on the corporate website and relevant information is publicly announced via the MOPS website designated by the competent authority.	None
(III)Does the Company publicly announce and file its annual financial report within two months after the end of financial year, and its financial reports of the first three quarters as well as operational status of each month prior to the prescribed deadlines?		✓	As for publicly announcing and filing annual financial report within two months after the end of financial year, and financial reports of the first three quarters as well as operational status of each month prior to the prescribed deadlines, the issue is under discussion between the Company and its CPAs and is set as one of the corporate objectives.	None
VIII.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)?	✓ ✓ ✓		(I)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. (II)Investor relations In terms of investor relations, the Company has a dedicated investor relations department serving as the communication channel between the Company and investors. 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. (III)Supplier relations The Company has always maintained long-term and good cooperation relationship with its suppliers. All parties have	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	Summary (Note 2)	
			complied with the contract terms to protect each other's legal rights.	
	✓		(IV)Rights of stakeholders In terms of the rights of stakeholders, the Company has established various sound and open communication channels and handled relevant matters by the principle of honesty and in a responsible manner to protect stakeholders' rights and interests.	None
	✓		(V)Implementation of risk management policies and risk evaluation measures and implementation of customer relations policies The Company has analyzed and 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.	None
	✓		(VI)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.	None

(VII)Continuing education of Directors and Supervisors:

Title	Name	Date		Organizer	Course	Duration (Hour)	Whether the Course Meets the Requirements
		From	To				
Chairman	Hung-Tze Jan	2019/08/07	2019/08/07	Taiwan Corporate Governance Association	The Theoretical Basis and Innovation of Activity Value Management (AVM) and Its Practical Application to Enterprise Management Decisions	3	Yes
		2019/12/13	2019/12/13		International Trends and Case Sharing of Senior Executive Compensation Governance	3	Yes
Director	Jerry Hsu	2019/04/01	2019/04/01	Taiwan Corporate Governance Association	Malaysia Market Strategy Sharing - Tax Structure Planning for Retail Industry and Globalization - Malaysia	3	Yes
		2019/12/26	2019/12/26		Deep Learning for Computer Vision and Compuattional	3	Yes
Independent Director	Chang-Sung Yu	2019/10/08	2019/10/08	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	How to Apply Entrepreneurial Spirit and Enthusiasm to the Corporate Governance Discussion - Innovation Sharing from NCCU Griffins	3	Yes
		2019/12/23	2019/12/23		Innovative Business Model for Enterprises - Global Development Strategy of Cruise Experience	3	Yes
Independent Director	Shao-Hua Huang	2019/03/20	2019/03/20	Taiwan Corporate Governance Association	Corporate Governance and Legal Compliance - Starting from Anti-Corruption and Economic Crime	1.5	Yes
		2019/05/08	2019/05/08		Information Security and Corporate Governance	3	Yes
		2019/11/06	2019/11/06		Current Status and Future Prospect of Commercial Real Estate	1.5	Yes

IX.The improvement status for the outcome of Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporate Governance Center and the priority of pending issues.	✓		The Company ranked among the top 65% companies in the 2018 corporate governance assessments. Details on sections failed to score were as follows: 1.Annual shareholders’ meeting before the end of May: The Company actively carries out assessments and planning to move forward the date of shareholders’ meeting, so that it is more convenient for shareholders to attend. 2.Establishment of functional committees other than those required by laws and regulations: The Company plans to establish a nomination committee to ensure more transparent and fair nomination procedures. 3.Publication of annual financial statements within two months after the end of a fiscal year: The issue is under	

Evaluation Item	(Note 1) Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
			discussion with our CPAs and is a target we endeavor to achieve. 4.The Company has yet to meet the criteria for releasing annual financial forecasts in accordance with laws and regulations. 5.Voluntary disclosure of remuneration to individual directors and supervisors in the annual report: To protect personal data, the information is currently not disclosed. We plan on assessing disclosures in future reports.	

Note:Regardless of "Yes" or "No" is ticked for operations, a description is required in the Summary column.

(IV)For companies having a compensation committee, the committee's composition 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)Establishes and periodically reviews the performance evaluation and policies, system, standards, and structure of the compensations for Directors and executive officers.

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

2.After the re-election of Directors at the shareholders' meeting on June 13, 2018, the Company had appointed the compensation members to form the fourth-term Compensation Committee on June 21, 2018. The Committee shall convene at least two meetings every year and the convener and chairman 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	Has More Than 5 Years of Work Experience and the Following Professional Qualifications			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member	Remarks
		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		
Independent Director	Chang-Sung Yu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Shao-Hua Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Yuan Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1：For Title column, please identify whether the individual is a Director, Independent Director or other.

Note 2：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. (Not applicable in cases where the person is an independent director of the Company and its parent company or subsidiaries, or subsidiaries of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent 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 Company's total number of issued shares 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 of managerial officers in (1) or any of the persons in (2) and (3).

(5)Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's total number of issued shares, ranks in the top five in holding, or appoints representatives to be the Company's directors or supervisors pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (Not applicable in cases where the person is an independent director of the Company and its parent company or subsidiaries, or subsidiaries of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(6)Not a director, supervisor, or employee of a company which owns the majority of the Company's directorships or voting rights. (Not applicable in cases where the person is an independent director of the Company and its parent company or subsidiaries, or subsidiaries of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(7)Not a director, supervisor or employee of a company or institution whose chairman, general manager, or an officer of equivalent position is the same person as, or a spouse to, one of the persons holding the same positions in the Company. (Not applicable in cases where the person is an independent director of the Company and its parent company or subsidiaries, or subsidiaries of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(8)Not a director, supervisor, managerial officer, or shareholder with shareholding of 5% or more of a specific company or institution that has a financial or business relationship with the Company. (Not applicable in cases where the specific company or institution owns 20% (inclusive) to 50% (exclusive) of the Company's total number of issued shares, and the person is an independent director of the Company and its parent company or subsidiaries, or subsidiaries of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent or subsidiary.)

(9)Not a professional individual, nor an owner, partner, director, supervisor, or managerial officer, and the spouse thereof, of a sole proprietorship, partnership, company, or institution that provides auditing service or commercial, legal, financial, or accounting services with a cumulative compensation not exceeding NT$500 thousand in the past two years to the Company or any of its affiliate. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

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

4.Operation of Compensation Committee

(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 2019 (A). The qualification and attendance of members are as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Chang-Sung Yu	2	0	100%	None
Member	Shao-Hua Huang	2	0	100%	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 status of member, i.e. whether he/she is "Outgoing", "Incoming" or "Re-elected", and the date of re-election shall be indicated 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.

(V)Corporate social responsibility (CSR) implementation status and deviations from the Corporate Social Responsibilities Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
I.Has the Company conducted risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulated relevant risk management policies or strategies? (Note 3)	✓		The Company conducts risk assessments on environmental, social and corporate governance issues in accordance with the materiality principle, and formulates relevant risk management policies or strategies.	None
II.Does the Company have an exclusively (or concurrently) dedicated CSR unit with senior management being authorized	✓		We assign our Administrative Center to take the lead and work with experts from each department to jointly promote	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
by the Board to handle relevant issues and report to the Board?			CSR matters. To effectively carry out decision-making and division of power, the General Manager authorizes the heads of departments to take responsibilities on issues associated with respective departments. They shall report the implementation status and resource demand to the Chairman and General Managers when the need arises for the latter to stay updated and provide necessary resources.	
III.Environmental Issues				
(I)Does the Company establish environmental management system designed to fit industry characteristics?	✓		The Company puts in place internal environment, safety and health automated inspections, and smoke-free rules based on industry characteristics and establishes appropriate environmental management systems.	None
(II)Is the Company committed to improving the efficiency of various resources and utilizing renewable materials that have low environmental impact?	✓		The Company continuously promotes energy-saving and carbon-reduction schemes, e.g. the use of energy-saving lightings in every plant, recycling to save resource consumption as well as recycling at a regularly time every week. We provide employees knowledge and concepts related to environmental protection in order to fulfill our responsibilities in protecting the earth.	None
(III)Does the Company assess the present and future potential risks and opportunities of climate change for the entity, and takes measures to respond to climate-related issues?	✓		The Company persistently promotes procedures concerning carbon management. We study the actual volume of carbon and greenhouse gas produced by	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
			the Company and formulate improvement measures to achieve the target of carbon dioxide reduction, including proactive means to save electricity, e.g. adoption of LED lighting and lighting control devices. Those actions demonstrate our determination on environmental protection and lower the impact of climate changes on our operational risks.	
(IV)Does the Company calculate its greenhouse gas (GHG) emissions, water consumption and total waste weight in the past two years, and formulate policies for energy conservation, reductions of carbon, GHG and water consumption, or other waste management?	✓		In line with conservation, the Company applies effective utilization and control mechanisms on energy, water resources and paper consumption to avoid unnecessary waste. Moreover, it launches the new type of eco-friendly cartons with design focusing on the three features of “100% recycled pulp in primary colors, small-area printing using eco-friendly water-based inks, and materials with high strength for repeated use”.	None
VI.Social Issues				
(I)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	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
			education and training, and promotion and development system, and creates a safety and health work environment to enhance employees' professional competence.	
(II)Does the Company formulate and execute reasonable employee welfare measures (including compensation, leaves and other benefits), and have the operating performance or results properly reflected in employee compensation?	✓		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
(III)Has the Company provided employees with a safe and healthy working environment, and regularly offer safety and health education to employees?	✓		Employees engaging in labor safety and health related work have obtained required certificates in accordance with the laws and regulations. They would be assigned to attend seminars or briefings hosted by government agencies or academic institutions when the need arises. In addition, there is an infirmary on site, providing professional medical consulting services. Fire drills are held from time to time to ensure workplace safety. The	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
			Company also organizes regular employee health checkups and offers safety and health education to employees. The company has established four major aspects for Corporate Health Responsibility (CHR): awareness, food, activities and assistance. We review and inventory our employee health measures as our execution guideline and course.	
(IV)Has the Company established effective career development and training plans for its employees?	✓		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
(V)Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	✓		The Company has followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services, and formulated consumer protection policies and consumer appeal procedures.	None
(VI)Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?	✓		The Company has established the supplier management policies requesting suppliers to comply with relevant standards related to environmental protection, occupational safety and health or labor rights. Upon entering our premises, suppliers are required to strictly follow the occupational safety and	None

<table>
<tr><td rowspan="2">Evaluation Item</td><td colspan="3">Implementation Status (Note 1)</td><td rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary (Note 2)</td></tr>
<tr><td></td><td></td><td></td><td>health standards and labor-related regulations.</td><td></td></tr>
<tr><td>V.Has the Company, following internationally recognized guidelines, prepared and published reports such as CSR reports to disclose non-financial information of the Company? Has the aforesaid reports received assurance or certification from a third-party accreditation institution?</td><td></td><td>✓</td><td>The Company has yet to compiled a CSR report. The preparation of such a report will depend on future needs.</td><td>None</td></tr>
<tr><td colspan="5">VI. 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 its current practices and any deviations from the Best Practice Principles: The Company has yet to formulated its own CSR rules; however, its CSR operation is in compliance with the Best Practice Principles and relevant provisions.</td></tr>
<tr><td colspan="5">VII.Other important information to facilitate better understanding of the Company's CSR practices:
The Company firmly believes in the impact of corporations on the nation and the society. Besides donations to disadvantaged groups and employment for disabled persons, the Company focuses on core business and provides a stable and sound work environment to employees in order to seek maximum benefits for 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 stay in line with the international trend of a balanced environment, society and corporate governance development.
The Company also works actively with the Ministry of Finance to improve the issuance of uniform invoices and accelerate the process of delivering invoices to consumers simultaneously. The Company thus becomes the pioneering e-invoice enterprise in Taiwan and saves over 5 million paper invoices annually. The project a true demonstration of energy conversation and carbon reduction as it cuts down paper waste, reduces the logistics cost of mailing invoices, lowers carbon emissions, and saves trees.
In addition, the Company carries out social welfare services and initiates the ideas of consumer participation and employee invoice donation. PChome 24h Shopping calls for love sharing by donating invoices, which generated several millions in prizes during 2019. 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. 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</td></tr>
</table>

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
strengthening service competitiveness and professional talent cultivation, the Company actively demonstrates corporate responsibility, fulfills corporate social responsibilities, and implements corporate core values. The Company organizes charitable events based on a different theme each quarter. Examples include the blood donation in the third quarter of 2019, book donation to remote areas or agencies in the fourth quarter of the same year and second-hand shoes donation in the first quarter of 2020 for long-overlooked shoes in the shelves to realize their optimal value and help disadvantaged groups. We organize a charity walk for the second quarter this year; however, the activity may be adjusted due to COVID-19. In addition, the Company has introduced the four major aspects for Corporate Health Responsibility (CHR): awareness, food, activities and assistance. We can thus review and inventory specific directions and courses taken for employee health. Relevant measures include health seminar, assistant for weight loss, improvement on breastfeeding rooms, designs of user-friendly cafeteria (steamers and microwaves on each floor), clubs to promote health activities, annual health checkups and professional nursing staff at each office. More importantly, we constantly think from employees' perspective on what measures can truly improve their physical and mental health. We connect CHR and CSR effectively so that the Company can contribute to society and environmental sustainability while caring for employees, a win-win situation for all parties involved.				

Note 1:If "Yes" is ticked under the "Implementation Status", please explain the key policies, strategies, and measures adopted and their implementation results; if "No" is ticked, please give the reason and specify related policies, strategies, and measures to be adopted in the future.

Note 2: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 Implementation Status column instead.

Note 3:The principle of materiality refers to environmental, social and corporate governance issues that have significant impacts on the company's investors and other stakeholders.

(VI)Ethical management implementation status and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies and reasons

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
I.Establishment of ethical management policies and schemes				

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
(I)Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and management to rigorous and thorough implementation of such 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 December 24,2000. 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
(II)Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		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 unreasonable gifts, hospitality, or other improper benefits.	None
(III)Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a	✓		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

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
grievance system and implemented them and review the prevention programs on a regular basis?				
II. Implementation of ethical management				
(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		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
(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the ethical corporate management policies and prevention programs against unethical conduct as well as the implementation status?	✓		The Company's Board of Directors shall exercise due care of a prudent administrator, monitor and prevent Company from engaging in unethical conducts, and constantly review and 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
(III) 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. According to the Company's compliance plan for the "Principles of Business Ethics", all employees shall voluntarily declare situations with conflicts of interest. Some employees, due to their position as supervisors or work natures, have to regularly declare matters pertaining to conflicts of interest or the suspicion of conflict of interest every year. The Company would handle those claims in accordance with relevant regulations.	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
(IV)Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	✓		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 nor secretive accounts. The Company conducts regular reviews to ensure the design and execution of the systems remains effective. The internal auditors regularly audit the compliance of the aforementioned systems, and prepare audit reports accordingly to be submitted to the Board of Directors.	None
(V)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' awareness and understanding of the Company's ethical management. Legal compliance education is one of the most important items in the Company's legal compliance program. Through regular promotion and training courses on laws and regulations, employees have better understanding on the latest or closely related laws and regulations, which further strengthens their commitment to comply with business ethics regulations.	None
III.Implementation of whistleblowing system				
(I)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-	✓		Violations of business ethics identified by personnel of the Company during the course of business can be reported 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	None

Evaluation Item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
blower?			the Company.	
(II)Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	✓		The Company handles reported misconducts and follow-up investigations with confidentiality and rigorous attitude, which are explicitly stated in the internal rules.	None
(III)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
IV.Enhancement on information disclosure Has the Company disclosed its Principles of Business Ethics and information on implementation of such guidelines on its website and MOPS?	✓		The Company has disclosed its Management Best Practice Principles at its corporate website and the MOPS.	None
V.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 Best Practice 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".				
VI.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:

To improve corporate governance, the Company has established "Code of Ethical Conduct" and "Corporate Governance Best-Practice Principles" upon the Board's approval. Also, it gradually formulates regulations with specific measures and schemes, e.g. "Operation Procedures for Transactions of Specific Companies, Related Parties and Group Enterprises", "Regulations Governing the Supervision of Subsidiaries" and "Principles of Business

Ethics". Besides regular promotions, the information is available at corporate website for governing the ethics of Directors and employees of the Company.

Regarding the promotion of insider equity transaction, relevant information released by competent authorities is available at the corporate website for insiders in addition to explanations provided during regular education sessions for Directors.

Please access our corporate website for details.

(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 26, 2020

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 2019:

I.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.

II.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.

III.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.

IV.The Company has evaluated the design and operating effectiveness of its internal control system by adopting the aforesaid criteria.

V.Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2019, 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.

VI.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.

VII.This Statement has been passed in the Board of Directors meeting on March 26, 2020, with none of the eight attending Directors expressing objectives; all Directors affirmed the content of this Statement.

PChome Online Inc.

Chairman: Hung-Tze Jan

General Manager: Kevin Tsai

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

(X)Any penalties imposed upon the Company or internal personnel by laws, or punishment imposed by the Company on internal personnel for violation of the Company's internal control system regulations, details on the punishment if it might have significant impact on the shareholders' equity or securities prices, 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
2019/6/14	(1)Adoption of 2018 business report and financial statements Implementation status: Resolved as proposed. (2)Earnings distribution or deficit compensation Implementation status: 2018 deficit compensation was resolved. (3)Amendments for the Articles of Incorporation Implementation situation: The amendments for the Company's Articles of Incorporation were approved. (4)Amendments for the Procedures for Acquisition or Disposal of Assets Implementation situation: The amendments for the Procedures for Acquisition or Disposal of Assets 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.

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
2019/03/18	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	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
	5.Amendments for the Company's "Procedures for Acquisition or Disposal of Assets"	All attending Directors voted in favor of the proposal without any objections.
	6.Amendments for the Company's "Procedures for Lending Funds to Other Parties"	All attending Directors voted in favor of the proposal without any objections.
	7.Proposal to issue restricted employee shares	All attending Directors voted in favor of the proposal without any objections.
	8.Appointment of the Company's CEO	All attending Directors voted in favor of the proposal without any objections.
	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.
2019/8/13	Acquisition of equity of PChomePay Inc. from the related party, PChomestore Inc.	All attending Directors voted in favor of the proposal without any objections.
2020/03/26	1.2019 business report and financial statements	All attending Directors voted in favor of the proposal without any objections.
	2.Distribution of 2019 employee compensation and remuneration to Director and Supervisors	All attending Directors voted in favor of the proposal without any objections.
	3.2019 earnings distribution	All attending Directors voted in favor of the proposal without any objections.
	4.Amendments for the Articles of Incorporation	All attending Directors voted in favor of the proposal without any objections.
	5.Amendments for the Rules of Procedure for Shareholders' Meetings	All attending Directors voted in favor of the proposal without any objections.
	6.Formulate plans associated with the 2020 Annual Shareholders' Meeting	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: None.

(XIII)Resignation or discharge of Chairman, General Manager, and officers of accounting, finance, internal auditing, corporate governance 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	2019/1/17 ~ 2019/1/18	Accounting Research and Development Foundation	Continuous Education for Accounting Supervisors	12
Auditing Manager	Hsien-Cheng Li	2019/11/27	Institute of Internal Auditors	Audit - In Response to Cloud Information Security and Personal Data Protection	6
Auditing Manager	Hsien-Cheng Li	2019/12/25	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.

V.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	Remarks
			System Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Chung-I Chiang Tsao-Jen Wu	3,600	0	117	0	31	148	2019	Others Tax services: 800

(II)Where the CPA firm was replaced and the audit fees in the fiscal year of replacement were less than that in the previous fiscal year, the amount of audit fees paid before/after replacement and reasons thereof shall be disclosed: None.

(III)Where the audit fees were reduced by 10% 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 2019 audit fees did not decrease by more than 10% from the 2018 audit fees.

VI.Change of Independent Auditors: None.

VII.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.

VIII.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, Managers and Shareholders with 10% Shareholdings or More, and the Number of Shares Acquired or Pledged Shall be Disclosed.

(I)Changes in shareholding of Directors, managers and shareholders with 10% shareholdings or more

Unit: Shares

Title	Name	2019		January 1, 2020 to April 26, 2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Hung-Tze Jan	25,000	0	10,000	0
Director	Yun Su (Note)	0	0	0	0
Directors and shareholders with 10% shareholdings or more	Site Inc.	0	0	0	0
Representative of corporate Director	Johnson Fong	0	0	0	0
Representative of corporate Director	Vicky Tseng	0	0	10,000	0
Director and General Manager	Kevin Tsai	0	0	40,000	0
Director	Jerry Hsu	0	0	0	0

Unit: Shares

Title	Name	2019		January 1, 2020 to April 26, 2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Independent Director	Chang-Sung Yu	0	0	0	0
Independent Director	Shao-Hua Huang	0	0	0	0
Deputy General Manager	Leo Lu	(140,000)	0	(57,000)	0
Deputy General Manager	Yu-Shu Hu	0	0	0	0
Assistant Vice President	Ying-Hsuan Chao	0	0	0	0

Note: Yun Su resigned from the position of Director on July 1, 2019 as she was transferred to an overseas affiliate.

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

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

April 26, 2020

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)		Remarks
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Title (or Name)	Relation	
Site Inc.	18,907,864	16.14%	0	0%	0	0%	None	None	None
HSBC Hosts Buena Vista Asia Opportunity MasterFund Co., Ltd.	5,246,295	4.48%	0	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
JP Morgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund－Templeton Asian Smaller Companies Fund	3,264,656	2.79%	0	0%	0	0%	None	None	None
JP Morgan Chase Bank N.A. Taipei Branch in custody MFS Series 5 Trust Company－MFS International New Quest Fund	2,549,504	2.18%	0	0%	0	0%	None	None	None
Apu Jan	2,502,505	2.14%	0	0%	0	0%	None	None	None
JP Morgan 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
Bank of Taiwan in custody fir Marathon－London Group Trust for Employee Benefit Plans	2,173,987	1.86%	0	0%	0	0%	None	None	None
JP Morgan Chase Bank N.A. Taipei Branch in custody for Frank in Templeton Investment Fund－Emerging Markets Smaller Companies Fund	2,140,092	1.83%	0	0%	0	0%	None	None	None
JP Morgan Chase Bank N.A. Taipei Branch is entrusted with the custody of Templeton Global Investment Trust－Templeton Emerging Markets Smaller Companies Fund	1,874,035	1.60%	0	0%	0	0%	None	None	None

Note 1: All top ten shareholders shall be listed. The names and representatives of corporate shareholders shall be listed separately.
Note 2: 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.
Note 3: 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%)

X.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, 2020

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
PCHOME ONLINE INTERNATION CO., LTD.	122	100	0	0	122	100
Rakuya International Info. Co., Ltd.	3,035	26.47	0	0	3,035	26.47
PChomestore Inc.	18,435	34.35	31,103	57.94	49,538	92.29
PChomePay Inc.	46,800	55.06	20,520	24.14	67,320	79.20
PCHOME US INC.	45,800	91.97	0	0	45,800	91.97
ECOMMERCE GROUP CO. LTD. (B.V.I)	349,508	100	0	0	349,508	100
Pi Mobile Technology Inc.	9,000	100	0	0	9,000	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
PCHOME CB Co., Ltd.	14,000	70	0	0	14,000	70
Mitch Co., Ltd.	16,200	60	0	0	16,200	60
PChome InterPay Inc.	0	0	50,100	100	50,100	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	21,795	49	21,795	49
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
PChome Marketplace Inc. (Cayman)	0	0	38,335	100	38,335	100
PCHOME CBS Co., Ltd.	0	0	2,900	100	2,900	100
PCHOME CB PTE. LTD.	0	0	190	100	190	100
Bibian Co., Ltd.	0	0	18,000	100	18,000	100

Note: Investee refers to the Company’s long-term investments accounted for using 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 publication 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 26, 2020 Unit: Shares; NT$

Month/Year	Issue price (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		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
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

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

Note 1: Construction-I No. 87309687 on July 14, 1998
Note 2: Construction-I No. 87364033 on December 29, 1988
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 December 29, 1999
Note 6: (89) Taiwan-Finance-Securities (I) No. 46470on 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 August 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 26, 2020 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 26, 2020

Type / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	12	48	11,180	164	11,404
Shareholding (shares)	0	796,286	21,244,070	45,335,230	49,783,860	117,159,446
Shareholding (%)	0.00%	0.68%	18.13%	38.70%	42.49%	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 26, 2020

Class of Shareholding	Number of Shareholders	Shareholding (shares)	Shareholding Percentage (%)
1 ～ 999	2,461	390,404	0.33 %
1,000 ～ 5,000	7,558	13,921,113	11.88 %
5,001 ～ 10,000	707	5,302,428	4.53 %
10,001 ～ 15,000	189	2,378,560	2.03 %
15,001 ～ 20,000	126	2,281,207	1.95 %
20,001 ～ 30,000	111	2,788,468	2.38 %
30,001 ～ 40,000	55	1,929,379	1.65 %
40,001 ～ 50,000	41	1,832,632	1.56 %
50,001 ～ 100,000	54	3,914,929	3.34 %
100,001 ～ 200,000	36	5,022,657	4.29 %
200,001 ～ 400,000	25	7,042,878	6.01 %
400,001 ～ 600,000	16	8,177,468	6.98 %
600,001 ～ 800,000	3	1,974,351	1.69 %
800,001 ～ 1,000,000	4	3,468,991	2.96 %
1,000,001 or over	18	56,733,981	48.42 %
Total	11,404	117,159,446	100 %

(IV)List of major shareholders: Names, number of shares held, and the shareholding percentage of those who own 5% or more of the total issued shares or whose shareholding percentage is among the top 10 of all the shareholders

April 26, 2020

Ranking	Shareholding / Name of Major Shareholders	Shareholding (shares)	Shareholding (%)
1	Site Inc.	18,907,864	16.14%
2	HSBC Hosts Buena Vista Asia Opportunity MasterFund Co., Ltd.	5,246,295	4.48%
3	HSBC Trust Yishun Fund－Yishun Greater China Equity Fund	4,362,899	3.72%
4	JP Morgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund－Templeton Asian Smaller Companies Fund	3,264,656	2.79%
5	JP Morgan Chase Bank N.A. Taipei Branch in custody MFS Series 5 Trust Company－MFS International New Quest Fund	2,549,504	2.18%
6	Apu Jan	2,502,505	2.14%
7	JP Morgan Chase Bank N.A. Taipei Branch in custody for Templeton Emerging Markets Investment Trust Fund	2,260,000	1.93%
8	Bank of Taiwan in custody fir Marathon－London Group Trust for Employee Benefit Plans	2,173,987	1.86%
9	JP Morgan Chase Bank N.A. Taipei Branch in custody for Frank in Templeton Investment Fund－Emerging Markets Smaller Companies Fund	2,140,092	1.83%
10	JP Morgan Chase Bank N.A. Taipei Branch is entrusted with the custody of Templeton Global Investment Trust －Templeton Emerging Markets Smaller Companies Fund	1,874,035	1.60%

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

Unit: NT$; Thousands of Shares; %

Item			2018	2019	January 1 to March 31, 2020
Market Prices per Share (Note 1)	Highest		191.0	164.5	124.0
	Lowest		112.0	92.4	64.1
	Average		150.60	131.40	97.75
Net Worth per Share (Note 2)	Before distribution		29.22	32.15	31.84
	After distribution		29.22	31.45(Note 9)	Not applicable
Earnings per share	Weighted Average Shares (in thousands of shares)		117,159	117,159	117,159
	Earnings per Share (Note 3)	Before Adjustment	(8.49)	1.39	0.88
		After Adjustment	(8.49)	1.39	Not applicable
Dividends per Share	Cash Dividend		0	0.7(Note 9)	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	95	Not applicable
	Price/Dividend Ratio (Note 6)		0	188	Not applicable
	Cash Dividend Yield Rate (Note 7)		0%	0.53%	Not applicable

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

Note 1: 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.

Note 2: 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.

Note 3: If there are any retroactive adjustments needed due to stock dividends, Earnings per Share before and after the adjustment shall be listed.

Note 4: 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.

Note 5: Price/Earnings Ratio = Average Closing Price for the Year / Earnings per Share

Note 6: Price/Dividend Ratio = Average Closing Price for the Year / Cash Dividends per Share

Note 7: Cash Dividend Yield = Cash Dividends per Share / Average Closing Price for the Year

Note 8: 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 publication 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.

Note 9: 2020/3/26 Amount approved by the board of directors.

(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 reserved part, 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
2019	0.7	0	0	–	2020.6.24

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 during the most recent shareholders' meeting

The 2019 earnings distribution proposal was formulated in the Board of Directors meeting on March 26, 2020: The total cash dividends to be distributed amounted to NT$82,011,612, i.e. NT$0.7 per share. Action will be taken pursuant to relevant provisions once the proposal is resolved in the Annual Shareholders' Meeting on June 24, 2020.

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)Remuneration to Directors: 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 and Directors 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 distributed to employees, Directors and Supervisors shall be 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 resolved to distribute employee compensation of NT$11,237,354 in the form of cash in the Board of Directors' meeting on March 26, 2020. Remuneration to Directors would not be distributed.

(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 was 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.

The Company did not generate profits in 2018. Thus, it was resolved not to distribute compensation to employees and Directors in the Board of Directors' meeting on March 18, 2019.

(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: None.

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	2019	Weighting (%)
E-Commerce	38,510,487	99.1%
Others	373,093	0.9%
Total	38,883,580	100%

3.Current products (services)

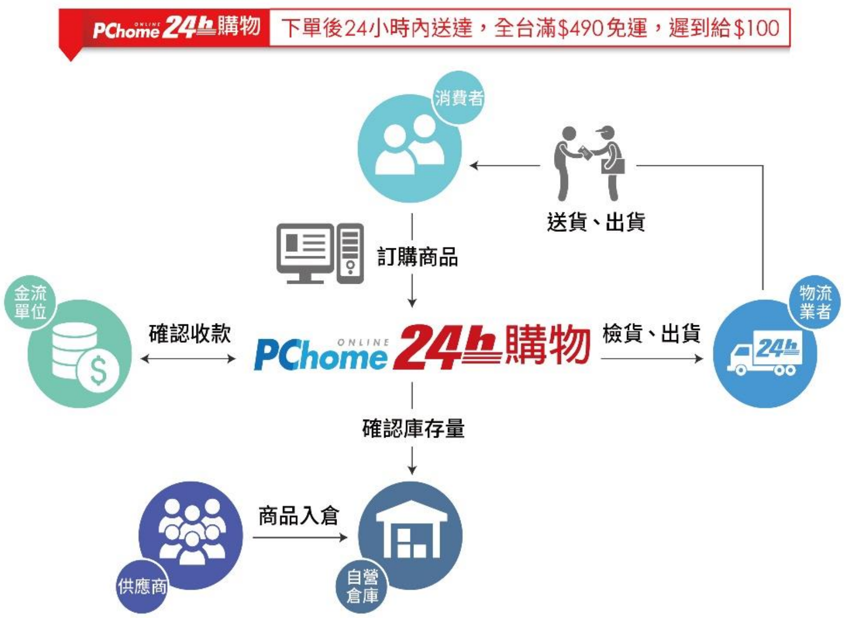
(1)E-commerce

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. Ever more, it made PChome the leading brand in speed economy. 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.

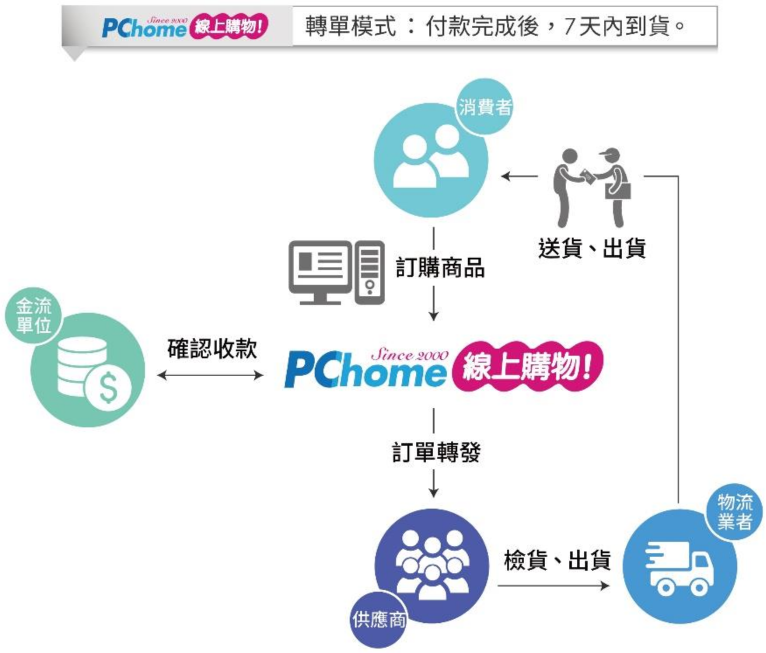
In order to provide innovative services and diverse product choices, the Company currently owns over 70,000 pings of warehousing area. We continue to actively build warehouses, strengthen product depths, and offer choices beyond consumers' imagination. We also optimize delivery time and routes and invite 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". Upon receiving consumer orders, the website will initiate the "order transfer mode" and pass them to suppliers. By integrating supplier development and management, merchandise information management, payment flows, logistics 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 7.5 billion users' demand for goods produced in Chinese-speaking territories and Chinese language interface electronic 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 ten major categories: electronic appliances, electronic accessories, digital products, sporting goods, communication devices, 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 service 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 six years are as follows:

Year	Award
2014	"Golden Service Awards" of CommonWealth Magazine - Online Shopping Mall Category - 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

Year	Award
	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 – Excellence Award
2018	2018 Innovative Product Award of Information Technology Month - Gold Prize for Innovation (PChome Fastag)
	2018 Innovative Product Award of Information Technology Month
2019	“2019 Happy Enterprise Award” of 1111 Job Bank – Computer/Consumer Electronics Category
	The 15th Golden Torch Award - "Top Ten Outstanding Enterprise Award" and "Customer Satisfaction Excellence Award"

(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 22.4 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

The Company is in the information services industry, with special focus on the sales and operations of the e-commerce field. Therefore, continuous innovation and provision of e-commerce industry's expertise and information technology to enable all departments within the Company to create, manage, and access operational information associated with work flows and offer optimized services are the competitive niche of the Company. Besides closely observing global consumption trends and Taiwan consumers' demand response, the Company's product and service development department aggressively introduces new products and services to the operation model, implements R&D project management progress, and effectively monitors and controls R&D progress to shorten the schedule. In order to strengthen the R&D team, the Company continuously reviews the effectiveness of project implementation annually and formulates efficient training to improve the overall competence of the team, so that new product and service development has become the crucial factor in enhancing customer satisfaction and operation of the Company.

The Company continues to innovate and improve its internal operating process. It streamlines its operating process by cutting down unnecessary manual operations and increasing automated operations. Also, it expects to analyze and predict possible consumer consumption patterns using the sales big data in order to significantly improve the customer service quality, and thereby enhance the Company's competitiveness. In terms of future R&D plans, the Company sets up different R&D projects based on needs. Moreover, the Company formulates plan objectives in line with operation targets and the medium and long-term business plans as well as the market. The major products and services scheduled to be developed are as follows:

Project Name	Project Content
Smart packing and warehouse management optimization	Design a more efficient and accurate packing and warehouse management system through years of experience in e-commerce operation. Combine with external open data for the logistics system to obtain necessary information in real time and outline a more effective and smooth picking mechanism for the Company to gain market competitiveness. Build logistics planning and support teams through logistics and warehousing service integration to expand PChome's delivery capacity.
"i mailbox pickup" service	Actively tie in with the "i mailbox" service provided by Chunghwa Post Co., Ltd. Consumers can collect goods at any time and enjoy more flexibility in collection. "i mailbox" service can disperse logistics traffic during large shopping festivals. These mailboxes are situated in every town with a total number of over one thousand and still growing across Taiwan. They will be PChome users' "portable address" and a more convenient pick-up channel for online shoppers.
"Optimized payment" service	In order for PChome consumers to quickly understand the latest credit card offers, PChome provides an optimized payment interface through system and smart recommender module, allowing members to select the most suitable credit card for payment at a glance and saving the time spent on checking offers from numerous banks. Members can complete credit card payments in a short time and thus improve their payment satisfaction.

(II)Industry overview

1.Industry current status and developments

(1)Analysis of the online retail market in Taiwan

1)There were 18.81 million Internet users in Taiwan with an Internet penetration rate of 88.8% in 2019.

In the 2019 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 nearly 89%, which is equivalent to an estimated number of 18.81 million people. Mobile device Internet access rate is 85.2%, an estimated number of 18.06 million people.

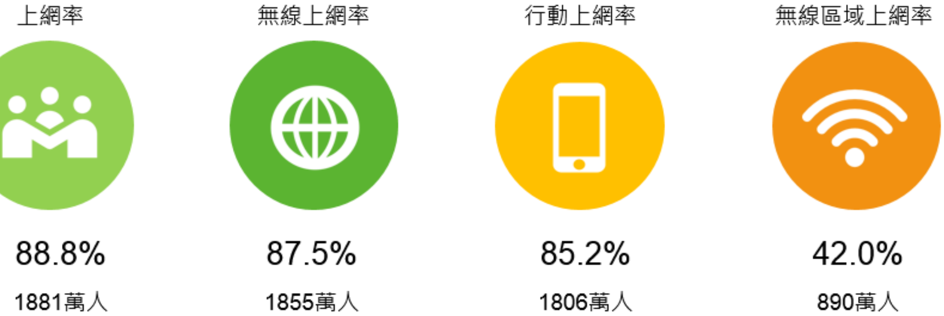


Figure: Overall Internet Usage for Users Aged 12 and Above in Taiwan

(Source: 2019 Taiwan Internet Report by TWNIC, 2019)

2)Over 90% of Internet users used smartphones to access Internet in 2019

According to the 2019 Mobile Phone Users' Digital Opportunity Survey issued by the National Development Council, the use of communication devices for personal Internet access has increased year after year in terms of the percentage of individuals using mobile phones at the age of 12 in Taiwan. The proportion exceeded 90% for the first time in 2019 and arrived at 91.4%. In other words, for every 100 mobile phone users, 91 of them have used the Internet function. Through data analysis, it can be found that in the busy society today, more and more people use mobile phones to access internet due to convenience. Among the people who access Internet via mobile phones, 86.8% of them surf the Internet using both computers and mobile phones. This indicates a gradual shift in the use of information equipment by Internet people. The percentage of people using only computers for surfing is reducing while the dependence of the Internet information group is gradually increasing.

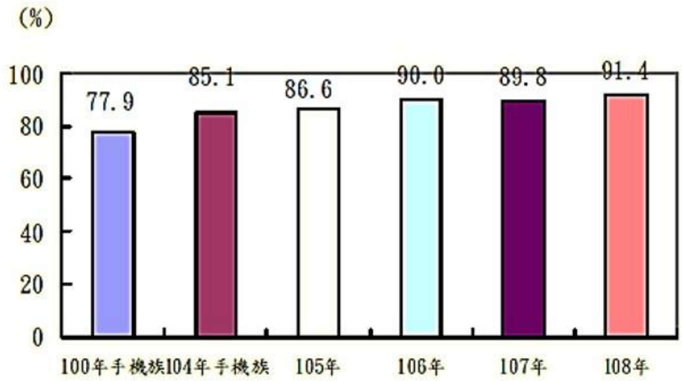


Figure: Personal Internet Access Rate of Mobile Phone Users Aged 12 and Above in Taiwan

(Source: 2019 Mobile Phone User Digital Opportunity Survey by National Development Council, 2019)

The survey also investigates the use of Internet by mobile phone users. As the rate of Internet surfing via mobile phones increases over the year, the percentage of internet surfing increases by age, education level, level of disability, level of digitalization in the area of living, and geographical location. In 2019, the percentage increased by 1.6% comparing to 2018 and was close to 90%, the highest in recent years.

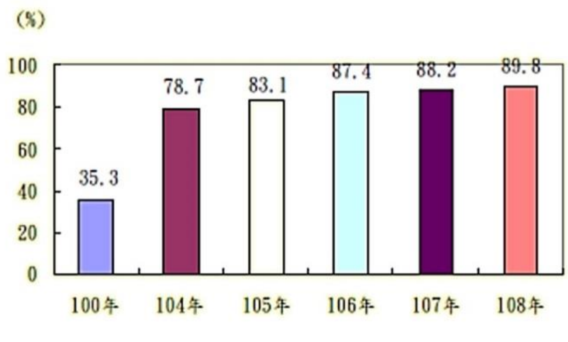


Figure: Internet Surfing via Mobile Phones by Mobile Phone Users

(Source: 2019 Mobile Phone User Digital Opportunity Survey by National Development Council, 2019)

3)The revenue of retail business without shop exceeded NT$290 billion in 2019, an annual growth rate of 6.8%.

Based on the survey conducted by the Department of Statistics, Ministry of Economic Affairs (MOEA), the revenue of retail business without shop amounted to NT$293.4 billion in 2019, which was an annual growth rate of 6.8%. A positive growth has been identified for 12 consecutive years and 2019 has hit a record high in the past five years with revenue amounted to approximately NT$300 billion. The maturity of consumers' familiarity with Internet access and online shopping, robust development of Internet surfing, 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.

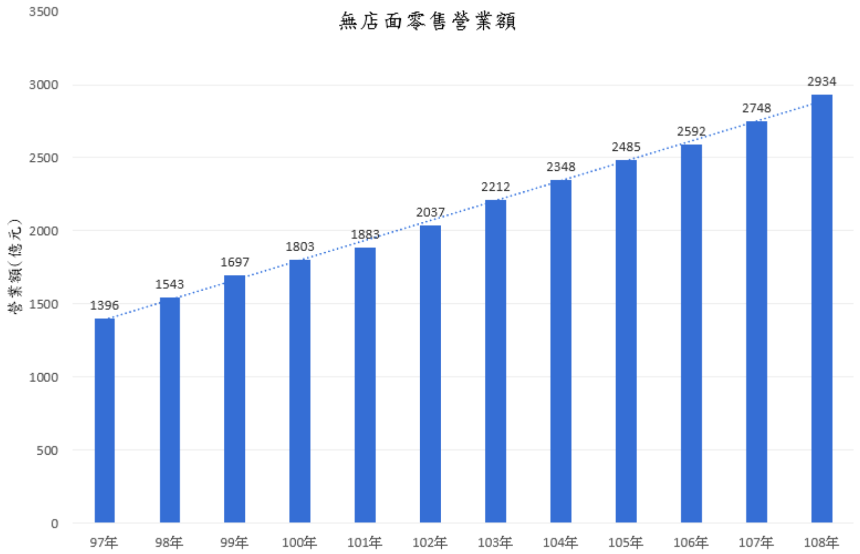


Figure: Revenue of Retail Business without Shop from 2008 to 2019

(Source: Department of Statistics, MOEA, 2020)

4)Over 64% of Internet users are in the habit of shopping online; 43.7% of Internet users shop online at least once every month

According to the 2019 Individual/Household Digital Opportunity Survey issued by National Development Council, over 64% of Internet users are in the habit of shopping online, and 43% of them would shop online at least once every month. This indicates a high Internet usage rate in Taiwan. Less than 20.5% 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. The market can still enjoy strong potential and growth momentum when complemented by comprehensive network environment and festival events organized by shopping websites to push for an increasing frequency of online shopping.

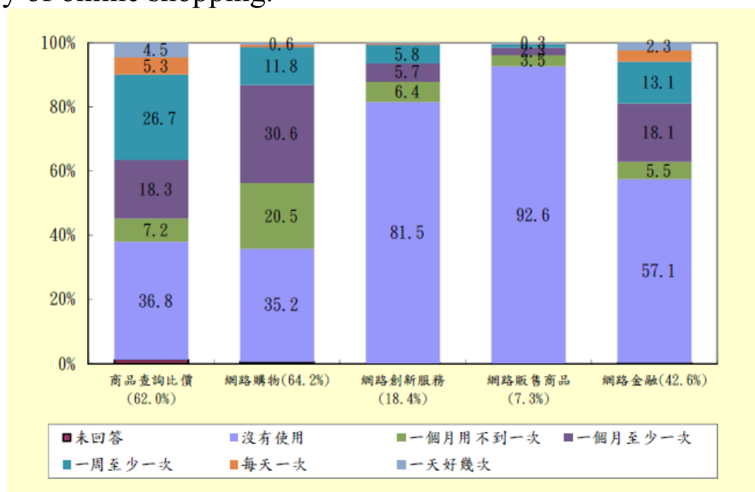


Figure: Internet Users' Participation in Economic Activities in 2019

(Source: 2019 Individual/Household Digital Opportunity Survey by National Development Council, 2019)

5)The influence of shopping platforms continues to grow and more than 50% of people rely on these platforms for shopping information.

According to the survey on Taiwanese Internet users' online shopping habits conducted by the Institute for Information Industry in 2019, despite the popularity of brands' official websites and social media, 95.5% of internet users are still more accustomed to shop via the e-commerce platforms. In terms of information channels for shopping information, the survey shows the weighting of users obtaining product information from shopping websites remains the majority, followed by Google search, Facebook, price comparison engines, etc.

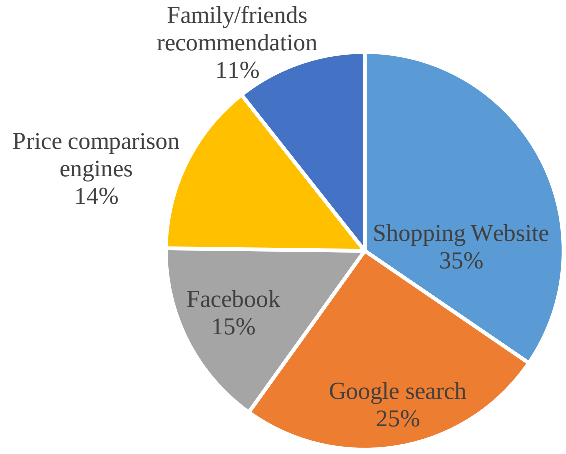


Figure: Primary Product Information Channel for Internet Users in 2019
(Source: Survey and Analysis of Online Shopping Behavior in Taiwan by Market Intelligence & Consulting Institute of Institute for Information Industry, 2020)

By analyzing the shopping information channels, the top five product categories in online shopping are daily supplies, 3C (Computer, communications & consumer electronics) & home appliances, clothing & accessories, transportation tickets, and restaurant coupons. Beauty care and food & health products are also quite popular. Looking at changes in specific physical and online channels, the impact on clothing and 3C products is the most significant. The percentage of clothing purchased online equals 62.6%, exceeding the 50.5% of clothing purchased in department stores while the percentage of 3C products purchased online of 62.7% is approaching the 71.9% of same products purchased at physical specialized shops.

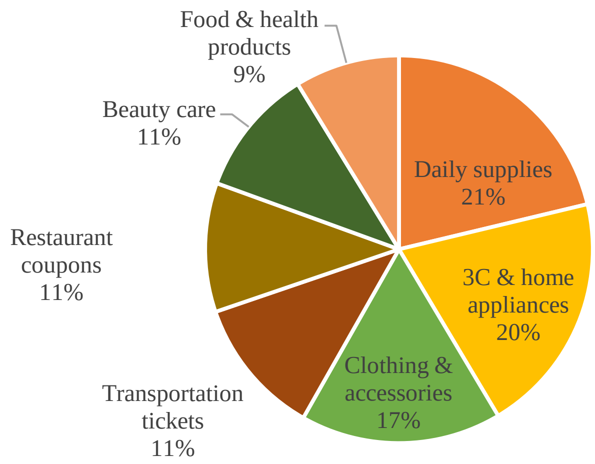


Figure: The Most Popular Products Categories for Online Shopping in 2019
(Source: Survey and Analysis of Online Shopping Behavior in Taiwan by Market Intelligence & Consulting Institute of Institute for Information Industry, 2020)

In terms of each generation's spending power, based on GO SURVEY's "2019 Consumer Behavior Survey", the monthly online spending frequency of each generation has increased every year. The annual growth rate of average online spending exceeds 14%. Among which, shoppers in their thirties has the highest spending power with an average spending of about NT$60,000 per year. The top five B2C online shopping platforms in MIC's 2019 survey were PChome 24h Shopping, Shopee, Momo Shop, Yahoo shopping mall and Books. Based on the aforementioned surveys and researches, the proportion of consumers shopping online will continue to rise, as well as the spending frequency and annual spending amount. Due to the increasing influence of online shopping platforms, popular online shopping platforms will be the best source of shopping information for online shoppers.

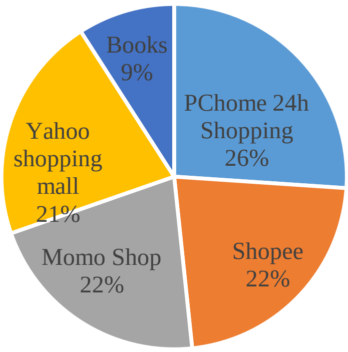


Figure: Popular B2C Online Shopping Platforms in 2019
(Source: Survey on Shopping Behavior of Internet Users in Taiwan by Market Intelligence & Consulting Institute of Institute for Information Industry, 2020)

(2)Analysis on online retail market through global trends

1)Internet users in Asia account for 55% of the global users; enormous potential value in the market

According to the Internet World Stats report, there were approximately 4.5 billion Internet users worldwide in 2019. Asia alone had 2.3 billion users and accounted for 51% of the global users, ranking number one among all regions. Europe ranked second with its 720 million users, which was less than 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.

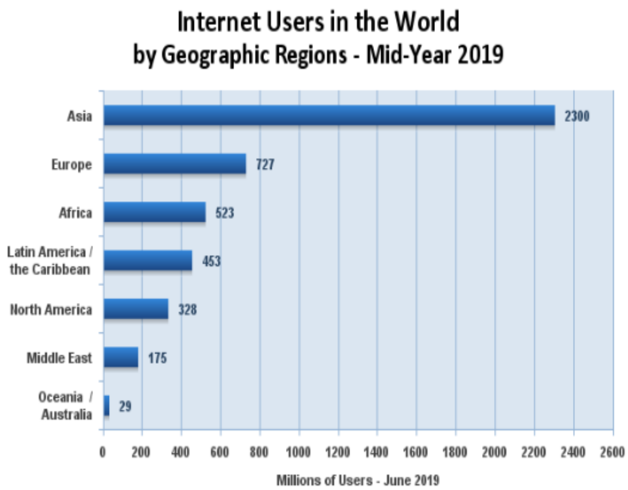


Figure: Overview of Internet Users Worldwide
(Source: Internet Users in the World of Internet World Stats, 2019)

According to the survey report, with regard to Internet penetration rate, North America ranks first with its 89.4%, followed by 87.7% in Europe. Even with the highest number of Internet users, Asia ranks second to last with its penetration rate of 54.2%. The result again clearly shows that the Asian Internet market still has ample room for growth in terms of market scale and potential value.

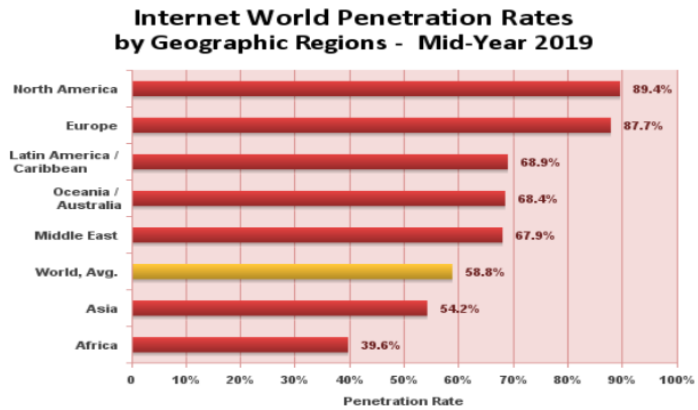


Figure: Global Internet Penetration Rate

(Source: Internet Users in the World of Internet World Stats, 2019)

2)In 2019, the global retail ecommerce sale amounted to US$3.45 trillion, an annual growth rate of 21.5%.

According to the report on retail ecommerce trends issued by the research institution, eMarketer, the global retail ecommerce sales will increase from US$2.84 trillion in 2018 to US$4.88 trillion by the end of 2021, accounting for 18% of the overall retail sales and 17.5% of the overall retail market. This shows the proportion of ecommerce within the retail industry is increasing. Although the growth has been slow due to a higher base, it still demonstrates a strong double-digit growth. Moreover, as the sales amount rises every year, e-commerce still has room for substantial growth. Its future development is promising.

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

(Source: Survey Report of eMarketer)

3)Online sales of fast-moving consumer goods are four times faster than offline sale; Sales in Taiwan ranks third in the world

The 2018 Outlook for Fast Moving Consumer Goods E-Commerce Report released by

Nielsen, a global survey company, pointed out that online sales of fast-moving consumer goods worldwide are four times faster than offline and in the next few years, Asian region will be number one in terms of online sales growth of fast-moving consumer goods. Nielsen also pointed out that Taiwan's online fast-moving consumer goods sales accounted for 5.6%, ranking third in the world.

Looking at the growth momentum of fast-moving consumer goods e-commerce market in 34 countries around the world, fast-moving consumer goods e-commerce will grow rapidly in the next few years (a compound annual growth rate of 18.4%). Global sales are expected to reach US$40 billion (about NT$12.3 trillion) by 2022. In the next five years, the online fast-moving consumer goods sales trend shows that the Asia-Pacific region will have the greatest growth potential. Among them, 43% of consumers have used e-commerce platforms for ordering products to be delivered to their homes. In addition, 15% of participants said that if the internet connection is good, they would be more inclined to increase online shopping. South Korea's e-commerce is in a leading position worldwide, and nearly one-fifth (18%) of fast-moving goods are sold via the Internet, followed by China (16%). Taiwan, Japan and Australia ranked third to fifth in terms of global fast-moving consumer goods sales growth (5.6%, 5% and 3% respectively).

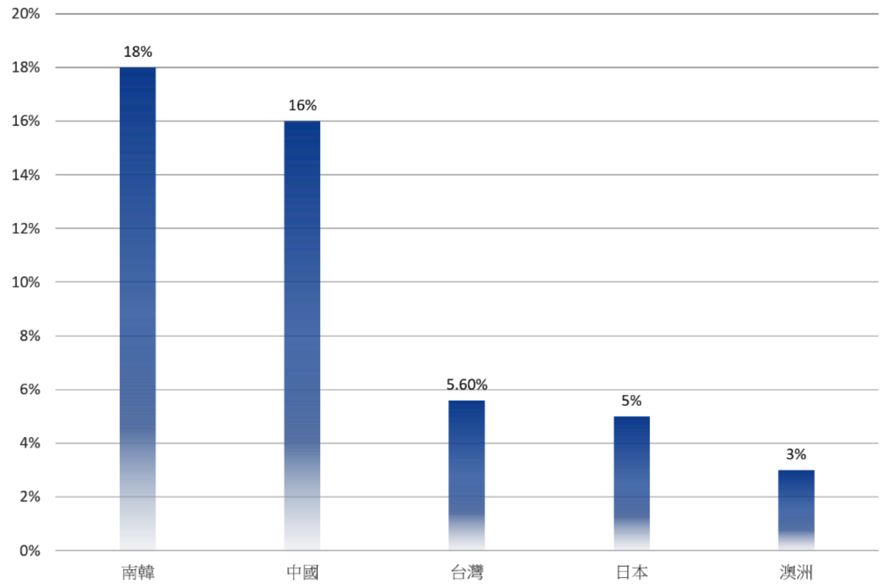
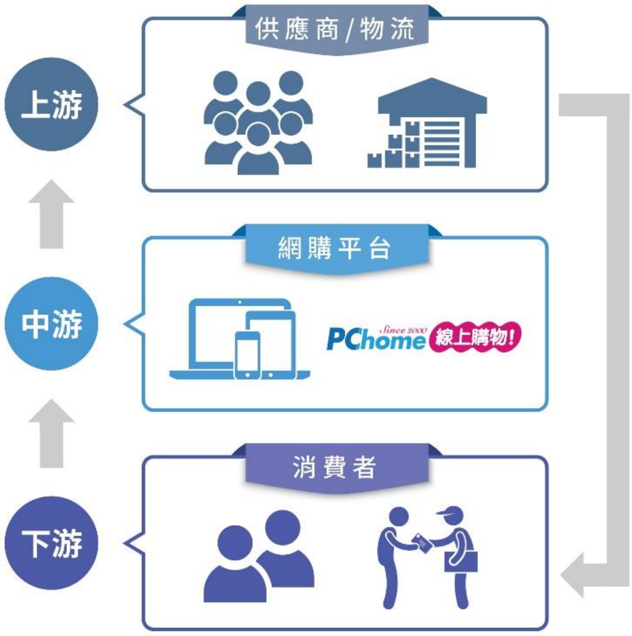


Figure: Top Five Global Fast-moving Consumer Goods Sales in 2018
(Source: "Nielsen" Survey Report)

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)The National Development Council promotes acts pertaining to open data; PChome builds AI route planning and shared logistics

With the advent of digital economy, "Open Data" has become one of the country's important development strategies. The government is to make the information transparent so that the public can apply and give it new value. The "Government Open Data Platform" currently has 43,700 data sets. The rate of these data obtaining the "machine-readable, structured and open format" gold seal surged from 3% in 2018 to 73% in December 2019. The overall number of users increased by 25% comparing to 2018, with more than 63.03 million visits and 13.76 million downloads.

The National Development Council has initiated studies on acts specific for open data, and the draft is expected to be proposed by the end of 2020. We hope to see a rise in legal status with the formulation of specific acts to facilitate the connection with emerging technology and the activation of data applications, as well as enhancement of data-driven innovation and digital governance.

Looking at the current development trends, PChome promotes the optimization of shared logistics and distribution route planning. By combining big data with government's Open Data pertaining to weather, real-time road conditions, household administration information and real-time natural disaster information, plus past operational data of e-commerce companies cooperating with suppliers and logistics providers, we can arrange transportation and storage capacities and optimize third-party logistics quality and efficiency. Through factors such as system calculations and deep learning, we can proceed with matching dispatches and distributions. We integrate upstream and downstream ecosystem partners, help logistics providers and suppliers expand e-commerce sales, expand transportation efficiency and enhance consumer shopping experience to create the application value of data economy ecosystem.

(2)FSC promotes "Consolidation of Rules Governing E-payment Institutions and E-Ticketing Issuance Agencies"

Information released by FSC shows there were approximately 2.371 billion e-payment transactions in the first half of 2019 with a transaction amount of NT$1,990.8 billion, accounting for 41.3% of private consumer spending. Since 2017, the proportion of consumption using e-payment has been 33.14%, 38.29% and 41.3%, respectively. The proportion of consumers using e-payments has grown every year.

FSC released the draft of amendments to the "Act Governing Electronic Payment Institutions", which combined the “Act Governing Issuance of Electronic Stored Value Cards” and “Act Governing Electronic Payment Institutions” on July 30, 2019. The four major benefits as a result of the combinations are the integration of online and offline top-up and payment tools, creation of payment ecosystem centered around e-payment, initiation of cross-institutional payment services and formulation of a regulatory environment friendly to industrial development. Once the Act comes into effect, e-payment providers in Taiwan are expected to keep up with international developments, benefiting e-payment developments of PChome InterPay Inc. and opening up more space for its business development.

(3)The Department of Commerce, MOEA drives the "Cross-border E-Commerce Transactions Promotion Flagship Program"; PChome continues to expand its cross-border e-commerce business

The Department of Commerce, MOEA drives the "Cross-border E-Commerce Transactions Promotion Flagship Program" to facilitate the expansion of e-commerce platforms to overseas markets. PChome's commitment in cross-border e-commerce expansion plan is evidenced by PChome Global Shopping's entering of high-end markets in Europe and the United States, creating new strategic layout for cross-border e-commerce league.

According to statistics released by the Commerce Development Research Institute, sales of cross-border e-commerce was about NT$74.8 billion in 2018, and NT$83.4 billion in 2019. With the accelerated development in e-commerce, sales are expected to reach NT$93.1 billion in 2020, a compound annual growth rate of 11.6%.

The rapid development of cross-border e-commerce has become an important driving force for global economy and trade. PChome continues to expand cross-border e-commerce business. It cooperates with Rakuten of Japan, eBay of the United States, and Nonghyup Hanaro Mart of South Korea to greatly expand the depth and breadth of goods and services, bridge the breakpoints in the flows of payment, goods and information consumers encounter, and aggressively explore various online and offline trading opportunities.

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 2019 are as follows:

1)Build fan economy of the new generation, inviting Ning Chang as the first brand spokesperson of the year

PChome continues to improve service quality, challenge innovations and changes, and target the new generation of smart consumption. In 2019, it invited Ning Chang, the goddess of elegance, to be the brand spokesperson of the year for the first time. Ning is graceful and modest, with a positive attitude in life. She not only has a master's degree in law, but also won the Best Actress Award at the Taipei Film Festival, having outstanding achievements in both academic fields and acting. Her fresh, lively and intellectual image is deeply loved by the public and she continues to advance herself while pursuing career achievements. Her personality traits of perseverance and adventurer make her the perfect image for the new female power era.

Meanwhile, the Company aggressively expands user base and brand identification through the emerging economic form of "fan economy". In addition to organizing the gift collection activity of “Having PChome pay for your gift”, we released a number of brand vision films named "Ning Unboxing Diary". We attract fans via social media, brand activities and other means, allowing shoppers to enjoy online shopping with Ning. Through the spokesperson' influence, consumers can feel the vitality of PChome brand, experience the convenience and beauty of online shopping, and thereby broaden the horizons of e-commerce industry.

2)Cross-sector collaboration to stimulate sales momentum and exclusive sales of new products

We launch new products through cross-sector collaboration, stimulate market consumption momentum, create diverse service experience and target young generation preferences. In 2019, we worked with the extremely popular live broadcasting platform "LiveMe" to jointly create the co-brand event of "Double 11 LiveMe Early Bird Purchase". Live broadcasting by Internet celebrities attracted an enormous number of customers and fans, built brand uniqueness and advantages, narrow our distance with consumers and deepen word-of-mouth marketing.

Moreover, in our effort to create more diverse collaborations, we teamed up with "Mercedes-Benz Taiwan" exclusively to roll out an online concept store with brand new CLA 200 Coupé being the flagship model. Having numerous payment benefits available, we offer consumers payment schemes of great value, completely subverting the trading custom of a traditional auto market and allowing consumers to experience high-standard, premium services. The Company was also the exclusive partner to the famous Thai cuisine restaurant, “baan”, led by a Micheline-starred chef in introducing three types of instant hot pot soup bases, i.e. Thai-style hot and sour, green curry and coconut milk. Consumers can thus enjoy authentic and delicious Michelin-level Thai food at home. Moreover, we cooperated with "Fuwan Chocolate", a gold medalist in the International Chocolate Award, and "APUJAN", a global fashion brand and exclusively offered three original types of chocolate gift boxes with limited edition during the double 12 festival. The exchange and clash of ideas between international brands stimulated consumers' fashionable imagination on chocolate, brought new ideas to e-commerce and created talks and sales momentum.

3)Forge alliances with international companies to strengthen operational capabilities and provide diverse cross-border choices

PChome aggressively expands its cross-border e-commerce boundaries. The Company allies with international corporations to deepen its brand strategy, and bring on operational capabilities for overall sales. In March 2019, the Company formed strategic alliance with Rakuten of Japan to create a common customer loyalty program. In addition to mutual accumulation and redemption of points between these two parties, the alliance simultaneously expands cross-border online transactions between Taiwan and Japan, eliminates all breakpoints in the flows of payment, goods and information within Internet service and constructs online and offline borderless and convenient network services. In April of the same year, the Company's subsidiary, Ruten, formed cross-border alliance with eBay of the United States, introducing the 10 million plus items on eBay to Ruten. Through localized Chinese-language interface and payment methods, overseas goods can be delivered directly to home, providing consumers with more diverse cross-border commodity choices. In June, the Company signed a Memorandum of Understanding with Nonghyup Hanaro Mart, expecting to introduce Taiwanese's favorite Korean products and proactively expand our presence in the cross-border e-commerce between Taiwan and South Korea. Through the new alliance model, we can strengthen the service niche of website, significantly increase the depth and breadth of products and services, and provide the most intimate local services and a variety of selections.

4)Continue the brand cultivation strategy, extend into non-3C fields and utilize multi-brand advantage to drive operational momentum

The Company continues to uphold the theme of brand cultivation. Through the three key strategies of Brand Day, debut sales of new models, and establishment of flagship store, we successfully increase our market shares in channels. Besides well-known brands such as Apple, Xiaomi, Samsung, Asus, and Sony where we have formed alliances, we continue to work with original brand manufacturers to organize debut sales and create business opportunities. For instance, the sale of iPhone 11 series, including iPhone 11, iPhone 11 Pro and iPhone 11 Pro Max, brought on a frenzy purchase of all Apple smartphones. We also organized the debut pre-order and pioneer sale of Galaxy S10, Galaxy S10+ and Galaxy S10e, as well as acquired the exclusive pre-order right for Samsung's new flagship model, Note 10+ in Aura Blue. We collaborated with Xiaomi in Taiwan to sell the latest annual flagship model, Xiaomi 9, and new models of the Redmi series. All these factors contributed to the continuous growth in mobile phone sales. We also hold the exclusive sale of Lucia smart speakers, a new highlight in voice economy and sales niche in smart devices. In addition, we earned the exclusive selling right for the latest premium TITAN RTX graphic cards of NVIDIA, boosting our sales momentum in the gaming sector.

While maintaining advantages in 3C brand market, the Company also actively expands into the non-3C areas and opens new malls for daily supplies, beauty care, food, household product, clothing, etc. We form alliances with many international brands to provide consumers goods of superb quality. For instance, we held a flash brand day with P&G and offered exclusive sales for its 14 major daily supplies brands to increase sales momentum of brands; opened the first online direct-sale flagship store of Biotherm Men to strengthen the beauty service of direct-sale store; worked with the leading brand of tire industry, Michelin Taiwan, and set up the one and only online Michelin tires flagship store in e-commerce; and expanded the flagship stores of household product and home appliance brands such as Puma, Huei Yeh and SEMIR to offer comprehensive product selections. We will focus on non-3C markets such as fast-moving consumer goods in the future and br)ing new dimensions to our operation.

5)Successful in the strategy of alliances with multiple payment and logistics partners, and active promotion of smart services and innovative spending experience

The Company proactively executes openness strategies for payments and logistics. In terms of payment flows, there were Citi PChome Prime cobrand card and E. Sun Pi Wallet Credit Card released in 2018 which integrated point redemption and spending as well as strengthened online and offline application fields. In 2019, together with 36 major banks, we continued to promote the PChome top-up bonus program, and connected the seven major mobile payment services, i.e. LINE Pay, Apple Pay, Google Pay, Samsung Pay, Pi Wallet, JkoPay and AFTEE with its shipment first and pay later, to strengthen our operation niche. Moreover, other than LINE shopping guides, we introduced ShopBack service, the largest cashback reward program in Asia Pacific and Taiwan's fastest growing program, and offered unlimited rebates for a limited time. Diverse payment benefits and methods greatly stimulated the overall market consumption.

In 2019, the Company established a logistics center, an innovative unit integrating more than 10 logistics providers and warehousing services to build a strong and powerful logistics planning and support team. It extends the delivery of self-owned fleet from PChome Express Inc. and actively combines different transportation vehicles, distribution models, and logistics partners in various regions to expand the logistics service network. At the same time, the Company cooperates with Chunghwa Post in launching the "i mailbox pickup" service, introducing smart pickup to complete the last-mile service for consumers. Each and every Chunghwa Post i mailboxes can be a physical pickup location. We hope the new delivery model can provide innovative spending experience and achieve the new milestone of smart pickup service in e-commerce.

6)Fully launch the green shopping program and offer 31 brand new types of eco-friendly cartons

The Company is committed to sustainable development, and strives to fulfill its corporate social responsibilities. Following the initiation of e-invoices for corporate accounts in 2018, we launched the "green shopping program" in 2019, aiming to realize sustainability program from the four aspects of “green packaging, green transportation, green warehousing and green payment” and set the standard for green e-commerce.

We used 31 types of newly designed, environmentally friendly cartons in 2019, replacing the old ones with eco-friendly cartons in primary color. The box is made of 100% recycled pulp and the outer layer has small-area printing using environmentally friendly water-based inks that have passed RoHS inspection. The paper has high density which increases its rate of reuse and can thus effectively reduce carbon emissions. In addition, we replaced all traditional light bulbs in our over 70,000 pings warehouses. At present, more than 90% of the area adopts the power-saving LED lighting to effectively save energy. Meanwhile, through big data analysis, the use of shipping cartons is optimized. We save packaging materials and realize the concept of a friendly environment.

After the green purchase program is fully implemented, the carbon emission is estimated to reduce by about 11% per new package, and by 2022, we can effectively cut down more than 1.24 million tons of carbon emissions. We will continue to promote eco-friendly policies in the future and achieve the vision of 100% recycled, zero waste packaging materials, and enter the new era of carbon reduction in e-commerce.

7)Successful festival-making strategy; August Hearty gifts festival, and Double 11 and 12 events all stimulate the sales momentum

The Company is devoted to developing marketing innovations and diverse cross-border strategies to create a new online shopping era where "spending + entertainment" experience continue to escalate, leading new consumption patterns and habits. In 2019, PChome 24h Shopping initiated the "August Hearty gifts festival", which combined Chinese Valentine's Day, Father's Day and Ghost Festival. There were both online and offline activities. We organized a large party at Huashan 1914 Creative Park and offered superb promotions, included Line's 8% rebate for a limited time, bonus reward for Citi PChome Prime co-brand card, exclusive sales at the party, etc. Live streaming of performance from artists of different generations led to an instant influx of online viewers and prompted a 4-time growth in orders received during the party time. The synergy from festival-making strategy came into effect and greatly stimulated operational efficiency.

Furthermore, we hosted the only international Double 11 event for the third consecutive year, inviting many artists and consumers to participate in the celebration. Through live broadcasting at 9 major channels, we set the new record of having more than 1,300 orders per minute. We even collaborated with Line Shopping and launched a time-limited 11% surprise rebate program, prompting 7.5-time orders in a single hour. Hot sales boosted performance and there were close to 100 thousand boxes of shipment in Taiwan within 12 hours, a record surpassing all other e-commerce companies in Taiwan during the Double 11 Festival. Continuing the flash sales in Double 11, we hosted grand full-view concerts for four consecutive days during the Double 12 festival. Through eye-catching performances and multiple reward programs, the year-end gift-giving boom hit another high, prompting the performance of mobile sector to surge significantly. Flourishing sales indicated that the new spending experience of interactive entertainment had been successfully in generating topics and driving overall sales momentum.

8)Actively expand the Group's new services and prompt growth momentum for operation

In order to break new ground in services and meet the consumers' all-round shopping needs, we continue to expand the Group's new services and provide a variety of spending channels. PChome Travel was launched in June 2018, offering more than 200 airline tickets worldwide with over 600,000 hotel listings. It integrates group travel, independent travel, theme travel and other tours to roll out a five-day cherry blossom tour at Naha and Kagoshima by the newest, luxurious World Dream, launched during the 2019 Double 11 Festival, as well as exclusive offers and up to 12-period, interest free installment payment plan. The simple, fast and convenient one-stop service allow consumers to plan their itinerary easily and be ready to travel at any time.

Bibian cross-border e-commerce service was launched in 2019, offering cross-border bidding and purchase agency service. With its original payment and good flows plus five overseas shopping guarantees, it aims to meet Taiwan consumers' cross-border e-commerce needs at full speed. It also seized the opportunity of Double 11 festival and rolled out exclusive celebration activities, including international freight starting at NT$88 per kilogram, Japanese boyfriend/girlfriend for hire, and purchases from famous Tokyo sweet shops. Bibian is linked with Japan websites such as Amazon, Akachan, Loft, etc. and has international logistics and warehouse centers in Japan and the United States, allowing consumers to easily enjoying high-quality foreign products without going abroad.

(2)Competitions

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

1)Market competition accelerates market segmentation; having diverse customer groups is crucial

With fierce industry competitions, robust female consumption in recent year and the rise of X, Y and Z generations, market segmentation is emerging. E-commerce needs to attract different customer groups with innovative marketing practice, e.g. technologies to enhance big data services or adopt AI, so as to stay in tune with consumer needs and provide complete service experience to satisfy rapidly changing consumer demand.

In order to attract diverse customer groups, the Company continues to improve mobile apps, introduces new application interfaces such as the homepage and customer center, and actively develops various types of marketing guides. We use multiple exposures from social media to increase our reach rate of new users. We also create an entertainment + shopping e-commerce model. While integrating online and offline multi-channel and cross-screen platforms to attract the attention of young consumer groups, we actively seek cooperation with various international brands of cosmetics, home appliances, fashion life, etc. to increase preference of female customers at the same time.

Furthermore, we actively build the image of a trendy e-commerce company for ourselves. We adopt the brand differentiation strategy and gain market share via unique product portfolio and hot topic products, and provides comprehensive and speedy delivery services to meet the needs of different customer groups. We will continue to explore innovative services, establish brand uniqueness, and entice different customer groups to join the online shopping market.

2)E-commerce expands business scale and the competition threshold continues to rise

Market shares of brands in Taiwan's e-commerce market are slowly eroded due to rapid changes in consumer market demand, price competition, homogeneity and substitutability of online products as well as low gross profits. Those factors drive participants to persistently improve sales and service quality, and expand the scale of commodities, payment flow, logistics, and customer service. Thus, the competition threshold of the overall e-commerce market continues to rise.

The Company takes up an aggressive stance in integrating service advantages within the Group and confronts external challenges as a group by building ONE PChome which offers cross-domain integrated service to enhance the Group's operational momentum. In 2019, PChome Group evolved around P Points. The One PChome login was activated for Group members. They can now use any one of their service accounts to access ten other services within the Group, realizing maximum benefits of tens of millions of members and at the same time building a P Points ecosystem, integrating online and offline virtual and physical application fields, and connecting consumers' every shopping needs. Through the ONE PChome strategy, the Company set the new record of NT$15.1 billion gross merchandise value during the Double 11 event, a new record-high sale. In the future, we will pool our effort to accelerate the circulation of P Points as a Group and continue to deploy the ONE PChome ecosystem.

(III)Technology and R&D overview

1.Technical level and research and development

PChome Online Inc. has a sound R&D team. The research, development and design of all innovative programs are self-developed by the technical department of the Company. Internal engineers can create the most forward-looking services and products in response to the rapidly changing e-commerce market. The R&D achievements 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, including the integration of supplier development and management, product information management, payment flow/logistics and customer service, logistics and warehousing systems, big data applications and customer cross-selling, etc. Most of the required operating systems and user interfaces are developed and designed by internal engineers. In order to integrate the e-commerce industry chain and take a step further to establish an ecosystem, we concentrate our efforts on customer service and recommender systems for consumers to improve customer satisfaction. Some of the systems have obtained patents or are in the process of submitting patent applications. The patent application for Fastag was approved and granted an invention patent by the Intellectual Property Office, MOEA in early 2020. The R&D

expense in 2019 amounted to NT$484,580 thousand.

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

Unit: NT$ thousands, %

Item \ Year	2019	1st Quarter of 2020
Research and development expenses	484,580	134,809
Net revenue for the year	38,883,580	10,679,518
Percentage to net revenue for the year	1.25%	1.26%

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
Virtual currency cloud serial number exchange and API redemption system	The value of each P Points issued by PChome is equivalent to NT$1. We provide virtual currency cloud serial number exchange and API redemption system for consumers to easily and quickly deduct the full amount of spending on the PChome websites through the point exchange function and mechanism. PChome supports the point exchange management of multiple platforms. Points can be used anywhere in the website or transferred to other platforms for an extension of usage and even the expiration date.
Large platform with multiple payment modules	PChome Shopping currently supports over 20 payment module technologies such as mobile payment, third-party payment, and credit card payments. Strengthen the procedures and processing mechanism of information security control encryption and payment platform data connection to support the payment module in using virtual points and reviewing credit ratings in real time basis. For online application of order cancellation and returns, ensure API communicates with data of payment companies in real time basis for swift and accurate cancellation of authorization and refund.
Connect co-brand credit card data with bank and offer reward services	PChome worked with banks to launch co-branded cards. Members can log in to customer center and enjoy speedy authorization for credit card application. Once the verification is completed, credit card data is transmitted through API and consumers are automatically bounded to the credit card, which can be used in the entire website. There is also a co-brand section, allowing users to be connected to the system so that P Points rewards can immediately be reflected in user accounts after purchases.
Pi Wallet point economy clearing service	"Pi Wallet" provides services that combine payment and point clearing with technologies connecting new portals of SMEs mobile life and starting cloud big data analysis. Through technology integration, it initiates the P Points “Point Economy” and builds the most powerful member ecosystem of e-commerce in Taiwan.
Mechanism to handle instant frenzy purchases of hot-selling commodity	The system has evolved to handle instant frenzy purchases of hot-selling products. By segmenting the system and improving the performance of blocks separately, the overall system performance is enhanced. Multiple commodities are allowed to withstand a sudden surge in traffic so that the service can be completed smoothly. Highly-efficient system not only attract companies to let PChome Shopping handle online flash sales, but also gain increasing customer trust and provide the best shopping experience.

Project Name	Project Details
Automatic discount recommender	PChome Shopping innovates the use of discount coupons and provides smart recommender services. Since AI discount coupons and the discount system with automated recommender can retrieve the best combination of coupons in the fastest way, it shortens the system's prediction and matching time, allowing it to save consumers' time in finding the most favorable discount coupon combination, thereby gaining time freedom, increasing the added value of shopping, and maximizing the consumers' benefits.

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

1.Short-term business development plans

(1)Develop brand differentiation strategy and new cross-sector products to gain market share

The Company adopts the strategies of brand cultivation and diverse new products to seize market share. We continue to set up more specific segments for international well-known brands and online flagship stores of famous brands, and introduce rich branded products. Using the two strategies of “pioneer sale” and “exclusive sale” under focus marketing to develops brand differentiation, we collaborate with big brands using the best resource both parties can offer to standout in the highly competitive market. We also utilize big data analysis to gain insight into consumers 'potential needs and continue to generate win-win benefits from brand multiplier effect.

At the same time, we continue to explore innovative cross-sector cooperation opportunities. For example, we crossed sectors to work with “Mercedes-Benz Taiwan”, sold one-star Michelin Thai hot pot soup base of "baan", and launched the world gold-winning "Fuwan Chocolate x APUJAN" gift box of limited edition. Innovative collaboration models successfully became topics and achieved good sales results. We also joined hands with 17Life to promote the "e-ticket holder" service, and teamed up with well-known beauty brands to create a "beauty alliance", offering consumers better shopping experience.

In the future, the Company will continue to strengthen brand integrity and in-depth cooperation, expand sales scale and establish market uniqueness by developing new cross-sector products to gain market shares. At the same time, we will make progress in frozen fresh food to satisfy daily food demand as well as introduce more exquisite products to attract the high-end customers and persistently create new business opportunities in the market.

(2)Reduce the use of cartons and introduce paperless order dispatch to uphold the green corporate philosophy

In consideration of sustainability, the Company introduced “paperless order dispatch” operation in 2018 in response to the enormous amount of papers used for picking lists. Tablets were used to replace paper picking lists. The paperless operation also allowed the viewing of multiple orders, effectively saving energy and raising work efficiency. Moreover, since warehouse buildings are situated at different locations, the "carton use reduction" was gradually introduced to optimize warehouse system and reduce waste of resources in February 2019. The consumption of cartons can be reduced through big data analysis on product inventories. On average, 1,600 cartons were saved each day.

In June of the same year, we actively promoted the green shopping program. With a unique data system computing technology allowing systems to instantaneously determine the best carton size for the shipment, empty container rate and waste of packaging materials can be greatly reduced. We also plan on introducing e-scooters for our self-operated delivery fleet to reduce carbon emissions and will increase e-vehicles every year. In the future, we will continue to implement carbon reduction plans, uphold the concept of green enterprise, and fulfill our corporate sustainability responsibilities.

2.Long-term business development plans

(1)Gather resources to cultivate e-commerce talents and continue to strengthen the Company's competitiveness

The Company is currently the largest e-commerce group in Taiwan. In order to provide a better spending experience, we continuously upgrade service efficiency internally and actively recruit outstanding talents. At present, we have more than 1,000 employees working together to provide fast, stable and convenient services for consumers throughout Taiwan. We expanded our recruitment program in 2019, releasing a variety of job vacancies in areas of community planning, product planning, marketing planning, website planning, online advertising, cross-border investment invitation, IT big data, etc. with innovative ideas from new recruits, as well as new technologies and products developed by professional teams, we can develop unique features, improve corporate brand image, and create new sales opportunities.

The Company will strive to build employee loyalty, create a friendly work place, and provide a perfect working environment for every employee to realize their expertise and potential. In addition, we are preparing recruitment plans for management trainees and nurture the next-generation e-commerce talents by pooling resources together. At the same time, we will cooperate with the introduction of a new generation of comprehensive education, training and promotion development system, allowing employees to utilize strengths, strengthen professional skills, and enhance personal competence as well as the Company to build corporate competitiveness.

(2)Strengthen warehousing efficiency and build No. 1 smart international e-commerce logistics park in Taiwan

Seeing the growing business opportunities in cross-border e-commerce, the Company obtained the application qualification of "Logistics Center of Chunghwa Post Logistics Park" in 2019 and officially signed the contract with Chunghwa Post Co., Ltd. We will lease 15 storage units in 2021, covering an area of 17.14 hectares. The center is located near the Airport Rapid Transit Station A7 and only 30-minute drive from Taipei City and Taoyuan Airport, which greatly facilitates our development in cross-border logistics. We expect to build the No.1 smart international e-commerce operation park in Taiwan.

In addition, the park is expected to incorporate the three key features of automated warehousing, energy-saving management, and safety and disaster prevention. Details cover intelligent technology, data and communication technology utilization, big data analysis, self-owned logistics cloud, etc. The direction and volume of goods will be monitored at all time with an increased processing and storage volume and enhanced distribution efficiency. It will also promote a logistics sharing platform for information and resource exchange. Once completed, it will accelerate the integrated development from environmental, economic and social aspects. The park is expected to become the number one smart cross-border logistics operation center in East Asia in the future, leading Taiwanese SMEs to the global market and continuing to assist the development of overall industry and environmental sustainability.

(3)Operate globally and expand the international cross-border market

The robust development of cross-border e-commerce has become an important driving force for the global economy and trade. Seeing the huge business opportunities in the Southeast Asian, the Company continues to promote cross-border e-commerce services. In 2019, the affiliate, PChome Global Shopping, participated in the “2019 Taiwan & Malaysia Online Shopping Festival”, a 7-day cross-border online sales event. Marketing resource in Taiwan and Malaysia were pooled together and more than 450,000 types of products with great value were available. There was even direct delivery of hot-selling products. The event brought on strong sales momentum. In addition, the affiliate, PChome Thai, promoted a free-shipping festival, namely the "11.11 The Taiwanese Crazy Sale" during the Double 11 period, where over 500,000 Taiwanese products were available to be shipped directly to Thailand free of charge. The company gained market share using products of great value, creating new opportunities in e-commerce operation of Thailand.

In order to proactively pave the way to nations in the new southbound policy, the Company will persistently promote cross-border services, assist Taiwan's quality SMEs to sell quality Taiwanese products of great value to overseas markets conveniently and quickly, and build brand and product power to execute differentiation strategy. At the same time, we are committed to integrating cross-border service resources, improving the service efficiency of payment and logistics flows, and promoting localized services. Through precise marketing, we can target specific consumer groups, offer unique shopping experience, and create a new niche for cross-border sales.

II.Market and Sales Overview

(I)Market analysis

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

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

Unit: NT$ thousands

Year / Region	2018		2019	
	Sales Amount	Percentage (%)	Sales Amount	Percentage (%)
Domestic sales	34,577,028	99.95	38,866,932	99.96
Overseas sales	17,336	0.05	16,648	0.04
Total	34,594,364	100	38,883,580	100

2.Market share, future supply and demand, and growth

(1)Market share

1)PChome 24h Shopping is again the champion of domestic B2C online shopping platform with high market share

According to online shopping survey conducted by Market Intelligence & Consulting Institute of Institute for Information Industry in 2019, PChome 24h Shopping remained the champion as the most popular B2C online shopping platform. In the highly competitive e-commerce market in Taiwan, the Company is the number one choice for online shopping. The survey report also shows that e-commerce platforms have become the main channel for consumers to make daily purchases, and the frequency and spending of online shopping are increasing every year.

As the largest comprehensive Internet service group in Taiwan, we possess different modes of operation platforms, e.g. B2C, C2C, B2B2C and others, and aggressively expand services into fields such as payments and overseas cross-border markets. We remain committed to pursuing innovation and driving the speed revolution of e-commerce in Taiwan. Have high market share and customer satisfaction, we have received multiple external recognitions. With diverse product types, we offer one-stop shopping service to meet consumers' every daily need. We also integrate logistics resources and warehousing service innovation, launch self-owned fleet program, and strengthen the delivery efficiency within Taiwan to advance our speedy delivery service. We will continue to accelerate the development of PChome ecosystem and proactively seek cooperation opportunities with external parties to maintain the innovative development of our dominant brand position.

2)"Cross-border E-commerce Expansion Plan" - PChome Global Shopping expands into Europe, the United States and Southeast Asia markets

Online e-commerce platforms are major channels for global trade. We have started PChome Global Shopping service in July 2010, providing international online shopping services to consumers in 104 countries and territories around the world. Australia, China, the United States, Hong Kong and New Zealand are currently the dominating cross-border sales nations.

In 2019, the Company proposed the "PChome Cross-border E-commerce Expansion Plan". Collaborating with international e-commerce partners, we expanded our presence to high spending markets of Europe and the United States as well as carried out mutual cross-border trades and promotion strategies in major markets of the new southbound policies in the Southeast Asia, and Japan and Korean markets in Northeast Asia. Countries covered by the plan included the United States, the United Kingdom, Australia, China, Singapore, Malaysia, Thailand, etc. Our customer group was extended from overseas Chinese to Europe and the United States as well as non-Chinese markets. Through the combination of technology innovations and AI technology, PChome Global Shopping broadened its marketing target of Chinese and Taiwanese overseas students in the past to all non-Chinese regions. It expanded its target members, increased the visibility of Taiwanese brands, and created new directions for cross-border e-commerce connection to forge a larger cross-border economy of scale.

(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

The Company's PChome 24h Shopping possesses dominating advantages which include being 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 debuts of new models as well as the acceptance of payments from 36 major banks with up to 30-period, interest free installment payment plans. It also implements the brand cultivation strategy to increase its market shares in all channels and aggressively integrates its brand resource advantages to differentiate itself in the highly competitive market and create sales niche.

In addition, there were several good news from our 3C product sales. We commenced the sale of Apple's brand new “iPhone 11” series in the second half of 2019. The sales exceeded NT$100 million within 30 minutes and over 60% of the orders came from mobile end. The in-stock sales with 24-hour delivery service were significantly more demanding on our preparation work and services. Moreover, we exclusively launched insurance covering cracked screens of iPhones with Cathay Century Insurance. Through our PChome Express Inc., new phones were dispatched to consumers in the 12 administrative districts of Taipei City immediately after orders were placed. The fastest record was buyers in Neihu District receiving their phones within 2 hours after ordering. The overall sales momentum of mobile phone was again boosted.

B.Focus on female and new-generation customers and expand brand identification through cross-sector innovative cooperation

Female spending power is increasing every year. In order to target business opportunities from the female economy and young groups, the Company invited well-known celebrity Ning Chang as “PChome brand spokesperson” for the first time in 2019. Through “fan economy”, an emerging type of economy, and celebrity influence, we increase Internet stickiness of female and new generation consumers, enhance their awareness of our brand image, and thereby expand customer base and brand identification. In addition, during the Double 11 Festival in 2019, the Company cooperated with 86 Shop, UNT, BeautyMakers and BeautyEasy under PayEasy and other cosmetics brands. With unique features and resources of each brand, over 5,000 products were sold during the initial sales. We aggressively target female consumers fond of beauty products. At the same time, we organized the grand opening of "TTM" beauty shop, introducing facial masks which have won the British Pure Beauty Awards for six years and also known as the "MIT facial masks conquering France". Consumers can thus experience high-quality new facial masks. We proactively seize female business opportunities.

In order to establish a connection with young consumers, the Company cooperates with the highly popular live broadcast platform "LiveMe" to gradually incorporate video/audio interactions as a part of consumption. We also held a number of large offline activities to increase recognition through consumers' daily entertainment communication channels. Moreover, we invite young singers and idols to our entertainment activities, and continue to expand events such as "Fantastic 88 Carnival" where artists from different generations came together. Interactive games, scenario experience and other activities are also available with elements of entertainment, culture and creativity, brand, music, etc. incorporated. Double 11 and 12 festivals combine entertainment and shopping aspects into concerts, creating a variety of consumer experiences and scenarios which effectively enticing the participation of young consumer groups and greatly driving overall spending.

C.Integration of virtual and physical spending experience with comprehensive deployment in O2O life

In April 2019, PChome 24h Shopping formed exclusive alliance with Walt Disney (Taiwan) to be the sole e-commerce partner in Taiwan for the promotion and advertisement of the Marvel movie, "Avengers: Endgame". For online activities, we created a webpage with the theme of Marvel super heroes. As for offline activities, we set up a large-sized movie logistics box as a scenario experience space. Consumers can scan QR Code with mobile phones to purchase Marvel movie peripheral products. We created a new type of online shopping entertainment experience where consumers could shuttle between the movie and the real worlds. Furthermore, in November of the same year, we organized the key event of e-commerce, the Double 11 Festival, for the third consecutive year. Through festival spree strategies including online sales, payment rebates, and bonus activities, we set the record of receiving over 1,000 orders per minute. We continued to combine online virtual and offline physical experience and escalated the “spending + entertainment” interactive model to simulate the overall operation momentum.

PChome 24h Shopping has actively developed marketing innovations and diversified cross-border strategies in recent years. It has continued to explore innovative spending patterns and habits. For the first time, it joins hands with 17Life, the number one coupon selling website in Taiwan, to promote the "e-ticket holder" service and sell e-coupons. Nearly one hundred well-known brands and about 300 types of products are available, including food, hotel accommodation, beauty and aesthetics, travel tickets, and experience courses. Once customers access the e-ticket holder section, they can manage all coupons and leave the inconvenience of carrying a traditional paper voucher and safekeeping it for a long period of time behind. The redemption process is simple and convenient. It integrates online and offline spending patterns with multiple payment rebates, providing consumers refreshing experience and effectively boosting traffic, number of participants and sales.

D.Further optimization of mobile interface and customer center with continuous improvement on customer confidence and satisfaction

The Company values spending experience. The PChome 24h Shopping app has undergone major revisions and updates in 2019, including system operation, and optimization of homepage and customer center. The revisions have achieved good results, providing a simple and smooth interface, pictorial representation of product categories, tracking of favorite products, simple search, customer center service upgrades, various marketing guides, etc., to build a user-centric shopping environment. It helps to increase consumer satisfaction and in turn maintain the acceleration in the growth of mobile-end performance, as well as effectively increases consumer purchase rates and membership activity.

The customer center of PChome 24h Shopping has been established for more than ten years. It has built a complete customer satisfaction system with the focus on customers and the goal of high customer satisfaction. It requires in-depth understanding and communication on customer feedback and the problem categories established covers shipment progress, delivery quality, repair and warranty, etc. An automated response system is in place, interpreting the order status according to the problem type, and customizing the response messages, which not only shortens customers' waiting time, but also improves service quality, and thereby customer confidence. It builds a more friendly and humane shopping environment.

E.Proactively develop "fresh food sales service" and upgrade the warehousing logistics service of frozen goods

The Company observes consumer demand through sales data and actively develops various e-commerce service models. It officially launched the trial operation of "fresh food sales service" in November 2019, upgrading internal service processes and system settings. It started the home delivery of frozen soup base from baan, a one Michelin star Thai cuisine. Consumers can enjoy the food after simple cooking, satisfying their need to taste the dishes of famous chefs without going out. At present, more than 1,000 frozen foods have been sold through the platform and well-known brands such as I-Mei and Green & Safe have joined the operation. We will continue to provide high-quality and differentiated products to offer consumers a comprehensive service experience.

In addition, in order to provide full support to the home delivery of fresh food, the Company will continue to create sound logistics conditions in 2020. With storage facilities for frozen, refrigerated and room temperature goods, we build a complete cold chain with temperature control all the way and home delivery services. We plan to offer delivery with specific arrival time and continue to expand the fresh food sales of e-commerce so as to meet the daily needs of consumers.

2)PChome Thai explores local ecosystem and expands cross-border e-commerce market

In order to explore the enormous potential and business opportunities of e-commerce in the Southeast Asia, our subsidiary, PChome Thai, has deeply cultivated the local e-commerce ecosystem and continued the cross-border e-commerce service strategy. Upon approval from Thailand's Ministry of Finance in January 2019, PChome Thai obtains two e-payment licenses, including the permit to provide credit card payment service and other types of e-payment services such as bank transfers. It also offers new services such as conducting receivables and payables collection business and order management specifically for buyers and sellers of social media, including the commonly used Facebook and Instagram, providing diverse scenario trading experience.

PChome Thai has more than 2 million products. In 2018, it cooperated with the Taipei City Government and the Taiwan External Trade Development Council (TAITRA) to create the "Taipei Good Store" and "PChome Thai Taiwan Store", respectively. It provides a more convenient and friendly operating environment for Taiwanese SMEs. To increase B2B and B2C sales opportunities, it joined forces with the Office of Small and Medium Enterprises Promotion with support from Thai government in March 2019 and participated in the Thai "SME ONLINE plan". Through PChome Thai, a two-way cross-border e-commerce service is created, bringing quality goods from Taiwan to Thailand and representative products of Thailand to Taiwan. The trading accelerates the circulation of e-commerce markets in Thailand and Taiwan, expand the scale of the cross-border e-commerce market, and meet the diverse shopping needs of Taiwan consumers.

3)Keystone Innovation Venture Capital Co., Ltd. announces its investment results of the first quarter with the goal of nurturing Taiwanese startup unicorn enterprises

To assist startup teams in Taiwan, the Company and Chunghwa Telecom jointly established the venture capital fund of "CHT-PCH NO.1" in 2018. By pooling together resources of the Company and Chunghwa Telecom and through management and investment assessments of Keystone Innovation Venture Capital Co., Ltd., the joint venture connects Asia region with international resources. Via long-term practical experience and skilled data analysis, it can provide comprehensive recommendations to startup teams, assisting them to grow in Taiwan and even expand to overseas markets.

In April 2019, Keystone Innovation Venture Capital Co., Ltd. released its first-quarter investment targets, which were "FundPark", a Hong Kong online trade finance platform specifically providing financing schemes to SMEs; “USPACE”, a company located in Taipei and starts from sharing economy to develop matching service for shared parking lots in the metropolitan area; as well as Singapore-based "ShopBack", the largest cashback reward platform in the Asia Pacific region. It is optimistic about the development potential of each startup team and expects to invest more than 20 startup teams in the future, continuing to support the early development of startup entrepreneurship ecosystem in Taiwan through actions and aiming to nurture Taiwan's startup unicorns.

(3)Growth

1)Advanced AI big data for precise analysis and product selection, and smart payment flow and logistics to optimize operation

The Company has been cultivating in Taiwan for more than 20 years and enjoys booming developments in various network services. We quickly accumulate a large amount of consumption data and carry out analysis via AI big data to optimize product selection and payment and logistics services. We are in command of various types of data for appropriate allocation of overall capacity. In order to fully handle the large volume of orders and logistics, we have activated the big data analysis management during the Double 11 festivals in the past two years, including the establishment of hot-selling product selection models, recommendation on optimal payment flows, and smart recommendation on logistics packages. We even upgrade the analysis management to version 2.0 to drive the continuous growth of operation momentum.

2)Extend presence in cross-border e-commerce, develop smart logistics parks, and improve overall warehousing and logistics capacity

The Company will activate the "Logistics Center of Chunghwa Post Logistics Park” in 2021 in response to the trends of global market and the rapid development of demand in the domestic market. The park will incorporate key features of automated warehousing and smart logistic technology, including logistic sharing platform for integration and allocation of logistic partners on a real time basis to push for maximization of logistic capacity, and others such as smart logistic packaging recommendation system, where shipment is computed and the most appropriate boxes are recommended based on shipment volume to improve the processing volume of shipment and number of goods stored as well as enhance efficiency and delivery capacity. We strive to build the No. 1 smart logistic park for e-commerce in Taiwan.

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

(1)Competitive niches

1)Integration and sharing of Group resources and comprehensive development of network services in all fields

We are the largest Internet service provider group in Taiwan. After nearly two decades of hard work, we now own B2C, C2C, B2B2C and other modes of operation platforms, and actively expand payment, overseas cross-border markets, communication, digital learning and other network services of different fields. We integrate resources and share and enjoy mutual benefits to accelerate the construction of ecosystem and meet consumers' all-round daily needs. In view of the current development of global e-commerce, Taiwan is one of the very few regions with three different models at the same time. Looking at the development of global e-commerce, transaction amount and the number of purchasers are growing rapidly year by year, which are beneficial to the Company's development of innovative business and extension of diverse services.

2)The Group's business strategies are forward-looking with international perspectives

In order to expand our "cross-border e-commerce" territory, we launched the "PChome Global Shopping" website in traditional Chinese and simplified Chinese to provide international online shopping services to overseas Chinese. In 2019, we aggressively carried out cross-border alliance strategies by cooperating with Rakuten of Japan, eBay of the United States, and Nonghyup Hanaro Mart of South Korea to greatly expand the depth and breadth of goods and services and bridge the breakpoints in the flows of payment, goods and information encountered by consumers. Those alliances not only build our image and reputation overseas, there are many overseas Chinese loving the Company's shopping service quality and products, which help to improve the overall image of the industry worldwide. At the same time, the Company enhances forward-looking competitiveness of innovation and international operation capacities as well as talent development.

The Company has over 2 million types of products in stock, and there are over 5 million types of products available online, indicating that the operation has reached certain scale. To fulfill our commitment of 24-hour home delivery, we proactively seek opportunities to work with different types of logistic partners, including scooter delivery and convenient store pick-up. We even initiated the self-owned delivery fleet project in 2018 by expanding our own logistics team and establishing a 100%-owned subsidiary, “PChome Express Inc.”, to provide logistic services for B2B, B2C and B2B2C e-commerce and effectively improve the overall delivery capacity so that customers to enjoy better spending experience.

3)The only local e-commerce company receiving the Happy Enterprise Award with highly-recognized diverse innovative corporate value

We uphold the spirit of “Everyday Reliable” and our performance received national level recognition. Not only did we win the qualification for government assistance in the 2nd Taiwan Mittelstand Awards of MOEA, we worked toward being a Mittelstand with potential recognized by the government. The Company continued to win awards in 2019. We won the “2019 Happy Enterprise Award” in the “Computer/Consumer Electronics Category”. Our corporate value, operational performance, customer satisfaction and friendly workplace are highly recognized and we are the only local e-commerce enterprise receiving the award. Besides, we received the Golden Torch Award from Outstanding Enterprise Management Association in the same year and won the two major awards of "Top Ten Outstanding Enterprise Award" and "Customer Satisfaction Excellence Award". In the future, we will continue to build a friendly workplace, and promote comprehensive sustainable development to create diverse and innovative e-commerce services. The analysis on current competitive advantages and strategies is as follows:

A.The Company has been cultivating the local e-commerce for many years. We are the first online shopping company that is listed on the Taipei Exchange, with transparent financial information, high degree of brand recognition and outstanding performance in brand management.

B.Through advantages from the Group's scale, we introduce innovative services in line with market environment and internal planning, expand our operation into global e-commerce market, integrate platform's marketing resources and persistently develop competitive products and services.

C.We promote the "speed economy" revolution of Taiwan e-commerce and pioneer the 24-hour delivery service in Taiwan, allowing Taiwan consumers to enjoy the one-day e-commerce living sphere. We lead the full-scale evolution of e-commerce services in Taiwan and improve service quality from all angles.

D.We develop our own IT system platform and warehouse management system, and establish the first logistic company run by an e-commerce company in Taiwan to strengthen our delivery capacity. Moreover, we continue to introduce AI and improve logistics speed and product line integrity to be the leading brand of innovative development in the industry.

E.We maintain the characteristics of a young e-commerce industry, and regard human resource as a crucial asset. We plan to introduce comprehensive education, training and promotion systems to improve the professional skills of employees and thereby strengthen the Company's competitiveness.

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

1)Favorable factors:

According to the online shopping survey conducted by Market Intelligence & Consulting Institute of Institute for Information Industry in 2019, the frequency of online shopping of Taiwanese internet users is approaching physical shopping in terms of daily spending. Around 4.5 out of 10 shopping is done via online channels. Favorable factors for the development prospects of online shopping in comparison to other retail channels are as follows:

A.Increasing dependence on mobile shopping, the rise of "fingertip shopping"

The era of the Internet and social media is booming, and people's dependence and stickiness to the Internet have increased. Online shopping has become a way of life. As the weighting of "fingertip shopping" rises, the focus on e-commerce industry is increasing.

B.New type of retail which integrates virtual and physical shopping is becoming the trend, facilitating the creation of a member ecosystem

The new retail model integrates virtual and physical shopping and changes consumers' behaviors. Also, our government is accelerating the promotion of mobile payment schemes, which prompts the vigorous development of payment experience and becomes a favorable factor in the establishment of member ecosystem. It will bring enormous spending potential to the retail industry in Taiwan.

C.Robust global online shopping prompts internationalization of e-commerce industry

Internet has no boundaries. Unimpeded global Internet transactions prompts the growth of overseas shopping, which facilitates the creation of cross-border e-commerce. Taiwan's e-commerce industry is heading towards internationalization.

D.Consumer expectations accelerate the development of e-commerce industry

According to the industry report issued by Market Intelligence & Consulting Institute of Institute for Information Industry in 2019, more than 70% of consumers are willing to make purchases during the Double 11 festival, which exceeds the level of participation in department stores' anniversary sales. Thus, it is obvious that consumers' awareness of festival-making activities is deepening and we have succeeded in promotion volume, boosting the sales of e-commerce industry.

2)Unfavorable factors and response measures:

A.Fierce competition in the domestic and overseas market

Response measures:

Amid fierce competitions, many companies in the international Internet and retail industries start to enter the Taiwan's e-commerce industry. In the face of rapid changes in the environment, we proactively develop our own advantages from mobile user experience, precision marketing, product supply chain enhancement and member management. During 2019 Double 11 Festival, we pooled together Group resources to initiate the "ONE PChome" strategy, where over 10 million members of PChome could use any one of their service accounts to access the Group's ten major services, e.g. PChome 24h Shopping, PChomestore, Ruten, Pi Wallet, PChomePay, PChome Travel, PChome Thai, PChome Portal Site, and Bibian. With the use of P Points, both online and offline application scenarios were extended and over NT$10 billion sales were generated, which accelerated the development of PChome ecosystem. We continue to be leading the trends in e-commerce in Taiwan.

B.The lack of logistic capacity in Taiwan and the scale of e-commerce market limited by population

Response measures:

The domestic e-commerce industry continues to flourish, but logistics capacity gradually approaches saturation. As delivery demand continuously rises, we improve our overall warehousing and logistic capacities through self-operated logistic company, increasing logistics partners and adopting AI and big data systems. For example: we prepare seasonal goods in advance to improve warehousing efficiency; allocate delivery capacities on real time basis through our own logistics fleets as well as more than 10 logistics partners to provide convenient, fast and quality services; develop smart warehousing to control the direction and volume of the flows of goods and thereby increase the processing volume and the number of commodities stored, and even promote a logistics sharing platform where information and resource are intercommunicated to optimize overall distribution performance.

In addition, Taiwan's population has negative growth since 2020. While continuing to cultivate the Taiwan market, the Company has actively promoted the cross-border e-commerce brand of PChome Thai and service platforms of different types, such as Bibian overseas purchase agency service, to meet the diverse spending demand in order to broaden market opportunities.

(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 with 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	2018		2019	
	Overseas Sales	Domestic Sales	Overseas Sales	Domestic Sales
E-Commerce	17,336	34,332,730	16,648	38,493,839
Others	0	244,298	0	373,093
Total	17,336	34,577,028	16,648	38,866,932

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		2018	2019	Up to the Publication Date of Annual Report in 2020
No. of employees	Sales personnel	1,652	1,528	1,526
	R&D personnel	195	223	223
	Administrative personnel	69	67	64
	Total	1,916	1,818	1,813
Average age		33.6	33.8	33.8
Average Years of Service		4.12	4.62	4.59
Educational background (%)	Ph.D.	0%	0%	0%
	Master's degree	7.5%	8.0%	8.0%
	Bachelor's degree and associate degree	63.5%	66.3%	66.3%
	Senior high school	26.3%	23.3%	22.9%
	Below senior high school	2.7%	2.5%	2.5%

IV.Environmental Protection Expenditure

The Company's aggregate loss for environmental pollution (including compensation and violations of environmental laws and regulations identified by environmental protection audits, where the punishment date and official document number, articles violated, and details of the violation and punishment shall be explicitly stated) in the most recent fiscal year up to the publication date of this annual report, and disclosure of potential losses at present and in the future and countermeasures. If the losses cannot be reasonably estimated, reasons shall be stated: 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 in the most recent fiscal year and up to March 31, 2020 are shown below.

Course	Total number of employees	Total hours	Total costs (NT$ thousands)
Orientation training	3,721	3,872	1,637
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 (including violations of Labor Standards Act identified during labor inspections, where the punishment date and official document number, articles violated, and details of the violation and punishment shall be explicitly stated) 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. If the amount cannot be reasonably estimated, please state the reasons.

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

List parties, major content, restrictive clause, and commencement date and expiration date of supply/distribution contracts, technical cooperation contracts, engineering contracts, long-term loan contracts, and other material contracts that would affect shareholders' equity, where the contracts were either effective as of the date of publication of the annual report or expired in the most recent year.

April 30, 2020

Nature of Contract	Counterparty	Contract Period	Details	Restrictive Provisions
Contract	Chunghwa Telecom Co., Ltd.	2019.08.01 ~ 2020.07.31	Co-location	None
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 of the Most Recent Five Years (Note 1) 2015	2016	2017	2018	2019	Financial Information for the Three Months Ended March 31, 2020
Current assets		5,624,462	5,948,986	5,484,052	5,843,149	5,880,642	
Property, plant, and equipment		203,516	324,422	509,789	443,799	440,998	
Intangible assets		28,274	45,025	44,192	24,040	44,812	
Other assets		1,722,167	1,771,137	2,234,839	1,065,849	4,605,614	
Total assets		7,578,419	8,089,570	8,272,872	7,376,837	10,972,066	
Current liabilities	Before distribution	2,523,978	2,810,141	3,543,049	3,632,034	4,807,561	
	After distribution	3,047,038	3,357,610	3,543,049	3,632,034	4,889,573(Note 2)	
Non-current liabilities		51,499	39,876	12,827	811,070	3,121,735	
Total liabilities	Before distribution	2,575,477	2,850,017	3,555,876	4,443,104	7,929,296	
	After distribution	3,098,537	3,397,486	3,555,876	4,443,104	8,011,308(Note 2)	
Equity attributable to owners of parent company		5,002,942	5,239,553	4,716,996	2,933,733	3,042,770	
Capital		998,549	1,103,161	1,171,595	1,171,595	1,171,595	
Capital Surplus		2,498,301	2,497,037	2,507,459	2,507,423	1,722,411	
Retained Earnings	Before distribution	1,510,362	1,642,136	1,042,062	(790,347)	100,564	
	After distribution	987,302	1,094,667	1,042,062	0	18,552(Note 2)	
Other equity		(4,270)	(2,781)	(4,120)	45,062	48,200	
Treasury stock		0	0	0	0	0	
Non-controlling interests		0	0	0	0	0	
Total Equity	Before distribution	5,002,942	5,239,553	4,716,996	2,933,733	3,042,770	
	After distribution	4,479,882	4,692,084	4,716,996	2,933,733	2,960,758(Note 2)	

Note1: Financial information from 2015 to 2019 has been audited and certified by CPAs.

Note2: 2020/3/26 Amount approved by the board of directors.

2.Condensed consolidated balance sheets - IFRS

Unit: NT$ thousands

Item \ Year		Financial Information of the Most Recent Five Years (Note 1) 2015	2016	2017	2018	2019	Financial Information for the Three Months Ended March 31, 2020 (Note 1)
Current assets		9,359,296	9,817,358	10,772,761	10,265,101	11,045,195	11,216,555
Property, plant, and equipment		257,493	377,923	574,409	541,005	584,976	572,427
Intangible assets		38,336	53,541	49,850	28,224	153,710	157,131
ther assets		301,756	282,289	220,436	326,579	3,473,866	3,342,149
Total assets		9,956,881	10,531,111	11,618,909	11,160,909	15,257,747	15,288,262
Current liabilities	Before distribution	4,215,202	4,516,193	6,445,837	6,369,104	7,832,514	8,027,737
	After distribution	4,738,262	5,063,662	6,445,837	6,369,104	7,914,526(Note 2)	Not applicable
Non-current liabilities		14,426	22,405	18,264	1,368,261	3,658,149	3,530,520
Total liabilities	Before distribution	4,229,628	4,538,598	6,464,101	7,737,365	11,490,663	11,558,257
	After distribution	4,752,688	5,086,067	6,464,101	7,737,365	11,572,675(Note 2)	Not applicable
Equity attributable to owners of parent company		5,002,942	5,239,553	4,716,996	2,933,733	3,042,770	3,017,065
Capital		998,549	1,103,161	1,171,595	1,171,595	1,171,595	1,171,595
Capital Surplus		2,498,301	2,497,037	2,507,459	2,507,423	1,722,411	1,722,438
Retained Earnings	Before distribution	1,510,362	1,642,136	1,042,062	(790,347)	100,564	121,616
	After distribution	987,302	1,094,667	1,042,062	0	18,522(Note 2)	Not applicable
Other equity		(4,270)	(2,781)	(4,120)	45,062	48,200	1,416
Treasury stock		0	0	0	0	0	0
Non-controlling interests		724,311	752,960	437,415	489,811	724,314	712,940
Total Equity	Before distribution	5,727,253	5,992,513	5,154,411	3,423,544	3,767,084	3,730,005
	After distribution	5,204,193	5,445,044	5,154,411	3,423,544	3,685,072(Note 2)	Not applicable

Note1: Financial information from 2015 to 2019 has been audited by CPAs and financial information of the first quarter of 2020 has been reviewed by CPAs.

Note2: 2020/3/26 Amount approved by the board of directors.

(II)Condensed statement of comprehensive income

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

Unit: NT$ thousands

Item \ Year	Financial Information of the Most Recent Five Years (Note 1)					Financial Information for the Three Months Ended March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	19,893,565	22,675,224	26,965,853	32,113,665	36,308,415	
Gross profit	3,051,718	3,623,864	3,907,416	3,912,699	4,310,956	
Operating income (loss)	735,250	897,232	790,239	326,915	427,285	
Non-operating income and expenses	190,461	34,502	(627,427)	(1,274,707)	(214,813)	
Income before income tax	925,711	931,734	162,812	(947,792)	212,472	
Net income of continuing operations	777,839	765,992	36,490	(994,643)	162,437	
Loss from discontinued operations	0	0	0	0	0	
Net income (loss) of the period	777,839	765,992	36,490	(994,643)	162,437	
Other comprehensive income of the period (net of tax)	(4,662)	(5,057)	2,576	9,849	2,426	
Total comprehensive income	773,177	760,935	39,066	(984,794)	164,863	
Net income attributable to owners of parent	777,839	765,992	36,490	(994,643)	162,437	
Net income attributable to non-controlling interests	0	0	0	0	0	
Total comprehensive income attributable to owners of parent	773,177	760,935	39,066	(984,794)	164,863	
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	
Earnings per share	7.46	6.54	0.31	(8.49)	1.39	

Note1: Financial information from 2015 to 2019 has been audited and certified by CPAs.

2.Condensed consolidated statement of comprehensive income - IFRS

Unit: NT$ thousands

Item / Year	Financial Information of the Most Recent Five Years (Note 1)					Financial Information for the Three Months Ended March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	22,880,411	25,742,560	29,415,177	34,594,364	38,883,580	10,679,518
Gross profit	3,933,988	4,406,661	4,438,009	4,298,457	4,589,608	1,271,584
Operating income (loss)	1,051,429	1,055,994	(210,154)	(1,726,844)	277,916	145,357
Non-operating income and expenses	30,446	10,322	(11,940)	27,041	(45,901)	1,380
Income before income tax	1,081,875	1,066,316	(222,094)	(1,699,803)	232,015	146,737
Net income of continuing operations	852,584	824,358	(391,745)	(1,766,873)	141,694	103,000
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) of the period	852,584	824,358	(391,745)	(1,766,873)	141,694	103,000
Other comprehensive income of the period (net of tax)	(7,800)	(5,307)	3,360	6,447	(2,526)	(47,142)
Total comprehensive income	844,784	819,051	(388,385)	(1,760,426)	139,168	55,858
Net income attributable to owners of parent	777,839	765,992	36,490	(994,643)	162,437	103,064
Net income attributable to non-controlling interests	74,745	58,366	(428,235)	(772,230)	(20,743)	(64)
Total comprehensive income attributable to owners of parent	773,177	760,935	39,066	(984,794)	164,863	56,280
Total comprehensive income attributable to non-controlling interests	71,607	58,116	(427,451)	(775,632)	(25,695)	(422)
Earnings per share	7.46	6.54	0.31	(8.49)	1.39	0.88

Note1: Financial information from 2015 to 2019 has been audited by CPAs and financial information of the first quarter of 2020 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 Opinions
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
2019	KPMG	Chung-I Chiang, 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	Year	Financial Analysis of the Most Recent Five Years (Note 1) 2015	2016	2017	2018	2019	Financial Information for the Three Months Ended March 31, 2020
Financial Structure	Debt ratio (%)	33.98	35.23	42.98	60.23	72.27	
	Long-term fund to property, plant and equipment ratio (%)	2,483.56	1,627.33	927.80	663.40	690.96	
Liquidity Analysis	Current ratio (%)	222.84	211.70	154.78	160.88	122.32	
	Quick ratio (%)	204.37	189.16	126.81	124.61	85.83	
	Times interest earned (times)	--	11,946.31	198.59	(111.71)	5.26	
Operating Performance	Average collection turnover (times)	82.79	86.86	83.59	64.00	50.91	
	Days sales outstanding	4.4	4.2	4.4	5.7	7.17	
	Inventory turnover (times)	39.23	35.68	29.19	25.33	21.66	
	Average payment turnover (times)	9.00	9.44	9.50	10.39	11.35	
	Average inventory turnover days	9.3	10.2	12.5	14.4	16.9	
	Property, plant and equipment turnover (times)	97.75	69.89	52.90	72.36	82.33	
	Total assets turnover (times)	2.63	2.80	3.26	4.35	3.31	
Profitability	Return on assets (%)	12.78	9.78	0.45	(12.62)	2.22	
	Return on equity (%)	21.84	14.96	0.73	(26.00)	5.4	
	Net income before income tax to paid-in capital ratio (%)	92.71	84.46	13.90	(80.90)	18.14	
	Net margin (%)	3.91	3.38	0.14	(3.10)	0.45	
	Earnings per share (NT$)	7.46	6.54	0.31	(8.49)	1.39	
Cash Flow	Cash flow ratio (%)	26.84	36.40	31.90	(29.47)	30.22	
	Cash flow adequacy ratio (%)	156.76	142.76	136.36	78.62	90.15	
	Cash flow reinvestment ratio (%)	5.26	8.71	10.46	(24.07)	35.08	
Leverage	Operating leverage	3.08	3.02	3.52	7.86	6.56	
	Financial leverage	1.0	1.0	1.0	1.03	1.13	

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: The increase from the previous period was mainly due to right-of-use assets and liabilities recognized under IFRS 16, which led to an increase in assets and liabilities and consequently the ratio.

2.Long-term fund to property, plant, and equipment ratio: The decrease from the previous period was due to recognitions under IFRS 16, which led to an increase in long-term liabilities and consequently the ratio.

3.Times interest earned: The decrease from the previous period was mainly due to a larger decrease in the absolute value of income before income tax in 2019 comparing to the absolute value of loss before income loss in 2018.

4.Return on assets: The increase from the previous period was mainly due to an increase in net income of the period, which resulted in a positive ratio and consequently the increase in ratio.

5.Return on equity: The increase from the previous period was mainly due to net income of the period comparing to net loss in the previous period and a decrease in net shareholders' equity.

6.Net income before income tax to paid-in capital ratio: The increase from the previous period was mainly due to net income of the period comparing to net loss in the previous period.

7.Net margin: The increase from the previous period was mainly due to net income of the period comparing to net loss in the previous period.

8.Earnings per share: The increase from the previous period was mainly due to net income of the period comparing to net loss in the previous period.

9.Cash flow ratio: The increase from the previous period was mainly due to net cash inflows from operating activities in 2019 whereas the promotion of personal stores in 2018 drove up the corresponding marketing expenses for the period.
10.Cash flow adequacy ratio: The decrease from the previous period was mainly due to decreases in net cash inflows from operating activities in the past five years.
11.Cash flow reinvestment ratio: The increase from the previous period was mainly due to an increase in net cash inflows from operating activities in 2019.
12.Operating leverage: The increase from the previous period was mainly due to operating income in 2019 comparing to operating loss in 2018.
13.Financial leverage: The increase from the previous period was mainly due to operating income in 2019 comparing to operating loss in 2018.

Note1: Financial analysis from 2015 to 2019 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) 2015	2016	2017	2018	2019	Financial Information for the Three Months Ended March 31, 2020 (Note 1)
Financial Structure	Debt ratio (%)	42.48	43.10	55.63	69.33	75.31	75.60
	Long-term fund to property, plant and equipment ratio (%)	2,229.84	1,591,57	900.34	885.72	1,269.32	1,268.38
Liquidity Analysis	Current ratio (%)	222.04	217.38	167.13	161.17	141.02	139.72
	Quick ratio (%)	210.29	202.50	150.86	137.99	116.43	123.38
	Times interest earned (times)	135,235.38	703.91	(87.13)	(69.49)	4.62	10.68
Operating Performance	Average collection turnover (times)	68.18	73.76	74.05	64.24	67.77	83.47
	Days sales outstanding	5.4	4.9	4.9	5.7	5.4	4.4
	Inventory turnover (times)	43.59	39.68	31.50	27.13	23.19	27.49
	Average payment turnover (times)	9.46	9.71	9.69	10.70	11.71	12.05
	Average inventory turnover days	8.4	9.2	11.6	13.5	15.74	13.3
	Property, plant and equipment turnover (times)	88.86	68.12	51.21	63.94	66.47	74.63
	Total assets turnover (times)	2.30	2.44	2.53	3.10	2.55	2.79
Profitability	Return on assets (%)	10.42	8.06	(3.52)	(15.34)	1.46	0.76
	Return on equity (%)	20.34	14.07	(7.03)	(41.20)	3.94	2.75
	Net income before income tax to paid-in capital ratio (%)	108.34	96.66	(18.96)	(145.08)	19.80	12.52
	Net margin (%)	3.73	3.20	(1.33)	(5.11)	0.36	0.96
	Earnings per share (NT$)	7.46	6.54	0.31	(8.49)	1.39	0.88
Cash Flow	Cash flow ratio (%)	19.64	26.34	11.65	(41.58)	8.62	11.82
	Cash flow adequacy ratio (%)	211.45	184.99	153.99	43.12	20.96	27.94
	Cash flow reinvestment ratio (%)	6.91	9.94	3.41	(45.90)	7.46	10.51
Leverage	Operating leverage	2.18	2.40	(10.54)	(1.01)	7.72	4.26
	Financial leverage	1.0	1.0	0.99	0.99	1.30	1.12

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: The increase from the previous period was mainly due to right-of-use assets recognized under IFRS 16, which led to an increase in assets and liabilities and consequently the ratio.
2.Long-term fund to property, plant, and equipment ratio: The decrease from the previous period was due to recognitions under IFRS 16, which led to an increase in long-term liabilities and consequently the ratio.
3.Times interest earned: The decrease from the previous period was mainly due to a larger decrease in the absolute value of income before income tax in 2019 comparing to the absolute value of loss before income loss in 2018.
4.Return on assets: The increase from the previous period was mainly due to an increase in net income of the period, which resulted in a positive ratio and consequently the increase in ratio.

5.Return on equity: The increase from the previous period was mainly due to net income of the period comparing to net loss in the previous period and a decrease in net shareholders' equity. 6.Net income before income tax to paid-in capital ratio: The increase from the previous period was mainly due to net income of the period comparing to net loss in the previous period. 7.Net margin: The increase from the previous period was mainly due to net income of the period comparing to net loss in the previous period. 8.Earnings per share: The increase from the previous period was mainly due to net income of the period comparing to net loss in the previous period. 9.Cash flow ratio: The increase from the previous period was mainly due to net cash inflows from operating activities in 2019 whereas the promotion of personal stores in 2018 drove up the corresponding marketing expenses for the period. 10.Cash flow adequacy ratio: The decrease from the previous period was mainly due to decreases in net cash inflows from operating activities in the past five years. 11.Cash flow reinvestment ratio: The increase from the previous period was mainly due to an increase in net cash inflows from operating activities in 2019. 12.Operating leverage: The increase from the previous period was mainly due to operating income in 2019 comparing to operating loss in 2018. 13.Financial leverage: The increase from the previous period was mainly due to operating income in 2019 comparing to operating loss in 2018.

Note 1: Financial analysis from 2015 to 2019 is based on numbers in the consolidated financial statements audited and certified by CPAs. Financial analysis for the first quarter of 2020 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 108 年度營業報告書、財務報表 及盈餘分配表等，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、 財務報表及盈餘分配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 9 年 3 月 26 日

IV.Financial Statements of the Most Recent Year: Please refer to Attachment I in this annual report from #page 122 to 180#.

V.Audited and Certified Consolidated Financial Statements of the Most Recent Year: Please refer to Attachment II in this annual report from #page 181 to 254#.

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	2018	2019	Difference	
			Amount	%
Current assets	10,265,101	11,045,195	780,094	7.60%
Financial assets at fair value through other comprehensive income - non-current (financial assets carried at cost - non-current, before 2017)	89,842	214,329	124,487	138.56%
Investments accounted for using equity method	27,908	37,488	9,580	34.33%
Property, plant, and equipment	541,005	584,976	43,971	8.13%
Intangible assets	28,224	153,710	125,486	444.61%
Other assets	208,829	3,222,049	3,013,220	1,442.91%
Total assets	11,160,909	15,257,747	4,096,838	36.72%
Current liabilities	6,369,104	7,832,514	1,463,410	22.98%
Non-current liabilities	1,368,261	3,658,149	2,289,888	167.36%
Total liabilities	7,737,365	11,490,663	3,753,298	48.51%
Capital	1,171,595	1,171,595	0	0.00%
Capital surplus	2,507,423	1,722,411	(785,012)	(31.31)%
Retained earnings	(790,347)	100,564	890,911	112.72%
Other equity	45,062	48,200	3,138	6.96%
Equity attributable to owners of parent company	2,933,733	3,042,770	109,037	3.72%
Non-controlling interests	489,811	724,314	234,503	47.88%
Total Equity	3,423,544	3,767,084	343,540	10.03%

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: Mainly due to increased investments in FAMICLOUD INC. and Miho International Cosmetic Co., Ltd.
2.Intangible assets: Mainly due to computer software acquired and goodwill from business combinations.
3.Other assets: Mainly due to right-of-use asset recognized in accordance with IFRS 16.
4.Total assets: Mainly due to right-of-use asset recognized in accordance with IFRS 16.
5.Current liabilities: Mainly due to consolidated entity's borrowing of short-term loans and lease liabilities recognized in accordance with IFRS 16.
6.Non-current liabilities: Mainly due to lease liabilities recognized in accordance with IFRS 16.
7.Total liabilities: Mainly due to lease liabilities recognized in accordance with IFRS 16.
8.Capital surplus: Mainly due to losses compensated by capital surplus.
9.Retained earnings: Mainly due to losses compensated by capital surplus.
10.Non-controlling interests: Mainly due to additions of investees and capital increase of subsidiaries 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	2018	2019	Changes in Dollar Amount	Changes in Percentage (%)
Net operating revenue	34,594,364	38,883,580	4,289,216	12.40%
Operating costs	30,295,907	34,293,972	3,998,065	13.20%
Gross profit	4,298,457	4,589,608	291,151	6.72%
Operating expenses	6,025,301	4,311,692	1,713,609	(28.44)%
Net operating (loss) income	(1,726,844)	277,916	2,004,760	116.09%
Non-operating income and expenses	27,041	(45,901)	(72,942)	(269.75)%
Net (loss) income before income tax	(1,699,803)	232,015	1,931,818	113.65%
Income tax expense	67,070	90,321	23,251	34.67%
Net (loss) income	(1,766,873)	141,694	1,908,567	108.02%

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 a decrease in the consolidated entity's promotion of personal stores comparing to 2018.
3.Net operating loss: Mainly due to a decrease in the consolidated entity's promotion of personal stores comparing to 2018.
4.Non-operating income and expenses: Mainly due to the consolidated entity's exchange losses from appreciation of New Taiwan dollar and interest expense of right-of-right liabilities under IFRS 16, which led to an increase in non-operating expenses.
5.Net income before income tax: Mainly due to a decrease in the consolidated entity's promotion of personal stores comparing to 2018, which led to a decrease in relevant selling expense and thus an increase in net income before income tax.
6.Income tax expense (benefit): Mainly due to an increase in the consolidated entity's net operating income.
7.Net (loss) income: Mainly due to a decrease in the consolidated entity's promotion of personal stores comparing to 2018, which led to a decrease in relevant selling expense and thus an increase in net income.

(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
6,881,162	674,968	(687,126)	6,869,004	None	None

1.Operating activities:

Net cash inflow from operating activities of NT$674,968 thousand was mainly due to net income before income tax of NT$232,015 thousand, a decrease in net changes of assets relating to operating activities of NT$761,539 thousand, an increase in net changes of liabilities relating to operating activities of NT$497,859 thousand, and cash used in operating activities of NT$674,968 thousand.

2.Investing activities:

Net cash outflow from investing activities of NT$548,772 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 outflow from financing activities of NT$134,182 thousand was mainly due to the increase in short-term loans of NT$340,000 thousand, the repayment of long-term loans of NT$150,000 thousand, the repayment of lease principal of NT$492,182 thousand, and the increase in non-controlling interests of NT$168,000 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	2018	2019	Changes in Percentage (%)
Cash flow ratio (%)	(41.58)	8.62	121%
Cash flow adequacy ratio (%)	43.12	20.96	(51)%
Cash flow reinvestment ratio (%)	(45.90)	12.12	126%

Analysis on changes in percentage:

1.The increase in cash flow ratio from the previous period was mainly due to net cash inflows from operating activities in 2019 whereas the promotion of personal stores in 2018 drove up the corresponding marketing expenses for the period.

2.The decrease in cash flow adequacy ratio was mainly due to decreases in net cash inflows from operating activities in the past five years.

3.The increase in cash flow reinvestment ratio was mainly due to an increase in net cash inflows from operating activities in 2019.

(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
6,869,004	1,152,627	(1,515,552)	6,506,079	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.	Internet-related strategic investment	Perform well in terms of profitability and operation	Continuous development	None
Linktel Inc.	Internet-related strategic investment	Losses due to internet competition	Continuous development	None
PCHomestore Inc.	Internet-related strategic investment	Losses due to market competition; adjustments made in operating strategies	Continuous development	None
PChomePay Inc.	Internet-related strategic investment	In line with the Company's business strategies, not yet profitable	Continuous development	None
PCHOME US INC.	Internet-related strategic investment	Magnitude of loss is diminishing	Continuous development	None
Pi Mobile Technology Inc.	Internet-related strategic investment	In line with the Company's business strategies, not yet profitable	Continuous development	None
PChome (Thailand) CO., LTD.	Internet-related strategic investment	New company, not yet profitable	Continuous development	None
PChome Travel Inc.	Internet-related strategic investment	New company, not yet profitable	Continuous development	None
PChome Financial Technology Inc.	Internet-related strategic investment	New company, not yet profitable	Continuous development	None
PChome Express Inc.	Strategic investment in logistics and transportation	New company, not yet profitable	Continuous development	None
Chunghwa PChome Fund 1 Co., Ltd.	Strategic investment in venture capital	New company, not yet profitable	Continuous development	None
Keystone Innovation Venture Capital Co., Ltd.	Strategic investment in venture capital	Perform well in terms of profitability and operation	Continuous development	None
PCHOME CBS Co., Ltd.	Strategic investment in e-commerce cross-border service	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)
Mitch Co., Ltd.	Internet-related strategic investment	In line with the Company's business strategies, not yet profitable	Continuous development	None
PChome InterPay Inc.	Internet-related strategic investment	In line with the Company's business strategies, not yet profitable	Continuous development	None
Yun Tung Bao International Co., Ltd.	Internet-related strategic investment	New company, not yet profitable	Continuous development	None
PChome Japan KK	Internet-related strategic investment	New company, not yet profitable	Continuous development	None
Ruten Japan KK	Internet-related strategic investment	New company, not yet profitable	Continuous development	None
PChome eBay Co., Ltd.	Internet-related strategic investment	Perform well in terms of profitability and operation	Continuous development	None
Ruten Singapore Pte.	Internet-related strategic investment	New company, not yet profitable	Continuous development	None
PCHOME CB PTE. LTD.	Internet-related strategic investment	New company, not yet profitable	Continuous development	None
Bibian Co., Ltd.	Internet-related strategic investment	New company, not yet profitable	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 loss was NT$2,132 thousand in 2019, 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 2019. 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

PChome Online Inc. has a sound R&D team. The research, development and design of all innovative programs are self-developed by the technical department of the Company. Internal engineers can create the most forward-looking services and products in response to the rapidly changing e-commerce market. The R&D achievements 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, including the integration of supplier development and management, product information management, payment flow/logistics and customer service, logistics and warehousing systems, big data applications and customer cross-selling, etc. Most of the required operating systems and user interfaces are developed and designed by internal engineers. In order to integrate the e-commerce industry chain and take a step further to establish an ecosystem, we concentrate our efforts on customer service and recommender systems for consumers to improve customer satisfaction. Some of the systems have obtained patents or are in the process of submitting patent applications. The patent application for Fastag was approved and granted an invention patent by the Intellectual Property Office, MOEA in early 2020.

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$250,000 thousand in 2020.

Project Title	Descriptions
Smart packing and warehouse management	Design a more efficient and accurate packing and warehouse management system through years of experience in e-commerce operation. Combine with external open data for the logistics system to obtain necessary information in

Project Title	Descriptions
optimization	real time and outline a more effective and smooth picking mechanism for the Company to gain market competitiveness. Build logistics planning and support teams through logistics and warehousing service integration to expand PChome's delivery capacity.
"i mailbox pickup" service	Actively tie in with the "i mailbox" service provided by Chunghwa Post Co., Ltd. Consumers can collect goods at any time and enjoy more flexibility in collection. The i mailbox service can disperse logistics traffic during large shopping festivals. These mailboxes are situated in every town with a total number of over one thousand and still growing across Taiwan. They will be PChome users' “portable address” and a more convenient pick-up channel for online shoppers.
"Optimized payment" service	In order for PChome consumers to quickly understand the latest credit card offers, PChome provides an optimized payment interface through system and smart recommender module, allowing members to select the most suitable credit card for payment at a glance and saving the time spent on checking offers from numerous banks. Members can complete credit card payments in a short time and thus improve their payment satisfaction.

(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.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 2019 are as follows:

(1)Build fan economy of the new generation, inviting Ning Chang as the first brand spokesperson of the year

PChome continues to improve service quality, challenge innovations and changes, and target the new generation of smart consumption. In 2019, it invited Ning Chang, the goddess of elegance, to be the brand spokesperson of the year for the first time. Ning is graceful and modest, with a positive attitude in life. She not only has a master's degree in law, but also won the Best Actress Award at the Taipei Film Festival, having outstanding achievements in both academic fields and acting. Her fresh, lively and intellectual image is deeply loved by the public and she continues to advance herself while pursuing career achievements. Her personality traits of perseverance and adventurer make her the perfect image for the new female power era.

Meanwhile, the Company aggressively expands user base and brand identification through the emerging economic form of "fan economy". In addition to organizing the gift collection activity of “Having PChome pay for your gift”, we released a number of brand vision films named "Ning Unboxing Diary". We attract fans via social media, brand activities and other means, allowing shoppers to enjoy online shopping with Ning. Through the spokesperson' influence, consumers can feel the vitality of PChome brand, experience the convenience and beauty of online shopping, and thereby broaden the horizons of e-commerce industry.

(2)Cross-sector collaboration to stimulate sales momentum and exclusive sales of new products

We launch new products through cross-sector collaboration, stimulate market consumption momentum, create diverse service experience and target young generation preferences. In 2019, we worked with the extremely popular live broadcasting platform "LiveMe" to jointly create the co-brand event of "Double 11 LiveMe Early Bird Purchase". Live broadcasting from Internet celebrities attracted an enormous number of customers and fans, built brand uniqueness and advantages, narrow our distance with consumers and deepen word-of-mouth marketing.

Moreover, in our effort to create more diverse collaborations, we teamed up with "Mercedes-Benz Taiwan" exclusively to roll out an online concept store with brand new CLA 200 Coupé being the flagship model. Having numerous payment benefits available, we offer consumers payment schemes of great value, completely subverting the trading custom of a traditional auto market and allowing consumers to experience high-standard, premium services. The Company was also the exclusive partner to the famous Thai cuisine restaurant, “baan”, led by a Micheline-starred chef in introducing three types of instant hot pot soup bases, i.e. Thai-style hot and sour, green curry and coconut milk. Consumers can thus enjoy authentic and delicious Michelin-level Thai food at home. Moreover, we cooperated with "Fuwan Chocolate", a gold medalist in the International Chocolate Award, and "APUJAN", a global fashion brand and exclusively offered three original types of chocolate gift boxes with limited edition during the double 12 festival. The exchange and clash of ideas between international brands stimulated consumers' fashionable imagination on chocolate, brought new ideas to e-commerce and created talks and sales momentum.

(3)Forge alliances with international companies to strengthen operational capabilities and provide diverse cross-border choices

PChome aggressively expands its cross-border e-commerce boundaries. The Company allies with international corporations to deepen its brand strategy, and bring on operational capabilities for overall sales. In March 2019, the Company formed strategic alliance with Rakuten of Japan to create a common customer loyalty program. In addition to mutual accumulation and redemption of points between these two parties, the alliance simultaneously expands cross-border online transactions between Taiwan and Japan, eliminates all breakpoints in the flows of payment, goods and information within Internet service and constructs online and offline borderless and convenient network services. In April of the same year, the Company's subsidiary, Ruten, formed cross-border alliance with eBay of the United States, introducing the 10 million plus items on eBay to Ruten. Through localized Chinese-language interface and payment methods, overseas goods can be delivered directly to home, providing consumers with more diverse cross-border commodity choices. In June, the Company signed a Memorandum of Understanding with Nonghyup Hanaro Mart, expecting to introduce Taiwanese's favorite Korean products and proactively expand our presence in the cross-border e-commerce between Taiwan and South Korea. Through the new alliance model, we can strengthen the service niche of website, significantly increase the depth and breadth of products and services, and provide the most intimate local services and a variety of selections.

(4)Continue the brand cultivation strategy, extend into non-3C fields and utilize multi-brand advantage to drive operational momentum

The Company continues to uphold the theme of brand cultivation. Through the three key strategies of Brand Day, debut sales of new models, and establishment of flagship store, we successfully increase our market shares in channels. Besides well-known brands such as Apple, Xiaomi, Samsung, Asus, and Sony where we have formed alliances, we continue to work with original brand manufacturers to organize debut sales and create business opportunities. For instance, “the sale of iPhone 11 series”, including iPhone 11, iPhone 11 Pro and iPhone 11 Pro Max, brought on a frenzy purchase of all Apple smartphones. We also organized the debut pre-order and pioneer sale of Galaxy S10, Galaxy S10+ and Galaxy S10e, as well as acquired the exclusive pre-order right for Samsung's new flagship model, Note 10+ in Aura Blue. We collaborated with Xiaomi in Taiwan to sell the latest annual flagship model, Xiaomi 9, and new models of the Redmi series. All these factors contributed to the continuous growth in mobile phone sales. We also hold the exclusive sale of Lucia smart speakers, a new highlight in voice economy and sales niche in smart devices. In addition, we earned the exclusive selling right for the latest premium TITAN RTX graphic cards of NVIDIA, boosting our sales momentum in the gaming sector.

While maintaining advantages in 3C brand market, the Company also actively expands into the non-3C areas and opens new malls for daily supplies, beauty care, food, household product, clothing, etc. We form alliances with many international brands to provide consumers goods of superb quality. For instance, we held a flash brand day with P&G and offered exclusive sales for its 14 major daily supplies brands to increase sales momentum of brands; opened the first online direct-sale flagship store of Biotherm Men to strengthen the beauty service of direct-sale store; worked with the leading brand of tire industry, Michelin Taiwan, and set up the one and only online Michelin tires flagship store in e-commerce; and expanded the flagship stores of household product and home appliance brands such as Puma, Huei Yeh and SEMIR to offer comprehensive product selections. We will focus on non-3C markets such as fast-moving consumer goods in the future and bring new dimensions to our operation.

(5)Successful in the strategy of alliances with multiple payment and logistics partners, and active promotion of smart services and innovative spending experience

The Company proactively executes openness strategies for payments and logistics. In terms of payment flows, there were Citi PChome Prime cobrand card and E. Sun Pi Wallet Credit Card released in 2018 which integrated point redemption and spending as well as strengthened online and offline application fields. In 2019, together with 36 major banks, we continued to promote the PChome top-up bonus program, and connected the seven major mobile payment services, i.e. LINE Pay, Apple Pay, Google Pay, Samsung Pay, Pi Wallet, JkoPay and AFTEE with its shipment first and pay later, to strengthen our operation niche. Moreover, other than LINE shopping guides, we introduced ShopBack service, the largest cashback reward program in Asia Pacific and Taiwan's fastest growing program, and offered unlimited rebates for a limited time. Diverse payment benefits and methods greatly stimulated the overall market consumption.

In 2019, the Company established a logistics center, an innovative unit integrating more than 10 logistics providers and warehousing services to build a strong and powerful logistics planning and support team. It extends the delivery of self-owned fleet from PChome Express Inc. and actively combines different transportation vehicles, distribution models, and logistics partners in various regions to expand the logistics service network. At the same time, the Company cooperates with Chunghwa Post in launching the "i mailbox pickup" service, introducing smart pickup to complete the last-mile service for consumers. Each and every Chunghwa Post i mailboxes can be a physical pickup location. We hope the new delivery model can provide innovative spending experience and achieve the new milestone of smart pickup service in e-commerce.

(6)Fully launch the green shopping program and offer 31 brand new types of eco-friendly cartons

The Company is committed to sustainable development, and strives to fulfill its corporate social responsibilities. Following the initiation of e-invoices for corporate accounts in 2018, we launched the "green shopping program" in 2019, aiming to realize sustainability program from the four aspects of "green packaging, green transportation, green warehousing and green payment" and set the standard for green e-commerce.

We used 31 types of newly designed, environmentally friendly cartons in 2019, replacing the old ones with eco-friendly cartons in primary color. The box is made of 100% recycled pulp and the outer layer has small-area printing using environmentally friendly water-based inks that have passed RoHS inspection. The paper has high density which increases its rate of reuse and can thus effectively reduce carbon emissions. In addition, we replaced all traditional light bulbs in our over 70,000 pings warehouses. At present, more than 90% of the area adopts the power-saving LED lighting to effectively save energy. Meanwhile, through big data analysis, the use of shipping cartons is optimized. We save packaging materials and realize the concept of a friendly environment.

After the green purchase program is fully implemented, the carbon emission is estimated to reduce by about 11% per new package, and by 2022, we can effectively cut down more than 1.24 million tons of carbon emissions. We will continue to promote eco-friendly policies in the future and achieve the vision of 100% recycled, zero waste packaging materials, and enter the new era of carbon reduction in e-commerce.

(7)Successful festival-making strategy; August Hearty gifts festival, and Double 11 and 12 events all stimulate the sales momentum

The Company is devoted to developing marketing innovations and diverse cross-border strategies to create a new online shopping era where "spending + entertainment" experience continue to escalate, leading new consumption patterns and habits. In 2019, PChome 24h Shopping initiated the "August Hearty gifts festival", which combined Chinese Valentine's Day, Father's Day and Ghost Festival. There were both online and offline activities. We organized a large party at Huashan 1914 Creative Park and offered superb promotions, included Line's 8% rebate for a limited time, bonus reward for PChome Prime co-brand card, exclusive sales at the party, etc. Live streaming of performance from artists of different generations led to an instant influx of online viewers and prompted a 4-time growth in orders received during the party time. The synergy from festival-making strategy came into effect and greatly stimulated operational efficiency.

Furthermore, we hosted the only international Double 11 event for the third consecutive year, inviting many artists and consumers to participate in the celebration. Through live broadcasting at 9 major channels, we set the new record of having more than 1,300 orders per minute. We even collaborated with Line Shopping and launched a time-limited 11% surprise rebate program, prompting 7.5-time orders in a single hour. Hot sales boosted performance and there were close to 100 thousand boxes of shipment in Taiwan within 12 hours, a record surpassing all other e-commerce companies in Taiwan during the Double 11 Festival. Continuing the flash sales in Double 11, we hosted grand full-view concerts for four consecutive days during the Double 12 festival. Through eye-catching performances and multiple reward programs, the year-end gift-giving boom hit another high, prompting the performance of mobile sector to surge significantly. Flourishing sales indicated that the new spending experience of interactive entertainment had been successfully in generating topics and driving overall sales momentum.

(8)Actively expand the Group's new services and prompt growth momentum for operation

In order to break new ground in services and meet the consumers' all-round shopping needs, we continue to expand the Group's new services and provide a variety of spending channels. PChome Travel was launched in June 2018, offering more than 200 airline tickets worldwide with over 600,000 hotel listings. It integrates group travel, independent travel, theme travel and other tours to roll out a five-day cherry blossom tour at Naha and Kagoshima by 「the newest, luxurious World Dream」, as well as exclusive offers and up to 12-period, interest free installment payment plan. The simple, fast and convenient one-stop service allowing consumers to plan their tours Itinerary easily and be ready to travel at any time.

Bibian cross-border e-commerce service was launched in 2019, offering cross-border bidding and purchase agency service. With its original payment and good flows plus five overseas shopping guarantees, it aims to meet Taiwan consumers' cross-border e-commerce needs at full speed. It also seized the opportunity of Double 11 festival and rolled out exclusive celebration activities, including international freight starting at NT$88 per kilogram, boyfriend/girlfriend for hire, and purchases from famous Tokyo sweet shops. Bibian is linked with Japan websites such as Amazon, Akachan, Loft, etc. and has international logistics and warehouse centers in Japan and the United States, allowing consumers to easily enjoying high-quality foreign products without going abroad.

2.Technical level and research and development

PChome Online Inc. has a sound R&D team. The research, development and design of all innovative programs are self-developed by the Company. The R&D achievements 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 and design 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 2019 amounted to NT$484,580 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 cyberattacks 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 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 2019 (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)

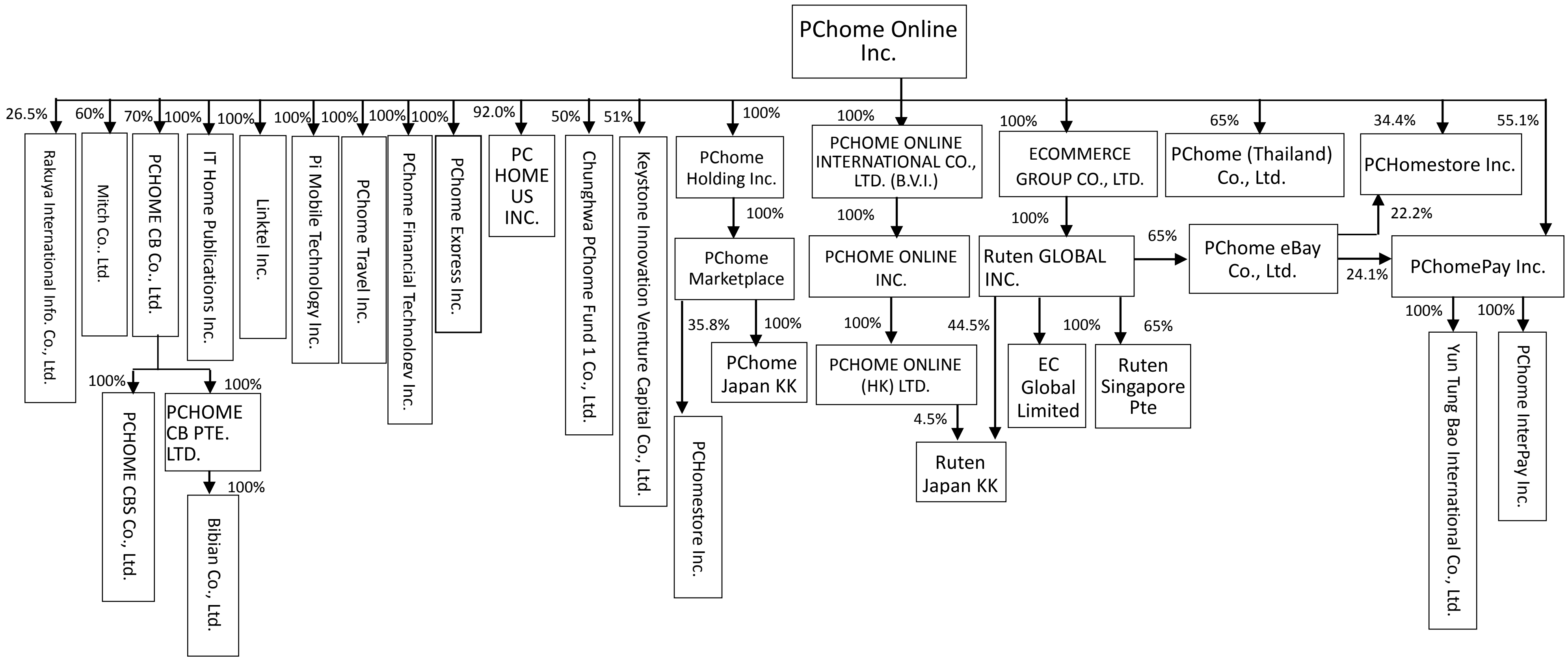
Besides regularly reviewing the performance indicators of financial analysis, ROE and net margin are the Company's industry-specific KPIs. 2019 KPIs and annual achievement rates are: Parent company only ROE 5.44% and consolidated ROE 3.94%; parent company only net margin 0.45% and consolidated net margin 0.36%.

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, 2019; 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. (B.V.I.)	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.)	536,760	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. (B.V.I.)	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.)	90,000	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.)	36,000	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.)	10,000	Information services
PChome InterPay Inc.	2009.11.9	6th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	501,000	Electronic payment institution
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

Company	Date of Establishment	Address	Paid-in Capital	Primary Business or Products
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. (Cayman)	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, HK	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.O. 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. (Cayman)	2011.04.11	Floor4, Willow House, Cricket Square, P.O. 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
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
Mitch Co., Ltd.	2019.10.03	24th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	270,000	Provision of electronic information
PCHOME CB Co., Ltd.	2019.06.10	12th Floor, No. 105, Section 2, Dunhua South Road, Daan District, Taipei City 106, Taiwan (R.O.C.)	200,000	Provision of electronic information

Company	Date of Establishment	Address	Paid-in Capital	Primary Business or Products
PCHOME CBS Co., Ltd.	2016.08.24	No. 167, Anhe Rd., Zhonghe Dist., New Taipei City 235, Taiwan (R.O.C.)	29,000	Provision of electronic information
PCHOME CB PTE. LTD.	2019.07.25	21 SHAMAH TERRACE SINGAPORE (597573)	USD190,000	Internet services
Bibian Co., Ltd.	2019.01.24	5-1-12 KOWA Building, 4th floor, Shiba, Minato-ku, Tokyo, Japan	JPY180,000,000	E-commerce cross-border services

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

December 31, 2019; 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: Kevin Tsai Representative: Zu-Hui Gu Representative: Hsin-I Wang	5,015	100%
Linktel Inc.	 Chairman Director Supervisor	PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Hsin-I Wang	17,326	100%
PCHOME ONLINE INTERNATIONAL CO., LTD. (B.V.I.)	 Director Director Director	PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Shi-Hong Li	122	100%
Rakuya International Info. Co., Ltd.	 Chairman	Chinatrust Real Estate Co., Ltd. Representative: Cheng-Chuan Cheng-Yu	1,681	14.7%
	Director Director	PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai	3,035	26.5%
	Director Director	Sinyi Realty Inc. Representative: Shou-Jen Su Representative: Chih-Huan Chen	2,581	22.5%
	Director	Pacific Realtor Representative: Ke-Chin Chang	782	6.8%
	Director	Century 21 Representative: Wei-Jie Wang	667	5.8%
	Director Director Supervisor Supervisor	H&B Business Representative: Hsi-Tsong Chen Representative: Li-Ling Yin Hsiao-Chen Wu Shih-Zong Chang	2,449 0 0	21.4% 0 0

Company	Job Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	Shareholding Percentage
PCHomestore Inc.		PChome Online Inc.	18,435	34.35%
	Chairman	Representative: Hung-Tze Jan		
	Director	Representative: Vicky Tseng		
	Director	Representative: Kevin Tsai		
	Director	Representative: Chien-Chuan Lin		
	Director	Representative: Cheng-Ching Wei		
		ITOCHU Corporation	1,380	2.57%
	Director	Representative: Miura Atsushi		
		PChome eBay Co., Ltd.	11,896	22.16%
	Director	Representative: Ying-Hsuan Chao		0
	Supervisor	Ming Fang	0	0
	Supervisor	Yu-Yun Tu	0	0
PChomePay Inc.		PChome Online Inc.	46,800	55.1%
	Chairman	Representative: Hung-Tze Jan		
	Director	Representative: Kevin Tsai		
		PChome eBay Co., Ltd.	20,520	22.1%
	Director	Representative: Cheng-Ching Wei		
	Director	Representative: Yi-Chang Lin		
	Director	Qunchi Investment Co., Ltd.	12,600	14.8%
	Supervisor	Hsin-I Wang	0	0
PCHOME US INC.	Chairman	Hung-Tze Jan	45,800	92.0%
	Director	Kevin Tsai (also the CEO)		
	Director	Ying-Hsuan Chao (also the COO)		
ECOMMERCE GROUP CO., LTD. (B.V.I.)	Director	PChome Online Inc.	349,508	100%
Pi Mobile Technology Inc.		PChome Online Inc.	9,000	100%
	Chairman	Representative: Hung-Tze Jan		
	Director	Representative: Kevin Tsai		
	Director	Representative: Kun-Ju Han		
	Supervisor	Representative: Leo Lu		
PChome (Thailand) Co., Ltd.	Chairman	Hung-Tze Jan	6,500	65%
	Director	Kevin Tsai		
	Director	Wen-Hsiong Cai		
	Director	SHEN, SHYH-YONG		
	Director	VIPADA UADULYATHAM		
PChome Travel Inc.		PChome Online Inc.	3,600	100%
	Chairman	Representative: Hung-Tze Jan		
	Director	Representative: Vicky Tseng		
	Director	Representative: Kevin Tsai		
	Supervisor	Representative: Leo Lu		
PChome Financial Technology Inc.		PChome Online Inc.	1,000	100%
	Chairman	Representative: Hung-Tze Jan		
	Director	Representative: Kevin Tsai		
	Director	Representative: Kun-Ju Han		
	Director	Representative: Vicky Tseng		
	Director	Representative: Chih-Rong Hu		
	Supervisor	Representative: Leo Lu		
PChome Holding Inc. (B.V.I.)	Director	PChome Online Inc.	385,000	100%
		Representative: Hung-Tze Jan		
PChome Marketplace Inc. (Cayman)	Director	PChome Holding Inc. (B.V.I.)	38,335	100%
		Representative: Hung-Tze Jan		
	CEO	Kevin Tsai		

Company	Job Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	Shareholding Percentage
PChome InterPay Inc.	 Chairman Director Director Supervisor	PChomePay Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Kun-Ju Han Representative: Hsin-I Wang	50,100	100%
Yun Tung Bao International Co., Ltd.	 Chairman Director Director Supervisor	PChomePay Inc. Representative: Hung-Tze Jan Representative: Arthur Lee Representative: Kun-Ju Han 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. (Cayman)	 Director Director	PCHOME ONLINE INTERNATIONAL CO., LTD. Representative: Hung-Tze Jan Representative: Kevin Tsai	10,000	100%
PC HOME ONLINE (HK) LTD.	Director	PCHOME ONLINE INC. (Cayman) Representative: Hung-Tze Jan	5,641	100%
PChome Japan KK	 Representative Director Director Representative Director	PChome Marketplace Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Hidetoshi Ota	43,500	100%
Ruten Japan KK	 Representative Director Director Director	RUTEN GLOBAL INC. Arthur Lee Hung-Tze Jan Yun Su	19,795	44.5%
RUTEN GLOBAL INC. (Cayman)	 Director Director Director	ECOMMERCE GROUP CO., LTD. Representative: Hung-Tze Jan Representative: Vicky Tseng Representative: Bi-Chu Liang	266,063	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: Ying-Hsuan Chao 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%

Company	Job Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	Shareholding Percentage
Chunghwa PChome Fund 1 Co., Ltd.		PChome Online Inc.	20,000,000	50%
	Chairman	Representative: Hung-Tze Jan		
	Director	Representative: Kevin Tsai		
	Director	Representative: Vicky Tseng		
		Chunghwa Telecom Co., Ltd.	20,000,000	50%
	Director	Representative: Kun-Rong Wu		
	Director	Representative: Yi-Chiao Guo		
	Supervisor	Jing-Mei Lu	0	0
	Supervisor	Yi-Yu Liang	0	0
Keystone Innovation Venture Capital Co., Ltd.		PChome Online Inc.	510,000	51%
	Chairman	Representative: Hung-Tze Jan		
	Director	Representative: Kevin Tsai		
	Director	Representative: Vicky Tseng		
		Chunghwa Telecom Co., Ltd.	490,000	49%
	Director	Representative: Shui-I Kuo		
	Director	Representative: Yuan-Kai Chen		
	Supervisor	Jing-Mei Lu	0	0
	Supervisor	Hui-Ling Liu	0	0
Mitch Co., Ltd.		PChome Online Inc.	16,200	60%
	Chairman	Representative: Hung-Tze Jan		
	Director	Representative: Kevin Tsai		
	Director	Representative: Ying-Hsuan Chao		
		MITSUI & CO., LTD.	10,800	40%
	Director	Representative: Satoshi Imai		
	Director	Representative: Chia-I Lin		
	Supervisor	Kun-Ju Han	0	0
	Supervisor	Jui-Hui Chang	0	0
PCHOME CB Co., Ltd.		PChome Online Inc.	14,000	70%
	Chairman	Representative: Hung-Tze Jan		
	Director	Representative: Kevin Tsai		
	Director	Representative: Wei-Lin Lo		
	Supervisor	Kun-Ju Han	0	0
PCHOME CBS Co., Ltd.		PCHOME CB Co., Ltd.	2,900	100%
	Chairman	Representative: Wei-Lin Lo		
	Director	Representative: Hung-Tze Jan		
	Director	Representative: Chin-Lien Lu		
	Supervisor	Leo Lu	0	0
PCHOME CB PTE. LTD.		PCHOME CB Co., Ltd.	190	100%
	Chairman	Representative: Wei-Lin Lo		
	Director	Representative: Hung-Tze Jan		
	Director	Representative: Kuang-Hao Chih		
Bibian Co., Ltd.		PCHOME CB PTE. LTD.	18,000	100%
	Chairman	Representative: Wei-Lin Lo		
	Director	Representative: Hung-Tze Jan		

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 2019 (from January 1, 2019 to December 31, 2019) 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.

KPMG
安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of PChome Online Inc.:

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Key Audit Matters

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

1. Revenue recognition

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

KPMG

Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

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

2. Valuation of inventories

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

Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

Our principal audit procedure included:

·Inspecting and analyzing the aging report of the inventory;

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

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

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

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

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

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

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

KPMG

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 Chung-Yi Chiang and Tsao-Jen Wu.

KPMG

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

Notes to Readers

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

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

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

PCHOME ONLINE INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	ASSETS	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Assets:				
1100	Cash and cash equivalents (Note (6)(a))	$ 2,815,361	26	2,682,386	36
1150	Notes receivable, net (Note (6)(c))	2	-	92	-
1172	Accounts receivable (Notes (6)(c) and (7))	427,313	4	563,418	8
1180	Accounts receivable due from related parties, net (Notes (6)(c) and (7))	360,536	3	74,865	1
1175	Lease receivable	7,324	-	-	-
1200	Other receivables, net (Notes (6)(c) and (7))	230,961	2	217,002	3
1210	Other receivables due from related parties, net (Notes (6)(c) and (7))	190,000	2	900,000	12
1220	Total current tax assets	8,392	-	-	-
1300	Inventories (Note (6)(d))	1,684,880	15	1,249,594	17
1476	Other current financial assets (Note (8))	60,976	1	68,987	1
1479	Other current assets, others	60,028	1	57,384	1
1481	Current asset recognized as right to recover products from customers	34,869	-	29,421	-
		5,880,642	54	5,843,149	79
	Non-Current Assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note (6)(b))	214,329	2	89,842	1
1550	Investments accounted for using equity method (Note (6)(e))	1,384,399	13	789,525	11
1600	Property, plant and equipment (Note (6)(g))	440,998	4	443,799	6
1755	Right-of-use assets (Note (6)(h))	2,819,573	26	-	-
1780	Intangible assets (Note (6)(i))	44,812	-	24,040	-
1840	Deferred tax assets (Note (6)(q))	61,151	-	43,680	1
1975	Net defined benefit asset, non-current (Note (6)(p))	3,897	-	3,228	-
1980	Other non-current financial assets (Note (8))	108,222	1	123,861	2
1990	Other non-current assets, others	14,043	-	15,713	-
		5,091,424	46	1,533,688	21
	Total assets	$ 10,972,066	100	7,376,837	100

	LIABILITIES AND STOCKHOLDERS' EQUITY	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Liabilities:				
2100	Short-term borrowings (Note (6)(j))	$ 390,000	4	-	-
2130	Current contract liabilities (Note (6)(k))	265,842	2	253,363	3
2150	Notes payable	145	-	298	-
2170	Accounts payable	2,946,591	27	2,692,355	37
2200	Other payables	565,433	6	530,756	7
2230	Current tax liabilities	53,077	-	15,932	1
2280	Current lease liabilities (Note (6)(m))	441,548	4	-	-
2300	Other current liabilities (Notes (6)(k) and (6)(o))	7,363	-	7,387	-
2320	Long-term liabilities, current portion (Note (6)(l))	100,000	1	100,000	1
2365	Current refund liabilities (Note (6)(k))	37,562	-	31,943	-
		4,807,561	44	3,632,034	49
	Non-Current liabilities:				
2541	Long-term borrowings (Note (6)(l))	700,000	6	800,000	11
2570	Deferred tax liabilities(Note (6)(q))	779	-	646	-
2580	Non-current lease liabilities (Note (6)(m))	2,416,606	22	-	-
2670	Other non-current liabilities, others (Note (6)(o))	4,350	-	10,424	-
		3,121,735	28	811,070	11
	Total liabilities	7,929,296	72	4,443,104	60
	Equity (Note (6)(r)):				
	Share capital:				
3110	Ordinary share	1,171,595	10	1,171,595	16
3200	Capital surplus	1,722,411	16	2,507,423	34
	Retained earnings:				
3310	Legal reserve	-	-	408,184	6
3320	Special reserve	-	-	4,120	-
3350	Unappropriated retained earnings (accumulated deficit)	100,564	1	(1,202,651)	(16)
	Other equity interest:				
3410	Exchange differences on translation of foreign financial statements	(24,825)	-	11,524	-
3420	Unrealized gains from financial assets measured at fair value through other comprehensive income	73,025	1	33,538	-
	Total equity	3,042,770	28	2,933,733	40
	Total liabilities and equity	$ 10,972,066	100	7,376,837	100

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

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

PCHOME ONLINE INC.

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

PCHOME ONLINE INC.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained Earnings			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, 2018	$ 1,171,595	2,507,459	404,535	2,781	634,746	(4,120)	-	4,716,996
Effects of retrospective application	-	-	-	-	3,975	-	39,028	43,003
Equity at beginning of period after adjustments	1,171,595	2,507,459	404,535	2,781	638,721	(4,120)	39,028	4,759,999
Loss for the year ended December 31, 2018	-	-	-	-	(994,643)	-	-	(994,643)
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(305)	15,644	(5,490)	9,849
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(994,948)	15,644	(5,490)	(984,794)
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	3,649	-	(3,649)	-	-	-
Special reserve appropriated	-	-	-	1,339	(1,339)	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(517,932)	-	-	(517,932)
Changes in ownership interests in subsidiaries	-	(36)	-	-	(323,504)	-	-	(323,540)
Balance at December 31, 2018	1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	33,538	2,933,733
Profit for the year ended December 31, 2019	-	-	-	-	162,437	-	-	162,437
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(712)	(36,349)	39,487	2,426
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	161,725	(36,349)	39,487	164,863
Appropriation and distribution of retained earnings:								
Legal reserve used to offset accumulated deficit	-	-	(408,184)	-	408,184	-	-	-
Special reserve used to offset accumulated deficit	-	-	-	(4,120)	4,120	-	-	-
Capital surplus used to offset accumulated deficit	-	(790,347)	-	-	790,347	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(61,161)	-	-	(61,161)
Changes in ownership interests in subsidiaries	-	5,335	-	-	-	-	-	5,335
Balance at December 31, 2019	$ 1,171,595	1,722,411	-	-	100,564	(24,825)	73,025	3,042,770

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

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

PCHOME ONLINE INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(1) Organization and Business

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

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

(2) Approval Date and Procedures of the Financial Statements

These financial statements were authorized for issue by the Board of Directors on March 26, 2020.

(3) New Standards and Interpretations Not Yet Adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

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.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4)(k).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to leases of vihicles, basements and house numbers.

A. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company' s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

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

b. Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

c. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

d. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

e. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

B. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $3,199,067 thousand of right-of-use assets and $3,199,067 thousand of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.20%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	$ 2,198,796
Extension and termination options reasonably certain to be exercised	1,267,820
	3,466,616
Discounted using the incremental borrowing rate at January 1, 2019	3,199,067
Finance lease liabilities recognized as at December 31, 2018	12,777
Lease liabilities recognized at January 1, 2019	$ 3,211,844

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

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

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

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

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

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

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

(4) **Summary of 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.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(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, R.O.C..

(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) are measured at fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, limited as explained 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 into the respective functional currencies of the Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

2.Foreign operations

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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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 only 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 interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(f) Financial instruments

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

1.Financial assets

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

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

1) Financial assets measured at amortized cost

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

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the 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.

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

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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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.

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 (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, Other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, and accounts receivable measured at FVOCI.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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 charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written 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.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

6) Derecognition of financial assets

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

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

2.Financial liabilities and equity instruments

1) Financial liabilities

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

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

2) Derecognizing of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or expires. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

3) Offsetting of financial assets and liabilities

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

(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.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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.

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 any accumulated impairment losses.

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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

2.Subsequent cost

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

3.Depreciation

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

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 ~10 years

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

(k) Leases

Applicable from January 1, 2019

1. Identifying a lease

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

1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) The Company has the right to direct the use of the asset throughout the period of use only if either:

- the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

2. As a leasee

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

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

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

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

1) Fixed payments;

2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) Amounts expected to be payable under a residual value guarantee; and

4) Payments for purchase or termination options that are reasonably certain to be exercised.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

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

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

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

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

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

3. As a lessor

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

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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

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

Applicable before January 1, 2019

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.Recognition and measurement

Intangible assets, including computer software which are acquired by the Company and have finite useful lives are 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

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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

1) Software 3~ 5 years

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

(m) Impairment – non financial assets

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

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

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

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

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

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

(n) Revenue

1. Revenue from contracts with customers

Revenue is measured based on the consideration to which the 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.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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.

(o) Employee benefits

1.Defined contribution plans

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

2.Defined benefit plans

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

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

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

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

3.Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the 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 taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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

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

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

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

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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is 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 potentially dilutive ordinary shares.

(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(d) for further description of the valuation of inventories.

(6) Summary of Major Accounts

(a) Cash and cash equivalents

	2019.12.31	2018.12.31
Cash on hand	$ 574	747
Checking accounts	18,496	36,694
Savings accounts	2,212,839	2,068,049
Foreign currency deposits	7,190	7,447
Time deposits	575,700	567,700
Cash equivalents	562	1,749
Cash and cash equivalents	$ 2,815,361	2,682,386

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

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

	2019.12.31	2018.12.31
Equity instruments at fair value through other comprehensive income		
Stocks unlisted on domestic markets	$ 214,329	89,842

1.The Company holds these equity instruments, which are not held for trading at designated fair value through other comprehensive income, for longterm strategic purposes.

2.The Company acquired 877 thousand shares of Readmoo Co., Ltd.'s common stock for $8,772 thousand during the third quarter of 2018. The shareholding ratio for the year ended December 31, 2019 was 18.85%.

3.The Company acquired 500 thousand shares of Famicloud Inc. common stock for $10,000 thousand during the first quarter of 2019, the shareholding ratio for the year ended December 31, 2019 was 2.99%.

4.The Company acquired 7,500 thousand common shares of Miho International Cosmetic Co., Ltd. for $75,000 thousand during the third quarter of 2019, the shareholding ratio for the year ended December 31, 2019 was 10.47%.

5.For credit risk and market risk; please refer to note (6)(x).

6.Abovementioned financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral.

(c) Notes and accounts receivable and other receivables, net

	2019.12.31	2018.12.31
Notes receivable-measured as amortized cost	$ 2	92
Trade receivable-measured as amortized cost	787,973	638,437
Other receivables-measured as amortized cost	421,214	1,117,247
Less: Allowance for impairment loss	(377)	(399)
	$ 1,208,812	1,755,377

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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. 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 was determined as follows:

	2019.12.31		
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	$ 700	0.53%~10%	70
Overdue 181 to 360 days	285	25%～100%	275
Over 181 days past due	1,209,189		377
	$ 1,210,174		722

	2018.12.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	$ 1,754,204	0.001%	13
Past under 180 days	1,313	10%	131
Over 181 days past due	259	25%~100%	255
	$ 1,755,776		399

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

	2019	2018
Balance at January 1,	$ 399	673
Impairment losses recognized	4,007	-
Impairment losses reversed	-	(261)
Amounts written off	(4,029)	(13)
Balance at December 31,	$ 377	399

(d) Inventories

	2019.12.31	2018.12.31
Merchandise inventories	$ 1,694,328	1,259,713
Less: Allowance for inventory valuation and obsolescence losses	(9,448)	(10,119)
	$ 1,684,880	1,249,594

As of December 31, 2019 and 2018, the Company's inventories were not pledged as collateral.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

The details of operating cost were as follows:

		2019	2018
Cost of goods sold	$	31,993,793	28,195,552
Provision for inventory market price decline and obsolescence (Gain from price recovery of inventory)		(671)	2,601
Loss on physical inventory		3,607	1,781
Loss on disposal of scrap		730	1,032
	$	31,997,459	28,200,966

The factors that caused the net realizable value of inventories to be lower than the cost no longer exist, resulting in the net realizable value of inventory to increase and be recognized as profit or loss on inventory for the year ended December 31, 2019.

(e) 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:

		2019.12.31	2018.12.31
Subsidiaries	$	1,372,360	781,310
Associates		12,039	8,215
	$	1,384,399	789,525

1.Subsidiaries

Please refer to the consolidated financial report for the year ended December 31, 2019.

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 2019.12.31	2018.12.31
Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	Taiwan	26.47 %	21.03 %

3.Collateral

As of December 31, 2019 and 2018, The Company did not provide any investment accounted for using equity method as collaterals.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(f) 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 thousand in cash. The Company decreased its ownership from 53.52% to 34.35% and Retained Earning was written off against, amounted to \$323,504 thousand.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018, were as follows:

		Furniture and office equipment	Leasehold improvements	Leased assets	Transportation equipment	Total
Cost:						
Balance at January 1, 2019	$	673,863	458,142	16,115	-	1,148,120
Additions		129,606	11,082	-	-	140,688
Obsolescence		(10,778)	(39,901)	-	-	(50,679)
Disposals		(20)	-	-	-	(20)
Balance at December 31, 2019	$	792,671	429,323	16,115	-	1,238,109
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
Depreciation and impairment loss:						
Balance at January 1, 2019	$	422,496	276,736	5,089	-	704,321
Depreciation for the year		102,883	37,380	3,223	-	143,486
Obsolescence		(10,778)	(39,901)	-	-	(50,679)
Disposals		(17)	-	-	-	(17)
Balance at December 31, 2019	$	514,584	274,215	8,312	-	797,111

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

		Furniture and office equipment	Leasehold improvements	Leased assets	Transportation equipment	Total
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
Carrying amounts:						
At December 31, 2019	$	278,087	155,108	7,803	-	440,998
At December 31, 2018	$	251,367	181,406	11,026	-	443,799

As of December 31, 2019 and 2018, the property, plant and equipment were not pledged as collateral.

(h) Right-of-use assets

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

		Buildings	Machinery and equipment	Transportation equipment	Total
Cost:					
Balance as of January 1, 2019	$	3,125,988	73,079	-	3,199,067
Additions		87,664	-	1,166	88,830
decrement		(2,954)	-	-	(2,954)
Balance as of December 31, 2019	$	3,210,698	73,079	1,166	3,284,943
Accumulated depreciation and impairment losses:					
Balance as of January 1, 2019	$	-	-	-	-
Depreciation for the year		453,238	13,492	281	467,011
Other decrement		(1,641)	-	-	(1,641)
Balance as of December 31, 2019	$	451,597	13,492	281	465,370
Carrying amount:					
Balance as of December 31, 2019	$	2,759,101	59,587	885	2,819,573

For the years ended December 31, 2018, the Company leases offices and warehouses under an operating lease, please refer to note (6)(n).

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(i) Intangible assets

The costs and amortization and impairment loss of intangible assets of the Company for the years ended December 31, 2019 and 2018, were as follows:

		Software
Cost:		
Balance at January 1, 2019	$	104,849
Acquired separately		43,873
Disposals		(223)
Balance at December 31, 2019	$	148,499
Balance at January 1, 2018	$	102,416
Acquired separately		4,045
Disposals		(1,612)
Balance at December 31, 2018	$	104,849
Amortization and impairment losses:		
Balance at January 1, 2019	$	80,809
Amortization for the year		23,101
Disposals		(223)
Balance at December 31, 2019	$	103,687
Balance at January 1, 2018	$	58,224
Amortization for the year		24,077
Disposals		(1,492)
Balance at December 31, 2018	$	80,809
Carrying amounts:		
Balance at December 31, 2019	$	44,812
Balance at December 31, 2018	$	24,040

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

		2019	2018
Operating expense	$	23,101	24,077

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(j) Short tem borrowings

	2019.12.31
Unsecured bank loans	$ 390,000
Unused short-term credit line	$ 40,117
Range of interest rates	1.2%~1.33%

(k) Current contract liabilities, Other current liabilities and Current refund liabilities

	2019.12.31	2018.12.31
Current contract liabilities	$ 265,842	253,363
Other	7,363	7,387
Current refund liabilities	37,562	31,943
	$ 310,767	292,693

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) Long term borrowings

The details were as follows:

	2019.12.31			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.20%	2028	$ 800,000
Less: current portion				(100,000)
Total				$ 700,000
Unused long-term credit lines				$ -

	2018.12.31			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.20%	2028	$ 900,000
Less: current portion				(100,000)
Total				$ 800,000
Unused long-term credit lines				$ -

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(m) Lease liabilities

Lease liabilities of the Company carrying amounts were as follows::

	2019.12.31
Current	$ 441,548
Non current	$ 2,416,606

Maturity analysis please refer to note 6(w).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 37,487
Expenses relating to short-term leases	$ 42,296
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	$ 287

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

	2019
Total cash outflow for leases	$ 534,906

1. Real estate leases

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

2. The lease liabilities were classified as finance lease liabilities on December 31, 2018, please refer to Note (6)(n) and (6)(o).

(n) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018.12.31
Less than one year	$ 417,644
Between one and five years	1,459,783
Over five years	321,369
	$ 2,198,796

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.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

For the years ended December 31, 2018, the operating leases recognized in profit or loss was $357,106 thousand.

(o) Lease obligations payable

The Company lease obligations payable were as follows:

	2018.12.31		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 3,427	1,023	2,404
Between one and five years	11,522	1,149	10,373
	$ 14,949	2,172	12,777

(p) Employee benefits

1. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	2019.12.31	2018.12.31
Present value of defined benefit obligation	$ 42,449	40,080
Fair value of plan assets	(46,346)	(43,308)
Net defined benefit assets	$ (3,897)	(3,228)

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 $46,346 thousand at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Council of Labor Affairs and the Labor Pension Supervisory Committee.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

2) Movements in present value of the defined benefit obligations

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

		2019	2018
Defined benefit obligation on January 1	$	40,080	39,563
Current service costs and interest		551	643
Remeasurement on the net defined benefit liabilities (assets)			
−Actuarial loss (gain) arising from changes in financial assumptions		1,818	(126)
Defined benefit obligation on December 31	$	42,449	40,080

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:

		2019	2018
Fair value of plan assets on January 1	$	43,308	40,619
Interest income		603	668
Remeasurement on the net defined benefit assets			
−Return on plan assets (excluding current interest)		1,345	962
Contribution made		1,090	1,059
Fair value of plan assets on December 31	$	46,346	43,308

4) Expenses recognized in profit or loss

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

		2019	2018
Net interest of net defined benefit assets	$	(52)	(25)
Operating costs	$	(1)	(1)
Selling expenses		(42)	(21)
Administrative expenses		(3)	(1)
Research and development expenses		(6)	(2)
	$	(52)	(25)

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

The Company' s remeasurement on the net defined benefit assets recognized in other comprehensive income as at December 31, 2019 and 2018 were as follows:

		2019	2018
Cumulative amount on January 1	$	(2,431)	(1,343)
Recognized during the period		473	(1,088)
Cumulative amount on December 31	$	(1,958)	(2,431)

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2019	2018
Discount rate	1.125%	1.375%
Future salary increases rate	3.000%	3.000%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $1,099 thousand.

The weighted average lifetime of the defined benefits plans is 18.44 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, 2019		
Discount rate	(1,765)	1,852
Future salary increasing rate	1,790	(1,717)
December 31, 2018		
Discount rate	(1,753)	1,845
Future salary increasing rate	1,791	(1,712)

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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 2019 and 2018, respectively.

2. Defined contribution plans

The Company allocates 6% of each employee' s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $55,016 thousand and $55,131 thousand for the years ended December 31, 2019 and 2018, respectively

(q) Income taxes

1. Income tax expense

The components of income tax in the years 2019 and 2018 were as follows:

		2019	2018
Current income tax expense:			
Current period	$	77,733	74,710
Adjustment for prior periods		(10,455)	(14,290)
		67,278	60,420
Deferred tax expense:			
Origination and reversal of temporary differences		(17,243)	(8,706)
Adjustment in tax rate		-	(4,863)
		(17,243)	(13,569)
Income tax expense	$	50,035	46,851

The amount of income tax recognized in other comprehensive income for 2019 and 2018 was as follows:

		2019	2018
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement from defined benefit plans	$	95	101

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

		2019	2018
Profit (loss) excluding income tax	$	212,472	(947,792)
Income tax using the Company's domestic tax rate	$	42,494	(189,558)
Permanent differences-loss of domestic subsidiaries		17,996	254,673
Change in temporary differences		-	889
Over provision in prior periods		(10,455)	(14,290)
Adjustment in tax rate		-	(4,863)
Total	$	50,035	46,851

2. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 are as follows:

		Defined Benefit Plans	Unrealized Gain (Loss) of Investment	Others	Total
Deferred Tax Liabilities:					
Balance at January 1, 2019	$	646	-	-	646
Debited (Credited) Income statement		228	-	-	228
Debit (Credited) Other Comprehensive Income		(95)	-	-	(95)
Balance at December 31, 2019	$	779	-	-	779
Balance at January 1, 2018	$	-	-	-	-
Debited (Credited) Income statement		646	-	-	646
Balance at December 31, 2018	$	646	-	-	646
Deferred Tax Assets:					
Balance at January 1, 2019	$	-	36,501	7,179	43,680
(Debited) Credited Income statement		-	12,719	4,752	17,471
Balance at December 31, 2019	$	-	49,220	11,931	61,151
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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

(r) Capital and other equity

As of December 31, 2019 and 2018, the total value of authorized ordinary shares were both amounted to $1,500,000 thousand with par value of $10 per share. In total, there were both 117,159 in thousands of ordinary shares issued. All issued shares were paid up upon issuance.

1. Capital surplus

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

	2019.12.31	2018.12.31
Share capital	$ 1,694,160	2,484,507
Difference between consideration and carrying amount of subsidiaries acquired or disposed	8,643	8,643
Changes in ownership interests in subsidiaries	19,608	14,273
	$ 1,722,411	2,507,423

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

2. Retained earnings

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

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

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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1) Legal reserve

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

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 14, 2019, the shareholders resolved to Legal reserve, Special earnings and Capital surplus used to offset accumulated deficit, $408,184 thousand, $4,120 thousand and $790,347 thousand, respectively. On June 13, 2018, the shareholders resolved not to appropriate the 2017 earnings in the general meeting of the shareholders. The related information would be available at the Market Observation Post System.

3. 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, 2019	$ 11,524	33,538
Exchange differences on foreign operations	(36,349)	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	39,487
Balance at December 31, 2019	$ (24,825)	73,025

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	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

(s) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2019 and 2018 are as follows:

1. Basic earnings per share (NT dollars)

	2019	2018
Profit (Loss) attributable to ordinary stockholders of the Company	$ 162,437	(994,643)
Weighted-average number of ordinary shares	117,159	117,159
Basic earnings per share (NT dollars)	$ 1.39	(8.49)

2. Diluted earnings per share (NT dollars)

	2019	2018
Profit (Loss) attributable to ordinary stockholders of the Company	$ 162,437	(994,643)
Weighted-average number of ordinary shares (basic)	117,159	117,159
Effect of employee stock compensation	119	-
Weighted-average number of ordinary shares (diluted)	117,278	117,159
Diluted earnings per share (NT dollars)	$ 1.39	(8.49)

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

The following instrument has the anti-dilution effect, which is not included in the weighted-average number of ordinary shares (diluted):

	2019	2018
Effect of employee stock compensation	-	86

(t) Revenue from contracts with customers

	2019	2018
Revenue of electronic commerce	$ 36,308,415	32,113,665

(u) Rewards of employees, directors and supervisors

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

The employees mentioned before include the employees in the subsidiaries who meet the specific conditions. For the years ended December 31, 2019, the Company estimated its employee remuneration amounting to $11,237 thousand, and directors' and supervisors' remuneration amounting to $1,261 thousand. If there would be any changes after the reporting date in the following year, the changes would be treated as changes in accounting estimates and recognized as profit or loss in following year.

(v) Non-operating income and expenses

1. Other income

The details of other income were as follows:

	2019	2018
Interest income	$ 13,330	15,346
Dividend income	5,263	4,025
Other income	18,972	14,885
Total other revenue	$ 37,565	34,256

2. Other gains and losses, net

The details of other gains and losses were as follows:

	2019	2018
Gains on disposals of property, plant and equipment	$ 1	540
Foreign currency exchange gain	405	186
Miscellaneous disbursements	(2)	(5)
Other gains and losses, net	$ 404	721

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

3. Finance costs

The details of finance cost were as follows:

	2019	2018
Interest expense	$ 49,926	8,409

(w) 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, 2019 and 2018, the maximum exposure to credit risk amounted to $4,415,024 thousand and $4,720,453 thousand, respectively.

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, 2019							
Non-derivative financial liabilities							
Long-term borrowings	$ 390,000	390,000	390,000	-	-	-	-
Notes payable	800,000	800,000	100,000	-	200,000	300,000	200,000
Accounts payable	145	145	145	-	-	-	-
Other payables	2,946,591	2,946,591	2,946,591	-	-	-	-
Lease obligations payable	322,174	322,174	322,174	-	-	-	-
Accounts payable	2,858,154	2,858,154	219,943	221,605	436,438	1,325,735	654,433
	$ 7,317,064	7,317,064	3,978,853	221,605	636,438	1,625,735	854,433
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	-	-	-	-
Accounts payable	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

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

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

3. Currency risk

1) Currency risk exposure

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

	2019.12.31			2018.12.31		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 17	29.98	499	32	30.71	977

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.

A strengthening (weakening) of 5% of the NTD against the USD as of December 31, 2019 and 2018, would have increased (decreased) net profit after tax by $20 thousand and $39 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2018.

Due to the variety of functional currency, the Company disclosedforeign currency exchange gain on monetary items aggregately. The foreign currency gains (include realized and unrealized) were $405 thousand and $186 thousand in 2019 and 2018, respectively.

4. Interest analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

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 thousand and $1 thousand as of December 31, 2019 and 2018. This is mainly due to the cash equivalents being at variable rates.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

5.Other market price risk

For the years ended December 31, 2019 and 2018, 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:

	2019		2018	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 1%	$ 1,715	-	719	-
Decreasing 1%	(1,715)	-	(719)	-

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 :

	2019.12.31				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value through other comprehensive income					
Domestic stock of non-listed company	$ 214,329	-	-	214,329	214,329

	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 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.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

3) Reconciliation of Level 3 fair values

		Unquoted equity instruments
Opening balance, January 1, 2019	$	89,842
Total gains and losses recognized:		
In other comprehensive income		39,487
Purchasing		85,000
Ending Balance, December 31, 2019	$	214,329
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, 2019 and 2018, total gains and losses that were included in "unrealized gains and losses from fair value through other comprehensive income" were as follows:

		2019	2018
In other comprehensive income, and including "unrealized gains and losses from fair value through other comprehensive income"	$	39,487	(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 (13.79%~32.75%)	·The estimated fair value would increase (decrease) if the lack of liquidity discounted rate were lower (higher).

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

Sensitivity analysis for fair values of financial instruments using Level 3 Inputs, the 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	Favor-able	Unfavor-able	Favor-able	Unfavor-able
December 31, 2019						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Liquidity discounted rate	5%	$ -	-	10,716	(10,716)
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 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.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

The Board oversees how management monitors compliance with the Company'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.

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.

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 periodically. 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.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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, 2019 and 2018, 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.

(y) 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.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(7) **Related-Party Transactions**

(a) Ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the period covered in the 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.	〃
PChome CB Co., Ltd.	〃
PChome CBS Co., Ltd.	〃
Mitch Co.,Ltd.	〃
PCHOME CB PTE. LTD.	〃
Rakuya International Info. Co. Ltd.	Associate of the Company
PC Home Ventures Fund(I) Corporation	Other related party

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(c) Related-party transactions

1.Operating revenue

Operating revenue of the Company from the related parties were as follows:

	2019	2018
Subsidiaries	$ 56,050	199,537
Associates	287	286
	$ 56,337	199,823

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:

	2019	2018
Subsidiaries	$ 47	24

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	2019.12.31	2018.12.31
Accounts receivable	Subsidiaries	$ 360,511	74,840
Accounts receivable	Associates	25	25
Lease receivable	Associates	7,324	-
Other receivable	Subsidiaries	3,946	14,897
Other receivable	PChome Store Inc.	190,000	900,000
Other receivable	Associates	26	29
Other receivable	Other related parties	-	6
		$ 561,832	989,797

The other receivable (interest bearing borrowings) to PChome Store Inc. bears interest at 1.3%.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

4.Payables to related parties

Payable of the Company from related parties were as follows：

Item	Related party categories	2019.12.31	2018.12.31
Accounts payables	Subsidiaries	$ -	32
Other payables	Subsidiaries	30,123	6,233
Other payables	Associates	12	12
		$ 30,135	6,277

5.Others

1) For the years ended December 31, 2019 and 2018, logistics expense, services expense and others are as follows:

	2019	2018
Subsidiaries	$ 171,912	18,157

2) As of December 31, 2019 and 2018, the Company's internet trading platform deposit received through PChomePay Inc. which is recognized at cash equivalents are amounted to $37 thousand and $37 thousand, respectively.

3) For the years ended December 31, 2019 and 2018, the Company's interest revenue resulting from loan to subsidiaries amounted to $7,283 thousand and $ 7,373 thousand, respectively.

6.Endorsements and guarantees with related parties

As of December 31, 2019 and 2018, the Company's guarantees for non-related parties to fulfill their obligations in accordance with the service contract with its subsidiary Linktel Inc. were $285 thousand and $4,686 thousand, respectively.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 52,911	33,763

(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	2019.12.31	2018.12.31
Deposit account-current	Security for performance and purchase guarantee	$ 60,976	68,987
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	108,222	123,861
		$ 169,198	192,848

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(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, 2019 and 2018, notes payable deposited as guarantee for commercial vehicle and office and building leases were $243,821 thousand and $264,559 thousand, respectively.

(c) As of December 31, 2019 and 2018, 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 $1,000,000 thousand, respectively.

(d) The Company will rent 15 warehouse units located in The Post Logistic Center, Post Logic Park from Chunghwa Post Co., Ltd. on Nov 1, 2021 because the Company has won the bidding of the contract of the park in the second quarter, 2019. The lease term is 15 years and the annual rental fee is $331,094 thousand. The rental fee will be adjusted yearly based on the Price Index of the year.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

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

Categorized as / Nature	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	23,642	1,094,871	1,118,513	31,438	1,071,111	1,102,549
Labor and health insurance	2,436	104,603	107,039	3,012	101,040	104,052
Pension	1,252	53,712	54,964	1,622	53,484	55,106
Remuneration of directors	-	3,099	3,099	-	2,108	2,108
Other employee benefits	1,041	41,481	42,522	1,009	42,240	43,249
Depreciation	3,759	606,738	610,497	-	149,944	149,944
Amortization	316	22,785	23,101	-	24,077	24,077

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019	2018
The average numbers of the Company's employees	1,851	1,903
The number of non-employee directors	2	3
The average employee benefits	$ 716	687
The average employee salary	$ 605	580
The adjustment on the average salary	4.31 %	

(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, 2019:

1. Fund financing to other parties:

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

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
													Name	Value		
0	The Company	PChome Store Inc.	Other receivables	Yes	900,000	190,000	190,000	1.30%	2	-	Operating Capital	-		-	608,554	1,217,108

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.

2. Guarantees and endorsements for other parties:

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

No. (Note 1)	Name of company	Counter-party		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent Company endorsement/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsement/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 3)										
0	The Company	Linktel Inc.	2	1,521,385	4,757	285	285	-	0.01 %	3,042,770	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 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.

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

3. Information regarding securities held at balance sheet date:

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

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Note
				Number	Book value	Percentage	Market value	
	Common Stock:							
PChome Online Inc.	Syspower Ltd.	-	FVOCI	744,118	19,972	3.72 %	19,972	
〃	Openfind Information Technology, Inc.	-	〃	800,000	30,536	6.26 %	30,536	
〃	Career Consulting Co., Ltd.	-	〃	113,005	2,526	0.72 %	2,526	
〃	Readmoo Co., Ltd.	-	〃	2,877,193	22,097	18.85 %	22,097	
〃	IPEVO Corp.	-	〃	1,566,415	21,068	7.36 %	21,068	
〃	Famicloud Inc.	-	〃	500,000	9,530	2.99 %	9,530	
〃	Miho International Cosmetic Co., Ltd.	-	〃	7,500,000	108,600	10.47 %	108,600	

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

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

9. Derivative transactions: None.

(b) Information on investees:

For the years ended December 31, 2019, 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 %	51,763	790	790	
〃	Linktel Inc.	〃	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	98,681	(5,209)	(5,209)	
〃	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	5,329	(2,654)	(2,654)	
〃	Rakuya International Info Co. Ltd.	Taiwan	Real estate business, and internet information rental service	47,439	45,199	3,035,115	26.47 %	12,039	6,418	1,584	
〃	PChome Store Inc.	〃	Internet services	326,494	326,494	18,435,220	34.35 %	(233,861)	(99,870)	(34,304)	

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

PCHOME ONLINE INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

				Initial investment (Amount)		Ending balance					
Name of investor	Name of investee	Location	Major operations	Ending balance	Beginning balance	Shares	Ratio of shares	Book value	Net income (loss) of the investee	Investment income (losses)	Note
PChome Online Inc.	PChomePay Inc.	Taiwan	Online payment processing services	756,000	180,000	46,800,000	55.06 %	279,336	(67,798)	(23,020)	
〃	PChome US Inc.	United States of America	E-commerce platform	134,065	134,065	45,800,000	91.97 %	9,032	(4,809)	(4,423)	
〃	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	1,069,297	1,069,297	349,508,366	100.00 %	532,112	21,750	21,750	
〃	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	140,000	60,000	9,000,000	100.00 %	34,841	(49,128)	(49,128)	
〃	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	66,200	66,200	6,500,000	65.00 %	13,386	(23,518)	(15,287)	
〃	PChome Travel Inc.	Taiwan	Travel agency business	36,000	36,000	3,600,000	100.00 %	27,224	(4,831)	(4,831)	
〃	PChome Financial Technology Inc.	〃	Information service	10,000	80,000	1,000,000	100.00 %	4,151	(375)	(375)	
〃	PChome Holding Inc.	British Virgin Islands	Investment activities	1,169,090	1,169,090	385,000,000	100.00 %	(105,661)	(42,593)	(42,593)	
〃	PChome Express Co., Ltd.	Taiwan	Transportation and logistics	200,000	200,000	20,000,000	100.00 %	167,607	(29,972)	(29,972)	
〃	Chunghwa PChome Fund 1 Co., Ltd.	〃	Investment activities	200,000	200,000	20,000,000	50.00 %	194,081	(9,785)	(4,893)	
〃	Cornerstone Ventures Co., Ltd.	〃	Investment activities	5,100	5,100	510,000	51.00 %	5,666	1,400	714	
〃	PChome CB Co., Ltd.	〃	E-commerce cross-border services	140,000	-	14,000,000	70.00 %	132,846	(6,867)	(4,832)	
〃	Mitch Co., Ltd.	〃	Clothing sales	162,000	-	16,200,000	60.00 %	155,827	(10,289)	(6,173)	
IT Home Publications Inc	Yiabi Inc.	〃	Information processing and provision of electronic information	-	5,000	-	- %	-	(126)	(126)	
Linktel Inc	Rakuya International Info Co. Ltd.	〃	Real estate business, and internet information rental service	-	6,238	-	- %	-	6,418	115	
PChome eBay Co., Ltd.	PChomePay Inc.	〃	Online payment processing services	205,200	205,200	20,520,000	24.14 %	122,470	(67,798)	(16,367)	
〃	PChome Store Inc.	〃	Internet services	632,258	632,258	11,896,486	22.16 %	(24,580)	(99,870)	(22,131)	
PChome Store Inc.	PChomePay Inc.	Taiwan	Online payment processing services	-	288,000	-	- %	-	(67,796)	(14,310)	
PChomePay Inc.	Pay and Link Inc.	〃	Electronic payment business	500,388	500,388	50,100,000	100.00 %	364,265	(30,551)	(30,551)	
〃	Zhen Jain Lian International Co., Ltd.	〃	Online payment processing services	3,000	3,000	300,000	100.00 %	2,580	(96)	(96)	
〃	Yin Te Lian International Co., Ltd.	〃	〃	3,000	3,000	300,000	100.00 %	2,579	(97)	(97)	
〃	Yun Tung Bao International Co., Ltd	〃	〃	3,000	3,000	300,000	100.00 %	2,641	(35)	(35)	
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 %	6,669	(2,528)	(2,528)	
PChome Online Inc.	PC Home Online (HK) Ltd	Hong Kong	Information service and indirect investment activities	25,140	25,140	5,641,239	100.00 %	8,680	(2,356)	(2,356)	
PC Home Online (HK) Ltd.	Ruten Japan KK	Japan	Information processing and provision of electronic information	5,438	5,438	2,000,000	4.50 %	2,337	(38,999)	(2,086)	
eCommerce Group Co., Ltd.	Ruten Global Inc.	Cayman Islands	Investment activities	831,606	831,606	266,063,307	100.00 %	614,235	21,848	21,848	
Ruten Global Inc.	EC Global Limited	Hong Kong	〃	22,740	22,740	7,494,642	100.00 %	7,172	3,552	3,552	
〃	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	488,359	58,833	38,241	

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

PCHOME ONLINE INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
Ruten Global Inc.	Ruten Japan KK	Japan	Information processing and provision of electronic information	54,495	27,040	19,794,850	44.50 %	23,112	(38,998)	(17,020)	
〃	Ruten Singapore Pte. Ltd	Singapore	〃	63,045	63,045	20,800,000	65.00 %	60,266	(1,592)	(1,035)	
PChome Holding Inc	PChome Marketplace Inc	Cayman Islands	Investment activities	1,169,090	1,169,090	38,335,000	100.00 %	1,235,707	(42,508)	(42,508)	
PChome Marketplace Inc	PChome Japan KK	Japan	International trading e-commerce	119,330	119,330	43,500,000	100.00 %	109,233	(6,732)	(6,732)	
〃	PChome Store Inc.	Taiwan	Internet services	998,758	998,758	19,206,893	35.78 %	(325,691)	(99,870)	(35,734)	
PChome CB Co., Ltd	PChome CBS Co., Ltd.	Taiwan	Internet services	127,000	-	2,900,000	100.00 %	124,542	(2,458)	(2,458)	
〃	PCHOME CB PTE. LTD	Singapore	Internet services	59,698	-	190,000	100.00 %	52,240	(4,105)	(4,105)	
PCHOME CB PTE LTD	PChome Bibian Inc	Japan	E-commerce cross border services	51,069	-	18,000,000	100.00 %	45,791	(3,904)	(3,904)	

(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	-	(2)	4,497	-	4,497	-	(109)	- %	(109)	-	-
PChome Trading (Shenzhen) Ltd.	International trading E-commerce	-	(2)	10,493	-	10,493	-	4,294	- %	4,294	-	-

2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period (Note 3)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission(Note 3)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 4)
-	57,862	2,260,250

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 determined by the 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 29.98 at the year ended December 31, 2019.

Note 4: The upper limit on investment was the greater of 60% of the individual or consolidated total net worth.

Note 5:Shanghai Todo Inc. and PChome Trading (Shenzhen) Ltd. were dissolved in the fourth quarter of 2019. As of December 31, 2019, the accumulated investment amount of USD500 thousand remitted from Taiwan has not been repatriated.

3. Significant transactions: None.

(14) Segment Information

Please refer to the consolidated financial report for the years ended December 31, 2019.

Attachment II Audited and Certified Consolidated Financial Statements of the Most Recent Year

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, 2019 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 26, 2020

KPMG
安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of PChome Online Inc.:

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Key Audit Matters

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

1. Revenue recognition

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

KPMG

Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

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

2. Valuation of inventories

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

Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

Our principal audit procedure included:

·Inspecting and analyzing the aging report of the inventory;

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

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

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

Other Matter

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

KPMG

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	ASSETS	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Assets:				
1100	Cash and cash equivalents (Note (6)(a))	$ 6,869,004	45	6,881,162	61
1110	Current financial assets at fair value through profit or loss (Note (6)(b))	21,616	-	-	-
1150	Notes receivable, net (Note (6)(d))	374	-	112	-
1170	Accounts receivable, net (Notes (6)(d) and (7))	510,780	3	634,691	6
1196	Lease receivables (Notes (6)(d) and (7))	7,324	-	-	-
1200	Other receivables, net (Notes (6)(d) and (7))	1,161,043	8	726,672	7
1300	Inventories (Note (6)(e))	1,685,147	11	1,250,825	11
1476	Other current financial assets (Note (8))	523,165	3	528,096	5
1479	Other current assets, others	231,159	2	213,585	2
1481	Current asset recognized as right to recover products from customers	35,583	-	29,958	-
		11,045,195	72	10,265,101	92
	Non-Current Assets:				
1510	Non-current financial assets at fair value through profit or loss (Note (6)(b))	36,983	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (Note (6)(c))	214,329	2	89,842	1
1550	Investments accounted for using equity method(Note (6)(f))	37,488	-	27,908	-
1600	Property, plant and equipment (Note (6)(k))	584,976	4	541,005	5
1755	Right-of-use assets (Note (6)(l))	2,959,490	20	-	-
1780	Intangible assets (Note (6)(m))	153,710	1	28,224	-
1840	Deferred tax assets (Note (6)(u))	62,953	-	45,062	1
1975	Net defined benefit asset, non-current (Note (6)(t))	3,897	-	3,228	-
1980	Other non-current financial assets(Note (8))	142,541	1	144,812	1
1990	Other non-current assets, others	16,185	-	15,727	-
		4,212,552	28	895,808	8
	Total assets	$ 15,257,747	100	11,160,909	100

	LIABILITIES AND STOCKHOLDERS' EQUITY	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current Liabilities:				
2100	Short-term borrowings (Note (6)(n))	$ 540,000	4	200,000	2
2130	Current contract liabilities (Note (6)(o))	421,921	3	399,708	4
2150	Notes payable	611	-	773	-
2170	Accounts payable	3,059,218	20	2,796,281	25
2200	Other payables	779,096	5	727,544	7
2230	Current tax liabilities	88,679	-	23,632	-
2280	Current lease liabilities (Note (6)(q))	503,193	3	-	-
2300	Other current liabilities (Notes (6)(o) and (6)(s))	546,107	4	100,698	1
2320	Long-term liabilities, current portion (Note (6)(p))	250,000	2	200,000	2
2335	Receipts under custody (Note (6)(o))	1,605,363	10	1,887,958	17
2365	Current refund liabilities (Note (6)(o))	38,326	-	32,510	-
		7,832,514	51	6,369,104	58
	Non-Current liabilities:				
2541	Long-term borrowings (Note (6)(p))	1,150,000	8	1,350,000	12
2570	Deferred tax liabilities (Note (6)(u))	779	-	659	-
2580	Non-current lease liabilities (Note (6)(q))	2,495,611	16	-	-
2640	Net defined benefit liability, non-current (Note (6)(t))	6,896	-	6,931	-
2670	Other non-current liabilities, others (Note (6)(s))	4,863	-	10,671	-
		3,658,149	24	1,368,261	12
	Total liabilities	11,490,663	75	7,737,365	70
	Equity attributable to owners of parent (Note (6)(v)):				
	Share capital:				
3110	Ordinary share	1,171,595	8	1,171,595	10
3200	Capital surplus	1,722,411	11	2,507,423	22
	Retained earnings:				
3310	Legal reserve	-	-	408,184	4
3320	Special reserve	-	-	4,120	-
3350	Unappropriated retained earnings (accumulated deficit)	100,564	1	(1,202,651)	(11)
	Other equity interest:				
3410	Exchange differences on translation of foreign financial statements	(24,825)	-	11,524	-
3420	Unrealized gains from financial assets measured at fair value through other comprehensive income	73,025	-	33,538	-
	Total equity attributable to owners of parent:	3,042,770	20	2,933,733	25
36XX	**Non-controlling interests (Notes 6(j) and 6(v))**	724,314	5	489,811	5
	Total equity	3,767,084	25	3,423,544	30
	Total liabilities and equity	$ 15,257,747	100	11,160,909	100

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	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, 2018	$ 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 ended December 31, 2018	-	-	-	-	(994,643)	-	-	(994,643)	(772,230)	(1,766,873)
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(305)	15,644	(5,490)	9,849	(3,402)	6,447
Total comprehensive income (loss) for the year 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
Profit (loss) for the year ended December 31, 2019	-	-	-	-	162,437	-	-	162,437	(20,743)	141,694
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(712)	(36,349)	39,487	2,426	(4,952)	(2,526)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	161,725	(36,349)	39,487	164,863	(25,695)	139,168
Appropriation and distribution of retained earnings:										
Legal reserve used to offset accumulated deficit	-	-	(408,184)	-	408,184	-	-	-	-	-
Special reserve used to offset accumulated deficit	-	-	-	(4,120)	4,120	-	-	-	-	-
Capital surplus used to offset accumulated deficit	-	(790,347)	-	-	790,347	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(61,161)	-	-	(61,161)	61,161	-
Changes in ownership interests in subsidiaries	-	5,335	-	-	-	-	-	5,335	31,037	36,372
Changes in non-controlling interests	-	-	-	-	-	-	-	-	168,000	168,000
Balance at December 31, 2019	$ 1,171,595	1,722,411	-	-	100,564	(24,825)	73,025	3,042,770	724,314	3,767,084

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(1) Organization and Business

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

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2020.

(3) New Standards and Interpretations Not Yet Adopted:

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

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.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4)(k).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to leases of vihicles, basements and house numbers.

A. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

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

b. Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

c. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

d. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

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

e. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

B. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Group concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $3,350,697 thousand of right-of-use assets and $3,371,759 thousand of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.20%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 2,232,871
Extension and termination options reasonably certain to be exercised	1,306,691
	3,539,562
Discounted using the incremental borrowing rate at January 1, 2019	3,371,759
Finance lease liabilities recognized as at December 31, 2018	12,777
Lease liabilities recognized at January 1, 2019	$ 3,384,536

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

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

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

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

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

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

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

(4) Summary of Significant Accounting Policies

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(a) Statement of compliance

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

(b) Basis of preparation

1.Basis of measurement

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

1) Cash-settled share-based payment liabilities are measured at fair value;

2) The defined benefit liabilities (assets) are measured at fair value of plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(o).

2.Functional and presentation currency

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

(c) Basis of consolidation

1. Principle of preparation of the consolidated financial statements

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

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

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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 2019.12.31	Shareholding 2018.12.31	Note
The Company	PChome Store Inc.	Internet services	34.35 %	34.35 %	Note 1
〃	Linktel Inc.	Type II Telecommunications Business	100.00 %	100.00 %	
〃	PChomePay Inc.	Online payment processing services	55.06 %	21.18 %	
〃	IT Home Publications Inc.	Magazine publication	100.00 %	100.00 %	
〃	PChome US Inc.	E-commerce platform	91.97 %	91.97 %	
〃	PC Home Online International Co., Ltd.	International trade and investment activities	100.00 %	100.00 %	
〃	eCommerce Group Co., Ltd.	Investment activities	100.00 %	100.00 %	
〃	Pi Mobile Technology Inc.	Online payment processing services	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 %	100.00 %	
〃	PChome Express Co., Ltd.	Transportation and logistics	100.00 %	100.00 %	Note 2
〃	Chunghwa PChome Fund 1 Co., Ltd.	Investment activities	50.00 %	50.00 %	Note 3
〃	Cornerstone Ventures Co., Ltd.	〃	51.00 %	51.00 %	Note 4
〃	PChome CB Co., Ltd.	E-commerce cross-border services	70.00 %	- %	Note 5
〃	Mitch Co.,Ltd.	Clothing sales	60.00 %	- %	Note 9

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Name of investor	Name of subsidiary	Principal activity	Shareholding 2019.12.31	Shareholding 2018.12.31	Note
PChome eBay Co., Ltd.	PChomePay Inc.	Online payment processing services	24.14 %	24.14 %	Note 1
〃	PChome Store Inc.	Internet services	22.16 %	22.16 %	〃
PChome Store Inc.	PChomePay Inc.	Online payment processing services	- %	33.88 %	〃
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 %	Note 10
PC Home Online International Co., Ltd.	PChome Online Inc.	International trade and investment activities	100.00 %	100.00 %	
eCommerce Group Co., Ltd.	Ruten Global Inc.	Investment activities	100.00 %	100.00 %	
PChome Online Inc.	PC Home Online (HK) Ltd.	Information service and indirect investment activities	100.00 %	100.00 %	
Ruten Global Inc.	EC Global Limited	Investment activities	100.00 %	100.00 %	
〃	PChome eBay Co., Ltd.	Information processing and provision of electronic information	65.00 %	65.00 %	
〃	Ruten Singapore Pte. Ltd.	〃	65.00 %	65.00 %	
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Software and internet technical consulting service	- %	100.00 %	Note 11
EC Global Limited	PChome Trading (Shenzhen) Ltd.	International trading E-commerce	- %	100.00 %	〃
PChome Holding Inc.	PChome Marketplace Inc.	Investment activities	100.00 %	100.00 %	
PChome Marketplace Inc.	PChome Japan KK	International trading E-commerce	100.00 %	100.00 %	
〃	PChome Store Inc.	Internet services	35.78 %	35.78 %	Note 1

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Name of investor	Name of subsidiary	Principal activity	Shareholding 2019.12.31	Shareholding 2018.12.31	Note
PChome CB Co., Ltd.	PChome CBS Co., Ltd.	Internet services	100.00 %	- %	Note 6
〃	PCHOME CB PTE. LTD.	〃	100.00 %	- %	Note 7
PCHOME CB PTE. LTD.	PChome Bibian Inc.	E-commerce cross-border services	100.00 %	- %	Note 8

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

Note 2: The subsidiary was established on October 18, 2018.

Note 3: The subsidiary was established on October 23, 2018.

Note 4: The subsidiary was established on October 30, 2018.

Note 5: The subsidiary was established on June 10, 2019.

Note 6: The subsidiary was acquired on July 1, 2019.

Note 7: The subsidiary was established on September 5, 2019.

Note 8: The subsidiary was established in the fourth quarter of 2019.

Note 9: The subsidiary was established on October 3, 2019.

Note 10: The subsidiary was dissolved on August 16, 2019.

Note 11: The subsidiary was dissolved in the fourth quarter of 2019.

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

2. Foreign operations

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

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

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

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

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(f) Cash and cash equivalents

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

(g) Financial instruments

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

1. Financial assets

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

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

1) Financial assets measured at amortized cost

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

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

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

4) Business model assessment

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

· the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

·how the performance of the portfolio is evaluated and reported to the Group's management;

·the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

·the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

·contingent events that would change the amount or timing of cash flows;

·terms that may adjust the contractual coupon rate, including variable rate features;

·prepayment and extension features; and

· terms that limit the Group' s claim to cash flows from specified assets (e.g. non-recourse features).

6) Impairment of financial assets

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

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

·debt securities that are determined to have low credit risk at the reporting date; and

·other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

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

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

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

7) Derecognition of financial assets

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

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

2. Financial liabilities and equity instruments

1) Financial liabilities

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Derecognizing of financial liabilities

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

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

3) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(j) Property, plant, and equipment

1. Recognition and measurement

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

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

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

2. Subsequent cost

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

3. Depreciation

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

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

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

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

(k) Leases

Applicable from January 1, 2019

1. Identifying a lease

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset throughout the period of use only if either:

   - the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or

   - the relevant decisions about how and for what purpose the asset is used are predetermined and:

     — the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

     — the Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

2. As a leasee

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

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

1) fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

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

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

5) there is any lease modifications

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

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

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

3. As a leasor

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

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

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

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

Applicable before January 1, 2019

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.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(l) Intangible assets

1. Recognition and measurement

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

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

2. Subsequent measurement

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

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

3. Amortization

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

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

Software 3~5 years

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

(m) Impairment – non financial assets

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

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

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

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

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

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

(n) Revenue

1. Revenue from contracts with customers

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

1) Sale of goods - consumer electronics

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

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

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.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(o) Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

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

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

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

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

3. Short-term employee benefits

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

(p) Share-based payment

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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

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

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

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

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

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

(r) Business combination

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

All acquisition-related transaction costs are expensed as incurred.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(s) Earnings per share

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

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

(t) Operating segments

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

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

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

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

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.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

		2019.12.31	2018.12.31
Cash on hand	$	1,056	897
Checking accounts		18,712	37,145
Savings accounts		5,572,425	5,625,018
Foreign currency deposits		180,992	118,421
Time deposits		1,090,700	1,091,700
Cash equivalents		5,119	7,981
Cash and cash equivalents in consolidated statement of cash flows	$	6,869,004	6,881,162

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

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

		2019.12.31	2018.12.31
Mandatorily measured at fair value through profit or loss:			
Preferred stocks	$	36,983	-
Foreign convertible bonds		21,616	-
Total	$	58,599	-

1.The Group acquired FP International Limited's Foreign convertible bonds for $21,616 thousand for the three months ended March 31, 2019, and transaction was recognized at financial assets designated at fair value through profit or loss.

2.The Group acquired Ecommerce Enablers Pte. Ltd.'s preferred stocks for $9,443 thousand for the six months ended June 30, 2019, and transaction was recognized at financial assets designated at fair value through profit or loss.

3.The Group acquired the preferred stocks of Tsaitung Agriculture Co., Ltd. and Uspace Tech Ltd. for $15,540 thousand and $12,000 thousand, respectively, which were recognized as financial assets designated at fair value through profit of loss, for the nine months ended September 30, 2019.

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

	2019.12.31	2018.12.31
Equity instruments at fair value through other comprehensive income		
Stocks unlisted on domestic markets	$ 214,329	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.

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. The shareholding ratio at the year ended 2019 was 18.85%.

3.The Group acquired 500 thousand shares of Famicloud Inc. common stock for $10,000 thousand for the three months ended March 31, 2019, the shareholding ratio for the year ended, 2019 was 2.99%.

4.The Group acquired 7,500 thousand common shares of Miho International Cosmetic Co., Ltd. for $75,000 thousand, resulting in its shareholding ratio to increase to 10.47% for the years ended December 31, 2019.

5.For the information about the credit risk and market risk, please refer to note 6(ac).

6.Abovementioned financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral.

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

	2019.12.31	2018.12.31
Notes receivable-measured as amortized cost	$ 374	112
Trade receivable-measured as amortized cost	511,938	635,159
Other receivables-measured as amortized cost	1,161,297	726,918
Lease receivable	7,324	-
Less: Allowance for impairment loss	(1,412)	(714)
	$ 1,679,521	1,361,475

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

	2019.12.31		
	Gross carrying amount	**Expected loss rate**	**Loss allowance provision**
Current	$ 1,678,644	0.002%~0.021%	867
Past under 180 days	1,446	0.53%~10%	219
Over 181 days past due	843	25%～100%	326
	$ 1,680,933		1,412

	2018.12.31		
	Gross carrying amount	**Weighted-average**	**Loss allowance provision**
Current	$ 1,315,836	0.001%~0.023%	20
Past under 180 days	45,770	10%~20%	188
Over 181 days past due	583	25%～100%	506
	$ 1,362,189		714

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

	2019	**2018**
Balance at January 1	$ 714	968
Impairment losses recognized	810	-
Impairment losses reversed	-	(243)
Amounts written off	(112)	(11)
Balance at December 31	$ 1,412	714

(e) Inventories

	2019.12.31	**2018.12.31**
Merchandise inventories	$ 1,694,672	1,263,022
Less: Allowance for inventory valuation and obsolescence losses	(9,525)	(12,197)
	$ 1,685,147	1,250,825

As of December 31, 2019 and 2018, the inventeries of the Group were not pledged as collateral.

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

The details of operating cost were as follows:

		2019	2018
Cost of goods sold	$	34,289,766	30,289,382
Provision for inventory market price decline and obsolescence (Gain from price recovery of inventory)		(2,672)	3,712
Loss on physical inventory		3,607	1,781
Loss on disposal of scrap		3,271	1,032
	$	34,293,972	30,295,907

The factors that caused the net realizable value of inventories to be lower than the cost no longer exist, resulting in the net realizable value of inventory to increase and be recognized as profit or loss on inventory for the years ended December 31, 2019.

(f) Investments accounted for using equity method

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

		2019.12.31	2018.12.31
Associates	$	37,488	27,908

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 2019.12.31	Proportion of shareholding and voting rights 2018.12.31
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 %	49.00 %

2.Collateral

As of December 31, 2019 and 2018, the Group did not provide any investment accounted for using equity method as collaterals.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(g) Acquisition of subsidiary

Acquisition of subsidiary

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

1) Acquisition of identifiable asset and liabilities assumed

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

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

2) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred (cash)	$	108,000
Less: fair value of identifiable net assets		(8,642)
Goodwill	$	**99,358**

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

(h) Changes in a parent's ownership interest in a subsidiary

In 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)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	$	**(517,932)**

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

In the fourth quarter of 2018, the subsidiary of PChome Store Inc. increased the capital that amounted to $1,000,000 thousand in cash. The Company decreased its ownership from 53.52% to 34.35% and retained earnings was written off, amounted to $323,504 thousand.

(i) 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 thousand, 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

(j) 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 2019.12.31	2018.12.31
PChome Store Inc.	Taiwan	7.71 %	7.71 %
PChomePay Inc.	Taiwan	20.80 %	20.80 %
PChome eBay Co., Ltd.	Taiwan	35.00 %	35.00 %
Chunghwa PChome Fund 1 Co., Ltd.	Taiwan	50.00 %	50.00 %

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

	2019.12.31	2018.12.31
Current assets	$ 901,761	1,665,480
Non-current assets	47,036	223,174
Current liabilities	(1,160,982)	(2,311,793)
Non-current liabilities	(468,644)	(553,248)
Net assets	$ (680,829)	(976,387)
Non-controlling interests	$ (96,698)	(119,486)

	2019	2018
Sales revenue	$ 1,388,732	1,566,622
Net loss	$ (99,870)	(2,031,549)
Other comprehensive loss	(28)	(1,002)
Comprehensive loss	$ (99,898)	(2,032,551)
Loss, attributable to non-controlling interests	$ (7,700)	(527,416)
Comprehensive loss, attributable to non-controlling interests	$ (7,702)	(527,494)

2.PChomePay Inc.'s collective financial information:

	2019.12.31	2018.12.31
Current assets	$ 1,144,784	1,182,153
Non-current assets	382,309	406,708
Current liabilities	(1,016,402)	(1,013,732)
Non-current liabilities	(3,361)	-
Net assets	$ 507,330	575,129
Non-controlling interests	$ 105,525	119,627

	2019	2018
Sales revenue	$ 35,288	30,405
Net loss	$ (67,798)	(72,608)
Other comprehensive income	-	-
Comprehensive loss	$ (67,798)	(72,608)
Loss, attributable to non-controlling interests	$ (14,102)	(15,087)
Comprehensive loss, attributable to non-controlling interests	$ (14,102)	(15,087)

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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

		2019.12.31	2018.12.31
Current assets	$	821,647	703,466
Non-current assets		185,631	88,595
Current liabilities		(243,788)	(195,861)
Non-current liabilities		(19,478)	-
Net assets	$	744,012	596,200
Non-controlling interests	$	260,404	208,670

		2019	2018
Sales revenue	$	937,255	862,431
Net gain (loss)	$	58,832	(636,205)
Other comprehensive loss		(6)	(222)
Comprehensive income (loss)	$	58,826	(636,427)
Gain (loss), attributable to non-controlling interests	$	20,591	(222,672)
Comprehensive income (loss), attributable to non-controlling interests	$	20,589	(222,750)

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

		2019.12.31	2018.12.31
Current assets	$	351,441	398,273
Non-current assets		36,983	-
Current liabilities		(261)	(325)
Net assets	$	388,163	397,948
Non-controlling interests	$	194,082	198,974

		For the years ended December 31,	
		2019	2018
Net loss	$	(9,785)	(2,052)
Other comprehensive income		-	-
Comprehensive loss	$	(9,785)	(2,052)
Loss, attributable to non-controlling interests	$	(4,893)	(1,026)
Comprehensive loss, attributable to non-controlling interests	$	(4,893)	(1,026)

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(k) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

	Transportation equipment	Furniture and office equipment	Leasehold improvements	Leased assets	Total
Cost:					
Balance at January 1, 2019	$ 26,079	984,527	492,139	16,363	1,519,108
Acquired through business combination	-	132	1,042	-	1,174
Additions	33,807	177,559	16,969	-	228,335
Obsolescence	-	(10,828)	(40,002)	-	(50,830)
Disposals	(1,188)	(6,122)	(236)	-	(7,546)
Effect of movements in exchange rates	(14)	235	(3)	-	218
Balance at December 31, 2019	$ 58,684	1,145,503	469,909	16,363	1,690,459
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
Depreciation and impairment loss:					
Balance at January 1, 2019	$ 1,673	667,877	303,222	5,331	978,103
Acquired through business combination	-	103	433	-	536
Depreciation for the year	5,444	134,681	40,764	3,229	184,118
Obsolescence	-	(10,828)	(39,994)	-	(50,822)
Disposals	(1,188)	(5,107)	(236)	-	(6,531)
Effect of movements in exchange rates	(13)	95	(3)	-	79
Balance at December 31, 2019	$ 5,916	786,821	304,186	8,560	1,105,483
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
Carrying amounts:					
Balance at December 31, 2019	$ 52,768	358,682	165,723	7,803	584,976
Balance at December 31, 2018	$ 24,406	316,650	188,917	11,032	541,005

As of December 31, 2019 and 2018, the property, plant and equipment were not pledged as collateral.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(l) Right-of-use assets

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

		Buildings	Machinery and equipment	Transportation equipment	Total
Cost:					
Balance as of January 1, 2019	$	3,277,618	73,079	-	3,350,697
Additions		136,609	-	1,165	137,774
Decrease		(11,595)	-	-	(11,595)
Effect of changes in foreign exchange rates		(22)	-	-	(22)
Balance as of December 31, 2019	$	3,402,610	73,079	1,165	3,476,854
Accumulated depreciation and impairment losses:					
Balance as of January 1, 2019	$	-	-	-	-
Depreciation for the year		507,204	13,491	281	520,976
Other decrease		(3,614)	-	-	(3,614)
Effect of changes in foreign exchange rates		2	-	-	2
Balance as of December 31, 2019	$	503,592	13,491	281	517,364
Carrying amount:					
Balance as of December 31, 2019	$	2,899,018	59,588	884	2,959,490

For the years ended December 31, 2018, the Group leases offices and warehouses under an operating lease, please refer to note (6)(r).

(m) Intangible assets

The costs and amortization of intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows:

		Software	Goodwill	Total
Cost:				
Balance at January 1, 2019	$	124,822	-	124,822
Acquired through business combination		-	99,358	99,358
Acquired separately		51,961	-	51,961
Disposals		(223)	-	(223)
Effect of movements in exchange rates		151	-	151
Balance at December 31, 2019	$	176,711	99,358	276,069

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	Software	Goodwill	Total
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
Amortization and impairment losses:			
Balance at January 1, 2019	$ 96,598	-	96,598
Amortization for the year	25,898	-	25,898
Disposals	(223)	-	(223)
Effect of movements in exchange rates	86	-	86
Balance at December 31, 2019	$ 122,359	-	122,359
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
Carrying amounts:			
Balance at December 31, 2019	$ 54,352	99,358	153,710
Balance at December 31, 2018	$ 28,224	-	28,224

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

	2019	2018
Operating cost	$ 316	-
Operating expense	$ 25,582	26,372

(n) Short-term borrowings

	2019.12.31	2018.12.31
Unsecured bank loans	$ 540,000	200,000
Unused short-term credit line	$ 40,117	500,000
Range of interest rates	1.20%~1.33%	1.15%~1.59%

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

	2019.12.31	2018.12.31
Current contract liabilities	$ 421,921	399,708
Receipts under custody-online payment processing service mainly	1,605,363	1,887,958
Other	546,107	100,698
Current refund liabilities	38,326	32,510
	$ 2,611,717	2,420,874

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

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

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

(p) Long-term borrowings

The details were as follows:

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

	2018.12.31			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.20%	2028	$ 900,000
Secured bank loans	TWD	1.59%	2025	650,000
Less: current portion				(200,000)
Total				$ 1,350,000
Unused long-term credit lines				$ -

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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, 2019, the Group was in compliance with the financial covenants mentioned above.

(q) Lease liabilities

Lease liabilities of the Group carrying amounts were as follows:

	2019.12.31
Current	$ 503,193
Non-current	$ 2,495,611

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

There were no significant issues, repurchases and repayments of lease liabilities for the years ended December 31, 2019.

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 49,406
Expenses relating to short-term leases	$ 42,678
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	$ 4,651

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

	2019
Total cash outflow for leases	$ 588,917

1. Real estate leases

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

2. The lease liabilities were classified as operating leases and finance lease liabilities on December 31, 2018, please refer to Notes (6)(r) and (6)(s).

(r) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018.12.31
Less than one year	$ 440,693
Between one and five years	1,470,810
Over five years	321,368
	$ 2,232,871

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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, the operating leases recognized in profit or loss was $396,368 thousand.

(s) Lease obligations payable

The Group's lease obligations payable were as follows:

	2018.12.31		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 3,427	1,023	2,404
Between one and five years	11,522	1,149	10,373
	$ 14,949	2,172	12,777

(t) 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:

	2019.12.31	2018.12.31
Present value of defined benefit obligation	$ 65,398	61,866
Fair value of plan assets	(62,399)	(58,163)
Net defined benefit assets	$ 2,999	3,703

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

1) Composition of plan assets

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

The Group's Bank of Taiwan pension reserve account balance amounted to $62,399 thousand at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Council of Labor Affairs and the Labor Pension Supervisory Committee.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

2) Movements in present value of the defined benefit obligations

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

	2019	2018
Defined benefit obligation at January 1	$ 61,866	58,530
Current service costs and interest	870	969
Remeasurement on the net defined benefit liabilities (assets)		
—Experience adjustments arising on the actuarial gains or losses	(612)	682
—Actuarial loss arising from changes in financial assumptions	3,274	1,685
Defined benefit obligation at December 31	$ 65,398	61,866

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:

	2019	2018
Fair value of plan assets at January 1	$ 58,163	54,357
Interest income	827	911
Remeasurement on the net defined benefit liabilities (assets)		
—Return on plan assets (excluding current interest)	1,766	1,275
Contribution made	1,643	1,620
Fair value of plan assets at December 31	$ 62,399	58,163

4) Expenses recognized in profit or loss

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

	2019	2018
Net interest of net defined benefit liabilities (assets)	$ 43	58
Operating costs	$ (1)	(1)
Selling expenses	(42)	(21)
Administrative expenses	92	82
Research and development expenses	(6)	(2)
	$ 43	58

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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

The Group's remeasurement on the net defined benefit liabilities (assets) recognized in other comprehensive income as at December 31, 2019 and 2018 were as follows:

	2019	2018
Cumulative amount at January 1	$ 1,693	601
Recognized during the period	896	1,092
Cumulative amount at December 31	$ 2,589	1,693

6) Actuarial assumptions

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

	2019	2018
Discount rate	1.125%	1.375%~1.5%
Future salary increases rate	3.000%	3.000%

The Group will pay the defined benefit plans amounting to $1,637 thousand within 1 year after the reporting date in December 31, 2019.

The weighted average duration of the defined benefit obligation is 17.62~19.07 years.

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

8) Sensitivity analysis

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

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2019		
Discount rate	(2,733)	2,867
Future salary increasing rate	2,771	(2,659)
December 31, 2018		
Discount rate	(2,729)	2,871
Future salary increasing rate	2,788	(2,666)

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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 2019 and 2018, 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, 2019 and 2018, the Group set aside $77,149 thousand and $73,894 thousand, respectively, under the pension plan to the Bureau of the Labor Insurance.

(u) Income taxes

1. Income tax expense recognized in profits or losses

The amount of income tax was as follows:

		2019	2018
Current income tax expense:			
Current period	$	119,727	96,149
Adjustment for prior periods		(11,814)	(15,798)
		107,913	80,351
Deferred tax benefit:			
Origination and reversal of temporary differences		(17,592)	(8,133)
Increase in tax rate		-	(5,148)
		(17,592)	(13,281)
Income tax expense	$	90,321	67,070

Income tax benefit recognized in other comprehensive income:

		2019	2018
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement from defined benefit plans	$	179	631

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

The reconciliation of income tax and gain (loss) before tax was as follows:

	2019	2018
Gain (loss) excluding income tax	$ 232,015	(1,699,803)
Income tax using the Company's domestic tax rate	6,092	(730,544)
Permanent differences-the share of loss of domestic subsidiaries, etc.	35,774	399,702
Change in temporary differences	43,152	418,858
Over provision in prior periods	(11,814)	(15,798)
Adjustment in tax rate	-	(5,148)
Income basic tax	17,117	-
Total	$ 90,321	67,070

2. Deferred tax assets and liabilities

1) Unrecognized Deferred Tax Liabilities

For the years ended December 31, 2019 and 2018, deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries, except where the 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:

	2019.12.31	2018.12.31
Consolidated amount of taxable temporary differences associated with investments in subsidiaries	$ -	454,404
Amounts are not recognized as deferred tax liabilities	$ -	90,881

2) Unrecognized deferred tax assets

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

	2019.12.31	2018.12.31
Deductible Temporary Differences	$ 2,628	775
Tax losses	700,819	679,398
	$ 703,447	680,173

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

As of December 31, 2019, 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
2011	$ 638	2021
2012	12,347	2022
2013	18,284	2023
2014	25,670	2024
2015	34,582	2025
2016	24,171	2026
2017	1,080,681	2027
2018	2,086,605	2028
2019	221,117	2029
	$ 3,504,095	

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 are as follows:

	Defined Benefit Plans	Unrealized Gain (Loss) of Investment	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2019	$ 645	-	14	659
Debited (Credited) Income statement	229	-	(14)	215
Debit (Credited) Other Comprehensive Income	(95)	-	-	(95)
Balance at December 31, 2019	$ 779	-	-	779
Balance at January 1, 2018	$ -	-	-	-
Debited (Credited) Income statement	645	-	14	659
Balance at December 31, 2018	$ 645	-	14	659

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Defined Benefit Plans	Unrealized Gain (Loss) of Investment	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2019	$ 888	36,501	7,673	45,062
(Debited) Credited Income statement	(189)	12,719	5,277	17,807
(Debited) Credited Other Comprehensive Income	84	-	-	84
Balance at December 31, 2019	$ 783	49,220	12,950	62,953
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

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

(V) Capital and other equity

As of December 31, 2019 and 2018, the total value of nominal ordinary shares amounted to $1,500,000 thousand. The face value of each share is $10. In total, there were both 117,159 in thousands of ordinary shares issued. All issued shares were paid up upon issuance.

1. Capital surplus

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

	2019.12.31	2018.12.31
Share capital	$ 1,694,160	2,484,507
Difference between consideration and carrying amount of subsidiaries acquired or disposed	8,643	8,643
Changes in equity of subsidiaries	19,608	14,273
	$ 1,722,411	2,507,423

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

2. Retained earnings

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

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

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

1) Legal reserve

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

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 14, 2019, the shareholders resolved to Legal reserve, Special earnings and Capital surplus used to offset accumulated deficit, $408,184 thousand, $4,120 thousand and $790,347 thousand, respectively. On June 13, 2018, the shareholders resolved not to appropriate the 2017 earnings in the general meeting of the shareholders. The related information would be available at the Market Observation Post System.

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

3. Other equity, net of tax

		Exchange difference on translation of foreign financial statements	Unrealized gains from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2019	$	11,524	33,538
Exchange differences on foreign operations		(36,349)	-
Unrealized gain from financial assets measured at fair value through other comprehensive income		-	39,487
Balance at December 31, 2019	$	(24,825)	73,025
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

4. Non-controlling Interests

		2019	2018
Balance at January 1	$	489,811	437,415
Shares of non-controlling interests			
Loss for the years ended December 31		(20,743)	(772,230)
Foreign currency translation differences for foreign operations		(4,947)	(3,246)
Remeasurement from defined benefit plans		(5)	(156)
Difference between consideration and carrying amount of subsidiaries acquired or disposed		61,161	517,932
Changes in ownership interests in subsidiaries		31,037	103,955
Changes in non-controlling interests		168,000	206,141
Balance at December 31	$	724,314	489,811

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(w) Share-based payment

The Group had share-based payment arrangements as follows as of December 31, 2019:

	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:

	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)

	2019		2018	
	Weighted-average exercise price	Numbers of options	Weighted-average exercise price	Numbers of options
Balance, beginning of January 1	USD 0.09	28,737	USD 0.09	31,128
Options granted	-	-	-	-
Options forfeited	-	(9,783)	-	(2,391)
Options exercised	-	-	-	-
Options expired	-	-	-	-
Balance, end of December 31	0.09	18,954	0.09	28,737
Options exercisable, end of December 31	-	4,739	-	7,184

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

3. Expenses and liabilities resulted from share-based payments

The incurred expenses from share-based payments transactions for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Salary expenses	$ 191	13,332

(x) Earnings per share

The Company calculated the basic and diluted EPS as follows:

1. Basic earnings per share (NT dollars)

	2019	2018
Profit (Loss) attributable to common stockholders of the Company	$ 162,437	(994,643)
Weighted-average number of ordinary shares	117,159	117,159
Basic earnings per share (NT dollars)	$ 1.39	(8.49)

2. Diluted earnings per share (NT dollars)

	2019	2018
Profit (loss) attributable to common stockholders of the Company	$ 162,437	(994,643)
Weighted-average number of ordinary shares (basic)	117,159	117,159
Effect of employee stock compensation	119	-
Weighted-average number of ordinary shares (diluted)	117,278	117,159
Diluted earnings per share (NT Dollar)	$ 1.39	(8.49)

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).

	2019	2018
Effect of employee stock compensation	-	86

(y) Revenue from contracts with customers

	2019	2018
Revenue of electronic commerce	$ 38,510,487	34,350,066
Revenue of non-electronic commerce	373,093	244,298
	$ 38,883,580	34,594,364

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(z) Rewards of employees, directors and supervisors

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

The Group incurred losses before tax for the years ended December 31, 2018, therefore, there were no remuneration allocated to employees, directors and supervisors. The employees mentioned before include the employees in the subsidiaries who meet the specific conditions. For the years ended December 31, 2019, the Company estimated its employee remuneration amounting to $11,237 thousand, and directors' and supervisors' remuneration amounting to $1,261 thousand. If there would be any changes after the reporting date in the following year, the changes would be treated as changes in accounting estimates and recognized as profit or loss in following year. Related information would be available at the Market Observation Post System.

(aa) Non-operating income and expenses

1. Other income

The details of other income were as follows:

	2019	2018
Interest income	$ 12,075	16,595
Dividend income	5,263	4,025
Others	20,102	14,135
Total other income	$ 37,440	34,755

2. Other gains and losses, net

The details of other gains and losses were as follows:

	2019	2018
Foreign currency exchange (losses) gains	$ (2,132)	28,249
Gains on disposal of investments	-	2,583
Gains on disposal of property, plant and equipment	360	540
Others	77	-
Other gains and losses, net	$ (1,695)	31,372

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

3. Finance costs

The details of finance cost were as follows:

	2019	2018
Interest expense	$ 64,113	24,113

(ab) 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, 2019 and 2018, the maximum exposure to credit risk amounted to $9,487,159 thousand and $9.005,387 thousand, respectively.

2. Liquidity risk

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

	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, 2019							
Non-derivative financial liabilities							
Short-term borrowings	$ 540,000	540,000	540,000	-	-	-	-
Notes payable	611	611	611	-	-	-	-
Accounts payable	3,059,218	3,059,218	3,059,218	-	-	-	-
Other payables	431,279	431,279	431,279	-	-	-	-
Receipts under custody	1,605,363	1,605,363	1,605,363	-	-	-	-
Lease liability	2,998,804	2,998,804	251,386	251,807	496,718	1,344,460	654,433
Long-term borrowings	1,400,000	1,400,000	200,000	50,000	400,000	550,000	200,000
	$ 10,035,275	10,035,275	6,087,857	301,807	896,718	1,894,460	854,433
Balance at December 31, 2018							
Non-derivative financial liabilities							
Short-term borrowings	$ 200,000	200,000	200,000	-	-	-	-
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	1,550,000	1,550,000	100,000	100,000	250,000	750,000	350,000
	$ 6,886,598	6,888,770	5,425,534	101,713	253,426	758,097	350,000

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

3. Currency risk

1) Currency risk exposure

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

	2019.12.31			2018.12.31		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
Financial assets						
Monetary items						
USD	S 4,244	29.98	127,235	3,799	30.71	116,677
Financial liabilities						
Monetary items						
USD	139	29.98	4,179	314	30.71	9,639

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, 2019 and 2018, would have increased or decreased net income by $4,922 thousand and $4,282 thousand, 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, 2019 and 2018, respectively.

Due to the variety of functional currency, the group disclosed the foreign currency gain or loss on monetary items aggregately. The foreign currency gains and losses (include realized and unrealized) were $(2,132) thousand and $28,249 thousand for the years ended December 31, 2019 and 2018, respectively.

4. Interest analysis

The interest rate exposure of the Group' s financial assets and liabilities is described in Note (6)(ab) 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 thousand and $4 thousand as of December 31, 2019 and 2018. This is mainly due to the Group's cash and cash equivalents being at variable rates.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

5. Other market price risk

For the years ended December 31, 2019 and 2018, 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:

	2019		2018	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 1%	$ 1,715	296	719	-
Decreasing 1%	(1,715)	(296)	(719)	-

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 :

	2019.12.31				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value through profit or loss					
Preferred stock	$ 36,983	-	-	36,983	36,983
Foreign convertible bonds	21,616	-	-	21,616	21,616
	$ 58,599	-	-	58,599	58,599
Fair value through other comprehensive income					
Domestic stock of non-listed company	$ 214,329	-	-	214,329	214,329

	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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

2) Valuation techniques for financial instruments measured at fair value

2.1) Non-derivative financial instruments

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

2.2) Derivative financial instruments

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

3) Reconciliation of Level 3 fair values

	Fair value through profit or loss	Fair value through other comprehensive income
Opening balance, January 1, 2019	$ -	89,842
Total gains and losses recognized:		
In other comprehensive income	-	39,487
Purchasing	58,599	85,000
Ending Balance, December 31, 2019	**$ 58,599**	**214,329**
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, 2019 and 2018, total gains and losses that were included in "other gains and losses" and "unrealized gains and losses from fair value through other comprehensive income" were as follows:

	2019	2018
Total gains and losses recognized:		
In other comprehensive income, and including "unrealized gains and losses from fair value through other comprehensive income"	39,487	(5,490)

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Fair value through profit or loss	Comparable listed company market approach	·EV/sales (4.06~21.58)	·The estimated fair value would increase (decrease) if the enterprise value were higher (lower).
Fair value through other comprehensive income	Comparable listed company market approach	·Liquidity discounted rate (13.79%~32.75%)	·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 Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, the impact on the net income or loss and other comprehensive income or loss will be as follows if the valuation parameters changed:

			Profit or loss		Other comprehensive income	
	Input	Variation	Favor-able	Unfavor-able	Favor-able	Unfavor-able
December 31, 2019						
Financial assets at fair value through profit or loss						
Derivative financial instruments	P/S ratio	5%	$ 1,081	(1,081)	-	-
Equity investments without an active market	P/S ratio	5%	1,849	(1,849)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	-	-	10,716	(10,716)
			$ 2,930	(2,930)	10,716	(10,716)

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

			Profit or loss		Other comprehensive income	
	Input	Variation	Favor-able	Unfavor-able	Favor-able	Unfavor-able
December 31, 2018						
Financial assets at fair value through other comprehensive income						
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.

(ac) 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.

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.

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1) Accounts receivable and other receivables

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

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

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

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, 2019 and 2018, the Group's guarantees for non-related parties to fulfill their obligations in accordance with the service contract with its subsidiary Linktel Inc. were $285 thousand and $4,686 thousand, respectively.

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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.

(ad) 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.

(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
Ruten Japan KK	Other related party
PC Home Ventures Fund(I) Corporation	〃

(c) Related-party transactions

1. Sales

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

	2019	2018
Associates	$ 287	286

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

2. Receivables from related parties

The receivables from related parties were as follows:

Item	Related party categories	2019.12.31	2018.12.31
Accounts receivable	Associates	$ 25	25
Other receivable	Associates	26	29
Lease receivable	Associates	7,324	-
Other receivable	Other related party	-	6
		$ 7,375	60

3. Payables to related parties

Item	Related party categories	2019.12.31	2018.12.31
Other payables	Associates	$ 12	12

4. Other operating income

The Group and its associates had other operating income each amounting to $25 thousand for the years ended December 31, 2019.

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 56,991	39,292

(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	2019.12.31	2018.12.31
Deposit account-current	Security for performance, purchase guarantee and loans with certificate of deposits	$ 523,165	528,096
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	142,541	144,812
		$ 665,706	672,908

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(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, 2019 and 2018, notes payable deposited as guarantee for commercial vehicle and office and building leases were $243,821 thousand and $265,488 thousand, respectively.

(c) According to the "Standardized contract for telecom product or service", the payment guarantee for Skype stored-value service should be fully provided by financial institutions. Therefore, the Group entered into an agreement with a financial institution, with having a guarantee limit of $50,000 thousand and $50,000 thousand as of December 31, 2019 and 2018, respectively.

(d) As of December 31, 2019 and 2018, the Group has entered into an agreement with a financial institution for providing performance guarantee for the Group on the balance amount received through the Group's online payment processing services to online sellers; the amount of performance guarantee agreed therein are $3,015,000 thousand and $3,065,000 thousand, respectively.

(e) The Group will rent 15 warehouse units located in The Post Logistic Center, Post Logic Park from Chunghwa Post Co., Ltd. on Nov 1, 2021 because the Group has won the bidding of the contract of the park in the second quarter, 2019. The lease term is 15 years and the annual rental fee is $331,094 thousand. The rental fee will be adjusted yearly based on the Price Index of the year.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

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

Categorized as	For the year ended December 31, 2019			For the year ended December 31, 2018		
Nature	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	166,801	1,402,134	1,568,935	119,602	1,363,679	1,483,281
Labor and health insurance	15,736	133,685	149,421	10,849	127,760	138,609
Pension	6,485	70,707	77,192	4,488	69,464	73,952
Others employee benefits	6,662	52,843	59,505	4,224	52,160	56,384
Depreciation	44,955	660,139	705,094	20,275	164,054	184,329
Amortization	316	25,582	25,898	-	26,372	26,372

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

(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, 2019:

1. Fund financing to other parties:

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

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
													Name	Value		
0	The Company	PChome Store Inc.	Other receivables	Yes	900,000	190,000	190,000	1.30%	2	-	Operating Capital	-		-	608,554	1,217,108

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		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent Company endorsement/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsement/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 3)										
0	The Company	Linktel Inc.	2	1,521,385	4,757	285	285	-	0.01 %	3,042,770	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 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.

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

3. Information regarding securities held at balance sheet date:

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

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Peak Holding	Note
				Number	Book value	Percentage	Market value	Percentage	
	Common Stock:								
PChome Online Inc.	Syspower Ltd.	-	FVOCI	744,118	19,972	3.72 %	19,972	3.72 %	
〃	Openfind Information Technology, Inc.	-	〃	800,000	30,536	6.26 %	30,536	6.26 %	
〃	Career Consulting Co., Ltd.	-	〃	113,005	2,526	0.72 %	2,526	0.72 %	
〃	Readmoo Co., Ltd.	-	〃	2,877,193	22,097	18.85 %	22,097	18.85 %	
〃	IPEVO Corp.	-	〃	1,566,415	21,068	7.36 %	21,068	7.36 %	
〃	Famicloud Inc.	-	〃	500,000	9,530	2.99 %	9,530	3.12 %	
〃	Miho International Cosmetic Co., Ltd.	-	〃	7,500,000	108,600	10.47 %	108,600	10.47 %	
Linktel Inc.	Eastern Online Co., Ltd.	-	FVTPL	118,750	-	- %	-	- %	
〃	Taiwan Star Telecom Co., Ltd.	-	〃	3,942	-	- %	-	- %	
〃	PayEasy Ltd.	-	〃	5,437,762	-	12.51 %	-	- %	
〃	17Life Ltd.	-	〃	1,126,049	-	6.26 %	-	- %	
	Convertible Bonds:							- %	
Chunghwa PChome Fund 1 Co., Ltd.	FP International Limited	-	〃	-	21,616	- %	21,616	- %	
	Preferred stocks:								
〃	Ecommerce Enablers Pte. Ltd.	-	〃	-	9,443	- %	9,443	- %	
〃	USPACE Tech Co., Ltd.	-	〃	1,695,873	12,000	17.83 %	12,000	17.83 %	
〃	Tasitung Agriculture Co., Ltd.	-	〃	7,400,000	15,540	8.27 %	15,540	8.27 %	

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

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

9. Derivative transactions: None.

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

10. Business relationships and significant inter-company transactions:

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets
0	PChome Online Inc.	PChome Store Inc.	1	Accounts receivables	1,275	Usual terms and conditions	0.01 %
0	〃	〃	1	Other receivables	190,361	〃	1.25 %
0	〃	〃	1	Sales	47,803	〃	0.12 %
0	〃	〃	1	Interest revenue	7,283	〃	0.02 %
0	〃	Pi Mobile Technolgy Inc.	1	Accounts receivables	356,019	〃	2.33 %
0	〃	〃	1	Expense payables	6,879	〃	0.05 %
0	〃	〃	1	Bank charges	56,400	〃	0.15 %
0	〃	PChome Express Co., Ltd.	1	Expense payables	23,062	〃	0.15 %
0	〃	〃	1	Logistics	109,891	〃	0.28 %
0	〃	〃	1	Other income	4,333	〃	0.01 %
0	〃	〃	1	Dispatch salary	8,593	〃	0.02 %
0	〃	Linktel Inc.	1	Sales	2,873	〃	0.01 %
0	〃	Mitch Co.,Ltd	1	Other receivables	1,689	〃	0.01 %
0	〃	〃	1	Other income	1,608	〃	0.01 %
0	〃	PChome Travel Inc.	1	Other income	1,876	〃	0.01 %

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

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

Note 2: Relationship is classified into three types:

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

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

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

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

(b) Information on investees:

For the years ended December 31, 2019, 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 %	51,763	100.00 %	790	790	Note
〃	Linktel Inc.	〃	Type II Telecommmications Business	125,000	125,000	17,325,940	100.00 %	98,681	100.00 %	(5,209)	(5,209)	〃
〃	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	5,329	100.00 %	(2,654)	(2,654)	〃

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount) Ending balance	Initial investment (Amount) Beginning balance	Ending balance Shares	Ending balance Ratio of shares	Ending balance Book value	Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Note
PChome Online Inc.	Rakuya International Info. Co. Ltd	Taiwan	Real estate business, and internet information rental service	47,439	45,199	3,035,115	26.47 %	12,039	26.47 %	6,418	1,584	Note
〃	PChome Store Inc.	〃	Internet services	326,494	326,494	18,435,220	34.35 %	(233,861)	34.35 %	(99,870)	(34,304)	〃
〃	PChomePay Inc.	〃	Online payment processing services	756,000	180,000	46,800,000	55.06 %	279,336	55.06 %	(67,798)	(23,020)	〃
〃	PChome US Inc.	United States of America	E-commerce platform	134,065	134,065	45,800,000	91.97 %	9,032	91.97 %	(4,809)	(4,423)	〃
〃	eCommerce Group Co., Ltd	British Virgin Islands	Investment activities	1,069,297	1,069,297	349,508,366	100.00 %	532,112	100.00 %	21,750	21,750	〃
〃	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	140,000	60,000	9,000,000	100.00 %	34,841	100.00 %	(49,128)	(49,128)	〃
〃	PChome (Thailand) Co., Ltd	Thailand	E-commerce platform	66,200	66,200	6,500,000	65.00 %	13,386	65.00 %	(23,518)	(15,287)	〃
〃	PChome Travel Inc.	Taiwan	Travel agency business	36,000	36,000	3,600,000	100.00 %	27,224	100.00 %	(4,831)	(4,831)	〃
〃	PChome Financial Technology Inc.	〃	Information service	10,000	80,000	1,000,000	100.00 %	4,151	100.00 %	(375)	(375)	〃
〃	PChome Holding Inc.	British Virgin Islands	Investment activities	1,169,090	1,169,090	385,000,000	100.00 %	(105,661)	100.00 %	(42,593)	(42,593)	〃
〃	PChome Express Co., Ltd	Taiwan	Transportation and logistics	200,000	200,000	20,000,000	100.00 %	167,607	100.00 %	(29,972)	(29,972)	〃
〃	Chunghwa PChome Fund 1 Co., Ltd	〃	Investment activities	200,000	200,000	20,000,000	50.00 %	194,081	50.00 %	(9,785)	(4,893)	〃
〃	Cornerstone Ventures Co., Ltd	〃	Investment activities	5,100	5,100	510,000	51.00 %	5,666	51.00 %	1,400	714	〃
〃	PChome CB Co., Ltd	〃	E-commerce cross-border services	140,000	-	14,000,000	70.00 %	132,846	100.00 %	(6,867)	(4,832)	〃
〃	Mitch Co., Ltd	〃	Clothing sales	162,000	-	16,200,000	60.00 %	155,827	60.00 %	(10,289)	(6,173)	〃
IT Home Publications Inc.	Yiabi Inc.	〃	Information processing and provision of electronic information	-	5,000	-	- %	-	100.00 %	(126)	(126)	
Linktel Inc.	Rakuya International Info. Co. Ltd	〃	Real estate business, and internet information rental service	-	6,238	-	- %	-	5.44 %	6,418	115	
PChome eBay Co., Ltd	PChomePay Inc.	〃	Online payment processing services	205,200	205,200	20,520,000	24.14 %	122,470	24.14 %	(67,798)	(16,367)	Note
〃	PChome Store Inc.	〃	Internet services	632,258	632,258	11,896,486	22.16 %	(24,580)	22.16 %	(99,870)	(22,131)	〃
PChome Store Inc.	PChomePay Inc.	〃	Online payment processing services	-	288,000	-	- %	-	33.88 %	(67,798)	(14,310)	
PChomePay Inc.	Pay and Link Inc.	〃	Electronic payment business	500,388	500,388	50,100,000	100.00 %	364,265	100.00 %	(30,551)	(30,551)	Note
〃	Zhen Jain Lian International Co., Ltd	〃	Online payment processing services	3,000	3,000	300,000	100.00 %	2,580	100.00 %	(96)	(96)	〃
〃	Yin Te Lian International Co., Ltd	〃	〃	3,000	3,000	300,000	100.00 %	2,579	100.00 %	(97)	(97)	〃
〃	Yun Tung Bao International Co., Ltd	〃	〃	3,000	3,000	300,000	100.00 %	2,641	100.00 %	(35)	(35)	〃

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
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 %	6,669	100.00 %	(2,528)	(2,528)	Note 2
PChome Online Inc.	PC Home Online (HK) Ltd.	Hong Kong	Information service and indirect investment activities	25,140	25,140	5,641,239	100.00 %	8,680	100.00 %	(2,356)	(2,356)	〃
PC Home Online (HK) Ltd.	Ruten Japan KK	Japan	Information processing and provision of electronic information	5,438	5,438	2,000,000	4.50 %	2,337	8.17 %	(38,999)	(2,086)	〃
ECOMMERCE GROUP CO., LTD	Ruten Global Inc.	Cayman Islands	Investment activities	831,606	831,606	266,063,307	100.00 %	614,235	100.00 %	21,848	21,848	〃
Ruten Global Inc	EC Global Limited	Hong Kong	〃	22,740	22,740	7,494,642	100.00 %	7,172	100.00 %	3,552	3,552	〃
〃	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	488,359	65.00 %	58,833	38,241	〃
〃	Ruten Japan KK	Japan	〃	54,499	27,040	19,794,850	44.50 %	23,112	44.50 %	(38,998)	(17,020)	〃
〃	Ruten Singapore Pte. Ltd.	Singapore	〃	63,045	63,045	20,800,000	65.00 %	60,266	65.00 %	(1,592)	(1,035)	〃
PChome Holding Inc.	PChome Marketplace Inc.	Cayman Islands	Investment activities	1,169,090	1,169,090	38,335,000	100.00 %	1,235,707	100.00 %	(42,508)	(42,508)	〃
PChome Marketplace Inc	PChome Japan KK	Japan	International trading E-commerce	119,330	119,330	43,500,000	100.00 %	109,233	100.00 %	(6,732)	(6,732)	〃
〃	PChome Store Inc.	Taiwan	Internet services	998,758	998,758	19,206,893	35.78 %	(325,691)	35.78 %	(99,870)	(35,734)	〃
PChome CB Co., Ltd.	PChome CBS Co., Ltd.	Taiwan	Internet services	127,000	-	2,900,000	100.00 %	124,542	100.00 %	(2,458)	(2,458)	〃
〃	PCHOME CB PTE. LTD.	Singapore	Internet services	59,698	-	190,000	100.00 %	52,240	100.00 %	(4,105)	(4,105)	〃
PCHOME CB PTE. LTD.	PChome Bibian Inc.	Japan	E-commerce cross-border services	51,069	-	18,000,000	100.00 %	45,791	100.00 %	(3,904)	(3,904)	〃

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

(c) Information on investment in Mainland China:

1. Information on investment in Mainland China:

(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	Peak Holding Percentage	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	-	(2)	4,497	-	4,497	-	(109)	- %	- %	(109)	-	-
PChome Trading (Shenzhen) Ltd	International trading E-commerce	-	(2)	10,493	-	10,493	-	4,294	- %	- %	4,294	-	-

2. Limitation on investment in Mainland China:

Company	Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period (Note 3)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission(Note 3)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 4)
The Company	-	57,862	2,260,250

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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 determined by the 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 29.98 at the year ended December 31, 2019.

Note 4: The upper limit on investment was the greater of 60% of the individual or consolidated total net worth.

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

Note 6: Shanghai Todo Inc. and PChome Trading (Shenzhen) Ltd. were dissolved in the fourth quarter of 2019. As of December 31, 2019, the accumulated investment amount of USD500 thousand remitted from Taiwan has not been repatriated.

3. Significant transactions: None.

(14) Segment Information

(a) General information

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

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

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

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

The Group's regional financial information was as follows:

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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	$	7,380,065	2,695,527	5,032,910	(3,947,593)	11,160,909
Reportable segment liabilities	$	4,446,332	3,061,817	1,369,631	(1,140,415)	7,737,365

(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		2019	2018
Revenue of electronic commerce	$	38,510,487	34,350,066
Other		373,093	244,298
Total	$	38,883,580	34,594,364

2.Information about Geographic Areas: None.

3.Information about Major Customers: None.