GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2012 AND 2011

For the convenience of readers and for information purpose only, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Review Report of Independent Accountants Translated from Chinese

PWCR12000010

To the Board of Directors and Stockholders of Gamania Digital Entertainment Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of March 31, 2012 and 2011, and the related consolidated statements of income and of cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, our reviews were made in accordance with the Generally Accepted Auditing Standards No. 36, "Review of Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 2 (1), the consolidated financial statements include unreviewed financial statements of certain consolidated subsidiaries, which statements reflect total assets of $1,953,312 thousand and $1,636,527 thousand, constituting 39.19% and 33.76% of the related consolidated totals as of March 31, 2012 and 2011, respectively, and total operating revenues of $409,568 thousand and $368,717 thousand, constituting 20.35% and 19.94% of the related consolidated totals for the three-month periods then ended, respectively. In addition, as explained in Note 4 (8), the consolidated financial statements include long-term investments accounted for under the equity method amounting to $11,378 thousand and $5,253 thousand as of March 31, 2012 and 2011, respectively, and the related investment loss was $3,121 thousand and $1,492 thousand for the three-month periods then ended, respectively. These amounts and the information disclosed in Note 11 were based on their respective financial statements which were not reviewed by independent accountants.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of these investee companies been reviewed by independent accountants as explained in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and generally accepted accounting principles in the Republic of China.

Gamania Digital Entertainment Co., Ltd. plans to adopt International Financial Reporting Standards, International Accounting Standards, and Interpretations / bulletins (collectively referred herein as the IFRSs), which are recognized by the Financial Supervisory Commission, Executive Yuan, R.O.C., and Rules Governing the Preparation of Financial Statements by Securities Issuers, effective January 1, 2013 in the preparation of its consolidated financial statements. As described in Note 13, the Company discloses the related information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Order No. 0990004943 of the Financial Supervisory Commission, dated February 2, 2010.

PricewaterhouseCoopers, Taiwan

April 27, 2012

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices utilized in the Republic of China governing the review of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and review report of the independent accountants are not intended for use by those who are not informed about the accounting principles or review standards generally accepted in the Republic of China, and their applications in practice.

As the consolidated financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4 (1))	$ 1,963,277	$ 1,162,662
Financial assets at fair value through profit or loss – current (Note 4 (2))	48,936	200,000
Notes receivable – third parties – net (Note 4 (3))	20,166	309,797
Accounts receivable – third parties – net (Note 4 (4))	998,596	1,473,209
Other receivables (Note 4 (17))	79,962	26,997
Other financial assets – current (Note 6)	40,747	-
Inventories – net (Note 4 (5))	130,652	68,502
Prepaid expenses	96,456	70,510
Deferred income tax assets – current (Note 4 (17))	5,099	1,379
Other current assets	39,986	6,455
	3,423,877	3,319,511
Long-term Investments		
Financial assets at fair value through profit or loss – non-current (Note 4 (6))	2,850	2,850
Financial assets carried at cost – non-current (Note 4 (7))	124,294	114,294
Long-term investments – accounted for under the equity method (Note 4 (8))	37,963	5,253
	165,107	122,397
Property, Plant and Equipment – net (Notes 4 (9) and 6)		
Cost		
Land	157,317	157,066
Buildings	212,657	213,536
Machinery and equipment	620,732	790,525
Transportation equipment	4,594	327
Office equipment	142,807	158,815
Leasehold improvements	107,599	38,996
Other equipment	26,865	15,126
Total Cost	1,272,571	1,374,391
Less: Accumulated depreciation	(441,075)	(682,859)
Accumulated impairment	(4,181)	(4,214)
Construction in progress and prepayments for equipment	13,740	57,456
	841,055	744,774
Intangible Assets		
Trademarks	4,117	-
Goodwill	84,327	90,132
Deferred pension cost (Note 4 (18))	721	1,502
Other intangible assets – net (Note 4 (10))	4,650	6,454
	93,815	98,088
Other Assets		
Refundable deposits	55,709	50,507
Deferred charges – net (Notes 4 (11) and 5 (2))	345,898	471,423
Deferred income tax assets – non-current (Note 4 (17))	37,989	27,468
Other assets – other (Notes 4 (12)(18))	21,030	13,447
	460,626	562,845
TOTAL ASSETS	$ 4,984,480	$ 4,847,615

	2012	2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans (Note 4 (13))	$ 92,203	$ 182,100
Notes payable – third parties	19,633	8,102
Accounts payable – third parties	603,206	347,889
Accounts payable – related party (Note 5(2))	70,012	62,332
Income tax payable (Note 4 (17))	127,352	53,708
Accrued expenses	407,117	351,407
Other payables – third parties	278,136	237,692
Unearned revenue collected in advance	265,653	651,420
Current portion of long-term loans (Notes 4 (15)(16))	21,789	28,654
Other current liabilities	25,172	10,582
	1,910,273	1,933,886
Long-term Liabilities		
Financial liabilities at fair value through profit or loss – non-current (Note 4 (14))	6,653	3,273
Bonds payable (Note 4 (15))	14,375	-
Long-term loans (Note 4 (16))	4,882	21,880
	25,910	25,153
Other Liabilities		
Accrued pension liabilities (Note 4 (18))	10,414	8,750
Guarantee deposits	5,643	12
Deferred income tax liabilities - non-current (Note 4(17))	2,174	1,645
Other liabilities – other	6,725	250
	24,956	10,657
Total Liabilities	1,961,139	1,969,696
Stockholders' Equity		
Common stock		
Common stock (Note 1)	1,567,515	1,657,020
Stock subscriptions received in advance (Note 4 (24))	610	24,263
Capital reserve (Note 4 (19))		
Paid-in capital in excess of par	832,722	888,051
Additional paid-in capital - treasury stock transactions	24,234	-
Gain on disposal of property, plant and equipment	221	221
Retained earnings		
Legal reserve (Notes 4 (20)(21))	140,909	117,649
Retained earnings (Notes 4 (17)(21))	267,622	527,669
Other adjustments to stockholders' equity		
Cumulative translation adjustments	(4,589)	3,551
Unrealized net loss	(1,143)	(1,126)
Treasury stock (Note 4 (23))	-	(370,182)
	2,828,101	2,847,116
Minority interest	195,240	30,803
Total Stockholders' Equity	3,023,341	2,877,919
Commitments and Contingent Liabilities (Note 7)		
Subsequent Event (Note 9)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,984,480	$ 4,847,615

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated April 27, 2012.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2012	2011
Operating revenues		
Sales revenue	$ 2,014,683	$ 1,833,711
Sales returns	(5,110)	(5,799)
Sales allowances	(1,373)	(6,471)
Net sales revenue	2,008,200	1,821,441
Service revenue	4,156	27,946
Operating revenue	2,012,356	1,849,387
Operating costs (Notes 4(5)(25)and 5(2))		
Cost of goods sold	(1,191,628)	(1,034,761)
Gross profit	820,728	814,626
Operating expenses (Notes 4 (25)and 5(2))		
Selling expenses	(210,790)	(179,208)
General and administrative expenses	(346,023)	(311,468)
Research and development expenses	(180,254)	(145,210)
Total operating expenses	(737,067)	(635,886)
Operating income	83,661	178,740
Non-operating income		
Interest income	1,077	524
Gain on disposal of property, plant and equipment	136	-
Foreign exchange gain	1,386	-
Rental income	12,187	1,990
Gain on adjustment of financial assets	491	60
Miscellaneous income	7,174	8,277
Total non-operating income	22,451	10,851
Non-operating expenses		
Interest expense	(1,370)	(784)
Investment loss accounted for under the equity method (Note 4 (8))	(3,121)	(1,492)
Loss on disposal of property, plant and equipment	-	(160)
Foreign exchange loss	-	(1,451)
Miscellaneous losses	(4,266)	(4,022)
Total non-operating expenses	(8,757)	(7,909)
Income before income tax	97,355	181,682
Income tax expense (Note 4 (17))	(41,155)	(51,962)
Consolidated net income	$ 56,200	$ 129,720
Attributable to:		
Equity holders of the Company	$ 49,343	$ 129,764
Minority interest	6,857	(44)
	$ 56,200	$ 129,720

	2012		2011	
Earnings per share (in dollars) (Note 4 (22))	Before income tax	After income tax	Before income tax	After income tax
Basic earnings per share (in dollars)				
Profit attributable to equity holders of the Company	$ 0.58	$ 0.31	$ 1.18	$ 0.84
Minority interest income	0.04	0.04	-	-
Consolidated net income	$ 0.62	$ 0.35	$ 1.18	$ 0.84
Diluted earnings per share (in dollars)				
Profit attributable to equity holders of the Company	$ 0.57	$ 0.31	$ 1.15	$ 0.82
Minority interest income	0.04	0.04	-	-
Consolidated net income	$ 0.61	$ 0.35	$ 1.15	$ 0.82

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated April 27, 2012.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2012	2011
Cash flows from operating activities		
Consolidated net income	$ 56,200	$ 129,720
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:		
Reversal of allowance for sales returns	-	(784)
Provision for doubtful accounts	5,219	4,784
(Reversal) provision for decline in market value of inventories	(9)	731
Gain on adjustment of financial assets	(491)	(60)
Investment loss accounted for under the equity method	3,121	1,492
Depreciation and amortization	111,072	126,449
(Gain) loss on disposal of property, plant and equipment	(136)	160
Deferred charges transferred to other loss	1,975	3,324
Changes in assets and liabilities:		
Financial assets at fair vale through profit or loss－current	(38,606)	(199,940)
Notes receivable – third parties	8,933	(185,388)
Accounts receivable – third parties	63,190	(282,296)
Other receivables – third parties	(9,429)	2,315
Inventories	13,680	(39,239)
Prepaid expenses	7,946	(14,486)
Deferred income tax assets	(3,760)	23,570
Other current assets	(9,292)	(2,146)
Other assets	12,073	(4,643)
Notes payable – third parties	(10,373)	8,047
Accounts payable – third parties	(95,029)	110,631
Accounts payable – related party	(2,087)	62,332
Income tax payable	43,460	15,254
Accrued expenses	(105,930)	(85,604)
Other payables – third parties	111,280	(83,212)
Unearned revenue collected in advance	(6,868)	334,039
Other current liabilities	9,478	414
Accrued pension liabilities	476	(495)
Net cash provided by (used in) operating activities	166,093	(75,031)

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GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2012	2011
Cash flows from investing activities		
Increase in other financial assets – current	($ 32,932)	$ -
Increase in long-term investments – subsidiary acquisition price	(7,400)	-
Prepaid long-term investments	(20,585)	-
Acquisition of property, plant and equipment	(70,156)	(80,098)
Proceeds from disposal of property, plant and equipment	510	-
Increase in other intangible assets	(1,454)	-
Decrease (increase) in refundable deposits, net	1,963	(2,310)
Increase in deferred charges	(66,944)	(42,527)
Net cash used in investing activities	(196,998)	(124,935)
Cash flows from financing activities		
(Decrease) increase in short-term loans	(360)	27,118
Decrease in long-term loans (including current portion)	(8,760)	(8,175)
(Decrease) increase in guarantee deposits	(118)	6
Decrease in other liabilities – other	(120)	(502)
Exercise of employee stock options	1,374	43,746
Changes in minority interest	1,956	971
Net cash (used in) provided by financing activities	(6,028)	63,164
Effect of exchange rate changes on cash and cash equivalents	(25,512)	40,784
Net decrease in cash and cash equivalents	(62,445)	(96,018)
Cash and cash equivalents at beginning of the year	2,025,722	1,258,680
Cash and cash equivalents at end of the year	$ 1,963,277	$ 1,162,662
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 1,397	$ 855
Income tax	$ 1,455	$ 1,553
Cash paid for acquisition of property, plant and equipment		
Property, plant and equipment acquired	$ 57,800	$ 60,206
Payable at end of the period	(52,186)	(17,837)
Payable at beginning of the period	64,542	37,729
Cash paid	$ 70,156	$ 80,098

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated April 27, 2012.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of March 31, 2012, the total authorized capital was $2,500,000, consisting of 250 million shares of common stock (including 12 million shares for employee stock options), at a par value of $10 (NT dollars) per share, and the issued and outstanding capital was $1,567,515. The Company is engaged in software services. As of March 31, 2012, the Company and its consolidated subsidiaries had approximately 1,830 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China. The significant accounting policies of the Group are summarized below:

(1)Principles of consolidation

(A) Principles of consolidation

All majority-owned subsidiaries or controlled entities, which meet the criteria of the amended Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements", are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares quarterly consolidated financial statements. The results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition. Under the amended SFAS No. 7, the results of operations of such subsidiary is excluded from the consolidated statements of income effective the date on which the Company loses control over the subsidiary. For the initial year of adoption of SFAS No. 7, restatement of prior year's financial statements is not required. All significant intercompany balances and transactions are eliminated in the consolidation.

(B) The interest in subsidiaries included in the Company's consolidated reports in 2012 and 2011 are as follows:

Investor	Subsidiary	Main activities	% of shares held as of March 31 2012	% of shares held as of March 31 2011	Note
Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd.	Holding company	100%	100%	Note 1
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	Investment holdings	100%	100%	Note 2
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Design and sales of software; sales of hardware	100%	100%	Note 3
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	Investment holdings	98.75%	98.37%	Note 3
Gamania International Holdings Ltd.	Gamania Western Holdings Ltd.	Investment holdings	100%	100%	Note 3
Gamania International Holdings Ltd.	Gamania Netherlands Holdings Cooperatief U.A.	Investment holdings	100%	100%	Note 3
Gamania International Holdings Ltd.	Firedog Studio Company Ltd.	Design and research of software	100%	100%	Note 3
Gamania International Holdings Ltd.	Gash Plus (Hong Kong) Company Ltd.	Software information and supply of electronic services	100%	-	Note 3
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Design and sales of software	98.75%	98.37%	Note 5
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Investment holdings	98.75%	98.37%	Note 5
Gamania Netherlands Holdings Cooperatief U.A.	Gamania Digital Entertainment (Europe) B.V.	Design and sales of software	100%	100%	Note 6
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	Design and sales of software	100%	100%	Note 7
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	98.75%	98.37%	Note 8
Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Software services and sales	72.08%	72.08%	Note 1
Gamania Asia Investment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Software services and sales	27.20%	27.20%	-
Gamania Digital Entertainment Co., Ltd.	Gamania Asia Investment Co., Ltd.	Investment holdings	100%	100%	Note 1

Investor	Subsidiary	Main activities	% of shares held as of March 31 2012	2011	Note
Gamania Digital Entertainment Co., Ltd.	Gamania Korea Co., Ltd.	Design and sales of software	100%	100%	Note 1
Gamania Digital Entertainment Co., Ltd.	Fantasy Fish Digital Games Co., Ltd.	Design and research and development of software	99.75%	99.69%	Note 1
Gamania Digital Entertainment Co., Ltd.	Fundation Digital Entertainment Co., Ltd.	Publishing of magazines and periodicals	100%	100%	Note 1
Gamania Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	Investment holdings	100%	100%	Note 1
Gamania Digital Entertainment Co., Ltd.	Redgate Games Co., Ltd.	Design and research of software	100%	100%	Note 1
Gamania Digital Entertainment Co., Ltd.	Seedo Games Co., Ltd.	Design and research of software	100%	100%	Note 1
Gamania Digital Entertainment Co.	Playcoo Co.	Design and research and development of software	75.25%	75.25%	Note 1
Gamania Digital Entertainment Co.	Two Tigers Co., Ltd.	Animation production	51%	51%	Note 1
Gamania Digital Entertainment Co.	Gash Plus Company Ltd.	Software information and supply of electronic services	100%	100%	Note 1
Gamania International Holdings Ltd.	Tornado Studio Co., Ltd. (Note 9)	Design and research of software	100%	-	Note 3
Gash Plus Co., Ltd.	Jsdway Digital Technology Co., Ltd.	Software information and supply of electronic services	33.33%	-	Note 10
Gamania Holdings Ltd.	Gamania R&D (HK) Holdings Ltd.	Investment holdings	100%	-	Note 2
Jsdway Digital Technology Co., Ltd.	Webo Digital Co., Ltd.	Software services and sales	97.95%	-	Note 4
Jsdway Digital Technology Co., Ltd.	Precious Power Digital Technology Co., Ltd.	Software services and sales	70%	-	Note 4

Note 1: Majority-owned subsidiary

Note 2: A majority-owned subsidiary of Gamania Holdings Ltd.

Note 3: A majority-owned subsidiary of Gamania International Holdings Ltd.

Note 4: A majority-owned subsidiary of Jsdway Digital Technology Co., Ltd.

Note 5: A majority-owned subsidiary of Gamania China Holdings Ltd.

Note 6: A majority-owned subsidiary of Gamania Netherlands Holdings Cooperatief U.A.

Note 7: A majority-owned subsidiary of Gamania Western Holdings Ltd.

Note 8: A majority-owned subsidiary of Gamania Sino Holdings Ltd.

Note 9: Tornado Studio Co., Ltd., formerly Gama Games Co., Ltd., has completed its change of registration in August 2011.

Note10:Gash Plus Co., Ltd. holds more than half of the board seats of Jsdway Digital Technology Co., Ltd.

For the subsidiaries' individual financial reports included in the Company's consolidated reports as of and for the three-month period ended March 31 2012, only Gash Plus' financial statements were reviewed by the independent accountants.

(C) Majority-owned subsidiaries not being consolidated: None.

(D) Difference in accounting period among the Company and the subsidiaries: None.

(E) Special operating risks in foreign subsidiaries: None.

(F) Difference in the accounting policies adopted among the Company and the subsidiaries: None.

(G) The subsidiaries hold the Company's stocks and bonds: None.

(H) Convertible bonds and new stocks are issued by the subsidiaries: None.

(2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of the foreign subsidiaries are translated into New Taiwan dollars using the exchange rate at the balance sheet date; equity accounts are translated at historical rates, except for beginning retained earnings which is transferred from prior year's ending retained earnings, and profit and loss accounts are translated using the weighted-average rate. Exchange differences are recorded as cumulative translation adjustments and are included as a component of stockholders' equity.

(3) Foreign currency transactions

Transactions arising in foreign currencies are translated into functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses are included in the current year's results of operations.

(4) Criteria for classifying current or non-current assets and liabilities

A) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;

b) Assets held mainly for trading purposes;

c) Assets that are expected to be realized within 12 months from the balance sheet date; and

d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged and used to pay off liabilities more than 12 months after the balance sheet date.

B) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

a) Liabilities arising from operating activities that are expected to be paid within the normal operating cycle;

b) Liabilities arising mainly from trading activities;

c) Liabilities that are to be paid within 12 months from the balance sheet date; and

d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date.

(5) Financial assets at fair value through profit or loss

A) Financial assets at fair value through profit or loss are recognized as of the trade date at fair value for equity stocks. Financial assets at fair value through profit or loss are recognized as of the settlement date at fair value for bonds and beneficiary certificates.

B) These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, closed-end mutual funds and depositary receipts is based on latest quoted fair prices of the accounting period. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date.

C) Financial instruments that meet one of the following criteria are designated as financial assets or financial liabilities at fair value through profit or loss:

a) The instrument is a hybrid instrument.

b) The instrument is designated as a financial asset or liability at fair value through profit or loss in order to eliminate or substantially reduce the inconsistency in accounting measurement or recognition.

c) The instrument is managed in accordance with the Company's documented risk management and investment strategies, and its performance is evaluated on a fair value basis.

(6) Financial assets carried at cost

A) Investments in unlisted equity instruments are recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B) If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss cannot be reversed.

(7) Notes and accounts receivable and other receivables

A) Receivables arising from the sale of goods or services to customers are recognized as notes and accounts receivable. Other receivables are those arising from transactions other than sale of goods or services.

B) The Group assesses whether objective evidence of impairment exists individually for financial assets at the balance sheet date. Once the objective evidence of impairment exists, an impairment loss is recognized.

(8) Inventories

The Group uses the perpetual inventory system and the original cost is the cost to obtain the assets. Cost is determined using the weighted-average method. The ending balance of inventory is valued at the lower of cost or net realizable value based on specific identification. The net realizable value is determined based on the estimated selling price of an inventory item less the estimated costs of completion.

(9) Long-term equity investments accounted for under the equity method

A) Long-term equity investments in which the Group holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized and carries on tests of impairment every year. Retrospective adjustment of the amount of goodwill amortized in previous years is not required.

B) Investment loss on the non-controlled entities over which the Group has the ability to exercise significant influence is recognized to the extent that the amount of long-term investments in such investees is written down to zero. However, if the Group continues to provide endorsements, guarantees or financial support for such investees, the investment loss is recognized continuously in proportion to the Group's equity interest in such investees. In the case of controlled entities, the Group recognizes all losses incurred by such entities that will not be covered by other stockholders. When the operations of such investees become profitable, the Group recognizes the profits until the amount of losses previously recognized by the Group is fully recovered.

C) Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "cumulative translation adjustments" under stockholders' equity, and recognized in proportion to the percentage of shares held by the Group.

D) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease by the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.

(10) Property, plant and equipment

A) Depreciation is provided on the straight-line method using the estimated useful lives of the assets plus one year as salvage value. The subsidiaries' property, plant and equipment are depreciated on a straight-line basis according to the estimated useful lives of the assets less the estimated salvage value, except for leasehold improvements, which is based on the contract period of the asset. The estimated useful lives are 3 to 55 years for buildings and 2 to 5 years for the other property, plant and equipment.

B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).

C) Major renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.

(11) Deferred charges

A) Costs of software and copyrights are capitalized and amortized under the straight-line basis over the estimated useful lives.

B) Royalty payments for operating online game software are capitalized and amortized based on the period of the contract or deducted based on actual units of play.

(12) Other intangible assets

A) Franchises for game development are recorded at acquisition cost and amortized using the straight-line method over the estimated service life. Franchises could be deducted from franchises payable amounting to 2% based on sales revenues.

B) Franchises for sales of on-line games are recorded at acquisition cost and amortized over the estimated life of 3 years using the straight-line method.

C) Comic copyright is recorded at acquisition cost and amortized over the estimated life of 1 year using the straight-line method.

(13) Impairment of non-financial assets

Impairment loss is recognized when the recoverable amount of an asset is less than the book value due to changes in environment or occurrences of some events. Recoverable amount is the higher of net fair value or value in use of an asset. Net fair value is the selling price of an asset in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.

If there is an indication that an asset has recovered its value of the impairment loss recognized in the prior period, a gain is recognized to the extent of the impairment loss recognized. No recovery of impairment loss is recognized for goodwill.

(14) Bonds payable

The difference between the issue price and face value of corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as "interest expense".

(15) Share-based payment-employee compensation plan

A) The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072, "Accounting for Employee Stock Options" as prescribed by the Accounting

Research and Development Foundation, R.O.C., dated March 17, 2003. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share are prepared in accordance with the R.O.C. SFAS No. 39, “Accounting for Share-based Payment”.

B) For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

(16) Employees’ bonuses and directors’ and supervisors’ remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration”, the costs of employees’ bonuses and directors’ and supervisors’ remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees’ bonuses and directors’ and supervisors’ remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders’ meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, “Criteria for Listed Companies in Calculating the Number of Shares of Employees’ Stock Bonus”, the Company calculates the number of shares of employees’ stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders’ meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(17) Deferred income tax assets and income tax

A) Income tax of the Company and its domestic subsidiaries are provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes. Deferred income tax assets or liabilities are further classified into current and non-current items based on the classifications of the related assets or liabilities or on the expected reversal date of the temporary differences and are presented on the financial statements at net amount. Valuation allowance on deferred income tax assets is recognized to the extent that it is more likely than not that the tax benefits will not be realized.

B) The 10% additional income tax on undistributed earnings is recorded as income tax expense in the period the stockholders approve a resolution to retain the earnings.

C) The Company's overseas subsidiaries' income taxes are subject to their local regulations.

(18) Retirement plan

A) Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. The net periodic pension costs include service cost, interest cost, expected return on plan assets, unrecognized net transition obligation and amortization of gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 15 years.

B) Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(19) Treasury stock

A) Treasury stocks acquired are stated at cost using the weighted-average method and reported as a deduction from stockholders' equity in the balance sheet.

B) Upon disposal, the related gain is credited to "capital reserve-treasury stock transaction" and any loss is offset against this capital reserve account. However, when the balance of this capital reserve account is insufficient to offset the loss, then the remaining amount is charged against retained earnings.

C) Upon registration of cancellation, except for the book value sum of "common stock" and "capital reserve-additional paid-in", which is in proportion to shareholding, the related gain is credited to "capital reserve-treasury stock transaction" and any loss is offset against this capital reserve account. However, when the balance of this capital reserve account is insufficient to offset the loss, then the remaining amount is charged against retained earnings.

D) The treasury stocks are valued using the weighted average method.

(20) Revenues, costs and expenses

A) Costs from the development of software for sale are recognized as research expense before establishing technical feasibility.

B) Revenue from prepaid cards for on-line games is deferred and is recognized based on points consumed.

C) Revenue from software and other merchandise is recognized when they are delivered.

D) Sales returns are estimated based on a percentage of sales.

E) Costs and expenses are recognized as incurred.

F) Commissions received on prepaid cards from the on-line game providers is deferred and recognized as revenue when services are rendered.

(21) Earnings per share

A) The computation of earnings per share is as follows:

Basic earnings per share: net income divided by the weighted-average number of shares outstanding during the year.

Diluted earnings per share: the computation is the same as basic earnings per share, except that the potential dilutive shares are assumed to have been converted to common stock at the beginning of the year and net income is adjusted by the amount associated with the conversion.

B) The potential dilutive shares are employee stock options and estimated shares of employees' bonuses when distributing stock. The Company adopted the "treasury stock method" in computing the dilutive effect of the employee stock options and the employees' bonuses.

(22) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(23) Operating segments

The Company discloses the segment information in accordance with the internal management report provided to the chief operating decision-maker. The Company's chief operating decision-maker is the chief executive officer, who distributes resources and assesses performance.

In accordance with the Statement of Financial Accounting Standards No. 41, "Operating Segments", the Company discloses the segment information in the consolidated financial reports and not in the stand-alone financial statements.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Notes and accounts receivable, other receivables

Effective January 1, 2011, the Company and its domestic subsidiaries adopted the amended Statement of Financial Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement". Under the amended standard, if there is any objective evidence that the notes and accounts receivable, other receivables and other rights of credit are impaired, an impairment loss (or provision for doubtful accounts) is recognized immediately. The adoption of this regulation had no significant effect on the financial statements as of and for the three-month period ended March 31, 2011.

(2) Operating segments

Effective January 1, 2011, the Company and its domestic subsidiaries adopted the newly issued Statement of Financial Accounting Standards No. 41, "Operating Segments" to replace Statement of Financial Accounting Standards No. 20, "Segment Reporting". The adoption of this regulation had no effect on the consolidated net income and earnings per share for the three-month period ended March 31, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2012	March 31, 2011
Cash on hand	$ 1,311	$ 1,181
Cash in banks	1,497,227	801,047
Time deposits	464,739	360,434
	$ 1,963,277	$ 1,162,662

(2) Financial assets at fair value through profit or loss – current

Items	March 31, 2012	March 31, 2011
Current items:		
Financial assets held for trading		
Listed (TSE and OTC) stocks	$ 7,336	$ -
Corporate bonds	43,000	200,000
Adjustment of financial assets held for trading	(1,400)	-
	$ 48,936	$ 200,000

(3) Notes receivable – net

	March 31, 2012	March 31, 2011
Notes receivable	$ 20,182	$ 309,813
Less: Allowance for doubtful accounts	(16)	(16)
	$ 20,166	$ 309,797

(4) Accounts receivable – net

	March 31, 2012	March 31, 2011
Accounts receivable	$ 1,060,132	$ 1,573,764
Less: Allowance for doubtful accounts	(60,999)	(96,838)
Allowance for sales returns	(537)	(3,717)
	$ 998,596	$ 1,473,209

(5) Inventories – net

	March 31, 2012	March 31, 2011
Inventories	$ 134,208	$ 75,404
Less: Allowance for obsolescence and market value decline	(3,556)	(6,902)
	$ 130,652	$ 68,502

Related loss recognized for the period:

	For the three-month periods ended March 31, 2012	For the three-month periods ended March 31, 2011
(Reversal) provision for decline in market value of inventories	($ 9)	$ 731

(6) Financial assets at fair value through profit or loss – non-current

Items	March 31, 2012	March 31, 2011
Designated as at financial assets at fair value through profit or loss:		
Callable preferred stock	$ 2,850	$ 2,850
Adjustment of designated as at fair value through profit or loss	-	-
	$ 2,850	$ 2,850

For business operation purposes, the Company's domestic subsidiary, Gamania Asia Investment Co., invested 285 thousand shares at a par value of $10 (NT dollars) per share in the amount of $2,850. Such investment is not entitled to a voting right, profit distribution right and the right to claim for remaining property. According to the investment contract, both parties agreed that during the thirty days from the repurchase base day, which is at the expiration of three years of settlement date or other documents' appointment date, the investor can ask the issuer to redeem all of the preferred stock based on fair value at the repurchase base day. If the fair value will be lower than the published price, the issuer will have to repurchase based on the issue price. In accordance with the contents of the preferred stock contract and Statement of Financial

Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement", the subsidiary is accounted for as Financial assets at fair value through profit or loss.

(7) Financial assets carried at cost

Items	March 31, 2012	March 31, 2011
Unlisted stocks		
Nice Finance Co., Ltd.	$ 91,453	$ 91,453
NC Taiwan Co., Ltd.	22,841	22,841
Compass Systems Corp.	10,000	-
	$ 124,294	$ 114,294

The above investments were measured at cost since their fair value cannot be measured reliably.

(8) Long-term investments accounted for under the equity method

A) List of long-term investments

Name of investee	March 31, 2012 Original cost	Ownership percentage	Balance	Investment loss for the three-month period ended March 31, 2012
Accounted for under the equity method:				
Encore Digital Technology Co., Ltd.	$ 1,750	35.00%	$ 208	($ 430)
Tang Chao Digital Technology Co., Ltd.	1,000	28.57%	-	-
Niu Niu Technology Co., Ltd.	1,050	30.00%	199	(165)
Taiwan e-sports Co., Ltd.	46,800	40.70%	10,971	(2,526)
	$ 50,600		11,378	($ 3,121)
Prepayments for long-term investments				
Mochi Movie Co., Ltd.			20,000	
Moqizone Holdings Corporation			6,000	
Jsdway (M) Sdn Bhd			585	
			$ 37,963	

Name of investee	March 31, 2011 Original cost	Ownership percentage	Balance	Investment loss for the three-month period ended March 31, 2011
Accounted for under the equity method				
Taiwan e-sports Co., Ltd.	$ 32,000	37.65%	$ 5,253	($ 1,492)

B) The loss recognized by the Company for the three-month periods ended March 31, 2012 and 2011 on the above investees were based on the investees' financial statements which were not reviewed by independent accountants.

(9) Property, plant and equipment

	March 31, 2012	March 31, 2011
Cost		
Land	$ 157,317	$ 157,066
Buildings	212,657	213,536
Machinery and equipment	620,732	790,525
Transportation equipment	4,594	327
Office equipment	142,807	158,815
Leasehold improvements	107,599	38,996
Other equipment	26,865	15,126
	1,272,571	1,374,391
Accumulated depreciation		
Buildings	(38,413)	(41,751)
Machinery and equipment	(292,362)	(507,208)
Transportation equipment	(352)	(93)
Office equipment	(61,581)	(108,334)
Leasehold improvements	(40,813)	(18,869)
Other equipment	(7,554)	(6,604)
	(441,075)	(682,859)
Add: Construction in progress and prepayments for equipment	13,740	57,456
Less: Accumulated impairment	(4,181)	(4,214)
Book value	$ 841,055	$ 744,774

(10) Other intangible assets

	March 31, 2012	March 31, 2011
Franchises for sales of on-line games	$ 3,417	$ 5,069
Prepayments for franchise	1,738	123
Comic copyright	-	1,262
	5,155	6,454
Less: Accumulated impairment	(505)	-
	$ 4,650	$ 6,454

(11) Deferred charges

	March 31, 2012	March 31, 2011
Unamortized expense	$ 213,343	$ 229,882
Royalties payments	132,555	241,541
	$ 345,898	$ 471,423

(12) Other assets－other

	March 31, 2012	March 31, 2011
Overdue accounts receivable	$ 68,716	$ 57,441
Less: Allowance for doubtful accounts	(57,378)	(57,441)
Prepayment for pensions	9,052	9,321
Others	640	4,126
	$ 21,030	$ 13,447

The Company's indirect subsidiary, Jsdway Digital Technology Co., Ltd., did not fully provide its overdue accounts receivable with allowance as of March 31, 2012 since based on its assessment, such receivables were collectible.

(13) Short-term loans

	March 31, 2012	March 31, 2011
Short-term bank loans	$ 92,203	$ 182,100
Annual interest rate	1.16%~9.18%	1.10%~6.44%
Credit lines	$ 2,316,601	$ 2,656,268

(14) Financial liabilities at fair value through profit or loss – non-current

Items	March 31, 2012	March 31, 2011
Designated as at financial liabilities at fair value through profit or loss:		
Callable preferred stock liability	$ 2,850	$ 2,850
Adjustment of designated as at fair value through profit or loss	3,803	423
	$ 6,653	$ 3,273

For business operation purposes, the Company's domestic subsidiary, Gameastor Digital Entertainment Co., Ltd., formerly Taiwan Index Co., Ltd., issued 285 thousand shares of preferred stock at a par value of $10 (NT dollars) per share in the amount of $2,850 which was approved by the Board of Directors on March 30, 2010. At the expiration of three years from issuance date, if the fair value of the preferred stock is higher than the appointed base price, Gameastor Digital Entertainment Co., Ltd. can request for the redemption of the stock based on the fair value, otherwise it will have to redeem the stock based on the appointed base price. In accordance with the preferred stock contract and Statement of Financial Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement", Gameastor Digital Entertainment Co., Ltd. accounted for the preferred stock in "Financial liabilities at fair value through profit or loss".

(15) Bonds payable

	March 31, 2012	March 31, 2011
Bonds payable	$ 17,969	$ -
Less: Current portion	(3,594)	-
	$ 14,375	$ -

The Company's subsidiary, Gamania Digital Entertainment (Japan) Co., Ltd., issued unsecured corporate bonds in the amount of JPY50,000 as approved by the local competent authorities. The major terms of the corporate bonds are as follows:

Issue Date	Term	Total credit lines	Coupon rate	Repayment terms
2011.10.31	Five years	$ 17,969 (JPY 50,000)	0.63%	From the issuance date of the bonds, the company annually returns 20% of the capital to the bondholders and the interest is paid annually based on the coupon rate.

(16) Long-term loans

Bank	Total Credit Line	Period/Terms of Repayment	March 31, 2012	March 31, 2011
Sumitomo Mitsui Banking Corporation	JPY 90,000 (Note)	09.24.2008 ~ 09.23.2011 equal quarterly installments	$ -	$ 10,955
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note)	08.31.2009 ~ 08.31.2012 equal quarterly installments	5,966	15,027
Sumitomo Mitsui Banking Corporation	JPY 60,000 (Note)	09.01.2010 ~ 08.30.2013 equal quarterly installments	15,813	24,552
Yuanta Bank	817	12.30.2010 ~ 12.29.2013 monthly installments	817	-
Yuanta Bank	481	01.14.2011 ~ 01.13.2014 monthly installments	481	-
			23,077	50,534
Less: Current portion			(18,195)	(28,654)
			$ 4,882	$ 21,880

Note: Thousands of yen.

(17) Income tax payable

A) Income tax payable and income tax expense for the three-month periods ended March 31, 2012 and 2011 are reconciled as follows:

		For the three-month periods ended March 31, 2012	For the three-month periods ended March 31, 2011
Current year income tax expense		$ 41,155	$ 49,415
Additional 10% corporate income tax on undistributed earnings		-	2,547
		41,155	51,962
Add (Less):	Net change in deferred income tax assets	3,760	(23,570)
	Prepaid income tax	(98)	(141)
	Under provision of prior year's income tax	-	(649)
	Income tax payable of prior year	82,663	26,073
	Effect of exchange rate	(128)	(1)
		$ 127,352	$ 53,674
Income tax payable		$ 127,352	$ 53,708
Income tax refundable (recognized as "other receivables")		-	(34)
		$ 127,352	$ 53,674

B) Deferred income tax assets and liabilities are as follows:

	March 31, 2012	March 31, 2011
Deferred income tax assets－current	$ 5,324	$ 22,265
Deferred income tax assets－non-current	392,467	299,737
Deferred income tax liability－non-current	(2,174)	(1,645)
	395,617	320,357
Less: Valuation allowance – current	(225)	(20,886)
Valuation allowance – non-current	(354,478)	(272,269)
	$ 40,914	$ 27,202

C) The temporary differences and related income tax effects are as follows:

	March 31, 2012		March 31, 2011	
	Amount	Tax effect	Amount	Tax effect
Current items-assets:				
Excess provision for allowance for bad debts over the upper limit	$ 11,861	$ 2,016	$ -	$ -
Allowance for sales returns	1,184	201	3,717	632
Allowance for decline in market value and inventory obsolescence	2,625	446	6,223	1,058
Loss carry forwards	7,607	1,293	112,865	19,187
Others	229	40	6,029	1,025
Investment tax credits		1,328		363
		5,324		22,265
Less: Valuation allowance		(225)		(20,886)
		$ 5,099		$ 1,379
Non-current items-assets:				
Investment loss on financial assets carried at cost – non-current	$ 9,851	$ 1,675	$ 9,851	$ 1,675
Reserve for foreign investments	(6,188)	(1,052)	(10,832)	(1,842)
Loss on foreign investments	406,740	69,146	161,002	27,370
Loss carry forwards	1,380,538	271,457	995,394	192,388
Impairment loss relating to deferred expenses	21,451	3,647	-	-
Others	2,010	341	12,304	2,091
Investment tax credits		47,253		78,055
		392,467		299,737
Less: Valuation allowance		(354,478)		(272,269)
		$ 37,989		$ 27,468

	March 31,			
	2012		2011	
	Amount	Tax effect	Amount	Tax effect
Non-current items-liability:				
Depreciation allowances in excess of related depreciation	($ 13,179)	($ 2,174)	($ 9,969)	($ 1,645)

D) As of March 31, 2012 and 2011, the balance of shareholders account of deductible tax was as follows:

	March 31,	
	2012	2011
a. Balance of shareholders account of deductible tax	$ 18,150	$ 15,544
	2011 (Estimate)	2010 (Actual)
b. Creditable tax ratio	24.61%	9.96%

E) Undistributed retained earnings:

	March 31,	
	2012	2011
On or after January 1, 1998		
a. Earnings not yet subjected to 10% income tax	$ 49,343	$ 129,764
b. Earnings subjected to 10% income tax	218,279	397,905
	$ 267,622	$ 527,669

F) The Company's assessed and approved income tax returns are as follows:

a) As of March 31, 2012, the Company′s income tax returns through 2008 have been assessed and approved by the Tax Authority.

b) The Company was required to pay additional income tax of $23,481 for the year of 2002 after the re-examination of trial by the Tax Authority. In January 2011, the Company appealed against the assessment, but had paid the additional income tax amounting to $21,083. In October 2011, the decision on the appeal was issued which upheld the original judgment relating to the Company's tax exempt income, research and development expense and tax credits applicable to income tax. However, the original judgment relating to the loss on disposal of the Company's fixed assets was cancelled and would be subject to re-examination by the Tax Authority.

c) The Tax Authority imposed additional tax amounting to $3,958 on the Company's 2003 income tax return after the re-examination. In November 2010, the Company appealed against the assessment, but had paid the additional income tax amounting to $1,979. The Company filed a petition in November 2010. In June 2011, the Tax Authority lowered the additional tax after the re-examination. However, the original judgment relating to the employees' training was cancelled and would be subject to re-examined by the Tax Authority.

G) As of March 31, 2012, according to the "Statute for Upgrading Industries", the Company's domestic subsidiaries had investment tax credits to offset against taxable income for the next few years. The details are as follows:

Deductible item	Total credits	Unused balance	Year of expiration
Research and development expenditures	$ 48,400	$ 48,400	2012~2013
Machinery and equipment	126	126	2012~2013
Employees' training	55	55	2012~2013
	$ 48,581	$ 48,581	

H) As of March 31, 2012, in accordance with the "Income Tax Law", the Company's domestic subsidiaries had loss carry forwards in the amount of $272,750 to offset against taxable income for the next three to ten years. The details are as follows:

Deductible item	Amount reported	Total credits	Unused balance	Year of expiration
Loss carry forwards	$ 1,396,819	$ 272,750	$ 272,750	2013~2021

(18) Accrued pension liability

A) The Company and its domestic subsidiaries have a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter with a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee. The balance of the retirement fund deposited with Bank of Taiwan was $50,259 and $44,688 as of March 31, 2012 and 2011, respectively. For the three-month periods ended March 31, 2012 and 2011, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to $698 and $981, respectively. The fund balances are not reflected in the consolidated financial statements. The accumulated contributions exceeded the net pension costs in the amount of $9,052 and $9,321 as of March 31, 2012 and 2011, respectively, which was accounted for in other assets – other.

B) Gamania Digital Entertainment (Japan) Co., Ltd., Gamania Korea Co., Ltd., Tornado Studio Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd. and Firedog Studio Company Ltd. provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were $1,816 and $1,719 for the three-month periods ended March 31, 2012 and 2011, respectively.

C) Gamania Digital Entertainment (Beijing) Co., Ltd. provides an old-age pension and insurance monthly based on 20%~22% of the employees' salaries and wages in accordance with the local regulations. The net pension and insurance costs were $2,129 and $1,719 for the three-month periods March 31, 2012 and 2011, respectively.

D) Effective July 1, 2005, in accordance with the Labor Pension Act, the Company and its domestic subsidiaries adopted a defined contribution pension plan (the "New Plan"). Under the New Plan, employees have the option to choose the New Plan and the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts deposited with the Bureau of Labor Insurance. Benefits accrued under the New Plan are portable when the employees leave the company. The net pension costs recognized by the Company and its domestic subsidiaries under the defined contribution plan amounted to $10,572 and $9,221 for the three-month periods ended March 31, 2012 and 2011, respectively.

E) Gamania Holdings Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment Labuan Holdings, Ltd., Gamania International Holdings Ltd., Gamania China Holdings Ltd., Gamania Sino Holdings Ltd., Gamania Western Holdings Ltd., Gamania Netherlands Holdings Cooperatief U.A., Gamania Digital Entertainment (U.S.) Co., Ltd., Gamania Digital Entertainment (Europe) B.V., Gash Plus (Hong Kong) Company Ltd. and Gamania R&D (HK) Holdings Ltd. do not have an employee retirement plan.

(19) <u>Capital reserve</u>

A) Share premiums from the issuance of new shares and donations may be used to increase capital stock if the Company has surplus in retained earnings. The amount that can be transferred to capital stock each year is limited to 10% of this balance. Other capital reserves can only be used to cover the accumulated deficit when the legal reserve is insufficient to cover the accumulated deficit.

B) When it is resolved by the shareholders at their shareholders' meeting, legal reserve and whole or part of capital reserve arising from the following items can be used to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit:

a) Paid-in capital in excess of par value on issuance of common stocks; and

b) Donations.

(20) <u>Legal reserve</u>

Pursuant to the R.O.C. Company Law, except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

(21) <u>Retained earnings</u>

A) As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:

a. Paying all taxes and duties.
b. Covering prior years' accumulated deficit, if any.
c. After deducting items a and b, 10% of the remaining amount is appropriated as legal reserve.
d. In addition to the amount appropriated for legal reserve, the Company may appropriate an amount equal to the negative items in the stockholders' equity from retained earnings as special reserve.
e. Interest on capital.
f. After deducting items a to e, 10%～15% of the remaining earnings is appropriated as employees' bonuses and up to 2% as remuneration to directors and supervisors.
g. The remaining amount is to be distributed to stockholders in accordance with the resolution adopted at the stockholders' meeting.

B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed in the following year's shareholders' meeting. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholder can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.

C) The appropriations of 2011 earnings had been approved at the Board of Directors' meeting on April 27, 2012. Details are summarized below:

	2011 Earnings	
	Amount	Dividend per share (in dollars)
Legal reserve	$ 18,701	
Cash dividends	125,450	$ 0.80
Employees' cash bonuses	Note	
Directors' and supervisors' remuneration	〃	

Note: The amounts approved during the Board of Directors' meeting for employees' bonus and directors' and supervisors' remuneration are $27,500 and $3,500, respectively.

The above appropriations for 2011 earnings have not been approved at the stockholders' meeting as of the report date.

D) The appropriations of 2010 earnings had been approved at the stockholders' meeting on June 17, 2011. Details are summarized below:

	2010 Earnings	
	Amount	Dividend per share (in dollars)
Legal reserve	$ 23,260	
Cash dividends	186,035	$ 1.20
Employees' cash bonuses	Note	
Directors' and supervisors' remuneration	〃	

Note: The amounts approved during the stockholders' meeting for employees' bonus and directors' and supervisors' remuneration are $38,200 and $5,040, respectively.

The amounts approved during the stockholders' meeting for the distribution of 2010 earnings for cash dividends was the same with the amount approved by the Company's Board of Directors on April 22, 2011. As employee stock options were converted to common stock, the number of shares outstanding changed during the year. Accordingly, the appropriation of dividend per share had been adjusted to $1.19896483 during the board of directors' meeting on July 7, 2011.

E) The estimated amounts of employees' bonuses are $8,314 and $20,421, and the estimated amounts for directors' and supervisors' remuneration are $1,109 and $2,723 for the three-month periods ended March 31, 2012 and 2011, respectively. The above amounts constitute 10%~15% and 2%, respectively, of the net income after taking into account the legal reserve, and are recognized as operating cost and expense. If the actual distribution amounts are different from the estimated amounts, the difference will be adjusted in the income statement of the following year.

F) The distribution of employees' bonus and remuneration for the board of directors as illustrated in C) was different from the employees' bonus of $27,532 and remuneration for the board of directors of $3,671 stated in the financial report. The difference of $32 and $171, respectively, will be adjusted and reflected in the 2012 profit or loss.

G) The distribution of employee s' bonus and remuneration for the board of directors as illustrated in D) was different from the employees' bonus of $41,401 and remuneration for the board of directors of $5,520 stated in the financial report. The difference of $3,201 and $480, respectively, was adjusted and reflected in the 2011 profit or loss.

H) For current status of the resolution, please visit the Taiwan Stock Exchange website.

(22) Earnings per share

	For the three-month period ended March 31, 2012				
	Amount		Weighted average number of outstanding common shares	Earnings per share (in dollars)	
	Before income tax	After income tax	(In thousands of shares)	Before income tax	After income tax
Basic earnings per share:					
Net income	$ 90,498	$ 49,343	156,772	$ 0.58	$ 0.31
Dilutive effect:					
Stock options	-	-	1,020		
Employees' bonuses	-	-	278		
Diluted earnings per share:					
Net income	$ 90,498	$ 49,343	158,070	$ 0.57	$ 0.31

	For the three-month period ended March 31, 2011				
	Amount		Weighted average number of outstanding common shares	Earnings per share (in dollars)	
	Before income tax	After income tax	(In thousands of shares)	Before income tax	After income tax
Basic earnings per share:					
Net income	$ 181,726	$ 129,764	153,997	$ 1.18	$ 0.84
Dilutive effect:					
Stock options	-	-	2,431		
Employees' bonuses	-	-	1,467		
Diluted earnings per share:					
Net income	$ 181,726	$ 129,764	157,895	$ 1.15	$ 0.82

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include the estimated shares that would increase from employees' stock bonus issuance in the computation of the weighted-average number of common shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting period that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting period. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends, the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively.

(23) Treasury stock

Changes in the treasury stock for the three-month period ended March 31, 2011 are set forth below (in thousands of shares):

A)

	For the three-month period ended March 31, 2011			
Purpose	Beginning	Additions	Disposals	Ending
Employee stock options	13,099	-	-	13,099

B) The maximum and ending balances of treasury stock for the three-month period ended March 31, 2011 are as follows:

March 31, 2011	
Maximum balance	Ending balance
$ 370,182	$ 370,182

C) According to the R.O.C. Securities and Exchange Act, the percentage of the number of shares of treasury stocks shall not exceed 10% of the total shares of common stocks issued by the Company and the total amount of treasury stock shall not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve.

D) According to the R.O.C Securities and Exchange Act, treasury stocks held by the Company shall not be pledged, and shall bear no right of shareholders until reissued.

E) According to the R.O.C. Securities and Exchange Act, treasury shares for the purpose of enhancing the Company's creditworthiness and shareholders' equity not reissued within six months shall be retired, while treasury stocks for all other purposes shall be reissued within three years from the month of acquisition.

F) After the approval of the board of directors during its meeting on April 22, 2011, the treasury stocks which were not reissued within three years from the month of acquisition have been retired totaling 11,840 thousand shares. The retirement resulted in the decrease in capital of $118,400. The rate of capital reduction was 7.04%, and the effective date was April 23, 2011. After the approval of the board of directors during its meeting on July 7, 2011, the treasury stocks were transferred to employees at a price of $15.37 per share. The total amount paid by the employees was $19,351 and compensation cost was $40,463. The effective date was July 7, 2011.

G) The fair value was estimated using "The Black-Scholes model" as follows:

Transaction type	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected vesting period (year)	Expected dividend (in dollars)	Risk-free Interest rate	Fair value (in dollars)
Treasury stock transferred to employees	July 7, 2011	$ 48.70	$ 15.37	31.29%	0.057	$ 1.20	0.87%	$ 32.14

(24) <u>Employee stock option plan</u>

A) On December 25, 2003 and November 14, 2007, the board of directors approved the employee stock option plans which provide for the issuance of 12,000,000 units and 12,000,000 units of options, respectively, that can be converted to one share of common stock per unit. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The Company has issued the employee stock options on December 31, 2007. The stock option has an exercise period of six years. Employees will be able to exercise these options after two years in accordance with the procedures of the employee stock option plan.

B) The units and weighted average exercise price of the stock options for the three-month periods ended March 31, 2012 and 2011 are as follows:

	For the three-month periods ended March 31,			
	2012		2011	
Stock Options	Units (in thousands)	Weighted-average exercise price (in dollars) (Note 1)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note 1)
Beginning balance	4,904	$ 23.60	7,249	$ 24.20
Number of options granted	-	-	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised (Notes 2 and 3)	(58)	-	(1,807)	-
Cancelled	(4)	-	(1)	-
Ending balance	4,842	23.60	5,441	24.20
Exercisable at the end of the period	4,842		5,441	
Authorized but unissued at the end of the period	-		-	

Note 1: The exercise price has been adjusted in accordance with the terms of the plan.

Note 2: As of March 31, 2012, the exercised stocks, 58 thousand in 2012 and 3 thousand in 2011, had been converted to common stocks. However, as those stocks had not been filed for conversion, they were still accounted for as capital in advance.

Note 3: As of March 31, 2011, the exercised stocks, 1,807 thousand in 2011 and 619 thousand in 2010, had been converted to common stocks. However, as those stocks had not been filed for conversion, they were still accounted for as capital in advance.

C) As of March 31, 2012 and 2011, the details of outstanding stock options are as follows:

	For the three-month period ended March 31, 2012				
	Outstanding stock options			Exercisable stock options	
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
$ 23.60	4,842	1.67	$ 23.60	4,842	$ 23.60

	For the three-month period ended March 31, 2011				
	Outstanding stock options			Exercisable stock options	
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
$ 24.20	5,441	2.67	$ 24.20	5,441	$ 24.20

(25) Personnel, depreciation and amortization expenses

	For the three-month period ended March 31, 2012		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 31,521	$ 304,747	$ 336,268
Labor and health insurances	3,158	24,542	27,700
Pension	1,187	14,028	15,215
Others	670	19,056	19,726
	$ 36,536	$ 362,373	$ 398,909
Depreciation	$ 23,658	$ 30,106	$ 53,764
Amortization	$ 46,280	$ 11,028	$ 57,308

	For the three-month period ended March 31, 2011		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 28,453	$ 266,642	$ 295,095
Labor and health insurances	2,896	19,425	22,321
Pension	1,035	12,065	13,100
Others	653	17,479	18,132
	$ 33,037	$ 315,611	$ 348,648
Depreciation	$ 19,890	$ 18,936	$ 38,826
Amortization	$ 69,739	$ 17,884	$ 87,623

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
Nexon Corporation (Nexon)	Note
Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity method
Gamania Cheer Up Foundation	Same chairman

Note: Nexon held more than 20% of the Company’s voting shares which were accounted for under the equity method since March 2011. As Nexon has the ability to exercise significant influence on the Company’s operational decisions and thus considered as the Company’s related party, the relevant transaction information between the Company and Nexon are disclosed from then on.

(2) Significant transactions and balances with related parties

A) License fees

	For the three-month periods ended March 31,			
	2012		2011	
	Amount	% of license fees	Amount	% of license fees
Nexon	$ 298,015	58	$ 94,909	19

The above represents payments for license fees as agent of the related party's on-line games. The license fees are negotiated based on different factors.

B) Donation

	For the three-month periods ended March 31,			
	2012		2011	
	Amount	% of donation	Amount	% of donation
Gamania Cheer Up Foundation	$ 1,500	71	$ 5,000	93

C) Deferred charges

	March 31, 2012		March 31, 2011	
	Amount	% of net deferred charges	Amount	% of net deferred charges
Nexon	$ 38,540	11	$ 99,433	21

The above represents payment for on-line games license fees.

D) Accounts payable

	March 31, 2012		March 31, 2011	
	Amount	% of net accounts payable	Amount	% of net accounts payable
Nexon	$ 70,012	10	$ 62,332	15

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

	March 31,		
Assets	2012	2011	Purpose
Time deposits (shown in other financial assets – current)	$ 40,747	$ -	Short-term loans guarantee
Land	90,629	90,254	Short-term and Long-term loans / Credit lines
Buildings	72,136	72,954	〃
Transportation equipment	1,938	-	Long-term loans guarantee
	$ 205,450	$ 163,208	

7. COMMITMENTS AND CONTINGENT LIABILITIES

The commitments and contingencies of the Company and it subsidiaries are as follows:

A) As of March 31, 2011, the total future rental payments for the next 3 years under non-cancelable operating lease agreements for the lease of the Group's office building, transportation equipment and networking device was $143,140.

B) The Company contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In addition, the Company contracted with several on-line game vendors and will pay royalty based on actual usage.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

Except for C) of Note 4(21), the Group had no other significant subsequent event.

10. OTHERS

(1) Financial statement presentation

Certain accounts in the March 31, 2011 consolidated financial statements were reclassified to conform with the March 31, 2012 consolidated financial statement presentation.

(2) Fair values of the financial instruments

	March 31, 2012			March 31, 2011		
		Fair value			Fair value	
	Book value	Quotations in an active market	Estimated value	Book value	Quotations in an active market	Estimated value
Financial instruments						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	$3,102,748	(Note A)	$3,102,748	$2,972,631	(Note A)	$2,972,631
Financial assets at fair value through profit or loss	51,786	51,786	-	202,850	202,850	-
Financial assets carried at cost	124,294	-	-	114,294	-	-
Refundable deposits	55,709	-	55,709	50,507	-	50,507

	March 31, 2012			March 31, 2011		
		Fair value			Fair value	
	Book value	Quotations in an active market	Estimated value	Book value	Quotations in an active market	Estimated value
Liabilities						
Financial liabilities with fair values equal to book values	$1,517,268	(Note A)	$1,517,268	$1,228,758	(Note A)	$1,228,758
Financial liabilities at fair value through profit or loss	6,653	6,653	-	3,273	3,273	-
Corporate bonds payable	14,375	-	14,337	-	-	-
Long-term loans	4,882	-	4,745	21,880	-	21,431
Guarantee deposits	5,643	-	5,643	12	-	12

The methods and assumptions used to estimate the fair values of the financial instruments are summarized below:

A) For short-term instruments, the book value is approximate to the fair value because of their short-term maturities. This applies to cash, notes and accounts receivable, other receivables (excluding income tax refundable), other financial asset-current, short-term loans, notes and accounts payable, accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.

B) Designated as financial assets at fair value through profit or loss are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. If the market for financial instruments is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing.

C) The fair value of long-term loans is based on the present value of expected cash flow amounts. The discount rate was another instrument which the Group could acquire similar terms at about 1.78%~2.99%.

D) The fair values of refundable deposits and guarantee deposits are the book value since the amounts are insignificant.

E) Off-balance sheet financial instruments with credit risk:

	March 31,	
	2012	2011
Guarantee for loans of subsidiaries	$ 443,035	$ 435,010

According to the Company's credit policy, guarantees can be provided for the loans borrowed by the subsidiaries in which the Company directly or indirectly holds more than 50% voting rights and over which the Company can exercise controlling power. No collaterals have been requested from these subsidiaries as the Company is able to monitor its credit standing. Should these subsidiaries default, the losses that would be incurred by the Company approximate the amount of the guarantee provided by the Company.

F) As of March 31, 2012 and 2011, the fair values of the financial instruments with interest rate risk were $505,486 and $360,434, respectively.

(3) Procedure of financial risk control and hedge

The Group's activities expose it to a variety of financial risks, including market risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Group's risk management program considers the effect of economic environment, competition and market value risk. The Group attains to the best risk position, holds appropriate liquidity position and centers on management of all the market risks.

To reach the objective of risk management, the Group's hedged activities are focused on the market value risk and the cash flow risk.

(4) Information of financial risk

A) Financial instruments of equity: Financial assets at fair value through profit or loss and financial assets carried at cost－non-current

(A) Market risk

The fair values of financial assets at fair value through profit or loss the Group holds would be changed by the fluctuations of market prices. However, the Company has set stop-loss amounts for those assets; therefore, no material market risk is expected.

The Group's trading of financial assets has no market price, so the Group expects no significant market risk.

(B) Credit risk

The Group buys and sells the financial assets at fair value through profit or loss through TWSE, OTC and financial institutions. The counterparties of those transactions have good credit history; they are not expected to default on the transactions. Therefore, the probability of credit risk occurrence is remote.

The Group has evaluated credit standing of the counterparties and does not expect any non-fulfillment of the terms of the contract, so the chance of credit risk is low.

(C) <u>Liquidity risk</u>

The financial assets at fair value through profit or loss the Group invests in all have active market; therefore, they are expected to be sold easily in the market at a price approximate to the fair value.

There is no active market for financial assets carried at cost of the Group, so the Group expects to have liquidity risk.

(D) <u>Cash flow interest rate risk</u>

As the Group has no significant interest-bearing assets, cash flows are substantially independent of changes in market interest rates.

B) <u>Receivables</u>: Notes and accounts receivable and other receivables

(A) <u>Market risk</u>

The Group's receivables are due within one year, so the Group expects no significant market risk.

(B) <u>Credit risk</u>

The debtors of the Group have good credit standing, so the Group expects no significant credit risk.

(C) <u>Liquidity risk</u>

The Group's receivables are due within one year, so the Group expects no significant liquidity risk.

(D) <u>Cash flow interest rate risk</u>

The Group's receivables are due within one year, so the Group expects no significant cash flow interest risk.

C) <u>Loans</u>: Short-term loans, bonds payable and long-term loans (including current portion of long-term loans)

(A) <u>Market risk</u>

As interest rates for most of the loans and issuance of bonds for working capital are both floating and fixed, the Group expects no significant market risk.

(B) <u>Credit risk</u>

None.

(C) Liquidity risk

The working capital of the Group is sufficient to cover the loans, so it expects no significant liquidity risk.

(D) Cash flow interest risk

Fixed and floating interests for loans are adopted by the Group. There will be no cash flow interest risk for loans with fixed interest, but for loans with floating interest, effective interest will vary with fluctuations in market interest and it will change future cash flows.

D) Some transactions of the Company involve non-functional currency, resulting in foreign currency denominated assets and liabilities which are affected by exchange rate fluctuations. The Company's significant foreign currency denominated assets and liabilities as of March 31, 2012 and 2011 are summarized below:

	March 31, 2012			March 31, 2011		
	Foreign Currency Amount (Note)		Exchange Rate	Foreign Currency Amount (Note)		Exchange Rate
Financial Assets						
USD : TWD	USD	445,229	29.5300	USD	1,621,767	29.5288
HKD : TWD	HKD	142,451	3.8035	HKD	3,545,992	3.7889
EUR：TWD	EUR	890,964	39.4329	EUR	7	41.3991
CNY : TWD	RMB	1,862,569	4.6888	RMB	2,034,034	4.4972
Financial Liabilities						
USD : TWD	USD	5,248,235	29.5300	USD	4,187,689	29.5288
HKD : TWD	HKD	164,402	3.8035	HKD	189,720	3.7889
JPY ：TWD	JPY	3,517,075	0.3594	JPY	9,249	0.3611

Note: Foreign currency amount is expressed in dollars.

(5) For the periods ended March 31, 2012 and 2011, the Group donated cash amounting to $2,100 and $5,400, respectively, to political parties, charities, and educational institutions that are accredited by the government, without significant appointed considerations.

11. DISCLOSURE INFORMATION

(1) Related information of significant transactions

A) Financing activities to any company or person: None

B) Guarantee for any other company or person:

Unit: Thousands of New Taiwan Dollars

The Company or investee companies		Parties being guaranteed		Limit of guarantee for each party (Note 4)	Maximum outstanding guarantee amount for the three-month period ended March 31, 2012	Outstanding guarantee amount at March 31, 2012	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Maximum amount available for guarantee (Notes 3 and 4)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Gash Plus Company Ltd.	2	$ 470,255	$ 180,000	$ 130,000	None	4.60%	$ 1,567,515
0	The Company	Gameastor Digital Entertainment Co., Ltd.	2	470,255	130,000	130,000	None	4.60%	1,567,515
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd.	3	470,255	111,280	111,280	None	3.93%	1,567,515
0	The Company	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	470,255	75,554	67,748	None	2.40%	1,567,515
0	The Company	Gamanic Digital Entertainment (U.S.) Co., Ltd.	3	470,255	4,007	4,007	None	0.14%	1,567,515

Note 1: Number 0 represents the Company.

Note 2: Number 2 means the Company directly owns over 50% of the shares of the subsidiary.
Number 3 means the Company and the subsidiary own over 50% of the shares of the investee company.

Note 3: The calculation method of maximum amount available for guarantee, the maximum outstanding guarantee amount and the recognized contingent loss, if any, should be stated in the financial statements.

Note 4:The Company provides guarantee for the subsidiaries in which the Company directly or indirectly holds more than 50% voting rights. The limit of guarantee for each party is 30% of the Company’s capital, and the maximum amount available for guarantee is the Company’s capital.

C) Marketable securities held at March 31, 2012

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Issuer	Type of marketable securities (Note 1)	Relationship with the security holders	General ledger account	March 31, 2012				
				Number of shares (Note 3)	Book value	Percentage	Market value (Note 2)	Note
The Company	Gamania Holdings Ltd.- Stock	Subsidiary	Long-term investments – accounted for under the equity method	36,715	$ 789,311	100%	$ 789,311	Note 5
〃	Gamania Korea Co., Ltd. - Stock	〃	〃	589	37,387	100%	37,387	Note 5
〃	Fantasy Fish Digital Games Co., Ltd. - Stock	〃	〃	4,458	14,778	99.75%	12,887	Note 5
〃	Gameastor Digital Entertainment Co., Ltd.- Stock	〃	〃	3,863	122,713	72.08%	123,406	Note 5
〃	Gamania Asia Investment Co., Ltd. - Stock	〃	〃	13,945	164,321	100%	164,321	Note 5
〃	Gamania Digital Entertainment Labuan Holdings, Ltd. - Stock	〃	〃	50	862	100%	862	Note 5
〃	Fundation Digital Entertainment Co., Ltd. - Stock	〃	〃	5,308	2,982	100%	2,982	Note 5
〃	Playcoo Co., Ltd - Stock	〃	〃	13,996	103,580	72.25%	57,452	Note 5
〃	Redgate Games Co., Ltd. - Stock	〃	〃	16,200	18,415	100%	18,415	Note 3、5
〃	Seedo Games Co., Ltd. - Stock	〃	〃	14,200	5,747	100%	5,747	Note 5
〃	Two Tigers Co., Ltd. - Stock	〃	〃	627	5,811	51%	5,811	Note 5
〃	Gash Plus Company Ltd.- Stock	〃	〃	5,000	89,321	100%	89,321	Note 5
〃	Machi Movie Co., Ltd.	Prepaid long-term equity investments	Prepaid long-term equity investments	-	20,000	-	20,000	None
〃	Taiwan e-sports Co., Ltd. - Stock	Investee company accounted for under the equity method	Long-term investments – accounted for under the equity method	4,680	10,971	40.70%	10,971	〃
〃	NC Taiwan Co., Ltd. - Stock	Investee company accounted for under financial assets carried at cost	Financial assets carried at cost – non-current	2,100	22,841	15%	22,841	〃
〃	Mega Diamond Money Market Fund	None	Financial assets at fair value through profit or loss	2,899	35,000	Note 4	35,042	〃
〃	FSITC Global High Yield Bond Fund	〃	〃	391	5,000	Note 4	5,001	〃

Note 1: Marketable securities consist of stocks, bonds, beneficiary certificates and other derivative instruments.

Note 2:

a) The market value of listed equity securities and closed-end mutual funds is determined based on closing price and net asset value of funds, respectively, at the balance sheet date.
b) The market value of open-end mutual funds is determined based on the net asset par value at the balance sheet date.

Note 3: The period end book value and the market value both included the prepaid long term investment of $20,000.
Note 4: Less than 1%.
Note 5: The transaction has been eliminated in the consolidated financial statements.

D) Marketable securities acquired or sold during the three-month period ended March 31, 2012 in excess of $100,000 or 20% of capital: None.
E) Acquired real estate in excess of $100,000 or 20% of capital: None.
F) Disposal of real estate in excess of $100,000 or 20% of capital: None.
G) Sales to or purchases from related parties in excess of $100,000 or 20% of capital:

Purchaser /Seller	Name of transaction parties	Relationship	Transaction terms				Description of and reasons for difference in transaction terms compared to non-related party transactions		Accounts or notes receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit terms	Unit price	Credit period	Balance	Percentage of total accounts or notes receivable (payable)	
The Company	Gash Plus Co., Ltd.	Subsidiary	Sales	$ 966,422	97%	Note 1	Note 1	Note 1	$ 743,742	87%	Note 2

Note 1: The above represents sales based on merchandise, competitive market and trading situation. The price and collection terms are similar to third parties.
Note 2: The investment has been eliminated in the consolidated financial statements.

H) Receivables from related parties in excess of $100,000 or 20% of capital:

Name of creditor	Transaction parties	Relationship	Balance of receivables from related parties (in thousands)	Turnover rate	Overdue receivables		Subsequent collections (in thousands)	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
The Company	Gash Plus Co., Ltd.	Subsidiary	$ 789,825 (Note 2)	4.60	$ -	-	$ 112,231 (Note 1)	$ 4,500

Note 1: The subsequent collections represent collections from the balance sheet date to April 27, 2012.
Note 2: The investment has been eliminated in the consolidated financial statements.

I) Information on derivative transactions: None.

(2) Information of investee companies

A) Information of investee companies:

The information on Gash Plus Co., Ltd. was based on financial statements reviewed by the Company's auditors. The others were based on unreviewed financial statements.

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2012.03.31	2011.03.31	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	Cayman Islands	Investment holdings	$ 1,948,410	$ 1,867,421	36,715	100%	$ 789,311	($ 91,850)	($ 91,850)	Note 6
〃	Gamania Korea Co., Ltd.	Seoul, Korea	Design and sales of software	317,198	291,303	589	100%	37,387	(10,402)	(10,402)	〃
〃	Fantasy Fish Digital Games Co., Ltd.	Taiwan	Design and research and development of software	330,000	330,000	4,458	99.75%	14,778	(515)	(513)	〃
〃	Gameastor Digital Entertainment Co., Ltd.	Taiwan	Software services and sales	211,433	211,433	3,863	72.08%	122,713	47,330	34,116	Notes 1, 6
〃	Gamania Asia Investment Co., Ltd.	Taiwan	Investment holdings	190,000	190,000	13,945	100%	164,321	13,037	13,037	Note 6
〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	Malaysia	Investment holdings	1,546	1,546	50	100%	862	-	-	〃
〃	Fundation Digital Entertainment Co., Ltd.	Taiwan	Sales and publishing of magazines and periodicals	170,000	170,000	5,308	100%	2,982	(10,322)	(10,322)	〃
〃	Playcoo Co.	Taiwan	Design and research and development of software	152,554	152,554	13,996	75.25%	103,580	(11,776)	(8,862)	〃
〃	Redgate Games Co. Ltd.	Taiwan	Design and research and development of software	182,000	162,000	16,200	100%	18,415	(17,074)	(17,074)	Notes 2, 6
〃	Seedo Games Co. Ltd.	Taiwan	Design and research and development of software	142,000	142,000	14,200	100%	5,747	(12,154)	(12,154)	Note 6
〃	Two Tigers Co. Ltd.	Taiwan	Animation production	6,269	6,269	627	51%	5,811	(116)	(59)	〃
〃	Gash Plus Co., Ltd.	Taiwan	Supply of software services and electronic information	50,000	50,000	5,000	100%	89,321	15,821	(15,821)	〃
〃	Taiwan e-sports Co., Ltd.	Taiwan	Supply of software services and electronic information	46,800	39,400	4,680	40.70%	10,971	(6,357)	(2,526)	Note 3

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2012.03.31	2011.03.31	Number of shares	Percentage	Book value			
Gamania Asia Investment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Taiwan	Design and sales of software	$ 80,625	$ 80,625	1,458	27.20%	$ 46,568	$ 47,330	$ 11,882	Note 6
Gash Plus Co., Ltd.	Jsdway Digital Technology Co., Ltd.	Taiwan	Supply of software services and electronic information	40,000	40,000	4,000	33.33%	58,698	14,047	4,682	〃
Jsdway Digital Technology Co., Ltd.	Webo Digital Co., Ltd.	Taiwan	Software services and sales	19,590	19,590	1,959	97.95%	10,259	(2,306)	(2,258)	〃
Jsdway Digital Technology Co., Ltd.	Encore Digital Technology Co., Ltd.	Taiwan	Software services and sales	1,750	1,750	175	35.00%	208	(1,227)	(430)	
Jsdway Digital Technology Co., Ltd.	Tang Chao Digital Technology Co., Ltd.	Taiwan	Software services and sales	1,000	1,000	100	28.57%	-	(519)	-	Note 5
Jsdway Digital Technology Co., Ltd.	Niu Niu Technology Co., Ltd.	Taiwan	Software services and sales	1,050	1,050	105	30.00%	199	(570)	(165)	
Jsdway Digital Technology Co., Ltd.	Precious Power Digital Technoloy Co., Ltd.	Taiwan	Software services and sales	7,000	7,000	700	70.00%	4,466	(1,240)	(868)	Note 6
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	Cayman Islands	Investment holdings	USD 59,704 thousand	USD 56,974 thousand	59,704	100%	USD 26,490 thousand	(USD 3,086 thousand)	(USD 3,086 thousand)	〃
Gamania Holdings Ltd.	Gamania R&D (HK) Holidays Limited	Hong Kong	Investment holdings	USD 100 thousand	USD 100 thousand	-	100%	USD 100 thousand	-	-	〃

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2012.03.31	2011.03.31	Number of shares	Percentage	Book value			
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Japan	Design and sales of software; sales of hardware	USD 16,383 thousand	USD 16,383 thousand	20	100%	USD 7,534 thousand	(USD 640 thousand)	(USD 640 thousand)	Note 6
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	Cayman Islands	Investment holdings	USD 38,384 thousand	USD 36,884 thousand	38,384	98.75%	USD 11,696 thousand	(USD 961 thousand)	(USD 948 thousand) (Note 1)	Notes 4, 6
Gamania International Holdings Ltd.	Gamania Western Holdings Ltd.	Cayman Islands	Investment holdings	USD 8,650 thousand	USD 7,150 thousand	8,650	100%	USD 4,028 thousand	(USD 481 thousand)	(USD 481 thousand)	Note 6
Gamania International Holdings Ltd.	Gamania Netherlands Holdings Cooperatief U.A.	Amsterdam	Investment holdings	USD 3,981 thousand	USD 3,981 thousand	-	100%	USD 1,260 thousand	(USD 742 thousand)	(USD 742 thousand)	〃
Gamania International Holdings Ltd.	Firedog Studio Company Ltd.	Hong Kong	Design and research and development of software	USD 3,350 thousand	USD 3,350 thousand	26,055	100%	USD 1,083 thousand	(USD 434 thousand)	(USD 434 thousand)	〃
Gamania International Holdings Ltd.	Gash Plus (Hong Kong) Company Ltd.	Hong Kong	Supply of software and electronic services	USD 97 thousand	USD 97 thousand	750	100%	USD 387 thousand	USD 269 Thousand	USD 269 thousand	〃
Gamania International Holdings Ltd.	Tornado Studio Co., Ltd.	Seoul, Korea	Supply of software and electronic services	USD 730 thousand	USD 300 thousand	161	100%	USD 403 thousand	(USD 107 thousand)	(USD 107 thousand)	〃
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Cayman Islands	Investment holdings	USD 36,220 thousand	USD 34,720 thousand	36,220	100%	USD 1,628 thousand	(USD 2,462 thousand)	(USD 2,462 thousand)	〃
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Hong Kong	Design and research and development of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 8,934 thousand	USD 1,502 thousand	USD 1,502 thousand	〃
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	China	Design and sales of software	USD 32,000 thousand	USD 30,500 thousand	-	100%	USD 1,316 thousand	(USD 2,444 thousand)	(USD 2,444 thousand)	〃
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	USA	Supply of software and electronic services	USD 8,630 thousand	USD 7,130 thousand	1	100%	USD 4,034 Thousand	(USD 478 thousand)	(USD 478 thousand)	〃

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2012.03.31	2011.03.31	Number of shares	Percentage	Book value			
Gamania Netherlands Holdings Cooperatief U.A.	Gamania Digital Entertainment (Europe) B.V.	Amsterdam	Supply of software and electronic services	EUR 3,000 thousand	EUR 3,000 thousand	-	100%	EUR 944 thousand	(EUR 566 thousand)	(EUR 566 thousand)	Note 6

Note 1: Including write-off of unrealized sales margin of $470.
Note 2: Both the original cost and the book value of the investment include the prepayment of $20,000 for long-term investment.
Note 3: The weighted-average ownership percentage is 39.74%
Note 4: The weighted-average ownership percentage is 98.70%
Note 5: The loss incurred from the investment had netted off its book value, so no other loss would be recognized for the investment.
Note 6: The transaction has been eliminated in the consolidated financial statements.

1) Financing activities to any company or person: None.
2) Guarantee information: None.

3) Marketable securities held at March 31, 2012:

Unit: Thousands of New Taiwan Dollars / Thousands of shares

Issuer	Type of marketable securities (Note 1)	Relationship with the security holders	General ledger account	March 31, 2012				
				Number of shares (Note 3)	Book value	Percentage	Market value (Note 2)	Note
Gamania Holdings Ltd.	Gamania International Holdings Ltd. - Stock	Subsidiary	Long-term investments – accounted for under the equity method	59,704	USD 26,490 thousand	100%	USD 26,490 thousand	Note 5
Gamania Holdings Ltd.	Gamania R&D (HK) Holdings Limited - Stock	〃	〃	-	USD 100 thousand	100%	USD 100 thousand	Note 5
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd. - Stock	〃	〃	20	USD 7,534 thousand	100%	USD 7,534 thousand	Note 5
Gamania International Holdings Ltd.	Gamania China Holdings Ltd. - Stock	〃	〃	38,384	USD 11,696 thousand	98.75%	USD 10,802 thousand	Note 5
Gamania International Holdings Ltd.	Gamania Western Holdings Ltd. - Stock	〃	〃	8,650	USD 4,028 thousand	100%	USD 4,028 thousand	Note 5
Gamania International Holdings Ltd.	Gamania Netherlands Holdings Cooperatief U.A. - Stock	〃	〃	-	USD 1,260 thousand	100%	USD 1,260 thousand	Note 5
Gamania International Holdings Ltd.	Firedog Studio Company Ltd. - Stock	〃	〃	26,055	USD 1,083 thousand	100%	USD 1,083 thousand	Note 5
Gamania International Holdings Ltd.	Gash Plus (Hong Kong) Company Ltd. - Stock	〃	〃	750	USD 387 thousand	100%	USD 387 thousand	Note 5
Gamania International Holdings Ltd.	Tornado Studio Co., Ltd. - Stock	〃	〃	161	USD 403 thousand	100%	USD 403 thousand	Note 5
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd. - Stock	〃	〃	36,220	USD 1,628 Thousand	100%	USD 1,628 thousand	Note 5
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd. - Stock	〃	〃	35,500	USD 8,934 thousand	100%	USD 8,934 thousand	Note 5
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.- Stock			-	USD 1,316 thousand	100%	USD 1,316 thousand	Note 5
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd. - Stock	〃	〃	1	USD 4,034 thousand	100%	USD 4,034 thousand	Note 5

Issuer	Type of marketable securities (Note 1)	Relationship with the security holders	General ledger account	March 31, 2012				
				Number of shares (Note 3)	Book value	Percentage	Market value (Note 2)	Note
Gamania Netherlands Holdings Cooperatief U.A.	Gamania Digital Entertainment (Europe) B.V. - Stock	Subsidiary	Long-term investments – accounted for under the equity method	-	EUR 944 thousand	100%	EUR 944 thousand	Note 5
Gash Plus Co., Ltd.	Jsdway Digital Technology Co., Ltd. - Stock	〃	〃	4,000	58,698	33.33%	58,698	Note 5
Gamania Asia Investment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd. - Stock	〃	〃	1,458	46,568	27.20%	46,568	Note 5
Gamania Asia Investment Co., Ltd.	Nice Finance Co., Ltd. - Stock	None	Financial assets carried at cost	9,383	91,453	14.60%	91,453	None
Gamania Asia Investment Co., Ltd.	Comtass Systems Co., Ltd. - Stock	〃	〃	1,000	10,000	3.33%	10,000	〃
Gamania Asia Investment Co., Ltd.	Iwan Interactive Entertainment Co., Ltd. - Stock	〃	Financial assets at fair value through profit or loss	285	2,850	14.96%	2,850	〃
Jsdway Digital Technology Co.	Webo Digital Co., Ltd. - Stock	Investee company accounted for under the equity method	Long-term investments – accounted for under the equity method	1,959	10,259	97.95%	10,259	〃
Jsdway Digital Technology Co.Ltd.	Encore Digital Technology Co., Ltd.- Stock	〃	〃	175	208	35.00%	208	〃
Jsdway Digital Technology Co.Ltd.	Tang Chao Digital Technology Co., Ltd. - Stock	〃	〃	100	-	28.57%	-	〃
Jsdway Digital Technology Co.Ltd.	Niu Niu Technology Co., Ltd. - Stock	〃	〃	105	199	30.00%	199	〃
Jsdway Digital Technology Co.Ltd.	Precious Power Digital Technoloy Co., Ltd.- Stock	〃	〃	700	4,466	70.00%	4,466	〃
Jsdway Digital Technology Co.Ltd.	Moqizone Holding Corporation - Stock	Prepaid long-term equity investments	Prepaid long-term equity investments	-	6,000	-	6,000	〃
Jsdway Digital Technology Co.Ltd.	Jsdway (M) Sdn Bhd - Stock	〃	Prepaid long-term equity investments	-	585	-	585	〃
Jsdway Digital Technology Co.Ltd.	Advancetek Enterprise Co., Ltd.	None	Financial assets at fair value through profit or loss	134	3,631	Note 4	3,631	〃
Jsdway Digital Technology Co.Ltd.	Chainqui Construction Development Co., Ltd. - Stock	〃	〃	140	2,450	Note 4	2,450	〃

Issuer	Type of marketable securities (Note 1)	Relationship with the security holders	General ledger account	March 31, 2012				
				Number of shares (Note 3)	Issuer	Type of marketable securities (Note 1)	Relationship with the security holders	General ledger account
Jsdway Digital Technology Co.Ltd.	Capital ASEAN - Mutual Fund	None	Financial assets at fair value through profit or loss	100	$ 872	Note 4	$ 872	None
Jsdway Digital Technology Co.Ltd.	Prudential Financial Asia Bond - Bond	〃	〃	200	1,983	Note 4	1,983	〃

Note 1: Marketable securities consist of stocks, bonds, beneficiary certificates and other derivative instruments.

Note 2:

a) The market value of listed equity securities and closed-end mutual funds is determined based on closing price and net asset value of funds, respectively, at the balance sheet date.

b) The market value of open-end mutual funds is determined based on the net asset par value at the balance sheet date.

Note 3: Unit: In thousand shares.

Note 4: Less than 1%

Note 5: The transaction has been eliminated in the consolidated financial statements.

4) Marketable securities acquired or sold during the three-month period ended March 31, 2012 in excess of $100,000 or 20% of capital: None.

5) Acquired real estate in excess of $100,000 or 20% of capital: None.

6) Disposal of real estate in excess of $100,000 or 20% of capital: None.

7) Sale to or purchases from related parties in excess of $100,000 or 20% of capital: None.

8) Receivable from related parties in excess of $100,000 or 20% or capital:

Name of creditor	Transaction parties	Relationship	Balance of receivables from related parties (in thousands)	Turnover rate	Overdue receivables		Subsequent collections (in thousands)	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
Gameastor Digital Entertainment Co., Ltd.	The Company	The Company	$ 184,100 (Notes 1, 3)	-	$ -	-	$ 31,234 (Note 2)	$ -

Note 1 : The nature of balance is receipts under custody.
Note 2 : The subsequent collections represent collections from the balance sheet date to April 27, 2012.
Note 3: The investment has been eliminated in the consolidated financial statements.

9) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

A) Information on Mainland China investments is disclosed as follows in accordance with (2002) Tai-Cai-Zheng (6) Letter No. 103366 of Securities and Futures Commission, Ministry of Finance:

Name of investee in Mainland China	Main activities	Capital (Note 3)	Investment method	Accumulated investment from Taiwan as of January 1, 2011 (Note 4)	Remitted or received investment amount during the period		Accumulated investment from Taiwan as of March 31, 2012 (Note 5)	Direct and indirect percentage of ownership	Investment loss recognized during the year (Note 2)	Balance of investment at March 31, 2012 (Note 6)	Accumulated investment income received as of March 31, 2012
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	1,089,296	(Note 2)	$ 681,257	$ 44,295	$ -	$ 725,662	98.75%	($ 71,698)	38,861	$ -

B) Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA:

Company	Accumulated amount of investment in Mainland China as of March 31, 2012	Related investment amount approved by FIA (Note 1)	Upper limit of investment in Mainland China
Gamania Digital Entertainment (Beijing) Co., Ltd.	$ 725,552	$1,091,517	$ 1,814,005

Note 1: Related total investment amount approved by FIA is USD 36,963 thousand or NTD 1,091,517 thousand based on 29.53 exchange rate.

Note 2: The investment loss of the investee for 2012 was recognized using the indirect weighted-average ownership percentage of 98.70% based on its financial statements for the corresponding period, which were unreviewed.

Note 3: Paid-in capital was RMB $232,319 thousand.

Note 4: Accumulated investment amount of remittance from Taiwan to Mainland China as of January 1, 2012 was USD 23,070 thousand.

Note 5: Accumulated investment amount of remittance from Taiwan to Mainland China as of March 31, 2012 was USD 24,570 thousand.

Note 6: Book value of investments in Mainland China as of March 31, 2012 was USD 1,316 thousand.

C) The company has no significant transactions with the holding company or its subsidiaries in Mainland China.

D) The transaction has been eliminated in the consolidated financial statements.

(4) Relationship and significant transactions between the Company and its subsidiaries

For the three-month period ended March 31, 2012

				Transaction terms			
Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Subject	Amount	Transaction terms	Percentage of total combined revenue or total assets (Note 3)
0	Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	1	Advertising expense	$ 16,033	Note 4	1%
0	〃	Gash Plus Co., Ltd.	1	Sales revenue	965,474	Note 4	48%
0	〃	Gash Plus Co., Ltd.	1	Accounts receivable	743,742	Note 4	15%
0	〃	Gash Plus Co., Ltd.	1	Other receivables	46,083	Note 4	1%
0	〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	1	Deferred charges	15,287	Note 4	-%
0	〃	Gameastor Digital Entertainment Co., Ltd.	1	Other payables	180,094	Note 4	4%
0	〃	Jsdway Digital Technology Co., Ltd.	1	Other payables	39,875	Note 4	1%
1	Gameastor Digital Entertainment Co., Ltd.	Gash Plus Co., Ltd.	3	Accounts receivable	22,332	Note 4	-%
1	〃	Gash Plus Co., Ltd.	3	Sales revenue	34,118	Note 4	2%
1	〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Deferred charges	11,709	Note 4	-%
2	Gash Plus Co., Ltd.	Jsdway Digital Technology Co., Ltd.	3	Accounts receivable	162,042	Note 4	3%
2	〃	Jsdway Digital Technology Co., Ltd.	3	Notes receivable	495,357	Note 4	10%
2	〃	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other receivables	31,640	Note 4	1%
2	〃	Gash Plus (Hong Kong) Company Limited.	3	Sales revenue	36,037	Note 4	2%
2	〃	Jsdway Digital Technology Co., Ltd.	3	Sales revenue	915,953	Note 4	46%
3	Playcoo Co.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License revenue	15,249	Note 4	1%
3	Playcoo Co.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts receivable	15,282	Note 4	-%
4	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License cost	17,191	Note 4	1%
5	Gash Plus (Hong Kong) Company Limited	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	41,171	Note 4	1%

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Subject	Amount	Transaction terms	Percentage of total combined revenue or total assets (Note 3)
5	Gash Plus (Hong Kong) Company Limited	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts payable	$ 202,465	Note 4	4%
5	〃	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Sales revenue	10,726	Note 4	1%
5	〃	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Cost of goods sold	155,052	Note 4	8%
5	〃	Jsdway Digital Technology Co., Ltd.	3	Receipts in advance	66,897	Note 4	1%
5	〃	Jsdway Digital Technology Co., Ltd.	3	Sales revenue	38,151	Note 4	2%

Note 1: The transaction information of the Company and its consolidated subsidiaries should be noted in column "Number". The number means:

1. Number 0 represents the Company.
2. The consolidated subsidiaries are in order from number 1.

Note 2: The relationships with the transaction parties are as follows:

1. The Company to the consolidated subsidiary.
2. The consolidated subsidiary to the Company.
3. The consolidated subsidiary to another consolidated subsidiary.

Note 3: Ratios of asset/liability accounts are divided by consolidated total assets, and ratios of profit/loss accounts are divided by consolidated sales revenue.

Note 4: There is no similar transaction to compare with. It will follow the agreed price and transaction terms.

Note 5: The disclosure standard reaches above $10,000 for the transaction amount.

For the three-month period ended March 31, 2011

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Transaction terms: Subject	Amount	Transaction terms	Percentage of total combined revenue or total assets (Note 3)
0	Gamania Digital Entertainment Co., Ltd.	Gamania Digital Entertainment (Europe) B.V.	1	Other receivables	$ 38,204	Note 4	1%
0	〃	Gash Plus (Hong Kong) Company Limited	1	Other receivables	29,956	Note 4	1%
0	〃	Gameastor Digital Entertainment Co., Ltd.	1	Other payables	162,824	Note 4	3%
1	Gameastor Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Deferred charges	25,445	Note 4	1%
3	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	License cost	22,864	Note 4	1%
4	Playcoo Co., Ltd.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	License revenue	78,963	Note 4	4%
4	〃	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Accounts receivable	14,640	Note 4	-%

Note 1: The transaction information of the Company and its consolidated subsidiaries should be noted in column “Number”. The number means:
1. Number 0 represents the Company.
2. The consolidated subsidiaries are in order from number 1.

Note 2: The relationships with the transaction parties are as follows:
1. The Company to the consolidated subsidiary.
2. The consolidated subsidiary to the Company.
3. The consolidated subsidiary to another consolidated subsidiary.

Note 3: Ratios of asset/liability accounts are divided by consolidated total assets, and ratios of profit/loss accounts are divided by consolidated sales revenue.
Note 4: There is no similar transaction to compare with. It will follow the agreed price and transaction terms.
Note 5: The disclosure standard reaches above $10,000 for the transaction amount.

12. OPERATING SEGMENTS INFORMATION

(1) General information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker which are used to make strategic decisions.

(2) Assessment of segment information

The chief operating decision-maker assesses the performance of the operating segments based on net income or net loss of the reporting period.

(3) Information on segment profit (loss), assets and liabilities

The segment information on reportable segments provided to the chief operating decision-maker for the three-months period ended March 31, 2012 and 2011 are as follows:

For the three-month period ended March 31, 2012	Gamania Digital Entertainment Co., Ltd.	Gash Plus Co., Ltd.	Jsdway Digital Technology Co., Ltd.	Others	Total	
Revenue from external customers	$ 998,602	$ 31,773	$ 159,519	$ 822,462	$ 2,012,356	
Inter-segment revenue	968,106	951,989	1,622	443,340	2,365,057	Note 1
Segment profit (loss)	49,343	15,821	14,047	(23,011)	56,200	
Depreciation and amortization	(69,663)	(1,352)	(1,867)	(38,190)	(111,072)	
Income tax expense	(19,329)	(3,326)	(3,134)	(15,366)	(41,155)	
Investment income (loss) accounted for under the equity method	(92,530)	4,682	(594)	85,321	(3,121)	Note 2
Segment assets	-	-	-	-	-	

For the three-month period ended March 31, 2011	Gamania Digital Entertainment Co., Ltd.	Gash Plus Co., Ltd.	Jsdway Digital Technology Co., Ltd.	Others	Total	
Revenue from external customers	$ 1,248,303	$ -	$ -	$ 601,084	$ 1,849,387	
Inter-segment revenue	1,479	-	-	45,860	47,339	Note 1
Segment profit (loss)	129,764	-	-	(44)	129,720	
Depreciation and amortization	(70,700)	-	-	(55,749)	(126,449)	
Income tax expense	(41,054)	-	-	(10,908)	(51,962)	
Investment income (loss) accounted for under the equity method	(52,572)	-	-	51,080	(1,492)	Note 2
Segment assets	-	-	-	-	-	

Note 1 : The transaction has been eliminated in the consolidated financial statements.

Note 2 : The inter-segment investment income or loss has been eliminated.

(4) Reconciliation information of segment profit (loss), assets and liabilities

The segment reports provided to the chief operating decision-maker are measured in a manner consistent with that used for the income statement. There is no difference between the presentation of segment report and income statement and accordingly, no reconciliation is required to be disclosed.

13. DISCLOSURES RELATING TO THE ADOPTION OF IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective January 1, 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins (collectively referred herein as the IFRSs) developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as recognized by the Financial Supervisory Commission, Executive Yuan, R.O.C.

The Company discloses the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Order No. 0990004943 of the Financial Supervisory Commission, dated February 2, 2010:

(1) Major contents and status of execution of the Company's plan for IFRSs adoption:

The Company has formed an IFRSs group, headed by the Company's general manager, which is responsible for setting up a plan relative to the Company's transition to IFRSs. The major contents and status of execution of this plan are outlined below:

Working Items for IFRSs Adoption	Status of Execution
Formation of an IFRSs group	Completed
Setting up a plan relative to the Company's transition to IFRSs	Completed
Identification of the differences between current accounting policies and IFRSs	Completed
Identification of consolidated entities under the IFRSs framework	Completed
Evaluation of the impact of each exemption and option on the Company under IFRS 1 – First-time Adoption of International Financial Reporting Standards	Completed
Evaluation of needed information system adjustments	Completed
Evaluation of needed internal control adjustments	Completed
Establish IFRSs accounting policies	Completed
Selection of exemptions and options available under IFRS 1 – First-time Adoption of International Financial Reporting Standards	Completed
Preparation of statement of financial position on the date of transition to IFRSs	Completed
Preparation of IFRSs comparative financial information for 2012	In process
Completion of relevant internal control (including financial reporting process and relevant information system) adjustments	Completed

(2) Material differences that may arise between current accounting policies used in the preparation of financial statements and IFRSs and "Rules Governing the Preparation of Financial Statements by Securities Issuers" that will be used in the preparation of financial statements in the future:

The Company uses the IFRSs already ratified currently by FSC and the "Rules Governing the Preparation of Financial Statements by Securities Issuers" that will be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Company's current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs are subsequently ratified by FSC or relevant interpretations or amendments to the "Rules Governing the Preparation of Financial Statements by Securities Issuers" come in the future.

Material differences identified by the Company that may arise between current accounting policies used in the preparation of financial statements and IFRSs and "Rules Governing the Preparation of Financial Statements by Securities Issuers" that will be used in the preparation of financial statements in the future, and the effects of exemptions selected by the Company under IFRS 1 – First-time Adoption of International Financial Reporting Standards (refer to Note 13(3)) are set forth below:

A) Reconciliation of significant differences as of January 1, 2012

	R.O.C. GAAP	Adjustment	IFRSs	Description
Prepaid License (included in Prepaid Expense)	$ 104,402	$ 57,243	$ 161,645	(a)
Deferred income tax assets – current	5,184	(5,184)	-	(c)
Available-for-sale financial assets	-	162,002	162,002	(b)
Financial assets carried at cost – non-current	124,294	(142,294)	-	(b)
Deferred pension costs	721	(721)	-	(e)
Deferred income tax assets-non-current	34,199	23,325	59,524	(a)(c)(d)(e)
Prepaid pension (included in Other assets)	9,066	(9,066)	-	(e)
Others	4,885,936	-	4,885,936	
Total Assets	$ 5,163,802	$ 105,305	$ 5,269,107	
Accrued expenses	$ 513,047	$ 32,304	$ 545,351	(d)

	R.O.C. GAAP	Adjustment	IFRSs	Description
Deferred revenues (included Unearned revenue collected in advance)	391,674	114,487	506,161	(a)
Accrued pension liabilities	9,938	10,582	20,520	(e)
Others	1,250,178	-	1,250,178	
Total Liabilities	$ 2,164,837	$ 157,373	$ 2,322,210	
Undistributed earnings	$ 219,813	($ 60,389)	$ 159,424	(h)
Cumulative translation adjustments	29,032	(29,032)	-	(f)
Unrecognized pension cost	(1,143)	1,143	-	(e)
Unrealized gain or loss on financial instruments	-	37,708	37,708	(b)
Minority interest	186,426	(1,498)	184,928	(a)(d)(e)
Others	2,564,837	-	2,564,837	
Total Stockholders' Equity	$ 2,998,965	($ 52,068)	$ 2,946,897	

Description of the significant differences identified:

a) The Company is engaged in the sale of on-line game stored-value cards and provision of on-line game services. According to the current accounting standards in R.O.C., the Company recognizes the revenue when the consumers purchase the online game credits, and use the credits to exchange for service for playing the online games and the virtual treasures and then the consumed credits are deducted from the players' accounts. However, in accordance with IAS 18, "Revenue", royalty revenue and the related royalty cost should be deferred to be recognized and amortized. Therefore, the Group increased prepayment on royalty, deferred revenue and deferred income tax assets - noncurrent by $57,243, $114,487 and $10,044, respectively, and decreased minority interest and unappropriated retained earnings by $90 and $47,110, respectively, at the date of transition to IFRSs.

b) Before the amendment of "Rules Governing the Preparation of Financial Statements by Securities Issuers", dated July 7, 2011, unlisted stocks and emerging stocks held by the Group should be measured at cost and recognized in "Financial assets carried at cost". However, in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability of the estimation interval of reasonable fair values of such equity instruments is insignificant, or the probability for these estimates can be made reliably) should be measured at fair value. Therefore, the Group designated

"Financial assets carried at cost" to "Available-for-sale financial assets" and decreased other comprehensive income of $37,708 for the difference between fair value and book value at the date of transition to IFRSs.

c) In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting, should be classified as current or noncurrent according to the expected period to realize or settle a deferred tax asset or liability. However, under IAS 1, "Presentation of Financial Statements", an entity should not classify a deferred tax asset or liability as current. Therefore, the Group reclassified deferred income tax assets – current of $5,184 to deferred income tax assets – non-current of $5,184 at the date of transition to IFRSs.

d) The current accounting standards in R.O.C. do not specify the rules on the recognition of cost of accumulated unused compensated absences. The Group recognizes such cost as expense upon actual payment. However, IAS 19, "Employee Benefits", requires that cost of accumulated unused compensated absences should be recognized as expense at the end of the reporting period. Therefore, the Group increased accrued expenses and deferred income tax assets – noncurrent by $32,304 and $6,440, respectively, and decreased minority interest and retained earnings by $458 and $25,406, respectively, at the date of transition to IFRSs.

e) Accrued pension liabilities

   1) The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, "Employee Benefits", requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan.

   2) The Group selected to recognize all accumulated actuarial gain or loss with respect to the employee benefit plans in retained earnings at the date of transition to IFRSs.

   3) In accordance with current accounting standards in R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, in accordance with IAS 19, "Employee Benefits", the unrecognized transitional net benefit obligation should not be recognized because it is the Group's first-time adoption of IFRSs.

4) In accordance with current accounting standards in R.O.C., the excess of the accumulated benefit obligation over the fair value of the pension plan (fund) assets at the balance sheet date is the minimum amount of pension liability that is required to be recognized on the balance sheet ("minimum pension liability"). However, IAS 19, "Employee Benefits", has no regulation regarding the minimum pension liability.

f) The Company recognized cumulative translation adjustment as zero at the date of transition to IFRSs. Therefore, the Group recognized a decrease in cumulative translation adjustments of $29,032 at the date of transition to IFRSs.

g) In accordance with the Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 of Financial Supervisory Commission, Executive Yuan, dated April 6, 2012, a public company, upon the first-time adoption of IFRSs, should set aside special reserve at an amount equal to the sum of unrealized revaluation increment and cumulative translation adjustment (gain) that are reclassified to 'Retained earnings' as a result of the adoption of exemptions under IFRS 1; however, if the retained earnings is insufficient to set aside a special reserve for the net increase in retained earnings resulting from the first-time adoption of IFRSs, the special reserve shall be set aside only to the extent of the net increase in retained earnings. The Company's first-time adoption of IFRSs led to net reduction of retained earnings; therefore, no special reserve was set aside by the Company.

h) A total of $60,389 was deducted from unappropriated retained earnings for material differences in balance sheet accounts due to different accounting policies adopted as stated above.

B) Reconciliation schedule of significant differences as of March 31, 2012

As the Company's IFRSs conversion plan is still in process, the reconciliation schedules are not disclosed.

C) Reconciliation schedule of significant differences for the three-month period ended March 31, 2012

As the Company's IFRSs conversion plan is still in process, the reconciliation schedules are not disclosed.

(3) The Company has selected the following exemptions in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and "Rules Governing the Preparation of Financial Statements by Securities Issuers" that are expected to be applied in 2013:

A) Business combinations

The Group has selected not to apply the requirements in IFRS 3, "Business Combinations", retrospectively to business combinations that occur before the date of transition to IFRSs.

B) Share-based payment transactions

The Group has selected not to apply the requirements in IFRS 2, “Share-based Payment”, retrospectively to the equity instruments that are vested and liabilities that are settled before the date of transition to IFRSs, arising from share-based payment transactions.

C) Employee benefits

The Group has selected to recognize all accumulated actuarial gain or loss associated with employee benefits plans in retained earnings at the date of transition to IFRSs, and disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments in accordance with paragraph 120A (P), IAS 19, “Employee Benefits”, based on their prospective amounts for each accounting period from the date of transition to IFRSs.

D) Cumulative translation adjustments

The Company has selected to recognize the amount of cumulative translation adjustments arising from foreign operations as zero at the date of transition to IFRSs, and deals with subsequent translation adjustments in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”.

E) Designation for financial instruments recognized previously

The Group has selected to designate certain financial assets carried at cost as “available-for-sale financial assets” at the date of transition to IFRSs.

The selection of exemptions above might be different from the actual selection at the date of transition to IFRSs due to the issuance of related decrees by competent authorities, changes in economic environment, or changes in the evaluation of effect of the Company’s selection of exemptions.