

Stock Code:  
8044



PChome Online Inc.

# Annual Report 2020

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](http://corporate.pchome.com.tw/about_us/annual_reports.php)

Date of Publication: May 14, 2021

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

None

**VI. Corporate Website: [www.pchome.com.tw](http://www.pchome.com.tw)**

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## Chapter 1 Letter to Shareholders

Dear Shareholders,

In 2020, the Covid-19 pandemic has ravaged economies all over the world, the e-commerce industry faced drastic changes in supply and demand. On the demand side, the pandemic accelerated the change of consumer behavior, making online consumption become the mainstream, and consumer goods also extended from electronic category to daily necessities and fresh foods. On the other hand, the global supply chain was affected by city lockdown and border restriction, causing unstable supply and delayed delivery. Adhering to the core business philosophy of "Everyday Reliable" and "persist in innovation and create value", PChome Online continues as always to provide consumers with all-round and innovative goods and services even in the severe challenges brought by the pandemic. With the efforts of all the working teams, the consolidated revenue in 2020 reached NT\$ 43.87 billion, with an annual growth rate of 12.8%, and the net profit after tax reached NT\$ 220 million, with an annual growth rate of 55.9%.

### Annual operating priorities

#### I. Diversified development of e-commerce business, enhancement of product richness and strengthening of business cooperation

Affected by the pandemic this year, brand owners mainly based on physical channels actively shift to online distribution, and the Group's e-commerce business entity further deepens the cooperation relationship with brand owners, achieving remarkable results, including world-renowned skin care brands. In addition, the Group is also actively working with offline distributors to strengthen the diversion and diversified layout, such as well-known pet supplies and vehicle parts manufacturers. In order to meet the diversified product needs of consumers, PChome Online set up "PChomeX " in 2020, which breaks away from the traditional e-commerce operation and choice thinking, and introduces co-supervised products such as co-brand names, leading the marketing and channel development of this series of products. During the pandemic, consumers significantly increased their consumption in online food category. As a result, the Group has accelerated its distribution and will continue to strengthen cooperation among different industries in the future to develop food and living categories to enhance product diversity. This year, the proportion of female consumers of the Group has reached 60%. with the view to expand the consumption of female users, MiTCH, a fashion selection platform jointly invested by Mitsui & Co, was officially launched. In the fourth quarter of this year, a physical store was opened in Atré, Taipei breeze Nanshan, to enhance the shopping experience of consumers, and to strengthen brand cooperation and selection strategies by arranging female fashion items other than apparel at the same time. Ruten launched an advertising marketing plan this year, providing platform sellers with services such as increasing network traffic and giving back the advertising costs paid by the sellers to consumers to attract buyers back to create a win-win situation. PChomestore's loss for the year narrowed sharply, down 84% from 2019. During the COVID-19 pandemic,

PChomestore launched the "Physical Store Bailout Transformation E Project" to help SMEs weather the impact of the pandemic and promote online transformation.

## **II. Pandemic-driven high-speed growth of global cross-border e-commerce**

During 2020, the Group continues to work hard on cross-border e-commerce business. In particular, during the Pandemic, consumers' demand for cross-border transactions and agency purchases increased significantly, which led to the rapid growth of the Group's cross-border e-commerce platform Bibian with a significant increase in transaction volume. This year, the Company also signed a partnership with SGH Global Japan, the country's second largest home delivery company, to provide consumers with better cross-border e-commerce services. In addition, to expand the international market, the Group established the Southeast Asia cross-border e-commerce service "PChomeSEA" this year to assist Taiwan sellers to move into the Southeast Asia market and provide one-stop cross-border e-commerce services. The Group has now established a partnership with five representative e-commerce platforms in Southeast Asia.

## **III. Continuous layout of logistics infrastructure to develop short-chain logistics**

During the year, the Group continued to improve its last-mile logistics and storage efficiency and delivery capacity. At present, it has 7 warehouse areas, 8 logistics stations, a self-owned continuously expanding fleet, and an automated storage system, providing a trial operation service of 6-hour goods arrival in Taipei and New Taipei City and 24-hour arrival for the other cities. In addition, the Group will invest in developing short-chain logistics to enhance consumers' online shopping experience and enjoy fast distribution services. At the same time, Chunghwa Post A7 automated logistics park is about to be completed, which will greatly improve the efficiency of logistics storage and reduce labor costs.

## **IV. Integration of the Group's resources to target financial technology tide**

During the year, PChome Online successfully integrated its financial subsidiaries (Pi Mobile Technology Inc. merged with PChomePay International Information Co., Ltd.) to optimize the application of the Group's resources. The number of Pi wallets members exceeded one million, and the transaction amount increased significantly, with an annual growth rate of 116%. PChomePay has strengthened its alliance with diversified industries and established a partnership, launching digital loan services with Yushan Bank and Standard Chartered Bank. In the future, it will strengthen cooperation with new industries and establish partnerships to expand digital financial services.

While achieving development, PChome Online never forgets to practice corporate social responsibility. In 2020, the Group became the first large-scale comprehensive e-commerce platform to obtain the "carbon label" issued by the Environmental Protection Department of the Executive Yuan, and the first e-commerce channel to accumulate green procurement amount, integrating the spirit of energy conservation and carbon reduction into enterprise

development. The Group has long been caring for the disadvantaged, attaching importance to the safety and security environment, and committed to the practice of corporate citizenship. Looking forward to 2021 year, in response to the rapid innovation of the e-commerce industry in the post-pandemic era, PChome Online will continue to integrate Group businesses, attend the society actively to meet the needs of consumers, take "innovation, service" as the company's business philosophy to create the maximum value for shareholders, implement corporate governance and the spirit of environmental friendliness, and pursue the sustainable operation of enterprises.

We wish all shareholders all the best and good health

Chairman  
Hung-Tze Jan

Chief Executive Officer  
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 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, PChome Store 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 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 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 learning platform. Through AI, big data and personalized learning materials, users can master the English language in 200 hours.

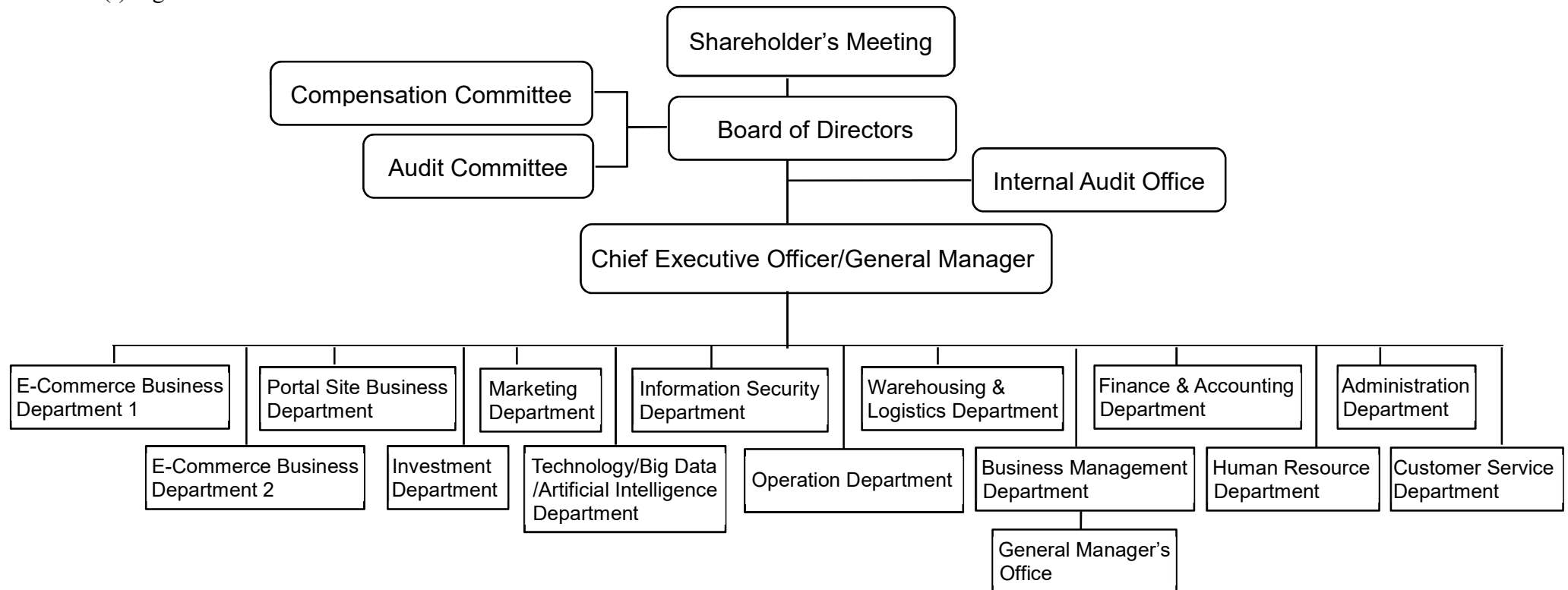
08/2017	PChome 24h Shopping worked with Kinmen County Government to provide shipping cost discounts to all online purchases made from outlying islands. The shipping cost for each order was merely NT\$100, and if a single transaction exceeded NT\$1,000, buyers were entitled to free shipping.
03/2018	The Company formed strategic partnership with Chunghwa Telecom for the first time and established the "CHT-PCH NO. 1", a venture capital fund to support new business ventures in Taiwan.
05/2018	The Company was committed to build membership economy and P Coin Ecosystem. It announced the launch of "Citi PChome Prime cobrand card" with Citibank Taiwan in May.
08/2018	The mobile payment service, Pi Wallet, joined forces with E. Sun Bank and launched the "E. Sun Pi Wallet Credit Card" in August.
10/2018	The Company established a 100% owned subsidiary, PChome Express Inc., to provide logistic service.
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 Coins 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 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.
11/2019	Won the double Golden Torch Awards - "Top Ten Outstanding Enterprise Award" and "Customer Satisfaction Excellence Award"
12/2019	PChome 24h Shopping alliance with 17Life to the "e-ticket holder"

	service
	Pi Wallet and E. Sun Bank launched the debit financial card "E. Sun Pi Wallet Debit Card"
03/2020	Work with the Taoyuan City Government to promote the "Taoyuan Citizens' Relaxation Package".
03/2020	Work with the New Taipei City Government to promote the transformation of physical stores.
06/2020	Awarded "PR AWARDS Asia" and "Outstanding Public Relations Award"

## Chapter 3 Corporate Governance Report

### I.Organization

(I)Organizational structure



## (II) Responsibilities and functions of major departments

Department Name	Functions
E-Commerce Business Department I	<ol style="list-style-type: none"> <li>1. New manufacturers, product development and performance tracking</li> <li>2. Maintenance of manufacturer conditions and dispute settlement</li> <li>3. Approval of product schedules</li> <li>4. Product sales analysis and tracking</li> <li>5. Formulate sales strategy of PChome EC</li> <li>6. Analysis and Research on Competitive Industries (Products)</li> </ol>
E-Commerce Business Department II	<ol style="list-style-type: none"> <li>1. New manufacturers, product development and performance tracking</li> <li>2. Maintenance of manufacturer conditions and dispute settlement</li> <li>3. Approval of product schedules</li> <li>4. Product sales analysis and tracking</li> <li>5. Formulate sales strategy of PChome EC</li> <li>6. Analysis and Research on Competitive Industries (Products)</li> <li>7. Administrative support for document review and cash flow</li> </ol>
Portal Site Business Department	<ol style="list-style-type: none"> <li>1. Development of new style portal strategy</li> <li>2. Development of new types of books</li> </ol>
Investment Department	<ol style="list-style-type: none"> <li>1. Asset planning and scheduling operations of the Company</li> <li>2. Complete the writing of investment analysis report and trading strategy</li> <li>3. Pre-investment evaluation includes industry and financial analysis, and provide professional advice</li> <li>4. Post-investment management such as investment agreement execution, project tracking, value-added services, etc.</li> </ol>
Marketing Department	<ol style="list-style-type: none"> <li>1. Strategically enhance corporate brand image and positioning</li> <li>2. Set annual brand goals</li> <li>3. Establish a good brand image in the hearts of consumers, distributors and employees, and meet customer expectations and trust in all aspects</li> </ol>
Technology/Big Data/Artificial Intelligence Department	<ol style="list-style-type: none"> <li>1. Development and maintenance of front-end and back-end and cloud systems</li> <li>2. Carry out information system planning and setting according to the needs of relevant units</li> <li>3. Formulation and optimization of information system processes</li> </ol>
Information Security Department	<ol style="list-style-type: none"> <li>1. Formulate and promote the Group's information security management policy and assist various departments to establish norms</li> <li>2. Plan and handle the vulnerability assessment and correction of the group's services and systems</li> <li>3. Assess and audit the risk level and status of each BU and the Company</li> <li>4. Assist in managing the information security of external partners</li> <li>5. Improve employee information security awareness</li> <li>6. Assist in obtaining information security related certifications and completing information security matters of government projects</li> <li>7. Identification and correction of information security incidents</li> </ol>



	<ol style="list-style-type: none"> <li>8. Monitor and alert the status and external risks of each service of the Group</li> <li>9. Enhancement of internal information security related skills and establishment of support network</li> </ol>
Logistics Department	<ol style="list-style-type: none"> <li>1. Maintain the operation of the warehouse/Express system</li> <li>2. Implementation of warehouse/Express projects</li> <li>3. Assist in the formulation of future strategies for warehouse/Express</li> <li>4. Assist the warehouse/Express operation management</li> <li>5. Provide good hardware facilities for warehouse/Express</li> </ol>
Warehousing and Logistics Department	<ol style="list-style-type: none"> <li>1. Management of purchase, delivery and inventory</li> <li>2. Formulate a warehousing/logistics strategy plan</li> <li>3. Improve the overall operational efficiency of warehousing and logistics</li> </ol>
Business Management Department	<ol style="list-style-type: none"> <li>1. Formulate the direction of annual business strategy and promote key business projects</li> <li>2. Analyze operating costs for overall company risk control</li> <li>3. Establish and maintain corporate brand image through media relationship management and marketing activities planning</li> </ol>
Finance & Accounting Department	<ol style="list-style-type: none"> <li>1. Establish an internal financial system of the Company</li> <li>2. Organize the preparation of financial plans and cost plans of the Company</li> <li>3. Provide and analyze various financial statements, and explain the abnormal items</li> </ol>
Human Resource Department	<ol style="list-style-type: none"> <li>1. Formulate human resources strategies and systems based on the development needs of the Company, and promote human resources business to balance the needs of both employers and employees.</li> <li>2. Establish a salary management and performance appraisal system with external competitiveness and internal fairness to shape a performance-oriented work culture.</li> <li>3. Organize design and manpower allocation based on the Company strategy.</li> <li>4. Improve the training system and design talent selection, use, education, and retention programs that keep pace with the times.</li> <li>5. Simplify the human resources affairs process, optimize the employee experience, create a positive cooperation corporate culture, and unite the centripetal force of employees.</li> </ol>
Administration Department	<ol style="list-style-type: none"> <li>1. Coordination of the Group's Epidemic Prevention Center and the release of epidemic prevention measures and information</li> <li>2. Management of Group Online Banking Authority</li> <li>3. Seal application and seal management, electronic voucher use control and document management</li> <li>4. Safe maintenance of the public environment and care for employees in the workplace</li> <li>5. Management and control of the contract for the purchase and maintenance of office software and hardware equipment</li> <li>6. Management and control of general affairs and maintenance of general affairs and office equipment and materials</li> </ol>

	7. Import of BPM electronic form projects, Help-Desk projects and other projects
Customer Service Department	<ol style="list-style-type: none"><li>1. Customer ordering process and platform information guidance instructions</li><li>2. Provide customer order consultation and after-sales service</li><li>3. Service case care, tracking and customer relationship maintenance</li><li>4. Consolidate customer suggestions and service optimization proposals for each service channel</li><li>5. Marketing Award Service Center</li></ol>

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

### (I)Directors and Supervisors

04/26/2021

Title	Nationality /Place of Incorporati on	Name	Gender	Date Elected (Appointed)	Term Expires	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)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman of the Board	R.O.C.	Hung-Tze Jan	Male	2018.06.13	3 years	1999.12.09	1,592,427	1.36%	1,627,427	1.38%	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 PChome Online Inc. Deputy General Manager	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%	MS, International Business School, Waseda University Deputy Chairman of Cal-Comp Technology Co., Ltd. AcBel Polytech Inc. General Manager Director of Kinpo Electronics, Inc. Director of Bizcom Electronics Inc.	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	15.99 %	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	428,252	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 of the Board	Hung-Tze Jan	Chairman : PChomestore Inc.,Eastern Online. Co. Ltd., EOLEMBRAIN ONLINE MARKETING RESEARCH CO., LTD., PChome eBay Co., Ltd., Site Inc., PChome InterPay Inc., PC Home Online International Co. Ltd, (BVI), 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. , PChome Marketplace Inc. (Cayman), PChome Holding Inc. (BVI), Linktel Inc., Kangxun Digital Integration Co., Ltd., PChome Japan KK, Ruten Japan KK, PChome (Thailand) Co., Ltd., Pi Mobile Technology Inc., Miter 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 CONSULTANTS, LIMITED., Shang Shan Human Culture Foundation 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, Remuneration Committee member & Audit Committee member of Lion Travel Service Co., Ltd.; funP Innovation Group, Rakuya International Info. Co., Ltd, PCHOME CB Co., Ltd., PCHOME CB PTE. LTD., Bibian Co., Ltd., BUSINESS NEXT MEDIA CORP., APUJAN LTD., ECOSMOS PTE. LTD, NEO In Style Corp.
Director	Kevin Tsai	Pchome Online Inc. Chief Executive Officer and General Manager, Director of Linktel Inc.; Yun Tung Bao International Co., Ltd., Director of Rakuya International Info. Co., Ltd., Director of PChome InterPay Inc.; Director and General Manager Pi Mobile Technology Inc., PChome Travel Inc. Director of 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., PCHOME CB Co., Ltd.
Director	Jerry Hsu	Director : AcBel Polytech (SAMOA) Investment Inc., AcBel Polytech (Singapore) Pte Ltd. AcBel Polytech (UK) Limited, AcBel Polytech Japan Inc., AcBel Polytech Holdings Inc., AcBel Polytech International Inc., AcBel

		<p>Polytech (Ireland) Limited, EPI Technology Venture Pte. Ltd., EVERCOMM SINGAPORE PTE. LTD., Power Station Holdings Ltd, CK Holdings Inc., CSA Holdings Inc., Richen Solar Co., Ltd., Kangde Energy Co., Ltd., Kangrui Energy Co., Ltd., Kinpo Electronics, Inc., Bizcom Electronics Inc., Cal-Comp Big Data, Inc., The Eslite Spectrum Corporation; RAY-KWONG MEDICAL MANAGEMENT CONSULTING CO., LTD., Raypal Biomedical Co., Ltd., AcBel Communication Co., Ltd., Lizhi Electronics (Nantong) Co., Ltd., CastleNet Technology Inc .</p> <p>Chairman and General Manager : Actel Electronic (Dong Guan) Co., Ltd.; Actel Electronic (Wuhan) Co., Ltd.;AcBel Polytech (Philippines) Inc.,</p> <p>Director of and General Manager : AcBel Polytech Inc.; AcBel (USA) Polytech Inc.</p> <p>Independent Director : Winbond Electronics Corp.; Nuvoton Technology Corp.</p> <p>Supervisor: Teleport Access Services, Inc.; Rich Treasure Investment Limited;KINPO GROUP MANAGEMENT SERVICE COMPANY</p> <p>Other : Deputy Chairman of Cal-Comp Technology Co., Ltd.</p>
Director (Corporate representative)	Vicky Tseng (Note 1)	Director and General Manager of PChome eBay Co., Ltd; 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., IPEVO Corp.
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 of Baosheng International Co., Ltd., OFUNA TECHNOLOGY CO., LTD.
Independent Director	Shao-Hua Huang	Director of Les Enphants Co., Ltd., Motech Industries Inc,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:

04/26/2021

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

04/26/2021

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

Name	Conditions	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	✓		✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
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 holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with Aurora (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of Aurora and concurrently serving as an independent director, as appointed in accordance with the Act or the laws and regulations of the local country, at Aurora and its parent or subsidiary or a subsidiary of the same parent).
- (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

04/26/2021

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)
					Shares	%	Shares	%e	Shares	%			Title	Name	Relationship	
General Manager	R.O.C.	Male	Kevin Tsai	2017.11.2	41,461	0.29%	0	0%	0	0%	ROYAL ROADS University MBA in Executive Management PChome Online Inc. Deputy General Manager	Note 3	None	None	None	None
Deputy General Manager	R.O.C.	Male	Leo Lu	2000..3.13	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
Chief Strategy Officer	R.O.C.	Female	Vicky Tseng	106.3.16	438,252	0.37%	5,833	0%	0	0%	Master of Electronic Commerce Institute, Boston University Master of EMBA Accounting Group, National Taiwan University Marketing Director of PChome Online Inc.	Note 3	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	None	None	None	None	None



											Department					
Deputy General Manager	R.O.C.	Male	Te-Wei Wu	2020.9.7	0	0%	0	0%	0	0%	CARNEGIE MELLON UNIVERSITY MIS Tmall GM Chairman of Snow Leopard	Director of Mitch Co., Ltd.	None	None	None	None
Deputy General Manager	R.O.C.	Female	Chen, Han-Chi	2020.9.14	0	0%	0	0%	0	0%	New York University School of Education Chief Executive Officer of TransGlobe Life Vice President of Citibank	None	None	None	None	None
Deputy General Manager	R.O.C.	Male	Bruce Chou	2020.11.2	0	0%	0	0%	10,000	0.01%	Department of Finance, National Taiwan University Zoyi Capital Managing Director Barclays Capital Assistant VP	None	None	None	None	None
Deputy General Manager	R.O.C.	Male	Cheng-Ching Wei	2020.12.8	30	0%	0	0%	0	0%	Department of International Industrial Information, Faculty of International Economics, Reitaku University, Japan Director of Store Business Department of Pchome Online Inc. Chief Operating Officer of PChomestore Inc.	PChomestore Inc. Director and General Manager	None	None	None	None
Deputy General Manager	R.O.C.	Male	Wen-Hsiung Cai	2020.12.8	3,009	0%	0	0%	0	0%	The Management Research Institute of Fu Jen Catholic University PChome Online Inc. Deputy General Manager	Director of PChome (Thailand) Co., Ltd.	None	None	None	None
Assistant Vice President	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 PChome eBay Co., Ltd.	None	None	None	None

												Chief Operating Officer of PChome eBay Co., Ltd.				
Assistant Vice President	R.O.C.	Male	Tsan-Yuan Chen	2020.7.1	50,000	0.04%	0	0%	0	0%	Information Management Department of Taipei College of Commerce Deputy Manager of i4uuu Group	None	None	None	None	None
Assistant Vice President	R.O.C.	Male	Kun-Ju Han	2020.7.1	1,000	0.09%	0	0%	0	0%	Master of Science and Technology Law of Soochow University General Manager of PChomePay Inc. Manager of Emerging Payment Department of CTBC Bank Co., Ltd. Manager of E-Financial Department of Bank SinoPac	Director of and Chief Operating Officer of Pi Mobile Technology Inc. Director of and General Manager of PChome InterPay Inc. Director of of PChome Financial Technology Inc. Supervisor of PCHOME CB Co., Ltd. Supervisor of Mitch Co., Ltd. Supervisor of Miho International Cosmetic Co., Ltd.	None	None	None	None
Assistant Vice President	R.O.C.	Male	Shih-Hao Fang	2021.1.25	0	0%	0	0%	0	0%	General subjects of Chung Cheng High School Operations Director of SF Express Taiwan Director of Logistics at TransPak Inc.	None	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 9.

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, 2020

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	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company		From All Consolidated Entities (Note 7)		The Company	From All Consolidated Entities (Note 7)	
																Cash	Stock	Cash	Stock			
Chairman of the Board	Hung-Tze Jan	0	0	0	0	981	981	138	207	0.44%	0.54%	53,197	56,351	0	0	0	0	0	0	1.49%	26.05%	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	150	150	0.77%	0.88%	0	0	0	0	0	0	0	0	0.77%	0.88%	None
Independent Director	Shao-Hua Huang																					
Independent Director	Yuan Li																					
<div>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 reviewed based on actual operational status and relevant laws and regulation to seek a balance between the Company's sustainable operation and risk control.</div> <div>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.</div>																						

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

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

- Note 3: This refers to Directors' compensation approved by the Board of Directors in the most recent fiscal year.
- Note 4: This refers to Directors' allowances in the most recent fiscal year (including transport fee, special allowance, various subsidies, accommodation, vehicles, etc. provided). If housing, vehicle and other means of transportation or personal expense are provided, the nature and cost of the asset provided, the rentals calculated based on actual or fair market value, fuel, and other payments shall be disclosed. If a driver is hired, please disclose the amount of salaries paid by the Company to the driver as a footnote. However, this amount shall not be included in the compensation.
- Note 5: This refers to salaries, allowances, severance pay, bonuses, incentive pay, transport fee, special allowance, various subsidies, accommodation, vehicles, etc. received by the Directors for being an employee concurrently (including concurrently holding the position of General Manager, Deputy General Manager, other executive officers, or employees) in the most recent fiscal year. If housing, vehicle and other means of transportation or personal expense are provided, the nature and cost of the asset provided, the rentals calculated based on actual or fair market value, fuel, and other payments shall be disclosed. If a driver is hired, please disclose the amount of salaries paid by the Company to the driver as a footnote. However, this amount shall not be included in the compensation. Salary expenses recognized pursuant to IFRS 2 "Share-based Payment", including employee stock options, restricted stock award shares, and share subscription at capital increase by cash shall be included as remuneration.
- Note 6: Directors who hold concurrent positions as employees (including the position of General Manager, Deputy General Manager, other executive officers, or employees) and are entitled to employee compensation (including stocks and cash) shall disclose the amount of employee compensation approved in the Board of Directors' meeting in the most recent fiscal year. If the amount cannot be estimated, please calculate by using the actual distribution amount and percentage of last year. Also, Table 1-3 shall be filled out.
- Note 7: The sum of various compensations paid to the Company's Directors by all consolidated entities (including the Company) shall be disclosed.
- Note 8: For the sum of various compensations paid to each Directors by the Company, the name of each Director shall be disclosed in the proper range.
- Note 9: For the sum of various compensations paid to the Company's Directors by all consolidated entities (including the Company), the name of each Director shall be disclosed in the proper range.
- Note 10: Net income after taxes refers to net income after taxes in the most recent fiscal year. If IFRSs have been adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements of the most recent fiscal year.
- Note 11: a. The amount of remuneration received by the Company's Directors from investees other than subsidiaries of the Company shall be stated clearly in this column.  
 b. If the Company's Directors received remuneration from investees other than subsidiaries of the Company, the amount received shall be included in I column of the Remuneration Range Table and the name of the field shall be changed to "All Investees".  
 c. Remuneration in this case shall refer to salaries, compensations (including compensation received as an employee, director, or supervisor), allowances, and other related remunerations received by the Company's Directors for being a Director, Supervisor, or managerial officer of investees other than subsidiaries.
- \* The remuneration disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for information disclosure, not for taxation.

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)	From All Consolidated Entities (Note 9) H	The Company (Note 8)	From All Consolidated Entities (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)~NT\$15,000,000 (exclusive)	0	0	0	0
NT\$15,000,000 (inclusive)~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	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	8	8	8

## (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, 2020

Unit: NT\$ thousands December 31, 2021														
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 Comp- any	From All Consolid- ated Entities (Note 5)	The Comp- any	From All Consolid- ated Entities (Note 5)	The Comp- any	From All Consolid- ated Entities (Note 5)	The Company		From All Consolid-ated Entities (Note 5)		The Comp- any	From All Consolid- ated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman	Hung-Tze Jan	16,905	20,129	705	930	42,585	45,489	2,478	0	2,506	0	24.79%	31.26%	None
General Manager	Kevin Tsai													
Chief Strategy Officer	Vicky Tseng													
Deputy General Manager	Leo Lu													
Deputy General Manager	Yu-Shu Hu													
Deputy General Manager	Te-Wei Wu													
Deputy General Manager	Shing-Chi,Chen													
Deputy General Manager	Bruce Chou													
Deputy General Manager	Cheng-Ching Wei													
Deputy General Manager	Wen-Hsiong Cai													

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)	From All Consolidated Entities (Note 7) E
less than NT\$1,000,000	Vicky Tseng、Cheng-Ching Wei、Wen-Hsiong Cai	Wen-Hsiong Cai、Cheng-Ching Wei
NT\$1,000,000 (inclusive) to 2,000,000 (exclusive)	Shing-Chi Chen、Bruce Chou	Shing-Chi Chen、Bruce Chou
NT\$2,000,000 (inclusive) to 3,500,000 (exclusive)	Yu-Shu Hu、Te-Wei Wu	Yu-Shu Hu、Te-Wei Wu
NT\$3,500,000 (inclusive) to 5,000,000 (exclusive)	Leo Lu	Leo Lu、Vicky Tseng
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	0	0
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	0	0
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	Hung-Tze Jan、Kevin Tsai	Hung-Tze Ja、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	10 people	10 people

Note 1: Names of the General Manager and Deputy General Managers shall be listed separately and the amount of remuneration shall be disclosed in aggregate. If the director is also the General Manager or deputy general manager, this form and the above table (1-1) or (1-2) should be filled out.

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

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

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

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

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

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

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

- Note 9:
- a. The amount of remuneration received by the Company's General Manager and Deputy General Managers from investees other than 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, 2020

Title		Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
General Manager	Chairman	Hung-Tze Jan	0	2,478	2,478	0.98%
	General Manager	Kevin Tsai				
	Deputy General Manager	Leo Lu				
	Deputy General Manager	Yu-Shu Hu				
	Deputy General Manager	Te-Wei Wu				
	Deputy General Manager	Chen, Han-Chi				
	Deputy General Manager	Bruce Chou				
	Deputy General Manager	Cheng-Ching Wei				
	Deputy General Manager	Wen-Hsiong Cai				
	Assistant Vice President	Ying-Hsuan Chao				
	Assistant Vice President	Tsan-Yuan Chen				
	Assistant Vice President	Kun-Ju Han				

Note 1 : 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 2020. If IFRSs have been adopted, net income after taxes refers to net income after taxes recorded in the parent company only or individual financial statements in the most recent fiscal year.

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

1. Total remuneration paid to the Company's Directors, Supervisors, General

Managers, and Deputy General Managers by the Company in the most recent two years as a percentage of net income

(Amount paid to the Supervisors in the most recent two years as a percentage of net income: not applicable, as the Company set up an Audit Committee to replace the positions and authority of Supervisors.)

Unit: %

Title	Percentage of Total Remuneration to Net Income			
	2019		2020	
	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities
Director	27.26%	33.49%	22.26%	26.93%
General Manager and Deputy General Manager	32.16%	40.28%	24.79%	31.26%

Note1: The Board of Directors has resolved not to distribute 2020 earnings in 2021.

## 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 ten Board meetings in 2020 (A). The attendance of Directors is as follows:

Title	Name (Note 1)	Attendance in Person B	Attendance by Proxy	Attendance Rate (%) (B/A) (Note 2)	Remarks
Chairman of the Board	Hung-Tze Jan	10	0	100%	Re-elected
Director	Kevin Tsai	10	0	100%	Re-elected
Director	Site Inc. Representative: Vicky Tseng	10	0	100%	Re-elected
Director	Site Inc. Representative: Johnson Fong	10	0	100%	Incoming corporate representative
Director	Jerry Hsu	6	1	60%	Re-elected
Independent Director	Chang-Sung Yu	10	0	100%	Re-elected
Independent Director	Shao-Hua Huang	9	0	90%	Re-elected
Independent Director	Yuan Li	10	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 2020.

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: March 2020, 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. In September 2020, as representative of corporate Director, Vicky Tseng and Kevin Tsai, had a conflict of interest on matters pertaining to allotment to restrict the rights of employees in the new stock case, 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 formulated and passed the "Method of self (or peer) evaluation of Board of Directors" on

May 13, 2020, and completed the annual self-evaluation in November (2020)

Evaluation Frequency	Evaluation Period	Scope	Evaluation Method	Evaluation Details
Execute at least once a year	From January 1, 2020 to December 31, 2020	Performance evaluation of the entire Board, individual director, and the functional committee	internal self-assessment by the Board of Directors, self-assessment of members of the board, peer review or other appropriate methods.	(1)Evaluation of performance for the individual board members: participation in the operation of the Company, the improvement of the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control; (2)Evaluation of performance for the individual board members: Mastery of goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control; (3)Performance evaluation of functional committees: participation in the operation of the Company, awareness of the duties of the functional committee, the quality of decisions made by the functional committee, makeup of the functional committee and election of its members, and internal control;

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 Compensation Committee was formally established on December 23, 2011, and the Compensation Committee Charter was drawn up. The second Compensation Committee was appointed by a resolution of the Board of Directors on June 27, 2012. It was responsible for formulating and regularly

reviewing the policies, systems, standards and structures of Directors' and executive officers' performance assessment and compensations, as well as regularly evaluating and formulating compensation to Directors and executive officers, employee stock option programs and compensation plans, or other employee incentive schemes. The third-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 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. Thirty-two meetings have been convened in 2020, 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.

### (III) 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 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 five meetings in 2020 (A). The attendance is as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A) (Note)	Remarks
Audit Committee member	Chang-Sung Yu	5	100%	Incoming
Audit Committee member	Shao-Hua Huang	5	100%	Incoming
Audit Committee member	Yuan Li	5	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:

(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
2020.3.26	1.Approval of 2019 financial statements 2.Review and approval of 2020 CPA fees	Approved by all Independent Directors
2020.8.13	Approval of 2020 financial statements for the Second Quarter	Approved by all Independent Directors
2021.2.28	Approval of 2020 financial statements	Approved by all Independent Directors
2021.3.16	Review and approval of 2021 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 2020.

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 <a href="https://corporate.pchome.com.tw/about_us/internal_policies.php?item_id=32&amp;lang=2">https://corporate.pchome.com.tw/about_us/internal_policies.php?item_id=32&amp;lang=2</a> .	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,	None



			the subsidiaries' level of authority, management over related party transactions, and operation procedures for transactions of specific companies, related parties and group enterprises are established. Also, the Procedures for Acquisition or Disposal of Assets, Procedures for Endorsement and Guarantee subsidiaries, Procedures for Lending Funds to Other Parties, and Procedures for Derivative Transactions are formulated in reference to the parent company's procedures for a comprehensive implementation of risk control mechanism concerning subsidiaries. The subsidiary has established its own risk control mechanisms, and set up the risk control mechanism and firewall with its affiliates according to the relevant operating procedures of the Company.	
(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
<b>III. Composition and responsibilities of the Board of Directors</b>				
(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	✓		The Company formulated and passed the "Method of self (or peer) evaluation of Board of Directors" on May 13, 2020, and completed the annual self-evaluation in November (2020)	None

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?			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.	
(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 Board.	None
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	✓		The Company has relevant personnel in charge of corporate governance matters. Be responsible for 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 functions.	None

shareholders' meetings according to laws and regulations, produce minutes of Board meetings and shareholders meetings, etc.)?				
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	✓		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

website)?				
(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.	None
	✓		(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.	None
	✓		(III) Supplier relations The Company has always maintained long-term and good cooperation relationship with its suppliers. All parties have complied with the contract terms to protect each other's legal rights.	None
	✓		(IV) Rights of stakeholders In terms of the rights of stakeholders, the Company has established various sound and open communication channels and handled relevant	None

	✓		<p>matters by the principle of honesty and in a responsible manner to protect stakeholders' rights and interests.</p> <p>(V) Implementation of risk management policies and risk evaluation measures and implementation of customer relations policies</p> <p>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.</p> <p>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.</p> <p>(VI) Liability insurance for Directors</p> <p>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.</p>	None
	✓			None

## (VII) Continuing education of Directors and Supervisors:

Title	Name	Date		Sponsoring Organization	Course	Duration (Hour)	Whether the Course Meets the Requirements
		From	To				
Chairman of the Board	Hung-Tze Jan	Nov. 16, 2020	Nov. 16, 2020	Chinese National Association of Industry and Commerce, Taiwan	Corporate Governance 3.0 and the Tourism Industry's Blueprint for Sustainable Development	3	Yes

				(CNAIC)			
		Aug. 26, 2020	Aug. 26, 2020	Taiwan Corporate Governance Association	Rely on the advantages of digital transformation to achieve a new take-off of credit and reputation	3	Yes
Director	Jerry Hsu	Aug. 6, 2020	Aug. 6, 2020	Taiwan Corporate Governance Association	Artificial intelligence embarks on the path of evolution: evolutionary computing; multi-generational leadership pursuing communion	3	Yes
		Aug. 6, 2020	Aug. 6, 2020		The new digital reality in the post-epidemic era; the latest development trend of A IoT and its application in intelligent manufacturing	3	Yes
		Apr. 23, 2020	Apr. 23, 2020		Augmented reality technology and intelligent manufacturing; Sino-American Silicon Products Inc. (Global Wafer) grows through mergers and acquisitions	3	Yes
Independent Director	Chang-Sung Yu	Nov. 16, 2020	Nov. 16, 2020	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Corporate Governance 3.0 and the Tourism Industry's Blueprint for Sustainable Development	3	Yes
		Nov. 16, 2020	Nov. 16, 2020		How to Deepen Sustainable Governance for Enterprises-Major Changes in the Development of Tourism Industry in Response to the Epidemic	3	Yes
Independent Director	Shao-Hua Huang	Dec. 2, 2020	Dec. 2, 2020	Taiwan Corporate Governance Association	Corporate Governance Blueprint Planning and Practice of Sustainable Development	3	Yes
		May 6, 2020	May 6, 2020		Blueprint Independent Directors Fighting for Management Rights		
		Mar. 18,	Mar. 18,		Hostile mergers and corporate governance	1.5	Yes
					Corporate Sustainability	1.5	Yes

		2020	2020				
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.	✓		<p>The Company ranked among the top 65% companies in the 2020 corporate governance assessments. Details on sections failed to score were as follows:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>3. Publication of annual financial statements within two months after the end of a fiscal year: The issue is under discussion with our CPAs and is a target we endeavor to achieve.</li> <li>4. The list of major shareholders shall be disclosed on the website of the Company, including those with an equity ratio of more than 5%; if there are less than ten, the names, shareholding amounts and proportions of the top ten shareholders shall be disclosed: implemented by the Company's Positive Assessment Planning.</li> </ol>				

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)	Name	Conditions			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Compensation Committee Member	Remarks
		whether have more than five years of work experience and meets at least one of the following professional qualification requirements			1	2	3	4	5	6	7	8	9	10		
		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												
Independent Director	Chang-Sung Yu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
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: from June 21, 2018 to June 20, 2021. The Compensation Committee convened three meetings in 2020 (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	3	0	100%	None
Member	Shao-Hua Huang	1	1	33.3%	None
Member	Yuan Li	3	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	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 by the Board to handle relevant issues and report to the Board?	✓		The administrative management center and professional departments of the Company are jointly promoting the corporate social responsibility affairs. 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 Manager when the need arises for the latter to stay updated and provide necessary resources.	None
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	✓		The Company continuously promotes energy-saving and carbon-reduction schemes, e.g. the use of energy-saving	None

renewable materials that have low environmental impact?			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.	
(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 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.	None
(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
IV.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	None

			conform to the equal employment policy. The Group also provides stable and sound compensation packages, comprehensive education and training, and promotion and development system, and creates a safety and health work environment to enhance employees' professional competence.	
(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?	✓		<p>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.</p> <p>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.</p>	None
(III) Has the Company provided employees with a safe and healthy working environment, and regularly offer safety and health education to employees?	✓		<p>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.</p> <p>The Company also organizes regular employee health checkups and offers safety and health education to employees 2,448 hours. The company has established four major aspects for</p>	None

			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 the Company, the suppliers are required to strictly follow the occupational safety and health standards and labor related regulations.	None
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?		✓	The Company has yet to compiled a CSR report. The preparation of such report will depend on future needs.	None
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.

VII. Other important information to facilitate better understanding of the Company's CSR practices:

The Company believes that corporations can have a profound impact on the nation and the society. Besides donations to disadvantaged groups and employment for disabled persons, the Company focuses on its core business and provides a stable and sound work environment to seek maximum benefits for its shareholders and stakeholders. The Company upholds the spirit of "giving back to the society which nurtures you" and will play an active role in social charity events and sponsorship for disadvantaged groups. Furthermore, the Company will proactively fulfill its corporate social responsibilities while engaging in business in order to catch up with the international trend of achieving a balance between environment, society and corporate governance development.

Moreover, the Company actively works with the Ministry of Finance to improve the issuance of uniform invoices and accelerate the process of delivering invoices to consumers simultaneously. The project would allow the Company to become the first enterprise in Taiwan to adopt the e-invoice and saves over 5 million invoices each year. This is a demonstration of energy conversation as it cuts down paper waste, reduces the logistic cost of mailing invoices, lowers carbon emissions, and saves trees.

In response to green economy issues and committed to promoting the concept of a friendly environment, the Company launched the Lights Out Love Earth Campaign for the first time in 2020, and turned off the lights online for one hour on Earth Day, echoing a new life of carbon reduction; It has also obtained the "Carbon Label" of the Environmental Protection Agency of the Executive Yuan, and promoted the green consumption awareness of the whole people and continued the green corporate philosophy by exposing the carbon footprint of products and implementing carbon reduction plans. The Company also simultaneously launched the first online shopping packaging "recycling bag" to practice the good intentions of reusing packaging materials. Based on the four principles of "green packaging, green transportation, green warehousing and green payment", the Company continues to implement energy-saving and carbon-reduction measures, and fulfills its corporate responsibility for sustainable operation.

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 2020. 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 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 holding shoe-raising activities in the first quarter of 2020 to maximize the benefits of second-hand shoes and help disadvantaged groups; in the second quarter, the CITIC Brothers jersey charity bidding and donation activities will be held. While enjoying the sports events, the people can also show their love for charity and



express their gratitude to the epidemic prevention team; in the third quarter, blood donation activities, PChome fantastic 88 concert and charity bidding activities were held to help the Family Support Foundation; and an exclusive cooperation with Taiwan Champ to show the spirit of "Taiwan Can Help" through masks. Sending love from Taiwan to the world indicates that epidemic prevention has no national borders; in the fourth quarter, donate love and care to children with Down syndrome; In the first quarter of 2021, the Company invited artists to write Spring Festival couplets and bid for love to arouse the attention of the whole people and promote a positive effect. In addition, the Company has introduced the four major aspects for Corporate Health Responsibility (CHR): awareness, food, activities and assistance. To care for employee health, relevant measures include health seminar, assistant for weight loss, improvement on breastfeeding rooms, clubs to promote health activities, annual health checkups and professional nursing staff at each office. Only by attaching importance to the physical and mental health of employees, the Company can not only take care of the physical and mental health of employees, but also help the overall social or environmental sustainability, creating a win-win situation. "

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	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				
(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. 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	✓		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	None

Principles for TWSE/GTSM Listed Companies"?			benefits.	
(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	✓		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
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 duty of care for a prudent administrator, monitor and prevent Company from engaging in unethical conducts, and constantly review and continue to improve the implementation results in order to ensure the integrity of the ethical management policy. For a sound management on ethical conducts, the General Manager's Office is responsible for drawing up and monitoring the execution of ethical management policies and preventive plans.	None
(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,	None

			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.	
(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 and no secretive accounts. The Company conducts regular reviews to ensure the design and execution of the systems remains effective. The Company's internal auditors regularly audit the compliance of the aforementioned systems, and prepare audit reports accordingly to be submitted to the Board of Directors.	None
(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	✓		Violations of business ethics identified by personnel of the Company during the course of business can be reported	None

whistleblowing channels, and designated appropriate personnel to handle the case being exposed by the whistle-blower?			through the following channels: Internal: Direct supervisor, General Manager's Mailbox External: After an external party files the complaint, an investigation will be initiated and conducted by designated personnel of the Company.	
(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: February 25, 2021

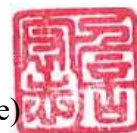


Based on the findings of a self-assessment, PChome Online Inc. states the following with regard to its internal control system during the year of 2020:

- 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, 2020, 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 Exchange Act.
- VII. This Statement has been passed in the Board of Directors meeting on February 25th, 2021, with none of the eight attending Directors expressing objections; all Directors affirmed the content of this Statement

PChome Online Inc.

Chairman: Hung-Tze Jan (Signature)



General Manager: Kevin Tsai (Signature)



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

(X) 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
06/24/2020	(1) Adoption of business report and financial statements for 2019 Implementation status: Resolved as proposed.
	(2) Earnings distribution or deficit compensation Implementation status: The resolution to distribute the Company's earnings for 2019 was approved, and the distribution was completed at the end of the year.
	(3) Amendments for the Articles of Incorporation Implementation status: Approve the Company's Amendments for the Articles of Incorporation and complete the change registration.
	(4) Amendments for the Rules of Procedure for Shareholders' Meetings Implementation status: approve to amend the Rules of Procedure for Shareholders' Meetings and implement the revised procedures.
	(5) Proposal to issue restricted employee shares Implementation status: approve to issue restricted employee shares and implement them after reporting to the financial management committee.

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
Mar. 26, 2020	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 3. 2019 earnings distribution 4. Amendments for the Articles of Incorporation 5. Amendments for the Rules of Procedure for Shareholder Meetings 6. The Company proposal to issue restricted employee shares 7. Formulate plans associated with the 2020 Annual Shareholders' Meeting	All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections.
May 13, 2020	Issue restricted employee shares	All attending Directors voted in favor of the proposal without any objections.
June 29, 2020	Intends to handle the public issuance of the first domestic guaranteed conversion of corporate bonds	All attending Directors voted in favor of the proposal without any objections.
Jul. 7, 2020	Base Date for Distribution of Cash Dividends	All attending Directors voted in favor of the proposal without any objections.
Sep. 14, 2020	Merged with Paylink International Information Co., Ltd. through its subsidiary Pi Mobile Technology Inc.	All attending Directors voted in favor of the proposal without any objections.
Sep. 29, 2020	Approve the new share capital increase base date that restricts employee rights	All attending Directors voted in favor of the proposal without any objections.
Feb. 25, 2021	1. 2020 business report and financial statements 2. Distribution of 2020 employee compensation and remuneration to Director and Supervisors	All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections.
Mar. 16, 2021	1. 2020 business report and financial statements 2. Distribution of 2020 employee compensation remuneration to Director and Supervisors 3. 2020 earnings distribution. 4. The election of directors. 5. Lifting the non-competition case of newly appointed directors and their representatives. 6. To apply for repurchase of treasury shares. 7. Formulate plans associated with the 2021 Annual Shareholders' Meeting	All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections. All attending Directors voted in favor of the proposal without any objections.

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

(XIII) Resignation or discharge of Chairman, General Manager, and officers of accounting, finance, internal auditing, 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	Sponsoring Organization	Course	Duration (Hours)
Deputy General Manager Manager	Leo Lu	April 22, 2020 ~April 23, 2020	Accounting Research and Development Foundation	Continuous Education for Accounting Supervisors	12
Auditing Manager	Hsien-Cheng Li	Nov. 27, 2020	Institute of Internal Auditors	Business contract management and auditing practices	6
Auditing Manager	Hsien-Cheng Li	Oct. 28, 2020	Accounting Research and Development Foundation	Analysis of the latest corporate governance policies and the establishment of "Corporate Governance Officers" for compliance with the audit law	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	3,420	0	75	0	288	363	2020	Others Tax services: 480

(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 2020 audit fees did not decrease by more than 10% from the 2019 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	2020		Until April 26, 2021	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman of the Board	Hung-Tze Jan	10,000	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	10,000	0	0	0
Director and General Manager	Kevin Tsai	40,000	0	0	0
Director	Jerry Hsu	0	0	0	0
Independent Director	Chang-Sung Yu	0	0	0	0
Independent Director	Shao-Hua Huang	0	0	0	0
Deputy General Manager	Leo Lu	(57,000)	0	5,000	0
Deputy General Manager	Yu-Shu Hu	0	0	0	0
Deputy General Manager	Te-Wei Wu	0	0	0	0
Deputy General Manager	Chen, Han-Chi	0	0	0	0
Deputy General Manager	Bruce Chou	0	0	10,000	0
Deputy General Manager	Cheng-Ching Wei	30	0	0	0
Deputy General Manager	Wen-Hsiong Cai	3,009	0	0	0
Assistant Vice President	Ying-Hsuan Chao	0	0	0	0
Assistant Vice President	Tsan-Yuan Chen	0	0	0	0
Assistant Vice President	Kun-Ju Han	1,000	0	0	0

(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**

04/26/2021

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
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Site Inc.	18,907,864	15.99%	0	0%	0	0%	none	none	none
HSBC Trusted with Yishun Fund - Yishun Greater China Equity Fund	4,362,899	3.69%	0	0%	0	0%	none	none	none
J.P. Morgan Chase Bank Taipei Branch trusted with the custody of the Van Garde Emerging Market Equity Index Fund investment of the manager of Van Garde Group	3,161,873	2.67%	0	0%	0	0%	none	none	none
Apu Jan	2,502,505	2.12%	0	0%	0	0%	Hung-Tze Jan	Father and son	none
JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund – Templeton Emerging Markets Smaller Companies Fund	2,260,000	1.91%	0	0%	0	0%	none	none	none
JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund – Templeton Emerging Markets Smaller Companies Funds	1,792,092	1.52%	0	0%	0	0%	none	none	none
JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund –	1,648,635	1.39%	0	0%	0	0%	none	none	none

Templeton Emerging Markets Smaller Companies Fund special investment account									
Hung-Tze Jan	1,627,427	1.38%	0	0%	0	0%	Apu Jan	Father and son	none
HSBC Trusted with Yishun Fund - Yishun Asia Opportunities Equity Fund	1,614,202	1.36%	0	0%	0	0%	none	none	none
HSBC Trusted with Yishun Fund - Yishun Asian Consumer Demand Fund	1,525,000	1.29%	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, 2021

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

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.	34,489	81.04	0	0	9,000	100
PChome (Thailand) CO., LTD.	13,250	66.25	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 CBS 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: The Company's long-term investments accounted for under the equity method.

## Chapter 4 Capital Overview

### I.Capital and Shares

(I)Source of capital: State the type of shares issued by the Company in the most recent fiscal year and as of the 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.

Apr. 26, 2021  
Unit: shares; NT\$

Month/ Year	Issue Price (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		No. of Shares	Amount	No. of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
1998.07	10	5,000,000	50,000,000	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 treasury shares (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
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 treasury shares (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	None	Note 27



						from retained earnings NT\$68,433,680		
2020.11	10	150,000,000	1,500,000,000	118,259,446	1,182,594,460	Restricted employee rights NT\$11,000,000	None	Note 28

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

Note 3: Construction-I No. 88288232 on May 05, 1999

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 28: MOEA-Authorized-Commerce-10901211000 on November 18, 2020

## Apr. 26, 2021 Unit: Shares

Types of Shares	Authorized Capital			Remarks
	Outstanding Shares (Note)	Unissued Shares	Total	
Registered common shares	118,259,446	31,740,554	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

Apr. 26, 2021

Type	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Natural Persons	Total
Quantity						
Number of shareholders	0	18	65	14,257	158	14,498
Shareholding (shares)	0	2,390,565	23,016,962	58,181,658	34,670,261	118,259,446
Shareholding Percentage (%)	0.00%	2.02%	19.46%	49.20%	29.32%	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 Share)

Apr. 26, 2021

Class of Shareholding	Number of Shareholders	Shareholding (shares)	Shareholding Percentage (%)
1 ~ 999	3,197	425,821	0.36 %
1,000 ~ 5,000	9,358	17,640,449	14.92 %
5,001 ~ 10,000	1,032	7,835,566	6.63 %
10,001 ~ 15,000	318	4,055,579	3.43 %
15,001 ~ 20,000	161	2,947,616	2.49 %
20,001 ~ 30,000	133	3,391,747	2.87 %
30,001 ~ 40,000	60	2,113,824	1.79 %
40,001 ~ 50,000	45	2,018,374	1.71 %
50,001 ~ 100,000	89	6,337,205	5.36 %
100,001 ~ 200,000	45	6,292,051	5.32 %
200,001 ~ 400,000	22	6,398,567	5.41 %
400,001 ~ 600,000	14	6,821,396	5.77 %
600,001 ~ 800,000	5	3,410,631	2.88 %
800,001 ~ 1,000,000	6	5,422,904	4.58 %
Over 1,000,001	13	43,147,716	36.48 %
Total	14,498	118,259,446	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

Apr. 26, 2021

Ranking	Name of Major Shareholders	Shareholding (shares)	Shareholding Percentage (%)
1	Site Inc.	18,907,864	15.99%
2	HSBC Trusted with Yishun Fund - Yishun Greater China Equity Fund	4,362,899	3.69%
3	J.P. Morgan Chase Bank Taipei Branch trusted with the custody of the Van Garde Emerging Market Equity Index Fund investment of the manager of Van Garde Group	3,161,873	2.67%
4	Apu Jan	2,502,505	2.12%
5	JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund – Templeton Emerging Markets Smaller Companies Fund	2,260,000	1.91%
6	JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund – Templeton Emerging Markets Smaller Companies Funds	1,792,092	1.52%

7	JPMorgan Chase Bank N.A. Taipei Branch in custody for Franklin Templeton Investment Fund – Templeton Emerging Markets Smaller Companies Fund special investment account	1,648,635	1.39%
8	Hung-Tze Jan	1,627,427	1.38%
9	HSBC Trusted with Yishun Fund - Yishun Asia Opportunities Equity Fund	1,614,202	1.36%
10	HSBC Trusted with Yishun Fund - Yishun Asian Consumer Demand Fund	1,525,000	1.29%

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

Unit: NT\$; Thousands of Shares; %

Item		Year	2019	2020	As of March 31, 2021
Market Prices per Share (Note 1)	Highest		164.5	147	93.0
	Lowest		92.4	64.1	77.3
	Average		131.40	103.88	86.29
Net Worth per Share (Note 2)	Before distribution		32.15	34.53	34.09
	After distribution		31.45	33.23(Note 9)	-
Earnings per share	Weighted Average Shares (in thousands of shares)		117,278	117,159	117,110
	Earnings per Share (Note 3)	Before Adjustment	1.39	2.16	1.17
		After Adjustment	1.39	2.16	-
Dividends per Share	Cash Dividend		0.7	1.3(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)		95	48	Not applicable
	Price/Dividend Ratio (Note 6)		188	80	Not applicable
	Cash Dividend Yield Rate (Note 7)		0.53%	1.25%	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: The net value per share and earnings per share shall be filled in the information audited (reviewed) by the accountant in the latest quarter as of the printing date of the annual report; the remaining fields shall be filled in the current annual data as of the date of publication of the annual report.

Note 9: Refers to the amount determined by the Board of Directors on March 16, 2021.

## (VI)Dividend policy and implementations:

## 1.Dividend policy as per the Articles of Incorporation

Profits for the year, if any, shall be used to pay all taxes in accordance with laws

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

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

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

Concrete and clear dividend policy : Dividend distribution of previous years

Year	Cash dividends	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	2020.7.21	2020.6.24
2020	1.3	0	0	-	2021.6.11

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 2020 earnings distribution plan has been formulated in the Board of Directors on March 16, 2021: the total amount of cash dividend is NT\$153,737,280, and the cash dividend per share is NT\$1.3. This case will be taken in accordance with the relevant provisions once the resolution of the Annual Shareholders' Meeting passed on June 11, 2021.

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

According to the resolution of the Board of Directors of the company on February 25, 2021, the amount of remuneration allocated to the employees is NT \$24,777,143 and that to the Directors is NT \$2,781,108, all of which are paid in cash.

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

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

In the previous year (2019), according to the resolution of the Board of Directors on March 26, 2019, the amount of employee compensation allocated to the company was NT \$11,237,354, which was paid in cash. The Director's compensation is not to be distributed. The difference between the amount allocated and the amount recorded is as follows:

Unit: NT\$ thousands

Item	Proposed distribution in 2020	Accounts in 2019	Deviation	Reason	Situation
Employee compensation	11,237	11,237	0	-	-
Director Remuneration	0	1,261	(1,261)	No distribution due to small amount	It is listed as the profit and loss in 2020 according to the change of accounting estimate.

## (IX) Share repurchases

May 13, 2021

Term of repurchase(Note)	1st
Purpose of repurchase	Shares Transferred to Employees
Term of repurchase	March. 17, 2021-May. 16, 2021
Price range of repurchase	60.00~110.00
Type and quantity of shares repurchased	1,230,000 Shares
Amount of shares repurchased	180,253,999
Ratio of quantity repurchased to scheduled quantity of repurchase(%)	82%
Number of Retired and Transferred Shares	0
Cumulative number of shares held in the Company	1,230,000 Shares
Proportion of cumulative number of shares held in the Company to total number of shares issued (%)	1.04%

**II. Corporate Bonds (including overseas corporate bonds)****Corporate Bonds**

Corporate Bonds	First Secured Convertible Corporate Bonds in TW
Issuance Date	October 7, 2020
Par value	NT \$100,000
Location of Issuance and Transaction (Note 3)	Domestic
Issue price	107.42% issuance based on par value
Total Amount	NT \$1.5 billion
Interest	0% coupon rate
Maturity	3 years; ending on October 7, 2023
Guarantee Agency	KGI Commercial Bank Co., Ltd., Chang Hwa Commercial Bank, Ltd. and Far East International Bank Co., Ltd.
Trustee	Taishin International Bank Co., Ltd

Underwriters		KGI Securities Co., Ltd
Lawyers		Formosan Brothers Attorneys-at-Law: Li-Pu Li Lawyer
CPAs		KPMG Zhong-Yi Jiang Accountant , Zhao-Ren Wu Accountant
Redemption		Unless the holder of the convertible corporate bonds is converted into the common stock of the company in accordance with Article 10 of the measures for the issuance and conversion of the first secured convertible corporate bonds in Taiwan (hereinafter referred to as the measures), or the company redeems in advance in accordance with Article 18 of the measures, or the company repurchases and cancels the convertible corporate bonds at the business offices of securities firms, the company shall repay the convertible corporate bonds in cash in one lump sum according to the face value of the bonds upon maturity.
Outstanding Principal		NT \$1.5 billion
Provision of prepayment and redemption		Please refer to Article 18 of the measures for the issuance and conversion of the Company's first domestic secured convertible bonds in 2020.
Restrictions (Note 4)		Please refer to Article 7 of the measures for the issuance and conversion of the Company's first domestic secured convertible bonds in 2020.
Credit rating organization name, evaluation date, company review and other results		Not applicable
Others	Converted (exchange or subscription) common stock, depository receipts or other price of securities as of the annual report publish date.	NT\$ 0
	Regulations of Issuance and Conversion(Exchange or Subscription)	Please refer to Articles 9 and 10 of the measures for the issuance and conversion of the Company's first domestic secured convertible bonds in 2020.
Potential Dilutive Effects on other Shares and Impact on the Rights of Existing Shareholders due to Regulations of Issuance and Conversion/Exchange/Subscription or Terms of Issue		In view of the possible dilution of equity, the issuance of new shares by cash capital increase will dilute the equity; convertible corporate bonds have no dilution effect on the company's equity before the creditor requests to implement the conversion right, and the creditor can choose a more favorable time point for conversion during the convertible period, so it has a deferred effect on equity dilution. As far as the impact of different financing instruments on equity dilution is concerned(it is assumed that the original shareholder did not participate in the subscription of common shares for cash capital increase), the

	impact of cash capital increase on equity dilution is greater than that of convertible bonds. The Company's choice of adopting convertible bonds to raise funds will effectively reduce and delay the dilution of equity, thus not having a significant impact on the rights and interests of shareholders. Furthermore, in view of the impact on the existing shareholders' equity, although the conversion of corporate bonds will increase the company's liabilities before the conversion, the conversion of corporate bonds into common shares will not only reduce the liabilities, but also increase the shareholders' equity, thereby increasing the net value of per share. Therefore, in the long run, the existing shareholders' equity will be more protected.
Name of Exchange	Not applicable

Note 1: The issuance of corporate bonds includes public offering and private placement corporate bonds that are still under preparation. The public offering of corporate bond in the process refers to those going into effect upon the approval of the Meeting; and the private offering of corporate bond in the process refers to those passed upon the approval of the Board Meeting.

Note 2: The number of spaces shall be adjusted subject to the actual processing times.

Note 3: To be filled as well if corporate bonds are issued overseas.

Note 4: Such as restrictions on the distribution of cash dividends, foreign investments or requirement for maintaining the asset ratio at a certain level.

Note 5: The private placement shall be identified prominently.

Note 6: Information regarding corporate bond conversion, information regarding corporate bond swap, status of shelf registration for corporate bonds and information regarding equity warrant bonds should be disclosed in table form according to characteristics.

#### Information of convertible corporate bond

Corporate Bonds		First Secured Convertible Corporate Bonds	
Year		2020	Financial Information Mar. 31, 2021
Item			
Market value of convertible corporate bond	Highest	147	93
	Lowest	64.1	77.3
	Average	103.87	86.29
Conversion price		NT\$ 112	
Issuance (processing) date and issuance conversion price		Date: October 7, 2020 Conversion price at issuances: NT \$112,000 / sheet	
Obligation of conversion		New issue	

**III. Preferred Shares: None.**

**IV. Participation in Global Depository Receipts: None.**

**V. Employee Stock Options: None.**

**VI. Employee Restricted Stock**

(I) Employee Restricted Stock

Apr. 30, 2021

Employee Restricted Stock Type	Restricted Employee Shares in 2020
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	First New Restricted Employee Shares
Effective Date	September 11, 2020
Issue Date	October 22, 2020
Number of new restricted employee shares issued	1,100,000 shares
Issue price	Shares will be issued at NT\$0 per share, as bonus shares to employees.
Ratio of the total number of issued shares accounted for by the number of new employee rights restricted shares already issued	0.94%
Vesting Conditions of New Restricted Employee Shares	<p>1. The new shares for RSA will be vested in three years. Performance is assessed when the financial statements of the previous year are issued (before March 31 of each year). Those who meet the overall indicators such as the Company's financial performance and individual work performance stipulated in the Rules Governing the Issuance of New Shares for Employee Restricted Stock Awards.</p> <p>2. The Company's financial performance is assessed based on revenue growth rate and after-tax earnings per share while individual work performance is assessed in accordance with the Company's performance assessment rules.</p> <p>3. The vested conditions are as follows:</p> <p>A. Conditions on Company financial performance:</p> <p>The performance standards of the Company when issuing the annual financial statements after the date of giving (issue date) (before March 31 of each year) are as follows:</p> <p>(1) Revenue growth rate: Revenue of the year shall grow by 10% or more compared to the average revenue of the previous three years.</p> <p>(2) Earnings Per Share (EPS)</p> <p>2020 EPS shall be NT\$3.0 or above</p> <p>2021 EPS shall be NT\$3.6 or above</p> <p>2022 EPS shall be NT\$4.3 or above</p> <p>Where both conditions of revenue growth rate and EPS are met, 100% of the RSAs for the period will be vested. If only one condition is satisfied, 50% of the RSAs for the period will be vested. However, before calculating EPS for the year, if there are changes in the number of common shares issued, the EPS target may be adjusted according to the percentages of changes.</p> <p>B. Conditions on individual work performance of employee:</p> <p>An employee who remains employed at the Company one, two and three years after the grant date of RSAs and does not violate any of the Company's labor contract, work rules or regulations as well as has personal performance satisfying the target performance set by the Company during the one-year period prior to the end of the period,</p>

	<p>grade B or above according to the performance appraisal management method of the Company.</p> <p>Where the Company's financial performance and employee's personal performance meet the aforementioned standards in the first year, 40% of the RSAs will be vested one year after the grant date. Where the Company's financial performance and employee's personal performance meet the aforementioned standards in the second year, 30% of the RSAs will be vested. Where the Company's financial performance and employee's personal performance meet the aforementioned standards in the third year, 30% of the RSAs will be vested.</p> <p>After being granted new shares for RSA, if employees violate the Rules, trust contract, labor contract, work rules, etc., the Company has the right to reclaim the unvested RSAs (including stock dividends received) without cost and cancelled them.</p>
Restriction of rights on new restricted employee shares	<ol style="list-style-type: none"> <li>1. New shares for RSA issued under the Rules will be deposited in trust accounts in the names of employees for safekeeping. Restrictions on the rights of unvested RSA are as follows: <ol style="list-style-type: none"> <li>(1) Except for inheritance, the new shares for RSA shall not be sold, collateralized, transferred, bestowed, pledged, or disposed of by other means.</li> <li>(2) The rights to attend, propose, speak and vote in the shareholders' meetings and any other rights of shareholders are entrusted to the custodian to be exercised in accordance with contracts.</li> </ol> </li> <li>2. Except for restrictions from the trust agreement, before the new shares for RSA can satisfy the vesting conditions, their other rights, including but not limited to: dividends, bonuses, allotment rights of capital surplus, and subscription rights in capital increased by cash, are the same as the Company's common shares.</li> </ol>
Employee Restricted Stock	<ol style="list-style-type: none"> <li>1. When new shares for RSA are under the trust agreements, the Company can fully represent its employees in dealing with the stock trust agency concerning the following transactions(including but not limited) to the negotiation, signing, amendment, extension, cancellation, termination of trust contracts, as well as instructions on the transfer, use and disposal of trust property.</li> <li>2. The issuance of new shares for RSA is conducted through custodial trust of the shares. Prior to meeting the vesting conditions, employees shall not, for any reason or by any means, ask the trustees to return the new shares for RSA.</li> </ol>
The Procedures for Handling Allocated or Subscribed New Shares without Meeting the Vested Conditions	<p>After receiving new shares for RSA, if employees fail to meet the vesting conditions, the unvested RSAs (including stock dividends received) will be reclaimed without cost and cancelled by the Company.</p>

	Inheritance shall be handled in accordance with the relevant provisions of RSA new share issuance measures.
Recovered or Purchased New Restricted Employee Shares	0 shares
The number of shares which the restricted rights of new restricted employee shares have been lifted	0 shares
The number of shares which the restricted rights of new restricted employee shares have not been lifted	1,100,000 shares
The ratio of shares that the restricted rights of new restricted employee shares have not been lifted Ratio of total issued shares (%)	0.94%
Impact on shareholder equity	The dilution effect on the earnings per share of the Company in the future is limited, and has no significant impact on current shareholders' equity.

## (II) Name of the commissioned custodian of exchangeable underlyings

As of April 30, 2021 Unit: 1,000 shares / NT \$1,000

	Title (Note 1)	Name	Shares	%	Released restricted rights (Note 2)				Unreleased restricted rights (Note 2)			
					Number of released restricted shares	Issue Price (NT\$)	Issue amount	Ratio of released restricted shares to the total shares issued	Number of unreleased restricted shares	Issue Price (NT\$)	Issue amount	Ratio of unreleased restricted shares to the total shares issued
Managers and employees	General Manager	Kevin Tsai	900	0.76%	0	0	0	0%	900	0	0	0.76%
	Deputy General Manager	Vicky Tseng										
	Deputy General Manager	Leo Lu										
	Deputy General Manager	Yu-Shu Hu										
	Deputy General Manager	Cheng-Qing Wei										
	Assistant Vice President	Kun-Ju Han										
	Assistant Vice President	Ying-Hsuan Chao										
	Assistant Vice President	Zan-Yuan Chen										
	Marketing Director	Zi-Wei Zhong	200	0.17%	0	0	0	0%	200	0	0	0.17%
	Commodities	Rui-Zheng Zheng										

Director											
Commodities Director	Yi-Ying Wu										
Brand Director	Bing-Rong Wu										
Technology Director	Zhu-Ji Lin										

Note 1: The name and title of managerial officers and employees (specify departure or death if any) shall be disclosed separately, but the number of new restricted employee shares distributed or acquired may be disclosed collectively.

Note 2: The number of spaces shall be adjusted subject to the actual circumstances.

Note 3: The top ten employees who hold the new restricted employee shares refer to employees outside managerial officers.

Note 4: Total shares issued shall refer to shares registered with the Ministry of Economic Affairs.

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

## VIII. Implementation of Capital Utilization Plan

### (I) Description of Plans

1. Funds required for the project: NT\$1,545,000 thousand

2. Source of Capital

(1) The maximum amount of the first domestic secured convertible corporate bonds is 15,000, with par value of NT \$100,000 each. The maximum amount of the total par value of the corporate bonds is NT \$1,500,000 thousand. The issuance period is three years, and the coupon rate is 0%. The public underwriting shall be conducted by competitive auction. The bottom bid shall not be less than 103% of the par value. The actual total amount of the issue shall be NT \$1,611,304 thousand.

(2) If the Company fails to issue the secured convertible corporate bonds in full amount during the actual issuance, resulting in insufficient funds raised, the Company will use its own funds or bank loans to meet the requirements. If the actual amount raised is higher than the expected amount, the additional funds will also be used to enrich the working capital.

3. Planned project, expected progress and expected benefits

Unit: NT\$ thousands

Plan	Estimated completion time	Funds Required	Estimated Progress of Capital Use	
			2020	
			Q3	Q4
Repayments of bank loans	2020 Q3	700,000	700,000	-
Enrich working capital	2020 Q4	845,000	-	845,000
Total		1,545,000	700,000	845,000

4. Expected Benefits

(1) Repayment of bank loan: the Company plans to repay the bank loan with NT \$700,000 thousand in this fundraising plan to reduce the interest burden and improve the financial structure. If the interest rate is calculated according to the bank loan to be repaid, it is estimated that the interest expense will be saved

about NT \$2,100 thousand in 2020 and NT \$8,400 thousand in the future, which can moderately reduce the financial burden of the company and improve the financial structure and solvency of the Company.

(2)Enrich working capital: the company plans to use NT \$845,000 thousand as working capital to reduce the amount of loans to financial institutions and the interest burden. Based on the company's average borrowing rate of about 1.3%, it is estimated that the interest expense will be saved by NT \$2,746 thousand in 2020, and about NT \$10,985 thousand will be saved every year in the future, which will moderately reduce the company's financial burden and enhance its solvency, improve its financial structure, and benefit the overall operation and development of the company.

#### 5.Implementation Status

The total amount of funds raised this time is NT \$1,611,304 thousand which has been used to repay NT \$700,000 thousand of bank loans and NT \$911,304 thousand of working capital respectively, and there is no plan change involved.

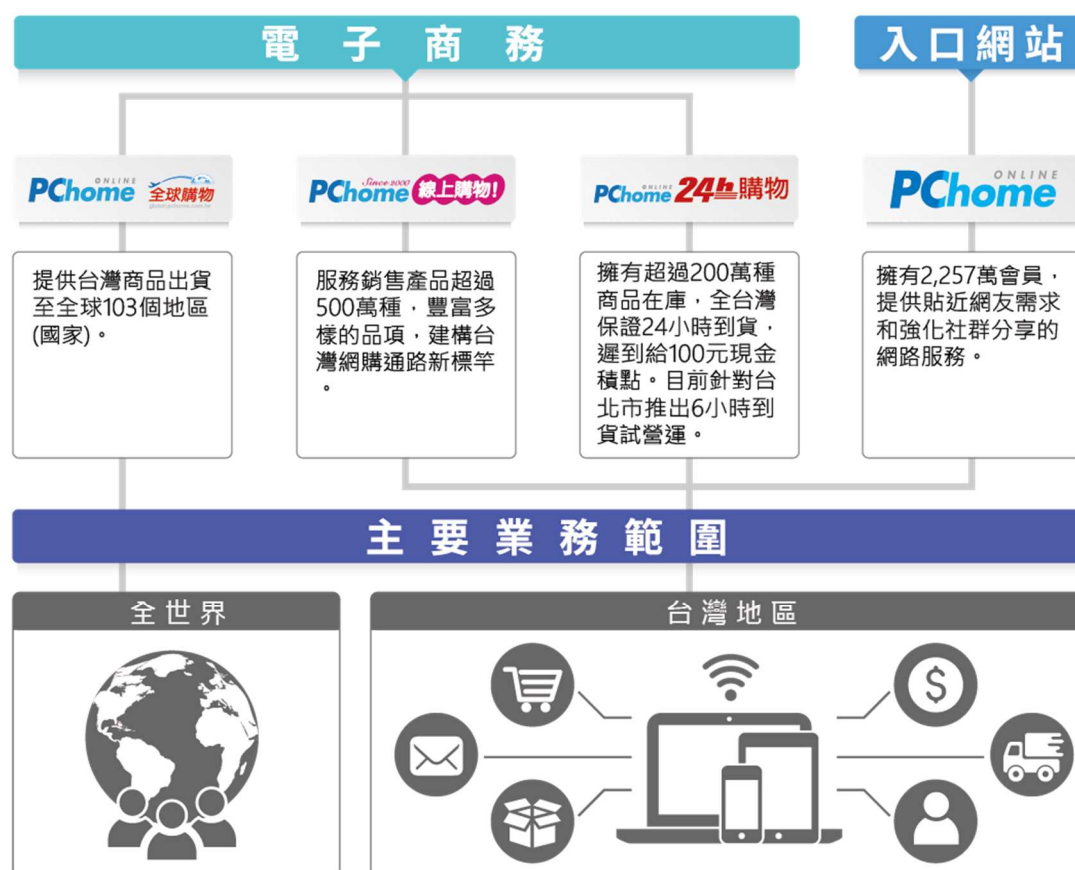
## Chapter 5 Operational Highlights

### 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	2020	Weighting (%)
E-Commerce Business Group	43,691,528	99.6%
Others	178,324	0.4%
Total	43,869,852	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.

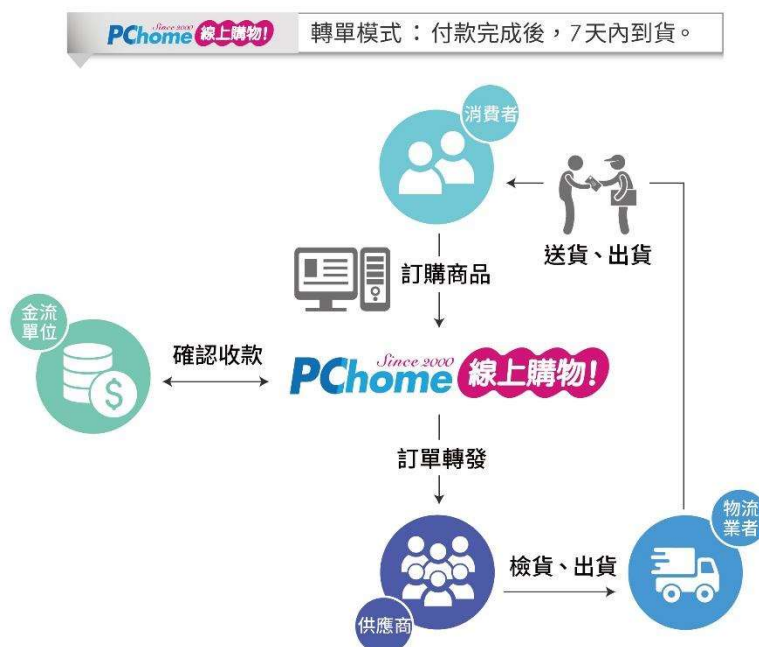


Delivery Model of PChome 24h Shopping

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 can 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 the 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 merchandise online. There are ten major categories: electronic appliances, electronic accessories, digital products, sporting goods, communication devices, home appliances, household products, daily products, books to read, 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
	The Company won 2015 Innovative Product Award of the Information Technology Month.
	2015 Outstanding Achievement Award of Computer Society
2016	2016 "Taiwan Original Brands" of Business Weekly
	"Best Reputation Benchmark Enterprise Survey" of CommonWealth Magazine - E-commerce Category - First Prize
	"The Best Service in Taiwan" of China Times - Large Online Shopping Website - Gold Prize
	2016 Promotion of Cross-Strait Development - Outstanding Performance Award
2017	2017 "Top Service Award" - Online Shopping - First Prize
	"2017 Brand Asia" - Online Services – Excellence Award
	"2017 DTA Award - Digital Service Innovation Award" - Trade Convenience and Cross-border E-commerce – Excellence Award
	– 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"
2020	The Company received the Sports Enterprise Certification from the Sports Administration of the Ministry of Education in 2020.
	In 2020, Kevin Tsai, Chief Executive Officer was awarded Super MVP by MANAGER Today
	2020 Asia Pacific “PR Awards Asia Promotional Bronze Award”
	The 12th Public Relations Award “Brand Communication Award (Private Sector) Outstanding Award” of Foundation for Public Relations.

## (2)Portal

PChome Online provides a wide range of network services including news platforms, stock markets, news, and travel channels. These services have generated an enormous number of registered members and traffic. Portal also provides online advertising services such as display advertising and display network. The PChome Online currently has more than 22.57 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 and formulate 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 Title	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

Project Title	Project Content
	integration to expand PChome's delivery capacity.
“Apparel Labeling Artificial Intelligence Recommendation” Service	The application of AI in the fashion industry is increasing year by year. In order to improve the consumer shopping experience, PChome introduces AI into the apparel e-commerce field, and makes relevant clothing matching suggestions and single product recommendations through big data, consumer preferences and market trend analysis, leading the e-commerce apparel industry to a new milestone, embodying the driving mechanism of OMO (Online-Merge-Offline), creating smart shopping malls and community commerce.
“Multi-platform Single Account Login Integration” service	PChome Online has diversified network services and payment services, millions of member accounts. In order to improve the convenience of members, PChome Online initiates and integrates the service mechanism of all platforms under the Group. Members only need to have a platform account and password to log in different platforms within the Group, thus eliminating the complexity of remembering multiple accounts and passwords, and reducing the risk of third-party website access. Through the serial login mechanism across services, PChome Online has become the third-party login mechanism platform with the most members in Taiwan, creating a commercial application channel for different industries, and driving the development of the e-commerce industry in the new century.

## (II) Industry overview

### 1. Industry current status and developments

#### (1) Analysis of the online retail market in Taiwan

- ① There were 17.61 million Internet users in Taiwan with an Internet penetration rate of 83% in 2020.

In the 2020 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 83%, which is equivalent to an estimated number of 17.61 million people. Mobile device Internet access rate is 77.0%, i.e., an estimated number of 16.35 million people.

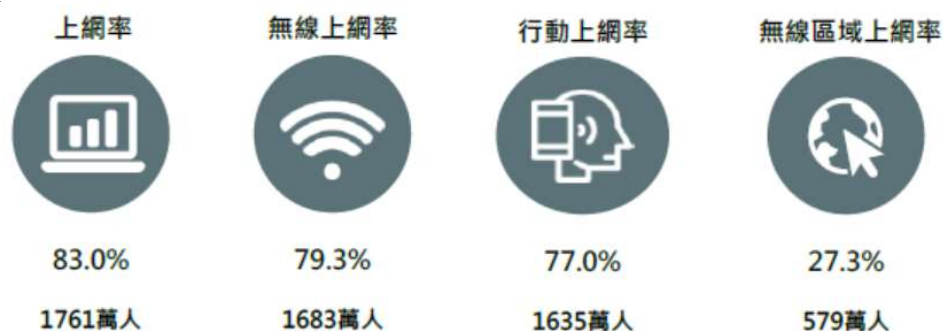


Figure: Overall Internet Usage for Users Aged 12 and Above in Taiwan  
(Source: 2020 Taiwan Internet Report by TWNIC, 2020)

- ② In 2020, people mainly using mobile phones for accessing the Internet accounted for over 90% in Taiwan

In the 2020 Taiwan Internet Report issued by TWNIC, for people's Internet media in Taiwan, 91.3% mainly access the Internet through mobile phones, which is equivalent to 91 for every 100 people who use the Internet function to access the Internet through mobile phones. Data analysis found that, for convenience, modern people use mobile phones to access the Internet, and the Internet access rates in Taiwan are higher than 70%. A high percentage of people use mobile phones to access the Internet, which shows that the Internet information crowd is increasingly dependent on mobile phones.

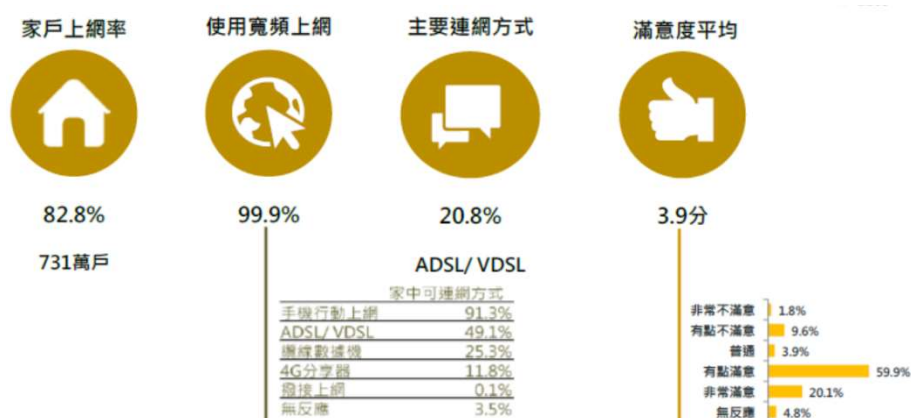


Figure: Internet Rate of Taiwanese Households  
(Source: 2020 Taiwan Internet Report by TWNIC, 2020)

- ③ The revenue of non-store retailing exceeded NT\$320 billion in 2020.

Based on the survey conducted by the Department of Statistics, Ministry of Economic Affairs (MOEA), the revenue of retail business without shops amounted to NT\$320.0 billion in 2020. With the emergence of Internet business

opportunities and the changing consumption habits of the people, the storeless retail industry combines digital tools and social platforms, the performance has grown rapidly, and the turnover has been increasing year by year since 2007. In 2013, it exceeded NT\$200 billion. From January to November 2020, the total turnover was NT\$297.7 billion (including electronic shopping and mail order accounting for 73.1%, direct sales and vending machines accounting for 26.9%), a record high over the same period of the year, an annual increase of 12.3%, the largest increase since 2009. Before the COVID-19 pandemic is over, the storeless retail industry will continue to have advantages and zero-touch business opportunities will continue; coupled with 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.

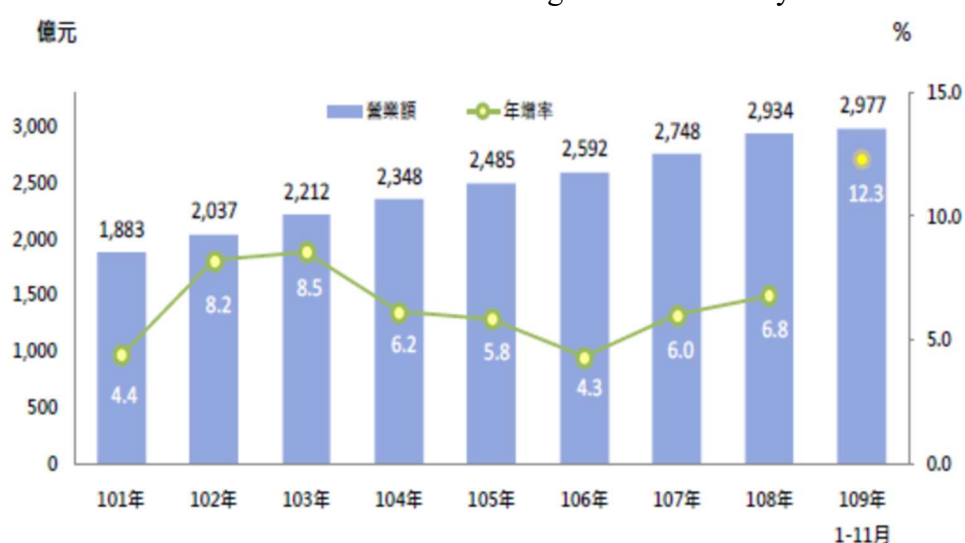


Figure: Sales and Annual Growth Rate of Retail Sale No Storefront for a Decade  
(Source: Department of Statistics, MOEA, 2021)

④In 2020, 59.6% of people in Taiwan had online shopping experience, and the average consumption amount was NT\$3,217.

In the 2020 Taiwan Internet Report issued by TWNIC, observing the economic application of Taiwan's online shopping trends, 59.6% of people in Taiwan have purchased something online, with an average spending of NT\$3,217. The average online shopping amount has increased by NT\$556 compared with 2019. Data analysis shows that Taiwan's online shopping market still has competitive potential. The average spending amount has increased, reflecting the maturity of the online shopping market. 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 a greatly increasing frequency of online shopping.

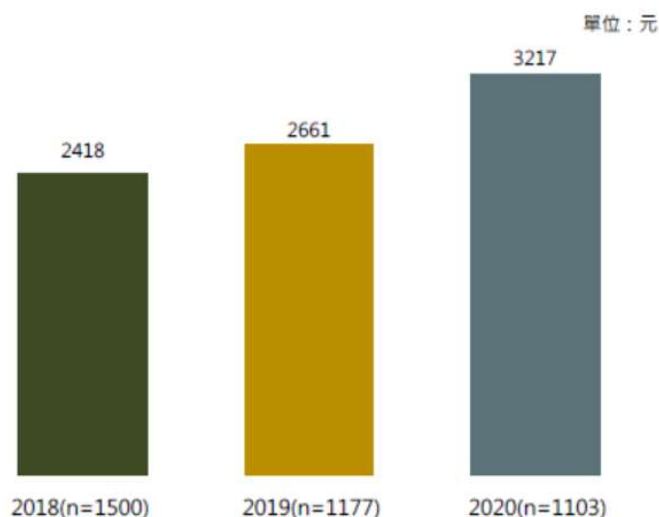


Figure: Average Expenditure on Online Shopping from 2018 to 2020  
(Source: 2020 Taiwan Internet Report by TWNIC, 2020)

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

- ⑤ The influence of online shopping platforms continues to grow, driving the use of mobile payment exceeding 25%

According to the 2020 Taiwan Internet Report issued by TWNIC, a survey on the online shopping consumption habits of the people in Taiwan shows that the proportion of using mobile payment has increased year by year when the people in Taiwan use online shopping, which increases by 0.8% in 2020 compared with 2019 and accounts for more than 25%. It shows that one out of every four Taiwanese who use online shopping uses mobile payment to pay. It can be seen that shopping and payment types are gradually expanding to online channels.

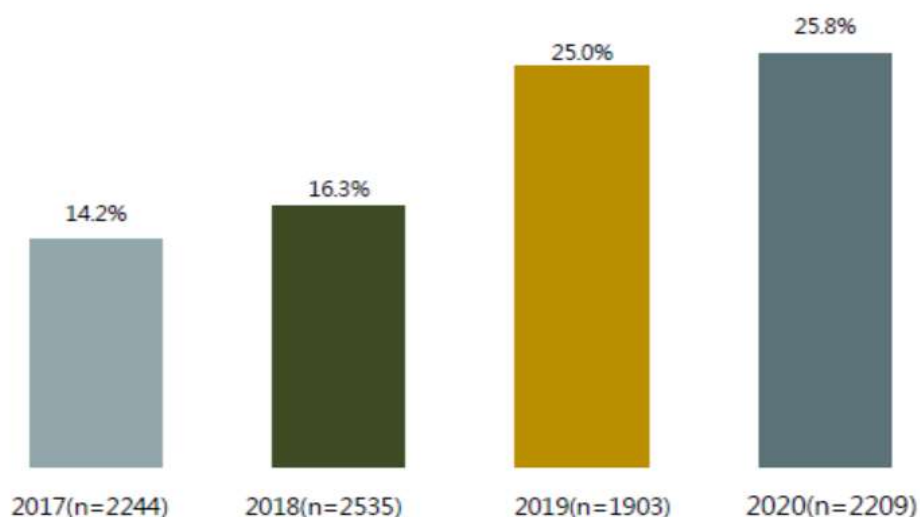


Figure: Proportion of Mobile Payment Used for Online Shopping from 2017 to 2020  
(Source: 2020 Taiwan Internet Report by TWNIC, 2020)

Secondly, the most popular mobile payment tools used by Taiwanese people are “LINE Pay” (57.9%), “Apple Pay” (41.7%), and “JKoPay” (17.5%), the

proportion of female users is higher than that of male users, and the age group is relatively low (aged 20 to 44).

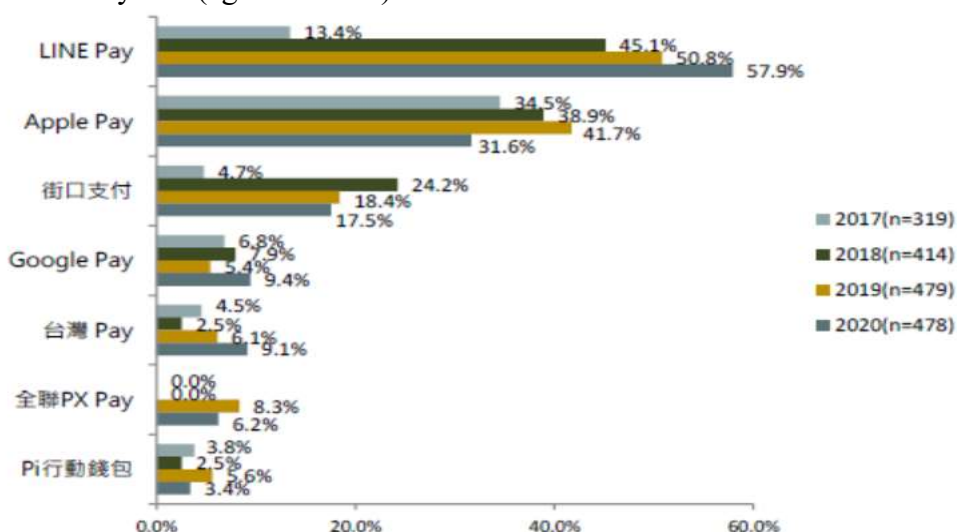


Figure: Comparison of Mobile Payment Tools Used from 2017 to 2020  
(Source: 2020 Taiwan Internet Report by TWNIC, 2020)

COVID-19 pandemic has promoted the growth of online shopping, and more than 50% of people with online shopping experience have increased their consumption.

According to the market research agency Kantar Insights and LifePoints in 2020, consumers have shopped online during COVID-19 pandemic. More than 54% of online shoppers said that their expenditures on online shopping during COVID-19 pandemic have increased, and about 34% of online shoppers said they reduced their purchases on physical channels, and preferred online shopping. According to statistics, the reasons for consumers to choose online shopping during COVID-19 pandemic mainly include “avoiding going to public places and reducing the chance of contact with people” and “convenient for price comparison”. It shows that people still have greater doubts about entering and leaving public places, and online shopping provides a more convenient shopping channel that reduces the risk of infection.

Therefore, the past popular online shopping categories such as 3C electronic products, beauty and maintenance products, clothing, shoes and bags have all declined during COVID-19 pandemic, and the proportion of people’s livelihood necessities has increased, becoming the main purchase category for consumers. According to Kantar’s global survey during COVID-19 pandemic, the past food and beverages were available everywhere, but COVID-19 pandemic has reduced the number of trips or cannot go out, and the demand for people’s livelihoods cannot be reduced. As a result, as many as 14% of the world’s population during this period bought food and beverages online for the first time, and the proportion is higher than other categories.

## 疫情期間網購商品類型

網購熱銷商品	實體轉換到網購商品
 食品乾貨 – 35% (如泡麵、罐頭、米、油、沖泡飲品、調味品)	 食品乾貨 – 21% (如泡麵、罐頭、米、油、沖泡飲品、調味品)
 飲料零食 – 32%	 飲料/零食 – 18%
 個人清潔用品 – 31% (如洗髮精、洗面乳、沐浴乳)	 個人清潔用品 – 16% (如洗髮精、洗面乳、沐浴乳)
 營養保健食品 – 29%	 生活日用品 – 15% (如衛生紙、女性衛生用品、紙尿褲)
 生活日用品 – 27% (如衛生紙、女性衛生用品、紙尿褲)	 居家清潔用品 – 13% (如洗衣用品、清潔劑)

Figure: Types of Online Shopping Products during COVID-19 pandemic in 2020  
(Source: Kantar Insights Division Taiwan/LifePoints, 2020)

(2) Analysis on online retail market through global trends

- ① The Southeast Asian e-commerce market is promising, with over 70% of Taiwan's SMEs entering the local market

Cross-border e-commerce is a growth opportunity for Taiwan's SMEs. For SMEs in the development stage, they can have higher market opportunities when entering overseas markets. Among them, Southeast Asia is an ideal market for the initial promotion of cross-border, nearly 80% of SMEs regard Malaysia and Singapore as their first choice, nearly 40% choose the Vietnam and Thailand markets, and about 30% choose the Indonesian and Philippine markets. Their market characteristics differ from those of mainstream European and American countries. Most people in Southeast Asian countries have not experienced the era of using computers to access the Internet, and they surf the Internet through mobile devices, so they rely heavily on mobile devices to obtain information and make purchases. Therefore, their future cross-border market business opportunities are unlimited.

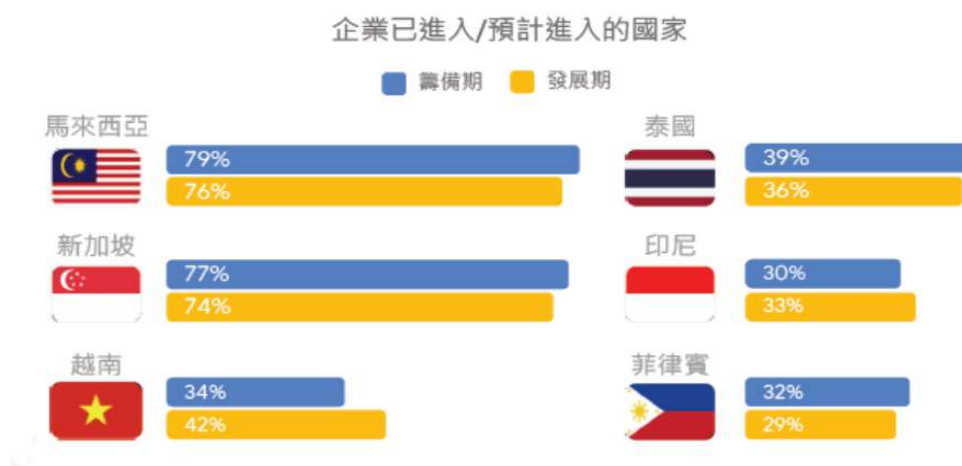


Figure: Ratio of Countries that Companies Have Entered/Expected to Enter in Southeast Asian Markets  
(Source: "Google" 2020 Taiwanese Enterprise Cross-border Key Report 2.0, 2020)



- ② 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 4.9 billion Internet users worldwide in 2020. Asia alone had 2.56 billion users and accounted for 55% of the global users, ranking number one among all regions. Europe ranked second with its 730 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.

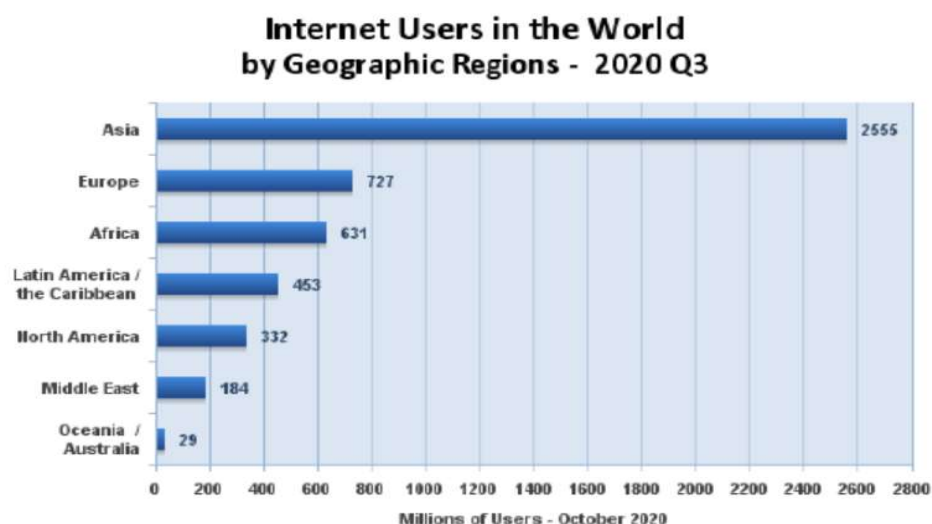


Figure: Overview of Internet Users Worldwide  
(Source: Internet Users in the World of Internet World Stats, 2020)

According to the survey report, with regard to Internet penetration rate, North America ranks first with its 90.3%, followed by 87.2% in Europe. Even with the highest number of Internet users, Asia ranks second to last with its penetration rate of 59.5%, lower than the world average penetration rate at 63.2%. The result again clearly shows that the Asian Internet market still has ample room for growth in terms of market scale and potential value.

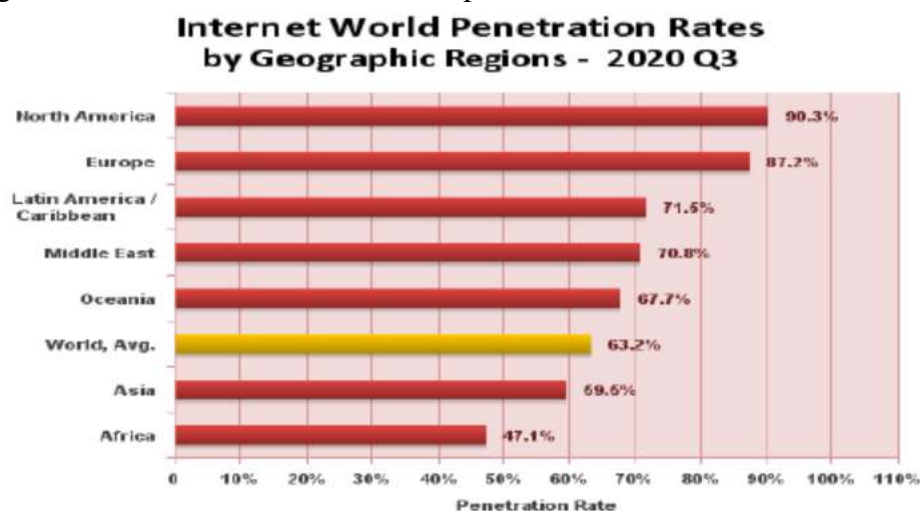


Figure: Global Internet Penetration Rate  
(Source: Internet Users in the World of Internet World Stats, 2020)

- ③ In 2020, the global retail ecommerce sale amounted to US\$3.9 trillion, an annual growth rate of 16.5%.

According to the report on retail ecommerce trends issued by the research institution, eMarketer, the global retail ecommerce sales will increase from US\$2.8 trillion in 2018 to US\$6.3 trillion by the end of 2024, accounting for 9.4% of the overall retail sales and 21.4% of the overall retail market. This shows the proportion of e-commerce 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.

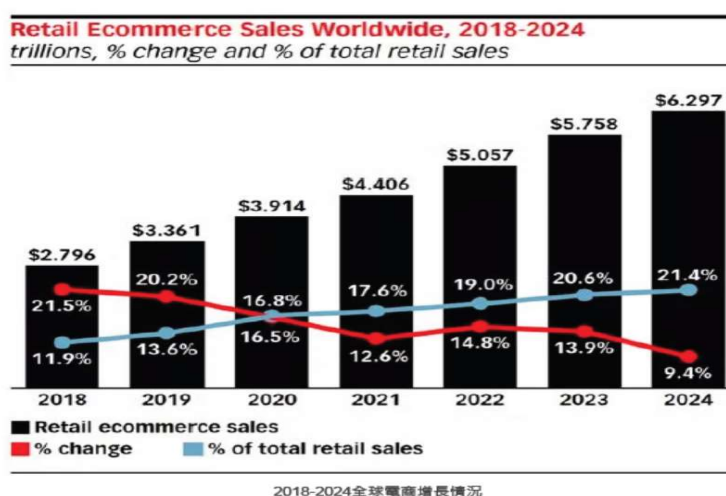


Figure: Global E-commerce Market Scale from 2018 to 2024  
(Source: Survey Report of eMarketer, 2020)

- ④ Global e-commerce penetration rate will grow rapidly by 25% in 2025

According to a trend report issued by MarketWatch, an international media organization, the global impact of COVID-19 pandemic in 2020 has caused governments to restrict social activities and many brick-and-mortar retailers close their stores. As a result, consumers prefer online shopping. Furthermore, the report pointed out that the impact of COVID-19 pandemic will not only produce short-term growth in e-commerce, but the impact will continue to exist. Through data analysis, e-commerce will become the biggest beneficiary of COVID-19 pandemic. It is estimated that the penetration rate will grow from 15% in 2020 to 25% in 2025.

Through the online shopping model, consumers can enjoy a comfortable, convenient, and zero-touch consumption method, which has greatly increased the chances of consumers who used less or did not use online shopping in the past to access e-commerce, thus stimulating the proportion of e-commerce online shopping.

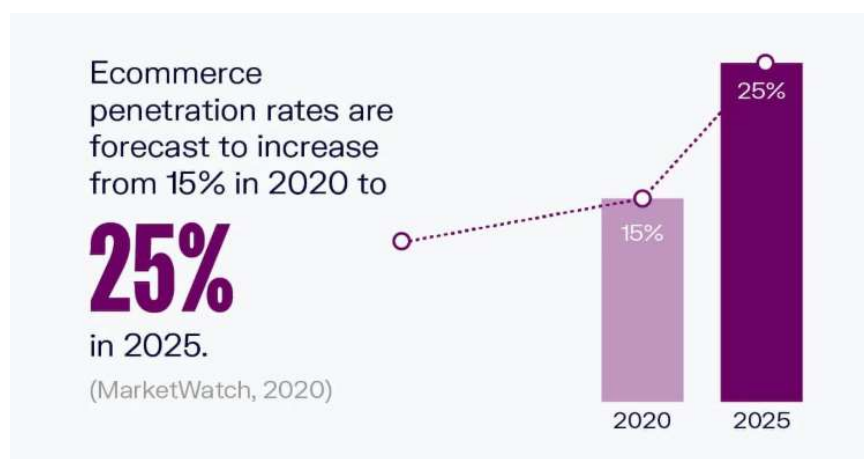


Figure: Global e-commerce market penetration rate from 2020 to 2025  
(Source: Survey Report of MarketWatch, 2020)

## 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) MOEA supports the expansion of retail channels across Taiwan and assists the digital transformation of brick-and-mortar retailers

The world underwent drastic changes in economy, transportation, and life patterns in 2020. Taiwan's brick-and-mortar retailers and catering businesses were strongly impacted. According to the Future Circulation Institute's Internet Sales Pursuit Report on Taiwan's brick-and-mortar retail industry, global brick-and-mortar retail channels have vigorously bet their resources on online sales or strengthen online channel operations. Taiwan's brick-and-mortar retail industry's "online sales" in the first three quarters of 2020 has achieved a 22% annual growth rate, which means

that the consumption model is shifting to online and brick-and-mortar retail. Industry transformation and in-depth integration of online sales have become an irreversible industry wave.

Starting from April 1, 2020, MOEA has launched the “MOEA Retail Industry Launching E-commerce Service Promotion Plan”, providing shopping platform launching services and e-commerce website building services for businesses that intend to transform, to help retailers break through difficulties, increase sales channels, and create revenue.

The Company is the first batch of shopping platforms approved for providing services, providing suppliers with the best online discounts. Suppliers can quickly open the e-commerce business, enjoy the most complete platform services, the most convenient logistics warehousing, and the most suitable cash payment services. For zero-experienced retailers, the Company also provides promotion plans to accelerate sales transactions and digital sales.

- (2) Business opportunities in the cross-border market in Southeast Asia are promising, and PChomeSEA assists Taiwan's products to be promoted internationally

Taiwan's corporate composition is dominated by small and medium-sized enterprises. According to the Small and Medium Enterprise Administration (SMEA) of Ministry of Economic Affairs (MOEA), nearly 80% of employment opportunities come from small and medium-sized enterprises, but the total sales and average sales per person are far lower than those of large enterprises; the source of revenue for Taiwanese small and medium-sized enterprises is still the domestic market. However, the amount of foreign sales has changed from negative to positive starting in 2018, showing that overseas markets are opportunities for SMEs to grow. The SMEA of MOEA stated that although there are still a small number of SMEs engaged in cross-border sales, more than 70% of them have used Internet as a channel for cross-border sales, which has an average annual growth rate of 14%, and the expected growth rate in the future is 19%. In the face of investment in overseas markets, according to the Ipsos2020 Taiwan SME Cross-border E-commerce Research Report, about 70% of the SMEs in the cross-border development phase have already entered the Southeast Asian markets, and more than 80% of the enterprises in the preparatory phase are expected to enter the Southeast Asian market. The prospects for the development of the Southeast Asian markets are promising. Among the major countries in the Southeast Asian markets, nearly 80% prefer Malaysia and Singapore, and nearly 40% prefer Vietnam and Thailand. Taiwan's SMEs are most optimistic about their development advantages in the Southeast Asian markets and “Made in Taiwan”. Its related Google search index has grown by more than 15% in 2019, highlighting the opportunities for Taiwan's cross-border e-commerce to enter the Southeast Asian markets.

PChomeSEA, a subsidiary of PChome Group, commits itself to expanding the Southeast Asian e-commerce market, and operates as an e-commerce platform to help Taiwanese sellers move towards cross-border sales in the Southeast Asian markets. PChomeSEA offers services covering product translation, bilingual

customer service, location-based marketing, international logistics and Taiwanese payment services, and provides Taiwanese sellers with one-stop cross-border e-commerce services and a convenient, safe, trustworthy and easy-to-operate cross-border sales experience, making it as easy to operate cross-border business as in the local market in Taiwan.

- (3) In response to the government's promotion of mobile payment and the Executive Yuan's "triple stimulus" voucher program, the Pi Wallet APP accepts the registration and binding of "triple stimulus" voucher

The people gradually shifted their consumption channels due to COVID-19 pandemic in 2020. Therefore, the government actively promoted the "triple stimulus" voucher policy in mid-July 2020. According to the Department of Statistics, MOEA, since the release of the "triple stimulus" voucher, all industries had signs of recovery; among them, the retail industry has ceased to grow negatively for five consecutive months since July, and it has successively set new highs in the same month from August to November; the catering industry's revenue decline in July has shrunk, and also set new highs in the same month from September to November.

In response to government policies, Pi Mobile Technology Inc., a subsidiary of PChome Online, launched Pi Wallet APP registration and binding of the "triple stimulus" voucher (digital coupons). Users can earn 2,000 P Coins from the applicable channel for accumulative spending of NT\$3,000 after registering successfully. At the same time, in order to promote consumption and expand revitalization, Pi Wallet additionally launched the event of "Here comes triple stimulus voucher, P Coins increase up to 100%." The P Coins rewards event would have up to 100% chances of winning rewards, with no limited times for participating! By expanding the scope and frequency of consumption through P Coins rewards, we desire to promote the continuous circulation of cooperative channels and to multiply the active effect of the market economy by utilizing point economy.

PChome Travel, a subsidiary of the Company, has also joined the ranks of "triple stimulus" voucher program. Users can bind the "triple stimulus" voucher to Pi Wallet to pay for domestic accommodation reservations, and enjoy up to 13% P Coins as a reward. Users can book all accommodations online and accumulate the consumption amount of "triple stimulus" voucher, which is convenient and rewarding. Since Pi Wallet went online, it has actively integrated multiple channel resources, deeply cultivated membership payment services, and the number of members has reached 1 million. In response to the Executive Yuan's "triple stimulus" voucher policy, Pi Wallet integrates the existing P Coins point resources, and allows members to use P Coins for discount to meet the diverse customer demands. It is estimated that a wave of digital cashless transactions will emerge, with more P Coins and feedback activities to be launched to connect brick-and-mortar channels and create a diversified consumption scene in the future.

- (4) Industrial Development Bureau, MOEA promotes the "Smart Urban and Rural Life

Application Development Plan” to drive forward-looking development of the e-commerce retail industry by utilizing the Internet of Things, big data and AI.

Industrial Development Bureau, MOEA promotes the “Smart Urban and Rural Life Application Development Plan”, desiring to create innovative ways to meet people’s needs for smart life, effectively improving the efficiency of resource utilization, and driving the key to industrial innovation and application and the goal of sustainable development.

The Company commits itself to participating in the “Smart Urban and Rural Life Application Development Plan”, implementing it in the online shopping experience, enhancing the consumer shopping experience and promoting industrial innovations by utilizing the Internet of Things, big data and AI, with a view to making smart applications popularize the market, and creating new strategic layout of e-commerce industry.

According to the report issued by Juniper, a research and survey agency, the combination of AI and the fashion industry is part of the future trend. The investment amount of enterprises will increase to US\$7.3 billion in 2022, which is nearly four times that of 2018. In the future, there is an opportunity to create a new path on the competitive e-commerce platform. Data collection enables us to provide a better shopping environment and product recommendations, and better optimize the consumer experience. The Company is an industry pioneer in applying AI to the e-commerce apparel industry market, actively enhancing consumer experience as the core of the new shopping industry, utilizing big data analysis as the key technology application of new retail, strengthening the connection between shopping and experience, and thus creating a future consumption trend based on “emotional temperature and data footprint”.

#### 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 2020 are as follows:

①With pragmatic consumption driven by stay-at-home economy, join hands with hundreds of brands to build “brand flagship stores”

PChome Online is optimistic about the pragmatic consumption power brought by the stay-at-home economy. Its PChome 24h Shopping gathers flagship brands to form a strategic alliance and establish a “brand flagship store”, covering 3C digital, fashion, beauty, food, daily necessities and introducing famous brands such as Apple, Xiaomi, 3M, GARMIN, BIODERM, Watsons, Unilever, etc., joining forces to multiply brand benefits, enhancing brand favorability and consumer stickiness, and striving to grab the market share among young consumers. The Company boasts major advantages such as “the only full-series Apple authorized distributor in Taiwan’s e-commerce” and “the only original Xiaomi authorized direct-operated online shopping platform in Taiwan”, continues to expand its market scale and create a new sales niche through deep

brand cultivation and resource integration. Apple's new series of "iPhone 12" were launched in the second half of 2020. The sales performance exceeded NT\$100 million within 4 minutes after the launch. The word-of-mouth new color, Pacific Blue, was sold out within 5 minutes, boosting the strong growth momentum and operations of Apple flagship store.

We have also actively cultivated the market of female consumers in recent years. In 2020, we joined hands with "Watsons", the leading channel of health and beauty, to open a new flagship store, with its online sales surging by 100%, bringing new momentum to business operations. In addition, we established Taiwan's "Microsoft" flagship store, becoming the largest partner in Taiwan's e-commerce channel, launching the first wave of new laptops and discount package programs, and increasing sharply buying momentum.

②Pioneer the layout of nine mobile payment services and continuously enhance the mobile shopping experience

The Company actively deploys payment and logistics opening strategies. In 2020, we formed an alliance with the two major payment services including Easy Wallet and Taiwan Pay, driving the proportion of consumers aged below 35 on the whole website to reach 50%. Connecting LINE Pay, Apple Pay, Google Pay, Samsung Pay, Pi Wallet, JKoPay, and AFTEE with its shipment first and pay later, PChome Online has become the e-commerce platform with the most complete layout of nine mobile payment services, fully satisfying the new-generation procurement models. At the same time, we integrated 36 major banks, two shopping guides including LINE and Shopback, and store-value discount programs, expanded the field of payment applications with the most complete payment discounts and payment methods, continued to strengthen the mobile shopping experience, and lead the e-commerce industry to a new generation of payment with fast, stable and high-quality logistics services.

③Cross-sector collaboration to stimulate sales momentum and exclusive sales of new products among the young

The Company actively develops marketing innovation and diversified cross-sector cooperation strategies, in an effort to create a virtual and real integrated shopping experience. In March 2020, "Queen's Expedition" Shopping Festival joined hands with ELLE magazine to advance female fashion trends online activities and Dajia Mazu's online pilgrimage and other activities. In June, we built "PChome Online Shopping 20th Anniversary Flash Store" in Xinyi District for the first time, looked back the major e-commerce development milestones through the "Four Dreams Galleries", exhibited the classic products of the past two decades, and fully reproduced the past home context, set a QR Code shopping wall to connect online and offline activities, actively developed marketing innovation, and continued to upgrade interactive consumer experience.

During Double 11 event in 2020, we launched the largest cross-sector alliance in the past, connecting the leading telecommunications company "Chunghwa

Telecom”, extending the consumer field to Chunghwa Telecom’s brick-and-mortar stores, offering 11 benefits such as telecom offer gifts, reward points, and store-limited programs, and eliminating the boundary between online and offline markets. We entered the Global Mall for the first time, setting up offline flash booth, launching hot-selling product offers, exclusive tastings of celebrity chefs, in-store treasure hunting & lottery, check-in gifts and other multiple offers to condense shopping mall resources and give full play to the power of gathering customers. We held a series of offline activities in Huashan Cultural and Creative Industry Park, landed Taiwan’s largest and eye-catching giant PChome carton from the air, launched “surprise mission car” tour of walking large cartons for the first time, held three style themed nights to narrow the distance with consumers. In cooperation with the National Palace Museum, we held a special exhibition lecture event “She-Female Image and Talent”, and launched the Palace Museum boutiques for the first time to promote business opportunities for female consumers. We built the only international Double 11 event in Taiwan’s e-commerce industry-“PChome: Here Comes Double 11 2020!” for the four consecutive years. We also held “AMAZING FUTURE Concert”, creating popular topics and sales momentum.

We continued our O2O strategy, cross-sector transportation, local business circles, dating software and other fields during Double 12 event, and innovative marketing models based on reversing local culture, in an effort to enhance shopping experience. The “Love Limited Time PChome Train” ran on the Tamsui Xinyi Red Line of the Taipei MRT. We tailored fun flyers for singles, dating, Taiwanese calendars, etc., provided information on Christmas gatherings and dates, planned interactive game experiences, and created a Christmas train full of Taiwanese flavor. We realized cross-sector alliance with Taipei Xia-Hai City God Temple, Taipei and dating APP Goodnight for worship of Matchmaking God and Christmas party activities, and cooperated with Twatutia local bar to hold the event “tipsy stroll”, successfully attracting young customers and stimulating the overall sales momentum.

④Build the strongest entertainment e-commerce, and create a new milestone by the festival-making strategy

The Company commits itself to providing consumers with a “consumption + entertainment” shopping experience. For the two consecutive years, we have launched the “August Hearty Gifts Festival”, which combined Chinese Valentine’s Day, Father’s Day and Ghost Festival, and has diversified exposure through social media, thereby expanding the reach of new users. We also exclusively created the “PChome Glimpse 88 Arena Concert”, inviting blockbuster artists to stage at the Taipei Arena, using multi-screen and multi-screen live broadcasts to have fun with consumers, setting a new milestone for Taiwan’s entertainment e-commerce.

In addition, we held “PChome: Here Comes Double 11 2020!” for four consecutive years. We held “AMAZING FUTURE Concert”, gathering stars and



synchronously broadcasting the whole process on 7 major platforms, including PChome Video, PChome 24h Shopping YouTube/FB fan page/Line official account, KKBOX, LINE shopping, and Food Players FB fan page, building the only international Double 11 event in Taiwan's e-commerce, leading the year-end operational momentum! In December of the same year, we held "Here Comes Double 12!" For "Christmas Special AMAZING KPOP Concert", we exclusively invited the well-known Korean girl group Apink to sing through online live broadcast, exclusively cooperated with the queen singer aMEI to launch an exclusive event for the Taitung New Year's Eve concert. We also joined the early bird sales of concert merchandise, such as limited editions popular items such as baseball caps and commemorative cap T, and continued to launch the most fashionable entertainment e-commerce series cooperation, boosting operating momentum.

⑤Care for the society, fulfill corporate social responsibilities, and debut at "PChome Charity Event of Hug Me Bear"

PChome Online has long taken practical actions to care for the society and vulnerable groups, and implements corporate social responsibilities. Among them, in 2020, PChome Online joined hands with Brothers to launch the "public benefit bidding donation campaign". Brothers donated the war elephant armor jerseys worn by the home games. The bidding was conducted on the Company's online bidding event page, and the proceeds were donated to the Taichung Home Quarantine Replacement Office. In addition, we held two annual e-commerce events, "PChome Carnival 88" and "PChome: Here Comes Double 12!" We extended public charity event, inviting many well-known artists such as Tzi-Chiao Huang, Ning Chang, Bii and the Korean girl group Apink to bid for the painted pillows, donated the proceeds to the Taiwan Fund for Children and Families, calling on everyone to strengthen and pass on warmth and love.

In the second half of 2020, the Company launched the second corporate mascot "PChome Charity Event of Hug Me Bear". In November 2020, we held a flash public benefit activity on Xiangdi Avenue, Xinyi. PChome Charity Event of Hug Me Bear made its first appearance as a giant doll, with the large-scale maze interactive experience displayed on site, touching more than 30,000 people in 3 days, and caused more than 300 heated discussions at online forums. The proceeds were donated to the Chung Yi Social Welfare Foundation to take care of the deprived children. We joined hands with Simple Life Festival to promote social welfare activity in the next month, planed the "Care for the Down" love caring activity, together with the Down Syndrome Foundation, cared for patients with Down's syndrome through the participation of the people on the scene, gathered the strength of the public, and created a friendly environment.

⑥Optimize the mobile shopping experience, and upgrade APP service after revision

PChome 24h Shopping under the PChome Online continued to optimize mobile services, focusing on "member marketing" and "smart recommendation". In

2020, PChome 24h Shopping APP download count exceeded 5 million, actively creating a user-centric shopping environment, and optimizing functions. For example, push notifications can provide consumers with the first time to know about snap-up information and preferential activities, increase the rate of mobile orders, and plan a one-click login function, eliminating the cumbersome login process, and adding interface service images, and quickly select functional services. PChome 24h Shopping utilized AI big data to understand consumer needs and set up a “brand flagship store” area on the APP homepage, where users can instantly purchase well-known brand discount products. PChome 24h Shopping upgraded service quality, exclusively for APP members on the 8th of each month, limited discount event and product discount “plus price purchase” service, added a new APP exclusive “P-Edition Unboxing” area, combined with the community unboxing sharing function, introduced popular products in a life-oriented way, and provided the most practical and complete product information to meet all-round shopping needs.

## (2)Competitions

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

### ①Consumer behavior shifts to online shopping, marketing innovation, big data application, and mobile terminal optimization is crucial

Consumption habits have changed drastically due to market changes in 2020, and consumer behavior has accelerated from offline to online, which will stimulate the fermentation of the stay-at-home economy. Many brick-and-mortar retailers are also actively deploying online sales platforms and increasing sales channels, promote the more prosperous development of e-commerce market. 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 real-time service experience to satisfy rapidly changing consumer demand.

In order to capture a diverse customer base, the company continues to optimize the mobile app, actively expands cross-industry cooperation to increase operational energy, and uses the diverse exposure and discussion of social media to create community topics and expand the reach of new users. We also create an entertainment + shopping e-commerce model. We integrate online and offline multi-channel and cross-screen platforms to attract the attention of young consumer groups and increase consumer preference.

### ②The demand for diversified payments has surged, and the point economy has increased the willingness to consume

In 2020, the consumption pattern changed, providing diversified payment and zero-touch payment services. In order to stimulate consumers' willingness to purchase and conform to the changes in consumers' habits, we actively developed diversified mobile payment services, became an industry pioneer in providing “Nine Mobile Payments” services, and integrated 36 major banks and the two

major shopping guides. The smooth and convenient payment services make consumers feel more mobile payment life, and increases the proportion of mobile payment usage in the first half of the year to nearly 30%. The transaction amount has increased significantly compared with the same period last year, and the growth momentum is strong.

In addition, in response to mobile payment, Pi Wallet, a subsidiary of PChome Online, actively expands its diversified service areas, cooperating with more than 180,000 stores. In 2020, Pi Wallet introduced Taipei Tianmu Shi-Dong Market, 17 branded restaurants under Wangpin Group, brands such as Ching Shin Fu Cuan, Formosa Chang, and 85°C, continued to deepen the membership economy, making the service close to the daily life of consumers, the applicability of P Coins more comprehensive, and accelerating the construction of the P Coins ecosystem by utilizing the characteristics of point-recycling consumption.

③The heated environmental issues of online shopping packaging materials promotes “green shopping program” and environmental sustainability

Online shopping is prevalent in Taiwan. In order to implement environmentally friendly actions and reduce the waste of one-time packaging caused by online shopping, PChome became the first large-scale integrated online shopping platform in Taiwan to obtain a “carbon label” in 2020, planning and implementing carbon reduction strategies, and continuing the concept of environmental sustainability by disclosing and analyzing product carbon footprints. Since the promotion of electronic unified invoices, the number of paper invoices and the consumption of printing inks have been effectively reduced by 95% each year by 2020, and efforts have been made to reduce the impact on the environment. The Company continued to promote the green shopping program. In 2020, we launched an exclusive new easy-tear tape, which is environmentally safe, convenient and easy to tear, and has been certified by EU RoHS, US FDA and other international certifications, allowing consumers to recycle cartons to quickly tear off the tape without leaving any defective gum, better achieving the environmental protection concept of 100% recycling of cartons. We also introduced recycling packaging to increase the utilization rate of packaging materials, making a joint contribution to environmental sustainability.

### (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 Company’s technical department and designed by internal engineers. The R&D team receives regular training to improve the overall professional quality, and 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 ecommerce industry chain and take a step further to establish an ecosystem, the Group has recently been actively integrating various service advantages, deeply applying big data, artificial intelligence and the Internet of Things and other forward-looking technologies, focusing on service innovation, creating cross-domain integrated services, enhancing the Group's operation performance. Some of the systems among the R&D projects have obtained patents or are in the process of submitting patent applications. The fast ordering method and shopping platform server applied by the Company for online shopping have been approved by the Intellectual Property Office, MOEA in early 2020. The R&D expense in 2020 amounted to NT\$530,000 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	
	2020	The first quarter of 2021
Research and development expenses	530,804	130,899
Net revenue for the year	43,869,852	11,490,350
Percentage to net revenue for the year	1.21%	1.14%

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 Title	Project Details
E-commerce i mailbox pick-up	PChome Online ties in Chunghwa Post's "i mailbox", and connects the back-end system to make it run smoothly. "PChome i mailbox pick-up" service is a new logistics method in addition to the "home delivery" or "supermarket pick-up" services. The mobile pick-up technology of smart lockers can be applied to the mail and pick-up service of the home delivery deliverers, and can effectively solve the problem of secondary delivery. We will continue to expand our service bases and increase the scope of consumer use through Chunghwa Post's "i mailbox".
Security verification mechanism for	In order to improve convenience and information security, PChome Online has established a member-specific "middle

Project Title	Project Details
account linking	ground” service, which is mainly to integrate the third-party login mechanism and achieve the purpose of member integration and intercommunication within the Group. Members can log in to different platforms with their existing accounts instead of re-registration, thus simplifying the process and providing more convenient online services.
Bank offer recommendation system	PChome Online researches and develops innovative diversified options on the use of credit cards, provides smart recommendation services, enables consumers to spend the least time and obtain the most favorable price scheme, and dynamically predicts and recommends bank offers based on the information provided by consumers and the products expected to be consumed. We adopt the system to instantly recommend suitable credit card offers, and attract consumers to obtain offers, thereby increasing the amount of consumption, achieving a triple-win situation for e-commerce channels, banks and consumers.
R&D in dynamic dashboard	Enterprise dashboards mainly enable managers to monitor real-time marketing data, and are highlighted by all-in-one. We integrate data from different databases or data sets, and data analysis, and present them on one page in real time through engineering technology. They can solve the user’s difficulty in querying various data, and overcome the technical problems of manipulating and analyzing various data. They are effectively applied in inventory management, performance management, customer group analysis, product management, and sales report systems. They can also integrate the opinions and goals of various departments, in an effort to condense the centripetal force of the enterprise, speed up the decision-making process and reduce operating costs.
E-commerce platform combining financial products and mobile payments	The Company’s Pi Wallet researches and develops loan and property insurance purchase and insurance services, and integrates them into the APP. The “Pick Good Loan” service utilizes accumulated de-identified usage data to find out the appropriate members who can be delivered loan product service offer messages with the bank. When members are interested in loan products, they can start the loan service process. The “Pick Good Insurance”, in conformity with insurance laws and regulations, cooperates with domestic product insurance companies, and property insurance companies provide insurance products to improve the delivery efficiency of insurance financial products, allowing members to experience and improve the shopping process.

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

## 1. Short-term business development plans

- (1) Establish market segmentation, promote the cross-sector strategy of “PChomeX” and provide high-quality service

PChome Online commits itself to satisfying consumers’ all-round life needs and expanding consumer customer base through cross-industry cooperation and multi-brand strategy. In 2020, the Company provided the high-quality service of “PChomeX”. With more than 20 years of experience in the past, we have gathered multiple brands and cooperated with cross-sector professionals, assigning products different values, integrating the advantages of both parties to create new quality products, establishing market sales uniqueness, and building an innovative business model.

PChomeX extends from the “Home” that unites people and emotions, takes the texture of instant cuisine as the main axis of development, seizes the new style of food market, and successively launches the Thai-style noodles served with soy sauce and ice cream of the restaurants recommended by baan Taipei Michelin plate, HANARO OKCOOK Korean authentic ready-to-eat cuisine, Taipei’s famous restaurant Mashantang frozen dumplings, Chiayi popular restaurant Taocheng chicken steak American chicken drumsticks and other diversified dishes, allowing consumers to cross the time and space constraints, and experience the delicacies of the restaurant at home, successfully opening up the market topic. In the future, we will continue to use the core concept of “enhancing texture and living at home” to accelerate the exclusive sales of consumers.

- (2) Extensively apply AI and big data, realize smart recommendation and optimization, and constantly develop marketing tools

The Company has been deeply engaged in e-commerce services for a long time and has accumulated a large amount of consumption trajectories and data. Subsidiary PChome 24h Shopping cooperated with the Industrial Technology Research Institute in 2020 to launch a new “AI smart wear recommendation” function, applied two major technologies including clothing attribute marking and style wear recommendation through big data and AI, providing similar products on the product page and APP, suggesting clothing matching, accurately predicting consumer preferences, achieving precise marketing, and solving the pain points faced by the apparel e-commerce market, thus improving the difficulty of not being able to search for certain styles of clothing completely and greatly shortening the search time for consumers.

In addition, the stay-at-home home economy has driven strong momentum for online shopping consumption. The “scroll economy” has stimulated explosive growth on the mobile side. In order to upgrade service quality, we actively optimize PChome 24h Shopping APP, including AI smart services, graphical visual revisions, and personalized smart recommendation function, calculate the ranking of hot-selling products, establish a shopping area, and increase the rate of ordering on the mobile side. At the same time, we select hot-selling products by utilizing big data during important schedules, continue to optimize the smart recommendation function, provide discount computers, and provide consumers

with smart consumption schemes that meet the demand for budget-conscious shopping.

## 2. Long-term business development plans

### (1) Develop towards young e-commerce, actively promote e-commerce talent cultivation program and strengthen competitiveness

In order to enhance the Company's competitiveness and continue to inject young and new vitality into the e-commerce industry, the Company has actively recruited outstanding talents, and has successively implemented and expanded recruitment programs in the past two years. At the same time, we also promote the "student internship program" and continue to cooperate with nearly 30 universities across Taiwan, providing professional training courses and rotation internship opportunities. Over the years, nearly 50% of interns have stayed as full-time partners. By consolidating the Group's multiple resources, we desire to attract more young people to invest in the e-commerce field, and create a young e-commerce industry.

The scale of global e-commerce has expanded rapidly in recent years. We are optimistic about the development potential of the e-commerce industry, prioritize the cultivation of new-generation cross-border e-commerce talents, actively put young employees in important positions, provide free space for the team to allow them to think creatively, practice creativity, and quickly increase their practice and accumulate experience, provide opportunities for advancement on gender equality, so as to immediately respond to the challenges of the rapid changes in the e-commerce industry. In order to strive to create a friendly workplace, provide a welfare system that is superior to the industry level, we also introduce a new generation of complete education training and promotion development system, enhance the corporate identity of internal employees, continue to focus on their professional fields, provide fast, stable and convenient services to consumers across Taiwan, and continue to move towards the goal of young e-commerce.

### (2) Actively promote green purchase plans and create an environment and corporate sustainability

The Company attaches great importance to environmental sustainability and commits itself to promoting the green shopping plan, fulfilling its corporate responsibility for sustainable operation from the four major aspects of "green packaging, green transportation, green warehousing, and green payment", becoming the first large-scale integrated online shopping platform company in Taiwan to obtain the "Carbon Label" from the Environmental Protection Administration of the Executive Yuan in 2020, promoting national green consumption awareness by disclosing the carbon footprint of products and implementing carbon reduction plans. At the same time, in addition to replacing the old box models with environmentally friendly primary color cartons, the Company also promotes the concept of "true full recycled cartons", takes the lead in using easy-to-tear tape to cartons, which are made of water-based acrylic environmental protection glue, certified by EU RoHS, US FDA and other international

certifications, leave no residual glue, 100% recycled, implements cross-warehouse consolidation measures at the time of shipment, and then uses big data to calculate the size of cartons, reduce the empty carton rate, and reduce the thickness of the cushioning material by 25%. The Company desires to achieve the vision of full recycling and zero waste of packaging materials.

In order to continue the green corporate philosophy and in response to government policies for jointly taking energy-saving and carbon-reduction measures, we participated in the ecological logistics plan organized by the Taoyuan City Government in 2020, worked together to create a win-win situation for economic development and environmental protection, including the priority use of environmentally friendly low-carbon trucks for corporate fleets, with a view to improving the problem of air pollution caused by logistics and transportation. We also launched the first online shopping packaging “recycling bag” to reduce the waste of online shopping one-time packaging, and develop a green supply chain to encourage consumers to preferentially buy carbon-labeled products, and raise consumer awareness of environmental protection, so as to achieve the goal of caring for the earth.

### (3) Expand cross-border e-commerce services and deploy global market

With the promising cross-border business opportunities, we are optimistic about the size of the global online population and the strong growth of e-commerce, and continue to expand cross-border e-commerce services. In 2019, we opened overseas purchasing service PChome Bibian, solving consumers’ pain points in overseas shopping, providing a convenient shopping mode and accelerating the development of cross-border shopping market.

In 2020, subsidiary PChomeSEA launched one-stop Southeast Asian cross-border e-commerce services, joined hands with the leading e-commerce platforms in five Southeast Asian countries, including the Group’s self-operated Thailand PChomeThai, Vietnam Tiki, Singapore Qoo10, Indonesia Blibli, Malaysia Yubeli and other websites, integrated the sales channels and marketing resources of e-commerce partners, provided complete agency sales services, including product translation, bilingual customer service, media publicity exposure and marketing activity planning, and also arranged payment and international logistics processes, assisting nearly one million SMEs in Taiwan in going overseas, enhancing the international visibility of Taiwanese products, expanding the stock sales field of its PChome 24h Shopping to the entire Southeast Asian markets, promoting strong sales momentum, creating a new niche for cross-border sales, and building a mutually beneficial and win-win Southeast Asian cross-border e-commerce sales ecology.



## 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

Region	2019		2020	
	Sales Amount	(%)	Sales Amount	(%)
Domestic sales	38,866,932	99.96	43,844,150	99.94
Overseas sales	16,648	0.04	25,702	0.06
Total	38,883,580	100	43,869,852	100

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

##### (1) Market share

- ① Become the most diversified integrated network service group in Taiwan with a widespread presence in the younger and female market

PChome 24h Shopping, one of the B2C services of PChome Online, actively operates a sales customer base, has accumulated more than 12 million members, and has accelerated the expansion of the young female market. In 2020, female consumers exceeded 60%, surpassing male consumers, and more than 60% of consumers are aged 25 to 44. The main customer group tends to be younger, which will help bring high-intensity performance energy. In addition, in order to expand the market and seize the exclusive sales of consumers, we continue to enhance the corporate brand image, provide reliable platform services to strengthen the product line, provide stable 24-hour fast delivery and improve after-sales service, becoming the market-leading e-commerce platform.

At the same time, the Company becomes the most diversified integrated network service group in Taiwan, with operating platforms such as B2C, B2B2C, and C2C, as well as diversified sales services such as PChomeSEA, PChome Thai, Bibian, MiTCH, and PChome Travel. The Company also supports Pi Wallet, PayLink, International Link and other payment services. We actively expand the ecosystem with P Coins as the core, expand the spillover effect through alliances and cooperation with external partners, and continue to provide innovative network services as the purpose, expand the global business sales blueprint, promote the popularity of Taiwanese brands, and establish Taiwan benchmarking position for integrated Internet service providers.

- ② Expand cross-border service ecosystem and officially launch “Great East Asia Program”

Aiming at the booming cross-border shopping markets, the Company actively expands the cross-border service ecosystem, provides mutually beneficial and win-win e-commerce sales services. Being optimistic about the strong cross-border trade potential of the Southeast Asian markets, we established

PChomeSEA to form an alliance with the five leading local e-commerce platforms in Southeast Asia, also signed a memorandum of cooperation with the Economic Development Bureau, Kaohsiung City Government, for the purpose of assisting Kaohsiung merchants to develop the cross-border e-commerce market in Southeast Asia, building long-term partnerships and increasing the international visibility of Taiwanese products.

At the same time, in response to the rapid changes in the market, consumers across Taiwan have continued to increase their demands for purchasing cross-border products. The Company launched the “Great East Asia Program”, selling cross-border products to Taiwan through the Group’s resources and services, solving the pain points of cross-border online shopping. PChome Bibian, the Company’s overseas bidding agent, assists Taiwanese consumers in ordering bidding for major Japanese and American websites, as well as Italian boutique sourcing services, provides simple and clear service interface, diversified payment services, and convenient services such as 5 major overseas shopping guarantees. We also introduce MiTCH, a fashion selection e-commerce company, strictly select trendy brands such as Japan, South Korea, Europe and the United States, and continue to expand our sales model in the future and accelerate the implementation of the “Great East Asia Program”.

## (2) Future supply and demand of the market

### ① PChome Shopping and PChome 24h Shopping trend analysis

#### A. Set up “Brand Flagship Store” area to strengthen brand power

The Company’s PChome 24h Shopping intensively cultivates the brand alliance strategy, and joins hands with over 500 top-tier brands such as Apple, Xiaomi, 3M, Dyson, BIODERM, Watsons, Unilever, etc., sets up a “Brand Flagship Store” area, covering 3C digital, fashion, beauty, food, and daily necessities, strengthens the depth of brand cooperation, increases consumer stickiness and gather customers, and seizes consumer opportunities through the creation of exclusive zone pavilions for branded products, and occasional brand week, brand day and other promotion activities.

In addition, good news about the Company’s sales of 3C products came in quick succession. In the second half of 2020, the “iPhone 12” series of new products were sold in stock. The iPhone 12 Pro sold out in just 3 minutes, with a strong sales momentum. In order to meet the high expectations of consumers for the experience of the new iPhones, we launched the self-owned fleet from PChome Express Inc. to deploy the fastest 100-minute delivery service in the Taipei metropolitan area in advance, cooperated with FarEasy and Cathay Pacific Property and Casualty Insurance to launch a diversified mobile phone insurance service. A comprehensive one-stop shopping experience service greatly boosted the strong growth momentum of Apple’s flagship store, and drove the overall purchase of mobile phones to a new peak.

#### B. Cross-sector alliance strategy to promote the integration of virtual reality into integrated consumer experience

We continue to advance marketing innovation and multi-party cross-sector cooperation, deploying O2O virtual and real integration strategies during Double 11, cooperating with cross-sector telecommunications, department stores, humanities exhibitions, fast food, catering and other multiple channel partners, building the largest physical activity with the widest range of industries in the past years, promoting the increase in the cross-conductivity of online and offline traffic, innovating O2O consumption experience, successfully stimulating the proportion of new customers on the whole station to rise by 50%, effectively improving the market competition niche.

Benefited from the O2O cross-sector alliance strategy, we conducted cross-sector cooperation in the areas of local business circles, transportation, fashion media, dating software, etc. during Double 12, took local culture as the main axis and carried out innovative marketing models to drive market sales topics. In the future, we will actively deploy cross-sector alliance strategies, expand the sales front to offline scenarios, and strive to develop new consumption models and services that integrate virtual and real integration, with a view to boosting sales performance and increasing revenue kinetic energy.

C. Stay-at-home economy is rising rapidly, integrate resources and strengthen sales energy by utilizing AI and big data

The Company has observed that the consumption pattern underwent a huge change in 2020, the stay-at-home economy was fermented, and a large number of brick-and-mortar consumption behaviors have transferred to virtual channels. The proportion of consumers purchasing multiple types of goods in a single order has increased sharply. Aimed at immediate consumption demands, we make an analysis by utilizing AI and big data, control consumption trends and predict consumption trajectories in real time to expand sales energy and achieve the best integration efficiency. We also use a professional team to track inventory dynamics at any time, adjust product types and quantities in real time, and provide fast and convenient shopping experience.

In addition, the frequency of consumers going out has been greatly reduced, and stay-at-home living has become the center of daily focus, driving the rapid rise of the three major categories of medical protection, entertainment, video games, and home cooking in the market. Consumers' emphasis on the quality of life has pushed up the purchase of well-known brand products. In response to market sales trends, we will continue to strengthen the integrity of product lines, connect online and offline sales fields, and meet consumers' 360-degree shopping needs.

D. Aim at the huge frozen food business opportunity, and launch "PChomeX" service

According to statistics by MOEA, the production and sales of frozen foods in 2019 exceeded 800,000 metric tons, with an output value of nearly NT\$ 79

billion. Frozen food and ready-to-eat dishes that can be quickly cooked and served have gradually become purchasing trends, driving the rise of the “scissors economy”. Aiming at the growth of the stay-at-home economy, the Company newly launched the high-quality “PChomeX”, took the texture of instant cuisine as the main axis of development, seized the new style of food market, and successively launched the Thai-style noodles served with soy sauce and ice cream of the restaurants recommended by baan Taipei Michelin plate, HANARO OKCOOK Korean authentic ready-to-eat cuisine, Taipei’s famous restaurant Mashantang frozen dumplings, Chiayi popular restaurant Taocheng chicken steak American chicken drumsticks and other diversified dishes in 2020. In the future, we will continue to use the core concept of “enhancing texture and living at home” to accelerate the exclusive sales of consumers.

#### E. Integrate the Group’s resources and continue to upgrade the Group’s ONE PChome strategy

We expand the sales front, condense multiple resources and continue to upgrade the Group’s “ONE PChome” strategy. During Double 11 in 2020, PChome 24h Shopping was used as the entrance to open a special area to gather popular group purchases of gourmet food and home life products in the PChome Online Store, as well as Ruten gold medal special sellers, introduced a number of value-selected hot-selling products, introduced the accurate flow of B2C shopping sites to stimulate online sales momentum, and also gather its PChome Travel, Bibian, and PChomeX, MiTCH, e-tickets zone to launch special offer and actively create one-stop shopping experience.

In addition, in response to government policies, we connected e-commerce platforms including PChome Online Shopping, PChome Online Store, and Ruten with Pi Wallet mobile payment service, jointly launching the “ONE PChome Really Good Farmer” area, providing a complete payment and logistics consumption mechanism, improving consumers’ willingness to purchase agricultural products online, and further boosting domestic agricultural product sales.

In the future, we will accelerate the integration of the Group’s online and offline resources, with P Coins as the core, increase member stickiness through point awards and member loyalty programs, and strive to develop the ONE PChome network ecosystem, and move towards e-commerce, online finance, and online Develop tourism and cross-border e-commerce in all fields, provide a complete service system, and create a symbiotic and mutually beneficial network ecosystem.

#### ② Develop comprehensive e-commerce services and expand sales territory

We continue to cultivate diversified markets, integrate the Group’s resources, develop comprehensive e-commerce services, and establish a leading position in the e-commerce industry. PChome Global Shopping stays committed to promoting Taiwan’s local high-quality products and participating in the “2020

Taiwan-Malaysia United Online Shopping Festival” to enhance the international visibility of Taiwan’s products; PChomeSEA has joined hands with e-commerce platforms in five Southeast Asian countries, successfully promoted high-quality Taiwanese products to overseas markets by combining local resources and special offers; PChome Bibian provides sound overseas purchasing service, which has led to outstanding growth in the number of orders and doubled the demand for cross-border services; MiTCH gathers mid- and high-price brand clothing, establishing product advantages and sales competitiveness, creating a new experience of fashion matching by combining offline brick-and-mortar stores, and expanding the layout of fashionable and popular products and lifestyle products on the Internet. In the future, we will continue to deploy the global business market, expand the sales territory, assist Taiwan’s SMEs to move internationally, and provide consumers with innovative and diversified integrated e-commerce services to create a comprehensive e-commerce sales ecosystem.

③Pi Wallet actively expands the application field and builds a comprehensive P Coins ecosystem

In recent years, mobile payment has developed vigorously, and non-touch payment consumption methods have greatly increased. In 2020, Pi Wallet responded to the Executive Yuan’s “triple stimulus” voucher program, expanded the scope and frequency of consumption through P Coins feedback, activating the market economy and expanding its benefits, expanded offline application fields, joined hands with “Wowprime Group”, launched 17 branded restaurants, strengthened the consumption power of brand stores, and also entered the Taipei Tianmu Shi-Dong Market, went deep into the local characteristic field, expanded the payment service field through the clustering energy of key business districts. We have been deeply cultivating mobile payment services, with over 1 million Pi Wallet members and over 180,000 cooperation stores, and promoting multiple application scenarios, including parking payment services with a coverage rate reaching 99%, four major supermarkets, online shopping platforms, taxi fleets, catering businesses, living payment and other scenarios. In the future, we will continue to integrate the virtual and real application fields, and create a comprehensive P Coins ecosystem with the characteristics of point recycling consumption, allowing consumers to enjoy fast online financial services and experience a more convenient mobile life.

④ The growth momentum of the international travel market is strong, and PChome Travel promotes a variety of travel products to seize the market share

In 2020, lockdown restrictions of most countries have stimulated the high demand of the domestic travel market, and people have shifted their travel patterns to Taiwan’s main island and outlying islands. Optimistic about the potential of tourism development in various parts of Taiwan, PChome Travel provides one-stop travel services, offers high-quality products such as hotel accommodations and group tours on the station, and promotes the “Love Taiwan

Online Travel Exhibition” to meet all-round travel needs. At the same time, we will continue to strengthen local in-depth tourism, launch products such as local tour/vouchers, catering coupons, including attraction tickets, event experiences, and special meal coupons, and fully seize consumer business opportunities through diversified product types.

- ⑤ Integrate the Group’s strengths, share resources with the market, and give play to the spirit of mutual benefit

The Company stays committed to fulfilling corporate social responsibility, actively cooperates with official units to create a sustainable and good environment through actual support and service feedback, and enhances the positive forces of the society. In 2020, Taoyuan City Government launched the “Taoyuan Citizens’ Peaceful Leisure Package”, integrating six service resources, enabling residents to replenish supplies at home and manage their health with peace of mind. In respond to the government’s digital transformation policy, we cooperated with the New Taipei City Government in organizing brick-and-mortar stores transformation live broadcast sharing programs, encouraging industry dealers to expand diversified sales channels, and creating new sales opportunities. We also conducted cross-sector art and cultural cooperation, exclusively joining hands with the Taipei Fine Arts Museum, promoting zero-contact online shopping exhibitions, creating a unique brand position and value, and bringing a new atmosphere to Taiwan’s arts and culture by sharing the advantages of mutual resources.

### (3)Growth

- ①Integrate resources to deploy financial payment services and provide digital financial solutions

The Company actively integrates group resources and reduces operating costs. In 2020, we merged subsidiary Pi Mobile Technology Inc. and PChomePay Inc., and used Pi Mobile Technology Inc. as the surviving company to improve operating performance and expand economic scale. In the future, we will continue to integrate the PChome Group’s e-commerce advantages and tens of millions of members, develop internationally connected businesses that have obtained electronic payment institution licenses, create more comprehensive payment and online financial technology services, and strengthen the synergy of the P Coins ecosystem.

In addition, digital finance has gradually become a consumer trend. The Company stays committed to integrating various types of online financial services, providing innovative digital financial solutions, and enhancing the added value of e-commerce platforms. In December of the same year, PChome Online Store partnered with DBS Bank (Taiwan) to launch the exclusive “Store Quick Loan” real-time online credit service for the stores of PChome Online Store, so as to help online stores flexibly allocate funds and quickly activate business opportunities. In January 2021, Ruten joined hands with Pi Mobile and KGI Bank to launch a micro-inclusive loan “Seller’s Fortune” exclusively for

Ruten sellers, so as to solve the shortfall in temporary funds of online sellers and become a strong support for small and medium-sized online sellers, and also accelerate the integration of online and offline transactions to promote economic development benefits.

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

Seeing the growing business opportunities in cross-border e-commerce, the Company obtained the application qualification of "Logistics Center of Chunghwa Post Logistics Park" 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.Competitive niches, favorable and unfavorable factors, and response measures for future developments

#### (1)Competitive niches

- ① Strengthen the integration and utilization of the Group's resources and expand the network ecosystem

The Company operates as the most diversified integrated network service group in Taiwan. The Company has been engaged in Taiwanese e-commerce for over two decades, with subsidiaries in multiple fields, actively expands online services in various fields such as payment, overseas cross-border markets, communications, and digital learning, and possesses different modes of operation platforms, e.g. B2C, C2C, B2B2C, to meet consumers' 360-degree life needs. In 2020, the stay-at-home economy trend entered the lifestyle of consumers, and the development of the e-commerce market will have more advantages. The Company actively integrates various services of the Group and shares mutual benefits, including payment business consolidation, strengthening the use of resources, and also relying on key data to give back and the membership loyalty program improving consumer loyalty, makes every effort to

develop e-commerce, online finance, online travel, cross-border e-commerce and other fields, and continues to create diversified businesses, which will help expand the scale of revenue, enhance competitiveness, and accelerate construction of the sound complete PChome ecosystem.

② Continue to expand cross-border e-commerce, strengthen cross-sector cooperation and deploy style vertical e-commerce

In order to meet the all-round life needs of consumers, we stays committed to providing diversified high-quality e-commerce services, actively develops cross-border e-commerce, and has successively launched overseas purchasing service PChome Bibian and one-stop Southeast Asian cross-border e-commerce service PChomeSEA, established diversified business operations, increasing the visibility of Taiwanese products in overseas markets, enhancing the Company's good international image and reputation, comprehensively improving our service quality, international operational capabilities and cross-border talent cultivation and other forward-looking competitiveness.

At the same time, the Company has strategically formed alliances with international companies such as Rakuten in Japan, eBay in the U.S., and Hanaro in South Korea to greatly expand the depth and breadth of services. In 2020, the Company joined hands with MITSUI to establish a joint venture brand "MiTCH", which is Taiwan's first international fashion selection e-commerce provider, gathers diversified overseas brands and provides sales services focusing on selection to meet the needs of diverse styles of customers. We also launched the OMO virtual and real integration strategy and opened our first brick-and-mortar brand flagship store in Taipei Breeze Nanshan Department Store, creating a refreshing shopping experience for consumers.

③ Focus on the development of diversified and innovative e-commerce enterprises, and won multiple national and market recognitions

We uphold the business philosophy of "Everyday Reliable" and are committed to practicing the core spirit of "Persisting in Innovation and Creating Value". Our performance received national level recognition. We worked toward being a Mittelstand with potential recognized by the government. The first PChome August Heart Etiquette Scheduled Event was awarded the Promotional Event Bronze Award of the "PR AWARDS Asia", which is most authoritative and influential in the Asia-Pacific PR industry, and the Outstanding Award of the "Outstanding PR Award-Brand Communication Award"; Kevin Tsai, the Group's Chief Executive Officer, was awarded the 13th "Super MVP" by MANAGER today. In the future, we will continue to create a high-quality workplace environment and corporate culture, gather team strength, seek breakthroughs and adaptability, and focus on the development of diversified and innovative e-commerce companies. The analysis on current competitive advantages and strategies is as follows:

A. We are the first online shopping company that is listed on the Taipei Exchange.

Our brand awareness and operating results have been affirmed by the market.



Through the Group's integration of various service resources and advantages across fields, and the large-scale construction of the P Coins ecosystem, we promote overall operating performance.

- B. In response to the market environment and consumer needs, we actively deploy strategies such as brand development, cross-sector alliances, and integrate online and offline resources to expand the international e-commerce market and become a leading brand in the industry for innovative development.
- C. We provide the first 24-hour delivery service in Taiwan, and become the first e-commerce self-owned logistics company in Taiwan, leading the development of the "speed economy" of the e-commerce industry.
- D. We emphasize consumer experience, make good use of AI, big data analysis, cloud computing and other technologies, innovate O2O marketing strategies, flip consumption profiles, increase topic discussion, and create an entertainment e-commerce favored by young customers.
- E. We promote a humanistic and friendly workplace, introduce a complete education, training and promotion system, and actively formulate various employee benefits, effectively promote the physical and mental health of employees, and drive the effectiveness of corporate competitiveness.

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

① Favorable factors:

According to the 2019 report issued by the Department of Statistics, MOEA, the rapid development of online shopping platforms and the popularization of mobile devices have driven the rapid rise of the fingertip economy. Since 2017, the online sales of domestic retail industry have been rising year by year. Affected by the effect of the stay-at-home economy, the sales volume of e-commerce in the non-store retailing has been growing year by year. The favorable factors for the development prospects of online shopping compared with other retail channels are analyzed below:

- A. The stay-at-home economy online shopping business opportunities are promising, and the trend of zero-touch mobile payment is rising  
The stay-at-home economy is fermenting, the consumption behavior of physical channels has largely shifted to online shopping channels, and the zero-touch consumption model has emerged. Consumer's reliance on and adherence to mobile payment has increased, which has attracted attention to the e-commerce and mobile payment industries.
- B. Pragmatic consumption replaces the bubble gum economy and alliances with diversified well-known brands to increase energy  
Consumers will shift from bubble gum economical retaliatory shopping to pragmatic consumption in pursuit of a stable life, prompting the rise of trusted and well-known brands to purchase, and cross-sector cooperation with diversified well-known brands will expand the market scale.
- C. Digital transformation into a manifestation, accelerate the expansion of O2O

business opportunities

The global market economy has undergone tremendous changes and people's consumption habits have changed. Many businesses have actively stepped into digital transformation, expanded O2O diversified sales channels, and promoted the integrated development of the offline retail industry towards e-commerce.

D. Meet the all-round consumer demands, one-stop shopping service has become a trend

According to the 2020 survey report issued by the Market Intelligence & Consulting Institute, MIC, the annual growth of willing shoppers during Double 11 was nearly doubled. It is obvious that the festival activities have gradually affected the daily life of consumers, thereby stimulating the booming e-commerce industry. In addition, the increase in the proportion of consumers concerned about "complete product categories" will accelerate the development of the trend of one-stop shopping websites.

② Unfavorable factors and response measures:

A. The domestic and foreign markets have undergone drastic changes, making it difficult for SMEs to survive

**Response measures:**

In response to the reshuffle of the domestic and foreign markets and the rapid changes in the environment, the Company continues to gather team goals, jointly responds to challenges, adopts the "ONE PChome" combat strategy, utilizes resource sharing and mutual benefit, strengthens the supply chain of various services, expands the ecosystem of P Coins, consolidates our market position from the advantages of mobile user experience, in-depth membership management, and strong logistics team.

B. Limited development of overseas business

**Response measures:**

Affected by the global border control, limited overseas travel and shopping demands, the Company actively develops cross-border related business, alliances with multinational brands and enterprises, leverages the resources and advantages of both parties to solve the breakpoints of warehousing, payment, and logistics. For example, PChome Bibian overseas standard purchasing platform, PChomeSEA one-stop Southeast Asian cross-border e-commerce service, MiTCH international fashion selection platform fully meet the needs of specific customer groups and expand cross-border business 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

Main Product	2019		2020	
	Overseas Sales	Domestic Sales	Overseas Sales	Domestic Sales
E-Commerce Business Group	16,648	38,493,839	25,702	43,665,826
Others	0	373,093	0	178,324
Total	16,648	38,866,932	25,702	43,844,150

### 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		2019	2020	Up to the Publication Date of Annual Report in 2020
No. of employees	Sales personnel	1,528	1,328	1,397
	R&D personnel	223	205	201
	Administrati ve personnel	67	98	101
	Total	1,818	1,631	1,699
Average age		33.6	34.5	34.5
Average Years of Service		4.12	5.02	4.50
Educational background (%)	Ph.D.	0%	0.1%	0.1%
	Master's degree	8.0%	8.1%	8.0%
	Bachelor's degree and associate degree	66.3%	67.7%	66.2%
	Senior high school	23.3%	21.9%	23.4%
	Below senior high school	2.5%	2.2%	2.3%

### 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 knowledge, 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, 2021 are shown below.

Course	Total number of employees	Total hours	Total costs (NT\$ thousands)
Orientation training	3,428	11,141	1,930
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 relations through constant communication. 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 behave 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 safety, health, and comfort. 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 relations. 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.

Dec 31, 2020



Nature of Contract	Counterparty	Contract Period	Details	Restrictive Provisions
Contract	Chunghwa Telecom Co., Ltd.	2020.08.01 ~ 2021.07.31	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 PURCHASE AGREEMENT ; TRADEMARK LICENSE AGREEMENT ; DERIVATIVE LICENSE AGREEMENT	PChome eBay Co., Ltd.	2006/09/15 Signed on	In 2006, the Company and eBay International AG established a joint venture "PChome eBay Co., Ltd." ("PChome eBay"), signed a "TRADEMARK LICENSE AGREEMENT" with PChome eBay in 2006, authorizing the joint venture to use the Company's trademark within the scope of online auction business, also signed "DERIVATIVE LICENSE AGREEMENT" with PChome eBay. According to the agreement, the Company is entitled to acquire the platform technology developed by the joint venture and related information.	None
Bank credit approval notice	The Company and Shanghai Commercial & Savings Bank	2018.05.04~2028.05.04	1. Credit line: Long-term loan of NT\$1 billion (irreversible circulation) 2. Credit period: 10 years 3. Interest is paid monthly, with a fixed principal repayment of NT\$100 million on May 4 each year	None
Bank credit approval notice	PChomestore Inc. and Shanghai	2019.01.02~2025.07.02	1. Credit line: Medium-term of NT\$650 million (irreversible circulation)	None

Nature of Contract	Counterparty	Contract Period	Details	Restrictive Provisions
	Commercial & Savings Bank		2. Credit period: 6.5 years 3. The principal is repaid at NT\$50 million every six months, and the interest is paid 4. Guaranty method: 20% demand deposit reserve based on the credit balance 5. Other matters: For positive net value, the deposit should be maintained at no less than 90% of the used balance	
Warehouse lease agreement (Linkou Warehouse)	The Company and Chunghwa Post Co., Ltd.	2019.06.18~2036.11.01	A total of 15 storage units will be leased for 15 years from November 1, 2021	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

Year		Financial Information of the Most Recent Five Years (Note 1)					Financial Information ending March 31, 2021
		2016	2017	2018	2019	2020	
Item							
Current assets		5,948,986	5,484,052	5,843,149	5,880,642	7,730,654	
Property, plant, and equipment		324,422	509,789	443,799	440,998	389,790	
Intangible assets		45,025	44,192	24,040	44,812	34,120	
Other assets		1,771,137	2,234,839	1,065,849	4,605,614	4,150,654	
Total assets		8,089,570	8,272,872	7,376,837	10,972,066	12,305,218	
Current liabilities	Before distribution	2,810,141	3,543,049	3,632,034	4,807,561	5,489,006	
	After distribution	3,357,610	3,543,049	3,632,034	4,889,573	5,642,743 (Note 2)	
Non-current liabilities		39,876	12,827	811,070	3,121,735	3,456,566	
Total liabilities	Before distribution	2,850,017	3,555,876	4,443,104	7,929,296	8,945,572	
	After distribution	3,397,486	3,555,876	4,443,104	8,011,308	9,099,309 (Note 2)	
Equity attributable to owners of parent company		5,239,553	4,716,996	2,933,733	3,042,770	3,359,646	
Share Capital		1,103,161	1,171,595	1,171,595	1,171,595	1,182,595	
Capital surplus		2,497,037	2,507,459	2,507,423	1,722,411	1,938,916	
Retained earnings	Before distribution	1,642,136	1,042,062	(790,347)	100,564	302,345	
	After distribution	1,094,667	1,042,062	0	18,552	148,608 (Note 2)	
Other equity interest		(2,781)	(4,120)	45,062	48,200	(64,210)	
Treasury stock		0	0	0	0	0	
Non-controlling interests		0	0	0	0	0	
Total equity	Before distribution	5,239,553	4,716,996	2,933,733	3,042,770	3,359,646	
	After distribution	4,692,084	4,716,996	2,933,733	2,960,758	3,205,909 (Note 2)	

Note 1: Financial information from 2016 to 2020 has been audited and certified by CPAs.

Note 2: To be dissolved pursuant to resolution from the Board of Directors meeting convened on March 16, 2021.

## 2. Condensed consolidated balance sheets - IFRS

Unit: NT\$ thousands

Year Item		Financial Information of the Most Recent Five Years (Note 1)					Financial Information ending March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020	
Current assets		9,817,358	10,772,761	10,265,101	11,045,195	12,645,129	11,938,967
Property, plant, and equipment		377,923	574,409	541,005	584,976	569,790	546,792
Intangible assets		53,541	49,850	28,224	153,710	141,516	140,719
Other assets		282,289	220,436	326,579	3,473,866	3,105,294	3,056,864
Total assets		10,531,111	11,618,909	11,160,909	15,257,747	16,461,729	15,683,342
Current liabilities	Before distribution	4,516,193	6,445,837	6,369,104	7,832,514	8,454,808	7,894,505
	After distribution	5,063,662	6,445,837	6,369,104	7,914,526	8,608,545 (Note 2)	Not applicable
Non-current liabilities		22,405	18,264	1,368,261	3,658,149	3,922,919	3,757,632
Total Amount	Before distribution	4,538,598	6,464,101	7,737,365	11,490,663	12,377,727	11,652,137
	After distribution	5,086,067	6,464,101	7,737,365	11,572,675	12,531,464 (Note 2)	Not applicable
Equity attributable to owners of parent company		5,239,553	4,716,996	2,933,733	3,042,770	3,359,646	3,322,372
Share Capital		1,103,161	1,171,595	1,171,595	1,171,595	1,182,595	1,182,595
Capital surplus		2,497,037	2,507,459	2,507,423	1,722,411	1,938,916	1,939,577
Retained earnings	Before distribution	1,642,136	1,042,062	(790,347)	100,564	302,345	285,582
	After distribution	1,094,667	1,042,062	0	18,552	148,608 (Note 2)	Not applicable
Other equity interest		(2,781)	(4,120)	45,062	48,200	(64,210)	(22,816)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		752,960	437,415	489,811	724,314	724,356	708,833
Total equity	Before distribution	5,992,513	5,154,411	3,423,544	3,767,084	4,084,002	4,031,205
	After distribution	5,445,044	5,154,411	3,423,544	3,685,072	3,930,265 (Note 2)	Not applicable

Note 1: Financial information from 2016 to 2020 has been audited by CPAs and financial information of the first quarter of 2021 has been reviewed by CPAs.

Note 2: To be dissolved pursuant to resolution from the Board of Directors meeting convened on March 16, 2021.

## (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 ending March 31, 2021
	2016	2017	2018	2019	2020	
Operating revenue	22,675,224	26,965,853	32,113,665	36,308,415	41,672,964	
Gross profit	3,623,864	3,907,416	3,912,699	4,310,956	5,016,864	
Operating income (loss)	897,232	790,239	326,915	427,285	589,528	
Non-operating income and expenses	34,502	(627,427)	(1,274,707)	(214,813)	(255,903)	
Income before income tax	931,734	162,812	(947,792)	212,472	333,625	
Net income of continuing operations	765,992	36,490	(994,643)	162,437	252,794	
Loss from discontinued operations	0	0	0	0	0	
Net income (loss) of the period	765,992	36,490	(994,643)	162,437	252,794	
Other comprehensive income, net of tax	(5,057)	2,576	9,849	2,426	(57,369)	
Total comprehensive income	760,935	39,066	(984,794)	164,863	195,425	
Net income attributable to owners of parent	765,992	36,490	(994,643)	162,437	252,794	
Net income attributable to non-controlling interests	0	0	0	0	0	
Total comprehensive income attributable to owners of parent	760,935	39,066	(984,794)	164,863	195,425	
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	
Earnings per share	6.54	0.31	(8.49)	1.39	2.16	

Note 1: Financial information from 2016 to 2020 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 ending March 31, 2021 (Note 1)
	2016	2017	2018	2019	2020	
Operating revenue	25,742,560	29,415,177	34,594,364	38,883,580	43,869,852	11,490,350
Gross profit	4,406,661	4,438,009	4,298,457	4,589,608	4,994,411	1,305,415
Operating income (loss)	1,055,994	(210,154)	(1,726,844)	277,916	316,304	142,376
Non-operating income and expenses	10,322	(11,940)	27,041	(45,901)	(11,936)	35,652
Income before income tax	1,066,316	(222,094)	(1,699,803)	232,015	304,368	178,028
Net income of continuing operations	824,358	(391,745)	(1,766,873)	141,694	220,874	142,230
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) of the period	824,358	(391,745)	(1,766,873)	141,694	220,874	142,230
Other comprehensive income, net of tax	(5,307)	3,360	6,447	(2,526)	(58,430)	36,080
Total comprehensive income	819,051	(388,385)	(1,760,426)	139,168	162,444	178,310
Net income attributable to owners of parent	765,992	36,490	(994,643)	162,437	252,794	136,974
Net income attributable to non-controlling interests	58,366	(428,235)	(772,230)	(20,743)	(31,920)	5,256
Total comprehensive income attributable to owners of parent	760,935	39,066	(984,794)	164,863	195,425	174,502
Total comprehensive income attributable to non-controlling interests	58,116	(427,451)	(775,632)	(25,695)	(32,981)	3,808
Earnings per share	6.54	0.31	(8.49)	1.39	2.16	1.17

Note 1: Financial information from 2016 to 2020 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 Opinion
105	KPMG	Pearl Chen, Liu-Fong Yang	Unqualified opinion
106	KPMG	Liu-Fong Yang, Pearl Chen	Unqualified opinion
107	KPMG	Liu-Fong Yang, Tsao-Jen Wu	Unqualified opinion
108	KPMG	Chung-I Chiang, Tsao-Jen Wu	Unqualified opinion
109	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)					Financial Information as of March 31, 2021
			2016	2017	2018	2019	2020	
Financial Structure	Debt ratio (%)		35.23	42.98	60.23	72.27	72.20	
	Long-term fund to property, plant and equipment ratio (%)		1,627.33	927.80	843.81	1,397.85	1,748.69	
Liquidity Analysis	Current ratio (%)		211.70	154.78	160.88	122.32	140.84	
	Quick ratio (%)		189.16	126.81	124.61	85.83	107.03	
	Times interest earned (times)		11,946.31	198.59	(111.71)	5.26	8.80	
Operating Performance	Average collection turnover (times)		86.86	83.59	64.00	50.91	57.45	
	Days sales outstanding		4.2	4.4	5.7	7.17	6.35	
	Inventory turnover (times)		35.68	29.19	25.33	21.66	21.05	
	Average payment turnover (times)		9.44	9.50	10.39	11.35	10.94	
	Average inventory turnover days		10.2	12.5	14.4	16.9	17.3	
	Property, plant and equipment turnover (times)		69.89	52.90	72.36	82.33	106.91	
	Total assets turnover (times)		2.80	3.26	4.35	3.31	3.39	
Profitability	Return on assets (%)		9.78	0.45	(12.62)	2.22	2.48	
	Return on equity (%)		14.96	0.73	(26.00)	5.4	7.9	
	Net income before income tax to paid-in capital ratio (%)		84.46	13.90	(80.90)	18.14	28.21	
	Net margin (%)		3.38	0.14	(3.10)	0.45	0.61	
	Earnings per share (NT\$)		6.54	0.31	(8.49)	1.39	2.16	
Cash Flow	Cash flow ratio (%)		36.40	31.90	(29.47)	30.22	46.04	
	Cash flow adequacy ratio (%)		142.76	136.36	78.62	90.15	153.65	
	Cash flow reinvestment ratio (%)		8.71	10.46	(24.07)	29.56	28.44	
Leverage	Operating leverage		3.02	3.52	7.86	6.56	5.33	
	Financial leverage		1.0	1.0	1.03	1.13	1.08	

Reasons for changes in various financial ratios in the most recent two years (Analysis is not required if the change is within 20%)

1. The ratio of long-term funds to fixed assets increased from the previous period, mainly due to the issuance of corporate bonds.
2. Quick ratio: The increase from the previous period was mainly due to the increase in current assets compared with the previous period.
3. Times interest earned: The increase from the previous period was mainly due to the increase in pre-tax benefits and the decrease in interest expenses of the period.
4. Property, plant and equipment turnover rate: The increase from the previous period was mainly due to the increase in net sales of the period.
5. Return on equity: The increase from the previous period was mainly due to the increase in net income of the period.
6. The ratio of pre-tax net income to paid-in capital: The increase from the previous period is mainly due to the increase in net income of the period.
7. Net margin: The increase from the previous period was mainly due to net income of the period.
8. Earnings per share: The increase from the previous period was mainly due to net income of the period.
9. Cash flow ratio: The increase from the previous period was mainly due to increase in net income this year, which led to an increase in net cash inflows from operating activities.
10. Cash flow adequacy ratio: The increase from the previous period was mainly due to increase 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 2020.

Note 1: Financial analysis from 2016 to 2020 is based on numbers in the parent company only financial statements audited and certified by CPAs.



## (II) Financial analysis on consolidated financial statement - IFRS

Item \ Year		Financial Analysis of the Most Recent Five Years (Note 1)					Financial Information as of March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020	
Financial Structure	Debt ratio (%)	43.10	55.63	69.33	75.31	75.19	74.30
	Long-term fund to property, plant and equipment ratio (%)	1,591.57	900.34	885.72	1,269.32	1,405.24	1,424.46
Liquidity Analysis	Current ratio (%)	217.38	167.13	161.17	141.02	149.56	151.23
	Quick ratio (%)	202.50	150.86	137.99	116.43	124.90	130.12
	Times interest earned (times)	703.91	(87.13)	(69.49)	4.62	6.56	14.94
Operating Performance	Average collection turnover (times)	73.76	74.05	64.24	67.77	86.79	93.14
	Days sales outstanding	4.9	4.9	5.7	5.4	4.2	3.9
	Inventory turnover (times)	39.68	31.50	27.13	23.19	22.10	25.71
	Average payment turnover (times)	9.71	9.69	10.70	11.71	11.22	11.33
	Average inventory turnover days	9.2	11.6	13.5	15.74	16.52	14.20
	Property, plant and equipment turnover (times)	68.12	51.21	63.94	66.47	76.99	84.06
	Total assets turnover (times)	2.44	2.53	3.10	2.55	2.66	2.93
Profitability	Return on assets (%)	8.06	(3.52)	(15.34)	1.46	1.67	0.95
	Return on equity (%)	14.07	(7.03)	(41.20)	3.94	5.63	3.51
	Net income before income tax to paid-in capital ratio (%)	96.66	(18.96)	(145.08)	19.80	25.74	15.05
	Net margin (%)	3.20	(1.33)	(5.11)	0.36	0.50	1.24
	Earnings per share (NT\$)	6.54	0.31	(8.49)	1.39	2.16	1.17
Cash Flow	Cash flow ratio (%)	26.34	11.65	(41.58)	8.62	16.71	2.19
	Cash flow adequacy ratio (%)	184.99	153.99	43.12	20.96	37.96	13.17
	Cash flow reinvestment ratio (%)	9.94	3.41	(45.90)	7.46	13.02	1.71
Leverage	Operating leverage	2.40	(10.54)	(1.01)	7.72	7.33	4.61
	Financial leverage	1.0	0.99	0.99	1.30	1.21	1.10

Reasons for changes in various financial ratios in the most recent two years (Analysis is not required if the change is within 20%).

1. Times interest earned: The increase from the previous period was mainly due to the increase in pre-tax benefits and the decrease in interest expenses of the period.
2. Average collection turnover (times): The increase from the previous period was mainly due to the increase in net sales of the period.
3. Return on equity: The increase from the previous period was mainly due to the increase in net income of the period.
4. 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.
5. Net margin: The increase from the previous period was mainly due to net income of the period.
6. Earnings per share: The increase from the previous period was mainly due to net income of the period.
7. Cash flow ratio: The increase from the previous period was mainly due to increase in net income this year, which led to an increase in net cash inflows from operating activities.
8. Cash flow adequacy ratio: The increase from the previous period was mainly due to increase in net cash inflows from operating activities in the past five years.
9. Cash flow reinvestment ratio: The increase from the previous period was mainly due to an increase in net cash inflows from operating activities in 2020.

Note 1: Financial analysis from 2016 to 2020 is based on numbers in the consolidated financial statements audited and certified by CPAs. Financial analysis for the first quarter of 2021 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, plant 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) Operating 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 Earnings 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 the parent company on the balance sheet.

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

## 網路家庭國際資訊股份有限公司

### 審計委員會查核報告書

茲准

董事會造送本公司一〇九年度財務報表及合併財務報表，業經安侯建業聯合會計師事務所江忠儀、吳趙仁會計師查核竣事，連同一〇九年度營業報告書及盈餘分配案，經審計委員會審查完竣，認為尚無不符，爰依證券交易法第十四條之四及公司法第二百一十九條之規定，備具報告書，敬請 鑑察。

此 上

本公司一一〇年股東常會

審計委員會召集人

簽 章



中 華 民 國 一 一 〇 年 三 月 十 六 日

**IV. Financial Statements of the Most Recent Year: Please refer to Attachment I in this annual report from #page 111 to 163#.**

**V. Audited and Certified Consolidated Financial Statements of the Most Recent Year: Please refer to Attachment II in this annual report from #page 164 to 230#.**

**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	2019	2020	Difference	
			Amount	%
Current assets	11,045,195	12,645,129	1,599,934	14.49%
Financial assets at fair value through profit or loss - non-current	36,983	68,245	31,262	84.53%
Financial assets at fair value through other comprehensive income - non-current	214,329	248,425	34,096	15.91%
Investments accounted for using equity method	37,488	34,432	(3,056)	(8.15)%
Property, plant and equipment, net (including right-of-use asset)	3,544,466	3,038,686	(505,780)	(14.27)%
Intangible assets	153,710	141,516	(12,194)	(7.93)%
Other assets	225,576	285,296	59,720	26.47%
Total assets	15,257,747	16,461,729	1,203,982	7.89%
Current liabilities	7,832,514	8,454,808	622,294	7.95%
Non-current liabilities	3,658,149	3,922,818	264,669	7.24%
Total liabilities	11,490,663	12,377,727	887,064	7.72%
Share Capital	1,171,595	1,182,595	11,000	0.94%
Capital surplus	1,722,411	1,938,916	216,505	12.57%
Retained earnings	100,564	302,345	210,781	200.65%
Other equity interest	48,200	(64,210)	(112,410)	(233.22)%
Equity attributable to owners of parent company	3,042,770	3,359,646	316,876	10.41%
Non-controlling interests	724,314	724,356	42	0.01%
Total equity	3,767,084	4,084,002	316,918	8.41%

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 profit or loss - current: Mainly the investment target newly held for the period.
2. Other assets: Mainly due to the newly-added prepaid warehousing automation equipment payment for the period
3. Retained earnings: Mainly due to the increase in net income for the period.
4. Other equity: Mostly because the Company issued restricted employee shares for the period.

Changes mentioned above are normal operation changes, and have no significant impact on the Company's finances.

## II. Financial Performance

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

Unit: NT\$ thousands; %

Item \ Year	2019	2020	Changes in Dollar Amount	Changes in Percentage (%)
Operating revenue, net	38,883,580	43,869,852	4,986,272	12.82%
Operating costs	34,293,972	38,875,441	4,581,469	13.36%
Gross profit	4,589,608	4,994,411	404,803	8.82%
Operating expenses	4,311,692	4,678,123	466,431	8.50%
Other Profit and Expense Net Amount	48	16	(32)	(66.67)%
Net operating income (loss)	277,916	316,304	38,388	13.81%
Non-operating income and expenses	(45,901)	(11,936)	33,965	(74.00)%
Net income (loss) before income tax	232,015	304,368	72,353	31.18%
Income tax expense	90,321	83,494	(6,827)	(7.56)%
Net income	141,694	220,874	79,180	55.88%
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. Non-operating income and expenses: The increase in non-operating income was mainly due to the consolidated entity's government subsidies.				
2. Net income before income tax: Mainly due to the consolidated entity's increase in net operating income of the period from the previous period.				
3. Net income of the period: Mainly due to the consolidated entity's increase in net operating income of the period from the previous period.				
Changes mentioned above are normal operation changes, and have no significant impact on the Company's finances.				

(2) 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.

(3) 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 balance amount at the beginning of the year (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	1,412,477	(133,718)	8,147,763	None	None

#### 1. Operating activities:

Net cash inflow from operating activities of NT\$1,412,477 thousand was mainly due to net income before income tax of NT\$304,368 thousand, a decrease in net changes of assets relating to operating activities of NT\$306,144 thousand, an increase in net changes of liabilities relating to operating activities of NT\$725,441 thousand, and cash used in operating activities of NT\$1,529,057 thousand.

#### 2. Investing activities:

Net cash outflow from investing activities of NT\$317,820 thousand was mainly caused by the acquisition of property, plants, intangible assets and equipment, and an increase in non-controlling interests.

#### 3. Financing activities:

Net cash inflow from financing activities of NT\$215,787 thousand was mainly due to the issuance of corporate bonds of NT\$1,605,790 thousand, the borrowing of long-term loans of NT\$125,000 thousand, the repayment of long-term loans of NT\$900,000, the repayment of lease principals of NT\$508,274 thousand, and the distribution of cash dividends of NT\$82,012 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:

Item	Year	2019	2020	Changes in Percentage (%)
Cash flow ratio (%)		8.62	16.71	94%
Cash flow adequacy ratio (%)		20.96	37.96	81%
Cash flow reinvestment ratio (%)		7.46	13.02	75%

Notes to increase/decrease:

1. Cash flow ratio: The increase from the previous period was mainly due to increase in net income this year, which led to an increase in net cash inflows from operating activities.
2. Cash flow adequacy ratio: The increase from the previous period was mainly due to increase in net cash inflows from operating activities in the past five years.
3. Cash flow reinvestment ratio: The increase from the previous period was mainly due to an increase in net cash inflows from operating activities in 2020.



## (III) Cash liquidity analysis for the following year

Unit: NT\$ thousands

Cash balance amount at the beginning of the year (1)	Net cash inflow (outflow) from operating activities in the year (2)	Cash inflow (outflow) in the year (3)	Amount of Cash Surplus (Shortage) (1) + (2) + (3)	Measures for Cash Shortage	
				Investing Plan	Financing Plan
8,147,763	3,452,961	(3,044,382)	8,556,342	None	None

**IV. Major Capital Expenditures in the Most Recent Year and Their Impacts on the Company's Finance and Operations: None.****V. Reinvestment Policies of the Most Recent Year, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of the Upcoming Year**

Reinvestment Project (Note 1)	Reinvestment Policy	Main Reason for Profits or Losses	Improvement Plan	Investment Plan for the Coming Year (Note 2)
IT Home Publications Inc.	Strategic investment associated with internet	Perform well in terms of profitability and operation	Continuous development	None
Linktel Inc.	Strategic investment associated with internet	Losses due to internet competition	Continue to develop business to improve profitability.	None
PChomestore Inc.	Strategic investment associated with internet	Losses due to market competition; adjustments made in operating strategies	Continue to adjust operating strategies, control related costs and expenses, with a view to improving profitability.	None
PCHOME US INC.	Strategic investment associated with internet	Magnitude of loss is diminishing	Adjust business strategy	None
Pi Mobile Technology Inc.	Strategic investment associated with internet	In line with the Company's business strategies, not yet profitable	According to the operational needs, adjust the strategy and improve profitability.	None
PChome(Thailand) CO., LTD.	Strategic investment associated with internet	New company, not yet profitable	Continue to develop ASEAN market.	None
PChome Travel Inc.	Strategic investment associated with internet	New company, not yet profitable	Continue to introduce new businesses depending on the development of COVID-19 epidemic.	None
PChome Financial Technology Inc.	Strategic investment associated with internet	New company, not yet profitable	According to the operational needs, adjust the strategy and improve profitability.	None
PChome Express Inc.	Strategic investment in logistics and transportation	New company, not yet profitable	Pending operational expansion.	None
Chunghwa PChome Fund 1 Co., Ltd.	Strategic investment in venture capital	Still in the early stage of operation	Pending operational expansion.	None

Reinvestment Project (Note 1)	Reinvestment Policy	Main Reason for Profits or Losses	Improvement Plan	Investment Plan for the Coming Year (Note 2)
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	Attributed to recognition of profit or loss from investment in investees	The investment company to be re-invested turned losses into profits.	None
PCHOME CBS Co., Ltd.	Strategic investment in e-commerce cross-border service	New company, not yet profitable	Turned losses into profits in the first half of 2020.	None
Mitch Co., Ltd.	Strategic investment associated with internet	In line with the Company's business strategies, not yet profitable	The scale of operation has yet to be improved	None
PChome InterPay Inc.	Strategic investment associated with internet	In line with the Company's business strategies, not yet profitable	According to the operating needs, adjust the strategy and improve the profitability.	None
Yun Tung Bao International Co., Ltd.	Strategic investment associated with internet	New company, not yet profitable	According to the operating needs, adjust the strategy and improve the profitability.	None
PChome Japan KK	Strategic investment associated with internet	Loss due to payment of related operating expenses	After the lease expires, handle capital reduction related operations according to operational needs.	None
Ruten Japan KK	Strategic investment associated with internet	New company, not yet profitable	Continue to expand business	None
PChome eBay Co., Ltd.	Strategic investment associated with internet	Perform well in terms of profitability and operation	Continuous development	None
Ruten Singapore Pte.	Strategic investment associated with internet	Closed business, in the process of liquidation	Closed business, in the process of liquidation	None
PCHOME CB PTE. LTD.	Strategic investment associated with internet	Attributed to recognition of profit or loss from investment in investees	The investment company to be re-invested turned losses into profits.	None
Bibian Co., Ltd.	Strategic investment associated with internet	New company, not yet profitable	The scale of operation has yet to be improved	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. In recent years, the interest expense is NT\$54,742 thousand, which accounts for a low percentage of annual operating income. 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\$2,492 thousand in 2020, 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 hedge 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 2020. 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/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 2021.

Project Title	Project Content
E-commerce i mailbox pick-up	PChome Online ties in Chunghwa Post's "i mailbox", and connects the back-end system to make it run smoothly. "PChome i mailbox pick-up" service is a new logistics method in addition to the "home delivery" or "supermarket pick-up" services. The mobile pick-up technology of smart lockers can be applied to the mail and pick-up service of the home delivery deliverers, and can effectively solve the problem of secondary delivery. We will continue to expand our service bases and

Project Title	Project Content
	increase the scope of consumer use through Chunghwa Post's "i mailbox".
Security verification mechanism for account linking	In order to improve convenience and information security, PChome Online has established a member-specific "middle ground" service, which is mainly to integrate the third-party login mechanism and achieve the purpose of member integration and intercommunication within the Group. Members can log in to different platforms with their existing accounts instead of re-registration, thus simplifying the process and providing more convenient online services.
Bank offer recommendation system	PChome Online researches and develops innovative diversified options on the use of credit cards, provides smart recommendation services, enables consumers to spend the least time and obtain the most favorable price scheme, and dynamically predicts and recommends bank offers based on the information provided by consumers and the products expected to be consumed. We adopt the system to instantly recommend suitable credit card offers, and attract consumers to obtain offers, thereby increasing the amount of consumption, achieving a triple-win situation for e-commerce channels, banks and consumers.
R&D in dynamic dashboard	Enterprise dashboards mainly enable managers to monitor real-time marketing data, and are highlighted by all-in-one. We integrate data from different databases or data sets, and data analysis, and present them on one page in real time through engineering technology. They can solve the user's difficulty in querying various data, and overcome the technical problems of manipulating and analyzing various data. They are effectively applied in inventory management, performance management, customer group analysis, product management, and sales report systems. They

Project Title	Project Content
	can also integrate the opinions and goals of various departments, in an effort to condense the centripetal force of the enterprise, speed up the decision-making process and reduce operating costs.

(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 advanced 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 2020 are as follows:

(1) With pragmatic consumption driven by stay-at-home economy, join hands with hundreds of brands to build “brand flagship store”

PChome Online is optimistic about the pragmatic consumption power brought by the stay-at-home economy. Its PChome 24h Shopping gathers flagship brands to form a strategic alliance and establish a “brand flagship store”, covering 3C digital, fashion, beauty, food, daily necessities and introducing famous brands such as Apple, Xiaomi, 3M, GARMIN, BIODERM, Watsons, Unilever, etc., joining forces to multiply brand benefits, enhancing brand favorability and consumer stickiness, and striving to grab the market share among young consumers. The Company boasts major advantages such as “the only full-series Apple authorized distributor in Taiwan’s e-commerce” and “the only original Xiaomi authorized direct-operated online shopping platform in Taiwan”, continues to expand its market scale and create a new sales niche through deep brand cultivation and resource integration. Apple’s new series of “iPhone 12” were launched in the second half of 2020. The sales performance exceeded NT\$100 million within 4 minutes after the launch. The word-of-mouth new color, Pacific Blue, was sold out within 5 minutes, boosting the strong growth momentum and operations of Apple's flagship store.

We have also actively cultivated the market of female consumers in recent

years. In 2020, we joined hands with “Watsons”, the leading channel of health and beauty, to open a new flagship store, with its online sales surging by 100%, bringing new momentum to business operations. In addition, we established Taiwan’s “Microsoft” flagship store, becoming the largest partner in Taiwan’s e-commerce channel, launching the first wave of new laptops and discount package programs, and increasing sharply buying momentum.

- (2) Pioneer the layout of nine mobile payment services and continuously enhance the mobile shopping experience

The Company actively deploys payment and logistics opening strategies. In 2020, we formed an alliance with the two major payment services including Easy Wallet and Taiwan Pay, driving the proportion of consumers aged below 35 on the whole website to reach 50%. Combining the existing pick-up first and payment later services provided by LINE Pay, Apple Pay, Google Pay, Samsung Pay, Pi Wallet, JKoPay, and AFTEE, PChome Online has become the e-commerce platform with the most complete layout of nine mobile payment services, fully satisfying the new-generation procurement models. At the same time, we integrated 36 major banks, two shopping guides including LINE and Shopback, and store-value discount programs, expanded the field of payment applications with the most complete payment discounts and payment methods, continued to strengthen the mobile shopping experience, and lead the e-commerce industry to a new generation of payment with fast, stable and high-quality logistics services.

- (3) Cross-sector collaboration to stimulate sales momentum and exclusive sales of new products among the young

The Company actively develops marketing innovation and diversified cross-sector cooperation strategies, in an effort to create a virtual and real integrated shopping experience. In March 2020, “Queen’s Expedition” Shopping Festival joined hands with ELLE magazine to advance female fashion trends online activities and Dajia Mazu’s online pilgrimage and other activities. In June, we built “PChome Online Shopping 20th Anniversary Flash Store” in Xinyi District for the first time, looked back the major e-commerce development milestones through the “Four Dreams Galleries”, exhibited the classic products of the past two decades, and fully reproduced the past home context, set a QR Code shopping wall to connect online and offline activities, actively developed marketing innovation, and continued to upgrade interactive consumer experience.

During Double 11 in 2020, we launched the largest cross-sector alliance in the past, connecting the leading telecommunications company “Chunghwa Telecom”, extending the consumer field to Chunghwa Telecom’s brick-and-mortar stores, offering 11 benefits such as telecom offer gifts, reward points, and store-limited programs, and eliminating the boundary between online and offline markets. We entered the Global Mall for the first time, setting up offline flash booth, launching hot-selling product offers, exclusive tastings of celebrity

chefs, in-store treasure hunting & lottery, check-in gifts and other multiple offers to condense shopping mall resources and give full play to the power of gathering customers. We held a series of offline activities in Huashan Cultural and Creative Industry Park, landed Taiwan's largest and eye-catching giant PChome carton from the air, launched "surprise mission car" tour of walking large cartons for the first time, held three style themed nights to narrow the distance with consumers. In cooperation with the National Palace Museum, we held a special exhibition lecture event "She-Female Image and Talent", and launched the Palace Museum boutiques for the first time to promote business opportunities for female consumers. We built the only international Double 11 event in Taiwan's e-commerce industry-"PChome: Here Comes Double 11 2020!" for the four consecutive years. We also held "AMAZING FUTURE Concert", creating popular topics and sales momentum.

We continued O2O strategy, cross-sector transportation, local business circles, dating software and other fields during Double 12, and innovative marketing models based on reversing local culture, in an effort to enhance shopping experience. The "Love Limited Time PChome Train" ran on the Tamsui Xinyi Red Line of the Taipei MRT. We tailored fun flyers for singles, dating, Taiwanese calendars, etc., provided information on Christmas gatherings and dates, planned interactive game experiences, and created a Christmas train full of Taiwanese flavor. We realized cross-sector alliance with Taipei Xia-Hai City God Temple, Taipei and dating APP Goodnight to create moon-old worship and Christmas party activities, and cooperated with Twatutia local bar to hold event "Tipsy Stroll", successfully attracting young customers and stimulating the overall sales momentum.

(4) Build the strongest entertainment e-commerce, and create a new milestone by the festival-making strategy

The Company commits itself to providing consumers with a "consumption + entertainment" shopping experience. For the two consecutive years, we have launched the "August Hearty Gifts Festival", which combined Chinese Valentine's Day, Father's Day and Ghost Festival, and has diversified exposure through social media, thereby expanding the reach of new users. We also exclusively created the "PChome Glimpse 88 Arena Concert", inviting blockbuster artists to stage at the Taipei Arena, using multi-screen and multi-screen live broadcasts to have fun with consumers, setting a new milestone for Taiwan's entertainment e-commerce.

In addition, we held "PChome: Here Comes Double 11 2020!" for four consecutive years. We held "AMAZING FUTURE Concert", gathering stars and synchronously broadcasting the whole process on 7 major platforms, including PChome Video, PChome 24h Shopping YouTube/FB fan page/Line official account, KKBOX, LINE shopping, and Super Taste FB fan page, building the only international Double 11 event in Taiwan's e-commerce, leading the year-end operational momentum! In December of the same year, we



held “Here Comes Double 12!” For “Christmas Special AMAZING KPOP Concert”, we exclusively invited the well-known Korean girl group Apink to sing through online live broadcast, exclusively cooperated with the queen singer aMEI to launch an exclusive event for the Taitung New Year’s Eve concert. We also joined the early bird sales of concert merchandise, such as limited editions popular items such as baseball caps and commemorative cap T, and continued to launch the most fashionable entertainment e-commerce series cooperation, boosting operating momentum.

- (5) Care for the society, fulfill corporate social responsibilities, and debut at “PChome Charity Event of Hug Me Bear”

PChome Online has long taken practical actions to care for the society and vulnerable groups, and implements corporate social responsibilities. Among them, in 2020, PChome Online joined hands with Brothers to launch the “public benefit bidding donation campaign”. Brothers donated the war elephant armor jerseys worn by the home games. The bidding was conducted on the Company’s online bidding event page, and the proceeds were donated to the Taichung Home Quarantine Replacement Office. In addition, we held two annual e-commerce events, “PChome Carnival 88” and “PChome: Here Comes Double 12!” We extended public benefit activities, inviting many well-known artists such as Tzi-Chiao Huang, Ning Chang, Bii and the Korean girl group Apink to bid for the painted pillows, donated the proceeds to the Taiwan Fund for Children and Families, calling on everyone to strengthen and pass on warmth and love.

In the second half of 2020, the Company launched the second corporate mascot “PChome Charity Event of Hug Me Bear”. In November 2020, we held a flash public benefit activity on Xiangdi Avenue, Xinyi. PChome public benefit activity moby baby made its first appearance as a giant doll, with the large-scale maze interactive experience displayed on site, touching more than 30,000 people in 3 days, and caused more than 300 heated discussions at online forums. The proceeds were donated to the Chung Yi Social Welfare Foundation to take care of the deprived children. We joined hands with Simple Life Festival to promote social welfare activity in the next month, planed the “Creative Snack Tang” love caring activity, together with the Down Syndrome Foundation, cared for patients with Down’s syndrome through the participation of the people on the scene, gathered the strength of the public, and created a friendly environment.

- (6) Optimize the mobile shopping experience, and upgrade APP service after revision

PChome 24h Shopping under the PChome Online continued to optimize mobile services, focusing on “member marketing” and “smart recommendation”. In 2020, PChome 24h Shopping APP download count exceeded 5 million, actively creating user-centric shopping environment, and optimizing functions. For example, push notifications can provide consumers with the first time to know about snap-up information and preferential activities, increase the rate of mobile orders, and plan a one-click login function, eliminating the cumbersome login

process, and adding interface service images, and quickly select functional services. PChome 24h Shopping utilized AI big data to understand consumer needs and set up a “brand flagship store” area on the APP homepage, where users can instantly purchase well-known brand discount products. PChome 24h Shopping upgraded service quality, exclusively for APP members on the 8th of each month, limited discount event and product discount “plus price purchase” service, added a new APP exclusive “P-Edition Unboxing” area, combined with the community unboxing sharing function, introduced popular products in a life-oriented way, and provided the most practical and complete product information to meet all-round shopping needs.

## 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’s technical department and designed by internal engineers. The R&D team receives regular training to improve the overall professional quality, and 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/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 ecommerce industry chain and take a step further to establish an ecosystem, the Group has recently been actively integrating various service advantages, deeply applying big data, artificial intelligence and the Internet of Things and other forward-looking technologies, focusing on service innovation, creating cross-domain integrated services, enhancing the Group’s operation performance. Some of the systems among the R&D projects have obtained patents or are in the process of submitting patent applications. The fast ordering method and shopping platform server applied by the Company for online shopping have been approved by the Intellectual Property Office, MOEA in early 2020.

(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 or 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 litigation 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 2020 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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>

	<p>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.</p> <p>Allowance for bad debts is recognized for notes and accounts receivables prior to 2020 (inclusive) according to these receivables' recoverability.</p>
Allowance for inventory valuation and obsolescence loss	<p>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 bringing the inventories to their selling conditions, on the balance sheet date. For inventories that are obsolete, outdated, or unable to be used, allowance for inventory valuation and obsolescence loss is recognized based on their usable or residual value.</p>

(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)

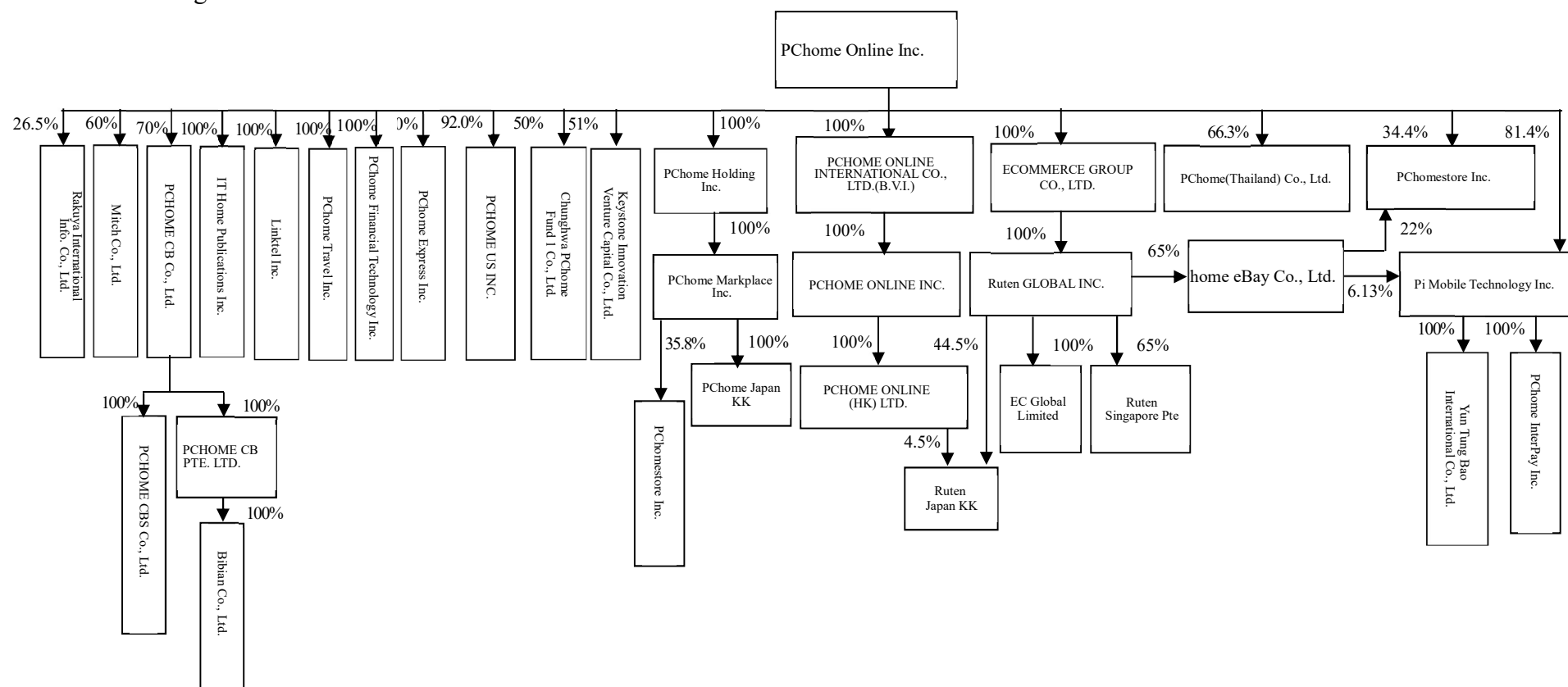
Besides regularly reviewing the performance indicators of financial analysis, ROE and net margin are the Company's industry-specific KPIs. 2019 KPIs and annual achievement rates are: Parent company only ROE 7.9% and consolidated ROE 5.63%; parent company only net margin 0.61% and consolidated net margin 0.50%.

## Chapter 8 Special Disclosure

### I. Affiliated Companies

#### (I) Consolidated operation report of affiliates

##### 1. Organizational structure of affiliates



## 2. Basic information of affiliates

As of December 31, 2020; 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 telecommunication s enterprise, etc.
PCHOME ONLINE INTERNATIONAL CO., LTD.(B.V.I.)	2000.05.08	Grove Hose,P.O.BOX438,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
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	Vistra Corporate Services Centre,Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands	USD34,950,836.6	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.)	425,581	Online money flow services
PChome (Thailand) Co., Ltd.	2015.01.26	No,191/54,191/57,18th Floor,CTI Tower, Ratchdapisek Road, Klongtoey, Klongtoey, Bangkok 10110	THB200,000,000	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
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	2000.05.29	25/F.,OTB BUILDING,160	HKD5,641,239	Investment



Company	Date of Establishment	Address	Paid-in Capital	Primary Business or Products
(HK) LIMITED		GLOUCESTER ROAD, WANCHAI, HK		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, KY1 - 1205 Cayman Islands.	USD38,335,000	E-commerce for international trade
PChome Japan KK	2013.05.15	16/F, New Aoyama Hall West Building, 1-chome, Minami-Aoyama, Minato-ku, Tokyo	JPY75,000,000	E-commerce for international trade
Ruten Japan KK	2015.08.12	16/F, New Aoyama Hall West Building, 1-chome, Minami-Aoyama, Minato-ku, Tokyo	JPY288,174,629	E-commerce for international trade
RUTEN GLOBAL INC. (Cayman)	2011.04.11	P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 - 1205 Cayman Islands.	USD266,063,307	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.	2017.05.16	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 CBS 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
PCHOME CBS Co., Ltd.	2016.08.24	6F., No. 209, Sec. 1, Fuxing S. Rd., Da'an District, Taipei City	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, 2020; Unit: NT\$ thousands; Foreign currency

Company	Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	%
IT Home Publications Inc.	Chairman of the Board 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 of the Board 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 of the Board	Chinatrust Real Estate Co., Ltd. Representative: Cheng-Chuan Cheng-Yu	1,681	14.7%
	Director	PChome Online Inc. Representative: Hung-Tze Jan	3,035	26.5%
	Director	Representative: Kevin Tsai		
	Director	Sinyi Realty Inc. Representative: Shou-Jen Su	2,581	22.5%
	Director	Representative: Chih-Huan Chen		
	Director	Pacific Realtor Century 21	782 667	6.8% 5.8%
	Director	Representative: Wei-Jie Wang H&B Business	2,449	21.4%
	Director	Representative: Hsi-Tsong Chen		
	Director	Representative: Li-Ling Yin		
	Supervisor	Hsiao-Chen Wu	0	0
PChomestore Inc.	Supervisor	Shih-Zong Chang	0	0
	Supervisor	Wen-Hsiong Cai	0	0
	Chairman of the Board	PChome Online Inc. Representative: Hung-Tze Jan	18,435	34.35%
	Director	Representative: Vicky Tseng		
	Director	Representative: Kevin Tsai		
	Director	Representative: Shu-Lin Huang		
	Director	Representative: Cheng-Ching Wei		
	Director	ITOCHU Corporation Representative: Miura Atsushi	1,380	2.57%
	Director	PChome eBay Co., Ltd. Representative: Ying-Hsuan Chao	11,896	22.16%
	Supervisor	Ming Fang	0	0

Company	Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	%
		Yu-Yun Tu	0	0
PCHOME US INC.	Chairman of the Board Director Director	Hung-Tze Jan Kevin Tsai (also the CEO) Ying-Hsuan Chao (also the COO)	45,800	92.0%
ECOMMERCE GROUP CO.,LTD.(B.V.I.)	Director	PChome Online Inc.	349,508	100%
Pi Mobile Technology Inc.	Chairman of the Board Director Director Supervisor	PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Kun-Ju Han Representative: Leo Lu	34,488	80.91%
PChome (Thailand) Co., Ltd.	Chairman of the Board Director Director Director Director	Hung-Tze Jan Kevin Tsai Wen-Hsiong Cai Chen Wei-Chih VIPADA UADULYATHAM	13,250	66.25%
PChome Travel Inc.	Chairman of the Board Director Director Supervisor	PChome Online Inc. Representative: Hung-Tze Jan Representative: Vicky Tseng Representative: Kevin Tsai Representative: Leo Lu	3,600	100%
PChome Financial Technology Inc.	Chairman of the Board Director Director Director Director Supervisor	PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Kun-Ju Han Representative: Vicky Tseng Representative: Chih-Rong Hu Representative: Leo Lu	1,000	100%
PChome Holding Inc.(B.V.I.)	Director	PChome Online Inc. Representative: Hung-Tze Jan	385,000	100%
PChome Marketplace Inc.(Cayman)	Director CEO	PChome Holding Inc.(B.V.I.) Representative: Hung-Tze Jan Kevin Tsai	38,335	100%
PChome InterPay Inc.	Chairman of the Board Director Director Supervisor	Pi Mobile Technology Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Kun-Ju Han Representative: Leo Lu	50,100	100%
Yun Tung Bao International Co., Ltd.	Chairman of the Board Director Director	Pi Mobile Technology Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Kun-Ju Han Representative: Leo Lu	300	100%

Company	Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	%
	Supervisor			
PChome Express Inc.	Chairman of the Board 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 Markplace Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai Representative: Hidetoshi Ota	43,500	100%
Ruten Japan KK	Representative Director Director Director	RUTEN GLOBAL INC. Lin-Hung Li 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 of the Board Director	Ruten Global Inc.(Cayman)) Representative: Hung-Tze Jan Representative: Ying-Hsuan Chao	27,300	65%
	Director	Representative: Vicky Tseng EBAY INTERNATIONAL AG	14,700	35%
	Director Director Supervisor	Representative: Joo Man Park Representative: Yi-Chang Lin Leo Lu	0	0
	Supervisor	James Junghwan Moon	0	0
Ruten Singapore Pte. Ltd.	Chairman of the Board Director Director	Ruten Global Inc. Representative: Hung-Tze Jan SHEN, SHYH-YONG EDISON TAN KENG HUI	20,800	65%
Chunghwa PChome Fund 1 Co., Ltd.	Chairman of the Board Director	PChome Online Inc. Representative: Hung-Tze Jan Representative: Kevin Tsai	20,000	50%

Company	Title	Name or Representative	Shareholding (in thousands of shares)	
			Number of Shares/Capital Contribution	%
	Director	Representative: Vicky Tseng Chunghwa Telecom Co., Ltd.	20,000	50%
	Director	Representative: Kun-Rong Wu		
	Director	Representative: Yi-Chiao Guo		
	Supervisor	Jing-Mei Lu	0	0
Keystone Innovation Venture Capital Co., Ltd.	Chairman of the Board	PChome Online Inc.	510,000	51%
	Director	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	Li-Chia Kuo	0	0
Mitch Co., Ltd.	Chairman of the Board	PChome Online Inc.	16,200	60%
	Director	Representative: Hung-Tze Jan		
	Director	Representative: Kevin Tsai		
	Director	Representative: Te-Wei Wu 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 CBS Co., Ltd.	Chairman of the Board	PChome Online Inc.	14,000	70%
	Director	Representative: Hung-Tze Jan		
	Director	Representative: Kevin Tsai		
	Director	Representative: Wei-Lin Lo		
	Supervisor	Kun-Ju Han	0	0
PCHOME CBS Co., Ltd.	Chairman of the Board	PCHOME CBS Co., Ltd.	2,900	100%
	Director	Representative: Wei-Lin Lo		
	Director	Representative: Hung-Tze Jan		
	Director	Representative: Chin-Lien Lu		
	Supervisor	Leo Lu	0	0
PCHOME CB PTE. LTD.	Chairman of the Board	PCHOME CBS Co., Ltd.	190	100%
	Director	Representative: Wei-Lin Lo		
	Director	Representative: Hung-Tze Jan		
	Director	Representative: Kuang-Hao Chih		
Bibian Co., Ltd.	Representative	PCHOME CB PTE. LTD.	3.6	100%
	Director	Wei-Lin Lo		
	Representative	Hung-Tze Jan		
	Director			

#### 4. Operational highlights of affiliates

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

#### (2) Consolidated financial statements of affiliates

The entities that are required to be included in the combined financial statements of PChome Online Inc. for the year of 2020 (from January 1, 2020 to December 31, 2020) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated 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 subsidiaries do not prepare a separate set of combined financial statements.

(III) Reports on Affiliations: N/A.

**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.**



安侯建業聯合會計師事務所

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## Independent Auditors' Report

To the Board of Directors of PChome Online Inc.:

### Opinion

We have audited the financial statements of PChome Online Inc. (“the Company”), which comprise the statement of financial position as of December 31, 2020 and 2019, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the year ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Revenue recognition

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

#### Key Audit Matters Explanation:

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

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.

### **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.

### **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.

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)  
February 25, 2021

#### **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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

ASSETS		2020.12.31		2019.12.31		LIABILITIES AND STOCKHOLDERS' EQUITY		2020.12.31		2019.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current Assets:						Current Liabilities:					
1100	Cash and cash equivalents (Note (6)(a))	\$ 4,855,311	40	2,815,361	26	2100	Short-term borrowings (Note (6)(j))	\$ -	-	390,000	4
1150	Notes receivable, net (Note (6)(c))	550	-	2	-	2130	Current contract liabilities (Note (6)(k))	396,615	4	265,842	2
1172	Accounts receivable (Notes (6)(c) and (7))	408,844	3	427,313	4	2150	Notes payable	143	-	145	-
1180	Accounts receivable due from related parties, net (Notes (6)(c) and (7))	253,396	2	360,536	3	2170	Accounts payable	3,755,000	31	2,946,591	27
1175	Lease receivable (Notes (6)(c) and (7))	4,681	-	7,324	-	2200	Other payables	744,231	6	565,433	6
1200	Other receivables, net (Notes (6)(c) and (7))	265,406	2	230,961	2	2230	Current tax liabilities	61,243	-	53,077	-
1210	Other receivables due from related parties, net (Notes (6)(c) and (7))	-	-	190,000	2	2280	Current lease liabilities (Note (6)(n))	436,437	4	441,548	4
1220	Total current tax assets	-	-	8,392	-	2300	Other current liabilities (Note (6)(k))	52,913	-	7,363	-
1300	Inventories (Note (6)(d))	1,774,524	14	1,684,880	15	2320	Long-term liabilities, current portion (Note (6)(l))	-	-	100,000	1
1476	Other current financial assets (Note (8))	60,976	1	60,976	1	2365	Current refund liabilities (Note (6)(k))	42,424	-	37,562	-
1479	Other current assets, others	67,894	1	60,028	1			5,489,006	45	4,807,561	44
1481	Current asset recognized as right to recover products from customers	39,072	-	34,869	-	Non-Current liabilities:					
		7,730,654	63	5,880,642	54	2530	Total bonds payable (Note (6)(m))	1,470,300	12	-	-
Non-Current Assets:						2541	Long-term borrowings(Note (6)(l))	-	-	700,000	6
1510	Non-current financial assets at fair value through profit or loss (Note (6)(m))	1,500	-	-	-	2570	Deferred tax liabilities (Note (6)(p))	1,647	-	779	-
1517	Non-current financial assets at fair value through other comprehensive income (Note (6)(b))	248,425	2	214,329	2	2580	Non-current lease liabilities (Note (6)(n))	1,980,169	16	2,416,606	22
						2670	Other non-current liabilities, others	4,450	-	4,350	-
1550	Investments accounted for using equity method (Note (6)(e))	1,294,335	11	1,384,399	13			3,456,566	28	3,121,735	28
1600	Property, plant and equipment (Note (6)(g))	389,790	3	440,998	4		Total liabilities	8,945,572	73	7,929,296	72
1755	Right-of-use assets (Note (6)(h))	2,368,030	19	2,819,573	26	Equity (Note (6)(q)):					
1780	Intangible assets (Note (6)(i))	34,120	-	44,812	-	Share capital:					
1840	Deferred tax assets (Note (6)(p))	42,322	-	61,151	-	Ordinary share		1,182,595	9	1,171,595	10
1975	Net defined benefit asset, non-current (Note (6)(o))	8,235	-	3,897	-	3110	Capital surplus	1,938,916	16	1,722,411	16
1980	Other non-current financial assets (Note (8))	108,081	1	108,222	1	3200	Retained earnings:				
1990	Other non-current assets, others	79,726	1	14,043	-	Legal reserve		16,244	-	-	-
		4,574,564	37	5,091,424	46	3350	Unappropriated retained earnings	286,101	2	100,564	1
						Other equity interest:					
						3410	Exchange differences on translation of foreign financial statements	(116,979)	(1)	(24,825)	-
						3420	Unrealized gains from financial assets measured at fair value through other comprehensive income	76,811	1	73,025	1
						3491	Unearned compensation	(24,042)	-	-	-
						Total equity		3,359,646	27	3,042,770	28
Total assets		\$ 12,305,218	100	10,972,066	100	Total liabilities and equity		\$ 12,305,218	100	10,972,066	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, 2020 and 2019**

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

		<b>2020</b>		<b>2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4111	<b>Sales revenue</b>	\$ 42,288,831	101	36,816,018	101
4170	Less: Sales returns	615,867	1	507,603	1
	<b>Operating revenue, net (Notes (6)(t) and (7))</b>	41,672,964	100	36,308,415	100
5000	<b>Operating costs (Notes (6)(d) and (7))</b>	36,656,100	88	31,997,459	88
	<b>Gross profit from operations</b>	5,016,864	12	4,310,956	12
	<b>Operating expenses:</b>				
6100	Selling expenses	3,843,240	9	3,365,672	9
6200	Administrative expenses	247,866	-	193,646	1
6300	Research and development expenses	335,889	1	320,367	1
6450	Expected credit loss (Note (6)(c))	341	-	4,007	-
	<b>Total operating expenses</b>	4,427,336	10	3,883,692	11
6500	<b>Net other income</b>	-	-	21	-
	<b>Net operating income</b>	589,528	2	427,285	1
	<b>Non-operating income and expenses (Note (6)(v)):</b>				
7100	Interest income	6,098	-	13,330	-
7010	Other income	58,297	-	24,235	-
7020	Other gains and losses, net	(11,003)	-	404	-
7050	Finance costs	(42,784)	-	(49,926)	-
7060	Share of loss of associates and joint ventures accounted for using equity method, net	(266,511)	(1)	(202,856)	(1)
	<b>Total non-operating income and expenses</b>	(255,903)	(1)	(214,813)	(1)
	<b>Profit before tax</b>	333,625	1	212,472	-
7950	<b>Less: Tax expense (Note (6)(p))</b>	80,831	-	50,035	-
	<b>Profit</b>	252,794	1	162,437	-
	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (Note (6)(o))	3,188	-	(473)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	28,086	-	39,487	-
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	4,149	-	(334)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note (6)(p))	(638)	-	95	-
	<b>Items that may not be reclassified subsequently to profit or loss</b>	34,785	-	38,775	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation	(92,154)	-	(36,349)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<b>Items that may be reclassified subsequently to profit or loss</b>	(92,154)	-	(36,349)	-
	<b>Other comprehensive income, net of tax</b>	(57,369)	-	2,426	-
8500	<b>Total comprehensive income</b>	\$ 195,425	1	164,863	
	<b>Earnings per share (Note (6)(s))</b>				
9750	<b>Basic earnings per share (NT dollars)</b>	\$ 2.16		1.39	
9850	<b>Diluted earnings per share (NT dollars)</b>	\$ 1.93		1.39	

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained Earnings			Exchange Differences on Translation of Foreign Statements	Other Equity Interest		Total Equity
	Ordinary Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned Employee Compensation	
<b>Balance at January 1, 2019</b>	\$ 1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	33,538	-	2,933,733
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 deficits	-	-	(408,184)	-	408,184	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	(4,120)	4,120	-	-	-	-
Capital surplus used to offset accumulated deficits	-	(790,347)	-	-	790,347	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(61,161)	-	-	-	(61,161)
Changes in ownership interests in subsidiaries	-	5,335	-	-	-	-	-	-	5,335
<b>Balance at December 31, 2019</b>	1,171,595	1,722,411	-	-	100,564	(24,825)	73,025	-	3,042,770
Profit for the year ended December 31, 2020	-	-	-	-	252,794	-	-	-	252,794
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	6,699	(92,154)	28,086	-	(57,369)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	259,493	(92,154)	28,086	-	195,425
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	16,244	-	(16,244)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(82,012)	-	-	-	(82,012)
Issuance of convertible bonds	-	141,121	-	-	-	-	-	-	141,121
Changes in ownership interests in subsidiaries	-	58,331	-	-	-	-	-	-	58,331
Share-based payment transactions	11,000	17,053	-	-	-	-	-	(24,042)	4,011
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	24,300	-	(24,300)	-	-
<b>Balance at December 31, 2020</b>	<u>\$ 1,182,595</u>	<u>1,938,916</u>	<u>16,244</u>	<u>-</u>	<u>286,101</u>	<u>(116,979)</u>	<u>76,811</u>	<u>(24,042)</u>	<u>3,359,646</u>

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, 2020 and 2019**

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

	<u>2020</u>	<u>2019</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 333,625	212,472
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	591,504	610,497
Amortization expense	25,274	23,101
Expected credit loss	341	4,007
Net loss on financial assets or liabilities at fair value through profit or loss	1,650	-
Interest expense	42,784	49,926
Interest income	(6,098)	(13,330)
Dividend income	(8,495)	(5,263)
Share-based payments transactions	4,011	-
Share of loss of associates and joint ventures accounted for using equity method	266,511	202,856
Gain on disposal of property, plant and equipment	(552)	(1)
Loss on disposal of investments	9,099	-
<b>Total adjustments to reconcile profit</b>	<u>926,029</u>	<u>871,793</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Notes receivable	(548)	90
Accounts receivable	125,268	(149,536)
Lease receivable	3,017	2,947
Other receivables	163,963	695,429
Inventories	(89,644)	(435,286)
Other financial assets	141	23,650
Other current assets	(7,866)	(2,644)
Net defined benefit assets	(1,150)	(1,142)
Current asset recognized as right to recover products from customers	(4,203)	(5,448)
<b>Total changes in operating assets</b>	<u>188,978</u>	<u>128,060</u>
Changes in operating liabilities:		
Contract liabilities	130,773	12,479
Notes payable	(2)	(153)
Accounts payable	808,409	254,236
Other payable	169,045	36,276
Other current liabilities	45,550	2,380
Current refund liabilities	4,862	5,619
Other non-current liabilities	101	4,300
<b>Total changes in operating liabilities</b>	<u>1,158,738</u>	<u>315,137</u>
<b>Total changes in operating assets and liabilities</b>	<u>1,347,716</u>	<u>443,197</u>
<b>Total adjustments</b>	<u>2,273,745</u>	<u>1,314,990</u>
Cash flow generated from operations	2,607,370	1,527,462
Interest received	6,081	13,943
Dividends received	8,495	-
Interest paid	(41,159)	(49,880)
Income taxes paid	(53,606)	(38,525)
<b>Net cash flows from operating activities</b>	<u>2,527,181</u>	<u>1,453,000</u>
<b>Cash flows used in investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(15,985)	(85,000)
Acquisition of investments accounted for using equity method	(205,246)	(960,240)
Proceeds from capital reduction of investments accounted for using equity method	-	70,000
Acquisition of property, plant and equipment	(79,638)	(145,741)
Proceeds from disposal of property, plant and equipment	6,125	4
Acquisition of intangible assets	(19,034)	(40,562)
Other non-current assets	(65,683)	6,350
<b>Net cash flows used in investing activities</b>	<u>(379,461)</u>	<u>(1,155,189)</u>
<b>Cash flows from financing activities:</b>		
Short-term borrowings	(390,000)	390,000
Proceeds from issuing bonds	1,605,790	-
Repayments of long-term borrowings	(800,000)	(100,000)
Payment of lease liabilities	(441,548)	(454,836)
Cash dividends paid	(82,012)	-
<b>Net cash flows used in from financing activities</b>	<u>(107,770)</u>	<u>(164,836)</u>
<b>Net increase in cash and cash equivalents</b>	2,039,950	132,975
<b>Cash and cash equivalents at beginning of period</b>	2,815,361	2,682,386
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,855,311</u>	<u>2,815,361</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

**(1) Organization and Business**

PChome Online Inc. (the Company) was incorporated on July 14, 1998. The primary business scope of the Company 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 February 25, 2021.

**(3) New Standards and Interpretations Not Yet Adopted:**

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

The Company has initially adopted the new amendments, which do not have a significant impact on its financial statements, from January 1, 2020.

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

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

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

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

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

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

The 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.

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

**(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.

**(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:

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

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

**2.Functional and presentation currency**

The functional currency of 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.

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.



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(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.

(f) 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 Company 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.

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On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI); or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the 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.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
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4) 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.

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the 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).

6) 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.

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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 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the 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.

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7) 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) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in TWD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

2) 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.

3) 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.

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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.

4) 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.

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.

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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.

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

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

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- 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
  - 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 lessee**

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;



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- 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 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.

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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'.

(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.

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.

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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.

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.

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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.

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(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.

(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.

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

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

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

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) 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.

(s) Operating segments

The Company has provided the operating segments disclosure in the consolidated financial statements.

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**(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.

**(6) Summary of Major Accounts**

(a) Cash and cash equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash on hand	\$ 393	574
Checking accounts	42,547	18,496
Savings accounts	4,318,348	2,212,839
Foreign currency deposits	5,384	7,190
Time deposits	488,000	575,700
Cash equivalents	<u>639</u>	<u>562</u>
Cash and cash equivalents	<u>\$ 4,855,311</u>	<u>2,815,361</u>

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Equity instruments at fair value through other comprehensive income		
Stocks unlisted on domestic markets	<u>\$ 248,425</u>	<u>214,329</u>

1. The Company 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 Company acquired common stocks of Taiwan Advance Intelligent Tech. Co., Ltd. for \$7,500 thousand during the third quarter of 2020.
3. The Company acquired common stocks of Readmoo Co., Ltd. for \$8,485 thousand during the fourth quarter of 2020.

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4. The Company has obtained three of the nine director seats on the board of directors of Miho International Cosmetic Co., Ltd. since July 1, 2020, and acquired significant influence over that company from that date. Therefore, the Company transferred this investment from non-current financial assets at fair value through other comprehensive income to investments accounted for using the equity method. The fair value at the time of disposal was \$99,300 thousand, and the disposal profit amounted to \$24,300 thousand. The accumulated disposal profit has been transferred from other equity interests to retained earnings. Since two of the three abovementioned directors resigned at December 9, 2021, the Company lost the significant influence over that company from that date. Relevant information please refer to Note (6)(e).

5. For the market price risk, please refer to Note (6)(w); for the 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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable-measured as amortized cost	\$ 550	2
Trade receivable-measured as amortized cost	662,666	787,973
Other receivables-measured as amortized cost	265,680	421,214
Lease receivable	4,681	7,324
Less: Allowance for impairment loss	<u>(700)</u>	<u>(377)</u>
	<u><u>\$ 932,877</u></u>	<u><u>1,216,136</u></u>

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:

	<u>2020.12.31</u>	
	<u>Gross carrying amount</u>	<u>Expected loss rate</u>
Current	931,310	0.002%~0.021%
Past under 180 days	\$ 1,158	10%
Over 181 days past due	<u>1,109</u>	<u>25%~100%</u>
	<u><u>\$ 933,577</u></u>	<u><u>700</u></u>

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	<b>2019.12.31</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average</b>	<b>Loss allowance provision</b>
Current	\$ 1,215,528	0.002%~0.021%	32
Past under 180 days	700	10%	70
Over 181 days past due	285	25%~100%	275
	<b>\$ 1,216,513</b>		<b>377</b>

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

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 377	399
Impairment losses recognized	341	4,007
Amounts written off	(18)	(4,029)
Balance at December 31	<b>\$ 700</b>	<b>377</b>

(d) Inventories

	<b>2020.12.31</b>	<b>2019.12.31</b>
Merchandise inventories	\$ 1,787,970	1,694,328
Less: Allowance for inventory valuation and obsolescence losses	(13,446)	(9,448)
	<b>\$ 1,774,524</b>	<b>1,684,880</b>

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

The details of operating cost were as follows:

	<b>2020</b>	<b>2019</b>
Cost of goods sold	\$ 36,648,174	31,993,793
Provision for inventory market price decline and obsolescence (Gain from price recovery of inventory)	3,998	(671)
Loss on physical inventory	2,753	3,607
Loss on disposal of scrap	1,175	730
	<b>\$ 36,656,100</b>	<b>31,997,459</b>

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 on inventory for the year ended December 31, 2019.



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(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:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Subsidiaries	\$ 1,274,903	1,372,360
Associates	<u>19,432</u>	<u>12,039</u>
	<u><u>\$ 1,294,335</u></u>	<u><u>1,384,399</u></u>

1.Subsidiaries

Please refer to the consolidated financial report for the year ended December 31, 2020.

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	
			<u>2020.12.31</u>	<u>2019.12.31</u>
Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	Taiwan	26.47 %	26.47 %

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

3.Collateral

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

(f) Changes in a parent's ownership interest in a subsidiary

On the meeting of the Board of the Directors on September 14, 2020, the Company passed the resolution to merge subsidiaries PChomePay Inc. and Pi Mobile Technology Inc.. Pi Mobile Technology Inc. would be the surviving company after this merger. Each common share of PChomePay Inc. will be converted into 0.10430441 share of Pi Mobile Technology Inc.. The Company's shareholding ratio of Pi Mobile Technology Inc. decreased from 89.72% to 81.04%.

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(g) Property, plant and equipment

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

	<u>Furniture and office equipment</u>	<u>Leasehold improvements</u>	<u>Leased assets</u>	<u>Total</u>
Cost:				
Balance at January 1, 2020	\$ 792,671	429,323	16,115	1,238,109
Additions	81,895	12,804	-	94,699
Obsolescence	(33,393)	-	-	(33,393)
Disposals	(25,509)	(57)	-	(25,566)
Balance at December 31, 2020	<u>\$ 815,664</u>	<u>442,070</u>	<u>16,115</u>	<u>1,273,849</u>
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	<u>\$ 792,671</u>	<u>429,323</u>	<u>16,115</u>	<u>1,238,109</u>
Depreciation and impairment loss:				
Balance at January 1, 2020	\$ 514,584	274,215	8,312	797,111
Depreciation for the year	107,180	29,931	3,223	140,334
Obsolescence	(33,393)	-	-	(33,393)
Disposals	(19,936)	(57)	-	(19,993)
Balance at December 31, 2020	<u>\$ 568,435</u>	<u>304,089</u>	<u>11,535</u>	<u>884,059</u>
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	<u>\$ 514,584</u>	<u>274,215</u>	<u>8,312</u>	<u>797,111</u>
Carrying amounts:				
At December 31, 2020	<u>\$ 247,229</u>	<u>137,981</u>	<u>4,580</u>	<u>389,790</u>
At December 31, 2019	<u>\$ 278,087</u>	<u>155,108</u>	<u>7,803</u>	<u>440,998</u>

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

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(h) Right-of-use assets

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

	Buildings	Machinery and equipment	Transportation equipment	Total
Cost:				
Balance as of January 1, 2020	\$ 3,210,698	73,079	1,166	3,284,943
Decrease	(18,302)	-	-	(18,302)
Balance as of December 31, 2020	<u>\$ 3,192,396</u>	<u>73,079</u>	<u>1,166</u>	<u>3,266,641</u>
Balance as of January 1, 2019	\$ 3,125,988	73,079	-	3,199,067
Additions	87,664	-	1,166	88,830
Decrease	(2,954)	-	-	(2,954)
Balance as of December 31, 2019	<u>\$ 3,210,698</u>	<u>73,079</u>	<u>1,166</u>	<u>3,284,943</u>
Accumulated depreciation:				
Balance as of January 1, 2020	\$ 451,597	13,492	281	465,370
Depreciation for the year	437,196	13,491	483	451,170
Other decrease	(17,929)	-	-	(17,929)
Balance as of December 31, 2020	<u>\$ 870,864</u>	<u>26,983</u>	<u>764</u>	<u>898,611</u>
Balance as of January 1, 2019	\$ -	-	-	-
Depreciation for the year	453,238	13,492	281	467,011
Other decrease	(1,641)	-	-	(1,641)
Balance as of December 31, 2019	<u>\$ 451,597</u>	<u>13,492</u>	<u>281</u>	<u>465,370</u>
Carrying amount:				
Balance as of December 31, 2020	<u>\$ 2,321,532</u>	<u>46,096</u>	<u>402</u>	<u>2,368,030</u>
Balance as of December 31, 2019	<u>\$ 2,759,101</u>	<u>59,587</u>	<u>885</u>	<u>2,819,573</u>

(i) Intangible assets

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

	Software
Cost:	
Balance at January 1, 2020	\$ 148,499
Acquired separately	14,582
Disposal and obsolescence	(73)
Balance at December 31, 2020	<u>\$ 163,008</u>

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	<b>Software</b>
Balance at January 1, 2019	\$ 104,849
Acquired separately	43,873
Disposal and obsolescence	<u>(223)</u>
Balance at December 31, 2019	<u><b>\$ 148,499</b></u>
Amortization and impairment losses:	
Balance at January 1, 2020	\$ 103,687
Amortization for the year	25,274
Disposal and obsolescence	<u>(73)</u>
Balance at December 31, 2020	<u><b>\$ 128,888</b></u>
Balance at January 1, 2019	\$ 80,809
Amortization for the year	23,101
Disposal and obsolescence	<u>(223)</u>
Balance at December 31, 2019	<u><b>\$ 103,687</b></u>
Carrying amounts:	
Balance at December 31, 2020	<u><b>\$ 34,120</b></u>
Balance at December 31, 2019	<u><b>\$ 44,812</b></u>

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

	<b>2020</b>	<b>2019</b>
Operating costs	<u><b>\$ 364</b></u>	<u><b>316</b></u>
Operating expenses	<u><b>\$ 24,910</b></u>	<u><b>22,785</b></u>

(j) Short-term borrowings

	<b>2020.12.31</b>	<b>2019.12.31</b>
Unsecured bank loans	<u><b>\$ -</b></u>	<u><b>390,000</b></u>
Unused short-term credit line	<u><b>\$ 2,629,080</b></u>	<u><b>40,117</b></u>
Range of interest rates	<u><b>-</b></u>	<u><b>1.20%~1.33%</b></u>

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current contract liabilities	\$ 396,615	265,842
Receipts under custody online payment processing service mainly	52,913	7,363
Current refund liabilities	<u>42,424</u>	<u>37,562</u>
	<u>\$ 491,952</u>	<u>310,767</u>

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

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

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

(l) Long-term borrowings

The details were as follows:

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

The unsecured bank loans were fully repaid in advance in October 2020.

(m) Bonds payable

The details of secured convertible bonds were as follows:

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

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The amounts of convertible bonds that were recognized in profit or loss were as follows:

	2020
Embedded derivative instruments – call options, included in other gains and losses	\$ <u>1,650</u>
Interest expense	\$ <u>2,481</u>

The Company issued secured 3-year convertible bonds at October 7, 2020, the face value of this bond amounted to \$1,500,000 thousand and was issued at 107.42% of the face value. Therefore, the actual borrowing amount was \$1,611,304 thousand. The issuance period was from October 7, 2020, to October 7, 2023, while the conversion period started from January 8, 2021, to October 7, 2023.

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

The Company has entered into an agreement to guarantee the issuance of corporate bonds with KGI Bank, Chang Hwa Commercial Bank Ltd. and Far Eastern International Bank Co., Ltd.. During the guarantee period (the same as the issuance period of the secured convertible bonds), these financial institutions are responsible for assuming main and subordinated debts such as the principal balance of convertible bonds and interest compensation payables. The guarantee ratio of KGI Bank, Chang Hwa Commercial Bank, Ltd., and Far Eastern International Bank Co., Ltd is 40%, 40% and 20%, respectively.

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

(n) Lease liabilities

Lease liabilities of the Company carrying amounts were as follows:

	2020.12.31	2019.12.31
Current	\$ <u>436,437</u>	<u>441,548</u>
Non-current	\$ <u>1,980,169</u>	<u>2,416,606</u>

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	\$ <u>32,006</u>	<u>37,487</u>
Expenses relating to short-term leases	\$ <u>37,961</u>	<u>42,296</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>1,966</u>	<u>287</u>

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

	2020	2019
Total cash outflow for leases	\$ <u>513,481</u>	<u>534,906</u>

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

(o) Employee benefits

1. Defined benefit plans

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Present value of defined benefit obligation	\$ 41,067	42,449
Fair value of plan assets	<u>(49,302)</u>	<u>(46,346)</u>
Net defined benefit assets	<u>\$ (8,235)</u>	<u>(3,897)</u>

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 \$49,302 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.

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:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ 42,449	40,080
Current service costs and interest	478	551
Remeasurement on the net defined benefit liabilities (assets)		
— Actuarial loss arising from changes in financial assumptions	<u>(1,860)</u>	<u>1,818</u>
Defined benefit obligation at December 31	<u>\$ 41,067</u>	<u>42,449</u>

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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:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 46,346	43,308
Interest income	528	603
Remeasurement on the net defined benefit liabilities (assets)		
— Return on plan assets (excluding current interest)	1,328	1,345
Contribution made	<u>1,100</u>	<u>1,090</u>
Fair value of plan assets at December 31	<u><u>\$ 49,302</u></u>	<u><u>46,346</u></u>

4) Expenses recognized in profit or loss

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

	<u>2020</u>	<u>2019</u>
Net interest of net defined benefit liabilities (assets)	<u><u>\$ (50)</u></u>	<u><u>(52)</u></u>
Operating costs	\$ (1)	(1)
Selling expenses	(39)	(42)
Administrative expenses	(4)	(3)
Research and development expenses	<u>(6)</u>	<u>(6)</u>
	<u><u>\$ (50)</u></u>	<u><u>(52)</u></u>

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

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

	<u>2020</u>	<u>2019</u>
Cumulative amount at January 1	\$ (1,958)	(2,431)
Recognized during the period	<u>(3,188)</u>	<u>473</u>
Cumulative amount at December 31	<u><u>\$ (5,146)</u></u>	<u><u>(1,958)</u></u>

6) Actuarial assumptions

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

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



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The Company will pay the defined benefit plans amounting to \$1,435 thousand within 1 year after the reporting date in December 31, 2020.

The weighted average duration of the defined benefit plans is 17.77 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:

	<b>Influences of defined benefit obligations</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2020		
Discount rate	(1,653)	1,731
Future salary increasing rate	1,667	(1,603)
December 31, 2019		
Discount rate	(1,765)	1,852
Future salary increasing rate	1,790	(1,717)

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 2020 and 2019, respectively.

2. Defined contribution plans

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

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

For the years ended December 31, 2020 and 2019, the Company set aside \$55,928 thousand and \$55,016 thousand, respectively, under the pension plan to the Bureau of the Labor Insurance.

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(p) Income taxes

1. Income tax expense recognized in profits or losses

The amounts of income tax were as follows:

	<u>2020</u>	<u>2019</u>
Current income tax expense:		
Current period	\$ 73,171	77,733
5% surtax on unappropriated earnings	115	-
Adjustment for prior periods	<u>(11,514)</u>	<u>(10,455)</u>
	<u>61,772</u>	<u>67,278</u>
Deferred tax benefit:		
Origination and reversal of temporary differences	<u>19,059</u>	<u>(17,243)</u>
Income tax expense	<u>\$ 80,831</u>	<u>50,035</u>

Income tax benefit recognized in other comprehensive income:

	<u>2020</u>	<u>2019</u>
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement from defined benefit plans	<u>\$ (638)</u>	<u>95</u>

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

	<u>2020</u>	<u>2019</u>
Profit excluding income tax	<u>\$ 333,625</u>	<u>212,472</u>
Income tax using the Company's domestic tax rate	66,725	42,494
Permanent differences-the share of loss of domestic subsidiaries, etc.	25,505	17,996
Over provision in prior periods	(11,514)	(10,455)
5% surtax on unappropriated earnings	<u>115</u>	<u>-</u>
Total	<u>\$ 80,831</u>	<u>50,035</u>

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2. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

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

	<b>Defined Benefit Plans</b>	<b>Unrealized Gain (Loss) of Investment</b>	<b>Others</b>	<b>Total</b>
<b>Deferred Tax Liabilities:</b>				
Balance at January 1, 2020	\$ 779	-	-	779
Debited (Credited) Income statement	230	-	-	230
Debit (Credited) Other Comprehensive Income	638	-	-	638
Balance at December 31, 2020	<u>\$ 1,647</u>	<u>-</u>	<u>-</u>	<u>1,647</u>
Balance at January 1, 2019	\$ 646	-	-	646
Debited (Credited) Income statement	228	-	-	228
Foreign currency translation differences for foreign operations	(95)	-	-	(95)
Balance at December 31, 2019	<u>\$ 779</u>	<u>-</u>	<u>-</u>	<u>779</u>
<b>Deferred Tax Assets:</b>				
Balance at January 1, 2020	\$ -	49,220	11,931	61,151
(Debited) Credited Income statement	-	(20,728)	1,899	(18,829)
Balance at December 31, 2020	<u>\$ -</u>	<u>28,492</u>	<u>13,830</u>	<u>42,322</u>
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	<u>\$ -</u>	<u>49,220</u>	<u>11,931</u>	<u>61,151</u>

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

(q) Capital and other equity

As of December 31, 2020 and 2019, the total value of nominal ordinary shares amounted to \$1,500,000 thousand. The face value of each share is \$10. There were 118,259 in thousands of ordinary shares issued (including the issuance of the employee restricted shares amounted to 1,100 thousand shares on October 22, 2020) and 117,159 in thousands of ordinary shares issued, respectively. All issued shares were paid up upon issuance.

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1. Capital surplus

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

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

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

2. Retained earnings

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

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

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

1) Legal reserve

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

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2) Special reserve

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

3) Earnings distribution

The amount of cash dividends of appropriations of earnings for 2019 that had been approved in the meeting of the board of directors on March 26, 2020 was \$82,012 thousand. The appropriations of making up for loss through Legal reserve, Special reserve and capital surplus that had been approved in the shareholders' meeting on June 14, 2019 were \$408,184 thousand, \$4,120 thousand and \$790,347 thousand. Relevant information would be available at the Market Observation Post System website.

3. Other equity, net of tax

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

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(r) Share-based payment

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

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

The Company's compensation cost due to share-based payment is \$4,011 thousand for the year ended December 31, 2020.

(s) Earnings per share

The Company calculated the basic and diluted EPS as follows:

1. Basic earnings per share (NT dollars)

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

2. Diluted earnings per share (NT dollars)

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

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(t) Revenue from contracts with customers

	<u>2020</u>	<u>2019</u>
Revenue of electronic commerce	\$ <u>41,672,964</u>	<u>36,308,415</u>

(u) Rewards of employees, directors and supervisors

In accordance with the articles of the Company should contribute 1%~15% of the profit as employee compensation and less than 1.5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated 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.

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

For the year ended December 31, 2019, the remunerations to employees, and directors and supervisors amounted to \$11,237 thousand and \$1,261 thousand, respectively. The remunerations to employees were paid in cash, and the remunerations to directors and supervisors will not be distributed based on the decision made by the board of directors. Related information would be available at the Market Observation Post System website.

(v) Non-operating income and expenses

1. Interest income

	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 4,857	5,971
Other interest income		
Interest income on lease receivable	72	57
Others	<u>1,169</u>	<u>7,302</u>
Total Interest income	\$ <u>6,098</u>	<u>13,330</u>

2. Other income

The details of other income were as follows:

	<u>2020</u>	<u>2019</u>
Dividend income	\$ 8,495	5,263
Others	<u>49,802</u>	<u>18,972</u>
Total other income	\$ <u>58,297</u>	<u>24,235</u>

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3. Other gains and losses, net

The details of other gains and losses were as follows:

	<u>2020</u>	<u>2019</u>
Gains on disposal of property, plant and equipment	\$ 552	1
Losses on disposal of investments	(9,099)	-
Foreign currency exchange (losses) gains	(806)	405
Losses on current financial assets at fair value through profit or loss	(1,650)	-
Miscellaneous disbursements	-	(2)
Other gains and losses, net	<u>\$ (11,003)</u>	<u>404</u>

4. Finance costs

The details of finance cost were as follows:

	<u>2020</u>	<u>2019</u>
Interest expense	\$ <u>42,784</u>	<u>49,926</u>

(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, 2020 and 2019, the maximum exposure to credit risk amounted to \$6,207,170 thousand and \$4,415,024 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:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>Balance at December 31, 2020</b>							
Non-derivative financial liabilities							
Notes payable	\$ 143	143	143	-	-	-	-
Accounts payable	3,755,000	3,755,000	3,755,000	-	-	-	-
Other payables	742,834	742,834	742,834	-	-	-	-
Lease liability	2,416,606	2,416,606	222,983	213,454	394,047	1,180,158	405,964
Bonds payable	1,470,300	1,500,000	-	-	-	1,500,000	-
	<u>\$ 8,384,883</u>	<u>8,414,583</u>	<u>4,720,960</u>	<u>213,454</u>	<u>394,047</u>	<u>2,680,158</u>	<u>405,964</u>



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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>Balance at December 31, 2019</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 390,000	390,000	390,000	-	-	-	-
Long-term borrowings	800,000	800,000	100,000	-	200,000	300,000	200,000
Notes payable	145	145	145	-	-	-	-
Accounts payable	2,946,591	2,946,591	2,946,591	-	-	-	-
Other payables	555,646	555,646	555,646	-	-	-	-
Lease liability	2,858,154	2,858,154	219,943	221,605	436,438	1,325,735	654,433
	<u>\$ 7,550,536</u>	<u>7,550,536</u>	<u>4,212,325</u>	<u>221,605</u>	<u>636,438</u>	<u>1,625,735</u>	<u>854,433</u>

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

### 3. Currency risk

#### 1) Currency risk exposure

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

	<u>2020.12.31</u>			<u>2019.12.31</u>		
	<u>Foreign currency (thousands of dollars)</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency (thousands of dollars)</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 79	28.10	2,233	17	29.98	499

#### 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 TWD against the USD as of December 31, 2020 and 2019, would have increased (decreased) net profit after tax by \$89 thousand and \$20 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

Due to the variety of functional currency, the Company disclosed foreign currency exchange gain on monetary items aggregately. The foreign exchange gain (loss) (include realized and unrealized) were loss \$806 thousand and gain \$405 thousand in 2020 and 2019, respectively.

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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 \$3,336 thousand and \$1,599 thousand as of December 31, 2020 and 2019. This is mainly due to the cash equivalents being at variable rates.

5. Other market price risk

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

Prices of securities at the reporting date	2020		2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 1%	\$ 1,987	12	1,715	-
Decreasing 1%	(1,987)	(12)	(1,715)	-

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 :

	2020.12.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Fair value through profit or loss</b>					
Embedded derivative - call options	\$ <u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
<b>Fair value through other comprehensive income</b>					
Domestic stock of non-listed company	\$ <u>248,425</u>	<u>-</u>	<u>-</u>	<u>248,425</u>	<u>248,425</u>
	2019.12.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Fair value through other comprehensive income</b>					
Domestic stock of non-listed company	\$ <u>214,329</u>	<u>-</u>	<u>-</u>	<u>214,329</u>	<u>214,329</u>

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2) Valuation techniques for financial instruments measured at fair value

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

3) Reconciliation of Level 3 fair values

	Fair value through profit or loss	Fair value through other comprehensive income
<b>Opening balance, January 1, 2020</b>	\$ -	214,329
Total gains and losses recognized:		
In profit or loss	(1,650)	-
In other comprehensive income	-	28,086
Purchasing	-	105,310
Derecognized	-	(99,300)
Issuance of convertible bonds	3,150	-
<b>Ending Balance, December 31, 2020</b>	<b>\$ 1,500</b>	<b>248,425</b>
<b>Opening balance, January 1, 2019</b>	\$ -	89,842
Total gains and losses recognized:		
In other comprehensive income	-	39,487
Purchasing	-	85,000
<b>Ending Balance, December 31, 2019</b>	<b>\$ -</b>	<b>214,329</b>

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

	2020	2019
Total gains and losses recognized:		
In profit or loss, and including “other gains and losses”	\$ (1,650)	-
In other comprehensive income, and including “unrealized gains and losses from fair value through other comprehensive income”	28,086	39,487

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

Most of the Company'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.

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

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, 2020						
Financial assets at fair value through profit or loss						
Embedded derivative - call options	Volatility	5%	\$ <u>75</u>	<u>(75)</u>	<u>-</u>	<u>-</u>
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	\$ <u>-</u>	<u>-</u>	<u>12,421</u>	<u>(12,421)</u>
December 31, 2019						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	\$ <u>-</u>	<u>-</u>	<u>10,716</u>	<u>(10,716)</u>

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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.

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.

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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.

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. Relevant information please refer to 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.

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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 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 parent company only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
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.	"

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Name of related party	Relationship with the Company
Pay and Link Inc.	Subsidiary of the Company
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

(c) Related-party transactions

1. Operating revenue

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

	2020	2019
Subsidiaries	\$ 43,084	56,050
Associates	286	287
	<u>\$ 43,370</u>	<u>56,337</u>

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:

	2020	2019
Subsidiaries	\$ 3,975	47

Prices for the purchases above were negotiated, and there were no comparable prices with non-related parties.



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3.Receivables from related parties

<b>Item</b>	<b>Related party categories</b>	<b>2020.12.31</b>	<b>2019.12.31</b>
Accounts receivable	Subsidiaries	\$ 253,371	360,511
Accounts receivable	Associates	25	25
Lease receivable	Associates	4,681	7,324
Other receivables	Subsidiaries	3,026	3,946
Other receivables	PChome Store Inc.	-	190,000
Other receivables	Associates	31	26
		<b>\$ 261,134</b>	<b>561,832</b>

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

4.Payables to related parties

Payables of the Company from related parties were as follows :

<b>Item</b>	<b>Related party categories</b>	<b>2020.12.31</b>	<b>2019.12.31</b>
Accounts payables	Subsidiaries	\$ 2,378	-
Other payables	Subsidiaries	30,957	30,123
Other payables	Associates	2	12
		<b>\$ 33,337</b>	<b>30,135</b>

5.Property transactions

1) Disposals of property, plant and equipment

The disposals of property, plant and equipment to related parties are summarized as follows:

	<b>2020</b>	<b>2019</b>
	<b>Disposal price</b>	<b>Gain (loss) from disposal</b>
Subsidiaries	\$ 6,125	552

6.Others

1) For the years ended December 31, 2020 and 2019, logistics expense, services expense and others are as follows:

	<b>2020</b>	<b>2019</b>
Subsidiaries	\$ 454,611	171,912

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

3) For the years ended December 31, 2020 and 2019, the Company's interest revenue resulting from loan to subsidiaries amounted to \$1,169 thousand and \$7,283 thousand, respectively.

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7. Endorsements and guarantees with related parties

As of December 31, 2020, the Company's guarantees for non-related parties to fulfill their obligations in accordance with the service contract with its subsidiary Linktel Inc., Pi Mobile Technology Inc. and PChome Store Inc. were \$5,823 thousand, \$300,000 thousand and \$400,000 thousand, respectively. As of December 31, 2019, 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.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ <u>64,633</u>	<u>52,911</u>

**(8) Restricted Assets**

The following assets were restricted in use:

Assets	Purpose of Pledge	2020.12.31	2019.12.31
Deposit account-current	Security for performance and purchase guarantee	\$ 60,976	60,976
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	<u>108,081</u>	<u>108,222</u>
		\$ <u>169,057</u>	<u>169,198</u>

**(9) Significant Contingencies and Commitments**

- (a) The agreement with a non-related party for internet phone services entered into in July 2004 was renewed on April 1, 2009. Pursuant to the newly revised agreement, the net revenue from these services is allocated each month between the parties by a set ratio. As the Company sold its internet phone services to Linktel Inc. (with 100% shareholding) on March 1, 2011, Linktel Inc. and the Company signed a contract with the non-related party in which the Company acts as the guarantor of the non-related party at all times and during the term of the agreement.
- (b) As of December 31, 2020 and 2019, notes payable deposited as guarantee for commercial vehicle and office and building leases were \$247,211 thousand and \$243,821 thousand, respectively.
- (c) As of December 31, 2020 and 2019, 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 \$2,000,000 thousand and \$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 November 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.

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

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

(12) **Others**

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

Categorized as Nature	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	39,024	1,133,267	1,172,291	23,642	1,094,871	1,118,513
Labor and health insurance	3,781	103,248	107,029	2,436	104,603	107,039
Pension	1,991	53,887	55,878	1,252	53,712	54,964
Remuneration of directors	-	3,320	3,320	-	3,099	3,099
Other employee benefits	1,589	43,136	44,725	1,041	41,481	42,522
Depreciation	6,282	585,222	591,504	3,759	606,738	610,497
Amortization	364	24,910	25,274	316	22,785	23,101

Additional information about the numbers of the Company's employees and employee benefits was as follows:

	2020	2019
The average numbers of the Company's employees	<u>1,750</u>	<u>1,851</u>
The number of non-employee directors	<u>3</u>	<u>2</u>
The average employee benefits	<u>\$ 790</u>	<u>716</u>
The average employee salary	<u>\$ 671</u>	<u>605</u>
The adjustment on the average salary	<u>10.91 %</u>	<u>4.31 %</u>

The Company's salary compensation policy (including the directors, managers and employees) is as follow:

(a) Procedures for the determination of directors' remuneration

1. Remuneration for performing business

The expenses incurred by the Company for the board of directors meeting, such as transportation allowance or other related expenses, shall be paid with the approval of the general manager, and any other professional remuneration shall be submitted by the general manager to the remuneration committee for review and approved by the board of directors.

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2. Annual earnings distribution

The remuneration committee of the Company shall propose an earning distribution proposal based on the degree of participation of the directors and supervisors in the operation of the Company and the value of their contributions to the Company, and then submit it to the board of directors for approval. The fixed remuneration standard for independent directors is approved by the Company's 2005 shareholders meeting in accordance with Article 196 of the Company Act, and then the remuneration of independent directors is deducted from the annual earning distribution.

(b) Compensation policy for managers and employees

1. Business model and the importance of talent

The Company continues to actively develop all kinds of virtual and real integration business, including expanding the layout of intelligent warehousing and logistics system; opening its own logistics services to the outside; starting fresh food E-commerce services; accelerating cross-border business and cross-industry alliances; starting O2O layout; deeply applying forward-looking technologies such as big data, artificial intelligence and the Internet of Things, focusing on service innovation, accelerating the integration of internal and external resources of the group, developing network services for the benefit of all kinds of society and consumers, and achieving long-term profit growth. Therefore, how to attract and retain excellent employees who are in line with the company's strategic values is the most important issue for the Company's future growth.

2. Purpose

The main purpose of the Company's strategic salary design is to support the Company's short and long term strategic purpose, and to effectively recruit, motivate and retain talent. In addition to complying with the principles of fairness and consistency internally, it should also reflect a performance-oriented culture to match the Company's current and future overall salary level of the organizational structure; externally, it is necessary to maintain the Company's overall salary level and reward system to ensure the competitiveness of the Company in E-commerce industry.

3. The main reasons for the salary policy decision

The Company's salary policy depends on the Company's overall salary position in the market and the results of the industry salary survey. The main reasons for the Company's salary policy are as follows:

1) The position of the overall salary of the Company in the market

The salary level of the Company depends on the position level, job attributes, and the difficulty of replacement, to make different market positioning.

2) Survey of industry salary

The purpose of salary survey is to understand the current situation of salary in the market, and use the results of the survey as the basis for the adjustment of salary level, salary mix form or structure, or for the evaluation of salary for special talents or new positions, so as to ensure the competitive advantage of the company in human resources.

The Company's salary survey is based on salary survey reports of external consultants in the retail industry.

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3) Internal fairness of salary policy

The Company's salary policy is based on the level of position, job attributes or personal conditions, mainly based on the job or employee's relative contribution to the value of the enterprise to determine the salary. Consistent benchmarks are based on the systematic collection and analysis of various job responsibilities and basic qualifications of employees in the organization, and compile a "Job Description", which serves as the main reference for pay and salary structure.

**(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, 2020:

1. Fund financing to other parties:

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

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

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

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

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

2. Guarantees and endorsements for other parties:

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

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

Note 1: 0 is issuer.

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

Note 3: Relationship with the Company

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 stocks.
3. The parent company which directly or indirectly holds more than 50% of its voting rights.

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**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
**(Expressed in, Unless Otherwise Specified)**

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.

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

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

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

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

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
PChome Online Inc.	Pi Mobile Technology Inc.	Subsidiary	253,106	- %	-		253,106	-

9. Derivative transactions: None.

**(English Translation of Financial Statements and Report Originally Issued in Chinese)**  
**PCHOME ONLINE INC.**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
**(Expressed in, Unless Otherwise Specified)**

(b) Information on investees:

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

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

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
PChome Online Inc.	IT Home Publications Inc.	Taiwan	Magazine publication	30,000	30,000	5,014,802	100.00 %	54,845	1,947	1,947	
"	Linktel Inc.	"	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	68,316	(30,365)	(30,365)	
"	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	3,241	(2,518)	(2,518)	
"	Rakuya International Info. Co. Ltd.	Taiwan	Real estate business, and internet information rental service	47,439	47,439	3,035,115	26.47 %	19,432	27,927	7,392	
"	PChome Store Inc.	"	Internet services	326,494	326,494	18,435,220	34.35 %	(238,108)	(15,931)	(5,472)	
"	PChomePay Inc.	"	Online payment processing services	-	756,000	-	- %	-	(51,922)	(28,588)	
"	PChome US Inc.	United States of America	E-commerce platform	134,065	134,065	45,800,000	91.97 %	6,948	(1,705)	(1,568)	
"	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	1,069,297	1,069,297	349,508,366	100.00 %	502,384	19,548	19,548	
"	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	530,319	140,000	34,488,513	81.04 %	396,109	(149,886)	(136,904)	
"	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	131,875	66,200	13,249,999	66.25 %	58,243	(26,225)	(17,244)	
"	PChome Travel Inc.	Taiwan	Travel agency business	36,000	36,000	3,600,000	100.00 %	21,513	(5,711)	(5,711)	
"	PChome Financial Technology Inc.	"	Information service	10,000	10,000	1,000,000	100.00 %	4,048	(103)	(103)	
"	PChome Holding Inc.	British Virgin Islands	Investment activities	1,169,090	1,169,090	385,000,000	100.00 %	(204,028)	(12,061)	(12,061)	
PChome Online Inc.	PChome Express Co., Ltd.	Taiwan	Transportation and logistics	200,000	200,000	20,000,000	100.00 %	157,488	(10,119)	(10,119)	
"	Chunghwa PChome Fund 1 Co., Ltd.	"	Investment activities	200,000	200,000	20,000,000	50.00 %	192,856	(2,450)	(1,225)	
"	Comerstone Ventures Co., Ltd.	"	Investment activities	5,100	5,100	510,000	51.00 %	6,306	1,255	640	
"	PChome CB Co., Ltd.	"	E-commerce cross-border services	140,000	140,000	14,000,000	70.00 %	128,161	(5,770)	(4,039)	
"	Mitch Co., Ltd.	"	Clothing sales	162,000	162,000	16,200,000	60.00 %	116,581	(65,408)	(39,246)	
"	Miho International Cosmetic Co., Ltd.	"	Cosmetics and clothing sales	-	-	-	- %	-	(55,993)	(875)	
PChome eBay Co., Ltd.	PChomePay Inc.	"	Online payment processing services	-	205,200	-	- %	-	(51,922)	(14,229)	
"	Pi Mobile Technology Inc.	"	Online payment processing services	205,200	-	2,611,531	6.14 %	30,011	(149,886)	(136,904)	
"	PChome Store Inc.	"	Internet services	632,258	632,258	11,896,486	22.16 %	(27,319)	(15,931)	(3,530)	

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**PCHOME ONLINE INC.**

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

**(Expressed in, 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			
PChomePay Inc.	Pay and Link Inc.	Taiwan	Electronic payment business	-	500,388	-	- %	-	(35,648)	(29,081)	
"	Zhen Jain Lian International Co., Ltd.	"	Online payment processing services	-	3,000	-	- %	-	(7)	(7)	
"	Yin Te Lian International Co., Ltd.	"	"	-	3,000	-	- %	-	(7)	(7)	
"	Yun Tung Bao International Co., Ltd.	"	Online payment processing services	-	3,000	-	- %	-	(60)	(50)	
Pi Mobile Technology Inc.	Pay and Link Inc.	"	Electronic payment business	500,388	-	50,100,000	100.00 %	328,617	(35,648)	(6,567)	
"	Yun Tung Bao International Co., Ltd.	"	Online payment processing services	3,000	-	300,000	100.00 %	2,581	(60)	(10)	
PC Home Online International Co., Ltd.	PCHOME ONLINE INC.	Cayman Islands	International trade and investment activities	25,311	25,311	10,000,000	100.00 %	4,627	(2,385)	(2,385)	
PCHOME ONLINE INC.	PC HOME ONLINE (HK) LTD.	Hong Kong	Information service and indirect investment activities	25,140	25,140	5,641,239	100.00 %	6,811	(2,075)	(2,075)	
"	PChome eBay Co., Ltd.	Japan	Information processing and provision of electronic information	5,438	5,438	2,000,000	2.88 %	881	(48,231)	(2,033)	
ECOMMERCE GROUP CO., LTD.	RUTEN GLOBAL INC.	Cayman Islands	Investment activities	831,606	831,606	266,063,307	100.00 %	584,627	19,669	19,669	
RUTEN GLOBAL INC.	EC Global Limited	Hong Kong	"	22,740	22,740	7,494,642	100.00 %	6,556	(201)	(201)	
"	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	490,525	77,899	50,634	
"	PChome Japan KK	Japan	"	68,124	54,499	19,794,850	46.12 %	14,119	(48,231)	(21,592)	
"	RUTEN SINGAPORE PTE. LTD.	Singapore	"	-	63,045	-	- %	-	(158)	(102)	
PChome Holding Inc.	PChome Marketplace Inc.	Cayman Islands	Investment activities	1,169,090	1,169,090	38,335,000	100.00 %	1,137,785	(11,943)	(11,943)	
PChome Marketplace Inc.	PChome Japan KK	Japan	Internet services	119,330	119,330	43,500,000	100.00 %	20,063	(6,075)	(6,075)	
"	PChome Store Inc.	Taiwan	Internet services	998,758	998,758	19,206,893	35.78 %	(330,115)	(15,931)	(5,700)	
PChome CB Co., Ltd.	PChome CBS Co., Ltd.	Taiwan	International trading E commerce	127,000	127,000	2,900,000	100.00 %	128,391	3,849	3,849	
"	PCHOME CB PTE. LTD.	Singapore	Internet services	59,698	59,698	190,000	100.00 %	41,789	(9,529)	(9,529)	
PCHOME CB PTE. LTD.	PChome Bibian Inc.	Japan	E commerce cross border services	51,069	51,069	18,000,000	100.00 %	35,777	(9,495)	(9,495)	



(English Translation of Financial Statements and Report Originally Issued in Chinese)  
PCHOME ONLINE INC.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(Expressed in, Unless Otherwise Specified)

(c) Information on investment in Mainland China:

1. Information on investment in Mainland China: None.
2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period (Note 3)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission (Note 3)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission
-	54,233	2,450,401

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

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

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

3. Significant transactions: None.

(d) Major shareholders:

(Unit: Share)

Shareholder's Name	Shareholding	Shares	Percentage
Site Co., Ltd.		18,907,864	15.99 %

Note: (1) The information on major shareholders is based on the number of ordinary shares and special shares held by shareholders with ownership of 5% or more that have been issued without physical registration (including treasury shares) by the Company as of September 30, 2020. The share capital in financial report may differ from the actual number of shares that have been issued without physical registration due to different preparation basis.

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

**(14) Segment Information**

Please refer to the consolidated financial report for the years ended December 31, 2020.

**PChome Online Inc.**  
**STATEMENT OF CASH AND CASH EQUIVALENTS**  
**December 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash and cash equivalents		\$ 1,032
Checking accounts		42,547
Savings accounts		4,318,348
Foreign currency deposits	USD79 @ 28.10	5,384
	EUR86 @ 34.56	
	HKD4 @ 3.63	
	THB2 @ 0.94	
	CNY39 @ 4.31	
Time deposits	From January 13, 2021 to December 21, 2021 (maturity date)	
	Interest Rate: 0.07%~1.01%	488,000
Total		<u><u>\$ 4,855,311</u></u>

**PChome Online Inc.**  
**STATEMENT OF ACCOUNTS RECEIVABLE**  
**December 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related parties :			
Pi Mobile Technology Inc.		\$ 253,106	
Others		<u>290</u>	Note
Subtotal		<u>253,396</u>	
Non-related parties :			
NCCC		83,258	
Taishin International Bank Co., Ltd.		34,174	
Others		<u>291,838</u>	Note
Subtotal		409,270	
Less : Allowance for impairment loss		<u>(426)</u>	
Net amount		<u>408,844</u>	
Total		<u><u>\$ 662,240</u></u>	

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**PChome Online Inc.**  
**STATEMENT OF OTHERS RECEIVABLE**  
**December 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>	<b>Note</b>
Interest receivable	Interest revenue from bank deposit	\$ 171	
Other receivables	Incentive receivable	70,918	
	Grants receivable	190,515	
	Other	<u>3,802</u>	
Total		<u><u>\$ 265,406</u></u>	

**STATEMENT OF INVENTORIES**

<b>Item</b>	<b>Amount</b>		<b>Note</b>
	<b>Cost</b>	<b>Net Realizable Value</b>	
Merchandise inventories			
Electronic commerce merchandise	\$ 1,787,970	1,774,524	Note
Less : Allowance for inventory valuation and obsolescence losses	<u>(13,446)</u>	<u>-</u>	
	<u><u>\$ 1,774,524</u></u>	<u><u>1,774,524</u></u>	

Note : The market price is determined by the net realizable value.

**PChome Online Inc.**

**STATEMENT OF CHANGES IN FINANCIAL ASSETS**

**MEASURED AT FAIR VALUE THROUGH OTHER**

**COMPREHENSIVE INCOME-NON-CURRENT**

**For the Year Ended December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

Name	Balance, January 1, 2018		Additions		Decrease		Balance, December 31, 2018		Collateral	Note
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
Syspower Ltd.	744,118	\$ 19,972	-	-	-	677	744,118	19,295	None	
Openfind Information Technology Inc.	800,000	30,536	-	2,280	-	-	800,000	32,816	"	
Career consulting Co., Ltd.	113,005	2,526	-	-	-	253	113,005	2,273	"	
Readmoo Co., Ltd.	2,877,193	22,097	848,452	8,485	-	1,336	3,725,645	29,246	"	
IPEVO Corp.	1,566,415	21,068	-	40,429	-	-	1,566,415	61,497	"	
Famicloud Inc.	500,000	9,530	-	-	-	5,205	500,000	4,325	"	
Miho International Cosmetics Co., Ltd	7,500,000	108,600	7,500,000	89,325	7,500,000	108,600	7,500,000	89,325	"	
Taiwan Advance Intelligent Tech. Co., Ltd.	-	-	1,732,102	9,648	-	-	1,732,102	9,648	"	
Total		<u>\$ 214,329</u>		<u>150,167</u>		<u>116,071</u>		<u>248,425</u>		

PChome Online Inc.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the Year Ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Name of Company	Balance, January 1, 2018		Additions		Decrease		Balance, December 31, 2018			Market Price or Net Assets		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price	Total Amount		
eCommerce Group Co., Ltd.	349,508,366	\$ 532,112	-	-	-	29,728	349,508,366	100.00 %	502,384	-	502,384	None	Note
PChome Store Inc.	18,435,220	(233,861)	-	-	-	4,247	18,435,220	34.35 %	(238,108)	-	(238,108)	"	"
PChomePay Inc.	46,800,000	279,336	-	-	46,800,000	279,336	-	- %	-	-	-		
Linktel Inc.	17,325,940	98,681	-	-	-	30,365	17,325,940	100.00 %	68,316	-	68,316	None	Note
	6,500,000	13,386	6,749,999	65,675	-	20,818	13,249,999	66.25 %	58,243	-	58,243	"	"
IT Home Publications Inc.	5,014,802	51,763	-	3,082	-	-	5,014,802	100.00 %	54,845	-	54,845	"	"
	122,328	5,329	-	-	-	2,088	122,328	100.00 %	3,241	-	3,241	"	"
Pi Mobile Technology Inc.	9,000,000	34,841	25,488,513	390,319	-	29,051	34,488,513	81.04 %	396,109	-	396,109	"	"
PChome US Inc.	45,800,000	9,032	-	-	-	2,084	45,800,000	91.97 %	6,948	-	6,948	"	"
PChome Travel Inc.	3,600,000	27,224	-	-	-	5,711	3,600,000	100.00 %	21,513	-	21,513	"	"
Rakuya International Info. Co. Ltd.	3,035,115	12,039	-	7,393	-	-	3,035,115	26.47 %	19,432	-	19,432	"	"
PChome Financial Technology Inc.	1,000,000	4,151	-	-	-	103	1,000,000	100.00 %	4,048	-	4,048	"	"
	385,000,000	(105,661)	-	-	-	98,367	385,000,000	100.00 %	(204,028)	-	(204,028)	"	"
Cornerstone Ventures Co., Ltd.	510,000	5,666	-	640	-	-	510,000	51.00 %	6,306	-	6,306	"	"
Chunghwa PChome Fund 1 Co., Ltd.	20,000,000	194,081	-	-	-	1,225	20,000,000	50.00 %	192,856	-	192,856	"	"
Pchome Express Co., Ltd.	20,000,000	167,607	-	-	-	10,119	20,000,000	100.00 %	157,488	-	157,488	"	"
PChome CB Co., Ltd.	14,000,000	132,846	-	-	-	4,685	14,000,000	70.00 %	128,161	-	128,161	"	"
Mitch Co., Ltd.	16,200,000	155,827	-	-	-	39,246	16,200,000	60.00 %	116,581	-	116,581	"	"
		<u>\$ 1,384,399</u>		<u>467,109</u>		<u>557,173</u>			<u>1,294,335</u>		<u>1,294,335</u>		

Note: When there is no open market price at the December 31, 2020, the market price is determined by the net assets.

**PChome Online Inc.**  
**STATEMENT OF ACCOUNTS PAYABLES**  
**December 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

Name of Client	Description	Amount	Note
Non-related parties :			
Others		\$ <u>3,755,000</u>	Note

Note: The amount of the individual client in others does not exceed 5% of the total amount.

**STATEMENT OF OTHER PAYABLES**

Item	Description	Amount	Note
Accrued expense	Salaries	\$ 271,999	
	Logistic expense	113,565	
	Others	<u>280,147</u>	
	Subtotal	<u>665,711</u>	
Other payables	Business tax	1,397	
	Acquisition of property, plant and equipment	15,374	
	Estimated sales discounts	54,586	
	Compensation of board and directors	2,781	
	Others	<u>4,382</u>	
	Subtotal	<u>78,520</u>	
Total		\$ <u><u>744,231</u></u>	

**PChome Online Inc.**  
**STATEMENT OF OPERATING COSTS**  
**For the Year Ended December 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>	
	<u>Subtotal</u>	<u>Total</u>
Cost of goods sold - Electronic commerce merchandise		
Balance of inventory, beginning of year	\$ 1,694,328	
Add : Purchase	<u>36,556,786</u>	38,251,114
Less : Loss on disposal of scrap		(1,175)
Loss on physical inventory		(2,753)
Balance of inventory, ending of year		<u>(1,787,970)</u>
Cost of goods sold - Electronic commerce merchandise		36,459,216
Portal site service costs		38,134
Editing and network technology costs		140,252
Loss on inventory market price decline and obsolescence		3,998
Loss on disposal of scrap		1,175
Loss on physical inventory		2,753
Service cost		<u>10,572</u>
Operating Costs		<u><u>\$ 36,656,100</u></u>



**PChome Online Inc.**  
**STATEMENT OF EDITING AND INTERNET**  
**TECHNOLOGY COSTS**

**For the Year Ended December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Salaries		\$ 39,024
System maintenance expense		8,132
Content usage expense		452
Bandwidth expense		85,283
Insurance expense		3,781
Meal expense		1,260
Unpaid bonuses		329
Pension		1,991
Total		<u>\$ 140,252</u>

**PChome Online Inc.**

**STATEMENT OF OPERATING EXPENSES**

**For the Year Ended December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Selling expenses</b>	<b>Administration expenses</b>	<b>Research and development expenses</b>	<b>Total</b>
Salaries	\$ 795,605	157,928	179,734	1,133,267
Freight	478,572	134	3	478,709
Fee expense	828,474	3,223	2	831,699
Insurance expense	103,870	9,624	16,495	129,989
Depreciation expense	491,321	12,524	81,377	585,222
Advertisement expense	516,823	3,419	-	520,242
Other expenses	628,575	61,014	58,278	747,867
Total	<u>\$ 3,843,240</u>	<u>247,866</u>	<u>335,889</u>	<u>4,426,995</u>

## Representation Letter

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

Company Name: PChome Online Inc.

Chairman: Hung-Tze Jan

Date: February 25, 2021



安侯建業聯合會計師事務所  
KPMG

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## Independent Auditors' Report

To the Board of Directors of PChome Online Inc.:

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Revenue recognition

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

#### Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

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

## **Other Matter**

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

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

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

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

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

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

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

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

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



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

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

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

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

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

KPMG

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

#### Notes to Readers

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

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.

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(Expressed in Thousands of New Taiwan Dollars)

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

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

**PCHOME ONLINE INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

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

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

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



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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the years ended December 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

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

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

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

**PCHOME ONLINE INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**(1) Organization and Business**

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

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

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

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

**(3) New Standards and Interpretations Not Yet Adopted:**

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

**(a) Statement of compliance**

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

**(b) Basis of preparation**

**1. Basis of measurement**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

**2. Functional and presentation currency**

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

**(c) Basis of consolidation**

**1. Principle of preparation of the consolidated financial statements**

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

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

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

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

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

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2. List of subsidiaries in the consolidated financial statements:

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

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

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

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

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

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

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

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(d) Foreign Currency

1. Foreign currency transaction

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

2. Foreign operations

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

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

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

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

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

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



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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

1. Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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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.

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

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

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

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

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

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

6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

**7) Derecognition of financial assets**

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

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

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**2. Financial liabilities and equity instruments**

**1) Financial liabilities**

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

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

**2) Derecognizing of financial liabilities**

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

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

**3) Offsetting of financial assets and liabilities**

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

**(h) Inventories**

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

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

**(i) Investment in associates**

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

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

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

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

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

(j) Property, plant, and equipment

1. Recognition and measurement

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

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

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

2. Subsequent cost

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

3. Depreciation

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

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

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

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

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(k) Leases

1. Identifying a lease

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

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

2. As a lessee

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

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

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



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

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

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

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

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

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

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

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

**3. As a lessor**

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



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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'.

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

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(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.

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2) Services

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

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

(o) Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

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

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

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

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

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**3. Short-term employee benefits**

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

**(p) Share-based payment**

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

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

**(q) Income taxes**

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

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

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

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

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

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

(r) **Business combination**

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

All acquisition-related transaction costs are expensed as incurred.

(s) **Earnings per share**

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

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

(t) **Operating segments**

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

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

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

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

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**(6) Explanation to Significant Accounts**

(a) Cash and cash equivalents

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

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

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

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

1. The Group acquired FP International Limited's convertible bonds for \$21,616 thousand in the first quarter of 2019. The convertible bonds were fully converted into 42,000 preferred stocks in the first quarter of 2020, with the fair value of \$33,408 thousand. The transaction was recognized at financial assets designated at fair value through profit or loss.
2. The Group acquired Ecommerce Enablers Pte. Ltd.'s preferred stocks for \$1,020 thousand in the first quarter of 2020.
3. The Group acquired Traveler Co., Ltd.'s and Aiello Inc.'s convertible bonds for \$5,910 thousand and \$10,339 thousand in the third quarter of 2020.
4. The Group acquired Hard Core Technology Crop. and Tresl Inc's convertible bonds for \$8,679 thousand and \$8,640 thousand in the fourth quarter of 2020.
5. The Group issued convertible bonds in the fourth quarter of 2020, the fair value of embedded derivative-call options is \$1,500 thousand, please refer to Note (6)(o).
6. Relevant information for the price risk please refer to Note (6)(y).
7. Abovementioned financial assets designated at fair value through profit or loss of the Group had not been pledged as collateral.

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Equity instruments at fair value through other comprehensive income		
Stocks unlisted on domestic markets	\$ <u>248,425</u>	<u>214,329</u>

1. The Group holds these equity instruments, which are not held for trading at designated fair value through other comprehensive income, for long-term strategic purposes.
2. The Group acquired common stocks of Taiwan Advance Intelligent Tech. Co., Ltd. for \$7,500 thousand during the third quarter of 2020.
3. The Group acquired common stocks of Readmoo Co., Ltd. for \$8,485 thousand during the fourth quarter of 2020.
4. The Group has obtained three of the nine director seats on the board of directors of Miho International Cosmetic Co., Ltd. since July 1, 2020, and acquired significant influence over that company from that date. Therefore, the Group transferred this investment from non-current financial assets at fair value through other comprehensive income to investments accounted for using the equity method. The fair value at the time of disposal was \$99,300 thousand, and the disposal profit amounted to \$24,300 thousand. The accumulated disposal profit has been transferred from other equity interests to retained earnings. Since two of the three abovementioned directors resigned at December 9, 2021, the Group lost the significant influence over that company from that date. The Group transferred this investment from investments accounted for using the equity method to non-current financial assets at fair value through other comprehensive income. Relevant information please refer to Note (6)(f).
5. For the market price risk, please refer to Note (6)(y); for the credit risk and market risk, please refer to Note (6)(z).
6. Abovementioned financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral.

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable-measured as amortized cost	\$ 550	374
Trade receivable-measured as amortized cost	498,130	511,938
Other receivables-measured as amortized cost	1,361,589	1,161,297
Lease receivable	4,681	7,324
Less: Allowance for impairment loss	<u>(1,162)</u>	<u>(1,412)</u>
	<u>\$ 1,863,788</u>	<u>1,679,521</u>



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

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

	<b>2019.12.31</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average</b>	<b>Loss allowance provision</b>
Current	\$ 1,678,644	0.002%~0.021%	867
Past under 180 days	1,446	0.53%~10%	219
Over 181 days past due	843	25%~100%	326
	<b>\$ 1,680,933</b>		<b>1,412</b>

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

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

(e) Inventories

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

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



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The details of operating cost were as follows:

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

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

(f) Investments accounted for using equity method

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

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

1. Associates

Associates to the Group consisted of the followings:

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights	
			2020.12.31	2019.12.31
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 %

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

2. Collateral

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

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(g) Acquisition of subsidiary

Acquisition of subsidiary

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

1) Acquisition of identifiable asset and liabilities assumed

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

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

2) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

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

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

(h) Material non-controlling interests of subsidiaries

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

Subsidiaries	Main operation place	Percentage of non-controlling interests	
		2020.12.31	2019.12.31
PChome Store Inc.	Taiwan	7.71 %	7.71 %
PChomePay Inc.	Taiwan	-	20.80 %
PChome eBuy Co., Ltd.	Taiwan	35.00 %	35.00 %
Chunghwa PChome Fund 1 Co., Ltd.	Taiwan	50.00 %	50.00 %

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

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**1.PChome Store Inc.’s collective financial information:**

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

**2.PChomePay Inc.’s collective financial information:**

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

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

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

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

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

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(i) Property, plant and equipment

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

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

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

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(j) Right-of-use assets

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

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

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(k) Intangible assets

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

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

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

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

(l) Short-term borrowings

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

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

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

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

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

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

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



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(n) Long-term borrowings

The details were as follows:

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

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

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

The subsidiary PChome Store Inc. entered into the syndicated credit agreement with the financial institution. According to the terms of the agreement, PChome Store Inc. should maintain certain financial ratios during bank loan period. As of December 31, 2020, the Group was in compliance with the financial covenants mentioned above.

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

(o) Bonds payable

The details of secured convertible bonds were as follows:

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

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

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

The Company issued secured 3-year convertible bonds at October 7, 2020, the face value of this bond amounted to \$1,500,000 thousand and was issued at 107.42% of the face value. Therefore, the actual borrowing amount was \$1,611,304 thousand. The issuance period was from October 7, 2020, to October 7, 2023, while the conversion period started from January 8, 2021, to October 7, 2023.

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

The Company has entered into an agreement to guarantee the issuance of corporate bonds with KGI Bank, Chang Hwa Commercial Bank Ltd. and Far Eastern International Bank Co., Ltd.. During the guarantee period (the same as the issuance period of the secured convertible bonds), these financial institutions are responsible for assuming main and subordinated debts such as the principal balance of convertible bonds and interest compensation payables. The guarantee ratio of KGI Bank, Chang Hwa Commercial Bank, Ltd., and Far Eastern International Bank Co., Ltd is 40%, 40% and 20%, respectively.

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

**(p) Lease liabilities**

Lease liabilities of the Group carrying amounts were as follows:

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

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

The amounts recognized in profit or loss were as follows:

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

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

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

1. Real estate leases

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

(q) Employee benefits

1. Defined benefit plans

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

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

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

1) Composition of plan assets

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

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

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2) Movements in present value of the defined benefit obligations

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

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

3) Movements of defined benefit plan assets

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

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

4) Expenses recognized in profit or loss

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

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

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

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

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

6) Actuarial assumptions

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

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

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

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

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

8) Sensitivity analysis

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

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

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

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

2. Defined contribution plans

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

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

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

(r) Income taxes

1. Income tax expense recognized in profits or losses

The amounts of income tax were as follows:

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

Income tax benefit recognized in other comprehensive income:

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

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

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

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2. Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

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

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

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

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

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2) Recognized deferred tax assets and liabilities

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

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

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

(s) Capital and other equity

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



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1. Capital surplus

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

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

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

2. Retained earnings

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

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

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

1) Legal reserve

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

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2) Special reserve

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

3) Earnings distribution

The amount of cash dividends of appropriations of earnings for 2019 that had been approved in the meeting of the board of directors on March 26, 2020 was \$82,012 thousand. The appropriations of making up for loss through Legal reserve, Special reserve and capital surplus that had been approved in the shareholders' meeting on June 14, 2019 were \$408,184 thousand, \$4,120 thousand and \$790,347 thousand. Relevant information would be available at the Market Observation Post System website.

3. Other equity, net of tax

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

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4. Non-controlling Interests

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

(t) Share-based payment

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

1. Employee restricted shares

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

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

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2. Employee stock options

	<b>Equity-settled Employee stock options</b>
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:

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

2) Information on employee stock options

(Unit: Thousands)

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

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3. Expenses and liabilities resulted from share-based payments

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

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

(u) Earnings per share

The Company calculated the basic and diluted EPS as follows:

1. Basic earnings per share (NT dollars)

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

2. Diluted earnings per share (NT dollars)

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

(v) Revenue from contracts with customers

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

(w) Rewards of employees, directors and supervisors

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

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

For the year ended December 31, 2019, the remunerations to employees, and directors and supervisors amounted to \$11,237 thousand and \$1,261 thousand, respectively. The remunerations to employees were paid in cash, and the remunerations to directors and supervisors will not be distributed based on the decision made by the board of directors. Related information would be available at the Market Observation Post System website.

(x) Non-operating income and expenses

1. Interest income

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

2. Other income

The details of other income were as follows:

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

3. Other gains and losses, net

The details of other gains and losses were as follows:

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

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4. Finance costs

The details of finance cost were as follows:

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

(y) Financial instruments

1. Credit risk

Credit risks exposure

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

2. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Balance at December 31, 2020</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 500,000	500,000	500,000	-	-	-	-
Notes payable	2,099	2,099	2,099	-	-	-	-
Accounts payable	3,866,869	3,866,869	3,866,869	-	-	-	-
Other payables	869,606	869,606	869,586	20	-	-	-
Receipts under custody	1,408,473	1,408,473	1,408,473	-	-	-	-
Lease liability	2,581,409	2,518,409	257,407	242,695	422,810	1,189,533	405,964
Long-term borrowings	625,000	625,000	100,000	100,000	225,000	200,000	-
Bonds payable	1,470,300	1,500,000	-	-	-	1,500,000	-
	<u>\$ 11,323,756</u>	<u>11,290,456</u>	<u>7,004,434</u>	<u>342,715</u>	<u>647,810</u>	<u>2,889,533</u>	<u>405,964</u>
<b>Balance at December 31, 2019</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 540,000	540,000	540,000	-	-	-	-
Notes payable	611	611	611	-	-	-	-
Accounts payable	3,059,218	3,059,218	3,059,218	-	-	-	-
Other payables	431,279	431,279	431,279	-	-	-	-
Receipts under custody	1,605,363	1,605,363	1,605,363	-	-	-	-
Lease liability	2,998,804	2,998,804	251,386	251,807	496,718	1,344,460	654,433
Long-term borrowings	1,400,000	1,400,000	200,000	50,000	400,000	550,000	200,000
	<u>\$ 10,035,275</u>	<u>10,035,275</u>	<u>6,087,857</u>	<u>301,807</u>	<u>896,718</u>	<u>1,894,460</u>	<u>854,433</u>

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

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3. Currency risk

1) Currency risk exposure

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

	2020.12.31			2019.12.31		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 2,270	28.10	63,773	4,244	29.98	127,235
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	335	28.10	9,427	139	29.98	4,179

2) Sensitivity analysis

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

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

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

4. Interest analysis

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

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

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



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5. Other market price risk

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

Prices of securities at the reporting date	2020		2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 1%	\$ 1,987	546	1,715	296
Decreasing 1%	(1,987)	(546)	(1,715)	(296)

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:

	2020.12.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Fair value through profit or loss</b>					
Preferred stock	\$ 66,745	-	-	66,745	66,745
Foreign convertible bonds	33,568	-	-	33,568	33,568
Embedded derivative-call option	1,500	-	-	1,500	1,500
	<u>\$ 101,813</u>	<u>-</u>	<u>-</u>	<u>101,813</u>	<u>101,813</u>
<b>Fair value through other comprehensive income</b>					
Domestic stock of non-listed company	<u>\$ 248,425</u>	<u>-</u>	<u>-</u>	<u>248,425</u>	<u>248,425</u>
<b>2019.12.31</b>					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Fair value through profit or loss</b>					
Preferred stock	\$ 36,983	-	-	36,983	36,983
Foreign convertible bonds	21,616	-	-	21,616	21,616
	<u>\$ 58,599</u>	<u>-</u>	<u>-</u>	<u>58,599</u>	<u>58,599</u>
<b>Fair value through other comprehensive income</b>					
Domestic stock of non-listed company	<u>\$ 214,329</u>	<u>-</u>	<u>-</u>	<u>214,329</u>	<u>214,329</u>

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2) Valuation techniques for financial instruments measured at fair value

2.1) Non-derivative financial instruments

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

2.2) Derivative financial instruments

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

3) Reconciliation of Level 3 fair values

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

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

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

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

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

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

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

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

(z) Financial risk management

1. Summary

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

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

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**2. Risk management framework**

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

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

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

**3. Credit risk**

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

**1) Accounts receivable and other receivables**

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

The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment terms are offered. The Group's review includes external ratings, when available, and in some cases bank references. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the General Manager 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.

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

2) Investment

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

3) Guarantees

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

4. Liquidity risk

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

5. Market risk

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

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

(aa) Capital management

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

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**(7) Related-Party Transactions**

(a) Ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

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

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

(c) Related-party transactions

1. Sales

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

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

2. Receivables from related parties

The receivables from related parties were as follows:

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

3. Payables to related parties

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

4. Other operating income

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

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- (d) Transactions with key management personnel

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ <u>67,856</u>	<u>56,991</u>

**(8) Restricted Assets**

The following assets were restricted in use:

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

**(9) Significant Contingencies and Commitments**

- (a) The agreement with a non-related party for internet phone services entered into in July 2004 was renewed on April 1, 2009. Pursuant to the newly revised agreement, the net revenue from these services is allocated each month between the parties by a set ratio. As the Company sold its internet phone services to Linktel Inc. (with 100% shareholding) on March 1, 2011, Linktel Inc. and the Company signed a contract with the non-related party in which the Company acts as the guarantor of the non-related party at all times and during the term of the agreement.
- (b) As of December 31, 2020 and 2019, notes payable deposited as guarantee for commercial vehicle and office and building leases were \$248,140 thousand and \$243,821 thousand, respectively.
- (c) According to the “Standardized contract for telecom product or service”, the payment guarantee for Skype stored-value service should be fully provided by financial institutions. Therefore, the Group entered into an agreement with a financial institution, with having a guarantee limit of \$50,000 thousand as of December 31, 2020 and 2019.
- (d) As of December 31, 2020 and 2019, the Group has entered into an agreement with a financial institution for providing performance guarantee for the Group on the balance amount received through the Group’s online payment processing services to online sellers; the amount of performance guarantee agreed therein are \$4,119,000 thousand and \$3,015,000 thousand, respectively.
- (e) The Group will rent 15 warehouse units located in The Post Logistic Center, Post Logic Park from Chunghwa Post Co., Ltd. on Nov 1, 2021 because the Group has won the bidding of the contract of the park in the second quarter, 2019. The lease term is 15 years and the annual rental fee is \$331,094 thousand. The rental fee will be adjusted yearly based on the Price Index of the year.



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(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

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

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

(13) Additional Disclosures

(a) Information on significant transactions

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

1. Fund financing to other parties:

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

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

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

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

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

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

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

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

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

Note 1: 0 is issuer.

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

Note 3: Relationship with the Company

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

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

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

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

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

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

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

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
PChome Online Inc.	Pi Mobile Technolgy Inc.	Subsidiary	253,106	- %	-		253,106	-

- Derivative transactions: None.

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**10. Business relationships and significant inter-company transactions:**

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets
0	PChome Online Inc.	Pi Mobile Technology Inc.	1	Account receivable	253,106	Usual terms and conditions	1.54 %

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

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

Note 2: Relationship is classified into three types:

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

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

Note 4: The Group did not disclose other transactions for which the proportion did not reach one percentage of the consolidated revenue or assets.

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

**(b) Information on investees:**

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

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

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

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Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
PChome Online Inc.	PChome Holding Inc.	British Virgin Islands	Investment activities	1,169,090	1,169,090	385,000,000	100.00 %	(204,028)	100.00 %	(12,061)	(12,061)	Note
"	PChome Express Co., Ltd.	Taiwan	Transportation and logistics	200,000	200,000	20,000,000	100.00 %	157,488	100.00 %	(10,119)	(10,119)	"
"	Chunghwa PChome Fund I Co., Ltd.	"	Investment activities	200,000	200,000	20,000,000	50.00 %	192,856	50.00 %	(2,450)	(1,225)	"
"	Cornerstone Ventures Co., Ltd.	"	Investment activities	5,100	5,100	510,000	51.00 %	6,306	51.00 %	1,255	640	"
"	PChome CB Co., Ltd.	"	E-commerce cross-border services	140,000	140,000	14,000,000	70.00 %	128,161	70.00 %	(5,770)	(4,039)	"
"	Mitch Co., Ltd.	"	Clothing sales	162,000	162,000	16,200,000	60.00 %	116,581	60.00 %	(65,408)	(39,246)	"
"	Miho International Cosmetic Co., Ltd.	"	Cosmetics and clothing sales	-	-	-	- %	-	8.09 %	(55,993)	(875)	"
PChome eBuy Co., Ltd.	PChomePay Inc.	"	Online payment processing services	-	205,200	-	- %	-	24.14 %	(51,922)	(14,229)	Note
"	Pi Mobile Technology Inc.	"	Online payment processing services	205,200	-	2,611,531	6.14 %	30,011	100.00 %	(149,886)	(136,904)	"
"	PChome Store Inc.	"	Internet services	632,258	632,258	11,896,486	22.16 %	(27,319)	22.16 %	(15,931)	(3,530)	"
PChomePay Inc.	Pay and Link Inc.	"	Electronic payment business	-	500,388	-	- %	-	100.00 %	(35,648)	(29,081)	"
"	Zhen Jain Lian International Co., Ltd.	"	Online payment processing services	-	3,000	-	- %	-	100.00 %	(7)	(7)	"
"	Yin Te Lian International Co., Ltd.	"	"	-	3,000	-	- %	-	100.00 %	(7)	(7)	"
"	Yun Tung Bao International Co., Ltd.	"	Online payment processing services	-	3,000	-	- %	-	100.00 %	(60)	(50)	"
Pi Mobile Technology Inc.	Pay and Link Inc.	"	Electronic payment business	500,388	-	50,100,000	100.00 %	328,617	100.00 %	(35,648)	(6,567)	"
"	Yun Tung Bao International Co., Ltd.	"	Online payment processing services	3,000	-	300,000	100.00 %	2,581	100.00 %	(60)	(10)	"
PC Home Online International Co., Ltd.	PCHOME ONLINE INC.	Cayman Islands	International trade and investment activities	25,311	25,311	10,000,000	100.00 %	4,627	100.00 %	(2,385)	(2,385)	"
PCHOME ONLINE INC.	PC HOME ONLINE (HK) LTD.	Hong Kong	Information service and indirect investment activities	25,140	25,140	5,641,239	100.00 %	6,811	100.00 %	(2,075)	(2,075)	"
"	Ruten Japan KK	Japan	Information processing and provision of electronic information	5,438	5,438	2,000,000	2.88 %	881	4.50 %	(48,231)	(2,033)	"
ECOMMERCE GROUP CO., LTD.	RUTEN GLOBAL INC.	Cayman Islands	Investment activities	831,606	831,606	266,063,307	100.00 %	584,627	100.00 %	19,669	19,669	Note
RUTEN GLOBAL INC.	EC Global Limited	Hong Kong	"	22,740	22,740	7,494,642	100.00 %	6,556	100.00 %	(201)	(201)	"
"	PChome eBuy Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	490,525	65.00 %	77,899	50,634	"
"	Ruten Japan KK	Japan	"	68,124	54,499	19,794,850	46.12 %	14,119	46.12 %	(48,231)	(21,592)	"
"	RUTEN SINGAPORE PTE. LTD.	Singapore	"	-	63,045	-	- %	-	65.00 %	(158)	(102)	Note

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

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

**(c) Information on investment in Mainland China:**

1. Information on investment in Mainland China: None.
2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period (Note 3)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission(Note 3)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission
-	54,233	2,450,401

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

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

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

3. Significant transactions: None.

**(d) Major shareholders:**

(Unit: Share)

Shareholder's Name	Shareholding	Shares	Percentage
Site Co., Ltd.		18,907,864	15.99 %

Note: (1) The information on major shareholders is based on the number of ordinary shares and special shares held by shareholders with ownership of 5% or more that have been issued without physical registration (including treasury shares) by the Company as of September 30, 2020. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration due to different preparation basis.

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PCHOME ONLINE INC. AND SUBSIDIARIES

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

**(14) Segment Information**

(a) General information

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

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

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

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

The Group's regional financial information was as follows:

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

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FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

(c) Enterprise-wide Disclosures

1.Information about Products and Services

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

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

2.Information about Geographic Areas: None.

3.Information about Major Customers: None.





PChome Online Inc.

Chairman: Hung-Tze Jan

