GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 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.

Report of Independent Accountants Translated from Chinese

PWCR12000053

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

We have audited the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As described in Note 2(1), we did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of $1,852,115 thousand and $512,190 thousand, constituting 35.32% and 10.32% of the related consolidated totals as of June 30, 2012 and 2011, respectively, and total operating revenues of $2,570,325 thousand and $333,641 thousand, constituting 71.12% and 9.26% of the related consolidated totals for the six-month periods then ended, respectively. Further, as described in Note 4(8), we did not audit the financial statements of the certain long-term equity investments of Gamania Digital Entertainment Co., Ltd. and its subsidiaries, accounted for under the equity method, for the six-month period ended June 30, 2012. These long-term equity investments amounted to $6,585 thousand, representing 0.13% of the consolidated total assets as of June 30, 2012, and the related investment income amounted to $1,357 thousand, representing 1.57% of the consolidated net income before tax for the six-month period then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these subsidiaries and certain investees' accounted for under the equity method and the information disclosed in Note 11 relative to these subsidiaries and investees, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of June 30, 2012 and 2011, and the results of their operations and their cash flows for the six-month periods then ended, 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 former 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 former Financial Supervisory Commission, dated February 2, 2010.

PricewaterhouseCoopers, Taiwan

August 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 audit 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 audit report of the independent accountants are not intended for use by those who are not informed about the accounting principles or auditing 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
JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4(1))	$ 2,037,097	$ 1,758,816
Financial assets at fair value through profit or loss - current (Note 4(2))	27,018	-
Notes receivable - third parties - net (Note 4(3))	13,607	130,637
Accounts receivable - third parties - net (Note 4(4))	1,273,365	1,293,043
Accounts receivable, related parties - net (Note 5)	876	-
Other receivables (Note 4(17))	82,660	45,872
Other financial assets - current (Note 6)	14,117	-
Inventories - net (Note 4(5))	111,630	137,781
Prepaid expenses	106,018	85,048
Deferred income tax assets - current (Note 4(17))	4,968	1,683
Other current assets	31,438	6,487
	3,702,794	3,459,367
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))	32,841	114,294
Long-term investments - accounted for under the equity method (Note 4(8))	20,339	5,076
Prepaid long-term investments (Note 4(8))	31,885	-
	87,915	122,220
Property, Plant and Equipment - net (Notes 4(9) and 6)		
Cost		
Land	157,434	156,837
Buildings	214,746	212,943
Machinery and equipment	690,515	824,805
Transportation equipment	6,942	-
Office equipment	143,220	205,984
Leasehold improvements	116,901	51,718
Other equipment	27,153	18,067
Total Cost	1,356,911	1,470,354
Less: Accumulated depreciation	(482,773)	(714,739)
Accumulated impairment	(4,182)	(4,326)
Construction in progress and prepayments for equipment	14,776	13,614
	884,732	764,903
Intangible assets		
Trademarks	3,918	4,456
Goodwill	83,433	84,659
Deferred pension cost (Note 4(18))	721	1,475
Other intangible assets - net (Note 4(10))	3,785	5,341
	91,857	95,931
Other Assets		
Refundable deposits	59,670	54,194
Deferred charges - net (Notes 4(11) and 5)	350,481	421,712
Deferred income tax assets - non-current (Note 4(17))	44,956	27,146
Other assets - other (Notes 4(12)(18))	20,693	16,417
	475,800	519,469
TOTAL ASSETS	$ 5,243,098	$ 4,961,890

	2012	2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans (Note 4(13))	$ 99,025	$ 110,796
Notes payable - third parties	29,909	3,571
Accounts payable - third parties	642,060	424,612
Accounts payable - related parties (Note 5)	58,216	70,391
Income tax payable (Note 4(17))	74,345	59,551
Accrued expenses (Note 4(21))	451,683	475,440
Other payables - third parties (Note 4(21))	597,346	360,288
Unearned revenue collected in advance	373,902	673,673
Current portion of long-term loans (Notes 4(15)(16))	19,607	23,411
Other current liabilities	16,110	9,542
	2,362,203	2,211,275
Long-term Liabilities		
Financial liabilities at fair value through profit or loss - non-current (Note 4(14))	7,372	3,426
Bonds payable (Note 4(15))	13,145	-
Long-term loans (Note 4(16))	1,928	15,853
	22,445	19,279
Other Liabilities		
Accrued pension liabilities (Note 4(18))	14,065	9,523
Guarantee deposits	5,558	6
Deferred income tax liabilities - non-current (Note 4(17))	2,223	1,892
Other liabilities - other	6,422	-
	28,268	11,421
Total Liabilities	2,412,916	2,241,975
Stockholders' Equity		
Common stock		
Common stock (Note 1)	1,568,125	1,562,883
Stock subscriptions received in advance (Note 4(24))	-	1,129
Capital reserve (Note 4(19))		
Paid-in capital in excess of par	832,722	827,114
Additional paid-in capital - treasury stock transactions	24,234	-
Gain on disposal of property, plant and equipment	221	221
Capital reserve from long-term investments	73	-
Capital reserve - other	3	-
Retained earnings		
Legal reserve (Notes 4(20)(21))	159,610	140,909
Retained earnings (Notes 4(17)(21))	75,490	201,707
Other adjustments to stockholders' equity		
Cumulative translation adjustments	8,982	(7,523)
Unrealized net loss	(1,143)	(1,126)
Treasury stock (Note 4(23))	-	(35,580)
	2,668,317	2,689,734
Minority interest	161,865	30,181
Total Stockholders' Equity	2,830,182	2,719,915
Commitments and Contingent Liabilities (Note 7)		
Subsequent Event (Note 9)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,243,098	$ 4,961,890

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

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
Operating revenues		
Sales revenue (Note 5)	$ 3,611,909	$ 3,582,701
Sales returns	(7,226)	(7,937)
Sales allowances	(1,965)	(11,795)
Net sales revenue	3,602,718	3,562,969
Service revenue	11,400	38,981
Operating revenues	3,614,118	3,601,950
Operating costs		
Cost of goods sold (Notes 4(5) (25) and 5)	(2,230,738)	(2,064,016)
Gross profit	1,383,380	1,537,934
Operating expenses (Notes 4(25) and 5)		
Selling expenses	(391,221)	(358,298)
General and administrative expenses	(660,857)	(620,031)
Research and development expenses	(342,618)	(290,533)
Total operating expenses	(1,394,696)	(1,268,862)
Operating (loss) income	(11,316)	269,072
Non-operating income		
Interest income	3,064	1,571
Gain on disposal of property, plant and equipment	150	-
Gain on disposal of investments (Notes 4(7) (8))	43,373	-
Foreign exchange gain	1,214	-
Rental income	26,020	5,451
Gain on valuation of financial assets (Note 4(6))	1,688	350
Miscellaneous income	43,282	8,149
Total non-operating income	118,791	15,521
Non-operating expenses		
Interest expense	(4,147)	(1,371)
Investment loss accounted for under the equity method (Note 4(8))	(4,539)	(1,669)
Loss on disposal of property, plant and equipment	-	(172)
Foreign exchange loss	-	(3,323)
Loss on valuation of financial liabilities (Note 4(14))	(719)	-
Miscellaneous losses	(11,398)	(22,066)
Total non-operating expenses	(20,803)	(28,601)
Income before income tax	86,672	255,992
Income tax expense (Note 4(17))	(83,359)	(87,899)
Consolidated net income	$ 3,313	$ 168,093
Attributable to:		
Equity holders of the Company	$ 1,620	$ 166,389
Minority interest	1,693	1,704
	$ 3,313	$ 168,093

	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)				
Consolidated net income	$ 0.55	$ 0.02	$ 1.66	$ 1.09
Minority interest income	(0.01)	(0.01)	(0.01)	(0.01)
Profit attributable to equity holders of the Company	$ 0.54	$ 0.01	$ 1.65	$ 1.08
Diluted earnings per share (in dollars) (Note 4(22))				
Consolidated net income	$ 0.55	$ 0.02	$ 1.62	$ 1.07
Minority interest income	(0.01)	(0.01)	(0.01)	(0.01)
Profit attributable to equity holders of the Company	$ 0.54	$ 0.01	$ 1.61	$ 1.06

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

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Common Stock		Capital Reserve					Retained Earnings						
	Common Stock	Stock Subscriptions Received in Advance	Paid-in Capital in Excess of Par	Additional Paid-in Capital-Treasury Stock Transactions	Capital Surplus from Gain on Disposal of Assets	Capital Reserve from Long-term Investments	Capital Reserve - Other	Legal Reserve	Retained Earnings	Cumulative Translation Adjustments	Unrealized Net Loss	Treasury Stock	Minority Interest	Total
2011														
Balance at January 1, 2011	$ 1,657,020	$ 6,186	$ 862,382	$ -	$ 221	$ -	$ -	$ 117,649	$ 399,094	($ 5,731)	($ 1,126)	($ 370,182)	$ 29,876	$2,695,389
Employee stock options exercised	18,077	1,129	27,271	-	-	-	-	-	-	-	-	-	-	46,477
Capital collected in advance transferred to common stock	6,186	(6,186)	-	-	-	-	-	-	-	-	-	-	-	-
Cancelation of treasury stock	(118,400)	-	(62,539)	-	-	-	-	-	(153,663)	-	-	334,602	-	-
Distribution of 2010 earnings (Note 1):														
Legal reserve	-	-	-	-	-	-	-	23,260	(23,260)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(186,035)	-	-	-	-	(186,035)
Consolidated net income for the period	-	-	-	-	-	-	-	-	166,389	-	-	-	1,704	168,093
Effect of change in ownership percentage of investee company	-	-	-	-	-	-	-	-	(818)	-	-	-	-	(818)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(1,792)	-	-	-	(1,792)
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,399)	(1,399)
Balance at June 30, 2011	$ 1,562,883	$ 1,129	$ 827,114	$ -	$ 221	$ -	$ -	$ 140,909	$ 201,707	($ 7,523)	($ 1,126)	($ 35,580)	$ 30,181	$2,719,915
2012														
Balance at January 1, 2012	$ 1,567,515	$ 28	$ 831,930	$ 24,234	$ 221	$ -	$ -	$ 140,909	$ 219,813	$ 29,032	($ 1,143)	$ -	$186,426	$2,998,965
Employee stock options exercised	610	(28)	792	-	-	-	-	-	-	-	-	-	-	1,374
Distribution of 2011 earnings (Note 2):														
Legal reserve	-	-	-	-	-	-	-	18,701	(18,701)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(125,450)	-	-	-	-	(125,450)
Consolidated net income for the period	-	-	-	-	-	-	-	-	1,620	-	-	-	1,693	3,313
Cumulative translation adjustments	-	-	-	-	-	73	-	-	(1,792)	-	-	-	-	(1,719)
Effect of change in ownership percentage of investee company	-	-	-	-	-	-	-	-	-	(20,050)	-	-	-	(20,050)
Effect of investees unclaimed dividends	-	-	-	-	-	-	3	-	-	-	-	-	-	3
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(26,254)	(26,254)
Balance at June 30, 2012	$ 1,568,125	$ -	$ 832,722	$ 24,234	$ 221	$ 73	$ 3	$ 159,610	$ 75,490	$ 8,982	($ 1,143)	$ -	$161,865	$2,830,182

Note 1: The amounts approved by the Company's stockholders for the distribution of 2010 earnings for the directors' and supervisors' remuneration and employees' bonuses are $5,040 and $38,200, respectively, whereas the amounts deducted from the consolidated income statement for 2010 were $5,520 and $41,401, respectively. The differences of $480 and $3,201, respectively, were adjusted in the consolidated income statement for the six-month period ended June 30, 2011.

Note 2: The amounts approved by the Company's stockholders for the distribution of 2011 earnings for the directors' and supervisors' remuneration and employees' bonuses are $3,500 and $27,500, respectively, whereas the amounts deducted from the consolidated income statement for 2011 were $3,671 and $27,532, respectively. The differences of $171 and $32, respectively, were adjusted in the consolidated income statement for the six-month period ended June 30, 2012.

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

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
Cash flows from operating activities		
Consolidated net income	$ 3,313	$ 168,093
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
(Gain) loss on adjustment of financial assets	(969)	153
Reversal of allowance for sales returns	-	(284)
(Reversal of allowance) provision for doubtful accounts	(1,008)	9,519
(Reversal of allowance) provision for decline in market value of inventories	(1,497)	727
Investment loss accounted for under the equity method	4,539	1,669
Gain on disposal of investments	(43,373)	-
(Gain) loss on disposal of property, plant and equipment	(150)	172
Depreciation and amortization	228,504	243,389
Deferred charges transferred to other loss	4,696	22,695
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss	(15,491)	-
Notes receivable - third parties	15,492	(6,228)
Accounts receivable - third parties	(211,354)	(107,363)
Accounts receivable, net - related parties	(876)	-
Other receivables - third parties	(12,127)	(16,560)
Inventories	(24,934)	(108,512)
Prepaid expenses	(9,266)	(32,094)
Deferred income tax assets and liabilities, net	(10,547)	22,207
Other current assets	(744)	(2,178)
Other assets - other	18,373	(7,614)
Notes payable - third parties	(97)	3,516
Accounts payable - third parties	(56,175)	187,354
Accounts payable - related parties	(13,883)	70,391
Income tax payable	(9,547)	21,097
Accrued expenses	(61,361)	38,429
Other payables - third parties	329,687	(159,173)
Unearned revenue collected in advance	160,505	356,292
Other current liabilities	416	(626)
Accrued pension liabilities	4,127	305
Net cash provided by operating activities	296,253	705,376

(Continued on next page)

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
Cash flows from investing activities		
Increase in other financial assets - current	($ 6,302)	$ -
Increase in long-term investments - subsidiary acquisition price	(17,400)	-
Prepaid long-term investments	(25,885)	-
Proceeds from disposal of long-term equity investments	134,970	-
Acquisition of property, plant and equipment	(198,214)	(134,564)
Proceeds from disposal of property, plant and equipment	1,337	1,420
Increase in other intangible assets	(1,653)	(160)
Increase in deferred charges	(122,832)	(43,047)
Increase in refundable deposits, net	(1,998)	(5,997)
Net cash used in investing activities	(237,977)	(182,348)
Cash flows from financing activities		
Increase (decrease) in short-term loans	6,462	(44,186)
Decrease in bonds payable	(8,562)	-
Decrease in long-term loans	(13,747)	(19,445)
Decrease in guarantee deposits	(203)	-
Decrease in other liabilities	(423)	(752)
Exercise of employee stock options	1,374	46,477
Changes in minority interest	(26,254)	(1,399)
Net cash used in financing activities	(41,353)	(19,305)
Effect of exchange rate changes on cash and cash equivalents	(5,548)	(3,587)
Net increase in cash and cash equivalents	11,375	500,136
Cash and cash equivalents at beginning of the period	2,025,722	1,258,680
Cash and cash equivalents at end of the period	$ 2,037,097	$ 1,758,816
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 2,613	$ 1,392
Income tax	$ 49,413	$ 33,517
Cash paid for acquisition of property, plant and equipment		
Property, plant and equipment acquired	$ 161,211	$ 127,194
Payables at end of the period	(27,559)	(30,359)
Payable at beginning of the period	64,562	37,729
Cash paid	$ 198,214	$ 134,564
Non-cash flows from financing activity		
Cash dividends declared	$ 125,450	$ 186,035

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

See report of independent accountants dated August 27, 2012.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

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 June 30, 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 $1,568,125. The Company is engaged in software services. As of June 30, 2012, the Company and its consolidated subsidiaries had approximately 1,860 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 subsidiaries included in the Company's consolidated reports as of June 30, 2012 and 2011 are as follows:

Investor	Subsidiary	Main activities	% of shares held as of June 30		Note
			2012	2011	
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 Holdings Ltd.	Gamania R&D (HK) Holdings Limited	Investment holdings	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%	98.50%	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 Limited	Design and research of software	100%	100%	Note 3
Gamania International Holdings Ltd.	Gash Plus (Hong Kong) Company Limited	Software information and supply of electronic services	100%	100%	Note 3
Gamania International Holdings Ltd.	Tornado Studio Co., Ltd. (Note 11)	Design and research of software	100%	100%	Note 3
Gamania R&D (HK) Holidngs Limited	MoNoKos Studio Technology Co., Ltd.	Research and development of software	100%	-	Note 4
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Design and sales of software	98.75%	98.50%	Note 5
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Investment holdings	98.75%	98.50%	Note 5
Gamania Netherlands Holdings Cooperatief U.A.	Gamania Digital Entertainment (Europe) B.V.	Design and sales of software	100%	100%	Note 6

Investor	Subsidiary	Main activities	% of shares held as of June 30 2012	2011	Note
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%	98.50%	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 Enterainment 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
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%	99.75%	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 and development of software	100%	100%	Note 1
Gamania Digital Entertainment Co., Ltd.	Seedo Games Co., Ltd.	Design and research and development of software	100%	100%	Note 1
Gamania Digital Entertainment Co., Ltd	Playcoo Co.	Design and research and development of software	75.25%	75.25%	Note 1
Gamania Digital Entertainment Co., Ltd.	Two Tigers Co., Ltd.	Animation production	51%	51%	Note 1

Investor	Subsidiary	Main activities	% of shares held as of June 30 2012	2011	Note
Gamania Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	Software information and supply of electronic services	100%	100%	Note 1
Gamania Digital Entertainment Co., Ltd.	Global Pursuit (U.S.) Co., Ltd.	Software information and supply of electronic services	100%	-	Note 1
Gash Plus (Taiwan) Company Limited	Jsdway Digital Technology Co., Ltd.	Software information and supply of electronic services	33.33%	-	Note 9
Jsdway Digital Technology Co., Ltd.	Webo Digital Co., Ltd.	Software services and sales	98.83%	-	Note 10
Jsdway Digital Technology Co., Ltd.	Precious Power Digital Technology Co., Ltd.	Software services and sales	70%	-	Note 10

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 Gamania R&D (HK) Holdings Limited.

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

Note 6: A majority-owned subsidiary of Gamania Netherlands Holding 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: Gash Plus (Taiwan) Company Limited holds more than half of the board seats of Jsdway Digital Technology Co., Ltd.

Note 10: A majority-owned subsidiary of Jsdway Digital Technology Co., Ltd.

Note11: Tornado Studio Co., Ltd., formerly Gama Games Co., Ltd., has completed its change of registration in August 2012.

a) For the six-month period ended June 30, 2012, the information on investee companies, Gamania Korea Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd., Gash Plus (Hong Kong) Company Limited, Jsdway Digital Technology Co., Ltd., and Firedog Studio Company Limited, were based on financial statements audited by each investee company’s auditors.

b) For the six-month period ended June 30, 2011, the information on investee companies, Gamania Korea Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd., and Firedog Studio Company Limited, were based on financial statements audited by each investee company’s auditors.

c) The financial statements reflect total assets of $1,852,115 and $512,190, constituting

35.32% and 10.32% of the related consolidated totals as of June 30, 2012 and 2011, respectively, and total operating revenues of $2,570,325 and $333,641, constituting 71.12% and 9.26% of the related consolidated totals for the periods then ended, respectively.

(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 and financial liabilities at fair value through profit or loss

A) Financial assets and financial liabilities at fair value through profit or loss are recognized as of the trade date at fair value for equity stocks. Financial assets and financial liabilities 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, after taking into account the effects of ex-rights and ex-dividends.

(17) <u>Deferred income tax assets and income tax</u>

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.

(18) <u>Retirement plan</u>

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 period.

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 period 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 period. 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 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 consolidated net income and earnings per share for the sixth-month period ended June 30, 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 sixth-month period ended June 30, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2012	June 30, 2011
Cash on hand	$ 1,278	$ 9,731
Demand deposits and checking accounts	1,411,284	1,339,440
Time deposits	624,535	409,645
	$ 2,037,097	$ 1,758,816

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

Items	June 30, 2012	June 30, 2011
Current items:		
Financial assets held for trading		
Listed (TSE and OTC) stocks	$ 3,843	$ -
Corporate bonds	22,855	-
Adjustment of financial assets held for trading	320	-
	$ 27,018	$ -

(3) Notes receivable - net

	June 30, 2012	June 30, 2011
Notes receivable	$ 13,623	$ 130,653
Less: Allowance for doubtful accounts	(16)	(16)
	$ 13,607	$ 130,637

(4) Accounts receivable - net

	June 30, 2012	June 30, 2011
Accounts receivable	$ 1,328,706	$ 1,398,832
Less: Allowance for doubtful accounts	(54,804)	(101,576)
Allowance for sales returns	(537)	(4,213)
	$ 1,273,365	$ 1,293,043

(5) Inventories - net

	June 30, 2012	June 30, 2011
Inventories	$ 113,698	$ 143,635
Less: Allowance for obsolescence and market value decline	(2,068)	(5,854)
	$ 111,630	$ 137,781

Related loss recognized for the periods:

	For the six-month periods ended June 30, 2012	2011
(Reversal of allowance) provision for decline in market value of inventories	($ 1,497)	$ 727
Loss on physical count of inventories	$ -	$ 19

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

Items	June 30, 2012	2011
Designated as 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 is lower than the published price, the issuer will 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 – non-current

Items	June 30, 2012	2011
Unlisted stocks		
NC Taiwan Co., Ltd.	$ 22,841	$ 22,841
Compass Systems Corp.	10,000	-
Nice Financial Co., Ltd.	-	91,453
	$ 32,841	$ 114,294

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

B) The Company sold all the stocks of Nice Finance Co., Led. in June, 2012. Gain on disposal of those stocks amounting to $43,120 which was total sale price of $134,573 less book value of $91,453 was recognized in "Gain on disposal of investments".

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

A) List of long-term investments

	June 30, 2012			Investment loss for the sixth-month period ended
Name of investee	Original cost	Ownership percentage	Balance	June 30, 2012
Accounted for under the equity method:				
Taiwan e-sports Co., Ltd.	$ 46,800	40.70%	$ 10,339	($ 3,182)
Mochi Movie Co., Ltd.	10,000	32.26%	10,000	-
Encore Digital Technology Co., Ltd.	1,750	-	-	(812)
Niu Niu Technology Co., Ltd.	1,050	-	-	(545)
Tang Chao Digital Technology Co., Ltd.	1,000	-	-	-
			20,339	($ 4,539)
Prepayments for long-term investments				
Mochi Movie Co., Ltd.			10,000	
RitwNow Inc.			15,300	
Moaizone Holdings Corporation			6,000	
Jsdway (M) Sdn. Bhd.			585	
			$ 52,224	

	June 30, 2011			Investment loss for the sixth-month period ended
Name of investee	Original cost	Ownership percentage	Balance	June 30, 2011
Accounted for under the equity method:				
Taiwan e-sports Co., Ltd.	$ 32,000	37.65%	$ 5,076	($ 1,669)

B) Long-term investments in Taiwan e-sports Co., Ltd. and Mochi Movie Co., Ltd. were accounted for under the equity method based on the investees' financial statements as of and for the six-month period ended June 30, 2012 which was not audited by independent accountants since their operating revenue had no significant effect to the Group.

C) Long-term investment in Taiwan e-sports Co., Ltd. was accounted for under the equity method based on the investee's financial statements as of and for the six-month period ended June 30, 2011, which was not audited by independent accountants since its operating revenue had no significant effect to the Group.

D) The investment loss on Encore Digital Technology Co., Ltd., and Niu Niu Technology Co., Ltd., the investees of the Company's indirect subsidiary, Jsdway Digital Technology Co., Ltd., accounted for under the equity method, for the six-month period ended June 30, 2012, were based on their financial statements for the corresponding period, which were audited by the engaged auditors of Jsdway Digital Technology Co., Ltd. The investment loss recognized on these investees for the six-month period ended June 30, 2012 was $1,357.

E) In May and June 2012, the Company's indirect subsidiary, Jsdway Digital Technology Co., Ltd., sold all shares of Encore Digital Technology Co., Ltd., Niu Niu Technology Co., Ltd. and Tang Chao Digital Technology Co., Ltd. at a cost of $397 and recognized a gain on disposal of investments of $253 after deducting book value of $144.

(9) Property, plant and equipment

	June 30, 2012	June 30, 2011
Cost		
Land	$ 157,434	$ 156,837
Buildings	214,746	212,943
Machinery and equipment	690,515	824,805
Transportation equipment	6,942	-
Office equipment	143,220	205,984
Leasehold improvements	116,901	51,718
Other equipment	27,153	18,067
	1,356,911	1,470,354
Accumulated depreciation		
Buildings	(40,613)	(43,518)
Machinery and equipment	(318,368)	(526,820)
Transportation equipment	(699)	-
Office equipment	(64,658)	(115,774)
Leasehold improvements	(50,054)	(21,181)
Other equipment	(8,381)	(7,446)
	(482,773)	(714,739)
Add: Construction in progress and prepayments for equipment	14,776	13,614
Less: Accumulated impairment	(4,182)	(4,326)
Book value	$ 884,732	$ 764,903

(10) Other intangible assets

	June 30, 2012	June 30, 2011
Franchises for sales of on-line games	$ 2,578	$ 4,456
Prepayment for franchise	1,207	269
Comic copyright	-	616
	$ 3,785	$ 5,341

(11) Deferred charges

	June 30, 2012	June 30, 2011
Royalties payments	$ 224,427	$ 228,490
Unamortized expenses	126,054	193,222
	$ 350,481	$ 421,712

(12) Other assets - other

	June 30, 2012	June 30, 2011
Overdue accounts receivable	$ 68,714	$ 57,390
Less: Allowance for doubtful accounts	(57,375)	(57,390)
Prepayment for pensions	9,041	8,824
Others	313	7,593
	$ 20,693	$ 16,417

The Company’s indirect subsidiary, Jsdway Digital Technology Co., Ltd., did not fully provide its overdue accounts receivable with allowance as of June 30, 2012 since based on its assessment, such receivables were collectible.

(13) Short-term loans

	June 30, 2012	June 30, 2011
Short-term bank loans	$ 99,025	$ 110,796
Annual interest rate	1.18%~7.57%	1.30%~6.73%
Credit lines	$ 2,233,027	$ 1,756,638

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

Items	June 30, 2012	June 30, 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	4,522	576
	$ 7,372	$ 3,426

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 as "Financial liabilities at fair value through profit or loss".

(15) Bonds payable

	June 30, 2012	June 30, 2011
Bonds payable	$ 16,901	$ -
Less: Current portion	(3,756)	-
	$ 13,145	$ -

The Company's subsidiary, Gamania Digital Entertainment (Japan) Co., Ltd., issued unsecured corporate bonds in the amount of JPY 50 million as approved by the local competent authorities. The major terms of the corporate bonds are as follows:

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

(16) Long-term loans

Bank	Total Credit Line	Period/Terms of Repayment	June 30, 2012	June 30, 2011
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note)	08.31.2009 ~ 08.30.2012 equal quarterly installments	$ 3,102	$ 14,907
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note)	09.01.2010 ~ 08.30.2013 equal quarterly installments	13,521	24,357
Yuanta Bank	TWD 1,400	12.30.2010 ~ 12.29.2013 monthly installments	739	-
Yuanta Bank	TWD 790	01.14.2011 ~ 01.13.2014 monthly installments	417	-
			17,779	39,264
Less: Current portion			(15,851)	(23,411)
			$ 1,928	$ 15,853

Note: In thousands of yen

(17) Income tax payable

A) Income tax payable (refundable) and income tax expense for the six-month periods ended June 30, 2012 and 2011 are reconciled as follows:

	For the six-month periods ended June 30,	
	2012	2011
Current period income tax expense	$ 83,359	$ 85,569
Additional 10% corporate income tax on undistributed earnings	-	2,330
	83,359	87,899
Add (Less): Net change in deferred income tax assets	10,547	(22,207)
Prepaid income tax	(379)	(484)
Under provision of prior year's income tax	(33,011)	(5,760)
Income tax payable of prior year	13,580	-
Effect of exchange rate	86	270
	$ 74,182	$ 59,718
Income tax refundable (recognized as "other receivables")	($ 163)	($ 383)
Income tax payable	74,345	59,551
	$ 74,182	$ 59,168

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

	June 30,	
	2012	2011
Deferred income tax assets - current	$ 5,193	$ 14,717
Deferred income tax assets - non-current	422,401	237,241
Deferred income tax liabilities - non-current	(2,223)	(1,892)
	425,371	250,066
Less: Valuation allowance - current	(225)	(13,034)
Valuation allowance - non-current	(377,445)	(210,095)
	$ 47,701	$ 26,937

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

	June 30,			
	2012		2011	
	Amount	Tax effect	Amount	Tax effect
Current items–assets:				
Provision for bad debts in excess of the allowable limit	$ 13,023	$ 2,214	$ -	$ -
Allowance for decline in market value and inventory obsolescence	882	150	6,167	1,048
Allowance for sales returns	1,184	201	4,777	812
Loss carryforwards	7,607	1,293	72,703	12,360
Others	7,852	1,335	33	6
Investment tax credits		-		491
		5,193		14,717
Less: Valuation allowance		(225)		(13,034)
		$ 4,968		$ 1,683
Non-current items–assets:				
Investment loss on financial assets carried at cost – non-current	$ 9,851	$ 1,675	$ 9,851	$ 1,675
Loss carryforwards	1,439,246	288,363	789,771	134,261
Loss on foreign investments	504,752	85,808	161,390	27,436
Reserve for foreign investments	(6,188)	(1,052)	(17,915)	(3,046)
Others	2,080	354	528	90
Investment tax credits		47,253		76,825
		422,401		237,241
Less: Valuation allowance		(377,445)		(210,095)
		$ 44,956		$ 27,146

	June 30,			
	2012		2011	
	Amount	Tax effect	Amount	Tax effect
Non-current items–liabilities:				
Depreciation allowances in excess of related depreciation	($ 13,358)	($ 2,204)	($ 11,465)	($ 1,892)
Others	(113)	(19)	-	-
		($ 2,223)		($ 1,892)

D) As of June 30, 2012 and 2011, the balance of shareholders account of deductible tax was as follows:

	June 30,	
	2012	2011
a. Balance of shareholders account of deductible tax	$ 64,566	$ 39,749
	2012 (Actual)	2011 (Actual)
b. Creditable tax ratio	23.38%	9.96%

E) Undistributed retained earnings:

	June 30,			
	2012		2011	
On or after January 1, 1998				
a. Earnings not yet subjected to 10% income tax	$	1,620	$	166,389
b. Earnings subjected to 10% income tax		73,870		35,318
	$	75,490	$	201,707

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

a) As of June 30, 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 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-examination by the Tax Authority. On July 23, 2012, the Tax Authority declared that the Company had to pay additional income tax of $1,979 and additional interest of $103 due to tax administrative relief procedure as the Company's application of employees' training as tax credits did not have valid supporting documents as required under the Statute for Upgrading Industries. The Company had recognized the assessment in the financial statements as of and for the six-month period ended June 30, 2012.

G) As of June 30, 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 year. The details are as follows:

Deductible item	Total credits	Unused balance	Year of expiration
Research and development expenditures	$ 47,072	$ 47,072	2012~2013
Machinery and equipment	126	126	2012~2013
Employees' training	55	55	2012~2013
	$ 47,253	$ 47,253	

H) As of June 30, 2012, in accordance with the "Income Tax Law", the Company's domestic subsidiaries had loss carryforwards in the amount of $289,656 to offset against taxable income for the next ten years. The details are as follows:

Deductible item	Amount reported	Total credits	Unused balance	Year of expiration
Loss carryforwards	$ 1,446,854	$ 289,656	$ 289,656	2013~2022

(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 $51,088 and $48,491 as of June 30, 2012 and 2011, respectively. For the sixth-month periods ended June 30, 2012 and 2011, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to $1,714 and $1,362, respectively. The fund balances are not reflected in the consolidated financial statements. The accumulated contributions exceeded the net pension costs in the amount of $9,041 and $8,824 as of June 30, 2012 and 2011, respectively, which was accounted for in other assets – other.

B) Gamania Digital Entertainment (Japan) Co., Ltd., Gamania Korea Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd., Tornado Studio Co., Ltd., Gash

Plus (Hong Kong) Company Limited and Firedog Studio Company Limited provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were $4,248 and $2,401 for the sixth-month periods ended June 30, 2012 and 2011, respectively.

C) Gamania Digital Entertainment (Beijing) Co., Ltd. and MoNoKos Studio Technology Co., Ltd. provides 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 $4,409 and $3,886 for the sixth-month periods ended June 30, 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 $21,715 and $19,270 for the sixth-month periods ended June 30, 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 Western Holdings Ltd., Gamania Sino Holdings Ltd., Gamania Netherlands Holdings Cooperatief U.A., Gamania Digital Entertainment (U.S.) Co., Ltd., Gamania Digital Entertainment (Europe) B.V., and Gamania R&D (HK) Holdings Limited 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) Legal reserve

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) Retained earnings

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 shareholders 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 and 2010 earnings had been approved at the stockholders' meeting on June 22, 2012 and June 17, 2011, respectively. Details are summarized below:

	2011 Earnings		2010 Earnings	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	$ 18,701		$ 23,260	
Cash dividends	125,450	$ 0.80	186,035	$ 1.20
Employees' cash bonuses	Note 1		Note 2	
Directors' and supervisors' remuneration	〃		〃	

Note 1: The amounts approved during the stockholders' meeting for employees' bonus and directors' and supervisors' remuneration are $27,500 and $3,500, respectively.

Note 2: The amounts approved during the stockholders' meeting for employees' bonus and directors' and supervisors' remuneration are $38,200 and $5,040, respectively.

(a)The amounts approved during the stockholders' meeting for the distribution of 2011 earnings for cash dividends was the same with the amount approved by the Company's Board of Directors on April 27, 2012.

(b)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.

D) The estimated amounts of employees' bonuses are $60 and $25,908, and the estimated amounts of directors' and supervisors' remuneration are $8 and $3,454 for the sixth-month periods ended June 30, 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.

E) The distribution of employees' bonus and remuneration for directors and supervisors in 2011, as mentioned in C) above, was different from the employees' bonus of $27,532 and remuneration for directors and supervisors of $3,671 recognized in the financial statements of 2011. The differences of $32 and $171, respectively, had been adjusted in the income statement for the six-month period ended June 30, 2012.

F) The distribution of employees' bonus and remuneration for directors and supervisors in 2010, as mentioned in C) above, was different from the employees' bonus of $41,401 and remuneration for directors and supervisors of $5,520 recognized in the financial statements of 2010. The differences of $3,201 and $480, respectively, had been adjusted in the income statement for the six-month period ended June 30, 2011.

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

(22) Earnings per share

	For the six-month period ended June 30, 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	$ 84,979	$ 1,620	156,793	$ 0.54	$ 0.01
Dilutive effect:					
Stock options	-	-	1,173		
Employees' bonuses	-	-	2		
Diluted earnings per share:					
Net income	$ 84,979	$ 1,620	157,968	$ 0.54	$ 0.01

	For the six-month period ended June 30, 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	$ 254,288	$ 166,389	154,520	$ 1.65	$ 1.08
Dilutive effect:					
Stock options	-	-	2,475		
Employees' bonuses	-	-	579		
Diluted earnings per share:					
Net income	$ 254,288	$ 166,389	157,574	$ 1.61	$ 1.06

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 six-month period ended June 30, 2011 are set forth below (in thousands of shares):

A)

	For the six-month period ended June 30, 2011			
Purpose	Beginning	Additions	Disposals	Ending
Employee stock options	13,099	-	(11,840)	1,259

B) The maximum and ending balance of treasury stock for the six-month period ended June 30, 2011 are as follows:

June 30, 2011	
Maximum balance	Ending balance
$ 370,182	$ 35,580

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 stocks 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 November 14, 2007, the board of directors approved the employee stock option plans which provided for the issuance of 12,000,000 units of options, 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 17, 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 six-month periods ended June 30, 2012 and 2011 are as follows:

	For the six-month periods ended June 30,			
	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)	-	(1,921)	-
Cancelled	(4)	-	(67)	-
Ending balance	4,842	23.00	5,261	24.20
Exercisable at the end of the period	4,842		5,261	
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 June 30, 2012, the exercised stock, 58 thousand in 2012 and 3 thousand in 2011, had been converted to common stocks. Those stocks had been registered and accounted for as capital of the Company.

Note 3: As of June 30, 2011, 113 thousand shares had not been registered and were accounted for under stock subscriptions received in advance.

C) As of June 30, 2012 and 2011, the details of outstanding stock options are as follows:

	For the six-month period ended June 30, 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)
$ 23.00	4,842	1.42	$ 23.00	4,842	$ 23.00

	For the six-month period ended June 30, 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	5,261	2.42	$ 24.20	5,261	$ 24.20

(25) Personnel, depreciation and amortization expenses

	For the six-month period ended June 30, 2012		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 65,431	$ 605,891	$ 671,322
Labor and health insurances	6,289	50,504	56,793
Pension	2,355	29,731	32,086
Others	1,313	36,012	37,325
	$ 75,388	$ 722,138	$ 797,526
Depreciation	$ 48,145	$ 60,655	$ 108,800
Amortization	$ 96,130	$ 23,574	$ 119,704

	For the six-month period ended June 30, 2011		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 69,182	$ 538,214	$ 607,396
Labor and health insurances	5,818	41,029	46,847
Pension	2,069	24,850	26,919
Others	1,271	37,262	38,533
	$ 78,340	$ 641,355	$ 719,695
Depreciation	$ 41,467	$ 39,603	$ 81,070
Amortization	$ 107,779	$ 54,540	$ 162,319

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
Nexon Korea Corporation (Nexon)	Note
Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity method
Mochi Movie Co., Ltd.	〃
Niu Niu Technology Co., Ltd.	〃
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) Sales

	For the six-month periods ended June 30,			
	2012		2011	
	Amount	% of sales	Amount	% of sales
Niu Niu Technology	$ 3,863	-	$ -	-

The sales above were made on general sales prices and terms.

B) License fees

	For the six-month periods ended June 30,			
	2012		2011	
	Amount	% of license fees	Amount	% of license fees
Nexon	$ 540,458	59	$ 319,933	22

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

C) Donation

	For the six-month periods ended June 30,			
	2012		2011	
	Amount	% of donation	Amount	% of donation
Gamania Cheer Up Foundation	$ 3,000	47	$ 5,000	81

D) Deferred charges

	Jane 30,2012		Jane 30,2011	
	Amount	% of net deferred charges	Amount	% of net deferred charges
Nexon	$ 35,977	10	$ 81,985	19

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

E) Accounts payable

	Jane 30,2012		Jane 30,2011	
	Amount	% of net accounts payable	Amount	% of net accounts payable
Nexon	$ 58,216	8	$ 70,391	14

F) Property transactions

For the six-month period ended June 30, 2012, the Company paid $17,316 to Nexon as payment for royalties. The terms and prices of property transactions were negotiated on different factors.

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

Assets	June 30, 2012	June 30, 2011	Purpose
Restricted demand deposits (shown in other financial assets – current)	$ 14,117	$ -	Short-term loans guarantee
Land	81,374	-	Short-term and Long-term loans / Credit lines
Buildings	69,850	-	〃
Transportation equipment	1,835	-	Long-term loans guarantee
	$ 167,176	$ -	

7. COMMITMENTS AND CONTINGENT LIABILITIES

In addition to Note 4(17), others are as follows:

A) As of June 30, 2012, 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 $129,326.

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.

C) The subsidiary signed a contract for the development of a website and the total future contract payment as of June 30, 2012 was $963.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

From July, 2012, E. Sun Commercial Bank provided guarantee of $300,000 on behalf of the Company to its subsidiary, Gash Plus (Taiwan) Company Limited, for the standard contract of on-line game points.

10. OTHERS

(1) Financial statement presentation

Certain accounts in the June 30, 2011 consolidated financial statements were reclassified to conform with the June 30, 2012 consolidated financial statements presentation.

(2) Fair values of the financial instruments

	June 30, 2012			June 30, 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	$3,421,390	(Note A)	$3,421,390	$3,227,985	(Note A)	$3,227,985
Financial assets at fair value through profit or loss	29,868	29,868	-	2,850	2,850	-
Financial assets carried at cost	32,841	-	-	114,294	-	-
Refundable deposits	59,670	-	59,670	54,194	-	54,194
Liabilities						
Financial liabilities with fair values equal to book values	$1,913,956	(Note A)	$1,913,956	$1,478,051	(Note A)	$1,478,051
Financial liabilities at fair value through profit or loss	7,372	7,372	-	3,426	3,426	-
Bonds payable	13,145	-	12,791	-	-	-
Long-term loans	1,928	-	1,874	15,853	-	15,578
Guarantee deposits	5,558	-	5,558	6	-	6

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 and cash equivalents, notes and accounts receivable (including related parties), other receivables (excluding income tax refundable), other financial assets–current, short-term loans, notes and accounts payable (including related parties), 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 bonds payable and long-term loans are based on the present value of expected cash flow amounts. The discount rate of bonds payable and long-term loans were other instruments which the Group could acquire similar terms at about 0.63% and 1.78%~2.99%, respectively.

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

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

	June 30,	
	2012	2011
Guarantee for loans of subsidiaries	$ 724,138	$ 490,523

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 June 30, 2012 and 2011, the fair values of the financial instruments with interest rate risk were $624,535 and $409,645, 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 Group 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) Liquidity risk

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) Cash flow interest rate risk

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

B) Receivables: Notes receivable, accounts receivable (including related parties) and other receivables

(A) Market risk

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

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

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

(A) Market risk

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) Credit risk

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 Group involve non-functional currency, resulting in foreign currency denominated assets and liabilities which are affected by exchange rate fluctuations. The Group's significant foreign currency denominated assets and liabilities as of June 30, 2012 and 2011 are summarized below:

	June 30, 2012			June 30, 2011		
	Foreign Currency Amount		Exchange Rate	Foreign Currency Amount		Exchange Rate
Financial Assets						
USD : TWD	USD	32,692	29.9000	USD	16,438	28.8020
HKD : TWD	HKD	3,224,125	3.8552	HKD	616	3.7008
CNY : TWD	RMB	2,116	4.7056	RMB	3,458	4.4558
Financial Liabilities						
USD : TWD	USD	1,396,394	29.9000	USD	1,069,608	28.8020

Note: Foreign currency amount is expressed in dollars.

(5) For the six-month periods ended June 30, 2012 and 2011, the Group donated cash amounting to $6,450 and $6,200, respectively, to 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 six-month period ended June 30, 2012	Outstanding guarantee amount at June 30, 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 (Taiwan) Company Limited	2	$ 470,438	$ 458,000	$ 458,000	None	17.16%	$ 1,568,125
0	The Company	Gameastor Digital Entertainment Co., Ltd.	2	$ 470,438	$ 130,000	$ 80,000	None	3.00%	$ 1,568,125
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd.	3	$ 470,438	$ 111,280	$ 111,280	None	4.17%	$ 1,568,125
0	The Company	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	$ 470,438	$ 75,554	$ 71,048	None	2.66%	$ 1,568,125
0	The Company	Gamania Digital Entertainment (U.S.) Co., Ltd.	3	$ 470,438	$ 4,007	$ 3,810	None	0.14%	$ 1,568,125

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 June 30, 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	June 30, 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	39,471	$ 798,691	100%	$ 798,691	Note 5
〃	Gamania Korea Co., Ltd. - Stock	〃	〃	589	26,161	100%	26,161	〃
〃	Fantasy Fish Digital Games Co., Ltd. - Stock	〃	〃	4,458	14,331	99.75%	12,440	〃
〃	Gameastor Digital Entertainment Co., Ltd. - Stock	〃	〃	3,863	109,451	72.08%	109,451	〃
〃	Gamania Asia Investment Co., Ltd. - Stock	〃	〃	13,945	207,398	100%	207,398	〃
〃	Gamania Digital Entertainment Labuan Holdings, Ltd. - Stock	〃	〃	50	755	100%	755	〃
〃	Fundation Digital Entertainment Co., Ltd. - Stock	〃	〃	7,308	12,299	100%	12,299	〃
〃	Playcoo Co. - Stock	〃	〃	13,996	72,389	72.25%	26,261	〃
〃	Redgate Games Co., Ltd. - Stock	〃	〃	18,200	312	100%	312	〃
〃	Seedo Games Co., Ltd. - Stock	〃	〃	16,200	10,486	100%	10,486	〃
〃	Two Tigers Co., Ltd. - Stock	〃	〃	627	5,749	51%	5,749	〃
〃	Gash Plus Company Ltd. - Stock	〃	〃	5,000	80,360	100%	80,360	〃
〃	Global Pursuit (U.S.) Co., Ltd. - Stock	〃	〃	3,000	30,006	100%	30,006	〃
〃	RitwNow Inc. – Stock	Prepaid long-term equity investment	Prepaid long-term equity investments	-	15,300	-	-	None
〃	Machi Movie Co., Ltd. - Stock	Investee company accounted for under the equity method	Long-term investments accounted for under the equity method	1,000	20,000	32.26%	18,902	Note 3
〃	Taiwan e-sports Co., Ltd. - Stock	〃	〃	4,680	10,339	40.70%	10,339	None
〃	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	〃
〃	FSITC Global High Yield Bond Fund	None	Financial assets at fair value though profit or loss	782	10,000	Note 4	10,140	〃
〃	HSBC Global of Bonds	〃	〃	846	10,000	Note 4	10,120	〃

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 prepayment of $10,000 for long-term investment.

Note 4: Less than 1%

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

D) Marketable securities acquired or sold during the six-month period ended June 30, 2012 in excess of $100,000 or 20% of capital:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Investor	Type and name of marketable securities	General ledger account	Name and relationship of counterparty	Relationship	Beginning balance (Note)		Addition		Disposal				Ending balance (Note)	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	Disposal gain	Number of shares	Amount
The Company	Jih Sun Bond Fund	Financial asset held for trading-bond funds	Initial investment at inception	None	-	$ -	6,993	$ 100,000	6,993	$ 100,033	$ 100,000	$ 33	-	$ -
〃	Yuanta Money Market Fund	〃	〃	〃	-	-	8,537	125,000	8,537	125,034	125,000	34	-	-

Note: Original investment cost.

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 (Taiwan) Company Limited	Subsidiary	Sales	$ 1,632,059	96%	Note 1	Note 1	Note 1	$ 519,609	89%	Note 3
〃	Nexon Korea Corporation	Investor of the Company (accounted for under the equity method)	License fees	503,765	73%	Note 2	Note 2	Note 2	52,605	54%	

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 above represents payments for license fees and are negotiated based on different factors.

Note 3: The transaction had been eliminated in the consdidated 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		
Gamania Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	Subsidiary	$ 587,731 (Note 2)	5.32	$ -	-	$ 288,649 (Note 1)	$ 3,900

Note 1: The subsequent collections represent collections from the balance sheet date to August 27, 2012.

Note 2: The transaction had been eliminated in the consolidated financial statements.

I) Information on derivative transaction: None.

(2) Information of investee companies

A) Information of investee companies:

The information on Taiwan e-sports Co., Ltd., Gamania Digital Entertainment Labuan Holdings, Ltd., Two Tigers Co., Ltd., Mochi Movie Co., Ltd., Global Pursuit (U.S.) Co., Ltd. and Tornado Studio Co., Ltd., indirectly held subsidiary of Gamania Holdings Ltd., were based on unaudited financial statements because of their small scale. The information on Gamania Korea Co., Ltd., and indirectly held subsidiaries, Firedog Studio Company Limited, Gash Plus (Hong Kong) Company Limited, Jsdway Digital Technology Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd., was based on financial statements audited by each investee company's auditors. The others were audited by the Company's auditors.

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
				2012.6.30	2011.12.31	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	Cayman Islands	Investment holdings	$ 2,031,162	$ 1,867,421	39,471	100%	$ 798,691	($ 178,824)	($ 178,824)	Note 1
〃	Gamania Korea Co., Ltd.	Seoul, Korea	Design and sales of software	317,198	291,303	589	100%	26,161	(21,306)	(21,306)	〃
〃	Fantasy Fish Digital Games Co., Ltd.	Taiwan	Design and research and development of software	330,000	330,000	4,458	99.75%	14,331	(963)	(960)	〃
〃	Gameastor Digital Entertainment Co., Ltd.	Taiwan	Software services and sales	211,433	211,433	3,863	72.08%	109,451	83,929	60,498	Notes 1, 2
〃	Gamania Asia Investment Co., Ltd.	Taiwan	Investment holdings	190,000	190,000	13,945	100%	207,398	66,114	60,114	Note 1
〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	Malaysia	Investment holdings	1,546	1,546	50	100%	755	(117)	(117)	〃
〃	Fundation Digital Entertainment Co., Ltd.	Taiwan	Publishing of magazines and periodicals	190,000	170,000	7,308	100%	12,299	(21,005)	(21,005)	〃
〃	Playcoo Co.	Taiwan	Design and research and development of software	152,554	152,554	13,996	75.25%	72,389	(53,225)	(40,052)	〃
〃	Redgate Games Co. Ltd.	Taiwan	Design and research and development of software	182,000	162,000	18,200	100%	312	(35,177)	(35,177)	〃

Note 1: The investment had been eliminated in the consolidated financial statements.

Note 2: Including write-off of realized (unrealized) sales margin of $2.

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
				2012.6.30	2011.12.31	Number of shares	Percentage	Book value			
The Company	Seedo Games Co. Ltd.	Taiwan	Design and research and development of software	$ 162,000	$ 142,000	16,200	100%	10,486	($ 27,414)	($ 27,414)	Note 1
〃	Two Tigers Co. Ltd.	Taiwan	Animation production	6,269	6,269	627	51%	5,749	(237)	(121)	〃
〃	Gash Plus (Taiwan) Company Limited	Taiwan	Software information and supply of electronic services	50,000	50,000	5,000	100%	80,360	27,784	27,784	〃
〃	Global Pursuit (U.S.) Co., Ltd.	Taiwan	Software information and supply of electronic services	30,000	-	3,000	100%	30,006	6	6	〃
〃	Mochi Movie Co., Ltd.	Taiwan	Movie making and publishing	20,000	-	1,000	32.26%	20,000	(2,251)	-	Notes 1, 2
〃	Taiwan e-sports Co., Ltd.	Taiwan	Supply of software services and electronic information	46,800	39,400	4,680	40.70%	10,339	(7,912)	(3,182)	Notes 1, 3
〃	RitwNow Inc.	Taiwan	Software services and sales	15,300	-	-	-	15,300	-	-	Note 4
Gamania Asia Investment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Taiwan	Software services and sales	80,625	80,625	1,458	27.20%	41,563	83,929	22,829	Note 1
Gash Plus (Taiwan) Company Limited	Jsdway Digital Technology Co., Ltd.	Taiwan	Software information and supply of electronic services	50,000	40,000	5,000	33.33%	40,221	21,787	7,262	〃
Jsdway Digital Technology Co., Ltd.	Webo Digital Co., Ltd.	Taiwan	Software services and sales	34,590	19,590	3,459	98.83%	23,389	(4,136)	(4,087)	〃

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

Note 2: The period end original investment cost and book value both included the prepayment of $10,000 for long-term investment. As the investment of $10,000 was registered on June 29, 2012, the Company did not recognize investment income (loss) for the six-month period ended June 30, 2012.

Note 3: The weighted-average ownership percentage was 40.22%.

Note 4: The period end original investment cost and book value both included the prepayment of $15,300 for long-term investment.

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
				2012.6.30	2011.12.31	Number of shares	Percentage	Book value			
Jsdway Digital Technology Co., Ltd.	Precious Power Digital Technology Co., Ltd.	Taiwan	Software services and sales	$ 7,000	$ 7,000	700	70%	$ 3,603	($ 2,483)	($ 1,738)	Note 1
〃	Tang Chao Digital Technology Co., Ltd.	Taiwan	Software services and sales	-	1,000	-	-	-	-	-	Notes 2, 3
〃	Niu Niu Technology Co., Ltd.	Taiwan	Software services and sales	-	1,050	-	-	-	(1,816)	(545)	Note 4
〃	Encore Digital Technology CO., Ltd.	Taiwan	Software services and sales	-	1,750	-	-	-	(2,321)	(812)	Note 2
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	Cayman Islands	Investment holdings	USD 60,960 thousand	USD 56,974 thousand	60,960	100%	USD 25,238 thousand	(USD 5,756 thousand)	(USD 5,756 thousand)	Note 1
〃	Gamania R&D (HK) Holdings Limited	Hong Kong	Investment holdings	USD 1,600 thousand	USD 100 thousand	1,600	100%	USD 1,335 thousand	(USD 263 thousand)	(USD 263 thousand)	〃
Gamania R&D (HK) Holdings Limited	MoNoKos Studio Technology Co., Ltd.	China	Research and development of software	USD 1,500 thousand	-	-	100%	USD 1,243 thousand	(USD 255 thousand)	(USD 255 thousand)	〃
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Japan	Design and sales of software; sales of hardware	USD 16,383 thousand	USD 20 thousand	20	100%	USD 6,583 thousand	(USD 1,827 thousand)	(USD 1,827 thousand)	〃
〃	Gamania China Holdings Ltd.	Cayman Islands	Investment holdings	USD 38,384 thousand	USD 36,884 thousand	38,384	98.75%	USD 9,943 thousand	(USD 909 thousand)	(USD 898 thousand)	Notes 1, 5

Note 1: The investment had been eliminated in the consolidated financial statements.
Note 2: The investment had been disposed in May, 2012.
Note 3: The loss incurred from the investment had netted off its book value, so no other loss would be recognized for the investment.
Note 4: The investment had been disposed in June, 2012.
Note 5: The weighted-average ownership percentage was 98.73%.

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
				2012.6.30	2011.12.31	Number of shares	Percentage	Book value			
Gamania International Holdings Ltd.	Gamania Western Holdings Ltd.	Cayman Islands	Investment holdings	USD 8,650 thousand	USD 7,150 thousand	8,650	100%	USD 3,573 thousand	(USD 936 thousand)	(USD 936 thousand)	Note 1
〃	Gamania Netherlands Holdings Cooperatief U.A.	Amsterdam	Investment holdings	USD 5,237 thousand	USD 3,981 thousand	-	100%	USD 1,769 thousand	(USD 1,429 thousand)	(USD 1,429 thousand)	〃
〃	Firedog Studio Company Limited	Hong Kong	Design and research and development of software	USD 3,350 thousand	USD 3,350 thousand	26,055	100%	USD 630 thousand	(USD 888 thousand)	(USD 888 thousand)	〃
〃	Gash Plus (Hong Kong) Company Limited	Hong Kong	Software information and supply of electronic services	USD 97 thousand	USD 97 thousand	750	100%	USD 588 thousand	USD 471 Thousand	USD 471 thousand	〃
〃	Tornado Studio Co., Ltd.	Seoul, Korea	Software information and supply of electronic services	USD 730 thousand	USD 300 thousand	161	100%	USD 257 thousand	(USD 245 thousand)	(USD 245 thousand)	〃
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Cayman Islands	Investment holdings	USD 36,220 thousand	USD 34,720 thousand	36,200	100%	USD 1,006 thousand	(USD 3,079 thousand)	(USD 3,079 thousand)	〃
〃	Gamania Digital Entertainment (H.K.) Co., Ltd.	Hong Kong	Design and sales of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 7,777 thousand	USD 2,167 thousand	USD 2,167 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 698 thousand	(USD 3,056 thousand)	(USD 3,056 thousand)	〃
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	USA	Design and sales of software	USD 8,630 thousand	USD 7,130 thousand	1	100%	USD 3,578 thousand	(USD 934 thousand)	(USD 934 thousand)	〃
Gamania Netherlands Holdings Cooperatief U.A.	Gamania Digital Entertainment (Europe) B.V.	Amsterdam	Design and sales of software	EUR 4,000 thousand	EUR 3,000 thousand	-	100%	EUR 1,408 thousand	(EUR 1,102 thousand)	(EUR 1,102 thousand)	Notes 1, 2

Note 1: The investment had been eliminated in the consolidated financial statements.
Note 2: The period end original investment cost and book value both included the prepayment of EUR 1 million for long-term investment.

B) Financing activities to any company or person: None

C) Guarantee information: None.

D) Marketable securities held at June 30, 2012:

Unit: Thousands of New Taiwan Dollars / Thousands of shares (except as otherwise indicated)

Issuer	Type of marketable securities (Note 1)	Relationship with the security holders	General ledger account	June 30, 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	60,960	USD 25,238 thousand	100%	USD 25,238 thousand	Note 4
〃	Gamania R&D (HK) Holdings Limited - Stock	〃	〃	-	USD 1,335 thousand	100%	USD 1,335 thousand	〃
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd. - Stock	〃	〃	20	USD 6,583 thousand	100%	USD 6,583 thousand	〃
〃	Gamania China Holdings Ltd. - Stock	〃	〃	38,384	USD 9,943 thousand	98.75%	USD 9,049 thousand	〃
〃	GamaniaWestern Holdings Ltd. - Stock	〃	〃	8,650	USD 3,573 thousand	100%	USD 3,573 thousand	〃
〃	Gamania Netherlands Holdings Cooperatief U.A. - Stock	〃	〃	-	USD 1,769 thousand	100%	USD 1,769 thousand	〃
〃	Firedog Studio Company Limited - Stock	〃	〃	26,055	USD 630 thousand	100%	USD 630 thousand	〃
〃	Gash Plus (Hong Kong) Company Limited - Stock	〃	〃	750	USD 588 thousand	100%	USD 588 thousand	〃
〃	Tornado Studio Co., Ltd - Stock	〃	〃	161	USD 257 thousand	100%	USD 257 thousand	〃
Gamania R&D (HK) Holdings Limited	MoNoKos Studio Technology Co., Ltd. - Stock	〃	〃	-	USD 1,243 thousand	100%	USD 1,243 thousand	〃
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd. - Stock	〃	〃	36,220	USD 1,006 thousand	100%	USD 975 thousand	〃
〃	Gamania Digital Entertainment (H.K.) Co., Ltd. - Stock	〃	〃	35,500	USD 7,777 thousand	100%	USD 7,777 thousand	〃
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd. - Stock	〃	〃	-	USD 698 thousand	100%	USD 698 thousand	〃
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd. - Stock	〃	〃	1	USD 3,578 thousand	100%	USD 3,578 thousand	〃

Unit: Thousands of New Taiwan Dollars / Thousands of shares (except as otherwise indicated)

Issuer	Type of marketable securities (Note 1)	Relationship with the security holders	General ledger account	June 30, 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 1,408 thousand	100%	EUR 1,408 thousand	Notes 4, 6
Gash Plus (Taiwan) Company Limited	Jsdway Digital Technology Co., Ltd. - Stock	〃	〃	5,000	40,221	33.33%	40,221	Note 4
Gamania Asia Investment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd. - Stock	Investee company accounted for under the equity method	〃	1,458	41,563	27.20%	41,563	〃
〃	Compass Systems Corp. - Stock	None	Financial assets carried at cost	1,000	10,000	3.33%	10,000	None
〃	Iwan Interactive Entertainment Co., Ltd. - Stock	〃	Financial assets at fair value through profit or loss	285	2,850	14.96%	8,177	〃
Jsdway Digital Technology Co., Ltd.	Webo Digital Co., Ltd. - Stock	Investee company accounted for under the equity method	Long-term investments – accounted for under the equity method	3,459	23,389	98.83%	23,389	Note 4
〃	Precious Power Digital Technoloy Co., Ltd. - Stock	〃	〃	700	3,603	70.00%	3,603	〃
〃	Moqizone Holding Corporation - Stock	Prepaid long-term equity investments	Prepaid long-term equity investments	-	6,000	-	6,000	None
〃	Jsdway (M) Sdn. Bhd - Stock	〃	〃	-	585	-	585	〃
〃	International Games System Co., Ltd. - Stock	None	Financial assets at fair value through profit or loss	28	3,843	Note 5	4,060	〃
〃	Prudential Financial Asia Bond Fund	〃	〃	200	1,983	〃	2,040	〃
〃	Capital ASEA-Mutual Fund	〃	〃	100	872	〃	918	〃

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: The investment had been eliminated in the consolidated financial statements.

Note 5: Less than 1%.

Note 6: Including prepayment of EUR 1 million for long-term investment.

E) Marketable securities acquired or sold during the six-month period ended June 30, 2012 in excess of $100,000 or 20% of capital:

Unit: Thousands of New Taiwan Dollars / Thousands of shares

Investor	Type and name of marketable securities	General ledger account	Name and relationship of the counterparty	Beginning balance (Note)		Addition		Disposal				Ending balance	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	Gain (loss) on disposal	Number of shares	Amount
Gamania Asia Investment Co., Ltd.	Nice Finance Co., Ltd.	Financial assets carried at cost	None	9,383	$ 91,453	-	-	9,383	$ 134,573	$ 91,453	$ 43,120	-	-

Note: The original investment cost.

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

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

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

Name of the Counterparty	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)	
Gash Plus (Taiwan) company Limited	The company	Parent company	Purchases	$1,632,059	66	Note 1	Note 1	Note 1	$ 519,609	59	Note2

Note 1: The purchase terms and prices were negotiated in consideration of factors including product cost, market and competition. There is no similar transaction to compare with.

Note 2: The transaction had been eliminated in the consolidated financial statements.

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

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties (in thousands)	Turnover rate	Overdue receivables		Subsequent collections (in thousands) (Note 2)	Note
					Amount	Action adopted for overdue accounts		
Gameastor Digital Entertainment Co., Ltd.	The Company	Parent company	$ 213,087 (Note 1)	-	$ -	-	$ 35,351	Note 3

Note 1: The nature of balance is receipts under custody and advertising revenue.

Note 2: The subsequent collections represent collections from the balance sheet date to August 27, 2012.

Note 3: The transaction had been eliminated in the consolidated financial statements.

J) 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 4)	Investment method	Accumulated investment from Taiwan as of January 1, 2012 (Note5)	Remitted or received investment amount during the period		Accumulated investment from Taiwan as of June 30, 2012 (Note 6)	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note 3)	Balance of investment on June 30, 2012 (Note 7)	Accumulated investment income received as of June 30, 2012
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	956,800	Note 2	$ 689,793	$ 44,850	$ -	$ 734,643	98.75%	($ 89,582)	20,870	$ -
MoNoKos Studio Technology Co., Ltd.	Research and development of software	44,850	〃	-	44,850	-	44,850	100%	(7,571)	37,166	-

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

Company	Accumulated amount of investment in Mainland China as of June 30, 2012	Related investment amount approved by FIA (Note 1)	Upper limit of investment in Mainland China
Gamania Digital Entertainment (Beijing) Co., Ltd.	$ 734,643	$ 1,105,194	$ 1,698,109
MoNoKos Studio Technology Co., Ltd.	44,850	149,500	1,698,109

Note 1: Related total investment amount approved by FIA to invest in Gamania Digital Entertainment (Beijing) Co., Ltd. is USD 36,963 thousand or NTD 1,105,194 thousand based on 29.90 exchange rate. The related total investment amount approved by FIA to invest in MoNoKos Studio Technology Co., Ltd. is USD 5 million or NTD 149,500 based on 29.90 exchange rate.

Note 2: Investment through a holding company registered in a country other than Taiwan or Mainland China.

Note 3: The investment loss of the investee companies, Gamania Digital Entertainment (Beijing) Co., Ltd. and MoNoKos Studio Technology Co., Ltd., for the six-month period ended June 30, 2012 was recognized based on the indirect weighted-average ownership percentage of 98.73% and 100%, respectively, and on their financial statements for the corresponding period, which were audited by independent auditors.

Note 4: Paid-in capital of Company, Gamania Digital Entertainment (Beijing) Co., Ltd. and MoNoKos Studio Technology Co., Ltd. was USD 32,200 thousand and USD 1,500 thousand, respectively.

Note 5: Accumulated investment amount of remittance for Gamania Digital Entertainment (Beijing) Co., Ltd. and MoNoKos Studio Technology Co., Ltd. from Taiwan to Mainland China as of January 1, 2012 was USD 23,070 thousand and USD 0 thousand, respectively.

Note 6: Accumulated investment amount of remittance for Gamania Digital Entertainment (Beijing) Co., Ltd. and MoNoKos Studio Technology Co., Ltd. from Taiwan to Mainland China as of June 30, 2012 was USD 24,570 thousand and USD 1,500 thousand, respectively.

Note 7: Book value of investment of Gamania Digital Entertainment (Beijing) Co., Ltd. and MoNoKos Studio Technology Co., Ltd. in Mainland China as of June 30, 2012 was USD 698 thousand and USD 1,243 thousand, respectively.

C) All related transactions between the holding company and its subsidiary in Mainland China and the Company have been disclosed in Note 5 of alone financial report.

D) The investment had been eliminated in the consolidated financial statements.

(4) The relationship and significant transactions between the Company and its subsidiaries

For the six-month period ended June 30, 2012

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Transaction terms: Subject	Amount (Note 5)	Transaction terms	Percentage of total combined revenue or total assets (Note 3)
0	Gamania Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	1	Sales revenue	$ 1,632,059	Note 4	45%
0	〃	Gameastor Digital Entertainment Co., Ltd.	1	Advertising expense	29,766	〃	1%
0	〃	Gash Plus (Taiwan) Company Limited	1	Accounts receivable	519,609	〃	10%
0	〃	Jsdway Digital Technology Co., Ltd.	1	Notes receivable	14,391	〃	-%
0	〃	Gash Plus (Taiwan) Company Limited	1	Other receivables	68,122	〃	1%
0	〃	Gameastor Digital Entertainment Co., Ltd.	1	Other receivables	42,429	〃	1%
0	〃	Gamania Asia Investment Co., Ltd.	1	Other receivables	10,000	〃	-%
0	〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	1	Royalties payments	16,374	〃	-%
0	〃	Gameastor Digital Entertaiment Co., Ltd.	1	Property, plant and equipment	17,353	〃	-%
0	〃	Gash Plus (Hong Kong) Company Limited	3	Other payables	28,598	〃	1%
0	〃	Gameastor Digital Entertaiment Co., Ltd.	3	Other payables	208,723	〃	4%
1	Gameastor Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	3	Sales revenue	108,691	〃	3%
1	〃	Gash Plus (Taiwan) Company Limited	3	Accounts receivable	12,937	〃	-%
2	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gash Plus (Hong Kong) Company Limited	3	Sales revenue	260,424	〃	7%
2	〃	Gash Plus (Hong Kong) Company Limited	3	Other receivables	110,053	〃	2%
3	Playcoo Co.	Gamania Digital Entertainment Labuan Holdings Ltd.	3	License revenue	28,900	〃	1%
3	〃	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	18,263	〃	-%
3	〃	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Other payables	28,532	〃	1%

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Transaction terms			
				Subject	Amount (Note 5)	Transaction terms	Percentage of total combined revenue or total assets (Note 3)
4	Gamania Digital Enterainment Labuan Holdings, Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	License revenue	$ 28,655	Note 4	1%
4	〃	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	18,249	〃	-%
4	〃	Playcoo Co.	3	Accounts payable	18,249	〃	-%
5	Gash Plus (Taiwan) Company Limited	Jsdway Digital Technology Co., Ltd.	3	Sales revenue	1,542,194	〃	43%
5	〃	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Sales revenue	81,720	〃	2%
5	〃	Jsdway Digital Technology Co., Ltd.	3	Notes receivable	195,667	〃	4%
5	〃	Jsdway Digital Technology Co., Ltd.	3	Accounts receivable	308,738	〃	6%
5	〃	Gash Plus (Hong Kong) Company Limited	3	Other receivables	22,532	〃	-%
6	Gash Plus (Hong Kong) Company Limited	Jsdway Digital Technology Co., Ltd.	3	Sales revenue	70,523	〃	2%
6	〃	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	57,896	〃	1%
6	〃	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other receivables	22,588	〃	-%
7	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Other receivables	32,686	〃	1%

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 six-month period ended June 30, 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.	Gash Plus (Taiwan) Company Limited	1	Sales revenue	$ 613,161	Note 4	17%
0	〃	Gameastor Digital Entertainment Co., Ltd	1	Advertisement expense	17,895	Note 4	-%
0	〃	Gash Plus (Taiwan) Company Limited	1	Accounts receivable	485,206	Note 4	10%
0	〃	Gamania Digital Entertainment (Europe) B.V.	1	Other receivables	36,651	Note 4	1%
0	〃	Gash Plus (Hong Kong) Company Limited	1	Other receivables	30,453	Note 4	1%
0	〃	Gash Plus (Taiwan) Company Limited	1	Other receivables	26,608	Note 4	1%
0	〃	Playcoo Co.	1	Accounts payable	11,214	Note 4	-%
0	〃	Gash Plus (Hong Kong) Company Limited	1	Accrued expenses	11,636	Note 4	-%
0	〃	Gash Plus (Taiwan) Company Limited	1	Other payables	123,531	Note 4	2%
0	〃	Gash Plus (Hong Kong) Company Limited	1	Other payables	50,085	Note 4	1%
0	〃	Gameastor Digital Entertainment Co., Ltd.	1	Other payables	82,248	Note 4	2%
1	Gameastor Digital Entertainment Co. Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License fees	10,020	Note 4	-%
1	〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Royalties payments	18,324	Note 4	-%
1	〃	Gash Plus (Taiwan) Company Limited	3	Sales revenue	26,296	Note 4	1%
1	〃	Gash Plus (Taiwan) Company Limited	3	Accounts receivable	27,094	Note 4	1%
2	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gash Plus (Hong Kong) Company Limited	3	Accounts payable	62,677	Note 4	1%
3	Playcoo Co.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Royalty revenue	43,020	Note 4	1%
4	Gamania Digital Entertainment Labuan Holdings, Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Royalty revenue	43,022	Note 4	1%

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 SEGMENT 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 six-month periods ended June 30, 2012 and 2011 are as follows:

For the six-month period ended June 30, 2012	Gamania Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	Jsdway Digital Technology Co., Ltd.	Others	Total	
Revenue from external customers	$ 1,694,985	$ 598,770	$ 289,035	$ 1,031,328	$ 3,614,118	
Inter-segment revenue	5,653	1,936,697	1,547,597	517,666	4,007,613	Note 1
Segment profit (loss)	1,620	27,785	21,787	(47,879)	3,313	
Depreciation and amortization	(139,412)	(2,776)	(4,090)	(82,226)	(228,504)	
Income tax expense	(20,929)	(3,504)	(5,042)	(53,884)	(83,359)	
Investment income (loss) accounted for under the equity method	(173,756)	7,262	(1,357)	163,312	(4,539)	Note 2
Segment assets	-	-	-	-	-	

For the six-month period ended June 30, 2011	Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	Others	Total	
Revenue from external customers	$ 1,710,971	$ 373,730	$ 792,251	$ 724,998	$ 3,601,950	
Inter-segment revenue	597,641	15,283	-	144,853	757,777	Note 1
Segment profit (loss)	166,389	21,050	5,307	(24,653)	168,093	
Depreciation and amortization	(136,210)	(37,646)	(18)	(69,515)	(243,389)	
Income tax expense	(68,177)	52	(1,087)	(18,687)	(87,899)	
Investment income (loss) accounted for under the equity method	(126,226)	-	-	124,557	(1,669)	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 former 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 for IFRSs) developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as recognized by the former 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 former Financial Supervisory Commission, dated February 2, 2011:

(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

Working Items for IFRSs Adoption	Status of Execution
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-non current	-	162,002	162,002	(b)
Financial assets carried at cost - non-current	124,294	(124,294)	-	(b)
Deferred pension cost	721	(721)	-	(e)
Deferred income tax assets - non-current	34,199	25,325	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)
Deferred revenues (included in 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	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 and amortized. Therefore, the Group increased prepayment on royalty, deferred revenue and deferred income tax assets - non-current 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 increased 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 non-current. 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 non-current 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 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-non-current 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.

Therefore, the Group increased accrued pension liabilities of $10,582, increased deferred income tax assets - non-current of $3,657, decreased prepaid pension cost of $9,066, decreased deferred pension costs of $721, decreased unrecognized pension cost of $1,143, decreased minority interest of $950 and decreased unappropriated retained earnings of $1,690 based on the reasons stated above.

f) The Company recognized cumulative translation adjustment as zero at the date of transition to IFRSs. Therefore, the Company and its subsidiaries together decreased the cumulative translation adjustments by $29,032 and relatively increased Undistributed earnings by $29,032 at the date of transferring to IFRSs.

g) In accordance with the Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 of former 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 of significant differences as of June 30, 2012

	R.O.C. GAAP	Adjustment	IFRSs	Description
Prepaid License (included in Prepaid Expense)	$ 106,018	$ 42,601	$ 148,619	(a)
Deferred income tax assets - current	4,968	(4,968)	-	(c)
Available-for-sale financial assets- non current	-	56,014	56,014	(b)
Financial assets carried at cost - non-current	32,841	(32,841)	-	(b)
Deferred pension cost	721	(721)	-	(e)
Deferred income tax assets - non-current	44,956	22,668	67,624	(a)(c)(d)(e)
Prepaid pension (included in Other assets)	9,041	(9,041)	-	(e)
Others	5,044,553	-	5,044,553	
Total Assets	$ 5,243,098	$ 73,712	$ 5,316,810	
Accrued expenses	$ 451,683	$ 35,428	$ 487,111	(d)
Deferred revenues (included in Unearned revenue collected in advance)	373,902	85,201	459,103	(a)
Accrued pension liabilities	14,065	10,254	24,319	(e)
Others	1,573,266	-	1,573,266	
Total liabilities	$ 2,412,916	$ 130,883	$ 2,543,799	
Undistributed earnings	$ 75,490	($ 50,944)	$ 24,546	(h)
Cumulative translation	8,982	(29,032)	(20,050)	(f)
Unrecognized pension cost	(1,143)	1,143	-	(e)
Unrealized gain or loss on financial instruments	-	23,173	23,173	(b)
Minority interest	161,865	(1,511)	160,354	(a)(d)(e)

Others	2,584,988	-	2,584,988	
Total stockholders' equity	$ 2,830,182	($ 57,171)	$ 2,773,011	

C) Reconciliation of significant differences for the six-month period ended June 30, 2012:

	R.O.C. GAAP	Adjustment	IFRSs	Description
Operating revenues	$ 3,614,118	$ 29,220	$ 3,643,338	(a)
Operating costs	(2,230,738)	(14,610)	(2,245,348)	(a)
Gross profit	1,383,380	14,610	1,397,990	
Operating expenses	(1,394,696)	(2,719)	(1,397,415)	(d)(e)
Operating income	(11,316)	11,891	575	
Non-operating income and expenses	97,988	-	97,988	
Income before income tax	86,672	11,891	98,563	
Income tax expense	(83,359)	(2,446)	(85,805)	(a)(d)(e)
Consolidated net income	$ 3,313	$ 9,445	$ 12,758	
Attributable to:				
Equity holders of the Company / Owners of the parent	$ 1,620	$ 9,445	$ 11,065	
Minority interest / Non-controlling interest	1,693	-	1,693	
Consolidated net income	$ 3,313	$ 9,445	$ 12,758	

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 and amortized.

Therefore, the Group increased royalty prepayment, deferred revenue and deferred income tax assets - non-current by $42,601, $85,201 and $7,264, respectively, and decreased minority interest and unappropriated retained earnings by $59 and $47,113 respectively as of June 30, 2012. The Group increased revenue from on-line games, on-line game costs and income tax expense by $29,220, $14,610 and $2,774, respectively, for the six-month period ended June 30, 2012.

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 increased other comprehensive income of $23,173 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 non-current. 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 non-current 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 $4,968 to deferred income tax assets - non-current as of June 30, 2012.

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-non-current by $35,428 and $6,839, respectively, and decreased minority interest and retained earnings by $504 and $25,405, respectively as of June 30, 2012. The Group increased salary expense of $3,070 and decreased income tax expense of $389 for the six-month period ended June 30, 2012.

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.

Based on the reasons stated above, the Group increased accrued pension liabilities of $10,254, increased deferred income tax assets - non-current of $3,597, decreased prepaid pension cost of $9,041, decreased deferred pension costs of $721, decreased unrecognized pension cost of $1,143, decreased minority interest of $949 and decreased unappropriated retained earnings of $16,904 as of June 30, 2012. The Group also decreased pension expense of $351 and increased income tax expense of $60 for the six-month period ended June 30, 2012.

f) The Company recognized cumulative translation adjustment as zero at the date of transition to IFRSs. Therefore, the Company and its subsidiaries together decreased the cumulative translation adjustments by $29,032 and relatively increased Undistributed earnings by $29,032 at the date of transferring to IFRSs.

g) In accordance with the Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 of former 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 $50,944 (including increase of $9,445 adjusted for the six-month period ended June 30, 2012) was deducted from unappropriated retained earnings for material differences in balance sheet accounts due to different accounting policies adopted as stated above.

(3) The Company had 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) <u>Business combinations</u>

The Group had selected not to apply the requirements in IFRS 3, “Business Combinations”, retroactively to business combinations that occur before the date of transition to IFRSs.

B) <u>Share-based payment transactions</u>

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

C) <u>Employee benefits</u>

The Group has selected to recognize all accumulated actuarial gain or loss associated with employee benefit 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) <u>Cumulative translation adjustments</u>

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) <u>Designation of financial instruments recognized previously</u>

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