

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

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

MARCH 31, 2007 AND 2006

These English financial statements and report of independent accountants were translated from the financial statements and report of independent accountants originally prepared in Chinese.

Report of Independent Accountants

(07) R.F014.07000017

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

We have reviewed the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. (the “Company”) and its subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income and of cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to report on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, our reviews were made in accordance with the Generally Accepted Auditing Standards No. 36, “Review of Financial Statements” in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 1, the consolidated financial statements include unreviewed financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$616,021 thousand and \$743,824 thousand, constituting 18.49% and 22.63% of the related consolidated totals as of March 31, 2007 and 2006, respectively, and total operating revenues of \$119,721 thousand and \$259,224 thousand, constituting 13.98% and 29.17% of the related consolidated totals for the three-month periods then ended, respectively. In addition, as explained in Note 4(7), the consolidated financial statements include certain long-term investments accounted for under the equity method amounting to \$27,695 thousand and \$58,513 thousand as of March 31, 2007 and 2006, respectively, and the related investment loss was \$2,026 thousand and \$4,442 thousand for the three-month periods then ended, respectively. These amounts and the information disclosed in Note 11 were based on their respective financial statements which were not reviewed by independent accountants.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of these investee companies been reviewed by independent accountants as explained in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the “Rules Governing Preparation of the Financial Statements of Securities Issuers”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principals in the Republic of China.

April 23, 2007

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.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2007	2006		2007	2006
ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Assets			Current Liabilities		
Cash and cash equivalents (Note 4 (1))	\$ 1,083,550	\$ 576,143	Short-term loans (Note 4 (11))	\$ 30,000	\$ 84,897
Financial assets at fair value through profit or loss – current (Note 4 (2))	-	280,943	Notes payable – third parties	173,959	119,968
Financial assets carried at cost – current (Note 4 (3))	-	9,851	Accounts payable – third parties	150,929	121,668
Notes receivable – third parties – net (Note 4 (4))	137,014	59,129	Accounts payable – related party (Note 5 (2))	-	6,607
Accounts receivable – third parties – net (Note 4 (5))	841,310	964,628	Income tax payable (Note 4 (14))	74,098	31,288
Other receivables	8,292	4,204	Accrued expenses	109,532	129,041
Other receivables – related parties (Note 5 (2))	-	8,089	Other payables – related party (Note 5 (2))	-	17,485
Other financial assets – current (Note 6)	-	30,000	Other payables – third parties	63,940	39,271
Inventories – net (Note 4 (6))	31,150	22,625	Unearned revenue collected in advance	116,950	253,985
Prepaid expenses	30,949	58,819	Current portion of long-term liabilities (Notes 4 (12) and 4 (13))	120,000	54,384
Deferred income tax assets – current (Note 4 (14))	33,177	39,318	Other current liabilities	45,489	31,387
Other current assets	3,745	11,042		884,897	889,981
	<u>2,169,187</u>	<u>2,064,791</u>			
Long-term Investments			Long-term Liabilities		
Financial assets carried at cost – non-current (Note 4 (3))	114,294	102,699	Long-term loans (Note 4 (12))	-	287,692
Long-term investments – accounted for under the equity method (Note 4 (7))	27,695	58,513	Capital lease obligation – non-current (Note 4 (13))	-	126
	<u>141,989</u>	<u>161,212</u>		<u>-</u>	<u>287,818</u>
Property, Plant and Equipment – net (Notes 4 (8) and 6)			Other Liabilities		
Cost			Accrued pension liabilities (Note 4 (15))	3,510	6,263
Land	147,751	147,751	Guarantee deposits	361	1,922
Buildings	156,054	155,976	Other liabilities – other	1,044	64
Machinery and equipment	764,557	918,634		4,915	8,249
Transportation equipment	-	1,700	Total Liabilities	<u>889,812</u>	<u>1,186,048</u>
Office equipment	57,282	107,807	Stockholders' Equity		
Leased assets	1,551	1,532	Common stock (Notes 1 and 4 (16))	1,468,787	1,468,787
Leasehold improvements	20,127	70,054	Capital reserve (Note 4 (17))		
Other equipment	1,357	15,377	Paid-in capital in excess of par	736,166	1,003,484
Total Cost	<u>1,148,679</u>	<u>1,418,831</u>	Gain on disposal of property, plant and equipment	221	221
Less: Accumulated depreciation	(570,539)	(631,915)	Retained earnings		
Accumulated impairment	(19,180)	-	Retained earnings (accumulated deficit) (Notes 4 (14) and 4 (19))	358,777	(402,743)
Construction in progress and prepayments for equipment	-	80	Financial instruments' unrealized loss	(45)	-
	<u>558,960</u>	<u>786,996</u>	Cumulative translation adjustments	23,730	24,658
Intangible assets			Treasury stock (Note 4 (21))	(155,765)	(94,275)
Trademark	287	324		2,431,871	2,000,132
Goodwill	2,900	2,881	Minority interest	9,939	100,580
Deferred pension cost	545	549	Total Stockholders' Equity	<u>2,441,810</u>	<u>2,100,712</u>
Other intangible assets – net (Note 4 (9))	695	975	Commitments and Contingent Liabilities (Note 7)		
	<u>4,427</u>	<u>4,729</u>			
Other Assets					
Refundable deposits	36,749	42,628			
Deferred charges – net (Note 4 (10))	204,843	160,824			
Deferred income tax assets – non-current (Note 4 (14))	215,467	65,580			
	<u>457,059</u>	<u>269,032</u>			
TOTAL ASSETS	<u>\$ 3,331,622</u>	<u>\$ 3,286,760</u>	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 3,331,622</u>	<u>\$ 3,286,760</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated April 23, 2007.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	<u>2007</u>	<u>2006</u>
Operating revenues		
Sales revenue	\$ 862,877	\$ 910,563
Sales returns	(22,302)	(15,850)
Sales allowances	(13,708)	(10,649)
Net sales revenue	<u>826,867</u>	<u>884,064</u>
Service revenue	<u>29,259</u>	<u>4,611</u>
Operating revenues	<u>856,126</u>	<u>888,675</u>
Operating costs		
Cost of goods sold (Notes 4 (23) and 5)	(434,058)	(491,216)
Gross profit	<u>422,068</u>	<u>397,459</u>
Operating expenses (Notes 4 (23) and 10)		
Selling expenses	(88,688)	(109,157)
General and administrative expenses	(173,696)	(172,877)
Research and development expenses	(28,688)	(28,336)
Total operating expenses	<u>(291,072)</u>	<u>(310,370)</u>
Operating income	<u>130,996</u>	<u>87,089</u>
Non-operating income		
Interest income	1,153	632
Gain on adjustment of financial assets (Note 4 (2))	2,454	943
Gain on sale of investments (Note 4 (3))	20,681	821
Foreign exchange gain	-	925
Rental income	96	54
Gain from price recovery of inventories	-	2,749
Miscellaneous income	<u>4,552</u>	<u>907</u>
Total non-operating income	<u>28,936</u>	<u>7,031</u>
Non-operating expenses		
Interest expense	(830)	(2,795)
Investment loss accounted for under the equity method (Note 4 (7))	(2,026)	(4,442)
Loss on disposal of property, plant and equipment	-	(6,779)
Loss on decline in market value of obsolete inventories	(7,155)	-
Miscellaneous losses	(2,497)	(1,947)
Total non-operating expenses	<u>(12,508)</u>	<u>(15,963)</u>
Income before income tax	<u>147,424</u>	<u>78,157</u>
Income tax expense (Note 4 (14))	(30,921)	(36,430)
Consolidated net income	<u>\$ 116,503</u>	<u>\$ 41,727</u>
Attributable to:		
Equity holders of the Company	\$ 118,079	\$ 56,717
Minority interest	(1,576)	(14,990)
	<u>\$ 116,503</u>	<u>\$ 41,727</u>

	<u>2007</u>		<u>2006</u>	
Basic earnings per share (in dollars) (Note 4 (20))	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
Profit attributable to equity holders of the Company	\$ 1.09	\$ 0.86	\$ 0.63	\$ 0.39
Minority interest loss	(0.01)	(0.01)	(0.10)	(0.10)
Consolidated net income	<u>\$ 1.08</u>	<u>\$ 0.85</u>	<u>\$ 0.53</u>	<u>\$ 0.29</u>
Diluted earnings per share (in dollars) (Note 4 (20))				
Profit attributable to equity holders of the Company	\$ 1.09	\$ 0.86	\$ 0.63	\$ 0.39
Minority interest loss	(0.01)	(0.01)	(0.10)	(0.10)
Consolidated net income	<u>\$ 1.08</u>	<u>\$ 0.85</u>	<u>\$ 0.53</u>	<u>\$ 0.29</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated April 23, 2007.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	<u>2007</u>	<u>2006</u>
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 116,503	\$ 41,727
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on sale of investments	(20,681)	(821)
Gain on adjustment of financial assets	(2,454)	(943)
Reversal of allowance for bad debts and sales returns	(895)	(11,149)
Provision for (recovery of) decline in market value and obsolescence of inventories and inventories written – off	5,481	(5,797)
Investment loss accounted for under the equity method	2,026	4,442
Depreciation and amortization	62,079	79,124
Amortization of trademark	11	11
(Gain) loss on disposal of property, plant and equipment and other intangible assets	(27)	6,779
Amortization of other intangible assets	83	121
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable - third parties	(24,320)	25,750
Accounts receivable - third parties	30,749	(130,661)
Other receivables - third parties	(4,522)	642
Other receivables - related party	-	(7,569)
Inventories	(13,962)	(892)
Prepaid expenses	(14,182)	(28,861)
Deferred income tax assets	1,090	24,311
Other current assets	(1,844)	(4,729)
Increase (decrease) in:		
Notes payable - third parties	103,638	14,296
Accounts payable - third parties	52,308	42,514
Accounts payable - related party	(26,168)	(39,871)
Income tax payable	29,157	10,648
Accrued expenses	(68,462)	(75,791)
Other payables - third parties	8,433	(13,077)
Other payables - related party	-	17,485
Unearned revenue collected in advance	(29,852)	74,902
Other current liabilities	36,456	3,867
Accrued pension liabilities	(1,848)	(1,367)
Net cash provided by operating activities	<u>238,797</u>	<u>25,091</u>

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GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	<u>2007</u>	<u>2006</u>
<u>Cash flows from investing activities</u>		
Proceeds from disposal of financial assets held for trading		
- bond funds	\$ 1,089,454	\$ 475,821
Increase in financial assets held for trading - bond funds	(1,087,000)	(755,000)
Proceeds from disposal of long-term investments	75,499	-
Proceeds from disposal of property, plant and equipment	686	2,759
Acquisition of property, plant and equipment	(12,409)	(51,310)
Increase in deferred charges	(35,860)	(12,567)
Decrease in other financial assets – non-current	-	2,327
Increase in refundable deposits, net	(10,950)	(4,543)
Decrease in other assets – other	-	1,067
Net cash provided by (used in) investing activities	<u>19,420</u>	<u>(341,446)</u>
<u>Cash flows from financing activities</u>		
Increase in short-term loans	30,000	521
Decrease in long-term loans	(25,000)	(942)
Increase in other liabilities - other	94	-
Increase in guarantee deposits	11	584
Decrease in capital lease obligation – non-current	(128)	(2,050)
Acquisition of treasury stock	-	(94,275)
Changes in minority interest	1,467	1,136
Net cash provided by (used in) financing activities	<u>6,444</u>	<u>(95,026)</u>
Effect of changes in consolidated subsidiaries	(215,394)	-
Effect of exchange rate changes on cash and cash equivalents	3,103	2,476
Net increase (decrease) in cash and cash equivalents	52,370	(408,905)
Cash and cash equivalents at beginning of year	1,031,180	985,048
Cash and cash equivalents at end of year	<u>\$ 1,083,550</u>	<u>\$ 576,143</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for:		
Interest	\$ 950	\$ 3,426
Income tax	<u>\$ 33</u>	<u>\$ 1,221</u>
<u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 19,911	\$ 46,480
Payable at end of year	(9,593)	(15,295)
Payable at beginning of year	2,091	20,125
Cash paid	<u>\$ 12,409</u>	<u>\$ 51,310</u>
<u>Information on disposal of majority-owned subsidiaries:</u>		
Cash and bank deposits	\$ 70,863	\$ -
Other current assets	151,777	-
Property, plant and equipment	78,373	-
Other assets	23,526	-
Current liabilities	(171,811)	-
Other liabilities	(669)	-
Total minority interest's equity	152,059	-
Gain on disposal of majority-owned subsidiaries	20,681	-
Minority interest	(74,400)	-
Book value of long-term investments which were not disposal	(22,841)	-
Proceeds from disposal of majority-owned subsidiaries	<u>\$ 75,499</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated April 23, 2007.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

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 March 31, 2007, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 15 million shares of employee stock options), at a par value of \$10 (NT dollars) per share, and the issued and outstanding capital was \$1,468,787. The Company is engaged in software services, TV programming and magazine publications. As of March 31, 2007, the Company and its consolidated subsidiaries had 850 employees.

(2) Consolidated subsidiaries

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of</u>	
			<u>2007</u>	<u>2006</u>
Gamania Holdings Ltd.	Note A	Investment holding company	100%	100%
Taiwan Index Co., Ltd.	Note A	Software services	96.60%	96.60%
Gamania Asia Investments Co., Ltd.	Note A	Investment holdings	100%	100%
Gamania Korea Co., Ltd.	Note A	Design and sale of software	100%	100%
Alibangbang Games Co., Ltd.	Note A	Design and research of software	96.92%	95.56%
Foundation Digital Entertainment Co., Ltd.	Note A	Publishing of magazines and periodicals	100%	-
Gamania Digital Entertainment Labuan Holdings, Ltd.	Note A	Investment holding company	100%	100%
Gamania International Holdings Ltd.	Note B	Investment holding company	100%	100%
Gamania Digital Entertainment (Japan) Co., Ltd.	Note C	Design and sale of software; sale of hardware	100%	100%
Gamania China Holdings Ltd.	Note C	Investment holding company	92.92%	92.81%
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note D	Design and sale of software	92.92%	92.81%
G. A. Co., Limited.	Note D	Design and sale of software	92.92%	92.81%
Gamania Digital Entertainment Sino Holdings Co., Ltd.	Note D	General investment	92.92%	92.81%
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note E	Design and sale of software	92.92%	92.81%

Note A: Majority-owned subsidiary

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

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

(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 March 31</u>		<u>Note</u>
			<u>2007</u>	<u>2006</u>	
Fundation Digital Entertainment Co., Ltd.	Note A	Publishing of magazines and periodicals	100%	-	Note B

Note A: Majority-owned subsidiary.

Note B: The company was established in 2007.

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 March 31,</u>		<u>Note</u>
			<u>2007</u>	<u>2006</u>	
NC Taiwan Co., Ltd.	Note A	Design and sale of software	15%	51%	Note C

Note A: Majority-owned subsidiary.

Note C: Percentage of shares held by the Company decreased from 51% to 15% in January 2007.

(4) Majority-owned subsidiaries not 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 distribution are restricted by enactment or contract: None.

(10) The amortization method and terms of the difference between the acquisition cost and the net equity of the subsidiary: None.

- (11) Other consequential items or the proper exposition 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”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” 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 is excluded from the consolidated statements of income effective the date on which the Company loses control over the subsidiary. For the initial year of adoption of SFAS No. 7, restatement of prior year’s financial statements is not required.

(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 which are translated using 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 Group are maintained in New Taiwan dollars. Transactions arising in foreign currencies are translated into New Taiwan dollars 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 change 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) 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.

(8) 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.

(9) 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.

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

- A) Long-term equity investments in which the Group holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized and carries on tests of impairment every year, effective January 1, 2006. Retroactive adjustment of the amount of goodwill amortized in previous years is not required.
- B) The accounting policy on impairment of long-term investments accounted for under

the equity method is described in Note 2(14).

(11) 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. The estimated useful lives are 55 years for buildings, 15 years for leasehold improvements 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.
- E) The accounting policy on impairment of property, plant and equipment is described in Note 2(14).

(12) 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 is capitalized and amortized based on the period of the contract or deducted based on actual units of play.
- C) The accounting policy on impairment of deferred charges is described in Note 2(14).

(13) Other intangible assets

- A) Franchises for game development are recorded at acquisition cost and amortized using the straight-line method over the estimated service life. Franchises could be deducted from franchises payable amounting to 2% based on sales revenues.
- B) The accounting policy on impairment of other intangible assets is described in Note 2(14).

(14) Impairment of non-financial assets

- A) Impairment loss is recognized when the recoverable amount is less than the book value due to changes of 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 in impairment loss is recognized for goodwill.

(15) Employee stock option plan

The Company adopted Regulation No. 72 “Accounting for Employee Stock Option Plan” issued by the Accounting Research and Development Foundation in Taiwan on March 17, 2003 for grant date of employee stock option or amended date of employee stock option plan, effective January 1, 2004. The cost of employee stock option plan is determined using the “intrinsic value method”. In addition, the Company discloses the pro forma net income and earnings per share as if the “fair-value-based method” has been adopted.

(16) Deferred income tax assets and income tax

- A) Income tax of the Company and its domestic subsidiaries are provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes. Deferred income tax assets or liabilities are further classified into current and non-current items based on the classification 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) According to 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) According to “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 lower 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.

(17) 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 liabilities in the interim financial statements were 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.

(18) 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.

(19) Revenues, costs and expenses

- A) Costs from 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 the earning process is substantially completed and the revenue is realized or realizable.
- D) Sales returns are estimated based on a percentage of sales. Costs and expenses are recognized as incurred.

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

(20) Earnings per share

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

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

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

- B) The potential dilutive shares are employee stock options. The Company adopted the “treasury stock method” in computing the dilutive effect of the employee stock options.

(21) 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 reporting period. Actual results could differ from those estimates.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Goodwill

Effective January 1, 2006, the Group adopted the amended R.O.C. SFAS No. 1, No. 5, No. 7, No. 25 and No. 35 which discontinued the amortization of goodwill. As a result of the adoption of these SFAS, net income increased by \$1,771 and earnings per share increased by \$0.012 for the three-month period ended March 31, 2006.

(2) Financial instruments

A) Effective January 1, 2006, the Group adopted the R.O.C. SFAS No. 34, “Accounting for Financial Instruments”, and No. 36, “Disclosure and Presentation of Financial Instruments” and reclassified certain accounts of the financial statements as of December 31, 2005. The adoption of these changes in accounting principles had no significant impact on the consolidated financial statements as of and for the three-month period ended March 31, 2006.

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Cash on hand	\$ 6,292	\$ 1,623
Cash in banks	997,702	441,412
Time deposits	54,451	119,095
Cash equivalents	25,105	14,013
	<u>\$ 1,083,550</u>	<u>\$ 576,143</u>

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

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Current items:		
Financial asset held for trading		
Bond funds	\$ -	\$ 280,000
Adjustment of financial asset held for trading	-	943
	<u>\$ -</u>	<u>\$ 280,943</u>

(3) Financial assets carried at cost

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Current item:		
Unlisted stocks		
Joyon Entertainment Co., Ltd.	\$ -	\$ 9,851
Non-current items:		
Unlisted stocks		
Buybooks Digital Technology Corp. Ltd.	\$ -	\$ -
ECD Interactive Corporation	-	2,700
Joyon Entertainment Co., Ltd.	-	-
RAVA Ideologie Inc.	-	-
Nice Finance Co., Ltd.	91,453	99,999
NC Taiwan Co., Ltd.	22,841	-
	<u>\$ 114,294</u>	<u>\$ 102,699</u>

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

B) In the first quarter of 2006, the board of directors approved to dispose the Company's investment in Joyon Entertainment Co., Ltd., which was initially classified as "Financial assets carried at cost-current". In the second quarter, however, the disposal was put on hold. Accordingly, the investment was reclassified to "Financial assets carried at cost - non-current".

C) The Company recognized other investment loss on ECD Interactive Corporation and

Joyon Entertainment Co., Ltd. in the amount of \$12,551 for the year ended December 31, 2006 because the Company has assessed that its investments had no value.

D) 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 classified as "Financial asset carried at cost – non-current" instead of "Long-term investment accounted for under the equity method".

(4) Notes receivable

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Notes receivable	\$ 137,030	\$ 59,145
Less: Allowance for doubtful accounts	(16)	(16)
	<u>\$ 137,014</u>	<u>\$ 59,129</u>

(5) Accounts receivable

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ 921,185	\$ 1,027,149
Less: Allowance for doubtful accounts	(73,615)	(52,524)
Allowance for sales returns	(6,260)	(9,997)
	<u>\$ 841,310</u>	<u>\$ 964,628</u>

(6) Inventories

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Inventories	\$ 59,754	\$ 40,887
Less: Reserve for decline in market value and obsolescence	(28,604)	(18,262)
	<u>\$ 31,150</u>	<u>\$ 22,625</u>

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

A) List of long-term investments

<u>Name of investee</u>	<u>March 31, 2007</u>			<u>Investment loss for the three-month period ended March 31, 2007</u>
	<u>Original cost</u>	<u>Ownership Percentage</u>	<u>Balance</u>	
Playcoo Co.	\$ 40,000	30.30%	\$ 27,695	(\$ 2,026)

<u>Name of investee</u>	<u>March 31, 2006</u>			<u>Investment loss for the three-month period ended March 31, 2006</u>
	<u>Original cost</u>	<u>Ownership Percentage</u>	<u>Balance</u>	
Soga Interactive Co., Ltd. (Note)	\$ 28,000	40%	\$ 21,363	(\$ 2,140)
Playcoo Co.	40,000	30.30%	37,150	(2,302)
	<u>\$ 68,000</u>		<u>\$ 58,513</u>	<u>(\$ 4,442)</u>

Note: Sold in December 2006.

B) Long-term investments accounted for under the equity method were based on the financial statements as of and for the three-month periods ended March 31, 2007 and 2006 which were not reviewed by independent accountants.

(8) Property, plant, and equipment

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	156,054	155,976
Machinery and equipment	764,557	918,634
Transportation equipment	-	1,700
Office equipment	57,282	107,807
Leasehold assets	1,551	1,532
Leasehold improvements	20,127	70,054
Other equipment	1,357	15,377
	<u>1,148,679</u>	<u>1,418,831</u>
<u>Accumulated depreciation</u>		
Buildings	(13,223)	(9,566)
Machinery and equipment	(509,719)	(498,811)
Transportation equipment	-	(1,157)
Office equipment	(33,926)	(67,613)
Leasehold assets	(1,098)	(606)
Leasehold improvements	(11,968)	(46,961)
Other equipment	(605)	(7,201)
	<u>(570,539)</u>	<u>(631,915)</u>
Construction in progress and prepayments for equipment	-	80
Less: Accumulated impairment	(19,180)	-
	<u>\$ 558,960</u>	<u>\$ 786,996</u>

(9) Other intangible assets

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Prepayments for franchises	\$ 41,437	\$ 41,588
Less: Accumulated impairment	(40,742)	(40,613)
	<u>\$ 695</u>	<u>\$ 975</u>

(10) Deferred charges

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Royalty payments	\$ 434,668	\$ 373,425
Unamortized expense	96,091	113,180
	530,759	486,605
Less: Accumulated impairment	(325,916)	(325,781)
	<u>\$ 204,843</u>	<u>\$ 160,824</u>

(11) Short-term loans

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Short-term bank loans	\$ 30,000	\$ 84,897
Annual interest rates	<u>2.00%</u>	<u>1.85%~7.75%</u>
Credit lines	<u>\$ 255,000</u>	<u>\$ 469,897</u>

(12) Long-term loans

<u>Bank</u>	<u>Total</u>	<u>Period/Terms</u>	<u>March 31,</u>	
	<u>Credit Lines</u>	<u>of Repayment</u>	<u>2007</u>	<u>2006</u>
Bank SinoPac	\$ 49,000	03.28.2002 ~ 03.28.2017 Two year grace period, 52 equal quarterly installments starting from year 3 (Note 1)	\$ -	\$ 41,461
Mega International Commercial Bank	150,000	08.30.2004 ~ 07.20.2007 Principal due on maturity	50,000	50,000
Mega International Commercial Bank	150,000	12.31.2004 ~ 07.20.2007 Principal due on maturity (Note 2)	20,000	100,000
Chang Hwa Bank	150,000	02.14.2005 ~ 02.14.2009 First year grace period, 12 equal semi-annual installments starting from year 2 (Note 2)	50,000	150,000
			<u>120,000</u>	<u>341,461</u>
Less: Current portion			(120,000)	(53,769)
			<u>\$ -</u>	<u>\$287,692</u>

Note 1: Total principal amount was repaid before due date.

Note 2: Part of the principal amount was repaid before due date.

(13) Long-term liabilities on lease obligations

	<u>Period/Terms of Repayment</u>	<u>March 31, 2007</u>	<u>March 31, 2006</u>
ORIX Asia Ltd.	03.24.2006 ~ 04.24.2007		
	12 equal monthly installments	\$ -	\$ 741
Less: current portion		<u>-</u>	<u>(615)</u>
		<u>\$ -</u>	<u>\$ 126</u>

(14) Income tax

A) Income tax payable and income tax expense for the three-month periods ended March 31, 2007 and 2006 are reconciled as follows:

	<u>For the three-month periods ended March 31,</u>	
	<u>2007</u>	<u>2006</u>
Current year income tax expense	\$ 30,921	\$ 36,430
Additional 10% corporate income tax on undistributed earnings	<u>-</u>	<u>-</u>
	30,921	36,430
Add (Less): Net change in deferred income tax assets	(1,090)	(24,311)
Prepaid income tax	(33)	(1,222)
Income tax payable of prior year	44,314	20,375
Effect of exchange rate	<u>(14)</u>	<u>16</u>
Income tax payable	<u>\$ 74,098</u>	<u>\$ 31,288</u>

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

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Deferred income tax assets - current	\$ 37,672	\$ 42,375
Deferred income tax assets - non-current	<u>281,828</u>	<u>103,250</u>
	\$ 319,500	\$ 145,625
Less: Valuation allowance - current	(4,495)	(3,057)
Valuation allowance - non-current	<u>(66,361)</u>	<u>(37,670)</u>
	<u>\$ 248,644</u>	<u>\$ 104,898</u>

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

	March 31,			
	2007		2006	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Allowance for decline in market value and inventory obsolescence	\$ 29,799	\$ 7,450	\$ 18,960	\$ 4,740
Allowance for sales returns	6,711	1,678	9,997	2,499
Over provision of allowance for bad debts	10,139	2,535	45,483	11,371
Welfare expenses	850	212	1,100	275
Loss carryforwards	25,632	6,408	-	-
Others	175	44	502	126
Investment tax credits		<u>19,345</u>		<u>23,364</u>
		37,672		42,375
Less: Valuation allowance		(4,495)		(3,057)
		<u>\$ 33,177</u>		<u>\$ 39,318</u>
Non-current items:				
Welfare expenses	\$ 142	\$ 36	\$ 992	\$ 248
Investment loss on financial assets carried at cost – non-current	9,851	2,463	-	-
Impairment loss on deferred charges and intangible assets	103,741	25,935	227,312	56,828
Loss carryforwards	236,082	58,446	237,103	59,275
Reserve for foreign investments	(112,752)	(28,188)	(219,236)	(54,809)
Reduction in capital of subsidiaries to cover accumulated deficit	785,541	196,385	-	-
Others	527	132	796	199
Investment tax credits		<u>26,619</u>		<u>41,509</u>
		281,828		103,250
Less: Valuation allowance		(66,361)		(37,670)
		<u>\$ 215,467</u>		<u>\$ 65,580</u>

D) As of March 31, 2007 and 2006, the balance of shareholders account of deductible tax was as follows:

	March 31,	
	2007	2006
Balance of shareholders account of deductible tax	<u>\$ 39,024</u>	<u>\$ 22,065</u>
2006 Estimated creditable tax ratio		<u>22.24%</u>
2005 Actual creditable tax ratio		<u>-</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:

	March 31,	
	<u>2007</u>	<u>2006</u>
On or after January 1, 1998		
a. Earnings not subjected to 10% income tax	\$ 552,165	\$ 56,717
b. Earnings subjected to 10% income tax	(<u>193,388</u>)	(<u>459,460</u>)
	<u>\$ 358,777</u>	<u>(\$ 402,743)</u>

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

- (a) As of March 31, 2007, the Company's income tax returns through 2002 have been assessed and approved by the Tax Authority.
- (b) The Tax Authority imposed additional tax and interests amounting to \$3,327 on the Company's re-examination of the 2001 income tax return. The Company has temporarily recognized the assessment in the financial statements and will file an appeal in April 2007.
- (c) 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) The incremental income associated with the Company's investments in the development of its internet-based computer games conforms with the Regulation No. 8-1 of "Statute for Upgrading Industries", and its non-taxable income are exempt from income tax for five years (2002 to 2006). The tax exempt income amounted to \$15,035 for the three-month period ended March 31, 2006.

H) As of March 31, 2007, 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 \$110,818 to offset against taxable income for the next four 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	\$ 45,025	\$ 37,041	2008~2011
Machinery and equipment	7,703	7,703	2007~2010
Employees training	1,220	1,220	2008~2011
Loss carryforwards	66,149	64,854	2007~2011
	<u>\$ 120,097</u>	<u>\$ 110,818</u>	

(15) 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 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 Central Trust of China under the name of the independent retirement fund committee. For the three-month periods ended March 31, 2007 and 2006, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to \$495 and \$201, respectively. The balance of the retirement fund deposited with Central Trust of China was \$25,947 and \$21,867 as of March 31, 2007 and 2006, respectively. The fund balances are not reflected in the consolidated financial statements.
- 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 \$397 and \$638 for the three-month periods ended March 31, 2007 and 2006, 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 \$471 and \$924 for the three-month periods ended March 31, 2007 and 2006, respectively.

- D) Effective July 1, 2005, the Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd., Alibangbang Digital Games Co., Ltd. and Foundation Digital Entertainment Co., Ltd. (established on February 8, 2007) 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, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd., Alibangbang Games Co., Ltd. and Foundation Digital Entertainment Co., Ltd. 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 subsidiaries, Taiwan Index Co., Ltd., Foundation Digital Entertainment Co., Ltd. and Alibangbang Digital Games Co., Ltd. under the defined contribution plan for the three-month period ended March 31, 2007 amounted to \$4,786. The net pension costs recognized by the Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd. and Alibangbang Digital Games Co., Ltd. under the defined contribution plan for the three-month period ended March 31, 2006 amounted to \$6,036.
- 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.

(16) Common stock

On March 18, 2005, August 30, 2005 and February 15, 2006, the Company’s Board of Directors adopted the resolutions to reduce its paid-in capital to \$1,468,787 by retiring 1,072,000 shares, 1,039,000 shares and 5,000,000 shares of treasury stocks on March 18, 2005, September 1, 2005 and February 16, 2006, respectively.

(17) 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.

(18) 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.

(19) Retained earnings (Accumulated deficit)

- 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 next 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) As of April 23, 2007, no earnings distribution has been proposed by the Board of Directors. For current status of the resolution, please visit the Taiwan Stock Exchange website.

D) As of December 31, 2005, the Company had an accumulated deficit of \$267,318. The Company's stockholders approved not to distribute dividends, employee bonus, and directors' remuneration. In addition, the stockholders during their meeting adopted a resolution to use \$267,318 of capital reserve to cover the accumulated deficit.

(20) Earnings per share

	For the three-month period ended March 31, 2007				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 2)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share:					
Net income attributable to common stockholders	\$ 149,000	\$ 118,079	136,879	<u>\$ 1.09</u>	<u>\$ 0.86</u>
Dilutive effect:					
Stock options	-	-	336		
Diluted earnings per share:					
Net income	<u>\$ 149,000</u>	<u>\$ 118,079</u>	<u>137,215</u>	<u>\$ 1.09</u>	<u>\$ 0.86</u>
	For the three-month period ended March 31, 2006				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 2)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share:					
Net income attributable to common stockholders	\$ 93,147	\$ 56,717	146,454	<u>\$ 0.63</u>	<u>\$ 0.39</u>
Dilutive effect:					
Stock options (Note 1)	-	-	-		
Diluted earnings per share:					
Net income	<u>\$ 93,147</u>	<u>\$ 56,717</u>	<u>146,454</u>	<u>\$ 0.63</u>	<u>\$ 0.39</u>

Note 1: As of March 31, 2006, the outstanding employee stock options have no dilutive effect.

Note 2: In New Taiwan Dollars.

(21) Treasury stock

A)

<u>Purpose</u>	<u>For the three-month period ended March 31, 2007</u>			
	<u>Beginning shares (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares (Note)</u>
Employee stock options	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>

<u>Purpose</u>	<u>For the three-month period ended March 31, 2006</u>			
	<u>Beginning shares (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares (Note)</u>
Employee stock options	<u>5,000</u>	<u>6,378</u>	<u>(5,000)</u>	<u>6,378</u>

Note: Amount in thousands of shares.

B) The maximum and ending balances of treasury stock for the three-month periods ended March 31, 2007 and 2006 are as follows:

<u>March 31, 2007</u>		<u>March 31, 2006</u>	
<u>Maximum balance</u>	<u>Ending balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>
<u>\$ 155,765</u>	<u>\$ 155,765</u>	<u>\$ 302,140</u>	<u>\$ 94,275</u>

- C) The procedure for the write-off of treasury stocks purchased on February 16, 2006 had been completed. As a result, the additional paid in capital-in excess of par decreased by \$34,160, additional paid in capital-treasury stock transaction decreased by \$27,162 and accumulated deficit increased by \$190,818. In addition, 10,000,000 shares were purchased continually since March 20, 2006.
- D) 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.
- E) 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.
- F) According to the R.O.C. Securities and Exchange Act, treasury shares for the purpose of enhancing 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. Treasury stocks not reissued within the said period shall be retired.

(22) Employee stock option plan

A) On December 25, 2003, the board of directors approved an employee stock option plan. The program involves the issuance of 10,000,000 units of options that can be converted to one share of common stock per unit. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The stock option has an exercise period of six years. Employees will be able to exercise these options after two years in accordance with the procedures of the employee stock option plan.

B) The units and weighted average exercise price of the stock options for the three-month periods ended March 31, 2007 and 2006 were as follows:

	For the three-month periods ended March 31,			
	2007		2006	
Stock Options	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)
Beginning balance (Note)	5,210	\$ 32.80	10,000	\$ 32.80
Number of options granted	-	-	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised	-	-	-	-
Cancelled (91)	(91)	-	-	-
Ending balance (Note)	<u>5,119</u>	\$ 32.80	<u>10,000</u>	\$ 32.80
Exercisable at the end of the period	<u>5,119</u>		<u>5,000</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.

C) As of March 31, 2007 and 2006, the details of outstanding stock options are as follows:

For the three-month period ended March 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)
\$ 32.80	5,119	2.83	\$ 32.8	5,119	\$ 32.8

For the three-month period ended March 31, 2006

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)
\$ 32.80	10,000	3.83	\$ 32.8	5,000	\$ 32.8

D) 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>For the three-month period ended March 31, 2007</u>	<u>For the three-month period ended March 31, 2006</u>
Dividend yield	0%	0%
Volatility (Note)	62.02%	62.02%
Risk-free interest rate	1.95%	1.95%
Expected life of the options	6 years	6 years
Exercise price	\$ 32.8 (in dollars)	\$ 32.8 (in dollars)
Amortization period	2~3 years	2~3 years

Note: 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 had considered the effect of earnings distribution every year.

(c) Result of evaluation:

	<u>For the three-month period ended March 31, 2007</u>	<u>For the three-month period ended March 31, 2006</u>
Weighted average fair value of options granted to employees	\$ 17.4656 (in dollars)	\$ 17.4656 (in dollars)
Compensation cost under “fair value method”	6,982	3,317

(d) Pro forma information:

		<u>For the three-month period ended March 31, 2007</u>	<u>For the three-month period ended March 31, 2006</u>
Net income	Net income	\$ 118,079	\$ 56,717
	Pro forma net income	111,097	53,400
Basic earnings per share (EPS)	EPS	0.86 (in dollars)	0.39 (in dollars)
	Pro forma EPS	0.81 (in dollars)	0.36 (in dollars)
Diluted earnings per share	EPS	0.86 (in dollars)	0.39 (in dollars)
	Pro forma EPS	0.81 (in dollars)	0.36 (in dollars)

(23) Personnel, depreciation and amortization expenses

	<u>For the three-month period ended March 31, 2007</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 27,107	\$ 96,619	\$ 123,726
Labor and health insurances	622	9,671	10,293
Pension	680	5,469	6,149
Others	553	8,131	8,684
	<u>\$ 28,962</u>	<u>\$ 119,890</u>	<u>\$ 148,852</u>
Depreciation	\$ 25,065	\$ 12,763	\$ 37,828
Amortization	16,480	9,093	25,573
	<u>\$ 41,545</u>	<u>\$ 21,856</u>	<u>\$ 63,401</u>

	<u>For the three-month period ended March 31, 2006</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 42,320	\$ 107,659	\$ 149,979
Labor and health insurances	2,064	8,664	10,728
Pension	1,266	6,533	7,799
Others	1,238	6,316	7,554
	<u>\$ 46,888</u>	<u>\$ 129,172</u>	<u>\$ 176,060</u>
Depreciation	\$ 39,576	\$ 15,927	\$ 55,503
Amortization	19,146	6,601	25,747
	<u>\$ 58,722</u>	<u>\$ 22,528</u>	<u>\$ 81,250</u>

(24) 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. The balance amounted to \$112,752 as of March 31, 2007. However, to comply with generally accepted accounting principles in Republic of China, the allowance had been reversed in the financial statements as of March 31, 2007.

<u>Amount as of January 1, 2007</u>	<u>Additions</u>	<u>Recovery</u>	<u>Amount as of March 31, 2007</u>
\$ 237,303	\$ -	(\$ 124,551)	\$ 112,752

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Soga Interactive Co., Ltd. (Soga)	Investee accounted for under the equity method (Note 1)
NCsoft Corporation (NCsoft)	NC Taiwan Co., Ltd. is an investee of NCsoft accounted for under the equity method (Note 2)

Note 1: The Company disposed all the shares in December 2006.

Note 2: The Company's ownership in NC Taiwan Co., Ltd. decreased from 51% to 15% in January 2007, therefore it was no longer the Company's related party in 2007.

(2) Significant transactions with related parties

A) Other receivables

	<u>March 31, 2007</u>		<u>March 31, 2006</u>	
	% of net		% of net	
	<u>Amount</u>	<u>other receivables</u>	<u>Amount</u>	<u>other receivables</u>
NCsoft	\$ -	-	\$ 7,639	62
Soga	-	-	450	4
	<u>\$ -</u>	<u>-</u>	<u>\$ 8,089</u>	<u>66</u>

Other receivables consist of payments for the purchase of materials and miscellaneous expenses on behalf of related parties.

B) Accounts payable

	<u>March 31, 2007</u>		<u>March 31, 2006</u>	
	% of net		% of net	
	<u>Amount</u>	<u>accounts payable</u>	<u>Amount</u>	<u>accounts payable</u>
NCsoft	\$ -	-	\$ 6,607	5

The above amount represents the royalties payable for the on-line games developed by the related party. The terms are negotiated by both parties.

C) Other payables

	<u>March 31, 2007</u>		<u>March 31, 2006</u>	
	% of net		% of net	
	<u>Amount</u>	<u>other payables</u>	<u>Amount</u>	<u>other payables</u>
NCsoft	\$ -	-	\$ 17,485	31

The above amount represents the security service fee for on-line games developed by the related party. The terms are negotiated by both parties.

D) Others

The Company and its subsidiary, NC Taiwan Co., Ltd. have been engaged to sell the on-line games developed by NCsoft and are required to pay NCsoft royalties based on the negotiated proportion of the amount of the games consumed. For the three-month period ended March 31, 2006, the royalty paid to NCsoft amounted to \$167,232, which was included in "operating cost".

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>March 31,</u>		<u>Purpose</u>
	<u>2007</u>	<u>2006</u>	
Time deposits (shown in other financial assets - current)	\$ -	\$ 30,000	Short-term loans / Credit lines
Land	141,717	141,717	Long-term loans / Credit lines
Buildings	103,654	105,663	"
Machinery and equipment	18,608	25,982	"
	<u>\$ 263,979</u>	<u>\$ 303,362</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- A) As of March 31, 2007, the total future rental payments for the next 3 years under non-cancelable operating lease agreements for the lease of the Group's office building and server warehouse from Chunghwa Telecom Co., Ltd. was \$135,182.
- B) The Company contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In addition, the Company contracted with several on-line game vendors and will pay royalty based on actual usage.
- C) As stated in Note 4(14), 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.
- D) For the period from January 1, 2007 to December 31, 2007, First Commercial Bank provided 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 lower 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) The fair values of the financial instruments

	<u>March 31, 2007</u>			<u>March 31, 2006</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	\$2,073,911	(Note A)	\$2,073,911	\$1,653,235	(Note A)	\$1,653,235
Financial assets held for trading	-		-	280,943	280,943	-
Financial assets carried at cost	114,294	-	-	112,550	-	-
Refundable deposits	36,749	-	36,504	42,628	-	41,935
Liabilities						
Financial liabilities with fair values equal to book values	\$ 767,947	(Note A)	\$ 767,947	\$ 635,996	(Note A)	\$ 635,996
Long-term loans	-	-	-	287,692	-	264,687
Guarantee deposits	361	-	361	1,922	-	1,922

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 (including related parties), other financial assets-current, other current assets, short-term loans, notes and accounts payable (including related parties), income tax payable, accrued expenses, other payables (including related parties), current portion of long-term loans and other current liabilities.
- B) 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.
- C) 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 ranging from 2.66% to 2.97%.

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.

(2) 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.

(3) 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 is affected by market price. The Group does not expect to have significant market risk because the Group has set a stop loss limit.

(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: Accounts receivable, Notes 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 liabilities).

(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.

(4) For the three-month periods ended March 31, 2007 and 2006, the Company donated cash and magazines amounting to \$400 and \$9,025, respectively, to political parties, charities and educational institutions that are accredited by the government, without significant appointed considerations.

(5) Intercompany transactions eliminated

For the three-month period ended March 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	(\$ 481,149)	\$ 168,445	\$ 40,810	\$ 112,998	\$ 109,093	\$ 31,835	\$ 63	\$ 17,905
2. Receivables and payables eliminated	(42,441)	(16,751)	789	58,416	6	135	(142)	(12)
3. Profit and loss accounts eliminated								
(1) Sales and purchase transactions	7,739	1,066	(5,391)	(3,414)	-	-	-	-
(2) Royalty income and publishing expense	(484)	484	-	-	-	-	-	-
(3) Other operating revenue and service expense	(480)	-	-	480	-	-	-	-
(4) Adverting expense and revenue	2,189	-	-	(2,189)	-	-	-	-
(5) Rent revenue and expense	(70)	-	30	40	-	-	-	-
(6) Other revenue and expense	(355)	-	-	355	-	-	-	-
(7) Realized (unrealized) gross profit on intercompany transactions	(1,104)	(32)	-	1,136	-	-	-	-

For the three-month period ended March 31, 2006

	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	NC Taiwan 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	(\$ 436,127)	\$ 108,193	\$ 96,768	\$ 91,402	\$ 109,173	\$ 18,480	\$ 168	\$ 12,033
2. Receivables and payables eliminated	(174,416)	(24,240)	178,901	25,981	6	(6,112)	-	(120)
3. Profit and loss accounts eliminated								
(1) Sales and purchase transactions	57,279	517	(54,211)	(3,585)	-	-	-	-
(2) Royalty income and publishing expense	(698)	698	-	-	-	-	-	-
(3) Other operating revenue and service expense	(1,040)	785	-	255	-	-	-	-
(4) Publishing expense and royalty income	552	-	(552)	-	-	-	-	-
(5) Adverting expense and revenue	778	-	-	(778)	-	-	-	-
(6) Rent revenue and expense	(5,343)	2,937	97	54	-	2,255	-	-
(7) Other revenue and expense	(849)	-	575	274	-	-	-	-
(8) Realized (unrealized) gross profit on intercompany transactions	3,447	238	(262)	(3,423)	-	-	-	-

11. DISCLOSURE INFORMATION

(1) Related information of significant transactions

A) Financing activities to any company or person: None

B) Guarantee information: None

C) Marketable securities held at March 31, 2007:

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	March 31, 2007				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	29,108	\$ 168,445	100%	\$ 168,445	Note (3)
"	"	Gamania Korea Co., Ltd.	"	"	732	31,835	100%	31,835	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	12,600	17,905	96.92%	17,905	"
"	"	Taiwan Index Co., Ltd.	"	"	17,350	81,105	69.40%	81,105	"
"	"	Gamania Asia Investmet Co., Ltd.	"	"	19,000	140,986	100%	140,986	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	63	100%	63	"
"	"	Fundation Digital Entertainment Co., Ltd.	"	"	4,000	40,810	100%	40,810	"
"	"	Playcoo Co.	Investee company accounted for under the equity method	"	4,000	27,695	30.30%	27,695	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%	-	"
"	"	ECD Interactive Corporation	"	"	2,040	-	18.55%	-	"
"	"	Joyon Entertainment Co., Ltd.	"	"	697	-	11.47%	-	"
"	"	RAVA Ideologie Inc.	"	"	880	-	8.69%	-	"
"	"	NC Taiwan Co., Ltd.	"	"	2,100	22,841	15.00%	22,841	"

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 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 par value at the balance sheet date.

Note (3): The transaction has been eliminated in the consolidated financial statements.

- D) Marketable securities acquired or sold during the three-month period ended March 31, 2007 in excess of \$100,000 or 20% of capital: None.
- 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 transactions: None.

(2) Information of investee companies

A) Information of investee companies:

(The information on investee companies was based on unreviewed 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			(Loss) income incurred by the investee	Investment (loss) income recognized by the Company	Note
				2007.3.31	2006.12.31	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	\$ 987,151	\$ 987,151	29,108	100%	\$168,445	(\$ 5,736)	(\$ 5,736)	Subsidiary (Note 3)
"	Gamania Korea Co., Ltd.	3F, No. 75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sale of software	137,352	137,352	732	100%	31,835	(5,235)	(5,235)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	130,000	110,000	12,600	96.92%	17,905	(8,453)	(8,156)	"
"	Taiwan Index Co., Ltd.	"	Software services	208,200	208,200	17,350	69.40%	81,105	5,686	5,082	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	19,000	100%	140,986	1,541	1,541	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 9F, Main Office Tower, Financial Park, 87000 Labuan FT Labuan, Malaysia	Investment holdings	329	329	10	100%	63	-	-	"
"	Fundation Digital Entertainment Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Sales and publishing of magazine and periodicals	40,000	-	4,000	100%	40,810	810	810	"
"	Playcoo Co.	4F-4, No. 215 Sec 2 Cheng-de Rd., Taipei City, Taiwan	Supply of software services and electronic information	40,000	40,000	4,000	30.30%	27,695	(6,688)	(2,026)	Investee company accounted for under equity method
Gamania Asia Investment Co., Ltd.	Taiwan Index Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and sale of software	80,625	80,625	6,800	27.20%	31,893	5,686	1,547	Investee company accounted for under equity method (Note 3)

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) income incurred by the investee	Investment (loss) income recognized by the Company	Note
				2007.3.31	2006.12.31	Number of shares	Percentage	Book value			
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD\$29,108 thousand	USD\$29,108 thousand	29,108	100%	USD\$5,130 thousand	(USD\$ 162 thousand)	(USD\$ 162 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 sale of software; sale of hardware	USD 14,298 thousand	USD 14,298 thousand	19	100%	USD 2,722 thousand	(USD 196 thousand)	(USD 196 thousand)	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 16,884 thousand	USD 16,884 thousand	16,884	92.92%	USD 2,364 thousand	(USD 23,061 thousand)	USD 20,304 thousand	"
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	4F, One Capital Place, P.O. Box 847 gt, Grand Cayman, Cayman Islands, British West Indies	General investment	USD 15,110 thousand	USD 15,110 thousand	15,110	100%	(USD 410 thousand)	(USD 163 thousand)	(USD 163 thousand)	"
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Rm 2106, Bldg No. 5 Soho New Town, No. 88, Jian Guo Re Beijing, 1000022 China	Design and sale of software	USD 11,980 thousand	USD 11,980 thousand	N/A	100%	(USD 417 thousand)	(USD 116 thousand)	(USD 116 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 2,924 thousand	USD 141 thousand	USD 141 thousand	"
Gamania China Holdings Ltd.	G.A. Co., Limited	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	Note 1	Note 1	N/A	100%	- (Note 2)	-	-	"

Note 1: The original investment cost is \$HK2.

Note 2: Under liquidation since December 2006.

Note 3: 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 March 31, 2007:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	March 31, 2007				
					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	29,108	USD\$ 5,130 thousand	100%	USD\$ 5,130 thousand	Note (4)
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	19	USD 2,722 thousand	100%	USD 2,722 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	16,884	USD 2,364 thousand	92.92%	USD 2,364 thousand	"
Gamania China Holdings Ltd.	"	G.A. Co., Limited	"	"	N/A	-	100%	-	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD 2,924 thousand	100%	USD 2,924 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	15,110	(USD 410 Thousand)	100%	(USD 410 Thousand)	"
Gamania Sino Holdings Co., Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	(USD 417 thousand)	100%	(USD 417 thousand)	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under the equity method	"	6,800	31,893	27.20%	31,893	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost	8,718	91,453	14.60%	91,453	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 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 par 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 three-month period ended March 31, 2007 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) Sales 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, 2007	Remitted or received investment amount during the period		Accumulated investment as of March 31, 2007	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at March 31, 2007	Accumulated investment income received as of March 31, 2007
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sale of software	(RMB 98,811 thousand) \$422,901	(Note (2))	(USD 9,850 thousand) \$325,937	\$ -	\$ -	(USD 9,850 thousand) \$325,937	92.92%	(USD 108 thousand) (\$3,574)	(USD 387 thousand) (\$12,806)	\$ -

Accumulated amount of investment in Mainland China as of March 31, 2007	Related investment amount approved by FIA	Upper limit of investment in Mainland China
\$ 325,937 (USD 9,850 thousand)	\$462,598 (Note (1))	\$ 972,748

Note (1): Related total investment amount approved by FIA is USD13,980,000 or NTD 462,598 thousand based on 33.09 exchange rate.

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

Note (3): Investment loss recognized for 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 three-month period ended March 31, 2007

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	
0	Gamania Digital Entertainment Co., Ltd.	Fundation Digital Entertainment Co., Ltd.	1	Purchases	\$ 5,391	Note (4) 1%
0	"	Taiwan Index Co., Ltd.	1	Purchases	2,348	Note (4) -%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	7,698	Note (4) -%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	7,228	Note (4) -%
0	"	Fundation Digital Entertainment Co., Ltd.	1	Other receivables	4,616	Note (4) -%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other receivables	1,631	Note (4) -%
0	"	Gamania Holdings Ltd.	1	Other receivables	1,354	Note (4) -%
0	"	Gamania International Holdings Ltd.	1	Other receivables	1,080	Note (4) -%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	2,189	Note (4) -%
0	"	Taiwan Index Co., Ltd.	1	Other payables	59,502	Note (4) 2%
0	"	Fundation Digital Entertainment Co., Ltd.	1	Other payables	5,404	Note (4) -%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other payables	2,336	Note (4) -%
1	Fundation Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	5,391	Note (4) 1%
1	"	"	2	Other payables	4,616	Note (4) -%
1	"	"	2	Other receivables	5,404	Note (4) -%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	2,348	Note (4) -%
2	"	"	2	Advertising revenue	2,189	Note (4) -%
2	"	"	2	Other receivables	59,502	Note (4) 2%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	1,089	Note (4) -%

For the three-month period ended March 31, 2007 (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 Korea Co., Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts payable	\$ 3,470	Note (4)	-%
4	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	2,336	Note (4)	-%
4	"	"	2	Other payables	7,228	Note (4)	-%
4	"	Taiwan Index Co., Ltd.	3	Accounts payable	1,089	Note (4)	-%
4	"	Gamania Korea Co., Ltd.	3	Other receivables	3,470	Note (4)	-%
5	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,631	Note (4)	-%
6	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	7,698	Note (4)	-%
7	Gamania Holdings Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,354	Note (4)	-%
8	Gamania International Holdings Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,080	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 three-month period ended March 31, 2006

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.	NC Taiwan Co., Ltd.	1	Service revenue	\$ 2,848	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Purchases	54,211	Note (4)	6%
0	"	Taiwan Index Co., Ltd.	1	Purchases	3,068	Note (4)	-%
0	"	Gamania Korea Co., Ltd.	1	Rent revenue	2,255	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Rent revenue	2,205	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other receivables	21,437	Note (4)	1%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	7,244	Note (4)	-%
0	"	Gamania Korea Co., Ltd.	1	Other receivables	6,664	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	5,567	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Other receivables	2,539	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes payable	140,366	Note (4)	4%
0	"	NC Taiwan Co., Ltd.	1	Other payables	41,150	Note (4)	1%
0	"	Taiwan Index Co., Ltd.	1	Other payables	27,323	Note (4)	1%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other payables	4,419	Note (4)	-%
1	NC Taiwan Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	2,848	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	54,211	Note (4)	6%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	2,539	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Notes receivable	140,366	Note (4)	4%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	41,150	Note (4)	1%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	3,068	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	27,323	Note (4)	1%

For the three-month period ended March 31, 2006 (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	
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	\$ 1,160	Note (4)	-%
3	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Rent expense	2,255	Note (4)	-%
3	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	6,664	Note (4)	-%
3	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	6,758	Note (4)	-%
4	Gamania Digital Entertainment (H.K) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	5,567	Note (4)	-%
4	"	Taiwan Index Co., Ltd.	3	Other payables	1,160	Note (4)	-%
4	"	Gamania Korea Co., Ltd.	3	Other receivables	6,758	Note (4)	-%
4	"	Gamania Sino Holdings Ltd.	3	Other receivables	3,804	Note (4)	-%
5	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	21,437	Note (4)	1%
5	"	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	4,419	Note (4)	-%
6	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	2,205	Note (4)	-%
6	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	7,244	Note (4)	-%
6	"	Gamania Sino Holding Ltd.	3	Other payables	4,592	Note (4)	-%
7	Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	3,804	Note (4)	-%
7	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	Other receivables	4,592	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.