GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2012 AND 2011

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

Report of Independent Accountants Translated from Chinese

PWCR12000441

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 December 31, 2012 and 2011, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years 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 $1,246,482 thousand and $1,468,832 thousand, constituting 29.83% and 28.44% of the related consolidated totals as of December 31, 2012 and 2011, respectively, and total operating revenues of $2,443,474 thousand and $1,030,621 thousand, constituting 34,32% and 14.18% of the related consolidated totals for the years then ended, respectively. Further, as described in Note 4(7), 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 years ended December 31, 2012 and 2011. These long-term equity investments amounted to $0 thousand and $7,000 thousand , representing 0% and 0.14% of the consolidated total assets as of December 31, 2012 and 2011, respectively, and the related investment (loss) income amounted to ($1,357) thousand and $1,427 thousand, representing 0.49% and 0.45% of the consolidated net (loss) income before tax for the years then ended, respectively. 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 December 31, 2012 and 2011, and the results of their operations and their cash flows for the years 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. expects to adopt International Financial Reporting Standards, International Accounting Standards, and interpretations / bulletins (collectively referred here in as the IFRSs), which are recognized by the Financial Supervisory Commission, Executive Yuan, R.O.C., and Rules Governing the Preparation of Financial Statements by Securities Issuers, effective January 1, 2013. 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 FSC, dated February 2, 2012. The IFRSs may be subject to change during the time of transition; therefore, the impact of IFRSs adoption on Gamania Digital Entertainment Co., Ltd. may also change.

PricewaterhouseCoopers, Taiwan

March 25, 2013

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 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 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
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4(1))	$ 1,348,499	$ 2,025,722
Financial assets at fair value through profit or loss - current (Note 4(2))	9,119	9,839
Notes receivable – third parties – net (Note 4(3))	22,503	29,099
Accounts receivable – third parties – net (Note 4(4))	1,057,884	1,060,946
Other receivables – third parties (Note 4(18))	85,039	70,533
Other financial assets – current (Note 6)	19	7,815
Inventories – net (Note 4(5))	75,921	263,476
Prepaid expenses	96,917	101,131
Deferred income tax assets – current (Note 4(18))	7,257	5,184
Other current assets	44,447	30,694
	2,747,605	3,604,439
Long-term Investments		
Financial assets at fair value through profit or loss – non-current (Note 4(2))	-	2,850
Financial assets carried at cost – non-current (Notes 4(6)(13))	51,773	124,294
Long-term investments – accounted for under the equity method (Note 4(7))	27,433	8,216
Prepaid long-term investments (Note 4(7))	8,585	6,000
	87,791	141,360
Property, Plant and Equipment – net (Notes 4(8)(13) and 6)		
Cost		
Land	157,192	157,556
Buildings	211,280	226,501
Machinery and equipment	717,383	934,286
Transportation equipment	7,904	4,780
Office equipment	92,919	212,578
Leasehold improvements	123,746	78,169
Other equipment	27,246	22,780
Total Cost	1,337,670	1,636,650
Less: Accumulated depreciation	(497,933)	(802,978)
Accumulated impairment	(1,639)	(4,213)
Construction in progress and prepayments for equipment	2,673	16,450
	840,771	845,909
Intangible Assets		
Trademarks (Note 4(13))	3,322	4,306
Goodwill (Note 4(13))	79,418	85,713
Deferred pension cost (Note 4(19))	669	721
Other intangible assets – net (Notes 4(10)(13))	2,419	4,102
	85,828	94,842
Other Assets		
Idle assets (Note 4(9))	11,284	-
Refundable deposits	51,101	57,672
Deferred charges – net (Notes 4(11)(13) and 5(2))	276,139	346,327
Deferred income tax assets – non-current (Note 4(18))	56,970	34,199
Other assets – other (Notes 4(12)(19))	20,606	39,054
	416,100	477,252
TOTAL ASSETS	$ 4,178,095	$ 5,163,802

	2012	2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans (Note 4(14))	$ 69,070	$ 92,563
Financial liabilities at fair value through profit or loss –current (Note 4(15))	9,616	-
Notes payable – third parties	28,905	30,006
Accounts payable – third parties	715,108	698,235
Accounts payable – related party (Note 5(2))	62,027	72,099
Income tax payable (Note 4(18))	40,549	83,892
Accrued expenses (Note 5(2))	295,667	513,047
Other payables – third parties	47,784	179,212
Unearned revenue collected in advance	324,902	391,674
Current portion of long-term loans (Notes 4(16)(17))	27,097	26,869
Other current liabilities	14,699	15,694
	1,635,424	2,103,291
Long-term Liabilities		
Financial liabilities at fair value through profit or loss – non-current (Note 4(15))	-	6,653
Bonds payable (Note 4(16))	44,555	21,558
Long-term loans (Note 4(17))	22	8,562
	44,577	36,773
Other Liabilities		
Accrued pension liabilities (Note 4(19))	22,146	9,938
Guarantee deposits	8,716	5,761
Deferred income tax liabilities - non-current (Note 4(18))	1,894	2,229
Other liabilities – other	6,392	6,845
	39,148	24,773
Total Liabilities	1,719,149	2,164,837
Stockholders' Equity		
Common stock		
Common stock (Note 1)	1,568,685	1,567,515
Stock subscriptions received in advance (Note 4(25))	149	28
Capital reserve (Note 4(20))		
Paid-in capital in excess of par	833,643	831,930
Additional paid-in capital - treasury stock transactions	24,234	24,234
Gain on disposal of property, plant and equipment	221	221
Long-term investments	1,446	-
Others	3	-
Retained earnings		
Legal reserve (Notes 4(21)(22))	159,610	140,909
(Accumulated deficit) retained earnings (Notes 4(18)(22))	(283,229)	219,813
Other adjustments to stockholders' equity		
Cumulative translation adjustments	(15,899)	29,032
Unrealized net loss	(2,814)	(1,143)
	2,286,049	2,812,539
Minority interest	172,897	186,426
Total Stockholders' Equity	2,458,946	2,998,965
Commitments and Contingent Liabilities (Note 7)		
Subsequent Event (Note 9)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,178,095	$ 5,163,802

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 25, 2013.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
Operating revenues		
Sales revenue (Note 5(2))	$ 7,107,364	$ 7,257,711
Sales returns	(14,607)	(12,849)
Sales allowances	(8,435)	(9,555)
Net sales revenue	7,084,322	7,235,307
Service revenue	36,055	33,712
Operating revenues	7,120,377	7,269,019
Operating costs		
Cost of goods sold (Notes 4(5)(26) and 5(2))	(4,565,352)	(4,260,297)
Gross profit	2,555,025	3,008,722
Operating expenses (Notes 4(26) and 5(2))		
Selling expenses	(791,972)	(651,691)
General and administrative expenses	(1,327,152)	(1,355,798)
Research and development expenses	(625,303)	(611,034)
Total operating expenses	(2,744,427)	(2,618,523)
Operating (loss) income	(189,402)	390,199
Non-operating income		
Interest income	6,404	4,256
Dividend income	308	197
Gain on disposal of property, plant and equipment	-	1,414
Gain on disposal of investments (Notes 4(6)(7))	43,373	-
Foreign exchange gain	5,028	-
Rental income	525	821
Gain on adjustment of financial assets	2,031	858
Miscellaneous income (Note 5(2))	66,845	31,433
Total non-operating income	124,514	38,979
Non-operating expenses		
Interest expense	(6,436)	(2,403)
Investment loss accounted for under the equity method (Note 4(7))	(7,448)	(4,155)
Loss on disposal of property, plant and equipment	(7,785)	-
Foreign exchange loss	-	(9,904)
Impairment loss (Notes 4(6)(13))	(53,353)	(3,424)
Loss on adjustment of financial assets (Note 4(15))	(2,963)	(3,380)
Miscellaneous losses	(131,641)	(94,132)
Total non-operating expenses	(209,626)	(117,398)
(Loss) income before income tax	(274,514)	311,780
Income tax expense (Note 4(18))	(72,806)	(126,169)
(Loss) income before extraordinary gain	(347,320)	185,611
Extraordinary gain (Note 10(7))	-	9,660
Consolidated net (loss) income	($ 347,320)	$ 195,271
Attributable to:		
Equity holders of the Company	($ 356,345)	$ 187,010
Minority interest	9,025	8,261
	($ 347,320)	$ 195,271

	2012		2011	
(Loss) earnings per share (in dollars) (Note 4(23))	Before income tax	After income tax	Before income tax	After income tax
Basic (loss) earnings per share (in dollars)				
Consolidated net (loss) income	($ 1.75)	($ 2.21)	$ 2.08	$ 1.27
Extraordinary gain	-	-	(0.06)	(0.06)
Minority interest income	(0.06)	(0.06)	(0.06)	(0.06)
(Loss) profit attributable to equity holders of the Company	($ 1.81)	($ 2.27)	$ 1.96	$ 1.15
Diluted (loss) earnings per share (in dollars)				
Consolidated net (loss) income	($ 1.75)	($ 2.21)	$ 2.04	$ 1.24
Extraordinary gain	-	-	(0.06)	0.06
Minority interest income	(0.06)	(0.06)	(0.06)	0.06
(Loss) profit attributable to equity holders of the Company	($ 1.81)	($ 2.27)	$ 1.92	$ 1.12

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 25, 2013.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Common Stock		Capital Reserve					Retained Earnings						
	Common Stock	Stock Subscription 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 Investment	Capital Reserve-Others	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	22,709	28	32,087	-	-	-	-	-	-	-	-	-	-	54,824
Capital collected in advance transferred to common stock	6,186	(6,186)	-	-	-	-	-	-	-	-	-	-	-	-
Cancelation of treasury stock	(118,400)	-	(62,539)	-	-	-	-	-	(153,663)	-	-	334,602	-	-
Transfer of treasury stock	-	-	-	24,234	-	-	-	-	-	-	-	35,580	-	59,814
Distribution of 2010 earnings (Note 1):														
Legal reserve	-	-	-	-	-	-	-	23,260	(23,260)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(186,035)	-	-	-	-	(186,035)
Consolidated net income for the year	-	-	-	-	-	-	-	-	187,010	-	-	-	8,261	195,271
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	34,763	-	-	-	34,763
Effect of change in ownership percentage of investee company	-	-	-	-	-	-	-	-	(3,333)	-	-	-	-	(3,333)
Effect of investee's unrecognized pension cost	-	-	-	-	-	-	-	-	-	-	(17)	-	-	(17)
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	148,289	148,289
Balance at December 31, 2011	$ 1,567,515	$ 28	$ 831,930	$ 24,234	$ 221	$ -	$ -	$ 140,909	$ 219,813	$ 29,032	($ 1,143)	$ -	$ 186,426	$ 2,998,965
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	1,142	149	1,713	-	-	-	-	-	-	-	-	-	-	3,004
Capital collected in advance transferred to common stock	28	(28)	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of 2011 earnings (Note 2):														
Legal reserve	-	-	-	-	-	-	-	18,701	(18,701)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(125,450)	-	-	-	-	(125,450)
Consolidated net income for the year	-	-	-	-	-	-	-	-	(356,345)	-	-	-	9,025	(347,320)
Effect of change in ownership percentage of investee company	-	-	-	-	-	1,446	-	-	(2,546)	-	-	-	-	(1,100)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(44,931)	-	-	-	(44,931)
Effect of investees' unclaimed dividends	-	-	-	-	-	-	3	-	-	-	-	-	-	3
Effect of investee's unrecognized pension cost	-	-	-	-	-	-	-	-	-	-	(1,671)	-	-	(1,671)
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(22,554)	(22,554)
Balance at December 31, 2012	$ 1,568,685	$ 149	$ 833,643	$ 24,234	$ 221	$ 1,446	$ 3	$ 159,610	($ 283,229)	($ 15,899)	($ 2,814)	$ -	$ 172,897	$ 2,458,946

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 Income Statement for 2010 were $5,520 and $41,401, respectively. The differences of $480 and $3,201, respectively were adjusted in the income statement for the year ended December 31, 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 Income statement for 2011 were $3,671 and $27,532, respectively. The differences of $171 and $32, respectively were adjusted in the income statement for the year ended December 31, 2012.

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 25, 2013.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
Cash flows from operating activities		
Consolidated net (loss) income	($ 347,320)	$ 195,271
Adjustments to reconcile consolidated net (loss) income to net cash provided by operating activities:		
Extraordinary gain	-	(9,660)
Loss on adjustment of financial assets	932	2,522
Reversal of allowance for sales returns	-	(3,964)
Provision for doubtful accounts	25,245	21,886
Provision for decline in market value of inventories	644	432
Investment loss accounted for under the equity method	7,448	4,155
Gain on disposal of investments	(43,373)	-
Impairment loss on financial assets carried at cost	9,206	-
Depreciation and amortization	456,120	466,786
Loss (gain) on disposal of property, plant and equipment	7,785	(1,414)
Impairment loss on property, plant and equipment and idle assets	6,216	-
Impairment loss on good will	5,387	-
Provision for impairment loss on other intangible assets	-	3,424
Deferred charges transferred to impairment loss	32,544	-
Deferred charges transferred to other loss	110,594	91,186
Treasury stock-based employee compensation expense	-	40,463
Changes in assets and liabilities:		
Financial liabilities at fair value through profit or loss	5,601	858
Notes receivable – third parties	6,596	114,958
Accounts receivable – third parties	(15,085)	311,777
Other receivables – third parties	(14,506)	(39,472)
Inventories	186,911	(33,058)
Prepaid expenses	(2,959)	(35,349)
Deferred income tax assets	(25,179)	14,215
Other current assets	(13,753)	(16,385)
Notes payable – third parties	(1,101)	1,573
Accounts payable – third parties	16,873	393,993
Accounts payable – related party	(10,072)	72,099
Income tax payable	(43,343)	24,243
Accrued expenses	(217,380)	62,033
Other payables – third parties	(70,958)	(200,192)
Unearned revenue collected in advance	(66,772)	67,396
Other current liabilities	(995)	5,353
Accrued pension liabilities	10,589	1,405
Net cash provided by operating activities	15,895	1,556,534

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GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
Cash flows from investing activities		
Decrease (increase) in other financial assets - current	$ 7,796	($ 7,815)
Prepayment for long-term investments	(2,585)	-
Acquisition of financial assets carried at cost	(28,138)	(10,000)
Proceeds from disposal of financial assets carried at cost	134,573	-
Increase in long-term investments - subsidiary acquisition price	(27,400)	(7,400)
Proceeds from disposal of long-term equity investments	397	-
Acquisition of property, plant and equipment	(342,054)	(261,253)
Proceeds from disposal of property, plant and equipment and other assets	18,544	12,042
Increase in deferred charges	(282,701)	(151,140)
Increase in other intangible assets	(3,404)	(3,319)
Decrease (increase) in refundable deposits, net	6,571	(8,924)
Decrease (increase) in other assets - other	11,557	(12,910)
Net cash used in investing activities	(506,844)	(450,719)
Cash flows from financing activities		
Decrease in short-term loans	(23,493)	(62,419)
Increase in bonds payable (including current portion)	38,669	21,558
Decrease in long-term loans (including current portion)	(23,984)	(24,760)
Increase in guarantee deposits	(2,955)	-
(Decrease) increase in other liabilities – other	(453)	6,093
Exercise of employee stock options	3,004	54,824
Payment of cash dividends	(125,450)	(186,035)
Treasury stock for employee stock warrants	-	19,351
Changes in minority interest	(22,554)	157,949
Net cash used in financing activities	(157,216)	(13,439)
Effect of exchange rate changes on cash and cash equivalents	(29,058)	1,098
Effect of changes in consolidated entities	-	(326,432)
Net (decrease) increase in cash and cash equivalents	(677,223)	767,042
Cash and cash equivalents at beginning of the year	2,025,722	1,258,680
Cash and cash equivalents at end of the year	$ 1,348,499	$ 2,052,722
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 6,462	$ 5,171
Income tax	$ 137,151	$ 68,741
Cash paid for acquisition of property, plant and equipment		
Property, plant and equipment acquired	$ 281,584	$ 288,086
Payable at end of the year	(4,092)	(64,562)
Payable at beginning of the year	64,562	37,729
Cash paid	$ 342,054	$ 261,253
The fair value of the subsidiaries acquired during the year is as follows:		
Cash and cash equivalents	$ -	$ 492,422
Current assets	-	451,991
Current liabilities	-	(777,844)
Other liabilities	-	(6,507)
Minority interest	-	(120,062)
Cash paid for acquisition of the subsidiaries	$ -	$ 40,000

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 25, 2013.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 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 December 31, 2012, the total authorized capital was $2,500,000, consisting of 250 million shares of common stock (including 12 million shares for employee stock options), at a par value of $10 (NT dollars) per share, and the issued and outstanding capital was $1,568,685. The Company is engaged in software services. As of December 31, 2012, the Company and its consolidated subsidiaries had approximately 1,420 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 result 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 December 31, 2012 and 2011 are as follows:

Investor	Subsidiary	Main activities	% of shares held as of December 31 2012	% of shares held as of December 31 2011	Note
Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd.	Holding company	100%	100%	Note 1
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	Investment holdings	100%	100%	Note 2
Gamania 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	98.79%	98.70%	Note 3
Gamania International Holdings Ltd.	Gamania Western Holdings Ltd.	Investment holdings	100%	100%	Note 3
Gamania International Holdings Ltd.	Gamania Netherlands Holdings Cooperatief U.A	Investment holdings	100%	100%	Note 3
Gamania International Holdings Ltd.	Firedog Studio Company Ltd.	Design and research of software	100%	100%	Note 3
Gamania International Holdings Ltd.	Gash Plus (Hong Kong) Company 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	Note 12	100%	Note 3
Gamania R&D (HK) Holdings Limited	MoNoKos Studio Technology Co., Ltd.	Research and development of software	100%	-	Note 9,13
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Design and sales of software	100%	100%	Note 5
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Investment holdings	100%	100%	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 December 31 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	100%	100%	Note 8
Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Software services and sales	72.08%	72.08%	Note 1
Gamania Asia Investment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Software services and sales	27.20%	27.20%	-
Gamania Digital Entertainment Co., Ltd.	Gamania Asia Investment Co., Ltd.	Investment holdings	100%	100%	Note 1
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 of software	100%	100%	Note 1
Gamania Digital Entertainment Co., Ltd.	Seedo Games Co., Ltd.	Design and research of software	100%	100%	Note 1
Gamania Digital Entertainment Co., Ltd.	Playcoo Co.	Design and research and development of software	77.40%	75.25%	Note 1
Gamania Digital Entertainment Co. Ltd.	Two Tigers Co., Ltd.	Animation production	51%	51%	Note 1
Gamania Digital Entertainment Co. Ltd.	Gash Plus (Taiwan) Company Limited	Software information and supply of electronic services	100%	100%	Note 1
Gash Plus (Taiwan) Company Limited	Jsdway Digital Technology Co., Ltd.	Software information and supply of electronic services	33.33%	33.33%	Note 14
Jsdway Digital Technology Co., Ltd.	Webo Digital Co., Ltd.	Software services and sales	81.02%	97.95%	Note 4

Investor	Subsidiary	Main activities	% of shares held as of December 31 2012	2011	Note
Jsdway Digital Technology Co., Ltd.	Precious Power Digital Technology Co., Ltd.	Software services and sales	70%	70%	Note 4
Gamania Digital Entertainment Co., Ltd.	RitwNow Inc.	E-sports and internet live broadcasting services	51%	-	Note 1
Gamania Digital Entertainment Co., Ltd.	Global Pursuit (U.S.) Co., Ltd.	Software information and supply of electronic services	80%	-	Note 1
Global Pursuit (U.S.) Co., Ltd.	Global Pursuit North America Co., Ltd.	IP commodities authorization	100%	-	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 Jsdway Digital Technology Co., Ltd.

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

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

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

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

Note 9: A majority-owned subsidiary of Gamania R&D (HK) Holdings Limited.

Note 10: A majority-owned subsidiary of Global Pursuit (U.S.) Co., Ltd.

Note11: Tornado Studio Co., Ltd., formerly Gama Games Co., Ltd., has completed its change of registration in August 2011.

Note 12: It was liquidated and ended its operation on November 13, 2012.

Note 13: As of the date of audit report, it is in the process of liquidation.

Note 14:Gash Plus (Taiwan) Company Limited holds more than half of the board seats of Jsdway Digital Technology Co., Ltd.

a) In 2012, the information on investee companies, Gamania Korea Co., Ltd., Fundation Digital Entertainment Co., Ltd., Redgate Games Co., Ltd., Seedo Games Co., Ltd., Gash Plus (Hong Kong) Company Limited, Jsdway Digital Technology Co., Ltd., Firedog Studio Company Limited, and Gamania Digital Entertainment (H.K.) Co., Ltd., were based on financial statements audited by the investees' respective auditors.

b) In 2011, the information on investee companies, Gamania Korea Co., Ltd., Fundation Digital Entertainment Co., Ltd., Redgate Games Co., Ltd., Seedo Games Co. Ltd., Firedog Studio Company Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd., and Jsdway Digital Technology Co., Ltd., were based on financial statements audited by the investees' respective auditors.

c) The financial statements reflect total assets of $1,246,482 and $1,468,832, constituting 29.83% and 28.44% of the related consolidated totals as of December 31, 2012 and 2011, respectively, and total operating revenues of $2,443,474 and $1,030,621, constituting 34.32% and 14.18% of the related consolidated totals for the years 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) <u>Translation of financial statements of foreign subsidiaries</u>

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 which 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) <u>Foreign currency transactions</u>

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) <u>Criteria for classifying current or non-current assets and liabilities</u>

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 re-measured 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 Group'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 the 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 6 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) <u>Employees' bonuses and directors' and supervisors' remuneration</u>

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

(17) <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) Retirement plan

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

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

(19) Treasury stock

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

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

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

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

(20) Revenues, costs and expenses

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

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

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

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

E) Costs and expenses are recognized as incurred.

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

(21) Earnings per share

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

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

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

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

(22) Use of estimates

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

(23) Operating segments

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

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 financial statements and earnings per share as of and for the year ended December 31, 2011.

(2) Operating segments

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

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2012	December 31, 2011
Cash on hand	$ 2,959	$ 1,079
Demand deposits and checking accounts	957,999	1,540,733
Time deposits	387,541	483,910
	$ 1,348,499	$ 2,025,722

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

Items	December 31, 2012	December 31, 2011
Current items:		
Financial assets held for trading		
Listed (TSE and OTC) stocks	$ 3,843	$ 8,934
Corporate bonds	2,855	3,000
Adjustment of financial assets held for trading	(429)	(2,095)
	6,269	9,839
Designated as at financial assets at fair value through profit or loss		
Callable preferred stock	2,850	-
Adjustment of designated as at fair value through profit or loss	-	-
	2,850	-
	$ 9,119	$ 9,839
Non-current items:		
Designated as at financial assets at fair value through profit or loss		
Callable preferred stock	$ -	$ 2,850
Adjustment of designated as at fair value through profit or loss	-	-
	$ -	$ 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 (May 28, 2010) 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.

(3) Notes receivable - net

	December 31, 2012	December 31, 2011
Notes receivable	$ 22,519	$ 29,115
Less: Allowance for doubtful accounts	(16)	(16)
	$ 22,503	$ 29,099

(4) Accounts receivable - net

	December 31, 2012	December 31, 2011
Accounts receivable	$ 1,135,183	$ 1,117,352
Less: Allowance for doubtful accounts	(76,762)	(55,869)
Allowance for sales returns	(537)	(537)
	$ 1,057,884	$ 1,060,946

(5) Inventories - net

	December 31, 2012	December 31, 2011
Inventories	$ 77,150	$ 267,041
Less: Allowance for obsolescence and market value decline	(1,229)	(3,565)
	$ 75,921	$ 263,476

Related loss recognized for the year:

	For the years ended December 31, 2012	For the years ended December 31, 2011
Provision for decline in market value of inventories	$ 644	$ 432
Loss on physical count of inventories	$ 37	$ 57

(6) Financial assets carried at cost – non-current

Items	December 31, 2012	December 31, 2011
Unlisted stocks		
Gamemag Interactive Inc.	$ 24,058	$ -
NC Taiwan Co., Ltd.	22,841	22,841
Compass Systems Corp.	10,000	10,000
YECK Entertainment Co., Ltd.	4,080	-
Nice Finance Co., Ltd.	-	91,453
	60,979	124,294
Less: Accumulated impairment	(9,206)	-
	$ 51,773	$ 124,294

A) The above investments were measured at cost since their fair value cannot be measured reliably.
B) The Company's subsidiary, Gamania Asia Investment Co., Ltd., sold all the stocks held in Nice Finance Co., Ltd. totaling 9,382,683 shares in June, 2012. Gain on disposal of those stocks amounted to $43,120, which was the total sale price of $134,573 less costs to sell of $91,453, which was recognized as "Gain on disposal of investments".
C) Please see Note 4(13) for information on Impairment of non-financial assets.

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

A) List of long-term investments

Name of investee	December 31, 2012 Original cost	Ownership percentage	Balance	Investment loss for the year ended December 31, 2012
Accounted for under the equity method:				
Taiwan e-sports Co., Ltd.	$ 46,800	40.70%	$ 7,587	($ 5,937)
Machi Pictures Co., Ltd.	20,000	33.33%	19,846	(154)
Encore Digital Technology Co., Ltd.	1,750	-	-	(812)
Niu Niu Technology Co., Ltd.	1,050	-	-	(545)
			27,433	($ 7,448)
Prepayments for long-term investments:				
Moqizone Holdings Corporation			6,000	
Everpeace International Limited			2,000	
Jsdway (M) Sdn. Bhd.			585	
			8,585	
			$ 36,018	

Name of investee	December 31, 2011 Original cost	Ownership percentage	Balance	Investment income (loss) for the year ended December 31, 2011
Accounted for under the equity method:				
Jsdway Digital Technology Co., Ltd. (Note)	$ 40,000	33.33%	$ -	$ 1,610
Encore Digital Technology Co., Ltd.	1,750	35.00%	637	(63)
Tang Chao Digital Technology Co., Ltd.	1,000	28.57%	-	(80)
Niu Niu Technology Co., Ltd.	1,050	30.00%	363	(40)
Taiwan e-sports Co., Ltd.	39,400	39.40%	7,216	(5,582)
			8,216	($ 4,155)
Prepayments for long-term investments:				
Moqizone Holdings Corporation			6,000	
			$ 14,216	

Note: The Company's subsidiary, Gash Plus (Taiwan) Company Limited ("Gash Plus"), acquired 33.33% of voting shares of Jsdway Digital Technology Co., Ltd. ("Jsdway") on November 15, 2011 and accounted for Jsdway under the equity method. On December 3, 2011, Gash Plus obtained more than half of the seats of directors of Jsdway during the reelection of directors and gained control over it; therefore, Jsdway has been included in the consolidated financial statements of the Company and its subsidiaries since December 31, 2011. The investment income of Jsdway from November 15, 2011 through December 3, 2011 was accounted for under the equity method.

B) Long-term investment in Taiwan e-sports Co., Ltd. and Machi Pictures Co., Ltd. were accounted for under the equity method based on the investees' financial statements as of and for the years ended December 31, 2012 which were not audited by independent accountants since its net loss after tax 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 year ended December 31, 2011 which were not audited by independent accountants since its net loss after tax had no significant effect to the Group.

D) The investment loss of 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 year ended December 31, 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 for these investees for the year ended December 31, 2012 was $1,357.

E) The investment income (loss) of Encore Digital Technology Co., Ltd., Tang Chao 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 year ended December 31, 2011, 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 for these investees for the year ended December 31, 2011 was $183. As of December 31, 2011, long-term investments in these investees amounted to $1,000.

F) 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.

G) The investment income of the Company's indirect subsidiary, Jsdway Digital Technology Co., Ltd., accounted for under the equity method from November 15, 2011 through December 3, 2011, was based on its financial statements for the corresponding period, which were audited by the engaged auditors. The investment income recognized for the investee for the year ended December 31, 2011 was $1,610.

(8) Property, plant and equipment

	December 31, 2012	December 31, 2011
Cost		
Land	$ 157,192	$ 157,556
Buildings	211,280	226,501
Machinery and equipment	717,383	934,286
Transportation equipment	7,904	4,780
Office equipment	92,919	212,578
Leasehold improvements	123,746	78,169
Other equipment	27,246	22,780
	1,337,670	1,636,650
Accumulated depreciation		
Buildings	(43,570)	(48,390)
Machinery and equipment	(318,746)	(590,203)
Transportation equipment	(1,410)	(1,194)
Office equipment	(52,072)	(123,565)
Leasehold improvements	(72,961)	(31,653)
Other equipment	(9,174)	(7,973)
	(497,933)	(802,978)
Add: Construction in progress and prepayments for equipment	2,673	16,450
Less: Accumulated impairment	(1,639)	(4,213)
Book value	$ 840,771	$ 845,909

(9) Idle assets

	December 31, 2012		
	Original cost	Accumulated depreciation	Net book value
Machinery and equipment	$ 58,571	($ 42,612)	$ 15,959
Less: Accumulated impairment			(4,675)
			$ 11,284

There are no idle assets as of December 31, 2011.

(10) Other intangible assets

	December 31, 2012	December 31, 2011
Franchises for sales of on-line games	$ 1,508	$ 3,656
Franchises for game development	911	446
	$ 2,419	$ 4,102

(11) Deferred charges

	December 31,	
	2012	2011
Royalty payments	$ 146,589	$ 129,204
Unamortized expenses	129,550	217,123
	$ 276,139	$ 346,327

(12) Other assets

	December 31,	
	2012	2011
Overdue accounts receivable	$ 70,471	$ 74,676
Less: Allowance for doubtful accounts	(60,073)	(57,387)
Prepayment for pensions	8,981	9,066
Others	1,227	12,699
	$ 20,606	$ 39,054

The Company's indirect subsidiary, Jsdway Digital Technology Co., Ltd., did not fully provide its overdue accounts receivable with allowance as of December 31, 2012 and 2011 since based on its assessment, such receivables were collectible.

(13) Impairment of non-financial assets

A) The Group recognized impairment loss of $53,353 and $3,424 for the years ended December 31, 2012 and 2011, respectively. The details are as follows:

	2012	
	Amount recognized in income statement	Amount recognized in stockholders' equity
Impairment loss-financial assets carried at cost	$ 9,206	$ -
Impairment loss-property, plant and equipment and idle assets	6,216	-
Impairment loss-goodwill	5,387	-
Impairment loss-royalty payments	21,313	-
Impairment loss-unamortized expenses	11,231	-
	$ 53,353	$ -

	2011	
	Amount recognized in income statement	Amount recognized in stockholders' equity
Impairment loss-trademarks	$ 377	$ -
Impairment loss-goodwill	832	-
Impairment loss-other intangible assets	2,215	-
	$ 3,424	$ -

B) The Company's subsidiary, Gamania Asia Investment Co., Ltd. recognized impairment loss on financial assets carried at cost - non-current for the year ended December 31, 2012, since the book value is greater than the recoverable amount. Gamania Asia Investment Co., Ltd. used the net fair value of such investments as recoverable amount. The net fair value was based on the best estimate of information available on balance sheet date.

C) The Company and its subsidiaries recognized impairment loss on unamortized expenses and royalty payments for the years ended December 31, 2012 and 2011, respectively, since the book value is greater than the recoverable amount. The Group used on-line game revenues and projected expenditures as recoverable amount when points are expected to be consumed.

D) The Company's subsidiary, Gamania Korea Co., Ltd. and its indirect subsidiary, Gamania Digital Entertainment (Beijing) Co., Ltd., recognized impairment loss on property, plant and equipment and idle assets for the year ended December 31, 2012, since the book value is greater than the recoverable amount. The Company adopted the used value of such assets as recoverable amount.

E) The Company's indirect subsidiary, Firedog Studio Company Ltd., recognized the impairment loss on goodwill after assessment, and the Company's indirect subsidiary of Gamania China Holdings Ltd. recognized the impairment loss on goodwill of Gamania Sino Holdings Ltd. for the year ended December 31, 2012, since on the book value is greater than the recoverable amount. The Group used the value of future cash inflows as recoverable amount. The value of future cash inflows was based on the best estimate of information available on balance sheet date.

F) The Company recognized impairment loss of $3,424 on the book value of the investments in the Company's indirect subsidiary, Firedog Studio Company Ltd., for the year ended December 31, 2011. The Company used the net fair value of such investments as recoverable amount. The net fair value was based on the best estimate of information available on balance sheet date.

(14) Short-term loans

	December 31, 2012	December 31, 2011
Short-term bank loans	$ 69,070	$ 92,563
Annual interest rate	1.80%~7.20%	1.40%~9.18%
Credit lines	$ 2,783,783	$ 2,284,376

(15) Financial liabilities at fair value through profit or loss

Items	December 31, 2012	December 31, 2011
Current items		
Designated as at financial liabilities at fair value through profit or loss:		
Callable preferred stock liability - current	$ 2,850	$ -
Adjustment of designated as at fair value through profit or loss	6,766	-
	$ 9,616	$ -

Items	December 31, 2012	December 31, 2011
Non-current items		
Designated as at financial liabilities at fair value through profit or loss:		
Callable preferred stock liability - non-current	$ -	$ 2,850
Adjustment of designated as at fair value through profit or loss	-	3,803
	$ -	$ 6,653

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

(16) Bonds payable

	December 31, 2012	December 31, 2011
Bonds payable	$ 64,132	$ 25,463
Less: Current portion	(19,577)	(3,905)
	$ 44,555	$ 21,558

The Company's subsidiary, Gamania Digital Entertainment (Japan) Co., Ltd., issued unsecured corporate bonds in the amount of JPY 200 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	$ 17,696 (JPY 50 million)	0.63%	Amount of JPY 5 million is repayable for the principal in each April and October from the issue date, and simple interest is payable every year from the issue date based on the coupon rate.
2012.07.31	Three years	$ 56,740 (JPY 150 million)	0.49%	Amount of JPY 24 million is repayable for the principal in each January and July from the issue date, and simple interest is payable every year from the issue date based on the coupon rate.

(17) Long-term loans

Bank	Total Credit Lines	Period/Terms of Repayment	December 31, 2012	December 31, 2011
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note)	09.01.2010 ~ 08.30.2013 equal quarterly installments	$ 6,750	$ 20,305
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note)	08.31.2009 ~ 08.30.2012 equal quarterly installments	-	9,739
Yuanta Bank	TWD 1,400	12.30.2010 ~ 12.29.2013 monthly installments	506	933
Yuanta Bank	TWD 790	01.14.2011 ~ 01.13.2014 monthly installments	286	549
			7,542	31,526
Less: Current portion			(7,520)	(22,964)
			$ 22	$ 8,562

Note: In thousands of yen

(18) Tax expense and income tax (refundable) payable

A) Income tax (refundable) payable and income tax expense for the years ended December 31, 2012 and 2011 are reconciled as follows:

	For the years ended December 31, 2012	2011
Current year income tax expense	$ 72,699	$ 123,839
Additional 10% corporate income tax on undistributed earnings	107	2,330
	72,806	126,169
Add (Less): Net change in deferred income tax assets and liabilities	25,179	(11,990)
Prepaid income tax	(56,434)	(44,557)
Under provision of prior year's income tax	(48,243)	(5,760)
Income tax refundable of prior year	(67)	-
Effect of changes in consolidated entities	-	19,310
Effect of exchange rate	(1,520)	524
	($ 8,279)	$ 83,696
Income tax payable	$ 40,549	$ 83,892
Income tax refundable (recognized as "other receivables")	(48,828)	(196)
	($ 8,279)	$ 83,696

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

	December 31, 2012	2011
Deferred income tax assets - current	$ 38,560	$ 5,409
Deferred income tax assets - non-current	450,089	381,174
Deferred income tax liabilities - non-current	(1,894)	(2,229)
	486,755	384,354
Less: Valuation allowance - current	(31,303)	(225)
Valuation allowance - non-current	(393,119)	(346,975)
	$ 62,333	$ 37,154

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

	December 31, 2012		2011	
	Amount	Tax effect	Amount	Tax effect
Current items - assets:				
Provision for bad debts in excess of the allowable limit	$ 22,369	$ 3,766	$ 11,861	$ 2,016
Allowance for sales returns	537	91	1,184	201
Allowance for decline in market value and inventory obsolescence	791	134	3,127	532
Employee benefits	372	63	-	-
Loss carryforwards	-	-	7,607	1,293
Others	2,850	540	229	39
Investment tax credits		33,966		1,328
		38,560		5,409

	December 31,			
	2012		2011	
	Amount	Tax effect	Amount	Tax effect
Less: Valuation allowance		(31,303)		(225)
		$ 7,257		$ 5,184
Non-current items - assets:				
Employee benefits	$ 1,116	$ 190	$ -	$ -
Impairment loss on deferred charges	38,213	6,496	-	-
Investment loss on financial assets carried at cost - non-current	9,851	1,675	9,851	1,675
Loss carryforwards	1,719,024	344,210	1,442,932	283,034
Loss on foreign investments	571,354	97,130	304,071	51,692
Reserve for foreign investments	-	-	(6,188)	(1,052)
Others	2,280	388	2,010	342
Investment tax credits		-		47,253
		450,089		382,944
Less: Valuation allowance		(393,119)		(348,745)
		$ 56,970		$ 34,199
Non-current item - liability:				
Depreciation allowances in excess of related depreciation	($ 11,478)	($ 1,894)	($ 13,508)	($ 2,229)

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

	December 31,	
	2012	2011
a. Balance of shareholders account of deductible tax	$ 41,444	$ 33,454
	2012 (Estimate)	2011 (Actual)
b. Creditable tax ratio	(Note)	23.38%

Note: As the Company incurred accumulated losses for the year ended December 31, 2012, there is no creditable tax ratio.

E) Undistributed retained earnings:

	December 31,	
	2012	2011
On or after January 1, 1998		
a. Earnings not yet subjected to 10% income tax	($ 356,345)	$ 187,010
b. Earnings subjected to 10% income tax	73,116	32,803
	($ 283,229)	$ 219,813

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

a) As of December 31, 2012, the Company′s income tax returns through 2009 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 paid the additional income tax and interest on September 10, 2012.

G) As of December 31, 2011, according to the "Statute for Upgrading Industries," the Company's domestic subsidiaries had investment tax credits to offset against taxable income for the next three years. The details are as follows:

Deductible items	Total credits	Unused balance	Year of expiration
Research and development expenditures	$ 31,143	$ 31,143	2013
Machinery and equipment	12	12	2013
Employees' training	39	39	2013
Shareholders' investment tax credits	2,772	2,772	2015
	$ 33,966	$ 33,966	

H) As of December 31, 2012, in accordance with the "Income Tax Law", the Company's domestic subsidiaries had loss carryforwards in the amount of $344,210 to offset against taxable income for the next ten years. The details are as follows:

Deductible item	Amount reported	Unused balance	Year of expiration
Loss carryforwards	$ 1,719,024	$ 344,210	2014~2022

(19) Accrued pension liability

A) The Company and its domestic subsidiaries have a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter with a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee. The balance of the retirement fund deposited with Bank of Taiwan was $50,956 and $49,124 as of December 31, 2012 and 2011, respectively. For the years ended December 31, 2012 and 2011, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to $3,165 and $2,847, respectively. The fund balances are not reflected in the consolidated financial statements. The accumulated contributions exceeded the net pension costs in the amount of $8,981 and $9,066 as of December 31, 2012 and 2011, respectively, which was accounted for in other assets - other.

B) Gamania Digital Entertainment (Japan) Co., Ltd., Tornado Studio Co., Ltd., Gash Plus (Hong Kong) Company Limited, Gamania Korea Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd., and Firedog Studio Company Limited provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were $6,894 and $4,765 for the years ended December 31, 2012 and 2011, respectively. Tornado Studio Co., Ltd. was liquidated and ended its operation on November 13, 2012, therefore, the pension was recognized until that date.

C) Gamania Digital Entertainment (Beijing) Co., Ltd. and MoNoKos Studio Technology Co., Ltd. provide old-age pension and insurance monthly based on 22% of the employees' salaries and wages in accordance with the local regulations. The net pension and insurance costs were $6,392 and $8,593 for the years ended December 31, 2012 and 2011, respectively.

D) Effective July 1, 2005, in accordance with the Labor Pension Act, the Company and its domestic subsidiaries adopted a defined contribution pension plan (the "New Plan"). Under the New Plan, employees have the option to choose the New Plan and the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts deposited with the Bureau of Labor Insurance. Benefits accrued under the New Plan are portable when the employees leave the company. The net pension costs recognized by the Company and its domestic subsidiaries under the defined contribution plan amounted to $42,253 and $39,708 for the years ended December 31, 2012 and 2011, respectively.

E) Certain domestic and foreign subsidiaries do not have an employee retirement plan.

F) The related assumptions used to calculate the periodic pension cost were as follows:

	2012	2011
Discount rate	1.75%	1.75%~1.90%
Expected return rate on plan assets	1.75%	1.75%~1.90%
Average ratio of salary increase	3.00%~3.50%	2.50%~3.50%

i. The reconciliation of the funded status to accrued pension liability is summarized as follows:

	December 31, 2012	December 31, 2011
Vested benefit obligation	($ 14,176)	($ 5,348)
Non-vested benefit obligation	(33,337)	(27,733)
Accumulated benefit obligation	(47,513)	(33,081)
Additional benefits based on future salary increases	(31,033)	(27,492)
Projected benefit obligation	(78,546)	(60,573)
Fair value of plan assets	50,956	49,124
Funded status	(27,590)	(11,449)
Unrecognized transition obligation	669	1,423
Unrecognized net loss	27,796	18,679
Additional pension liability	(4,304)	(2,239)
Accrued pension liability	($ 3,429)	$ 6,414
Vested benefit obligation	$ 8,100	$ 6,377
Accrued pension liability	($ 14,564)	($ 6,658)
Prepaid pension (recognized as other assets - other)	8,981	9,066
	($ 5,583)	$ 2,408
Accrued pension liability – new policy	($ 7,582)	($ 3,280)

ii. The components of net pension cost were as follows:

	2012	2011
Service cost	$ 1,796	$ 894
Interest cost	1,148	1,125
Expected return on plan assets	(920)	(800)
Amortization of unrecognized transition obligation	52	96
Amortization of unrecognized net loss	1,089	1,532
Net pension cost	$ 3,165	$ 2,847

(20) Capital reserve

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.

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

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

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

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

a. Paying all taxes and duties.

b. Covering prior years' accumulated deficit, if any.

c. After deducting items a and b, 10% of the remaining amount is appropriated as legal reserve.

d. In addition to the amount appropriated for legal reserve, the Company may appropriate an amount equal to the negative items in the stockholders' equity from retained earnings as special reserve.

e. Interest on capital.

f. After deducting items a to e, 10%～15% of the remaining earnings is appropriated as employees' bonuses and up to 2% as remuneration to directors and supervisors.

g. The remaining amount is to be distributed to stockholders in accordance with the resolution adopted at the stockholders' meeting.

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

C) The appropriations of 2011 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 $3,050, 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 amount 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) Pursuant to the resolution approved in the board of directors' meeting on March 25, 2012, the Company will use legal reserve of $159,610 and capital reserve of $123,619 to cover the accumulated deficit of $283,229. As of March 25, 2012, the appropriation of 2012 earnings had not been resolved at the stockholders' meeting.

E) The estimated amount of employees' bonuses was $27,532, and the estimated amount for directors' and supervisors' remuneration was $3,671 for the year ended December 31, 2011. 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 expenses. If the actual distribution amounts are different from the estimated amounts, the difference will be adjusted in the income statement of the following year. As the Company incurred a net loss for the year ended December 31, 2012, the Company did not accrue employees' bonus and directors' and supervisors' remuneration for the year.

F) The distribution of the 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 year ended December 31, 2012.

G) The distribution of the 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 year ended December 31, 2011.

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

(23) (Loss) earnings per share

	For the year ended December 31, 2012				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Loss per share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Basic loss per share:					
Net loss	($283,539)	($356,345)	156,823	($ 1.81)	($ 2.27)
Dilutive effect:					
Stock options (Note)	-	-	-		
Diluted loss per share:					
Net loss	($283,539)	($356,345)	156,823	($ 1.81)	($ 2.27)

Note: The employee stock options outstanding as at December 31, 2012 had anti-dilutive effect, therefore, the diluted loss per share was the same as the basic loss per share.

	For the year ended December 31, 2011					
	Amount		Weighted average number of outstanding common shares	Earnings per share (in dollars)	
	Before income tax	After income tax	(In thousands of shares)	Before income tax	After income tax
Basic earnings per share					
Net income	$ 303,519	$ 177,350	154,953	$ 1.96	$ 1.15
Dilutive effect:					
Stock options	-	-	1,942		
Employees' bonuses	-	-	962		
Diluted earnings per share:					
Net income	$ 303,519	$ 177,350	157,857	$ 1.92	$ 1.12
Basic earnings per share for extraordinary gain	$ 9,660	$ 9,660	154,953	$ 0.06	$ 0.06
Diluted earnings per share for extraordinary gain	$ 9,660	$ 9,660	157,857	$ 0.06	$ 0.06

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.

(24) Treasury stock

Changes in the treasury stock for the year ended December 31, 2012 are set forth below (in thousands of shares):

A)

	For the year ended December 31, 2011			
Purpose	Beginning	Additions	Disposals	Ending
Employee stock options	13,099	-	(13,099)	-

B) The maximum and ending balances of treasury stock for the year ended December 31, 2011 are as follows:

	December 31, 2011	
	Maximum balance	Ending balance
	$ 370,182	$ -

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

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

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

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

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

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

(25) <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 31, 2007. The stock option has an exercise period of six years. Employees will be able to exercise these options after two years in accordance with the procedures of the employee stock option plan.

B) The units and weighted average exercise price of the stock options for the years ended December 31, 2012 and 2011 are as follows:

	For the years ended December 31,			
	2012		2011	
Stock Options	Units (in thousands)	Weighted-average exercise price (in dollars) (Note 1)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note 1)
Beginning balance	4,904	$ 23.60	7,249	$ 24.20
Number of options granted	-	-	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised (Notes 2 and 3)	(129)	-	(2,273)	-
Cancelled	(33)	-	(72)	-
Ending balance	4,742	23.00	4,904	23.60
Exercisable at the end of the year	4,742		4,904	
Authorized but unissued at the end of the year	-		-	

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

Note 2: As of December 31, 2012, 15 thousand shares had not been registered and were accounted for under stock subscriptions received in advance.

Note 3: As of December 31, 2011, 3 thousand shares had not been registered and were accounted for under stock subscriptions received in advance.

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

	For the year ended December 31, 2012				
	Outstanding stock options			Exercisable stock options	
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
$ 23.00	4,742	0.92	$ 23.00	4,742	$ 23.00

	For the year ended December 31, 2011				
	Outstanding stock options			Exercisable stock options	
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
$ 23.60	4,904	1.92	$ 23.60	4,904	$ n 23.60

(26) Personnel, depreciation and amortization expenses

	For the year ended December 31, 2012		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 125,011	$ 1,166,522	$ 1,291,533
Labor and health insurances	12,187	96,055	108,242
Pension	4,282	54,422	58,704
Others	2,727	72,128	74,855
	$ 144,207	$ 1,389,127	$ 1,533,334
Depreciation	$ 111,139	$ 119,922	$ 231,061
Amortization	$ 172,566	$ 52,493	$ 225,059

	For the year ended December 31, 2011		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 119,230	$ 1,115,910	$ 1,235,140
Labor and health insurances	12,014	90,064	102,078
Pension	4,069	51,844	55,913
Others	2,518	73,163	75,681
	$ 137,831	$ 1,330,981	$ 1,468,812
Depreciation	$ 89,745	$ 88,456	$ 178,201
Amortization	$ 231,897	$ 56,688	$ 288,585

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Company
Nexon Co., Ltd. (Nexon)	Note 1
Nexon Korea Corporation (Nexon Korea)	Related party in substance
Machi Pictures Co., Ltd. (Machi Pictures)	Investee company accounted for under the equity method
Taiwan e-sports Co., Ltd. (Taiwan e-sports)	〃
Niu Niu Technology Co., Ltd. (Niu Niu)(Note 2)	〃
Gamania Cheer Up Foundation	Same chairman

Note 1: 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 Group and Nexon are disclosed from then on.

Note 2: The Company's indirect subsidiary, Jsdway Digital Technology Co., Ltd., had sold all of its ownership in Niu Niu Technology Co., Ltd. in June, 2012, therefore, the relevant transaction information between the Group and Niu Niu is disclosed up to the disposal date.

(2) Significant transactions and balances with related parties

A) Sales

	For the years ended December 31,			
	2012		2011	
	Amount	% of sales	Amount	% of sales
Niu Niu	$ 3,863	-	$ -	-

B) License fees

	For the years ended December 31,			
	2012		2011	
	Amount	% of license fees	Amount	% of license fees
Nexon Korea	$ 992,683	59	$ 847,906	38
Nexon	458	-	-	-
	$ 993,141	59	$ 847,906	38

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

C) Donation

	For the years ended December 31,			
	2012		2011	
	Amount	% of donation	Amount	% of donation
Gamania Cheer Up Foundation	$ 6,500	66	$ 11,000	67

D) Membership and annual fees

	For the years ended December 31,			
	2012		2011	
	Amount	% of membership and annual fees	Amount	% of membership and annual fees
Taiwan e-sports	$ 3,000	49	$ -	-

The above represents payment for membership and annual fees in joining the professional e-sports game competition.

E) Deferred charges

	December 31,			
	2012		2011	
	Amount	% of net deferred charges	Amount	% of net deferred charges
Nexon Korea	$ 53,601	19	$ 49,946	14

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

F) Other revenues

	For the years ended December 31,			
	2012		2011	
	Amount	% of net other revenues	Amount	% of net other revenues
Taiwan e-sports	$ 87	-	$ 620	2

The above represents other revenue for participating in game competition held.

G) Accounts payable

	December 31,			
	2012		2011	
	Amount	% of accounts payable	Amount	% of accounts payable
Nexon Korea	$ 61,992	8	$ 72,099	9
Nexon	35	-	-	-
	$ 62,027	8	$ 72,099	9

H) Accrued expenses

	December 31,			
	2012		2011	
	Amount	% of accrued expenses	Amount	% of accrued expenses
Taiwan e-sports	$ 3,675	1	$ -	-

The above represents payments for membership and annual fees and advertising expenses.

I) Remuneration information of directors, supervisors, managers and assistant managers

	For the years ended December 31,	
	2012	2011
Salary (Note 1)	$ 18,039	$ 14,756
Bonus (Note 2)	-	-
Professional expense (Note 3)	445	500
Directors' and supervisors' remuneration (Note 4)	3,741	3,671
Employees' bonuses (Note 4)	-	7,036
	$ 22,225	$ 25,963

Note 1: Including wages, duty allowance and retirement pension.

Note 2: Including financial incentives and performance bonus.

Note 3: Including travel expenses, special expenses, allowances and allowance for dormitories and cars.

Note 4: The Company's estimated directors' and supervisors' remuneration and employees' bonus for the year.

Note 5: For more information, please refer to the Company's annual report.

J) Property transactions

For the year ended December 31, 2012, the Group paid $53,601 to Nexon Korea as payment for royalties. The terms and prices of property transactions were negotiated on different factors.

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

Assets	December 31, 2012	December 31, 2011	Purpose
Demand deposits (shown in other financial assets - current)	$ 19	$ -	Note
Time deposits (shown in other financial assets - current)	-	7,815	Short-term loans guarantee
Land	81,748	90,254	Long-term and short-term loans / Credit lines
Buildings	70,443	70,519	〃
Transportation equipment	1,629	2,041	Long-term loans guarantee
	$ 153,839	$ 170,629	

Note : The creditor applied for provisional seizure.

7. COMMITMENTS AND CONTINGENT LIABILITIES

In addition to Note 4(18), others are as follows:

A) As of December 31, 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, warehouse, transportation equipment, parking lot and networking device was $126,318.

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 December 31, 2012 was $315.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

In addition to Note 4(22), there is no other subsequent event.

10. OTHERS

(1) Financial statement presentation

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

(2) Fair values of the financial instruments

	December 31, 2012			December 31, 2011		
		Fair value			Fair value	
	Book value	Quotations in an active market	Estimated value	Book value	Quotations in an active market	Estimated value
Financial instruments						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	$2,464,746	(Note A)	$2,464,746	$3,193,919	(Note A)	$3,193,919
Financial assets at fair value through profit or loss	9,119	9,119	-	12,689	-	12,689
Financial assets carried at cost	51,773	-	-	124,294	-	-
Refundable deposits	51,101	-	51,101	57,672	-	57,672
Liabilities						
Financial liabilities with fair values equal to book values	$1,260,357	(Note A)	$1,260,357	$1,627,725	(Note A)	$1,627,725
Financial liabilities at fair value through profit or loss	9,616	9,616	-	6,653	-	6,653
Bonds payable	44,555	-	43,880	21,558	-	21,501
Long-term loans	22	-	21	8,562	-	8,380
Guarantee deposits	8,716	-	8,716	5,761	-	5,761

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, other receivables (excluding income tax refundable), other financial asset - 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) Financial assets carried at cost are measured at cost as they have no quoted price in active market and their fair value cannot be measured reliably.

D) The fair value of bonds payable and long-term loans is based on the present value of expected cash flow amounts. The discount rate of bonds payable and long-term loans is based on other instruments which the Group could acquire similar terms at about 0.49%~0.63% and 1.78%~2.99%, respectively.

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

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

	December 31,	
	2012	2011
Guarantee for loans of subsidiaries	$ 665,142	$ 451,554

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.

G) As of December 31, 2012 and 2011, the fair values of the financial instruments with interest rate risk were $387,541 and $491,725, 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 of loss and financial assets carried at cost - non-current

(A) Market risk

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

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

(B) Credit risk

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

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

(C) 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 approximating 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 and accounts receivable 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 December 31, 2012 and 2011 are summarized below:

	December 31, 2012			December 31, 2011		
	Foreign Currency Amount (Note)		Exchange Rate	Foreign Currency Amount (Note)		Exchange Rate
Financial Assets						
USD:TWD	USD	277,070	29.1360	USD	130,488	30.2900
EUR: TWD	EUR	5,089	38.6069	EUR	907,150	39.1998
Financial Liabilities						
USD:TWD	USD	124,950	29.1360	USD	881,623	30.2900

Note: Foreign currency amount is expressed in dollars.

(5) For the years ended December 31, 2012 and 2011, the Group donated cash amounting to $9,900 and $16,351, respectively, to charities, and educational institutions that are accredited by the government, without significant appointed considerations.

(6) A) The Company's subsidiary, Gash Plus (Taiwan) Company Limited, owned 33.33% of shares of Jsdway Digital Technology Co., Ltd. On December 3, 2011, Gash Plus (Taiwan) Company Limited obtained more than half of the seats of directors of Jsdway Digital Technology Co., Ltd. in the amount of $40,000. This transaction was accounted for using the purchase method.

B) Jsdway Digital Technology Co., Ltd.'s main activity is software information services.

C) In accordance with Paragraph 26, ROC SFAS 25, "Business Combinations - Purchase Method" that requires public companies to provide pro forma information as to their operating performance, effective December 3, 2011, the income (loss) of Jsdway Digital Technology Co., Ltd. is included in the consolidated income statement of the Company and its subsidiaries. The pro forma information is prepared assuming that Gash Plus (Taiwan) Company Limited recognizes investment income of Jsdway based on its 33.33% share ownership and prepares consolidated income statement effective from February 11, 2011. The pro forma information is as follows:

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.
PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD FROM FEBRUARY 11, 2011 (INCEPTION DATE OF GASH PLUS (Taiwan) COMPANY LIMITED) TO DECEMBER 31, 2012
(UNAUDITED)

	For the period from February 11, 2011 (Inception Date of Gash Plus (Taiwan) Company Limited) to December 31, 2012
Operating revenue	
Net sales revenue	$ 6,300,909
Service revenue	33,712
Operating revenues	6,334,621
Operating costs	
Cost of goods sold	(3,277,602)
Gross profit	3,057,019
Operating expenses	(2,653,667)
Operating income	403,352
Non-operating income	64,057
Non-operating expenses	(121,282)
Income before income tax	346,127
Income tax expense	(132,584)
Consolidated net income	$ 213,543
Attributable to:	
Equity holders of the Company	$ 149,410
Minority interest	64,133
	$ 213,543

	Before tax	After tax
Basic earnings per share		
Profit attributable to equity holders of the Company	$ 1.82	$ 0.96
Minority interest income	0.41	0.41
Consolidated net income	$ 2.23	$ 1.37
Diluted earnings per share		
Profit attributable to equity holders of the Company	$ 1.79	$ 0.95
Minority interest income	0.41	0.41
Consolidated net income	$ 2.20	$ 1.36

(7) Extraordinary gain

As described in Note 10(6), the income (loss) of Jsdway Digital Technology Co., Ltd. is included in the consolidated income statement of the Company and its subsidiaries effective from December 3, 2011. Gash Plus (Taiwan) Company Limited owned 33.33% of voting shares of Jsdway Digital Technology Co., Ltd. and accounted for Jsdway Digital Technology Co., Ltd. under the equity method effective from November 15, 2011 when it acquired the share ownership. In accordance with ROC SFAS 25, “Business Combinations – Purchase Method”, the excess of acquired identifiable net asset fair value of the investment over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets of Jsdway Digital Technology Co., Ltd.; the remaining amount of such excess of $9,660 after this allocation is credited to extraordinary gain.

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 year ended December 31, 2012	Outstanding guarantee amount at December 31, 2012	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Maximum amount available for guarantee (Notes 3 and 4)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Gash Plus Taiwan Company Limited	2	$ 470,606	$ 458,000	$ 428,000	None	18.72%	$ 1,568,685
0	The Company	Gameastor Digital Entertainment Co., Ltd.	2	470,606	130,000	50,000	None	2.19%	1,568,685
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd.	3	470,606	113,470	113,470	None	4.96%	1,568,685
0	The Company	Gamania Digital Entertainment (U.S.) Co., Ltd.	3	470,606	4,007	3,232	None	0.14%	1,568,685
0	The Company	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	470,606	75,554	70,440	None	3.08%	1,568,685

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 December 31, 2012:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Issuer	Type of marketable securities (Note 1)	Relationship with the security holders	General ledger account	December 31, 2012				
				Number of shares	Book value	Percentage	Market value (Note 2)	Note
The Company	Gamania Holdings Ltd. – Stock	Subsidiary	Long-term investments accounted for under the equity method	33,371	$ 548,442	100%	$ 548,442	Note 3
〃	Gamania Korea Co., Ltd. – Stock	〃	〃	754	18,804	100%	18,804	〃
〃	Fantasy Fish Digital Games Co., Ltd. – Stock	〃	〃	1,340	13,796	99.75%	11,905	〃
〃	Gameastor Digital Entertainment Co., Ltd. – Stock	〃	〃	3,863	132,786	72.08%	132,786	〃
〃	Gamania Asia Investment Co., Ltd. – Stock	〃	〃	6,500	129,756	100%	129,756	〃
〃	Gamania Digital Entertainment Labuan Holdings, Ltd.- Stock	〃	〃	1,330	1,880	100%	1,880	〃
〃	Fundation Digital Entertainment Co., Ltd. – Stock	〃	〃	5,330	23,305	100%	23,305	〃
〃	Playcoo Co. – Stock	〃	〃	14,396	62,294	77.40%	25,362	〃
〃	Redgate Games Co., Ltd. – Stock	〃	〃	22,200	5,558	100%	5,558	〃
〃	Seedo Games Co., Ltd. – Stock	〃	〃	16,200	8.181	100%	8,181	〃
〃	Two Tigers Co., Ltd. – Stock	〃	〃	627	5,936	51%	5,936	〃
〃	Gash Plus (Taiwan) Company Limited – Stock	〃	〃	5,000	73,721	100%	73,721	〃
〃	Global Pursuit (U.S.) Co., Ltd. – Stock	〃	〃	3,000	24,241	80%	24,241	〃
〃	RitwNow Inc. – Stock	〃	〃	1,530	13,853	51%	13,853	〃
〃	Machi Pictures Co., Ltd. – Stock	Investee company accounted for under the equity method	〃	2,000	19,846	33.33%	18,748	None
〃	Taiwan e-sports Co., Ltd. – Stock	〃	〃	4,680	7,587	40.70%	7,587	〃
〃	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	〃
〃	Gamemag Interactive Inc.	〃	〃	460	24,058	5%	24,058	〃

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 transaction has been eliminated in the consolidated financial statements.

D) Marketable securities acquired or sold during the year ended December 31, 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	Beginning balance (Note 1)		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	Taishin Ta-Chong Money Market Fund	Financial asset held for trading-bond funds	Initial investment at inception / None	-	$ -	7,281	$ 100,000	7,281	$ 100,098	$ 100,000	$ 98	-	$ -	None
〃	Taishin 1699 Money Market Fund	〃	〃	-	-	9,954	130,000	9,954	130,108	130,000	108	-	-	〃
〃	Jih Sun Bond	〃	〃	-	-	9.084	130,000	9.084	130,037	130,000	37	-	-	〃
〃	Yuanta Money Market Fund	〃	〃	-	-	8,537	125,000	8,537	125,034	125,000	34	-	-	〃
〃	Eastspring Inv Well Pool Money Market Fund	〃	〃	-	-	11,395	150,000	11,395	150,139	150,000	139	-	-	〃
〃	Gamania Holdings Ltd.	Long-term investments accounted for under the equity method	Initial investment at inception / Subsidiary	33,985	833,253	(613)	(284,811)	-	-	-	-	33,371	548,442	Notes 2, 3, and 4

Note 1: Original investment cost.

Note 2: Net decrease amount for the year ended December 31, 2012 was $284,811, including additional investment of $243,956 in Gamania Holdings Ltd. and ($528,767) representing the total of investment loss accounted for under the equity method, cumulative translation adjustments, reduction in retained earnings of subsidiaries due to issuance of new stocks that was recognized in proportion to the Company's ownership and change in equity of subsidiaries due to capital increase that was not recognized in proportion to the Company's ownership.

Note 3: Number of shares for the year ended December 31, 2012 was increased 8,206 thousand shares in additional investment and decreased 8,820 thousand shares in off-set earnings and dificits. The total of net decrease was 613 thousand shares.

Note 4: The investment had been eliminated in the consolidated financial statements.

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	$ 3,066,647	96%	Note 1	Note 1	Note 1	$ 535,475	86%	Note 3
〃	Nexon Korea Corporation	Related party in substance	License fees	$ 906,654	69%	Note 2	Note 2	Note 2	$ 49,831	44%	None

Note 1: The above represents sales based on merchandise, competitive market and trading situation. There is no similar transaction to compare with.

Note 2: The above represents payments for license fees are negotiated based on different factors.

Note 3: The investment has been eliminated in the consolidated financial statements.

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

Name of creditor	Transaction parties	Relationship	Balance of receivables from related parties (in thousands)	Turnover rate	Overdue receivables		Subsequent collections (in thousands)	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
Gamania Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	Subsidiary	$ 548,003 (Note 2)	4.94	$ -	-	$ 446,096 (Note 1)	$ 14,176

Note 1: The subsequent collections represent collections from the balance sheet date to March 25, 2013.

Note 2: The transaction has 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., Machi Pictures Co., Ltd., RitwNow Inc., Ltd. and Two Tigers Co., Ltd., and indirectly held subsidiaries, Tornado Studio Co., Ltd. and Global Pursuit North America Co., Ltd., were based on unaudited financial statements because of their small scale. The information on Gamania Korea Co., Ltd., Redgate Games Co. Ltd., Fundation Digital Entertainment Co., Ltd. and Seedo Games Co. Ltd., and indirectly held subsidiaries, Firedog Studio Company Ltd., Gash Plus (Hong Kong) Company Limited., Jsdway Digital Technology Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd. were 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
				2012.12.31	2011.12.31	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	Cayman Islands	Investment holdings	$ 2,111,379	$ 1,867,421	33,371	100%	$ 548,442	($ 483,349)	($ 483,349)	Note 4
〃	Gamania Korea Co., Ltd.	Seoul, Korea	Design and sales of software	339,270	291,303	754	100%	18,804	(51,210)	(51,210)	〃
〃	Fantasy Fish Digital Games Co., Ltd.	Taiwan	Design and research and development of software	330,000	330,000	1,340	99.75%	13,796	(1,500)	(1,496)	〃
〃	Gameastor Digital Entertainment Co., Ltd.	Taiwan	Software services and sales	211,433	211,433	3,863	72.08%	132,786	116,304	83,834	Notes 1, 4
〃	Gamania Asia Investment Co., Ltd.	Taiwan	Investment holdings	115,549	190,000	6,500	100%	129,756	62,923	62,923	Note 4
〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	Malaysia	Investment holdings	38,994	1,546	1,330	100%	1,880	(36,853)	(36,853)	〃
〃	Fundation Digital Entertainment Co., Ltd.	Taiwan	Publishing of magazines and periodicals	210,000	170,000	5,330	100%	23,305	(29.999)	(29,999)	〃
〃	Playcoo Co.	Taiwan	Design and research and development of software	153,914	152,554	14,396	77.40%	62,294	(53,240)	(49,692)	Notes 2, 3, and 4
〃	Redgate Games Co. Ltd.	Taiwan	Design and research and development of software	222,000	162,000	22,200	100%	5,558	(69,932)	(69,932)	Note 4

Note 1: Including write-off of realized (unrealized) sales margin of $2.
Note 2: The weighted-average ownership percentage is 75.27%.
Note 3:.Including write-off of sales margin of $9,620.
Note 4:The transaction has been eliminated in the consolidated financial statements.

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2012.12.31	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%	$ 8,181	($ 29,719)	($ 29,719)	Note 1
〃	Two Tigers Co. Ltd.	Taiwan	Animation production	6,269	6,269	627	51%	5,936	130	66	〃
〃	Gash Plus (Taiwan) Company Limited	Taiwan	Software information and supply of electronic services	50,000	50,000	5,000	100%	73,721	20,946	20,946	〃
〃	Global Pursuit (U.S.) Co., Ltd.	Taiwan	Software information and supply of electronic services	30,000	-	3,000	80%	24,241	(6,647)	(6,492)	Notes 1, 2
	Machi Pictures Co., Ltd.	Taiwan	Movie making and publishing	20,000	-	2,000	33.33%	19,846	(3,757)	(154)	Note 3
〃	RitwNow Inc.	Taiwan	Software services and sales	15,300	-	1,530	51%	13,853	(2,838)	(1,447)	Note 1
〃	Taiwan e-sports Co., Ltd.	Taiwan	Supply of software services and electronic information	46,800	39,400	4,680	40.70%	7,587	(14,673)	(5,937)	Note 4
Gamania Asia Investment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Taiwan	Software services	80,625	80,625	1,458	27.20%	50,369	116,304	31,635	Note 1
Global Pursuit (U.S.) Co., Ltd.	Global Pursuit North America Co., Ltd.	U.S.A.	IP commodities authorization	23,966	-	800	100%	16,773	(6,642)	(6,642)	〃
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%	42,139	26,941	8,980	〃

Note 1: The investment had been eliminated in the consolidated financial statements.
Note 2:The weighted-average ownership percentage is 97.66%.
Note 3:The weighted-average ownership percentage is 20.12%.
Note 4: The weighted-average ownership percentage was 40.46%.

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
				2012.12.31	2011.12.31	Number of Shares	Percentage	Book value			
Jsdway Digital Technology Co., Ltd.	Webo Digital Co., Ltd.	Taiwan	Software services and sales	$ 34,590	$ 19,590	3,459	81.02%	$ 20,493	($ 2,457)	($ 7,843)	Note 1
〃	Precious Power Digital Technology Co., Ltd.	Taiwan	Software services and sales	7,000	7,000	700	70%	3,258	(2,976)	(2,076)	〃
〃	Encore Digital Technology Co., Ltd.	Taiwan	Software services and sales	-	1,750	-	-	-	(2,321)	(812)	Note 2
〃	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
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	Cayman Islands	Investment holdings	USD 63,682 thousand	USD 56,974 thousand	63,682	100%	USD 18,044	(USD 15,349 thousand)	(USD 15,349 thousand)	Note 1
〃	Gamania R&D (HK) Holidays Limited	Hong Kong	Investment holdings	USD 1,600 thousand	USD 100 thousand	1,600	100%	USD 706 thousand	(USD 908 thousand)	(USD 908 thousand)	〃
Gamania R&D (HK) Holdings Limited	MoNoKos Studio Technology Co., Ltd.	China	Research and development of software	USD 1,500 thousand	-	-	100%	USD 615 thousand	(USD 899 thousand)	(USD 899 thousand)	Notes 1, 5
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Japan	Design and sales of software; sales of hardware	USD 19,856 thousand	USD 16,383 thousand	22	100%	USD 4,755 thousand	(USD 6,757 thousand)	(USD 6,757 thousand)	Note 1

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: As of the date of audit report, it is still under the process of liquidation.

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
				2012.12.31	2011.12.31	Number of Shares	Percentage	Book value			
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	Cayman Islands	Investment holdings	USD 39,884 thousand	USD 36,884 thousand	39,884	98.79%	USD 7,362 thousand	(USD 2,555 thousand)	(USD 2,523 thousand)	Notes 1, 2
〃	Gamania Western Holdings Ltd.	Cayman Islands	Investment holdings	USD 8,670 thousand	USD 7,150 thousand	8,670	100%	USD 2,816 thousand	(USD 1,713 thousand)	(USD 1,713 thousand)	Note 1
〃	Gamania Netherlands Holdings Cooperatief U.A.	Amsterdam	Investment holdings	USD 5,884 thousand	USD 3,981 thousand	-	100%	USD 1,130 thousand	(USD 2,772 thousand)	(USD 2,772 thousand)	〃
〃	Firedog Studio Company Limited	Hong Kong	Design and research and development of software	USD 3,850 thousand	USD 3,350 thousand	29,927	100%	USD 404 thousand	(USD 1,613 thousand)	(USD 1,613 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 569 thousand	USD 451 thousand	USD 451 thousand	〃
〃	Tornado Studio Co., Ltd.	Seoul, Korea	Software information and supply of electronic services	USD - thousand	USD 300 thousand	-	100%	USD - thousand	(USD 395 thousand)	(USD 395 thousand)	Notes 1, 3
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Cayman Islands	Investment holdings	USD 37,720 thousand	USD 34,720 thousand	37,720	100%	(USD 902 thousand)	(USD 6,455 thousand)	(USD 6,455 thousand)	Note 1
〃	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 7,063 thousand	USD 3,921 thousand	USD 3,921 thousand	〃
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	China	Design and sales of software	USD 33,500 thousand	USD 30,500 thousand	-	100%	(USD 1,151 thousand)	(USD 6,404 thousand)	(USD 6,404 thousand)	〃

Note 1: The investment has been eliminated in the consolidated financial statements.
Note 2: The weighted-average ownership percentage was 98.75.
Note 3: It was liquidated and ended its operations on November 13, 2012.

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
				2012.12.31	2011.12.31	Number of shares	Percentage	Book value			
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	U.S.A.	Design and sales of software	USD 8,630 thousand	USD 7,130 thousand	1	100%	USD 2,806 thousand	(USD 1,705 thousand)	(USD 1,705 thousand)	Note
Gamania Netherlands Holdings Cooperatief U.A.	Gamania Digital Entertainment (Europe) B.V.	Amsterdam	Design and sales of software	EUR 4,500 thousand	EUR 3,000 thousand	-	100%	EUR 853 thousand	(EUR 2,156 thousand)	(EUR 2,156 thousand)	Note

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

B) Financing activities to any company or person: None
C) Guarantee information: None.

D) Marketable securities held at December 31, 2012:

Issuer	Type of marketable securities (Note 1)	Relationship with the security holders	General ledger account	December 31, 2012 Number of shares (Note 3)	Book value	Percentage	Market value (Note 2)	Note
Gamania Holdings Ltd.	Gamania International Holdings Ltd. - Stock	Subsidiary	Long-term investments - accounted for under the equity method	63,682	USD 18,044 thousand	100%	USD 18,044 thousand	Note 4
〃	Gamania R&D (HK) Holdings Limited - Stock	〃	〃	1,600	USD 706 thousand	100%	USD 706 thousand	〃
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd. - Stock	〃	〃	22	USD 4,755 thousand	100%	USD 4,755 thousand	〃
〃	Gamania China Holdings Ltd. - Stock	〃	〃	39,884	USD 7,362 thousand	98.79%	USD 6,469 thousand	〃
〃	Gamania Western Holdings Ltd. - Stock	〃	〃	8,670	USD 2,816 thousand	100%	USD 2,816 thousand	〃
〃	Gamania Netherlands Holdings Cooperatief U.A. - Stock	〃	〃	-	USD 1,130 thousand	100%	USD 1,130 thousand	〃
〃	Firedog Studio Company Limited - Stock	〃	〃	29,927	USD 404 thousand	100%	USD 404 thousand	〃
〃	Gash Plus (Hong Kong) Company Limited - Stock	〃	〃	750	USD 569 thousand	100%	USD 569 thousand	〃
Gamania R&D (HK) Holdings Limited	MoNoKos Studio Technology Co., Ltd. - Stock	〃	〃	-	USD 615 thousand	100%	USD 615 thousand	〃
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd. - Stock	〃	〃	37,720	(USD 902 thousand)	100%	(USD 902 thousand)	〃
〃	Gamania Digital Entertainment (H.K.) Co., Ltd. - Stock	〃	〃	35,500	USD 7,063 thousand	100%	USD 7,063 thousand	〃
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd. - Stock	〃	〃	-	(USD 1,151 thousand)	100%	(USD 1,151 thousand)	〃
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd. - Stock	〃	〃	1	USD 2,806 thousand	100%	USD 2,806 thousand	〃
Gamania Netherlands Holdings Cooperatief U.A.	Gamania Digital Entertainment (Europe) B.V. - Stock	〃	〃	-	EUR 853 thousand	100%	EUR 853 thousand	〃

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.

Issuer	Type of marketable securities (Note 1)	Relationship with the security holders	General ledger account	December 31, 2012 Number of shares (Note 3)	Book value	Percentage	Market value (Note 2)	Note
Gash Plus (Taiwan) Company Limited	Jsdway Digital Technology Co., Ltd. - Stock	Subsidiary	Long-term investments - accounted for under the equity method	5,000	$ 42,139	33.33%	$ 42,139	Note 4
Global Pursuit (U.S.) Co., Ltd.	Global Pursuit North America Co., Ltd. - Stock	〃	〃	800	16,773	100%	16,773	〃
Gamania Asia Investment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd. - Stock	Investee company accounted for under the equity method	〃	1,458	50,369	27.20%	50,369	〃
〃	Compass Systems Corp. - Stock	None	Financial assets carried at cost	1,000	794	3.33%	794	None
〃	Iwan Interactive Entertainment Co., Ltd. - Stock	〃	Financial assets at fair value through profit or loss	285	2,850	14.96%	4,265	〃
Jsdway Digital Technology Co., Ltd.	Webo Digital Co., Ltd. - Stock	Subsidiary	Long-term investments - accounted for under the equity method	3,459	20,493	81.02%	20,493	Note 4
〃	Precious Power Digital Technology Co., Ltd. - Stock	〃	〃	700	3,258	70%	3,258	〃
〃	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	〃
〃	Yeck Entertainment Co., Ltd. - Stock	None	Financial assets carried at cost	340	4,080	10.16%	4,080	〃
Precious Power Digital Technology Co., Ltd.	Everpeace International Limited - Stock	Prepaid long-term equity investments	Prepaid long-term equity investments	-	2,000	-	2,000	〃
Jsdway Digital Technology Co., Ltd.	International Games System Co., Ltd. - Stock	None	Financial assets at fair value through profit or loss	28	3,150	Note 5	3,150	〃
〃	Prudential Financial Asia Bond Fund	〃	〃	200	2,111	〃	2,111	〃
〃	Capital ASEA-Mutual Fund	〃	〃	100	1,008	〃	1,008	〃

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%.

E) Marketable securities acquired or sold during the year ended December 31, 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	Points service cost	$3,370,737	71%	Note 1	Note 1	Note 1	$ 535,475	59%	Note 2

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	$ 199,756 (Note 1)	-	$ -	-	$ 10,000	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 March 25, 2013.

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

The information of investee companies were based on unreviewed financial statements.

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 (Note 5)	Remitted or received investment amount during the year		Accumulated investment from Taiwan as of December 31, 2012 (Note 6)	Direct and indirect percentage of ownership	Investment loss recognized during the year (Note 3)	Balance of investment on December 31, 2012 (Note 7)	Accumulated investment income received as of December 31, 2012
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	976,056	Note 2	$ 672,168	$ 52,444	$ -	$ 724,612	98.79%	($ 189,613)	($ 33,536)	$ -
MoNoKos Studio Technology Co., Ltd.	Research and development of software	43,704	〃	-	43,704	-	43,704	100%	(26,618)	17,919	Note 8

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

Company	Accumulated amount of investment in Mainland China as of December 31, 2012	Related investment amount approved by FIA (Note 1)	Upper limit of investment in Mainland China
Gamania Digital Entertainment (Beijing) Co., Ltd.	$ 724,612	$ 1,076,954	$ 1,475,368
MoNoKos Studio Technology Co., Ltd.	43,704	145,680	

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 1,076,954 thousand based on 29.136 exchange rate. The related total investment amount approved by FIA to invest in MoNoKos Studio Technology Co., Ltd. is USD 5 million or NTD 145,680 based on 29.136 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 year ended December 31, 2012 was recognized based on the indirect weighted-average ownership percentage of 98.75% and 100%, respectively, and on their financial statements for the corresponding period, which were audited.

Note 4: Paid-in capital of the Company, Gamania Digital Entertainment (Beijing) Co., Ltd. and MoNoKos Studio Technology Co., Ltd. was USD 33,500 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 December 31, 2012 was USD 24,870 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 December 31, 2012 was (USD 1,151 thousand) and USD 615 thousand, respectively.

Note 8: As of the date of audit report, MoNokos Studio Technology Co., Ltd. has been in the process of liquidation

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 year ended December 31, 2012

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Transaction terms: Subject	Transaction terms: Amount	Transaction terms: Transaction terms	Transaction terms: Percentage of total combined revenue or total assets (Note 3)
0	Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	1	Other payables	$ 199,756	Note 4	5%
0	〃	Gameastor Digital Entertainment Co., Ltd.	1	Advertising expense	29,791	Note 4	-%
0	〃	Gash Plus (Taiwan) Company Limited	1	Sales revenue	3,066,647	Note 4	43%
0	〃	Gash Plus (Taiwan) Company Limited	1	Accounts receivable	535,475	Note 4	13%
0	〃	Gash Plus (Taiwan) Company Limited	1	Other receivables	12,528	Note 4	-%
0	〃	Gash Plus (Taiwan) Company Limited	1	Accounts payable	10,043	Note 4	-%
0	〃	Gash Plus (Taiwan) Company Limited	1	Service revenue	10,490	Note 4	-%
0	〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	1	Deferred expenses	12,892	Note 4	-%
1	Gamania Digital Entertainment Labuan Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	License revenue	37,388	Note 4	1%
1	〃	Gameastor Digital Entertainment Co., Ltd.	3	License revenue	10,160	Note 4	-%
2	Gameastor Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	3	Accounts receivable	10,507	Note 4	-%
2	〃	Gash Plus (Taiwan) Company Limited	3	Sales revenue	409,240	Note 4	6%
3	Gash Plus (Taiwan) Company Limited	Jsdway Digital Technology Co., Ltd.	3	Sales revenue	2,469,476	Note 4	35%
3	〃	Jsdway Digital Technology Co., Ltd.	3	Accounts receivable	287,632	Note 4	7%
3	〃	Jsdway Digital Technology Co., Ltd.	3	Operating costs	10,609	Note 4	-%
4	Gamania Digital Entertainment (Europe) B.V.	Playcoo Co.	3	Prepayments	11,329	Note 4	-%
5	Playcoo Co.	Gamania Digital Entertainment (Europe) B.V.	3	Accounts receivable	17,417	Note 4	-%
5	〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License revenue	37,883	Note 4	1%
5	〃	Gamania Digital Entertainment (Europe) B.V.	3	License revenue	16,627	Note 4	-%
6	Gamania Digital Entertainment (H. K.) Co. Ltd.	Gash Plus (Hong Kong) Company Limited	3	Accounts receivable	80,214	Note 4	2%

For the year ended December 31, 2012

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Transaction terms: Subject	Transaction terms: Amount	Transaction terms: Transaction terms	Transaction terms: Percentage of total combined revenue or total assets (Note 3)
6	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gash Plus (Hong Kong) Company Limited	3	Other receivables	$ 22,230	Note 4	1%
7	Gash Plus (Hong Kong) Company Limited	Jsdway Digital Technology Co., Ltd.	3	Prepayments	11,600	Note 4	-%
7	〃	Gamania Digital Entertainment (H. K.) Co. Ltd.	3	Other receivables	12,116	Note 4	-%
7	〃	Jsdway Digital Technology Co., Ltd.	3	Sales revenue	70,730	Note 4	1%
7	〃	Gash Plus (Taiwan) Company Limited	3	Sales revenue	141,665	Note 4	2%
7	〃	Gamania Digital Entertainment (H. K.) Co. Ltd.	3	Sales costs	501,688	Note 4	7%

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 year ended December 31, 2011

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.	Gameastor Digital Entertainment Co., Ltd.	1	Advertising expense	$ 54,530	Note 4	1%
0	〃	Gameastor Digital Entertainment Co., Ltd.	1	Other receivables	12,143	Note 4	-%
0	〃	Gameastor Digital Entertainment Co., Ltd.	1	Other payables	133,834	Note 4	3%
0	〃	Gash Plus (Taiwan) Company Limited	1	Accounts receivable	707,181	Note 4	14%
0	〃	Gash Plus (Taiwan) Company Limited	1	Other receivables	185,303	Note 4	4%
0	〃	Gash Plus (Taiwan) Company Limited	1	Sales revenue	2,171,972	Note 4	30%
0	〃	Jsdway Digital Technology Co., Ltd.	1	Accounts payable	47,979	Note 4	1%
0	〃	Gash Plus (Hong Kong) Company Limited	1	Other payables	11,564	Note 4	-%
0	〃	Playcoo Co.	1	License cost	13,951		-%
1	Gameastor Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	3	Accounts receivable	38,141	Note 4	1%
1	〃	Playcoo Co.	3	License cost	10,463	Note 4	-%
1	〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License cost	16,458	Note 4	-%
1	〃	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Royalties payments	12,974	Note 4	-%
1	〃	Gash Plus (Taiwan) Company Limited	3	Sales revenue	474,333	Note 4	7%
2	Gash Plus (Taiwan) Company Limited	Jsdway Digital Technology Co., Ltd.	3	Accounts receivable	576,099	Note 4	11%
2	〃	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other receivables	22,147	Note 4	-%
2	〃	Jsdway Digital Technology Co., Ltd.	3	Sales revenue	196,817	Note 4	3%
3	Playcoo Co.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License revenue	80,079	Note 4	1%
3	Playcoo Co.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts receivable	13,507	Note 4	-%
4	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License cost	80,077	Note 4	1%
5	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gash Plus (Hong Kong) Company Limited	3	Other receivables	72,525	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 years ended December 31, 2012 and 2011 are as follows:

For the year ended December 31, 2012	Gamania Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	Jsdway Digital Technology Co., Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Others	Total	
Revenue from external customers	$3,271,764	$1,339,955	$ 614,151	$ 424,702	$ 444,645	$1,025,160	$7,120,377	
Inter-segment revenue	20,051	3,549,430	2,614,915	-	29,703	909,359	7,123,458	Note 1
Segment profit (loss)	(356,345)	20,946	27,434	116,106	112,657	(268,118)	(347,320)	
Depreciation and amortization	(288,577)	(10,115)	(7,768)	(11,887)	(37,168)	(100,605)	(456,120)	
Income tax benefit (expense)	17,813	(1,769)	(6,091)	(23,277)	(17,389)	(42,093)	(72,806)	
Investment income (loss) accounted for under the equity method	(598,511)	8,980	(11,275)	-	-	593,358	(7,448)	Note 2
Segment assets	-	-	-	-	-	-	-	

For the year ended December 31, 2011	Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Gash Plus (Taiwan) Company Limited	Gamania Digital Entertainment (H.K.) Co., Ltd	Others	Total	
Revenue from external customers	$4,089,843	$ 762,258	$ 639,703	$ 684,404	$ 1,092,811	$7,269,019	
Inter-segment revenue	12,793	54,523	2,585,403	-	468,908	3,121,627	Note 1
Segment profit (loss)	187,010	56,142	23,500	203,510	(274,891)	195,271	
Depreciation and amortization	(280,731)	(99,457)	(3,139)	(12,378)	(71,081)	(466,786)	
Income tax expense	(75,878)	(5,475)	(1,942)	(40,455)	(2,419)	(126,169)	
Investment income (loss) accounted for under the equity method	(323,665)	-	4,356	-	315,154	(4,155)	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.

(5) Revenue information by category

Revenue from external customers mainly come from sales of online game credits, breakdown of the revenue from all sources is as follows:

	For the year ended December 31, 2012	For the year ended December 31, 2011
Revenue from consumed on-line game credits		
Gamania Digital Entertainment Co., Ltd.	$ 3,057,360	$ 3,903,943
Gameastor Digital Entertainment Co., Ltd.	324,901	541,339
Gamania Digital Entertainment (H.K.) Co., Ltd.	418,476	674,557
Revenue from sales of online game credits		
Gash Plus (Taiwan) Company Limited	1,322,140	530,804
Revenue from sales of on-line game stored-value cards and merchandise		
Jsdway Digital Technology Co., Ltd.	614,151	-
Others	1,383,349	1,618,376
Total	$ 7,120,377	$ 7,269,019

(6) Financial information by geographic area

	For the year ended December 31, 2012		For the year ended December 31, 2011	
	Revenue	Non-current Assets	Revenue	Non-current Assets
Taiwan	$ 4,699,918	$ 879,916	$ 5,566,145	$ 920,290
Asia	2,396,807	258,339	1,696,453	298,906
Others	23,652	86,723	6,421	97,149
Total	$ 7,120,377	$ 1,224,978	$ 7,269,019	$ 1,316,345

(7) Information regarding major customers

There is no customer accounting for more than 10% of the Company's consolidated total sales revenue in 2012. The customers accounting for more than 10% of the Company's consolidated total sales revenue for the year ended December 31, 2011 is set forth below:

	For the year ended December 31, 2011	
	Revenue	Segment
Customer A	$ 3,102,214	Gamania and Gash Plus Taiwan

Note：Players can choose on-line games launched by other companies via virtual prepaid cards sold by the Company, part of the sales amount will be reclassified into collections and payments transfer accounts. Accordingly, the Group is unable to calculate actual sales for each individual customer. As a result, the Group discloses the individual distribution percentage of net distributions instead.

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 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
Evaluation of needed internal control adjustments	Completed
Establish IFRSs accounting policies	Completed

Working Items for IFRSs Adoption	Status of Execution
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	Completed
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	Adjustments	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 by $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 by $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 by $10,582, increased deferred income tax assets - non-current by $3,657, decreased prepaid pension cost by $9,066, decreased deferred pension costs by $721, decreased unrecognized pension cost by $1,143, decreased minority interest of $950 and decreased unappropriated retained earnings by $16,905 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 decreased the cumulative translation adjustments by $29,032 and relatively increased undistributed earnings by $29,032 at the date of transition 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 December 31, 2012

	R.O.C. GAAP	Adjustments	IFRSs	Description
Prepaid license (included in Prepaid expense)	$ 96,917	$ 23,862	$ 120,779	(a)
Deferred income tax assets - current	7,257	(7,257)	-	(d)
Available-for-sale financial assets - non-current	-	66,805	66,805	(b)
Financial assets carried at cost - non-current	51,773	(51,773)	-	(b)
Property, Plant and Equipment	840,771	11,284	852,055	(c)
Deferred pension cost	669	(669)	-	(f)
Deferred income tax assets - non-current	56,970	22,389	79,359	(a)(d)(e)(f)
Prepaid pension (included in Other assets)	8,981	(8,981)	-	(f)
Idle assets	11,284	(11,284)	-	(c)
Others	3,103,473	-	3,103,473	
Total Assets	$ 4,178,095	$ 44,376	$ 4,222,471	
Accrued expenses	$ 295,667	$ 30,458	$ 326,125	(e)
Deferred revenues (included in Unearned revenue collected in advance)	324,902	47,724	372,626	(a)
Accrued pension liabilities	22,146	18,073	40,219	(f)
Others	1,076,434	-	1,076,434	
Total liabilities	$ 1,719,149	$ 96,255	$ 1,815,404	
Undistributed earnings	($ 283,229)	($ 30,900)	($ 314,129)	(i)
Cumulative translation	(15,899)	(29,032)	(44,931)	(g)
Unrecognized pension cost	(2,814)	2,814	-	(f)
Unrealized gain or loss on financial instruments	-	15,032	15,032	(b)
Other interests	-	(8,089)	(8,089)	(f)
Minority interest	172,897	(1,704)	171,193	(a)(e)(f)
Others	2,587,991	-	2,587,991	
Total stockholders' equity	$ 2,458,946	($ 51,879)	$ 2,407,067	

C) Reconciliation of significant differences for the year ended December 31, 2012:

	R.O.C. GAAP	Adjustments	IFRSs	Description
Operating revenues	$ 7,120,377	$ 66.614	$ 7,186,991	(a)
Operating costs	(4,565,352)	(33,307)	(4,598,659)	(a)
Gross profit	2,555,025	33,307	2,588,332	
Operating expenses	(2,744,427)	2,892	(2,741,535)	(e)(f)
Operating loss	(189,402)	36,199	(153,203)	
Non-operating income and expenses	85,112	-	(85,112)	
Loss before income tax	(274,514)	36,199	(238,315)	
Income tax expense	(72,806)	(6,709)	(79,515)	(a)(e)(f)
Consolidated net loss	($ 347,320)	$ 29,490	($ 317,830)	
Attributable to:				
Equity holders of the Company / Owners of the parent	($ 356,345)	$ 29,490	($ 326,855)	
Minority interest / Non-controlling interest	9,025	-	9,025	
Consolidated net loss	($ 347,320)	$ 29,490	($ 317,830)	

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 $23,862, $47,724 and $4,069, respectively, and decreased minority interest and unappropriated retained earnings by $24 and $47,113, respectively, as of December 31, 2012. The Group increased revenue from on-line games and on-line game costs by $66,614 and $33,307, respectively, and increased income tax expense of $5,962 for the year ended December 31, 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 by $15,032 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., the Group's idle assets are presented in "Other assets" account. However, in accordance with IAS 16, "Property, Plant and Equipment", such idle assets that are presented in "Other assets" account should be classified and accounted for as "Machinery and equipment" based on its nature. Therefore, the Group decreased idle assets by $11,284, and increased "Machinery and equipment' by $11,284.

d) 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 by $7,257 to deferred income tax assets - non-current as of December 31, 2012.

e) 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 $30,458 and $5,872, respectively, and decreased minority interest and retained earnings by $512 and $25,405, respectively, as of December 31, 2012. The Group decreased salary expense by $1,909 and increased income tax expense by $580 for the year ended December 31, 2012.

f) 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 by \$18,073, increased deferred income tax assets - non-current by \$5,191, decreased prepaid pension cost by \$8,981, decreased deferred pension costs by \$669, decreased unrecognized pension cost by \$2,814, decreased minority interest by \$1,168, decreased other comprehensive income by \$8,089 and decreased unappropriated retained earnings by \$16,904 as of December 31, 2012. The Group also decreased pension expense by \$983 and increased income tax expense by \$167 for the year ended December 31, 2012.

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

h) 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.

i) A total of \$30,900 (including an increase of \$29,490 adjusted for the year ended December 31, 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 will be applied in 2013:

A) Business combinations

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) Share-based payment transactions

The Group has selected not to 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) Employee benefits

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) Cumulative translation adjustments

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

E) Designation of financial instruments recognized previously

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

The selection of exemptions above 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.