

Edgar Filing: XOMA Corp - Form SC 13G/A

XOMA Corp
Form SC 13G/A
February 13, 2013

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 13G
Under the Securities Exchange Act of 1934
Amendment No. 2

XOMA Corporation

(Name of issuer)
COMMON STOCK, \$0.0075 PAR VALUE PER SHARE

(Title of class of Securities)
98419J107

(CUSIP Number)
31 DECEMBER 2012

(Date of Event which Requires Filing of this Statement)
Check the appropriate box to designate the rule pursuant to which
this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting
person's initial filing on this form with respect to the subject class
of securities, and for any subsequent amendment containing information
which would alter the disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall
not be deemed "filed" for the purpose of Section 18 of the
Securities Exchange Act of 1934 ("Act") or otherwise subject
to the liabilities of that section of the Act but shall be subject
to all other provisions of the Act (however, see the Notes).

CUSIP NO. 98419J107

Page 2 of 7 Pages

1. NAME OF REPORTING PERSON

EASTERN CAPITAL LIMITED

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

CAYMAN ISLANDS

NUMBER OF

5. SOLE VOTING POWER -0-
SHARES

BENEFICIALLY

6. SHARED VOTING POWER 7,433,304
OWNED BY

EACH

7. SOLE DISPOSITIVE POWER -0-
REPORTING

PERSON

8. SHARED DISPOSITIVE POWER 7,433,304

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WITH

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
7,433,304 shares
10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) []
EXCLUDES CERTAIN SHARES
11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)
9.0%
12. TYPE OF REPORTING PERSON
CO

CUSIP NO. 98419J107

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1. NAME OF REPORTING PERSON

PORTFOLIO SERVICES LTD.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) []
(b) []
3. SEC USE ONLY
4. CITIZENSHIP OR PLACE OF ORGANIZATION
CAYMAN ISLANDS
- NUMBER OF
5. SOLE VOTING POWER -0-
SHARES
- BENEFICIALLY
6. SHARED VOTING POWER 7,433,304
OWNED BY
- EACH
7. SOLE DISPOSITIVE POWER -0-
REPORTING
- PERSON
8. SHARED DISPOSITIVE POWER 7,433,304
WITH

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
7,433,304 shares
10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) []
EXCLUDES CERTAIN SHARES
11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)
9.0%
12. TYPE OF REPORTING PERSON
CO

CUSIP NO. 98419J107

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1. NAME OF REPORTING PERSON

KENNETH B. DART
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) []
(b) []
3. SEC USE ONLY
4. CITIZENSHIP OR PLACE OF ORGANIZATION
CAYMAN ISLANDS

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NUMBER OF
5. SOLE VOTING POWER -0-
SHARES

BENEFICIALLY
6. SHARED VOTING POWER 7,433,304
OWNED BY

EACH
7. SOLE DISPOSITIVE POWER -0-
REPORTING

PERSON
8. SHARED DISPOSITIVE POWER 7,433,304
WITH

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
7,433,304 shares

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) []
EXCLUDES CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)
9.0%

12. TYPE OF REPORTING PERSON
IN

CUSIP No. 98419J107

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ITEM 1(a). NAME OF ISSUER:
XOMA Corporation

ITEM 1(b). ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES:
2910 SEVENTH STREET
BERKELEY, CALIFORNIA 94710

ITEM 2(a). NAME OF PERSON FILING:

1) EASTERN CAPITAL LIMITED

Eastern Capital Limited is a direct wholly owned subsidiary of Portfolio Services Ltd., a Cayman Islands corporation.

2) PORTFOLIO SERVICES LTD.

Portfolio Services Ltd., a Cayman Islands corporation, is a holding company which owns all of the outstanding shares of Eastern Capital Limited.

3) KENNETH B. DART

Mr. Dart is the beneficial owner of all of the outstanding shares of Portfolio Services Ltd., which in turns owns all the outstanding shares of Eastern Capital Limited.

ITEM 2(b). ADDRESS OF PRINCIPAL OFFICE:

1) 10 Market Street, #773

Camana Bay
Grand Cayman, KY1-9006 CAYMAN ISLANDS

2) 10 Market Street, #773

Camana Bay
Grand Cayman, KY1-9006 CAYMAN ISLANDS

3) P.O. BOX 31300

Grand Cayman, KY1-1206 CAYMAN ISLANDS

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ITEM 2(c). CITIZENSHIP:

- 1) Cayman Islands
- 2) Cayman Islands
- 3) Cayman Islands

CUSIP NO. 98419J107

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ITEM 2(d). TITLE OF CLASS OF SECURITIES:

Common Stock \$0.0075 par value per share

ITEM 2(e). CUSIP NUMBER: 98419J107

ITEM 3. Not Applicable.

ITEM 4. OWNERSHIP

The percentage ownership noted in this Schedule 13G/A is based on 81,555,931 shares outstanding as of November 5, 2012 as reported in the Issuer Form 10-Q filed with the SEC on November 7, 2012, plus 1,136,363 shares underlying warrants to purchase shares of the Issuer common stock held by Eastern Capital Limited that are currently exercisable.

As of the date of this filing, Eastern Capital Limited, Portfolio Services Ltd. and Mr. Dart beneficially own in the aggregate the following:

- (a) Amount Beneficially owned: 7,433,304
- (b) Percent of Class: 9.0%
- (c) Number of shares as to which the person has:
 - (i) sole power to vote or to direct the vote: -0-
 - (ii) shared power to vote or to direct the vote: 7,433,304
 - (iii) sole power to dispose of or to direct the disposition of: -0-
 - (iv) shared power to dispose of or to direct the disposition of: 7,433,304

ITEM 5. OWNERSHIP OF 5 PERCENT OR LESS OF A CLASS: []

ITEM 6. OWNERSHIP OF MORE THAN 5 PERCENT ON BEHALF OF ANOTHER PERSON:

Not Applicable.

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY

WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE

PARENT HOLDING COMPANY OR CONTROL PERSON.

Not Applicable.

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ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP.

Not Applicable.

ITEM 9. NOTICE OF DISSOLUTION OF GROUP.

Not Applicable.

ITEM 10. CERTIFICATION.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

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EASTERN CAPITAL LIMITED
 /s/ Kenneth B. Dart
 BY: Kenneth B. Dart, Director
 13 FEBRUARY 2013

PORTFOLIO SERVICES LTD.
 /s/ Kenneth B. Dart
 BY: Kenneth B. Dart, Director
 13 FEBRUARY 2013

KENNETH B. DART
 /s/ Kenneth B. Dart
 13 FEBRUARY 2013

6

----- Operating income 8,077,102 6,874,867 ----- Other income(expenses): Interest
 income 734,959 824,948 Gain on disposal of investment securities(Note 5) 21,855 - Reversal of allowance for
 doubtful accounts 109,052 1,253,618 Refund of income taxes(Note 15) 180,424 42,708 Loss on foreign exchange
 transactions and translation, net (388,137) (226,981) Equity in earnings of investees, net(Note 5) 4,027,505 7,082,090
 Impairment loss on investments - (55,292) Impairment loss on intangible assets(Note 7) (1,482,083) (115,463) Other
 bad debt (147,265) - Loss on contract termination (241,000) - Contribution(Note 18) (55,000) - Other, net (24,899)
 31,999 ----- 2,735,411 8,837,627 ----- Income before income taxes 10,812,513
 15,712,494 Income taxes(Note 15) 2,692,850 3,844,507 ----- Net income(Note 16) W 8,119,663 W
 11,867,987 ===== Income per share in Korean won(Note 16) W 911 W 1,331
 ===== See accompanying Notes to Financial Statements. 7 ACTOZ SOFT CO., LTD.
 STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS YEARS ENDED DECEMBER 31, 2004
 AND 2003 Thousands of Korean won ----- 2004 2003 ----- RETAINED EARNINGS
 BEFORE APPROPRIATIONS Unappropriated retained earnings carried over from prior year W17,620,626 W
 5,735,972 Loss on prior period adjustments(Note 5) (271,500) - Net income for the year 8,119,663 11,867,987
 ----- 25,468,789 17,603,959 ----- TRANSFER OF VOLUNTARY RESERVES Reserve
 for technology development(Note 12) 16,667 16,667 ----- 25,485,456 17,620,626 -----
 UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO NEXT YEAR W25,485,456
 W17,620,626 ===== See accompanying Notes to Financial Statements. 8 ACTOZ SOFT
 CO., LTD. STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2004 AND 2003 Thousands of
 Korean won ----- 2004 2003 ----- CASH FLOWS FROM OPERATING
 ACTIVITIES Net income W 8,119,663 W 11,867,987 Addition of expenses not involving cash outflows :
 Depreciation 670,980 943,031 Amortization of intangible assets 540,173 533,075 Loss on disposal of property and
 equipment 201 - Bad debts 652,952 129,144 Loss on impairment of investment - 55,292 Loss on impairment of
 intangible assets 1,482,083 115,463 Equity in losses of investees 1,197,652 314,104 ----- 4,544,041
 2,090,109 ----- Deduction of revenues not involving cash inflows : Reversal of allowance for
 doubtful accounts 109,052 1,253,618 Gain on disposal of investment securities 21,855 - Equity in earnings of
 investees 5,225,157 7,396,194 ----- 5,356,064 8,649,812 ----- Changes in assets
 and liabilities resulting from operations: Increase in trade accounts receivable (179,730) (2,840,890)
 Decrease(increase) in prepayments (209,981) 13,486 Decrease(increase) in prepaid value added taxes (359,628)
 404,953 Decrease(increase) in accrued income (5,649) 15,178 Decrease in prepaid income taxes 120,736 603,108
 Decrease(increase) in prepaid expenses (3,145) - Decrease(increase) in deferred income tax asset (418,599) - Increase
 in withholdings 3,452 19,671 Increase(decrease) in accrued expenses (20,684,718) 22,364,252 Increase in income
 taxes payable 182,442 - Decrease in advance income - (19) Increase(decrease) in advance receipts (18,441) 13,286
 Decrease in deferred income tax liability (9,327) (127,358) ----- (21,582,588) 20,465,667 -----
 ----- Net cash provided by(used in) operating activities (W 14,274,948) W 25,773,951 -----
 (Continued) 9 ACTOZ SOFT CO., LTD. STATEMENTS OF CASH FLOWS(CONTINUED) YEARS ENDED

DECEMBER 31, 2004	AND 2003	Thousands of Korean won	-----	2004	2003	-----
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash inflows from investing activities : Decrease in short-term financial instruments W 61,000,000 W151,408,710						
Decrease in short-term loans 550,392 275,678						
Decrease in other accounts receivable 2,602,025 81,065						
Disposal of equity method valued investment securities 650,000 100,000						
Dividend income from equity method valuation of investment securities 2,400,000 -						
Decrease in rental deposits 8,916,000 514,200						
Disposal of property and equipment 2,272 767 ----- 76,120,689						
152,380,420 -----						
Cash outflows from investing activities : Acquisition of short-term financial instruments 57,500,000 153,208,691						
Acquisition of available-for-sale securities 206,023 150,000						
Increase in short-term loans 814,000 376,000						
Increase in other accounts receivable 5,105,834 144,197						
Acquisition of equity method valued investment securities 2,201,150 100,000						
Increase in rental deposits 8,316,400 808,750						
Acquisition of property and equipment 4,938,587 876,455						
Disbursement of development cost 2,363,241 2,459,423						
Acquisition of other intangible assets 148,013 189,367 ----- 81,593,248 158,312,883 -----						
Net cash used in investing activities (5,472,559) (5,932,463) -----						
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash inflows from financing activities : Increase in short-term borrowings 1,167,227 -						
Cash outflows from financing activities : Repayment of short-term borrowings 1,167,227 -						
Increase in stock issuance cost - 9,802						
Acquisition of treasury stock - 10,848 ----- 1,167,227 20,650 -----						
Net cash used in financing activities - (20,650) -----						
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS (19,747,507) 19,820,838						
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 20,557,955 737,117 -----						
CASH AND CASH EQUIVALENTS AT END OF YEAR W 810,448 W 20,557,955						

=====
 ===== See accompanying Notes to Financial Statements. 10 ACTOZ SOFT CO., LTD. NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003

1. General Actoz Soft Co., Ltd., or Actoz, was incorporated on October 29, 1996 under the laws of the Republic of Korea. Actoz is engaged in developing and distributing the online game software products. Actoz is registered as a venture business in the Korean Small and Medium Enterprise Service in accordance with the special law for the promotion of venture businesses. Actoz's capital stock as of December 31, 2004 amounts to W4,457,250 thousand. Actoz's shares have been registered on the Korea Securities Dealers Automated Quotation (KOSDAQ) market since August 14, 2001.

2. Summary of Significant Accounting Policies

a. Basis of Presentation of Financial Statements Actoz maintains its official accounting records in Korean won and prepares financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea including the statements of Korean financial accounting standards No. 1 through No. 13. Certain accounting principles applied by Actoz that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. Certain information attached to the Korean language financial statements, but not required for a fair presentation of Actoz's financial position, results of operations or cash flows, is not presented in the accompanying financial statements. The accounts of Onlineworks Co., Ltd., a wholly owned subsidiary, were not consolidated into the accounts of Actoz as allowed under Financial Accounting Standards, as established by the Financial Supervisory Commission of the Republic of Korea. The investment in the subsidiary was accounted under the equity method (see note 5)

b. Cash and Cash Equivalents Actoz records in cash and cash equivalents account, currencies, currency substituting securities such as third party issued checks, current deposits, ordinary deposits, and marketable securities and short-term financial instruments which maturities or repayments are due within three months when acquired and easily convertible into cash without incurring material transaction costs and which have no material risks of the value changes due to the change of interest rates.

c. Financial Instruments

11 Short-term financial instruments are time deposits and installment deposits of financial institutes which are held for the purpose of short-term operations of the funds and which maturities are due within one year. Long-term financial instruments are financial instruments not classified as current assets.

d. Allowance for Doubtful Accounts Actoz provides an allowance for doubtful accounts to cover estimated losses on receivables, based on collection experience and analysis of the collectibility of individual outstanding receivables.

e. Marketable Securities Marketable securities bought and held for the purpose of selling them in the near term are classified as short-term trading securities and debt securities which repayment amounts are fixed or can be fixed and which Actoz has the intent and ability to hold to maturity are classified as held-to-maturity securities and marketable securities not classified as either short-term trading securities or held-to-maturity securities are classified as available-

for- sale securities. Marketable securities are initially carried at cost, using the moving average method. The following paragraphs describe the subsequent accounting for securities by the type of security. Held-to-maturity securities are carried at cost, adjusted for the amortization or accretion of premiums or discounts. Short-term trading securities and available- for-sale securities are reported at fair value. Available-for-sale equity securities that do not have readily determinable market or fair values are reported at cost. Unrealized gains or losses arising from the differences between the fair value and the acquisition cost are recorded in current operations for short-term trading securities, and are reported as a capital adjustment in shareholders' equity for available-for-sale securities which accumulated amounts in shareholders' equity are reflected in current operations when disposing the securities or recognizing impairment losses. When estimated recoverable values from marketable securities are less than acquisition costs of equity securities or debt securities adjusted for the amortization or accretion of premiums or discounts, impairment losses are recorded in current operation. Subsequent recoveries are also recorded in current operations up to the original cost of the securities.

f. Investment Securities Valued Using the Equity Method of Accounting Investments in equity securities of companies, over which Actoz exercises significant influence, are reported using the equity method of accounting. Under the equity method of accounting, Actoz records changes in its proportionate equity of the book value of the investee as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee. Differences between the purchase cost and Actoz's proportionate equity in net asset value of the investee are amortized over five years using the straight-line method. Unrealized profits arising from sales by Actoz to equity-method investees are fully eliminated. Actoz's proportionate unrealized profits arising from sales by equity-method investees to Actoz or transactions between equity-method investees are also eliminated. For overseas affiliates whose financial statements are prepared in foreign currency, assets and liabilities are translated at the exchange rate on the balance sheet date, 12 shareholders' equity is translated at the historical exchange rate, and statement of income items are recorded at the weighted average exchange rate of the reporting period.

g. Property and Equipment Property and equipment are stated at acquisition cost. Major renewals and betterments, which prolong the useful life or enhance the value of assets, are capitalized; expenditure for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the declining balance method over the following useful lives:

Description	Useful lives (years)	-----	-----
Machinery and equipment	4	Furniture and fixtures	4
Vehicles	4	Depreciation expenses on the long-term idle facilities	are recorded in other expenses.

When the recoverable amount is significantly less than the carrying value of property and equipment due to obsolescence, physical damage, decline in market value or other causes, an impairment loss in the amount of the difference between the recoverable amount and the carrying value is recorded in the current operations with the carrying amount of the asset adjusted reflecting the impairment.

h. Intangible Assets Development costs for development of new products that satisfy certain specific conditions and future economic benefits related to such costs can be reliably determined, are capitalized and amortized over a five year period beginning in the year the related products are first saleable or usable. When the recoverable amount is significantly less than the carrying value of development costs due to the uncertainty of their future economic benefits, an impairment loss in the amount of the difference between the recoverable amount and the carrying value is recorded in the current operations with the carrying amount of the asset adjusted reflecting the impairment. Other intangible assets, including industrial property rights, are stated at cost and amortized on a straight-line basis over a five year period.

i. Deferred Income Taxes Deferred tax assets and liabilities are recorded for future tax consequences of operating loss carryforwards, tax credits and temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized to the extent that they are expected to be realizable. Deferred tax assets and liabilities are presented on the balance sheet as a single non-current net number.

j. Severance Indemnity In accordance with Actoz's policy, all employees with more than one year of service with Actoz are entitled to severance indemnity. Actoz pays severance indemnity on a yearly basis.

k. Foreign Currency Transactions and Translation Transactions denominated in foreign currencies are recorded in Korean won translated at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Korean won at the 13 Base Rates announced by Seoul Money Brokerage Services Limited on the balance sheet date. Gains or losses arising from the settlement of foreign currency transactions and the translation of foreign currency assets and liabilities are charged or credited to current operations.

l. Revenue Recognition Service revenue is recognized by reference to the stage of completion of the transaction at the balance sheet date. The percentage of completion method for the service revenue can be

employed when the following conditions are met: (a) the amount of revenue can be measured reliably; (b) it is probable that the economic benefits will flow to Actoz; (c) the stage of completion of the transaction at the balance sheet date can be measured reliably; and (d) the costs incurred for the transaction and the costs to complete the transactions can be measured reliably. Revenues for up-front license fees are recognized if such up-front license fees are non-refundable and Actoz does not have any obligation to provide further services after the cash has been received. For sales of merchandises and finished goods, revenue is recognized based on the delivery of goods for domestic sales and on the shipping dates for export. m. Contingent Liabilities Contingent losses are recorded in liabilities if it is certain that net assets have decreased as of the balance sheet date and the loss amount can be reasonably estimated. n. Reclassification of Certain Accounts Certain amounts in 2003 financial statements have been reclassified to conform with the 2004 financial statement presentation. These reclassifications did not have an effect on the financial position of Actoz as of December 31, 2003, or the results of its operations for the year then ended. 3. Cash and Cash Equivalents and Short-term Financial Instruments Details of cash and cash equivalents and short-term financial instruments as of December 31, 2004 and 2003 are as follows: Thousands of Korean won -----

Annual interest rate(%)	2004	2003	-----	Cash - - - Ordinary deposit	1.0	W	101,141	W	20,285,900
Money Market Deposit Account("MMDA")	4.0	-	272,055	Cash Management Account("CMA")	4.2		709,307	-	-----
			Total	W	810,448	W	20,557,955	=====	=====
deposits	3.8-4.2	W	16,500,000	W	20,000,000	-----	Total	W	16,500,000
				W	20,000,000	-----			

===== 4. Marketable Securities Marketable securities of Actoz at December 31, 2004 and 2003 are classified as available-for-sale 14 securities according to its purpose of acquisition and intent of holding and consist of the following: Thousands of Korean won ----- Ownership Acquisition Fair value or Investee percentage cost net asset value Book value -----

-----	Joyspell Co., Ltd.	5.08%	W	206,023	W	33,258	W	206,023	Vivabox Co., Ltd.-convertible debenture(1st series non-guaranteed privately placed) -	150,000	150,000	150,000	-----
-----	Total	W	356,023	W	183,258	W	356,023	=====	=====	=====	=====	=====	=====

Thousands of Korean won	-----	Fair value	Ownership	Acquisition or net asset
Investee percentage cost value	Book value	-----	-----	-----
-----	Vivabox Co., Ltd.-convertible debenture(1st series non-guaranteed privately placed) -	W	150,000	W
-----	Total	W	150,000	W
-----		W	150,000	W
-----		W	150,000	-----

===== 5. Investment Securities Investment securities stated by the equity method of accounting at December 31, 2004 and 2003 are as follows: (1) Detail of investment securities Thousands of Korean won ----- Book value No. of Percentage of Acquisition ----- Investee shares ownership cost Net Asset value 2004 2003 -----

-----	Wemade Entertainment Co., Ltd.	56,000	40.0%	W	280,000	W	12,040,002	W	12,043,171
-----	Anipark Co., Ltd.	900,000	24.8%	563,850	989,244	989,244	859,244		
-----	Actoznet Co., Ltd.	65,000	100.0%	750,000	-	631,536	Onlineworks Co., Ltd.	60,000	100.0%
-----		1,437,841	364,714	Beijing Oriental Interactive Science and Technology Development Co., Ltd. -	50.0%	2,201,150			
-----		1,107,401	1,107,401	-----	Total	W	4,095,000	W	15,567,619
-----		12,233,608	=====	=====	=====	=====	=====	=====	=====

In 2004, Actoz disposed of all the shares(65,000 shares) of equity investments in Actoznet Co., Ltd. and W21,855 thousand of gain on disposal was recognized in 2004. 15 In 2004, Actoz invested W2,201,150 thousand to establish a joint venture company in China, Beijing Oriental Interactive Science and Technology Development Co., Ltd. which is a limited company not issuing capital stocks. (2) Detail of valuation by the equity method in 2004 Thousands of Korean won -----

-----	Capital	Other	Beginning	adjustments
Earnings increase	Balance at Investee	balance of valuation (loss)	P/L	Disposal (decrease)
-----	-----	-----	-----	-----
-----	Wemade Entertainment Co., Ltd.	W	10,378,114	W
-----		13,611	W	4,051,446
-----		- (W2,400,000)	W	12,043,171
-----	Anipark Co., Ltd.	859,244	331,380	173,104
-----		(374,484)	989,244	Actoznet Co., Ltd.
-----		631,536	- (3,391)	(628,145)
-----	Onlineworks Co., Ltd.	364,714	407,663	665,464
-----		-	1,437,841	Beijing Oriental Interactive Science and Technology Development Co., Ltd.
-----		2,201,150	(234,631)	(859,118)
-----		-	1,107,401	-----
-----	Total	W	14,434,758	W
-----		4,027,505	(W628,145)	(W2,774,484)
-----		W	15,577,657	=====
-----		=====	=====	=====

===== For Wemade Entertainment Co., Ltd. other decrease was a result of dividends

receipts. For Anipark Co., Ltd., a valuation gain was recorded as capital adjustments for the change in the equity interest arising from the capital increases. Other decrease of W374,484 thousand is a loss on prior period adjustments. The amount of net income effect is W271,500 thousand after deducting related deferred income tax of W102,984 thousand. For Onlineworks Co., Ltd. ("Onlineworks"), a valuation gain was recorded as capital adjustments for Actoz's proportionate share of the changes arising from application of the equity method of accounting by Onlineworks to its equity securities. For Beijing Oriental Interactive Science and Technology Development Co., Ltd., a foreign currency translation loss was recorded as capital adjustments.

6. Property and Equipment Property and equipment as of December 31, 2004 and 2003 are as follows: Thousands of Korean won -----

	2004	2003
Land	4,733,497	31,349
Machinery	2,316,528	2,189,876
Furniture and fixture	1,193,200	1,213,291
Vehicles	31,349	31,349
Total acquisition cost	8,274,574	3,434,516
Less accumulated depreciation	(2,898,701)	(2,323,777)
Property and equipment, net	5,375,873	1,110,739

7. Intangible Assets Details of development cost and other intangible assets for the years ended December 31, 2004 and 2003 are as follows: Thousands of Korean won -----

Industrial Description	Development cost	property right	Others	Total	Beginning balance
	W 3,431,757	W 4,664	W 399,927	W 3,836,348	W 2,511,253
Increase in the year	2,363,241	2,465	145,547	2,511,253	
Amortization	(383,108)	(1,855)	(155,210)	(540,173)	
Other decrease	(1,482,083)	-	-	(1,482,083)*	
Ending balance	W 3,929,807	W 5,274	W 390,264	W 4,325,345	

* W1,482,083 thousand of impairment loss for development costs was recognized in 2004. Such impairment loss relate development costs for games that were determined to be unsuccessful in 2004. Thousands of Korean won -----

Industrial Description	Development cost	property right	Others	Total	Beginning balance
	W 1,499,704	W 2,200	W 334,191	W 1,836,095	W 2,844,722
Increase in the year	2,655,354	3,853	185,515	2,844,722	
Amortization	(411,907)	(1,389)	(119,779)	(533,075)	
Other decreases	(311,394)	-	-	(311,394)*	
Ending balance	W 3,431,757	W 4,664	W 399,927	W 3,836,348	

* Other decreases in development costs consist of W195,931 thousand of transfer to manufacturing costs and W115,463 thousand of impairment losses recognized in 2003.

8. Transactions with Related Parties Major transactions and account balances with related parties as of and for the years ended December 31, 2004 and 2003 are as follows: Thousands of Korean won -----

Related Company	Sales	sales paid	paid receivables	payables
Wemade Entertainment Co., Ltd.	W 1,910,150	W 89,384	W 20,286,948	W 403,363
Anipark Co., Ltd.	W 109,300	W 2,402,886	W 1,980	W 651,909
Onlineworks Co., Ltd.	-	-	-	W 108,561
Actozinworld Co., Ltd.	W 317,582	-	-	-
Total	W 2,019,450	W 22,689,834	W 426,143	W 405,343

9. Insurance As of December 31, 2004 Actoz has fire insurance for its machinery with Samsung Fire Insurance Co., Ltd. with the coverage amount totaling W2,316,528 thousand. In addition, Actoz's vehicles are insured for comprehensive coverage.

Transfer of investment	Cost of equity	Royalty fees
Commission Related Company Sales	sales securities paid	Paid payables
Wemade Entertainment Co., Ltd.	W 27,185,501	W 25,516,576
Actoznet Co., Ltd.	W 18,375	W 128
Anipark Co., Ltd.	W 2,187,095	W 1,119,182
Onlineworks Co., Ltd.	W 100,000	W 141,631
Actozinworld Co., Ltd.	W 825,129	W 477,850
Total	W 100,000	W 29,372,596

10. Assets and Liabilities Denominated in Foreign Currencies Details of assets and liabilities denominated in foreign currencies before deducting allowance for doubtful accounts as of December 31, 2004 and 2003 are as follows: Thousands of Korean won -----

Short-term housing loan to shareholders, officers and employees at December 31, 2004 and 2003 amounted to W363,930 thousand and W444,322 thousand, respectively, and the related interest income recognized in 2004 and 2003 amounted to W46,256 thousand and 34,633 thousand, respectively. There is no collateral or guarantee provided by Actoz or received from the related parties as of December 31, 2004.

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follows: (In U.S. dollars, JPY, EUR, GBP and thousands of Korean won) Foreign currency Korean won equivalent

Account	2004	2003
Assets: Cash and cash equivalents	USD 16,908,952	W 20,253,543
Accounts receivable	USD 7,482,139	USD 6,517,344
	7,809,856	7,806,474
	JPY 18,802,658	JPY - 190,296
	- EUR 5,322	EUR 17,799
	7,573	26,744
	GBP 1,545	GBP - 3,104
	- W 8,010,829	W 28,086,761
Liabilities: Accrued expenses	USD 4,250,217	USD 21,137,932
	W 4,436,377	W 25,319,015
	EUR 3,725	EUR 12,459
	5,301	18,721
	JPY 1,521,063	JPY - 15,394
	- W 4,457,072	W 25,337,736
Capital Stock		
Capital stock of Actoz as of December 31, 2004 and 2003 is as follows:	2004	2003
Number of shares authorized	50,000,000	50,000,000
Number of shares issued: Common stock	8,914,500	8,914,500
Par value	W 500	W 500
There was no change in capital stock or capital surplus in 2004 and the changes in the capital in 2003 are summarized as follows: (Thousands of Korean won)		
Stock issuance		
Paid-in capital in Date Description	Common stock cost excess of par	Jan. 1, 2003 Beginning balance
	W 2,971,500	W 20,664,738
	Nov. 12, 2003 Issuance of free	1,485,750
	9,802 * (1,495,552)	share out of capital surplus
	Dec. 31, 2003 Ending balance	W 4,457,250
	W 19,169,186	* W9,802
thousand of stock issuance costs was offset against paid-in capital in excess of par.		
12. Retained Earnings	(1) Reserve for business rationalization	Until end of 2002, in accordance with the Tax Exemption and Reduction Control Law, the amount of tax benefit associated with certain tax deductions and tax credits must be appropriated as a reserve for business rationalization. The reserve for business rationalization might not be utilized for cash dividends, but might be used to offset a future deficit, if any, or might be transferred to capital stock. However, in December 2002, this law was revised and the clauses relevant to the above reserve was rescinded. Accordingly, at December 31, 2004 a reserve of W170,000 thousand for business rationalization was transferred to voluntary reserve.
(2) Other reserve	Reserve for technology development	was appropriated in accordance with the relevant tax laws, and may be transferred to voluntary reserve and be utilized for dividends. Reserve for technology development as of December 31, 2004 is W16,667 thousand.
13. Capital Adjustments	Capital adjustments at December 31, 2004 and 2003 consist of the following: Thousands of Korean won	
	2004	2003
Treasury stock	(W 10,848)	(W 10,848)
Capital adjustments of investment securities, net	891,282	373,260
	W880,434	W362,412
Actoz has 480 shares of treasury stock (common stock) as of December 31, 2004 and 2003 purchased in the process of issuing additional shares in 2003 and plans to resell the stock.		
19. Selling and Administrative Expenses	Selling and administrative expenses in 2004 and 2003 consist of the following: Thousands of Korean won	
	2004	2003
Salaries and wages	W2,399,194	W2,402,048
Severance benefits	184,943	163,110
Employee benefits	281,826	258,769
Travel	230,920	211,104
Entertainment	82,051	75,975
Communications	33,417	54,363
Utilities	49,762	41,203
Taxes and dues	42,957	37,344
Depreciation	390,465	512,355
Rent	169,931	161,430
Repairs	22,923	9,961
Vehicles	14,364	12,209
Books and printing	5,936	12,293
Supplies	9,200	20,838
Education and training	4,549	68,453
Bad debt	505,687	64,144
Commissions	2,402,412	2,164,572
Advertising	525,755	1,879,826
Insurance	545	741
Amortization	540,173	533,075
Others	7,060	4,222
Total	W7,904,070	W8,688,035
15. Income Taxes	(1) Components of income tax expense for the year ended December 31, 2004 are as follows: Thousands of Korean won	
	Description	2004
	Current	W 3,120,776
	Deferred: Change in cumulative temporary differences	125,313
	Change in tax credit carryforwards	(553,239)
	Income tax expense	W 2,692,850
	Effective tax rates	24.90%
	20 (2) Reconciliations of accounting income and taxable income for the year ended December 31, 2004 are as follows: Thousands of Korean won	
	Temporary differences	Permanent differences
	Additions: Accrued income recorded in prior year	W 92,676
	Allowance for doubtful accounts	664,394
	Bad debt	71,935
	Development cost	1,160,403
	W 68,536	Reserve for technology development
	16,667	Investment securities
	1,196,992	Entertainment expense in excess of limit
	18,076	Income tax expense
	2,561,577	Contribution
	55,000	Investment securities
	783,646	Gain from revaluation of investment securities
	486,872	Total
	W 3,203,067	W 3,973,707
	Deductions: Accrued income in current year	W 91,608
	Allowance for doubtful accounts	222,793
	Depreciation	122,302
	Investment securities	3,092,387
	Development cost	217,386
	W 43,272	Income tax refunds
	180,425	Total
	W 3,746,476	W 223,697
	(3) Changes in temporary differences during the year ended December 31, 2004 and deferred tax assets as of December 31, 2004 are as follows: Thousands of Korean won	

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Description January 1, 2004 Increase Decrease December 31, 2004 -----
----- Depreciation W 122,302 - W 122,302 - Allowance for doubtful accounts 222,793
664,394 222,793 664,394 Bad debt - 71,935 - 71,935 Development cost 540,797 1,160,403 217,386 1,483,814
Available-for-sale securities 200,000 - - 200,000 Accrued income (92,676) (91,608) (92,676) (91,608) Investment
securities (9,556,112) (1,895,395) - (11,451,507) Reserve for technology development (16,667) - (16,667) -
----- Sub-total (8,579,563) (90,271) 453,138 (9,122,972) =====
===== Deferred taxes from tax credit carryforwards 3,030,399 -----
Tax effect of temporary differences: (2,508,817) ===== DEFERRED INCOME TAXES, NET W 521,582
===== 21 The future income tax rate of 27.5% has been used in computing deferred income taxes. The
beginning balances are based on the previous year's tax return and the difference in amount between the tax return and
audited financial report of the previous year was recorded as income tax refunds in current year. 16. Income Per Share
Net income per share amounts for the years ended December 31, 2004 and 2003 are as follows: (1) Basic income per
share Korean won(in thousands except for income per share) ----- 2004 2003
----- Net income W 8,119,663 W 11,867,987 Extraordinary gains - - Extraordinary losses - - Income
taxes relating to extraordinary items - - ----- Ordinary income 8,119,663 11,867,987 Weighted
average number of shares outstanding 8,914,020 8,914,436 ----- Ordinary income per share in Korean
won W 911 W 1,331 ===== Net income per share in Korean won W 911 W 1,331
===== (2) Weighted average number of shares outstanding Numbers Weighted number of
of shares Days shares ----- Beginning balance 8,914,500 Treasury stock (480) -----
Total 8,914,020 366 3,262,531,320 /366 ----- Weighted average number of shares 8,914,020 =====
Numbers Weighted number of of shares Days shares ----- Beginning balance 5,943,000
Issuance of common stock 2,971,500 Treasury stock (480) ----- Total 8,914,020 365 3,253,768,980 /365
----- Weighted average number of shares 8,914,436 ===== Diluted income per share is the same as
the basic income per share amounts as Actoz does not have any securities to be convertible to common stocks such as
convertible bonds or preferred stocks as of December 31, 2004. 22 17. Value Added Information Details of value
added information for the years ended December 31, 2004 and 2003 are as follows: Thousands of Korean won
----- Selling and Development cost administrative and its impairment Cost of sales expense loss Total
----- Salaries W 267,287 W 2,399,194 W 1,366,085 W 4,032,566
Provision for retirement 10,456 184,943 89,179 284,578 and severance benefits Other benefits for employees 33,037
281,826 171,236 486,099 Rent 15,530 169,930 96,045 281,505 Depreciation 42,970 390,465 237,545 670,980 Taxes
and dues - 42,957 - 42,957 ----- Total W 369,280 W 3,469,315 W 1,960,090 W
5,798,685 ===== Thousands of Korean won
----- Selling and Development cost administrative and its impairment Cost of sales expense loss Total
----- Salaries W 609,801 W 2,402,048 W 1,394,847 W 4,406,696
Provision for retirement 52,286 163,110 98,376 313,772 and severance benefits Other benefits for employees 60,420
258,769 151,210 470,399 Rent 38,171 161,430 97,867 297,468 Depreciation 125,758 512,355 304,918 943,031 Taxes
and dues - 37,344 - 37,344 ----- Total W 886,436 W 3,535,056 W 2,047,218 W
6,468,710 ===== 18. Employees' Benefits and
Contribution to Society Actoz provides various employee benefits such as a national pension, a medical insurance,
workmen's accident compensation and a paid vacation. Actoz paid W486,099 thousand for such employee benefits in
2004. Actoz contributed W55,000 thousand to the Korea Game Industry Association in 2004. 23 19. Supplementary
Cash Flow Information Major transactions not involving the inflow or outflow of cash for the years ended December
31, 2004 and 2003 are as follows: Thousands of Korean won ----- Description 2004 2003
----- Transfer of paid-in capital in excess of par into capital stock
- W 1,485,750 20. Commitments and Contingencies As of December 31, 2004, the Company was a party to two legal
proceedings. The first legal proceeding, which is pending before an arbitration tribunal under the International
Chamber of Commerce in Singapore, relates to a contractual dispute with respect to the online game named the
Legend of Mir II. Shanghai Shanda Internet Development Co. Ltd., or Shanghai Shanda, initiated the arbitration in
July 2003 against the Company and Wemade Entertainment Co., Ltd., or Wemade, the co-licensor of The Legend of
Mir II. Shanghai Shanda and the Company settled the dispute in August 2003 and requested discontinuation of the
arbitration. Wemade, however, has objected to this settlement and request for discontinuation, and has filed

counterclaims against Shanghai Shanda and cross-claims against the Company. The second legal proceeding, which is pending before the First Intermediate People's Court of Beijing, relates to an alleged copyright infringement by Shanghai Shanda. Wemade initiated the suite in October 2003 and Actoz joined the suit in April 2004. Neither of these two legal proceedings have been resolved and their final outcomes cannot be predicted. 21. Subsequent Events In February 2005, Shanda Interactive Entertainment Limited, or Shanda, purchased an approximately 29% stake in Actoz from certain shareholders of Actoz. Completion of this purchase followed Shanda's purchase of an amount of Actoz shares on the KOSDAQ market equal to approximately 9% of Actoz's issued and outstanding shares. 22. Interim Period Information Interim financial informations of Actoz for the final(4th) quarter of 2004 and 2003 are summarized as follows: Korean won(in thousands except for income per share) -----

	2004	2003
Sales	W8,979,541	W 7,181,201
Gross profit(loss)	3,330,104	(775,806)
Operating income(loss)	1,730,552	(3,414,671)
Quarterly net income	1,745,411	3,756,091
Quarterly net income per share in Korean won	W 196	W 421

23. Economic Environment In response to the overall unstable economic situations, the Korean government and the private sector have been implementing structural reforms to historical business practices. Actoz may be either directly or indirectly affected by these economic situations and structural reforms. 24 The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of Actoz. Actual results may differ materially from management's current assessment. 25 SHANDA INTERACTIVE ENTERTAINMENT LIMITED INTRODUCTION TO THE

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS The following unaudited pro forma consolidated statement of operations gives effect to the acquisition by Shanda Interactive Entertainment Limited, or Shanda, of Actoz Soft Co., Ltd., or Actoz, in a transaction to be accounted for using the equity method of accounting. The unaudited pro forma consolidated statement of operations is based on the historical consolidated statement of operations of Shanda and its subsidiaries and the historical consolidated statements of operations of Actoz. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2004 presents the results of Shanda and its subsidiaries as if (i) Shanda had obtained a RMB366 million loan on January 1, 2004 to finance a portion of the purchase price in order to complete the acquisition on such date, and (ii) the acquisition of approximately 38% of Actoz had occurred on January 1, 2004. The unaudited pro forma consolidated statement of operations should be read in conjunction with the notes included herein as well as Shanda's historical consolidated financial statements, the notes included therein, and "Management's Discussion and Analysis of Financial Consolidated and Results of Operations" included in our annual report on Form 20-F (File No. 000-50705) that was filed with the U.S. Securities and Exchange Commission on May 31, 2005, and other financial information included in such annual report on Form 20-F. The information set out below does not form part of the audited financial statements and is included here for reference purpose only. PricewaterhouseCoopers Zhang Tian Certified Public Accountants Ltd. Co. express no opinion or any other form of assurance on the following information. 26 SHANDA

INTERACTIVE ENTERTAINMENT LIMITED UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2004 (IN THOUSANDS, EXCEPT FOR PER SHARE DATA) ACTUAL PRO FORMA PRO FORMA FOR THE YEAR ENDED ADJUSTMENTS FOR THE YEAR ENDED DECEMBER 31, 2004 NOTE DECEMBER 31, 2004 -----

	RMB	RMB	RMB	US\$ (AUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	Net revenues
Casual game	994,664	994,664	120,179	214,513	214,513	25,918	89,548	89,548
Others				89,548	89,548	10,820		10,820
Total net revenues	1,298,725	1,298,725	156,917					
Cost of services								
Ongoing licensing fees for online games	(249,289)	(249,289)	(30,120)	(27,241)	(27,241)			
Amortization of upfront licensing fees	(3,291)	(3,291)		(9,656)	(9,656)			
Server leasing and maintenance fees	(79,918)	(79,918)		(23,802)	(23,802)			
Salary and benefits	(28,403)	(28,403)	(3,432)	(62,531)	(62,531)			
Others	(7,555)							
Total cost of services	(471,184)	(471,184)	(56,930)					
Gross profit	827,541	827,541	99,987					
Operating expenses								
Product development	(70,829)	(70,829)	(8,558)					
Sales and marketing	(91,083)	(91,083)	(11,005)	(130,655)	(130,655)			
General and administrative	(24,012)	(24,012)	(2,901)					
Share-based compensation	(2,901)							
Total operating expenses	(316,579)	(316,579)	(38,250)					
Income from operations	510,962	510,962	61,737					
Interest income	19,677	(7,890)	(a) 11,787	1,424				
Amortization of convertible debt issuance cost	(3,524)	(3,524)	(426)					
Investment income	43,494	43,494	5,255					
Other income	83,656	83,656	10,108					
Interest expense	(3,334)	(3,334)	(403)					
Income before income tax expenses, equity in loss of affiliated companies								

and minority interests 654,265 (11,224) 643,041 77,695 Income tax expenses (38,941) (38,941) (4,705) Equity in loss of affiliated companies (4,180) (30,433) (b), (c) (34,613) (4,182) Minority interests (1,661) (1,661) (201)

----- Net income 609,483 (41,657) 567,826 68,607 =====
 ===== Income attributable to Series A and Series A-1 preferred shareholders (82,479) (79,059) (9,552) -----
 ----- Net income attributable to ordinary shareholders 527,004 (41,657) 488,767 59,055 =====

Earnings per share: Basic 4.32 4.00 0.48 Diluted 4.05 3.75 0.45 Earnings per ADS: Basic 8.64 8.00 0.96 Diluted 8.10 7.50 0.90 See accompanying notes this Unaudited Pro Forma Consolidated Statement of Operations. 27 SHANDA

INTERACTIVE ENTERTAINMENT LIMITED NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS 1. BASIS OF PRO FORMA PRESENTATION In November 2004, Shanda entered into a sale and purchase agreement with certain shareholders of Actoz, a Korean developer, operator and publisher of online games listed on the Korean KOSDAQ Market, to acquire approximately 29% of the outstanding shares of Actoz for approximately US\$91.7 million (RMB759 million). This acquisition was completed on February 2, 2005. In December 2004 while this acquisition was pending, Shanda purchased approximately 9% of the outstanding shares of Actoz for approximately US\$14.4 million (RMB119 million) in the open market. Until the completion of the additional acquisition in February 2005, Shanda was not able to exercise significant influence over the operations of Actoz and, accordingly, the investment was reported in Shanda's financial statements as marketable securities and carried at the fair market value of such securities. Reported in this manner, the 9% holding in Actoz experienced an unrealized depreciation of approximately RMB9.1 million for the fiscal year ended December 31, 2004, recorded as a component of other comprehensive income under shareholders' equity. Upon completion of the acquisition on February 2, 2005, Shanda and its subsidiaries obtained significant influence over Actoz's operations. As a result, in reports presented since that date, including with respect to certain periods prior to February 2, 2005, Shanda's investment in Actoz is accounted for using the equity method of accounting. This unaudited pro forma consolidated statement of operations for the year ended December 31, 2004 gives effect to the transaction as if the acquisition of the combined approximate 38% stake in Actoz occurred on January 1, 2004. The unaudited consolidated balance sheet as of March 31, 2005 includes and reflects the actual impact of the Actoz acquisition. The unaudited pro forma consolidated statement of operations for the three-month period ended March 31, 2005 is not included in this report on Form 6-K. In addition, Shanda's results of operations for the first three-month period ended March 31, 2005 reflect the impact of the acquisition of approximately 9% of Actoz for the entire period and the acquisition of approximately 29% of Actoz from February 2, 2005. The pro forma adjustments to give effect to the aggregate Actoz acquisition as if it occurred on January 1, 2005 would not result in a material impact on Shanda's financial results for the first quarter ended March 31, 2005. 2. PRO FORMA ADJUSTMENTS FOR THE ACQUISITION OF ACTOZ

The pro forma adjustments related to the acquisition included in the unaudited pro forma consolidated statement of operations are as follows: (a): Pro forma adjustments for assumed interest expense and foregone interest income. The unaudited pro forma consolidated statement of operations assumes that the acquisition was effected on January 1, 2004. As of January 1, 2004, Shanda did not have sufficient cash to effect the transaction since cash and cash equivalents of Shanda as of January 1, 2004 totaled approximately RMB599 million, and Shanda estimated that it needed to maintain approximately RMB87 million of cash for working capital purposes. Under these conditions, Shanda would have had only RMB512 million of cash or cash equivalents as of January 1, 2004 available for the acquisition of Actoz, and Shanda would have had to borrow RMB366 million from third parties to complete the acquisition at that time. In May 2004, Shanda completed an initial public offering, or an IPO, of American Depository Shares, or ADSs. The proceeds from the IPO, amounting to approximately RMB896 million, were received in May 2004. Upon completion of the IPO, the notional loan of RMB366 million to finance Shanda's acquisition of Actoz is assumed have been paid off for purposes of this pro forma presentation. The interest rate under this notional loan is deemed to be 2.5% per annum, which is the London Interbank Offering Rate, plus an assumed borrowing rate for Shanda, as of January 1, 2004, of 1.5%. 28 In addition to this borrowing rate, had Shanda completed the acquisition of Actoz on January 1, 2004, Shanda would have foregone certain interest income earned from its excess cash based on an interest rate of 1.8% per annum, which was the average rate of returns on Shanda's surplus cash for the year ended December 31, 2004. Pro forma adjustments of RMB7.89 million and RMB3.33 million have been recognized in this pro forma presentation in order to reflect the interest expense that would have been incurred and the interest income that would have been forgone during the year ended December 31, 2004 if the

acquisition had been effected on January 1, 2004. (b): Pro forma adjustments for the purchase price allocation. Purchase price allocation of the initial purchase price of US\$106.1 million (RMB878 million) is as follows: IN THOUSANDS (RMB) Fair value of net tangible assets acquired 127,505 In process research & development costs ("IPR&D") 15,460 Intangible assets 185,115 Goodwill 549,916 ----- Purchase price 877,996 ===== In accordance with US GAAP, research and development costs, including in process research & development costs, or IPR&D, acquired as part of a business acquisition, should be recognized as expense when incurred. A pro forma adjustment was recognized on the unaudited pro forma consolidated statement of operations to give effect to the immediate write-off of the valuation of IPR&D and the amortization of certain intangible assets of Actoz during the year ended December 31, 2004 as follows: USEFUL LIVES (YEARS) IN THOUSANDS (RMB) IPR&D N/A 15,460 Completed technology 3 to 7 10,155 Core technology 4 8,921 Customer database 2 11,591 Trademark Indefinite - Non-compete agreement 2.5 2,719 ----- Total 48,846 ===== (c) Pro forma adjustments are recognized for Shanda and its subsidiaries' share in equity results of Actoz: For the year ended December 31, 2004, under a pro forma analysis, Shanda recognizes RMB18.41 million of equity in earning based on 38.1% of Actoz's operating results under United States' General Accepted Accounting Principles, or US GAAP, which differs in certain material respects from Actoz's operating results as reported under the Republic of Korea's General Accepted Accounting Principles, or Korean GAAP. Actoz operating results under US GAAP are summarized as follows: 29 FOR THE YEAR ENDED DECEMBER 31, 2004 IN THOUSANDS (RMB) Net revenue 215,403 Gross profit 144,405 Total operating expenses (77,791) Interest income (expense), net 5,734 Other income, net (3,617) Income tax expense (20,403) ----- Net income 48,328 ----- The net income of Actoz reported under Korean GAAP is reconciled to the US GAAP is as follow: FOR THE YEAR ENDED DECEMBER 31, 2004 IN THOUSANDS (RMB) NOTE Net income (reported under US GAAP) 48,328 Revenue on upfront license fee arrangement to be amortized under US GAAP (7,716) 1 Development costs written off under US GAAP 4,572 2 Consolidation differences under US GAAP 18,551 3 Others 1,196 4 ----- Net income (reported under Korean GAAP) 64,931 ----- (1) Under Korean GAAP, revenue for upfront license fees is recognized upon receipt if such fees can be measured reliably and it is probable that such benefits will flow into the entity. Under US GAAP, such upfront license fees should be recognized over the term of the license period. (2) Under Korean GAAP, development costs are capitalized and subject to future amortization if such development costs satisfy certain conditions and future economic benefits can be reliably determined. Under US GAAP, development costs should be expensed in accordance with Statement of Financial Accounting Standards No. 86 "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed" and Statement of Financial Accounting Standards No. 2, "Accounting for Research and Development Costs," as applicable. (3) This adjustment reflects the aggregate effects of the following: (i) Differences in US GAAP and Korean GAAP as applicable to Onlineworks Co., Ltd., or Onlineworks, a company in which Actoz holds an equity interest, mainly relating to recognition of development costs as stated in (2) above. As allowed under Korean GAAP, Onlineworks was accounted for under the equity method, and Actoz's equity in earnings of Onlineworks was based on Onlineworks' Korean GAAP results. Under US GAAP, Onlineworks should be consolidated as it has a controlling financial interest in such entity; (ii) Differences in US GAAP and Korean GAAP as applicable to Anipark Co., Ltd, or Anipark, mainly relating to recognition of development costs as stated in (2) above and the requirement to recognize interest expense for certain redeemable preferred shares under US GAAP. Actoz owns 40% interest in Anipark and accounts for Anipark under the equity method; (iii) Consolidation of loss making subsidiaries, Actoz-in-World Co., Ltd and 30 Beijing-in-World Co., Ltd. under US GAAP. Under Korean GAAP, subsidiaries meeting certain specific criteria are not required to be consolidated. Actoz-in-World Co., Ltd and Beijing-in-World Co, Ltd. are exempted from consolidation under Korean GAAP due to the insignificant size of these two entities; and (iv) Consolidation of a variable interest entity Vivabox Co., Ltd., or Vivabox, as required by accounting rule FIN 46(R) "Consolidation of Variable Interest Entities" under US GAAP as Actoz bears the risk and rewards of Vivabox. This Company is not required to be consolidated under Korean GAAP. (4) Relates to the aggregate effects of other adjustments such as differences in depreciation policy adopted by Shanda and Actoz. 3. PRO FORMA EARNINGS PER SHARE The unaudited pro forma earnings per share for the year ended December 31, 2004 as follows: (IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA) RMB US\$ NUMERATOR: Pro forma net income 567,826 68,607 Dividends to Series A and Series A-1 (48,213) (5,825) Preferred Shareholders Earnings allocated to participating Preferred Shareholders (30,846) (3,727) ----- Numerator for basis earnings per share 488,767 59,055 Effect of dilutive securities - - ----- Numerator for diluted earnings per share

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488,767 59,055 ----- DENOMINATOR: Denominator for basic earnings per share - weighted-average ordinary shares outstanding 122,136,580 122,136,580 Dilutive effect of share options 8,031,076 8,031,076 -----
----- Denominator for diluted earnings per share 130,167,656 130,167,656 ----- Basic earnings per share 4.00 0.48 Diluted earnings per share 3.75 0.45 Basic earnings per ADS 8.00 0.96 Diluted earnings per ADS 7.50 0.90 31

ABOUT SHANDA INTERACTIVE ENTERTAINMENT LIMITED Shanda Interactive Entertainment Limited (Nasdaq: SNDA) is a leading interactive entertainment media company in China. Shanda offers a portfolio of diversified entertainment content including some of the most popular massively multi-player and casual online games in China, along with online chess and board games, a network PC game platform and a variety of cartoons, literature works and music. Shanda's interactive entertainment platform attracts a large and loyal user base. Each user can interact with thousands of others and enjoy the interactive entertainment content that Shanda provides. Interaction enriches your life. For more information about Shanda, please visit <http://www.snda.com>.

SAFE HARBOR STATEMENT This announcement contains forward-looking statements that are based on Shanda's current expectations, assumptions, estimates and projections about the company and the industry. All statements other than statements of historical fact in this announcement are forward-looking statements. These forward-looking statements involve various risks and uncertainties. Although Shanda believes that its expectations expressed in these forward-looking statements are reasonable, it cannot assure you that its expectations will turn out to be correct. Shanda's actual results could be materially different from and worse than its expectations. Important risks and uncertainties could cause Shanda's actual results to be materially different from Shanda's expectations include but not limited to risks set forth in Shanda's filings with the U.S. Securities and Exchanges Commission, including Shanda's registration statement on Form F-1 and annual report on Form 20-F.

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