

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

**CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS**

DECEMBER 31, 2008 AND 2007

For the convenience of readers and for information purpose only, the auditors' report and the accompanying 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

PWCR08000358

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. (the “Company”) and its subsidiaries as of December 31, 2008 and 2007, 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. We did not audit the financial statements of certain investee companies, which statements reflect total assets of \$899,044 thousand and \$621,972 thousand, constituting 26.68% and 18.73% of the related consolidated totals as of December 31, 2008 and 2007, respectively, and total operating revenues of \$895,165 thousand and \$593,997 thousand, constituting 23.75% and 16.97% of the related consolidated totals for the years then ended, respectively. In addition, as explained in Note 4(6), we did not audit the financial statements of an investee accounted for under the equity method. This long-term investment amounted to \$0 and \$32,589 thousand, constituting 0% and 0.98% of the consolidated total assets as of December 31, 2008 and 2007, respectively, and the related investment loss amounted to \$1,993 thousand and \$12,197 thousand, constituting 1% and 3.18% of the consolidated net income attributable to equity holders of the Company 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 investee companies and the information disclosed in Note 11(2) relative to these long-term investments, 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, 2008 and 2007, 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.

As described in Note 3, Gamania Digital Entertainment Co., Ltd. adopted EITF 96-052, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration” issued by the Accounting Research and Development Foundation in Taiwan on January 1, 2008. The Company recognizes the expense and the related liability when the obligation can be measured reliably.

As a result of the adoption of the newly issued regulation, net income decreased by \$32,245 thousand and earnings per share decreased by \$0.21 for the year ended December 31, 2008.

PricewaterhouseCoopers

March 14, 2009

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)

	2008	2007		2008	2007
<u>ASSETS</u>			<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Assets			Current Liabilities		
Cash and cash equivalents (Note 4 (1))	\$ 821,484	\$ 1,129,676	Short-term loans (Note 4 (11))	\$ 115,000	\$ 10,000
Notes receivable – third parties – net (Note 4 (2))	70,119	89,004	Notes payable – third parties	26,908	138,700
Accounts receivable – third parties – net (Note 4 (3))	938,490	867,538	Accounts payable – third parties	139,407	129,317
Other receivables (Note 4 (13))	17,470	13,030	Accounts payable – related party (Note 5 (2))	35,699	40,566
Other financial asset – current (Note 6)	4,000	-	Income tax payable (Note 4 (13))	59,777	9,730
Inventories – net (Note 4 (4))	21,119	15,109	Accrued expenses	286,909	197,485
Prepaid expenses (Note 4 (14))	68,006	25,186	Other payables (Note 4 (17))	147,199	124,518
Deferred income tax assets – current (Note 4 (13))	31,942	36,078	Unearned revenue collected in advance	145,214	104,357
Other current assets	2,427	3,217	Current portion of long-term loans (Note 4 (12))	11,025	25,000
	1,975,057	2,178,838	Other current liabilities	29,863	29,724
Long-term Investments				997,001	809,397
Financial assets carried at cost – non-current (Note 4 (5))	114,294	114,294	Long-term Liability		
Long-term investments – accounted for under the equity method (Note 4 (6))	-	37,028	Long-term loans (Note 4 (12))	18,858	-
Prepayment for long-term investment (Note 4(6))	5,000	-	Other Liabilities		
	119,294	151,322	Accrued pension liabilities (Note 4 (14))	6,163	4,839
Property, Plant and Equipment – net (Notes 4 (7) and 6)			Guarantee deposits	374	1,281
Cost			Other liabilities – other (Note 4 (6))	4,356	295
Land	147,751	147,751		10,893	6,415
Buildings	163,721	156,375	Total Liabilities	1,026,752	815,812
Machinery and equipment	699,843	634,217	Stockholders' Equity		
Office equipment	78,816	76,246	Common stock (Note 1)	1,587,827	1,530,678
Leased assets	107	5,122	Capital reserve (Note 4 (15))		
Leasehold improvements	38,207	30,235	Paid-in capital in excess of par	740,670	740,670
Other equipment	2,402	1,496	Gain on disposal of property, plant and equipment	221	221
Total Cost	1,130,847	1,051,442	Retained earnings		
Less: Accumulated depreciation	(589,822)	(474,859)	Legal reserve (Note 4 (16))	61,214	24,132
Accumulated impairment	(4,323)	(6,049)	Retained earnings (4 (17))	257,544	371,621
Construction in progress and prepayments for equipment	3,169	-	Financial instruments' unrealized gain	-	92
	539,871	570,534	Cumulative translation adjustments	46,084	24,282
Intangible assets			Treasury stock (Note 4 (19))	(370,182)	(200,788)
Trademark	581	262		2,323,378	2,490,908
Computer software cost	3,681	-	Minority interest	19,637	14,121
Goodwill	49,114	2,880		2,343,015	2,505,029
Deferred pension cost (Note 4 (14))	840	451	Commitments and Contingent Liabilities (Note 7)		
Other intangible assets – net (Note 4 (8))	95	440			
	54,311	4,033	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,369,767	\$ 3,320,841
Other Assets					
Refundable deposits	38,409	32,164			
Deferred charges – net (Notes 4 (9) (10))	467,813	211,350			
Deferred income tax assets – non-current (Note 4 (13))	174,795	172,426			
Other assets – other	217	174			
	681,234	416,114			
TOTAL ASSETS	\$ 3,369,767	\$ 3,320,841			

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 14, 2009.

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

	<u>2008</u>	<u>2007</u>
Operating revenues		
Sales revenue	\$ 3,884,581	\$ 3,578,793
Sales returns	(139,365)	(98,354)
Sales allowances	(30,531)	(62,886)
Net sales revenue	3,714,685	3,417,553
Service revenue	<u>53,978</u>	<u>83,204</u>
Operating revenues	<u>3,768,663</u>	<u>3,500,757</u>
Operating costs		
Cost of goods sold (Notes 4 (21) and 5)	(1,930,274)	(1,795,073)
Gross profit	<u>1,838,389</u>	<u>1,705,684</u>
Operating expenses (Notes 4 (21), 5 and 10)		
Selling expenses	(600,474)	(333,661)
General and administrative expenses	(720,698)	(716,444)
Research and development expenses	(241,115)	(167,913)
Total operating expenses	<u>(1,562,287)</u>	<u>(1,218,018)</u>
Operating income	<u>276,102</u>	<u>487,666</u>
Non-operating income		
Interest income	11,501	10,480
Gain on adjustment of financial assets	3,340	6,655
Dividend income	2,746	5,231
Gain on sale of investments (Note 4 (5))	-	20,681
Rental income	160	2,801
Gain on recovery of bad debts	10,000	-
Gain on recovery of impairment (Note 4 (10))	18,033	-
Miscellaneous income	<u>57,793</u>	<u>6,942</u>
Total non-operating income	<u>103,573</u>	<u>52,790</u>
Non-operating expenses		
Interest expense	(2,077)	(2,742)
Investment loss accounted for under equity method (Note 4 (6))	(7,286)	(12,758)
Other investment loss	(1)	-
Loss on disposal of property, plant and equipment	(286)	(3,959)
Loss on physical count of inventories	(503)	(36)
Foreign exchange loss	(119)	(1,866)
Loss on decline in market value of obsolete inventories	(20,463)	(26,824)
Miscellaneous losses	<u>(21,752)</u>	<u>(19,675)</u>
Total non-operating expenses	<u>(52,487)</u>	<u>(67,860)</u>
Income before income tax	327,188	472,596
Income tax expense (Note 4 (13))	(64,000)	(89,671)
Consolidated net income	<u>\$ 263,188</u>	<u>\$ 382,925</u>
Attributable to:		
Equity holders of the Company	\$ 260,049	\$ 383,785
Minority interest	<u>3,139</u>	<u>(860)</u>
	<u>\$ 263,188</u>	<u>\$ 382,925</u>

	<u>2008</u>		<u>2007</u>	
	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
Basic earnings per share (in dollars) (Note 4 (18))				
Profit attributable to equity holders of the Company	\$ 2.12	\$ 1.70	\$ 3.08	\$ 2.49
Minority interest income (loss)	0.02	0.02	(0.01)	(0.01)
Consolidated net income	<u>\$ 2.14</u>	<u>\$ 1.72</u>	<u>\$ 3.07</u>	<u>\$ 2.48</u>
Diluted earnings per share (in dollars) (Note 4 (18))				
Profit attributable to equity holders of the Company	\$ 2.10	\$ 1.69	\$ 3.03	\$ 2.45
Minority interest income (loss)	0.02	0.02	(0.01)	(0.01)
Consolidated net income	<u>\$ 2.12</u>	<u>\$ 1.71</u>	<u>\$ 3.02</u>	<u>\$ 2.44</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 14, 2009.

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

	Capital Reserves			Retained Earnings		Other Adjustment Items			Minority Interest	Total
	Common Stock	Paid-in Capital in Excess of Par	Capital Surplus from Gain on Disposal of Assets	Legal Reserve	Retained Earnings	Financial Instruments' Unrealized Gain	Cumulative Translation Adjustments	Treasury Stock		
Balance at January 1, 2007	\$ 1,468,787	\$ 736,166	\$ 221	\$ -	\$ 241,323	\$ 65	\$ 20,561	(\$ 155,765)	\$ 84,448	\$ 2,395,806
Distribution of 2006 earnings:										
Legal reserve	-	-	-	24,132	(24,132)	-	-	-	-	-
Capital increase from employees' bonuses	21,719	-	-	-	(21,719)	-	-	-	-	-
Capital increase from retained earnings	38,189	-	-	-	(38,189)	-	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	(4,340)	-	-	-	-	(4,340)
Cash dividends	-	-	-	-	(152,140)	-	-	-	-	(152,140)
Transfer of treasury stock	-	-	-	-	(432)	-	-	155,765	-	155,333
Acquisition of treasury stock	-	-	-	-	-	-	-	(200,788)	-	(200,788)
Exercise of employees' stock options	1,983	4,504	-	-	-	-	-	-	-	6,487
Cumulative translation adjustments	-	-	-	-	-	-	3,721	-	-	3,721
Effect of change in ownership percentage of investee company	-	-	-	-	(12,535)	-	-	-	-	(12,535)
Effect of investee's unrealized gain on financial instruments	-	-	-	-	-	27	-	-	-	27
Changes in minority interest	-	-	-	-	-	-	-	-	(69,467)	(69,467)
Consolidated net income for the year	-	-	-	-	383,785	-	-	-	(860)	382,925
Balance at December 31, 2007	<u>\$ 1,530,678</u>	<u>\$ 740,670</u>	<u>\$ 221</u>	<u>\$ 24,132</u>	<u>\$ 371,621</u>	<u>\$ 92</u>	<u>\$ 24,282</u>	<u>(\$ 200,788)</u>	<u>\$ 14,121</u>	<u>\$ 2,505,029</u>
Balance at January 1, 2008	\$ 1,530,678	\$ 740,670	\$ 221	\$ 24,132	\$ 371,621	\$ 92	\$ 24,282	(\$ 200,788)	\$ 14,121	\$ 2,505,029
Distribution of 2007 earnings:										
Legal reserve	-	-	-	37,082	(37,082)	-	-	-	-	-
Capital increase from employees' bonuses	50,088	-	-	-	(50,088)	-	-	-	-	-
Capital increase from retained earnings	7,061	-	-	-	(7,061)	-	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	(6,678)	-	-	-	-	(6,678)
Cash dividends	-	-	-	-	(268,333)	-	-	-	-	(268,333)
Acquisition of treasury stock	-	-	-	-	-	-	-	(169,394)	-	(169,394)
Cumulative translation adjustments	-	-	-	-	-	-	21,802	-	-	21,802
Effect of change in ownership percentage of investee company	-	-	-	-	(4,884)	-	-	-	-	(4,884)
Effect of investee's unrealized loss on financial instruments	-	-	-	-	-	(92)	-	-	-	(92)
Changes in minority interest	-	-	-	-	-	-	-	-	2,377	2,377
Consolidated net income for the year	-	-	-	-	260,049	-	-	-	3,139	263,188
Balance at December 31, 2008	<u>\$ 1,587,287</u>	<u>\$ 740,670</u>	<u>\$ 221</u>	<u>\$ 61,214</u>	<u>\$ 257,544</u>	<u>\$ -</u>	<u>\$ 46,084</u>	<u>(\$ 370,182)</u>	<u>\$ 19,637</u>	<u>\$ 2,343,015</u>

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

See report of independent accountants dated March 14, 2009.

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)

	2008	2007
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 263,188	\$ 382,925
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on sale of long-term investments	-	(20,681)
Gain on adjustment of financial assets	(3,340)	(6,655)
(Reversal of allowance for) provision for bad debts and sales returns	(9,609)	5,743
(Recovery of allowance for) provision for decline in market value and obsolescence of inventories and inventories written - off	(18,673)	5,758
Investment loss accounted for under equity method	7,286	12,758
Other investment loss	1	-
Depreciation and amortization	314,905	234,165
Amortization of trademark	62	43
Loss on disposal of property, plant and equipment and other intangible assets	286	3,959
Amortization of other intangible assets	256	334
Deferred charges charged to cost	5,680	18,186
Changes in assets and liabilities:		
(Increase) decrease in:		
Financial assets at fair value through profit or loss	3,049	6,530
Notes receivable - third parties	18,887	23,690
Accounts receivable - third parties	(61,303)	(1,381)
Other receivables - third parties	(4,391)	(9,947)
Inventories	12,663	1,804
Prepaid expenses	(40,957)	(5,961)
Deferred income tax assets	1,767	41,230
Other current assets	1,285	(1,315)
Increase (decrease) in:		
Notes payable - third parties	(111,792)	68,379
Accounts payable - third parties	10,090	30,697
Accounts payable - related party	(4,867)	14,398
Income tax payable	50,047	(35,211)
Accrued expenses	82,988	19,491
Other payables - third parties	50,465	48,600
Unearned revenue collected in advance	35,975	(42,445)
Other current liabilities	139	20,692
Accrued pension liabilities	834	(3,307)
Net cash provided by operating activities	604,921	812,479

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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)

	<u>2008</u>	<u>2007</u>
<u>Cash flows from investing activities</u>		
Acquisition of available-for-sale financial assets	(\$ 12,500)	(\$ 24,000)
Proceeds from disposal of available-for-sale financial assets	35,151	24,125
Increase in long-term investment	-	(28,151)
Increase in long-term investment - subsidiary acquisition	(75,545)	-
Prepaid long-term investment	(5,000)	-
Proceeds from disposal of long-term investment	-	75,499
Increase in other financial assets - current	(4,000)	-
Proceeds from disposal of property, plant and equipment and deferred charges	871	3,996
Acquisition of property, plant and equipment	(140,363)	(109,307)
Increase in trademark	(326)	-
Increase in deferred charges	(380,698)	(132,958)
Increase in refundable deposits, net	(5,695)	(6,365)
Increase in other assets – other	(18)	(174)
Net cash used in investing activities	<u>(588,123)</u>	<u>(197,335)</u>
<u>Cash flows from financing activities</u>		
Increase in short-term loans	105,000	10,000
Increase (decrease) in current portion of long-term liabilities	4,883	(120,128)
Increase (decrease) in other liabilities – other	313	(655)
(Decrease) increase in guarantee deposits	(907)	931
Acquisition of treasury stock	(169,394)	(200,788)
Transfer of treasury stock	-	155,333
Payment of directors' and supervisors' remuneration	(6,678)	(4,340)
Exercise of employee stock options	-	6,487
Payment of cash dividends	(268,333)	(152,140)
Changes in minority interest	270	4,933
Net cash used in financing activities	<u>(334,846)</u>	<u>(300,367)</u>
Effect of exchange rate changes on cash and cash equivalents	8,522	(887)
Effect of changes in consolidated subsidiaries	1,334	(215,394)
Net (decrease) increase in cash and cash equivalents	(308,192)	98,496
Cash and cash equivalents at beginning of the year	1,129,676	1,031,180
Cash and cash equivalents at end of the year	<u>\$ 821,484</u>	<u>\$ 1,129,676</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for:		
Interest	<u>\$ 2,067</u>	<u>\$ 2,825</u>
Income taxes	<u>\$ 13,533</u>	<u>\$ 88,884</u>
<u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 112,579	\$ 137,219
Payable at end of the year	(2,219)	(30,003)
Payable at beginning of the year	30,003	2,091
Cash paid	<u>\$ 140,363</u>	<u>\$ 109,307</u>

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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)

	<u>2008</u>	<u>2007</u>
<u>Information on disposal of majority-owned subsidiary:</u>		
Cash and bank deposits	\$ -	\$ 70,863
Other current assets	-	151,777
Property, plant and equipment	-	78,373
Other assets	-	23,526
Current assets	-	(171,811)
Other liabilities	-	(669)
Total minority interest's equity	-	152,059
Gain on disposal of majority-owned subsidiary	-	20,681
Minority interest	-	(74,400)
Book value of long-term investments which were not disposed	-	(23,841)
Proceeds from disposal of majority-owned subsidiary	<u>\$ -</u>	<u>\$ 75,499</u>
 <u>Fair value of subsidiary acquired:</u>		
Current assets	\$ 21,146	\$ -
Other current assets	2,348	-
Long-term investments	10	-
Property, plant and equipment	793	-
Intangible assets and other assets	73,288	-
Accrued expenses	(6,436)	-
Other current liabilities and other liabilities	(7,503)	-
Minority interest	(3,409)	-
Less: Previous fiscal year long-term investment balance	(4,692)	-
Acquisition price	<u>\$ 75,545</u>	<u>\$ -</u>
 <u>Non-cash flows from financing activities:</u>		
Capital increment from retained earnings and employees' bonuses	<u>\$ 57,129</u>	<u>\$ 59,908</u>

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

See report of independent accountants dated March 14, 2009.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

(1) 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, 2008, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 22 million shares of employee stock options), at a par value of \$10 (NT dollars) per share, and issued and outstanding capital was \$1,587,827. The Company is engaged in software services. As of December 31, 2008, the Company and its consolidated subsidiaries had 1,180 employees.

(2) Consolidated subsidiaries

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>	
			<u>2008</u>	<u>2007</u>
Gamania Holdings Ltd.	Note A	Investment holding company	100%	100%
Taiwan Index Co., Ltd.	Note A	Software services	99.28%	96.64%
Gamania Asia Investments Co., Ltd.	Note A	Investment holdings	100%	100%
Gamania Korea Co., Ltd.	Note A	Design and sales of software	100%	100%
Alibangbang Games Co., Ltd.	Note A	Design and research of software	99.27%	98.60%
Foundation Digital Entertainment Co., Ltd.	Note A	Publishing of magazines and periodicals	100%	100%
Gamania Digital Entertainment Labuan Holdings, Ltd.	Note A	Investment holdings	100%	100%
Playcoo Co.	Note A	Design and research of software	75.25%	36.72% (Note F)
Gamania International Holdings Ltd.	Note B	Investment holdings	100%	100%
InnoJelly Corporation	Note B	Investment holdings	75.25%	36.72% (Note F)
Gamania Digital Entertainment (Japan) Co., Ltd.	Note C	Design and sales of software; sales of hardware	100%	100%
Gamania China Holdings Ltd.	Note C	Investment holdings	93.84%	93.55%

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>	
			<u>2008</u>	<u>2007</u>
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note D	Design and sales of software	93.84%	93.55%
Gamania Digital Entertainment Sino Holdings Co., Ltd.	Note D	Investment holdings	93.84%	93.55%
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note E	Design and sales of software	93.84%	93.55%

Note A: Majority-owned subsidiary

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

Note C: A majority-owned subsidiary of Gamania International Holding Ltd.

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

Note E: A majority-owned subsidiary of Gamania Digital Entertainment Sino Holdings Co., Ltd.

Note F: As of December 31, 2007, the company was not a consolidated subsidiary.

(3) Changes in the consolidated subsidiaries:

1. Majority-owned subsidiary that was newly included in the consolidated financial statements

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>		<u>Note</u>
			<u>2008</u>	<u>2007</u>	
Playcoo Co.	Note A	Design and research of software	75.25%	36.72%	Note C
InnoJelly Corporation	Note B	Investment holdings	75.25%	36.72%	Note B

Note A: Majority-owned subsidiary.
Note B: A majority-owned subsidiary of Playcoo Co.
Note C: Percentage of shares held by the Company increased from 36.72% to 75.25%.

2. Majority-owned subsidiary that was deconsolidated from the consolidated financial statements

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>		<u>Note</u>
			<u>2008</u>	<u>2007</u>	
G.A. Co., Limited	Note A	Design and sales of software	-	93.55%	Note B

Note A: Majority-owned subsidiary.

Note B: The Company had been liquidated.

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

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

- (6) Difference in the accounting policies adopted among the Company and the subsidiaries: None.
- (7) Special operation risk of foreign subsidiaries: None.
- (8) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- (9) The Company's and its subsidiaries' earnings distributions are restricted by enactment or contract: None.
- (10) The subsidiaries hold the Company's stocks and bonds: None.
- (11) Convertible bonds and new stocks are issued by the subsidiaries: None.
- (12) Other consequential items to the consolidated financial statements: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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) Effective January 1, 2005, 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, although the Company owns less than 50% of the voting rights of the investee companies directly or indirectly. All significant intercompany balances and transactions are eliminated in the consolidation.
- B) The results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition. Effective January 1, 2005, under the amended SFAS No. 7, the results of operations of such subsidiary are 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.

(2) Translation of financial statements of foreign subsidiaries

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

(3) Foreign currency transactions

The accounts of the Company and its subsidiaries are maintained in New Taiwan dollars and functional currencies, respectively. Transactions arising in foreign currencies are translated into New Taiwan dollars and functional currencies at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses are included in the current year's results of operations.

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

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

- a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
- b) Assets held mainly for trading purposes;
- c) Assets that are expected to be realized within 12 months from the balance sheet date; and
- d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged and used to pay off liabilities more than 12 months after the balance sheet date.

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

- a) Liabilities arising from operating activities that are expected to be paid within the normal operating cycle;
- b) Liabilities arising mainly from trading activities;
- c) Liabilities that are to be paid within 12 months from the balance sheet date; and
- d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date.

(5) Cash equivalents

Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risk of changes in value because of changes in interest rates.

The consolidated statement of cash flows is prepared on the basis of cash and cash equivalents.

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

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

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

(7) Available-for-sale financial assets

A) Available-for-sale financial assets are recognized and derecognized using trade date accounting and are initially stated at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B) The financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. The fair values of listed stocks, OTC stocks and closed-end mutual funds are based on latest quoted fair prices of the accounting period. The fair values of open-end and balanced mutual funds are based on the net asset value at the balance sheet date.

C) If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be transferred from equity to profit or loss. When the fair value of an equity instrument subsequently increases, impairment losses recognized previously in profit or loss shall not be reversed. When the fair value of a debt instrument subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss recognized in profit or loss.

(8) 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.

(9) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on a review of the collectibility of receivables. The Group determines the amount for doubtful accounts by examining the collectibility of ending balances of notes, accounts and other receivables (including balances from related parties), and the aging analysis of receivables.

(10) Inventories

The Group uses the perpetual inventory system and the original cost is the cost to obtain the assets. Inventories are stated at the lower of cost or market value based on the aggregate value method. Market value is determined using the net realizable value. Cost is determined using the weighted-average method. Allowance for loss is provided on obsolete inventories, when necessary.

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

- A) Long-term equity investments in which the Company 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, effective January 1, 2006. Retroactive adjustment of the amount of goodwill amortized in previous years is not required.
- B) 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.
- C) 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

(12) 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 are based on the shorter of the contract period or the life of the asset, the estimated useful lives are 55 years for buildings and 3 to 8 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.
- D) Rents paid for capital leases are capitalized and liabilities on lease obligations are recognized accordingly.

(13) 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.

(14) Other intangible assets

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.

(15) Impairment of non-financial assets

- A) Impairment loss is recognized when the recoverable amount 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.

B) 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.

(16) Share-based payment – employee compensation plan

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”.

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

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

(18) Deferred income tax assets and income tax

A) Income tax of the Company and its domestic subsidiaries is 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) Tax credits resulting from equipment purchases, technology acquisitions, research and development expenditures, training expenses and long-term equity investments, etc. of the Company and its domestic subsidiaries are recognized as current income tax benefit when incurred.
- C) Over or under provision of prior years' income tax liabilities is included in the current year's income tax expense.
- D) In accordance with the Taiwan imputation tax system, any undistributed current earnings of a company derived on or after January 1, 1998 is subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional corporate income tax is recorded as income tax expense in the period the stockholders approve a resolution to retain the earnings.
- E) In accordance with the "Income Basic Tax Act", effective January 1, 2006, income tax is accounted for based on the income tax law or other regulations when income tax is equal or more than the basic tax. When income tax is less than the basic tax, income tax due shall be equal to the basic tax. The difference cannot be deducted from investment credits based on other regulations.
- F) The Company's overseas subsidiaries' income tax is subject to their local regulations.

(19) 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. Minimum pension liability in the interim financial statements is adjusted in accordance with the net periodic pension cost and funds contributed.
- B) Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(20) 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.

(21) 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.

(22) Earnings per share

- A) The computation of earnings per share is as follows:
 - Basic earnings per share: net income divided by the weighted-average number of shares outstanding during the period.
 - Diluted earnings per share: the computation is the same as basic earnings per share, except that the potential dilutive shares are assumed to have been converted to common stock at the beginning of the 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.

(23) Use of estimates

The preparation of 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.

3. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2008, the Company and its domestic subsidiaries adopted EITF 96-052, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration” dated March 16, 2007 of the Accounting Research and Development Foundation, R.O.C. As a result of the adoption of this regulation, net income decreased by \$32,245 thousand and earnings per share decreased by \$0.21 for the year ended December 31, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Cash on hand	\$ 843	\$ 518
Cash in banks	492,909	577,546
Time deposits	307,732	543,796
Cash equivalents	<u>20,000</u>	<u>7,816</u>
	<u>\$ 821,484</u>	<u>\$ 1,129,676</u>

(2) Notes receivable - net

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Notes receivable	\$ 70,135	\$ 89,020
Less: Allowance for doubtful accounts	<u>(16)</u>	<u>(16)</u>
	<u>\$ 70,119</u>	<u>\$ 89,004</u>

(3) Accounts receivable - net

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ 1,014,656	\$ 953,313
Less: Allowance for doubtful accounts	(68,702)	(72,716)
Allowance for sales returns	(7,464)	(13,059)
	<u>\$ 938,490</u>	<u>\$ 867,538</u>

(4) Inventories - net

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Inventories	\$ 31,326	\$ 43,989
Less: Reserve for loss on decline in market value and obsolescence	(10,207)	(28,880)
	<u>\$ 21,119</u>	<u>\$ 15,109</u>

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

	<u>December 31,</u>	
<u>Items</u>	<u>2008</u>	<u>2007</u>
Unlisted stocks		
Nice Finance Co., Ltd.	\$ 91,453	\$ 91,453
NC Taiwan Co., Ltd.	22,841	22,841
	<u>\$ 114,294</u>	<u>\$ 114,294</u>

- A) The investments were measured at cost since their fair value cannot be measured reliably.
- B) In January 2007, the Company sold 5,040,000 common shares of NC Taiwan Co., Ltd. to NCSOFT Corporation at a cost of \$14.98 per share and recognized a gain on disposal of \$20,681. After the disposal, the Company's ownership in NC Taiwan Co., Ltd. decreased from 51% to 15%. Accordingly, the said investment was reclassified as "Financial asset carried at cost – non-current" instead of "Long-term investment accounted for under the equity method"

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

A) List of long-term investments

<u>Name of investee</u>	<u>December 31, 2008</u>			<u>Investment loss for the year ended December 31, 2008</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Taiwan e-sports Co., Ltd.	\$ 5,000	20.00%	(\$ 3,747)	(\$ 5,293)
Playcoo Co. (Note)	152,554	75.25%	-	(1,993)
	157,554		(3,747)	(\$ 7,286)
Prepayment for long-term investment:				
Taiwan e-sports Co., Ltd.	5,000		5,000	
Total	<u>\$ 162,554</u>		<u>\$ 1,253</u>	

Note: The Company increased its ownership in Playcoo Co. by acquiring 6,295,000 shares of common stocks for \$12 per share from Wistron Corporation and Wisecap Ltd. in March 2008. Accordingly, the Company has included Playcoo Co. in its consolidated financial statements from then on.

<u>Name of investee</u>	<u>December 31, 2007</u>			<u>Investment loss for the year ended December 31, 2007</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Playcoo Co.	\$ 63,151	36.72%	\$ 32,589	(\$ 12,197)
Taiwan e-sports Co., Ltd.	5,000	25.00%	4,439	(561)
	<u>\$ 68,151</u>		<u>\$ 37,028</u>	(\$ 12,758)

- B) The related investment loss of \$5,293 and \$561 in Taiwan e-sports Co., Ltd. was based on its unaudited financial statements for the years ended December 31, 2008 and 2007, respectively, as its authorized capital was below \$30,000, its operating revenues was below \$50,000 and it did not account for 10% of the Company's operating revenues.
- C) The related investment loss based on financial statements audited by other auditors amounted to \$1,993 and \$12,197 for the years ended December 31, 2008 and 2007, respectively. As of December 31, 2008 and 2007, the balance of this investment was \$0 and \$32,589, respectively.

(7) Property, plant and equipment - net

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	163,721	156,375
Machinery and equipment	699,843	634,217
Office equipment	78,816	76,246
Leased assets	107	5,122
Leasehold improvements	38,207	30,235
Other equipment	2,402	1,496
	<u>1,130,847</u>	<u>1,051,442</u>
<u>Accumulated depreciation</u>		
Buildings	(20,783)	(16,486)
Machinery and equipment	(508,396)	(409,501)
Office equipment	(40,187)	(38,551)
Leased assets	(86)	(2,705)
Leasehold improvements	(19,146)	(6,775)
Other equipment	(1,224)	(841)
	<u>(589,822)</u>	<u>(474,859)</u>
Construction in progress and prepayments for equipment	3,169	-
Accumulated impairment	(4,323)	(6,049)
	<u>\$ 539,871</u>	<u>\$ 570,534</u>

(8) Other intangible assets

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Prepayments for franchises	\$ 38,393	\$ 38,738
Less: Accumulated impairment	(38,298)	(38,298)
	<u>\$ 95</u>	<u>\$ 440</u>

(9) Deferred charges

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Royalties payments	\$ 547,315	\$ 431,441
Unamortized expense	226,051	105,919
	773,366	537,360
Less: Accumulated impairment	(305,553)	(326,010)
	<u>\$ 467,813</u>	<u>\$ 211,350</u>

(10) Asset impairment

A) Gain on recovery of impairment for the years ended December 31, 2008 and 2007 is set forth below:

	<u>For the years ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Gain on recovery of impairment-deferred charges	<u>\$ 18,033</u>	<u>\$ -</u>

B) The Company recognized gain on reversal of impairment loss for the year ended December 31, 2008 due to adjustments in the Company's market strategies and also, the supplier agreed to return the proxy royalties that the Company had previously paid. Accordingly, the recoverable amount was higher than its carrying amount.

(11) Short-term loans

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Short-term bank loans	<u>\$ 115,000</u>	<u>\$ 10,000</u>
Annual interest rates	<u>2.10% ~ 3.94%</u>	<u>2.85% ~ 4.85%</u>
Credit lines	<u>\$ 215,000</u>	<u>\$ 75,000</u>

(12) Long-term loans

<u>Bank</u>	<u>Total Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>December 31,</u>	
			<u>2008</u>	<u>2007</u>
Chang Hwa Bank	\$ 150,000	02.14.2005 ~ 02.14.2008 First year grace period, 12 equal semi-annual installments starting from year 2	\$ -	\$ 25,000
Sumitomo Mitsui Banking Corporation	JPY 90,000 (Note)	09.24.2008 ~ 09.23.2011, 12 equal quarterly installments	<u>29,883</u>	<u>-</u>
			29,833	25,000
Less: Current portion			<u>(11,025)</u>	<u>(25,000)</u>
			<u>\$ 18,858</u>	<u>\$ -</u>

Note: Thousands of yen.

(13) Income tax payable

A) Income tax payable and income tax expense for the years ended December 31, 2008 and 2007 are reconciled as follows:

	<u>For the years ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Current year income tax expense	\$ 63,217	\$ 89,591
Additional 10% corporate income tax on undistributed earnings	<u>783</u>	<u>80</u>
	64,000	89,671
Add (Less): Net change in deferred income tax assets	(1,767)	(41,230)
Prepaid income tax	(9,102)	(35,389)
Over (under) provision of prior year's income tax	1,970	(16,473)
Income tax payable of prior year	4,050	7,377
Income tax refundable (accounted in "other receivables")	-	5,840
Effect of exchange rate	<u>626</u>	<u>(66)</u>
Income tax payable	<u>\$ 59,777</u>	<u>\$ 9,730</u>

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

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Deferred income tax assets - current	\$ 44,368	\$ 43,487
Deferred income tax assets - non-current	<u>354,600</u>	<u>271,660</u>
	398,968	315,147
Less: Valuation allowance – current	(12,426)	(7,409)
Valuation allowance – non-current	<u>(179,805)</u>	<u>(99,234)</u>
	<u>\$ 206,737</u>	<u>\$ 208,504</u>

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

	December 31,			
	2008		2007	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Current items:				
Allowance for decline in market value and inventory obsolescence	\$ 20,001	\$ 5,000	\$ 30,386	\$ 7,596
Allowance for sales returns	7,463	1,866	13,060	3,265
Over provision of allowance for bad debts	-	-	13,191	3,298
Welfare expenses	67	17	100	25
Loss carryforwards	35,833	8,958	3,238	809
Others	-	-	451	113
Investment tax credits		<u>28,527</u>		<u>28,381</u>
		44,368		43,487
Less: Valuation allowance		(<u>12,426</u>)		(<u>7,409</u>)
		<u>\$ 31,942</u>		<u>\$ 36,078</u>
Non-current items:				
Investment loss on financial assets carried at cost – non-current	\$ 9,851	\$ 2,463	\$ 9,851	\$ 2,463
Impairment loss on deferred charges and intangible assets	-	-	13,313	3,328
Loss carryforwards	511,180	127,794	266,456	66,614
Loss on foreign investments	88,461	22,115	87,001	21,750
Reserve for foreign investments	(46,931)	(11,733)	(63,539)	(15,885)
Reduction in capital of subsidiaries to cover accumulated deficit	672,643	168,161	672,643	168,161
Depreciation allowances in excess of related depreciation	(16,102)	(2,657)	(11,619)	(2,033)
Retirement fund expense, but not deposited with Bank of Taiwan	287	72	422	106
Others	-	-	67	17
Investment tax credits		<u>48,385</u>		<u>27,139</u>
		354,600		271,660
Less: Valuation allowance		(<u>179,805</u>)		(<u>99,234</u>)
		<u>\$ 174,795</u>		<u>\$ 172,426</u>

D) As of December 31, 2008 and 2007, the balance of shareholders account of deductible tax was as follows:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Balance of shareholders account of deductible tax	<u>\$ 419</u>	<u>\$ 66,687</u>
2008 Estimated creditable tax ratio		<u>20.16%</u>
2007 Actual creditable tax ratio		<u>17.60%</u>

E) The Company, in accordance with Regulation No. 273 issued by the Accounting Research and Development Foundation in Taiwan on December 31, 1998, discloses the following information:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
On or after January 1, 1998		
a. Earnings not yet subjected to 10% income tax	\$ 260,049	\$ 383,785
b. Earnings subjected to 10% income tax	(2,505)	(12,164)
	<u>\$ 257,544</u>	<u>\$ 371,621</u>

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

a) As of December 31, 2008, the Company's income tax returns through 2002 have been assessed and approved by the Tax Authority.

b) The Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company paid \$4,050 and contested the remaining balance imposed by the Tax Authority. The Company filed for re-examination in February 2006.

G) As of December 31, 2008, according to "Income Tax Law" and "Statute for Upgrading Industries," the Company and its domestic subsidiaries had investment tax credits and loss carryforwards in the amount of \$213,664 to offset against taxable income for the next four to ten years. The details are as follows:

<u>Deductible item</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 115,781	\$ 69,526	2009~2012
Machinery and equipment	779	779	2009~2012
Employees training	6,607	6,607	2009~2012
Loss carryforwards	<u>136,752</u>	<u>136,752</u>	2013~2018
	<u>\$ 259,919</u>	<u>\$ 213,664</u>	

(14) Accrued pension liability

- A) The Company has 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 contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan (formerly Central Trust of China) under the name of the independent retirement fund committee.
- B) Gamania Digital Entertainment (Japan) Co., Ltd., Gamania Korea Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd. provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were \$2,551 and \$1,794 for the years ended December 31, 2008 and 2007, respectively.
- C) Gamania Digital Entertainment (Beijing) Co., Ltd. provides an old-age pension and insurance monthly based on 20% of the employees' salaries and wages in accordance with the local regulations. The net pension and insurance cost was \$3,074 and \$2,522 for the years ended December 31, 2008 and 2007, respectively.
- D) Effective July 1, 2005, the Company and its subsidiaries adopted a defined contribution pension plan (the "New Plan"). Under the New Plan, employees have the option to choose the New Plan. The Company and its 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 for the years ended December 31, 2008 and 2007 amounted to \$28,382 and \$24,488, respectively.
- E) Gamania Holdings Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment Labuan Holdings Ltd., Gamania International Holdings Ltd. and Gamania China Holdings Ltd. do not have an employee retirement plan.

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

	<u>2008</u>	<u>2007</u>
Discount rate	2.50%~3.00%	3.50%
Expected return rate on plan assets	1.50%~3.50%	2.75%~3.50%
Average ratio of salary increase	2.50%~3.50%	2.50%~3.50%

G) The reconciliation of the funded status to accrued pension liability is summarized as follows:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Vested benefit obligation	(\$ 2,873)	\$ -
Non-vested benefit obligation	(22,072)	(15,865)
Accumulated benefit obligation	(24,945)	(15,865)
Additional benefits based on future salary increases	(24,327)	(12,916)
Projected benefit obligation	(49,272)	(28,781)
Fair value of plan assets	<u>37,820</u>	<u>28,720</u>
Funded status	(11,452)	(61)
Unrecognized transition obligation	2,495	1,703
Unrecognized net loss	13,711	101
Additional pension liability	(840)	(451)
Prepaid pension (Accrued pension liability)	<u>\$ 3,914</u>	<u>\$ 1,292</u>
Accrued pension liability	(\$ 2,243)	(\$ 1,590)
Prepaid pension (Accrued pension liability)	<u>6,157</u>	<u>2,882</u>
	<u>\$ 3,914</u>	<u>\$ 1,292</u>
Accrued pension liability – new policy	<u>\$ 3,920</u>	<u>\$ 3,249</u>
Vested obligation	<u>\$ -</u>	<u>\$ -</u>

The components of net pension cost were as follows:

	<u>2008</u>	<u>2007</u>
Service cost	\$ 650	\$ 505
Interest cost	1,100	903
Expected return on plan assets	(894)	(652)
Unrecognized transition obligation	177	121
Amortization of pension loss (gain)	20	(42)
Unrecognized net loss	-	217
Net pension cost	<u>\$ 1,053</u>	<u>\$ 1,052</u>

(15) Capital reserve

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.

(16) Legal reserve

Pursuant to the R.O.C. Company Law, 10% of the annual after-tax net income of the Company, after covering accumulated losses, must be appropriated as legal reserve until its total amount equals the issued capital stock. Legal reserve can only be used to cover accumulated losses or to increase capital. Legal reserve can be used to increase capital only if the accumulated amount of legal reserve is more than 50% of paid-in capital, and the amount is limited to 50% of its balance.

(17) Retained earnings

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

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

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

domestic 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) On June 13, 2008, the Company's stockholders approved to distribute 2007 earnings which include legal reserve of \$37,082, employee bonuses of \$50,088, cash dividends of \$268,333, stock dividends of \$7,061 and directors' and supervisors' remuneration of \$6,678.
- D) On June 13, 2007, the Company's stockholders approved to distribute 2006 earnings which include legal reserve of \$24,132, employee bonuses of \$21,719, cash dividends of \$152,754 (which is \$614 different from the actual distribution of \$152,140 due to fractional shares), stock dividends of \$38,189 and directors' and supervisors' remuneration of \$4,340.
- E) The estimated amounts of employees' bonuses and directors' and supervisors' remuneration are \$21,990 and \$4,398, constituting 10% and 2%, respectively, of net income after tax for the year ended December 31, 2008, after taking into account the legal reserve, and are recognized as operating expenses for the year ended December 31, 2008.

The calculation of shares of stock bonus distributed is based on the closing price of the Company's common stock at the previous day of the following year's stockholders' meeting after taking into account the effects of ex-rights and ex-dividends. If the estimated amount is different from the amount approved by the stockholders, the difference is recognized as gain or loss in the following year.

- F) In accordance with EITF 96-052, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration" issued by the Accounting Research and Development Foundation, the pro forma information for the year ended December 31, 2007 is set forth below:

- a. The employees' bonuses and directors' and supervisors' remuneration are \$50,088 and \$6,678, respectively, for the year ended December 31, 2007.
- b. Pro forma information:

		(Retroactively adjusted)	
		<u>For the year ended December 31, 2007</u>	
Net income	Net income	\$ 383,785	
	Pro forma net income	327,019	
Basic earnings per share	EPS	2.49	(in dollars)
(EPS)	Pro forma EPS	2.13	(in dollars)
Diluted earnings per share	EPS	2.45	(in dollars)
	Pro forma EPS	2.09	(in dollars)

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

(18) Earnings per share

	For the year ended December 31, 2008				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 1)	
	Before <u>income tax</u>	After <u>income tax</u>		Before <u>income tax</u>	After <u>income tax</u>
Basic earnings per share:					
Net income	\$ 324,049	\$ 260,049	153,171	\$ <u>2.12</u>	\$ <u>1.70</u>
Dilutive effect:					
Stock options	-	-	<u>1,004</u>		
Diluted earnings per share:					
Net income	\$ <u>324,049</u>	\$ <u>260,049</u>	<u>154,175</u>	\$ <u>2.10</u>	\$ <u>1.69</u>

Note: In New Taiwan Dollars.

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. However, the accounting treatment for the appropriation of employees' bonus for 2007 earnings resolved at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of R.O.C. SFAS No. 24, "Earnings per Share".

For the year ended December 31, 2007					
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share before retroactive adjustment:					
Net income	\$ 473,456	\$ 383,785	148,109	\$ 3.20	\$ 2.59
Dilutive effect:					
Stock options	-	-	2,604		
Diluted earnings per share:					
Net income	\$ 473,456	\$ 383,785	150,713	\$ 3.14	\$ 2.55
Basic earnings per share after retroactive adjustment:					
Net income	\$ 473,456	\$ 383,785	153,823	\$ 3.08	\$ 2.49
Dilutive effect:					
Stock options	-	-	2,604		
Diluted earnings per share:					
Net income	\$ 473,456	\$ 383,785	156,427	\$ 3.03	\$ 2.45

Note: In New Taiwan Dollars.

(19) Treasury stock

A) Changes in the treasury stock for the years ended December 31, 2008 and 2007 are set forth below (in thousands of shares):

(A) Reason for reacquisition	For the year ended December 31, 2008			
	Beginning shares	Additions	Disposals	Ending shares
Employee stock options	6,887	6,212	-	13,099
Reason for reacquisition	For the year ended December 31, 2007			
	Beginning shares	Additions	Disposals	Ending shares
Employee stock options	10,000	6,887	(10,000)	6,887

B) The maximum and ending balances of treasury stock for the years ended December 31, 2008 and 2007 were as follows:

<u>December 31, 2008</u>		<u>December 31, 2007</u>	
<u>Maximum balance</u>	<u>Ending balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>
<u>\$ 370,182</u>	<u>\$ 370,182</u>	<u>\$ 200,788</u>	<u>\$ 200,788</u>

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 credit standing and shareholders' equity shall be retired within six months; treasury stocks for all other purposes shall be reissued within three years from the month of acquisition; and treasury stocks not reissued within the said periods shall be retired.

(20) Employee stock option plan

A) On December 25, 2003 and November 14, 2007, the board of directors approved the employee stock option plans which provide for the issuance of 10,000,000 units and 12,000,000 units of options, respectively, that can be converted to one share of common stock per unit. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The 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 board of directors approved the employee stock option plan which provide for the issuance of 5,000,000 units of options on December 24, 2008. The plan has been reported to the Financial Supervisory Commission (the Administration) on December 31, 2008 and became effective on January 12, 2009. The Company expects to issue all or parts of the stock options depending on actual demand during the year.

C) The units and weighted average exercise price of the stock options for the years ended December 31, 2008 and 2007 are as follows:

	For the years ended December 31,			
	2008		2007	
Stock Options	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)
Beginning balance	16,718	\$ 29.21	5,210	\$ 32.80
Number of options granted		-	12,064	-
Exercised		-	(198)	-
Cancelled	(421)	-	(358)	-
Ending balance	<u>16,297</u>	\$ 26.16	<u>16,718</u>	\$ 29.21
Exercisable at the end of the year	<u>4,651</u>		<u>4,718</u>	
Authorized but unissued at the end of the year	<u>-</u>		<u>-</u>	

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

D) As of December 31, 2008 and 2007, the details of outstanding stock options are as follows:

For the year ended December 31, 2008					
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)
\$ 28.30	4,651	1.08	\$ 28.30	4,651	\$ 28.30
\$ 25.30	11,646	4.92	\$ 25.30	-	\$ -

For the year ended December 31, 2007					
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)
\$ 31.40	4,718	2.08	\$ 31.40	4,718	\$ 31.40
\$ 28.35	12,000	5.92	\$ 28.35	-	\$ -

E) The pro-forma information as if the “fair-value method” has been adopted is as follows:

(a) Model: The Black-Scholes model

(b) Assumptions:

<u>Black-Scholes model assumptions</u>	<u>2007 stock options</u>	<u>2004 stock options</u>
Dividend yield	0%	0%
Volatility (Note 1)	43.58%	62.02%
Risk-free interest rate	2.65%	1.95%
Expected life of the options	4.3 years	6 years
Exercise price (Note 2)	\$ 28.3 (in dollars)	\$ 25.3 (in dollars)
Amortization period	2~3 years	2~3 years

Note 1: The Company started trading in OTC on May 21, 2002, so it adopted the stock price from May 21, 2002 to February 10, 2004 (the date options were given). Also, the stock prices mentioned above considered the effect of earnings distribution every year.

Note 2: Exercise price of the stock options mentioned above considered the effect of earnings distribution and was readjusted to \$28.3 and \$25.3, respectively.

(c) Result of evaluation:

	<u>For the year ended December 31, 2008</u>		<u>For the year ended December 31, 2007</u>
	<u>2007 stock options</u>	<u>2004 stock options</u>	<u>2004 stock options</u>
Weighted average fair value of options granted to employees	\$ 10.95 (in dollars)	\$ 17.4656 (in dollars)	\$ 17.4656 (in dollars)
Compensation cost under "fair value method"	\$ 53,071	\$ -	6,982

(d) Pro forma information:

		<u>For the year ended December 31, 2008</u>	<u>(Retroactively adjusted) For the year ended December 31, 2007</u>
Net income	Net income	\$ 260,049	\$ 383,785
	Pro forma net income	206,978	376,803
Basic earnings per share (EPS)	EPS	1.70 (in dollars)	2.49 (in dollars)
	Pro forma EPS	1.35 (in dollars)	2.45 (in dollars)
Diluted earnings per share	EPS	1.69 (in dollars)	2.45 (in dollars)
	Pro forma EPS	1.34 (in dollars)	2.41 (in dollars)

(21) Personnel, depreciation and amortization expenses

	For the year ended December 31, 2008		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 82,926	\$ 637,019	\$ 719,945
Labor and health insurances	3,702	49,172	52,874
Pension	952	34,108	35,060
Others	1,062	43,277	44,339
	<u>\$ 88,642</u>	<u>\$ 763,576</u>	<u>\$ 852,218</u>
Depreciation	<u>\$ 70,419</u>	<u>\$ 95,253</u>	<u>\$ 165,672</u>
Amortization	<u>\$ 111,936</u>	<u>\$ 29,437</u>	<u>\$ 141,373</u>

	For the year ended December 31, 2007		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 60,596	\$ 481,977	\$ 542,573
Labor and health insurances	141	41,359	41,500
Pension	91	27,691	27,782
Others	-	36,812	36,812
	<u>\$ 60,828</u>	<u>\$ 587,839</u>	<u>\$ 648,667</u>
Depreciation	<u>\$ 77,130</u>	<u>\$ 62,027</u>	<u>\$ 139,157</u>
Amortization	<u>\$ 77,868</u>	<u>\$ 21,418</u>	<u>\$ 99,286</u>

(22) Preparation of financial statements

The Company, in accordance with Article 12 of “Statute for Upgrading Industries”, may set aside 20% of overseas investments as allowance for investment losses for income tax purposes. However, to comply with generally accepted accounting principles in Republic of China, the allowance had been reversed in the financial statements as of December 31, 2008.

The allowance for investment loss is as follows:

<u>Amount as of January 1, 2008</u>	<u>Additions</u>	<u>Recovery</u>	<u>Amount as of December 31, 2008</u>
\$ 63,539	\$ 12,324	(\$ 28,932)	\$ 46,931

5. RELATED PARTY TRANSACTIONS

Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Nexon Corporation (Nexon)	A stockholder of the Company (Note 1)
Playcoo Co. (Playcoo)	A subsidiary of the Company (Note 2)
Gamania Cheer Up Foundation	Same chairman

Note 1: Held an interest of more than 20% in December 2008.

Note 2: The Company's ownership in Playcoo Co. increased to 73.32% in March 2008, therefore it became the Company's subsidiary in 2008.

(2) Significant transactions and balances with related parties

A) License fees

	<u>For the years ended December 31,</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>% of license fees</u>	<u>Amount</u>	<u>% of license fees</u>
Nexon	\$ 685,586	55	\$ 620,847	52
Playcoo	1,395	-	-	-
	<u>\$ 686,981</u>	<u>55</u>	<u>\$ 620,847</u>	<u>52</u>

The above represents payments for license fees as agent of the subsidiaries' on-line game.

The license fees are negotiated based on different factors.

B) Accounts payable

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Amount</u>	<u>% of accounts payable</u>	<u>Amount</u>	<u>% of accounts payable</u>
	Nexon	<u>\$ 35,699</u>	<u>20</u>	<u>\$ 40,566</u>

C) Donation

	<u>For the years ended December 31,</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>% of donation</u>	<u>Amount</u>	<u>% of donation</u>
Gamania Cheer Up Foundation	<u>\$ 5,000</u>	<u>64</u>	<u>\$ -</u>	<u>-</u>

D) Directors' and supervisors' remuneration:

	<u>2008</u>	<u>2007</u>
Salary (Note (1))	\$ 13,378	\$ 13,215
Bonus (Note (2))	-	-
Professional Expense (Note (3))	1,338	1,697
Distribution of Earnings (Note (4))	<u>12,727</u>	<u>25,642</u>
	<u>\$ 27,443</u>	<u>\$ 40,554</u>

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 more information, please refer to the Company's annual report.

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>December 31,</u>		<u>Purpose</u>
	<u>2008</u>	<u>2007</u>	
Land	\$ 57,497	\$ 111,236	Long-term loans / Credit loans
Buildings	40,990	92,246	"
Cash in bank (shown in other financial assets-current)	2,000	-	Short-term loans / Credit lines
Time deposits (shown in other financial assets-current)	<u>2,000</u>	<u>-</u>	"
	<u>\$ 102,487</u>	<u>\$ 203,482</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

A) As of December 31, 2008, the total future rental payments for the next 3 years under non-cancelable operating lease agreements for the Group's office building was \$82,219.

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

C) As stated in Note 4(13), the Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company reassessed the

2002 income tax return and deemed its additional liability to be \$4,050. The Company filed for re-examination in February 2006 to contest the balance of tax and penalties. The re-examination is still pending as of the report date.

D) For the period from January 1, 2009 to December 31, 2009, First Commercial Bank provides guarantee for merchandise transactions on behalf of the Company to Wisdom Distribution Service Corporation. The Company guarantees that if the amount of sales to Wisdom Distribution Service Corporation is less than the amount of sales returns, the Company should pay the guarantee of \$4,000 to First Commercial Bank and Wisdom Distribution Service Corporation would get implicative guarantee from First Commercial Bank.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

(1) Financial statement presentation

Certain accounts in the 2007 consolidated financial statements were reclassified to conform with the 2008 consolidated financial statements presentation.

(2) The fair values of the financial instruments

	<u>December 31, 2008</u>			<u>December 31, 2007</u>		
	<u>Book value</u>	<u>Fair value</u>		<u>Book value</u>	<u>Fair value</u>	
		<u>Quotations in an active market</u>	<u>Estimated value</u>		<u>Quotations in an active market</u>	<u>Estimated value</u>
<u>Financial instruments</u>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$1,853,990	(Note A)	\$1,853,990	\$2,102,465	(Note A)	\$2,102,465
Financial assets carried at cost	114,294	-	-	114,294	-	-
Refundable deposits	38,409	-	38,045	32,164	-	31,310
Liabilities						
Financial liabilities with fair values equal to book values	\$ 851,787	(Note A)	\$ 851,787	\$ 705,040	(Note A)	\$ 705,040
Long-term loans	18,858	-	15,866	-	-	-
Guarantee deposits	374	-	374	1,281	-	1,281

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, other financial asset-current, other current assets, short-term loans, notes and accounts payable (including related parties), income tax payable, accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.
- B) The fair value of long-term loans is based on the present value of expected cash flow amounts. The discount rate was another instrument which the Company could acquire similar terms about 2.425%.
- C) The fair value of refundable deposits is based on the present value of expected cash flow amounts. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank.
- D) The fair value of guarantee deposits is the book value since the amount is insignificant.
- E) Off-balance sheet financial instruments with credit risk: None.

(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 carried at cost — non-current

(A) Market risk

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

(B) Credit risk

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

There is no active market for equity financial instruments 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 and long-term loans (including current portion of long-term loans)

(A) Market risk

As interest rate of the loans for working capital is floating, 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

As floating interest for loans is adopted by the Group, effective interest will vary with fluctuations in market interest and it will change future cash flows.

- (5) For the years ended December 31, 2008 and 2007, the Company donated cash amounting to \$8,550 and \$2,220, respectively, to charities, and educational institutions that are accredited by the government, without significant appointed considerations.

(6) Intercompany transactions eliminated

For the year ended December 31, 2008

	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its Subsidiaries	Fundation Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	Alibangbang Digital Games Co., Ltd.	PlayCoo Co.
1. Long-term investments and stockholders' equity eliminated	(\$ 692,725)	\$ 322,171	\$ 20,316	\$ 91,633	\$ 116,778	\$ 7,746	\$ 317	\$ 28,687	\$ 105,077
2. Receivables and payables eliminated	(19,658)	(10,622)	(1,218)	45,665	6	423	(2,804)	259	(12,051)
3. Profit and loss accounts eliminated									
(1) Sale and purchase transactions	7,451	8,012	(58)	(15,405)	-	-	-	-	-
(2) Royalty income and publishing cost	350	32,549	-	-	-	383	(598)	(3,341)	(29,343)
(3) Other operating revenue and service expense	(2,640)	-	-	2,640	-	-	-	-	-
(4) Advertising expense and revenue	12,823	-	2,133	(14,956)	-	-	-	-	-
(5) Rent revenue and expense	(4,731)	-	89	4,619	-	-	-	23	-
(6) Other revenue and expense	(1,593)	8	(462)	1,974	-	-	-	73	-
(7) Realized (unrealized) gross profit on intercompany transactions	(230)	-	-	230	-	-	-	-	-

For the year ended December 31, 2007

	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its Subsidiaries	Fundation Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	Alibangbang Digital Games Co., Ltd.
1. Long-term investments and stockholders' equity eliminated	(\$ 517,470)	\$ 221,907	\$ 20,193	\$ 113,607	\$ 114,384	\$ 26,407	(\$ 40)	\$ 21,012
2. Receivables and payables eliminated	(42,991)	(15,373)	(1,491)	55,401	6	4,745	301	4
3. Profit and loss accounts eliminated								
(1) Sale and purchase transactions	46,331	1,680	(19,155)	(28,856)	-	-	-	-
(2) Royalty income and publishing cost	(1,873)	1,873	-	-	-	-	-	-
(3) Other operating revenue and service expense	(1,920)	-	-	1,920	-	-	-	-
(4) Advertising expense and revenue	9,000	-	(74)	(8,926)	-	-	-	-
(5) Rent revenue and expense	(5,075)	-	362	4,713	-	-	-	-
(6) Other revenue and expense	(882)	73	170	639	-	-	-	-
(7) Realized (unrealized) gross profit on intercompany transactions	(1,143)	(32)	-	1,175	-	-	-	-

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

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, 2008	Outstanding guarantee amount at December 31, 2008	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Maximum amount available for guarantee (Note 3)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Fundation Digital Entertainment Co., Ltd.	2	\$ 30,000	\$ 10,000	\$ 10,000	None	0.43%	\$476,348 (30% of the Company's capital)
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd.	3	30,000	30,000	30,000	None	1.30%	476,348 (30% of the Company's capital)

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: In accordance with the Company's policy, the total guarantee amount of the Company shall not exceed 30% of the Company's capital.

Note 4: \$30,000, and should not exceed the guaranteed company's capital.

C) Marketable securities held at December 31, 2008

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	December 31, 2008				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	31,818	\$ 322,171	100%	\$ 322,171	Note (3)
"	"	Gamania Korea Co., Ltd.	"	"	522	7,746	100%	7,746	Note (3)
"	"	Alibangbang Digital Games Co., Ltd.	"	"	10,423	28,687	99.27%	28,687	Note (3)
"	"	Taiwan Index Co., Ltd.	"	"	8,044	66,720	72.08%	66,720	Note (3)
"	"	Gamania Asia Investmet Co., Ltd.	"	"	13,945	141,691	100%	141,691	Note (3)
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	317	100%	317	Note (3)
"	"	Foundation Digital Entertainment Co., Ltd.	"	"	7,000	20,316	100%	20,316	Note (3)
"	"	Playcoo Co.	Investee company accounted for under the equity method	"	13,996	105,077	75.25%	105,077	Note (3)
"	"	Taiwan e-sports Co., Ltd.	"	"	500	(3,747)	20%	(3,747)	None
"	"	Taiwan e-sports Co., Ltd.	"	Prepayment for long-term investment	-	5,000	-	5,000	None
"	"	Buybooks Digital Technology Corp., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost-non-current	300	-	3.74%	-	None
"	"	ECD Interactive Corporation (Note (4))	"	"	2,040	-	18.55%	-	None
"	"	Joyon Entertainment Co., Ltd.	"	"	697	-	11.47%	-	None
"	"	RAVA Ideologie Inc.	"	"	880	-	8.69%	-	None
"	"	NC Taiwan Co., Ltd.	"	"	2,100	22,841	15%	22,841	None

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

Note (2): The market value of listed equity securities and closed-end mutual funds is determined based on closing price and net asset value of funds at the balance sheet date, respectively. 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.

Note (4): Under liquidation.

D) Marketable securities acquired or sold during the year ended December 31, 2008 in excess of \$100,000 or 20% of capital:

Investor	Type and name of marketable securities	General ledger account	Name and relationship of counterparty	Beginning balance (Note)		Addition		Disposal			Disposal gain (loss)	Ending balance (Note)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	Polaris De-Li Bond Fund	Financial asset held for trading	Initial investment at inception/None	-	-	8,477	\$ 130,000	8,477	\$ 130,306	\$ 130,000	\$ 306	-	-
"	IBT Ta-Chong Equity Fund	Financial asset held for trading	"	-	-	11,251	150,000	11,251	150,390	150,000	390	-	-
"	IBT 1699 Bond Fund	Financial asset held for trading		-	-	10,224	130,000	10,224	130,330	130,000	330	-	-
"	Yuanta Wan Tai Bond Fund	Financial asset held for trading		-	-	9,808	140,000	9,808	140,283	140,000	283	-	-
"	UPAMC James Bond Fund	Financial asset held for trading		-	-	6,989	110,000	6,989	110,194	110,000	194	-	-
"	Fuh Hwa Bond Fund	Financial asset held for trading		-	-	8,963	122,000	8,963	122,231	122,000	231	-	-

Note: Original investment cost.

- E) Acquired real estate in excess of \$100,000 or 20% of capital: None.
- F) Disposal of real estate in excess of \$100,000 or 20% of capital: None.
- G) Sales to or purchases from related parties in excess of \$100,000 or 20% of capital: None.
- H) Receivable from related parties in excess of \$100,000 or 20% of capital: None.
- I) Information on derivative transaction: None.

(2) Information of investee companies

A) Information of investee companies:

(The information on Gamania Entertainment Labuan Holdings Ltd. and Taiwan e-spots Co., Ltd. were based on unaudited financial statements. The information on Gamania Korea Co., Ltd., Taiwan Index Co., Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment (Japan) Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd., Playcoo Co., and Fundation Digital Entertainment CO., Ltd., were based on financial statements audited by other 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
				2008.12.31	2007.12.31	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	\$1,076,728	\$1,045,789	31,818	100%	\$ 322,171	\$ 39,051	\$ 39,051	Subsidiary (Note)
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sales of software	189,255	158,457	522	100%	7,746	(40,855)	(40,855)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	210,000	160,000	10,423	99.27%	28,687	(42,318)	(41,817)	"
"	Taiwan Index Co., Ltd.	"	Software services and sales	211,433	208,248	8,044	72.08%	66,720	(26,204)	(18,263)	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	13,945	100%	141,691	(4,734)	(4,734)	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 15(A), Main Office Tower, Financial Park Labuan, 87000 Labuan, Jalan Merdeka, 87000 Labuan, FT, Malaysia	Investment holdings	329	329	10	100%	317	343	343	"
"	Fundation Digital Entertainment CO., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Sales and publishing of magazines and periodicals	70,000	40,000	7,000	100%	20,316	(29,877)	(29,877)	"
"	Playcoo Co.	4F-4, No. 215, SEC 2, Cheng-deRd., Taipei City, Taiwan	Supply of software services and electronic information	152,554	63,151	13,996	75.25%	105,077	(4,235)	(15,338)	"

Note : 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
				2008.12.31	2007.12.31	Number of shares	Percentage	Book value			
The Company	Taiwan e-sports Co.,Ltd.	9F, No.176 Chung Hsiao East Rd. Section 4, Taipei City, Taiwan	Supply of software services and electronic information	\$ 10,000 (Note 1)	5,000	500	20%	\$ 1,253 (Note 1)	(\$ 22,493)	(\$ 5,293)	Investee company accounted for under equity method(Note 3)
Gamania Asia Investment Co., Ltd.	Taiwan Index Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and sales of software	80,625	80,625	3,036	27.20%	24,913	(26,204)	(7,128)	"
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 31,818 thousand	USD 30,878 thousand	31,018	100%	USD 9,859 thousand	USD 1,253 thousand	USD 1,253 thousand	Subsidiary (Note 3)
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Sumitomo Ooimachi Bldg (North) 4F, 1-20-6, Ooi, Shinagawa-Ku, Tokyo, Japan 140-0014	Design and sales of software; sales of hardware	USD 3,963 Thousand (Note 2)	USD 14,298 thousand	3 (Note 2)	100%	USD 4,155 Thousand (Note 2)	USD 949 thousand	USD 949 thousand	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 19,594 thousand	USD 18,654 thousand	19,594	93.84%	USD 5,722 thousand	USD 380 thousand	USD 308 thousand	"

Note 1: Including prepayment of \$5,000 for long-term investment.

Note 2: Reduced its paid in capital by retiring 16,000 shares, amounting to USD 10,335 at historical exchange rate.

Note 3: 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
				200812.31	2007.12.31	Number of shares	Percentage	Book value			
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Fourth Floor, One Capital Place P.O. Box 874GT, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 17,820 thousand	USD 16,880 thousand	17,820	100%	USD 454 thousand	(USD 1,226 thousand)	(USD 1,226 thousand)	Subsidiary (Note)
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Rm. 811, 8F, Building A, GEM Techcenter, No. 9, 3rd street of Shangdi, Beijing 100085 China	Design and sales of software	USD 14,300 thousand	USD 13,500 thousand	N/A	100%	(USD 356 thousand)	(USD 1,088 thousand)	(USD 1,088 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen Street, Hung, Hom, Kowloon, Hong Kong	Design and sales of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 5,621 thousand	USD 1,610 thousand	USD 1,610 thousand	"
Playcoo Co.	InnoJelly Corporation	2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands	Investment holdings	USD 2 thousand	USD 2 thousand	2	100%	10	-	-	"

Note : The transaction 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, 2008:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	December 31, 2008				
					Number of shares (Note (3))	Book value	Percentage	Market value (Note (2))	Note
Gamania Holdings Ltd.	Common Stock	Gamania International Holdings Ltd.	Subsidiary	Long-term investments – accounted for under the equity method	31,818	USD 9,859 thousand	100%	USD 9,859 thousand	Note 4
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	3	USD 4,155 thousand	100%	USD 4,155 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	19,594	USD 5,722 thousand	93.84%	USD 5,722 thousand	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD 5,621 thousand	100%	USD 5,621 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	17,820	USD 454 thousand	100%	USD 454 thousand	"
Gamania Sino Holdings Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	USD 356 thousand	100%	USD 356 thousand	"
PlaycooCo.	"	InnoJelly Corporation	"	"	2	\$ 10	100%	\$ 10	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under equity method	"	3,036	24,913	27.20%	24,913	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost	9,383	91,453	14.60%	91,453	None

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

Note (2): The market value of listed equity securities and closed-end mutual funds is determined based on closing price at the balance sheet date and net asset value of funds, respectively.

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

Note (3): Unit: In thousand shares

Note (4): The transaction has been eliminated in the consolidated financial statements.

- E) Marketable securities acquired or sold during the year ended December 31, 2008 in excess of \$100,000 or 20% of capital: None.
- 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) Sale to or purchases from related parties in excess of \$100,000 or 20% of capital: None.
- I) Receivable from related parties in excess of \$100,000 or 20% of capital: None.
- J) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

A)

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment as of January 1, 2008	Remitted or received investment amount during the period		Accumulated investment as of December 31, 2008	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at December 31, 2008	Accumulated investment income received as of December 31, 2008
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	(RMB 116,075 thousand) \$559,029	(Note (2))	(USD 11,370 thousand) \$373,618	(USD 800 thousand) \$26,288	-	(USD 12,170 thousand) \$399,906	93.84%	(USD 1,021 thousand) (\$ 33,550)	(USD 334 thousand) (\$ 10,975)	\$ -

Accumulated amount of investment in Mainland China as of December 31, 2008	Related investment amount approved by FIA	Upper limit of investment in Mainland China
\$ 399,906 (USD 12,170 thousand)	\$ 557,963 (Note (1))	\$ 1,394,027

Note (1): Related total investment amount approved by FIA is USD 16,980,000 or NTD 557,963 thousand based on 32.86 exchange rate.

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

Note (3): Investment loss recognized in the period is calculated based on the percentage of indirect ownership using the financial statements of the investee, which were unreviewed.

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

C) The transaction has 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, 2008

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
0	Gamania Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	1	Other revenue	\$ 1,974	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Service revenue	2,640	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Rent revenue	4,619	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	License revenue	2,000	Note (4)	-%
0	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	1	License revenue	10,399	Note (4)	-%
0	"	Foundation Digital Entertainment Co., Ltd.	1	On-line game revenue	2,133	Note (4)	-%
0	"	Taiwan Index Co., Ltd.		Purchases	7,767	Note (4)	-%
0	"	Alibangbang Digital Games Co., Ltd.	1	Operating cost	2,981	Note (4)	-%
0	"	Playcoo Co.	1	Operating cost	9,768	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	14,956	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Notes receivable	2,095	Note (4)	-%
0	"	Gamania Digital Entertainment Labuan Holdings Ltd.	1	Accounts receivable	3,915	Note (4)	-%
0	"	Gamania International Holdings Ltd.	1	Other receivables	1,374	Note (4)	-%
0	"	Gamania Holdings Ltd.	1	Other receivables	2,041	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other receivables	4,236	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	5,764	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	6,773	Note (4)	-%
0	"	Playcoo Co.	1	Other receivables	5,234	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Guarantee deposits	3,210	Note (4)	-%
0	"	Gamania Digital Entertainment Labuan Holdings Ltd.	1	Guarantee deposits	1,571	Note (4)	-%
0	"	Playcoo Co.	1	Defferd charges	6,818	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	48,566	Note (4)	1%
0	"	Taiwan Index Co., Ltd.	1	Accrued expenses	3,929	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other payables	1,306	Note (4)	-%

For the year ended December 31, 2008 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
1	Playcoo Co.	Gamaina Digital Entertainment Co., Ltd.	2	Operating revenue	\$ 9,768	Note (4)	-%
1	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Operating revenue	17,671	Note (4)	-%
1	"	Gamania Digital Entertainment (HK) Co., Ltd.	3	Operating revenue	1,904	Note (4)	-%
1	"	Gamaina Digital Entertainment Co., Ltd.	2	Receipts in advance	6,818	Note (4)	-%
1	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	15,234	Note (4)	-%
1	"	Gamaina Digital Entertainment Co., Ltd.	2	Other payables	5,234	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamaina Digital Entertainment Co., Ltd.	2	Operating revenue	22,723	Note (4)	-%
2	"	Gamania Digital Entertainment (HK) Co., Ltd.	3	Operating revenue	7,638	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	4,619	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	2,640	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Other expenses	1,974	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	52,495	Note (4)	1%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	2,015	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	2,095	Note (4)	-%
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Taiwan Index Co., Ltd.	3	Purchases	7,638	Note (4)	-%
3	"	Gamania Digital Entertainment Co., Ltd.	2	License costs	2,000	Note (4)	-%
3	"	Playcoo Co.	3	License costs	1,904	Note (4)	-%
3	"	Gamania Korea Co., Ltd.	3	Accounts receivable	3,457	Note (4)	-%
3	"	Alibangbang Digital Games Co., Ltd.	3	Prepayments	1,285	Note (4)	-%
3	"	Taiwan Index Co., Ltd.	3	Accounts payable	2,015	Note (4)	-%

For the year ended December 31, 2008 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	\$ 5,764	Note (4)	-%
4	Gamania Digital Entertainment (Japan) Co., Ltd	Playcoo Co.	3	Operating costs	17,671	Note (4)	-%
4	"	"	3	Accounts payable	15,234	Note (4)	-%
4	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts payable	2,356	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Prepayments	3,210	Note (4)	-%
5	Fundation Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Advertising expenses	2,133	Note (4)	-%
6	Gamania Digital Entertainment Labuan Holdings, Ltd.	Gamania Digital Entertainment Co., Ltd.	2	License costs	10,399	Note (4)	-%
6	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	2,356	Note (4)	-%
6	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	3,915	Note (4)	-%
6	"	Gamania Digital Entertainment Co., Ltd.	2	Prepayments	1,571	Note (4)	-%
6	"	Gamania Korea Co., Ltd.	3	Receipts in advance	1,251	Note (4)	-%
7	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	3	Prepayments in advance	1,251	Note (4)	-%
7	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts payable	3,457	Note (4)	-%
8	Alibangbang Digital Games Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	License revenue	2,981	Note (4)	-%
8	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Receipts in advance	1,285	Note (4)	-%

For the year ended December 31, 2008 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
9	Gamania Holdings Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	\$ 2,041	Note (4)	-%
10	Gamania International Holdings Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,374	Note (4)	-%
11	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	1,306	Note (4)	-%
11	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	6,773	Note (4)	-%

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

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

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

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

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

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

Note (5): The disclosure standard reaches above \$1,000 for the transaction amount.

For the year ended December 31, 2007

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms		Transaction terms	Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount		
0	Gamania Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	1	Purchases	\$ 27,301	Note (4)	-%
0	"	Foundation Digital Entertainment Co., Ltd.	1	Purchases	19,030	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expenses	8,926	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	7,343	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	57,861	Note (4)	2%
1	Foundation Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	19,030	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	27,301	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Advertising revenue	8,926	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	57,861	Note (4)	2%
4	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	7,343	Note (4)	-%

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

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

Note (2): The relationship with the transaction parties is 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 gain/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 \$5,000 for the transaction amount.

12. SEGMENT FINANCIAL INFORMATION

(1) Financial information by industry segments

The Company is engaged mainly in one single industry – the software services and trading. Accordingly, no industry information by segment is presented.

(2) Financial information by geographic areas

	<u>2008</u>			<u>Consolidated</u>
	<u>Asia</u>	<u>Taiwan</u>	<u>Adjustments and elimination</u>	
Operating revenues from unaffiliated customers	\$ 638,779	\$ 3,129,884	\$ -	\$ 3,768,663
Operating revenues from the Company and its consolidated subsidiaries	<u>614</u>	<u>79,149</u>	<u>(79,763)</u>	<u>-</u>
Total operating revenues	<u>\$ 639,393</u>	<u>\$ 3,209,033</u>	<u>(\$ 79,763)</u>	<u>\$ 3,768,663</u>
Segment profits	<u>\$ 206,840</u>	<u>\$ 1,047,430</u>	<u>(\$ 16,355)</u>	\$ 1,237,915
Investment loss accounted for under the equity method				(7,286)
General expenses (including non-operating revenues and expenses)				(901,364)
Interest expense				<u>(2,077)</u>
Net loss before income tax and minority interest				<u>\$ 327,188</u>
Identifiable assets	<u>\$ 601,089</u>	<u>\$ 2,690,814</u>	<u>(\$ 90,544)</u>	\$ 3,201,359
Financial assets carried at cost - non-current				114,294
Long-term investments - accounted for under the equity method				5,000
General assets				<u>49,114</u>
Total Assets				<u>\$ 3,369,767</u>

	2007			
	<u>Asia</u>	<u>Taiwan</u>	<u>Adjustments and elimination</u>	<u>Consolidated</u>
Operating revenues from unaffiliated customers	\$ 404,524	\$ 3,096,233	\$ -	\$ 3,500,757
Operating revenues from the Company and its consolidated subsidiaries	-	64,883	(64,883)	-
Total operating revenues	<u>\$ 404,524</u>	<u>\$ 3,161,116</u>	<u>(\$ 64,883)</u>	<u>\$ 3,500,757</u>
Segment profits	<u>\$ 164,413</u>	<u>\$ 1,214,486</u>	<u>(\$ 6,876)</u>	<u>\$ 1,372,023</u>
Investment loss accounted for under the equity method				(12,758)
General expenses (including non-operating revenues and expenses)				(883,927)
Interest expense				(2,742)
Net loss before income tax and minority interest				<u>\$ 472,596</u>
Identifiable assets	<u>\$ 406,873</u>	<u>\$ 2,847,845</u>	<u>(\$ 88,079)</u>	\$ 3,166,639
Financial assets carried at cost - non-current				114,294
Long-term investments - accounted for under the equity method				37,028
General assets				<u>2,880</u>
Total Assets				<u>\$ 3,320,841</u>

(3) Information regarding export sales

The Company does not have export sales exceeding 10% of operating revenues in 2008 and 2007.

(4) Information regarding major customers

<u>Customer Name</u>	<u>Year 2008</u>	
	<u>Sales</u>	<u>% of net sales</u>
Customer A	\$ 1,262,110	29
Customer B	713,087	16
Customer C	467,228	11
	<u>\$ 2,442,425</u>	<u>56</u>

<u>Customer Name</u>	<u>Year 2007</u>	
	<u>Sales</u>	<u>% of net sales</u>
Customer A	\$ 1,416,065	36
Customer B	476,317	12
Customer C	374,665	10
	<u>\$ 2,267,047</u>	<u>58</u>