

2005.4.28 / Gamania Reports 2004 Audited Financial Result, and 2005 First Quarter

Audited Financial Results

Gamania Digital Entertainment Co., Ltd. today announced its 2004 audited financial results. Witnessing the fast-growing Korean Game Portal market, Gamania licensed the Game Portal Platform (including several online games and the Avatar system), from Joyon, one of the top 5 game portal developer/operators in Korea. However, the popularity of game portal in Taiwan has been below our expectation in the past two years. In addition, adhering to GAAP's conservatism principle, Gamania decided to adopt Taiwan's GAAP No.35 in advance to recognize the impairment losses in the 2004 financial statements. The impairment losses on royalty prepaid expenses were related to Game Portal Platform (i.e. several web-based online games as well as the Avatar system) and worse-than-expected MMOG online games. The impairment losses were balance sheet items, which had limited impact on company's cash flow and operations.

The 2004 audited financial results were as follows: sales revenue was NT\$1,941.2 million, gross profit and operating margin were NT\$ 1,005.5 million and NT\$ 376.2 million respectively; EPS was -1.1. The differences between most audited and un-audited figures were not significant, except earning after tax, which decreased from NT\$ 79.9 million to NT\$ -167.7 million, primarily due to the recognition of impairment losses in advance in 2004;.

Audited financial results in 1Q05 were: sales revenue was NT\$452.8 million (increased 3.0% QoQ), while gross profit was NT\$234.5 million (increased 3.1% QoQ) and operating income was NT\$74.0 million (increased 33.6% QoQ). In addition, benefiting by significant improvement in overseas operation in Japan and Hong Kong, investment losses from subsidiaries had narrowed from NT\$-86.3 million in 4Q04 to NT\$-11.3 million in 1Q05 (decreased 86.9% QoQ), while EBIT in 1Q05 was NT\$ 60.3 million (increased 49.7% YoY). The new online games (commercially launches to start in 3Q05) and continued improvement in overseas operating performance are expected to improve operating results in 2005.

Consolidated annual sales revenue in 2004 increased over 35% YoY, while consolidated sales revenue in 1Q05 increased over 15% YoY. In 2005, new online games (EQII, Mabinogi, Maple Story are expected to commercial launch starting in 3Q05), along with continued improvement in overseas operations, Gamania's overall operation performance should improve considerably in 2005.

Unit :(NT\$1,000)

Item	FY 2004 audited F/S	1Q05 audited F/S
Net Sales Revenue	1,941,151	452,796
Gross Profit	1,005,492	234,529
Operating Income	376,241	74,010
Net Income before tax	(257,784)	60,296
Net Income after tax	(167,744)	27,483
EPS (NT\$, after tax)	(1.1)	0.19