

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

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

JUNE 30, 2011 AND 2010

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

Report of Independent Accountants Translated from Chinese

PWCR11000048

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

We have audited the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of June 30, 2011 and 2010, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As described in Note 1(2), we did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$512,190 thousand and \$529,812 thousand, constituting 10.13% and 11.65% of the related consolidated totals as of June 30, 2011 and 2010, respectively, and total operating revenues of \$333,641 thousand and \$550,499 thousand, constituting 9.26% and 19.52% of the related consolidated totals for the six-month periods then ended, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these investee companies and the information disclosed in Note 11(2) relative to these long-term investments, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of June 30, 2011 and 2010, and the results of their operations and their cash flows for the six-month periods then ended, in conformity with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers, Taiwan

August 23, 2011

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices utilized in the Republic of China governing the audit of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of the independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>ASSETS</u>	2011	2010	<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	2011	2010
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash and cash equivalents (Note 4(1))	\$ 1,758,816	\$ 1,399,576	Short-term loans (Note 4(11))	\$ 110,796	\$ 231,164
Notes receivable - third parties - net (Note 4(2))	130,637	129,186	Short-term notes and bills payable (Note 4(12))	-	19,996
Accounts receivable - third parties - net (Note 4(3))	1,293,043	1,388,816	Notes payable - third parties	3,571	1,071
Other receivables (Note 4(15))	45,872	28,151	Accounts payable - third parties	424,612	219,844
Inventories - net (Note 4(4))	137,781	59,415	Accounts payable - related parties (Note 5)	70,391	-
Prepaid expenses	85,048	30,935	Income tax payable (Note 4(15))	59,551	44,336
Deferred income tax asset - current (Note 4(15))	1,683	34,311	Accrued expenses (Note 4(19))	468,683	396,345
Other current assets	6,487	3,068	Other payables (Note 4(19))	367,183	512,926
	3,459,367	3,073,458	Unearned revenue collected in advance	673,673	414,855
<u>Long-term Investments</u>			Current portion of long-term loans (Note 4(14))	23,411	23,200
Financial assets at fair value through profit or loss - non-current (Note 4(5))	2,850	2,850	Other current liabilities	9,404	6,268
Financial assets carried at cost - non-current (Note 4(6))	114,294	114,294		2,211,275	1,870,005
Long-term investment - accounted for under the equity method (Note 4(7))	5,076	2,013	<u>Long-term liabilities</u>		
	122,220	119,157	Financial liabilities at fair value through profit or loss - non-current (Note 4(13))	3,426	2,805
<u>Property, Plant and Equipment - net</u> (Notes 4(8) and 6)			Long-term loans (Note 4(14))	15,853	17,473
Cost				19,279	20,278
Land	156,837	147,751	<u>Other Liability</u>		
Buildings	212,943	182,701	Accrued pension liabilities (Note 4(16))	9,523	9,659
Machinery and equipment	824,805	661,397	Guarantee deposits	6	6
Transportation equipment	-	1,033	Deferred income tax liabilities - non-current (Note 4(15))	1,892	-
Office equipment	205,984	161,735	Other liabilities - other	-	452
Leasehold improvements	51,718	45,315		11,421	10,117
Other equipment	18,067	10,294	Total Liabilities	2,241,975	1,900,400
Total Cost	1,470,354	1,210,226	<u>Stockholders' Equity</u>		
Less: Accumulated depreciation	(714,739)	(626,890)	Common stock		
Accumulated impairment	(4,326)	(4,182)	Common stock (Note 1)	1,562,883	1,656,376
Construction in progress and prepayments for equipment	13,614	14,225	Stock subscription received in advance (Note 4(22))	1,129	-
	764,903	593,379	Capital reserve (Note 4(17))		
<u>Intangible Assets</u> (Note 4(9))			Paid-in capital in excess of par	827,114	852,683
Trademark	4,456	-	Gain on disposal of property, plant and equipment	221	221
Goodwill	84,659	77,365	Retained earnings		
Deferred pension cost (Note 4(16))	1,475	1,312	Legal reserve (Notes 4(18) and 4(19))	140,909	117,649
Other intangible assets - net (Note 4(9))	5,341	166	Retained earnings (Note 4(19))	201,707	325,242
	95,931	78,843	Other adjustments to stockholders' equity		
<u>Other Assets</u>			Cumulative translation adjustments	(7,523)	42,164
Refundable deposits	54,194	48,254	Unrealized net loss	(1,126)	(565)
Deferred charges - net (Notes 4(10) and 5)	421,712	604,615	Treasury stock (Note 4(21))	(35,580)	(370,182)
Deferred income tax assets - non-current (Note 4(15))	27,146	20,161		2,689,734	2,623,588
Other assets - other (Note 4(16))	16,417	8,082	Minority interest	30,181	21,961
	519,469	681,112	Total Stockholders' Equity	2,719,915	2,645,549
TOTAL ASSETS	\$ 4,961,890	\$ 4,545,949	Commitments and Contingent Liabilities (Note 7)		
			TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,961,890	\$ 4,545,949

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated August 23, 2011.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2011</u>	<u>2010</u>
Operating revenues		
Sales revenue	\$ 3,582,701	\$ 2,846,368
Sales returns	(7,937)	(64,991)
Sales allowances	(11,795)	(3,560)
Net sales revenue	3,562,969	2,777,817
Service revenue	38,981	41,730
Total operating revenues	<u>3,601,950</u>	<u>2,819,547</u>
Operating costs		
Cost of goods sold (Notes 4(4), 4(23) and 5)	(2,064,016)	(1,424,583)
Gross profit	<u>1,537,934</u>	<u>1,394,964</u>
Operating expenses (Notes 4(23) and 5)		
Selling expenses	(358,298)	(393,847)
General and administrative expenses	(620,031)	(480,965)
Research and development expenses	(290,533)	(219,796)
Total operating expenses	<u>(1,268,862)</u>	<u>(1,094,608)</u>
Operating income	<u>269,072</u>	<u>300,356</u>
Non-operating income		
Interest income	1,571	873
Foreign exchange gain	-	2,981
Rental income	5,451	468
Gain on valuation of financial assets (Note 4(13))	350	418
Miscellaneous income	8,149	5,292
Total non-operating income	<u>15,521</u>	<u>10,032</u>
Non-operating expenses		
Interest expense	(1,371)	(2,378)
Investment loss accounted for under the equity method (Note 4(7))	(1,669)	(3,782)
Loss on disposal of property, plant and equipment	(172)	(5,315)
Other investment loss	(3,323)	-
Miscellaneous losses	(22,066)	(45,090)
Total non-operating expenses	<u>(28,601)</u>	<u>(56,565)</u>
Income before income tax	255,992	253,823
Income tax expense (Note 4(15))	(87,899)	(92,004)
Consolidated net income	<u>\$ 168,093</u>	<u>\$ 161,819</u>
Attributable to:		
Equity holders of the Company	\$ 166,389	\$ 160,337
Minority interest	1,704	1,482
	<u>\$ 168,093</u>	<u>\$ 161,819</u>

	<u>2011</u>		<u>2010</u>	
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>
Basic earnings per share (in dollars) (Note 4(20))				
Profit attributable to equity holders of the Company	\$ 1.65	\$ 1.08	\$ 1.66	\$ 1.05
Minority interest income	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
Consolidated net income	<u>\$ 1.66</u>	<u>\$ 1.09</u>	<u>\$ 1.67</u>	<u>\$ 1.06</u>
Diluted earnings per share (in dollars) (Note 4(20))				
Profit attributable to equity holders of the Company	\$ 1.61	\$ 1.06	\$ 1.61	\$ 1.02
Minority interest income	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
Consolidated net income	<u>\$ 1.62</u>	<u>\$ 1.07</u>	<u>\$ 1.62</u>	<u>\$ 1.03</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated August 23, 2011.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Common Stock		Capital Reserve		Retained Earnings		Cumulative Translation Adjustments	Unrealized Net Loss	Treasury Stock	Minority Interest	Total
	Common Stock	Stock Subscription Received in Advance	Paid-in Capital in Excess of Par	Capital Surplus from Gain on Disposal of Assets	Legal Reserve	Retained Earnings					
2010											
Balance at January 1, 2010	\$ 1,604,951	\$ 12,437	\$ 789,316	\$ 221	\$ 86,730	\$ 395,413	\$ 35,674	(\$ 565)	(\$ 370,182)	\$ 30,335	\$ 2,584,330
Employee stock options exercised	38,988	-	63,367	-	-	-	-	-	-	-	102,355
Capital collected in advance transferred to common stock	12,437	(12,437)	-	-	-	-	-	-	-	-	-
Distribution of 2009 earnings (Note 1):											
Legal reserve	-	-	-	-	30,919	(30,919)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(197,999)	-	-	-	-	(197,999)
Consolidated net income for the period	-	-	-	-	-	160,337	-	-	-	1,482	161,819
Effect of change in ownership percentage of investee company	-	-	-	-	-	(1,590)	-	-	-	-	(1,590)
Cumulative translation adjustments	-	-	-	-	-	-	6,490	-	-	-	6,490
Changes in minority interest	-	-	-	-	-	-	-	-	-	(9,856)	(9,856)
Balance at June 30, 2010	<u>\$ 1,656,376</u>	<u>\$ -</u>	<u>\$ 852,683</u>	<u>\$ 221</u>	<u>\$ 117,649</u>	<u>\$ 325,242</u>	<u>\$ 42,164</u>	<u>(\$ 565)</u>	<u>(\$ 370,182)</u>	<u>\$ 21,961</u>	<u>\$ 2,645,549</u>
2011											
Balance at January 1, 2011	\$ 1,657,020	\$ 6,186	\$ 862,382	\$ 221	\$ 117,649	\$ 399,094	(\$ 5,731)	(\$ 1,126)	(\$ 370,182)	\$ 29,876	\$ 2,695,389
Employee stock options exercised	18,077	1,129	27,271	-	-	-	-	-	-	-	46,477
Capital collected in advance transferred to common stock	6,186	(6,186)	-	-	-	-	-	-	-	-	-
Cancellation of treasury stock	(118,400)	-	(62,539)	-	-	(153,663)	-	-	334,602	-	-
Distribution of 2010 earnings (Note 2):											
Legal reserve	-	-	-	-	23,260	(23,260)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(186,035)	-	-	-	-	(186,035)
Consolidated net income for the period	-	-	-	-	-	166,389	-	-	-	1,704	168,093
Effect of change in ownership percentage of investee company	-	-	-	-	-	(818)	-	-	-	-	(818)
Cumulative translation adjustments	-	-	-	-	-	-	(1,792)	-	-	-	(1,792)
Changes in minority interest	-	-	-	-	-	-	-	-	-	(1,399)	(1,399)
Balance at June 30, 2011	<u>\$ 1,562,883</u>	<u>\$ 1,129</u>	<u>\$ 827,114</u>	<u>\$ 221</u>	<u>\$ 140,909</u>	<u>\$ 201,707</u>	<u>(\$ 7,523)</u>	<u>(\$ 1,126)</u>	<u>(\$ 35,580)</u>	<u>\$ 30,181</u>	<u>\$ 2,719,915</u>

Note 1: The amounts approved by the Company's stockholders for the distribution of 2009 earnings for the directors' and supervisors' remuneration and employees' bonuses are \$5,565 and \$41,740, respectively, whereas the amounts deducted from the Income Statement for 2009 were \$5,679 and \$42,596, respectively. The difference of \$114 and \$856, respectively was adjusted in the income statement for the six-month period ended June 30, 2010.

Note 2: The amounts approved by the Company's stockholders for the distribution of 2010 earnings for the directors' and supervisors' remuneration and employees' bonuses are \$5,040 and \$38,200, respectively, whereas the amounts deducted from the Income Statement for 2010 were \$5,520 and \$41,401, respectively. The difference of \$480 and \$3,201, respectively was adjusted in the income statement for the six-month period ended June 30, 2011.

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated August 23, 2011.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2011</u>	<u>2010</u>
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 168,093	\$ 161,819
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Loss (gain) on valuation of financial assets	153	(45)
(Reversal of allowance) provision for sales returns	(284)	747
Provision for doubtful accounts	9,519	3,633
Provision for decline in market value of inventories	727	5,541
Investment loss accounted for under the equity method	1,669	3,782
Loss on disposal of property, plant and equipment	172	5,315
Depreciation and amortization	243,389	214,008
Prepaid expense and deferred charges charged to other expenses	-	42,934
Deferred charges charged to other loss	22,695	-
Deferred income tax assets	22,207	53,289
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable – third parties	(6,228)	(16,183)
Accounts receivable – third parties	(107,363)	(270,949)
Other receivables – third parties	(16,560)	11,076
Inventories	(108,512)	(4,372)
Prepaid expenses	(32,094)	(4,033)
Other current assets	(2,178)	(422)
Increase (decrease) in:		
Notes payable – third parties	3,516	(8,985)
Accounts payable – third parties	187,354	3,113
Accounts payable – related party	70,391	-
Income tax payable	21,097	31,754
Accrued expenses	31,672	9,842
Other payables – third parties	(152,278)	126,555
Unearned revenue collected in advance	356,292	49,782
Other current liabilities	(764)	(52,565)
Accrued pension liabilities	305	1,014
Net cash provided by operating activities	<u>712,990</u>	<u>366,650</u>

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GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2011</u>	<u>2010</u>
<u>Cash flows from investing activities</u>		
Increase in minority interest acquisition price	\$ -	(\$ 38,337)
Decrease in other financial assets - current	-	2,000
Increase in financial assets at fair value through profit or loss – non-current	-	2,850
Acquisition of property, plant and equipment	(134,564)	(104,761)
Increase in deferred charges	(43,047)	(129,544)
Proceeds from disposal of property, plant and equipment and deferred charges	1,420	-
Increase in other intangible assets	(160)	-
Increase in refundable deposits, net	(5,997)	(1,164)
Increase in other assets – other	(7,614)	(715)
Decrease in financial liabilities at fair value through profit or loss – non-current	<u>-</u>	<u>(2,850)</u>
Net cash used in investing activities	<u>(189,962)</u>	<u>(272,521)</u>
<u>Cash flows from financing activities</u>		
(Decrease) increase in short-term loans	(44,186)	85,611
Increase in short-term notes and bills payable	-	19,996
Decrease in long-term loans	(19,445)	(9,320)
Decrease in guarantee deposits	-	(374)
Decrease in other liabilities	(752)	(1)
Exercise of employee stock options	46,477	102,355
Changes in minority interest	<u>(1,399)</u>	<u>432</u>
Net cash (used in) provided by financing activities	<u>(19,305)</u>	<u>198,699</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,587)</u>	<u>1,737</u>
Net increase in cash and cash equivalents	500,136	294,565
Cash and cash equivalents at beginning of the period	<u>1,258,680</u>	<u>1,105,011</u>
Cash and cash equivalents at end of the period	<u>\$ 1,758,816</u>	<u>\$ 1,399,576</u>
 <u>Supplemental disclosures of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 1,392</u>	<u>\$ 2,317</u>
Income taxes	<u>\$ 33,517</u>	<u>\$ 983</u>
 <u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 127,194	\$ 119,962
Payable at end of the period	(30,359)	(25,700)
Payable at beginning of the period	<u>37,729</u>	<u>10,499</u>
Cash paid	<u>\$ 134,564</u>	<u>\$ 104,761</u>
 <u>Non-cash flows from financing activities:</u>		
Cash dividends declared	<u>\$ 186,035</u>	<u>\$ 197,999</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated August 23, 2011.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

(1) Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of June 30, 2011, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 12 million shares of employee stock options), at a par value of \$10 (NT dollars) per share, and the issued and outstanding capital was \$1,562,883. The Company is engaged in software services. As of June 30, 2011, the Company and its consolidated subsidiaries had approximately 1,700 employees.

(2) Consolidated subsidiaries
A)

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of June 30</u>	
			<u>2011</u>	<u>2010</u>
Gamania Holdings Ltd.	Note 1	Investment holding company	100%	100%
Gamania International Holdings Ltd.	Note 2	Investment holdings	100%	100%
Gamania Digital Entertainment (Japan) Co., Ltd.	Note 3	Design and sales of software; sales of hardware	100%	100%
Gamania China Holdings Ltd.	Note 3	Investment holdings	98.50%	97.91%
Gamania Western Holdings Ltd.	Note 3	Investment holdings	100%	100%
Gamania Netherlands Holdings Cooperatief U.A.	Note 3	Investment holdings	100%	-
FireDog Studio Company Ltd.	Note 3	Design and research and development of software	100%	-
Gash Plus (Hong Kong) Company Limited	Note 3	Software and electronic information services and sales	100%	-
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note 4	Design and sales of software	98.50%	97.91%
Gamania Sino Holdings Ltd.	Note 4	Investment holdings	98.50%	97.91%
Gamania Digital Entertainment (Europe) B.V.	Note 5	Design and sales of software	100%	-
Gamania Digital Entertainment (U.S.) Co., Ltd.	Note 6	Design and sales of software	100%	100%
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note 7	Design and sales of software	98.50%	97.91%

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of June 30</u>	
			<u>2011</u>	<u>2010</u>
Gameastor Digital Entertainment Co., Ltd. (Note 8)	Note 1	Software services and sales	99.28%	99.28%
Gamania Asia Investments Co., Ltd.	Note 1	Investment holdings	100%	100%
Gamania Korea Co., Ltd.	Note 1	Design and sales of software	100%	100%
Fantasy Fish Digital Games Co., Ltd.	Note 1	Design and research and development of software	99.75%	99.50%
Foundation Digital Entertainment Co., Ltd.	Note 1	Sale and publishing of magazines and periodicals	100%	100%
Gamania Digital Entertainment Labuan Holdings, Ltd.	Note 1	Investment holdings	100%	100%
Redgate Games Co., Ltd.	Note 1	Design and research of software	100%	100%
Seedo Games Co., Ltd.	Note 1	Design and research of software	100%	100%
Playcoo Co.	Note 1	Design and research of software	75.25%	75.25%
Two Tigers Co., Ltd.	Note 1	Animation production	51%	-
Gash Plus Co., Ltd.	Note 1	Software and electronic information services and sales	100%	-
Gama Games Co., Ltd.	Note 3	Design and research of software	100%	-

Note 1: Majority-owned subsidiary

Note 2: A majority-owned subsidiary of Gamania Holdings Ltd.

Note 3: A majority-owned subsidiary of Gamania International Holdings Ltd.

Note 4: A majority-owned subsidiary of Gamania China Holdings Ltd.

Note 5: A majority-owned subsidiary of Gamania Netherlands Holdings Cooperatief U.A.

Note 6: A majority-owned subsidiary of Gamania Western Holdings Ltd.

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

Note 8: Gameastor Digital Entertainment Co., Ltd., formerly Taiwan Index Co., Ltd., has completed its change of registration in September 2010.

- B) The information on investee companies, Gamania Korea Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd. and Firedog Studio Company Ltd. were based on financial statements audited by other auditors for the six-month period ended June 30, 2011.
- C) The information on investee companies, Gameastor Digital Entertainment Co., Ltd., Gamania Korea Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd., were based on financial statements audited by other auditors for the six-month period ended June 30, 2010.
- D) The financial statements of the above investee companies which were audited by other auditors reflect total assets of \$512,190 and \$529,812, constituting 10.13% and 11.65% of the related consolidated totals as of June 30, 2011 and 2010,

respectively, and total operating revenues of \$333,641 and \$550,499, constituting 9.26% and 19.52% of the related consolidated totals for the six-month periods then ended, respectively.

(3) Changes in the consolidated subsidiaries:

No subsidiary was deconsolidated from the consolidated financial statements during the six-month period ended June 30, 2011. The following were majority-owned subsidiaries that were 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 June 30,</u>		<u>Note</u>
			<u>2011</u>	<u>2010</u>	
Two Tigers Co., Ltd.	Note 1	Animation production	51%	-	Note 6
Gash Plus Co., Ltd.	Note 1	Software and electronic information services and sales	100%	-	Note 5
Firedog Studio Company Ltd.	Note 2	Design and research of software	100%	-	Note 6
Gash Plus (Hong Kong) Company Limited	Note 2	Software and electronic information services and sales	100%	-	Note 5
Gamania Netherlands Holdings Cooperatief U.A.	Note 2	Investment holdings	100%	-	Note 7
Gamania Digital Entertainment (Europe) B.V.	Note 3	Software services and sales	100%	-	Note 7
Gama Games Co., Ltd.	Note 2	Design and research and development of software	100%	-	Note 4

Note 1: Majority-owned subsidiary.

Note 2: A majority-owned subsidiary of Gamania International Holdings Ltd.

Note 3: A majority-owned subsidiary of Gamania Netherlands Holdings Cooperatief U.A.

Note 4: The Company was established in the second quarter of 2011.

Note 5: The Company was established in the first quarter of 2011.

Note 6: The Company was established in the fourth quarter of 2010.

Note 7: The Company was established in the third quarter of 2010.

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

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

(6) Difference in the accounting policies adopted among the Company and the subsidiaries: None.

(7) Special operation risk of foreign subsidiaries: None.

- (8) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- (9) The Company's and its subsidiaries' earnings distributions are restricted by enactment or contract: None.
- (10) The subsidiaries hold the Company's stock and bonds: None.
- (11) Convertible bonds and new stocks are issued by the subsidiaries: None.
- (12) Other consequential items to the consolidated financial statements: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China. The significant accounting policies of the Group are summarized below:

(1) Principles of consolidation

- A) All majority-owned subsidiaries or controlled entities, which meet the criteria of the amended Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements", are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares quarterly consolidated financial statements.
- B) The results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition. Under the amended SFAS No. 7, the result of operations of such subsidiary is excluded from the consolidated statements of income effective the date on which the Company loses control over the subsidiary. For the initial year of adoption of SFAS No. 7, restatement of prior year's financial statements is not required.
- C) All significant intercompany balances and transactions are eliminated in the consolidation.

(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 Company and its subsidiaries are maintained in New Taiwan dollars and functional currencies, respectively. Transactions arising in foreign currencies are translated into New Taiwan dollars and functional currencies at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses are included in the current period 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) Financial assets or liabilities 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 and beneficiary certificates.

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.

- C) Financial instruments that meet one of the following criteria are designated as financial assets or financial liabilities at fair value through profit or loss:
- a) The instrument is a hybrid instrument.
 - b) The instrument is designated as a financial asset or liability at fair value through profit or loss in order to eliminate or substantially reduce the inconsistency in accounting measurement or recognition.
 - c) The instrument is managed in accordance with the Group's documented risk management and investment strategies, and its performance is evaluated on a fair value basis.
- (6) Financial assets carried at cost
- A) Investments in unlisted equity instruments are recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
 - B) If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss cannot be reversed.
- (7) Notes and accounts receivable and other receivables
- A) Receivables arising from the sale of goods or services to customers are recognized as notes and accounts receivable. Other receivables are those arising from transactions other than sale of goods or services.
 - B) The Group measures notes and accounts receivable and other receivables based on the aging and collectibility of receivables and past experience of bad debts.
 - C) The Group assesses whether objective evidence of impairment exists individually for financial assets at the balance sheet date since January 1, 2011. Once the objective evidence of impairment exists, an impairment loss is recognized.
- (8) Inventories
- The Group uses the perpetual inventory system and the original cost is the cost to obtain the assets. Cost is determined using the weighted-average method. The ending balance of inventory is valued at the lower of cost or net realizable value based on specific identification. The net realizable value is determined based on the estimated selling price of an inventory item less the estimated costs of completion.
- (9) Long-term equity investments accounted for under the equity method
- A) Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized and carries on tests of impairment every year. Retroactive adjustment of the amount of goodwill amortized in previous years is not required.

- B) Investment loss on the non-controlled entities over which the Company has the ability to exercise significant influence is recognized to the extent that the amount of long-term investments in such investees is written down to zero. However, if the Company continues to provide endorsements, guarantees or financial support for such investees, the investment loss is recognized continuously in proportion to the Company's equity interest in such investees. In the case of controlled entities, the Company recognizes all the losses incurred by such entities that will not be covered by other stockholders. When the operations of such investees become profitable, the Company recognizes the profits until the amount of losses previously recognized by the Company is fully recovered.
- C) Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "cumulative translation adjustments" under stockholder's equity, and recognized in proportion to the percentage of shares held by the Company.
- D) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease of the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.

(10) Property, plant and equipment

- A) Depreciation is provided on the straight-line method using the estimated useful lives of the assets plus one year as salvage value. The subsidiaries' property, plant and equipment are depreciated on a straight-line basis according to the estimated useful lives of the assets less the estimated salvage value, except for leasehold improvements, which is based on the contract period of the asset. The estimated useful lives are 3 to 55 years for buildings and 2 to 5 years for the other property, plant and equipment.
- B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).
- C) Major renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.

(11) Deferred charges

- A) Costs of software and copyrights are capitalized and amortized under the straight-line basis over the estimated useful lives.
- B) Royalty payments for operating online game software are capitalized and amortized based on the period of the contract or deducted based on actual units of play.

(12) Other intangible assets

- A) Franchises for game development are recorded at acquisition cost and amortized using the straight-line method over the estimated service life. Franchises could be deducted from franchises payable amounting to 2% based on sales revenues.
- B) Franchises for sales of on-line games are recorded at acquisition cost and amortized over the estimated life of 3 years using the straight-line method.
- C) Comic copyright is recorded at acquisition cost and amortized over the estimated life of 1 year using the straight-line method.

(13) Impairment of non-financial assets

- A) Impairment loss is recognized when the recoverable amount of an asset is less than the book value due to changes in environment or occurrences of some events. Recoverable amount is the higher of net fair value or value in use of an asset. Net fair value is the selling price of an asset in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.
- 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.

(14) Share-based payment - employee compensation plan

- A) The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072, "Accounting for Employee Stock Options" as prescribed by the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share are prepared in accordance with the R.O.C. SFAS No. 39, "Accounting for Share-based Payment"
- B) For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

(15) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or

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

(16) Deferred income tax assets and income tax

- A) Income tax of the Company is provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different and same periods for tax and financial reporting purposes. Over or under provision of prior years' income tax liabilities is included in current year's income tax expense. When a change in the tax laws is enacted, the deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, is reported as an adjustment to current income tax expense (benefit).
- B) The 10% additional corporate income tax is recorded as income tax expense in the period the stockholders approve a resolution to retain the earnings.
- C) The Company's overseas subsidiaries' income taxes are subject to their local 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.
- E) Costs and expenses are recognized as incurred.
- F) Commissions received on prepaid cards from the on-line game providers is deferred and recognized as revenue when services are rendered.

(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 period.
 - Diluted earnings per share: the computation is the same as basic earnings per share, except that the potential dilutive shares are assumed to have been converted to common stock at the beginning of the period and net income is adjusted by the amount associated with the conversion.
- B) The potential dilutive shares are employee stock options and estimated shares of employees' bonuses when distributing stock. The Company adopted the "treasury stock method" in computing the dilutive effect of the employee stock options and the employees' bonuses.

(21) Use of estimates

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

(22) Operating segments

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

Effective January 1, 2011, in accordance with the Statement of Financial Accounting Standards No. 41, "Operating Segments", the Company discloses the segment information in the consolidated financial reports and not in the stand-alone financial statements.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Notes and accounts receivable, other receivables

Effective January 1, 2011, the Company and its domestic subsidiaries adopted the amended Statement of Financial Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement". Under the amended standard, if there is any objective evidence that the notes and accounts receivable, other receivables and other rights of credit are impaired, an impairment loss (or provision for doubtful accounts) is recognized immediately. The adoption of this regulation had no significant effect on the consolidated financial statements as of and for the six-month period ended June 30, 2011.

(2) Operating segments

Effective January 1, 2011, the Company and its domestic subsidiaries adopted the newly issued Statement of Financial Accounting Standards No. 41, "Operating Segments" to replace Statement of Financial Accounting Standards No. 20, "Segment Reporting". The Company has restated the segment information as of and for the six-month period ended June 30, 2010 in accordance with the standard. The adoption of this regulation had no effect on the consolidated net income and earnings per share for the six-month periods ended June 30, 2011 and 2010.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 9,731	\$ 794
Demand deposit and checking deposit	1,339,440	1,023,832
Time deposits	<u>409,645</u>	<u>374,950</u>
	<u>\$ 1,758,816</u>	<u>\$ 1,399,576</u>

(2) Notes receivable – net

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Notes receivable	\$ 130,653	\$ 129,202
Less: Allowance for doubtful accounts	(<u>16</u>)	(<u>16</u>)
	<u>\$ 130,637</u>	<u>\$ 129,186</u>

(3) Accounts receivable – net

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ 1,398,832	\$ 1,475,162
Less: Allowance for doubtful accounts	(101,576)	(80,623)
Allowance for sales returns	(<u>4,213</u>)	(<u>5,723</u>)
	<u>\$ 1,293,043</u>	<u>\$ 1,388,816</u>

(4) Inventories – net

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Inventories	\$ 143,635	\$ 69,841
Less: Allowance for obsolescence and market value decline	(<u>5,854</u>)	(<u>10,426</u>)
	<u>\$ 137,781</u>	<u>\$ 59,415</u>

Related loss recognized for the period:

For the six-month periods ended June 30,

	<u>2011</u>	<u>2010</u>
Provision for decline in market value of inventories	<u>\$ 727</u>	<u>\$ 5,541</u>
(Loss) gain on physical count of inventories	(<u>19</u>)	<u>3</u>

(5) Financial assets at fair value through profit or loss — non-current

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Designated as at financial assets at fair value through profit or loss:		
Callable preferred stock	\$ 2,850	\$ 2,850
Adjustment of designated as at fair value through profit or loss	-	-
	<u>\$ 2,850</u>	<u>\$ 2,850</u>

For business operation purposes, the Company's domestic subsidiary, Gamania Asia Investment Co., Ltd., invested 285 thousand shares at a par value of \$10 (NT dollars) per share in the amount of \$2,850. Such investment is not entitled to a voting right, profit distribution right and the right to claim for remaining property. According to the investment contract, both parties agreed that during the thirty days from the repurchase base day, which is at the expiration of three years of settling date or other documents' appointment date, the investor can ask the issuer to redeem all of the preferred stock based on fair value at the repurchase base day. If the fair value will be lower than the issued price, the issuer will have to repurchase based on the published price. In accordance with the terms of the preferred stock contract and Statement of Financial Accounting Standards No. 34, "Accounting for Financial Instruments: Recognition and Measurement", the subsidiary is accounted for as Financial assets at fair value through profit or loss.

(6) Financial assets carried at cost

<u>Items</u>	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Unlisted stocks		
Nice Finance Co., Ltd.	\$ 91,453	\$ 91,453
NC Taiwan Co., Ltd.	22,841	22,841
	<u>\$ 114,294</u>	<u>\$ 114,294</u>

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

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

A) Details of long-term investment

<u>Name of investee</u>	<u>June 30, 2011</u>			<u>Investment loss for the six-month period ended June 30, 2011</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Taiwan e-sports Co., Ltd.	<u>\$ 32,000</u>	37.65%	<u>\$ 5,076</u>	<u>(\$ 1,669)</u>

<u>Name of investee</u>	<u>June 30, 2010</u>			Investment loss for the six-month period ended <u>June 30, 2010</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Taiwan e-sports Co., Ltd.	<u>\$ 30,000</u>	46.15%	<u>\$ 2,013</u>	<u>(\$ 3,782)</u>

B) The related investment loss of \$1,669 and \$3,782 in Taiwan e-sports Co., Ltd. were based on its unaudited financial statements for the six-month periods ended June 30, 2011 and 2010, respectively, as its operating revenue was insignificant for the Company.

(8) Property, plant and equipment

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>Cost</u>		
Land	\$ 156,837	\$ 147,751
Buildings	212,943	182,701
Machinery and equipment	824,805	661,397
Transportation equipment	-	1,033
Office equipment	205,984	161,735
Leasehold improvements	51,718	45,315
Other equipment	<u>18,067</u>	<u>10,294</u>
	<u>1,470,354</u>	<u>1,210,226</u>
<u>Accumulated depreciation</u>		
Buildings	(43,518)	(36,204)
Machinery and equipment	(526,820)	(433,679)
Transportation equipment	-	(160)
Office equipment	(115,774)	(115,956)
Leasehold improvements	(21,181)	(35,087)
Other equipment	<u>(7,446)</u>	<u>(5,804)</u>
	<u>(714,739)</u>	<u>(626,890)</u>
Construction in progress and prepayments for equipment	13,614	14,225
Less: Accumulated impairment	<u>(4,326)</u>	<u>(4,182)</u>
Book value	<u>\$ 764,903</u>	<u>\$ 593,379</u>

(9) Other intangible assets

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Franchises for sales of on-line games	\$ 4,456	\$ -
Comic copyright	616	-
Prepayments for franchise	<u>269</u>	<u>166</u>
	<u>\$ 5,341</u>	<u>\$ 166</u>

(10) Deferred charges

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Royalty payments	\$ 228,490	\$ 491,584
Unamortized expense	<u>193,222</u>	<u>113,031</u>
	<u>\$ 421,712</u>	<u>\$ 604,615</u>

(11) Short-term loans

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Short-term bank loans	\$ <u>110,796</u>	\$ <u>231,164</u>
Annual interest rates	<u>1.30%~6.73%</u>	<u>1.20%~5.00%</u>
Credit lines	<u>\$ 1,756,638</u>	<u>\$ 1,828,799</u>

(12) Short-term notes and bills payable

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Commercial paper payable	\$ -	\$ 20,000
Less: Unamortized discount	-	(4)
	<u>\$ -</u>	<u>\$ 19,996</u>
Annual interest rate	<u>-</u>	<u>0.35%</u>

(13) Financial liabilities at fair value through profit or loss — non-current

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Designated as at financial liabilities at fair value through profit or loss:		
Callable preferred stock liability	\$ 2,850	\$ 2,850
Adjustment of designated as at fair value through profit or loss	<u>576</u>	<u>(45)</u>
	<u>\$ 3,426</u>	<u>\$ 2,805</u>

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

(14) Long-term loans

<u>Bank</u>	<u>Total Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>June 30,</u>	
			<u>2011</u>	<u>2010</u>
Sumitomo Mitsui Banking Corporation	JPY 90,000 (Note 1)	09.24.2008 ~ 09.23.2011 equal quarterly installments (Note 2)	\$ -	\$ 13,390
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note 1)	08.31.2009 ~ 08.31.2012 equal quarterly installments	14,907	27,283
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note 1)	09.01.2010 ~ 08.30.2013 equal quarterly installments	<u>24,357</u>	<u>-</u>
			39,264	40,673
Less: Current portion			(<u>23,411</u>)	(<u>23,200</u>)
			<u>\$ 15,853</u>	<u>\$ 17,473</u>

Note 1: In thousands of yen.

Note 2: The principal was repaid in April 2011.

(15) Income tax

A) Income tax payable and income tax expense for the six-month periods ended June 30, 2011 and 2010 are reconciled as follows:

	<u>For the six-month periods ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Current year income tax expense	\$ 85,569	\$ 79,625
Effect of changes in deferred tax asset resulting from the change in tax rate	-	4,352
Additional 10% corporate income tax on undistributed earnings	<u>2,330</u>	<u>8,027</u>
	87,899	92,004
Add (Less): Net change in deferred income tax assets	(22,207)	(53,289)
Prepaid income tax	(484)	(71)
Under provision of prior year's income tax	(5,760)	(4,485)
Income tax payable of prior year	-	11,762
Withholding tax by the foreign government	-	(1,673)
Effect of exchange rate	<u>270</u>	<u>88</u>
Income tax payable	<u>\$ 59,718</u>	<u>\$ 44,336</u>
Income tax refundable recognized as "other receivables"	(\$ 383)	\$ -
Income tax payable	<u>59,551</u>	<u>44,336</u>
	<u>\$ 59,168</u>	<u>\$ 44,336</u>

B) Deferred income tax assets are as follows:

	June 30,	
	2011	2010
Deferred income tax assets – current	\$ 14,717	\$ 35,253
Deferred income tax assets – non-current	237,241	226,664
Deferred income tax liabilities		
– non-current	(1,892)	-
	250,066	261,917
Less: Valuation allowance – current	(13,034)	(942)
Valuation allowance – non-current	(210,095)	(206,503)
	<u>\$ 26,937</u>	<u>\$ 54,472</u>

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

	June 30,			
	2011		2010	
	Amount	Tax effect	Amount	Tax effect
Current items – assets:				
Allowance for decline in market value and inventory obsolescence	\$ 6,167	\$ 1,048	\$ 11,445	\$ 1,946
Allowance for sales returns	4,777	812	5,684	966
Loss carryforwards	72,703	12,360	-	-
Others	33	6	-	-
Investment tax credits		491		32,341
		14,717		35,253
Less: Valuation allowance		(13,034)		(942)
		<u>\$ 1,683</u>		<u>\$ 34,311</u>
Non-current items – assets:				
Investment loss on financial assets carried at cost – non-current	\$ 9,851	\$ 1,675	\$ 9,851	\$ 1,675
Loss carryforwards	789,771	134,261	694,799	118,117
Loss on foreign investments	161,390	27,436	109,834	18,672
Reserve for foreign investments	(17,915)	(3,046)	(31,529)	(5,360)
Depreciation allowances in excess of related depreciation	-	-	(15,783)	(2,604)
Others	528	90	38	6
Investment tax credits		76,825		96,158
		237,241		226,664
Less: Valuation allowance		(210,095)		(206,503)
		<u>\$ 27,146</u>		<u>\$ 20,161</u>
Non-current items – liabilities:				
Depreciation allowances in excess of related depreciation	(\$ 11,465)	(<u>\$ 1,892</u>)	-	(<u>\$ -</u>)

D) As of June 30, 2011 and 2010, the balance of shareholders account of deductible tax was as follows:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
a. Balance of shareholders account of deductible tax	<u>\$ 39,749</u>	<u>\$ 25,367</u>
b. Creditable tax ratio	<u>2010 (Budgeted)</u> 9.96%	<u>2009 (Actual)</u> 6.49%

E) Undistributed retained earnings:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
On or after January 1, 1998		
a. Earnings not subjected to 10% income tax	\$ 166,389	\$ 160,337
b. Earnings subjected to 10% income tax	<u>35,318</u>	<u>164,905</u>
	<u>\$ 201,707</u>	<u>\$ 325,242</u>

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

- a) As of June 30, 2011, the Company's income tax returns through 2008 have been assessed and approved by the Tax Authority.
- b) The Tax Authority imposed additional tax amounting to \$23,481 on the Company's 2002 income tax return after the re-examination. The Company filed a petition in January 2011, which is still pending as of the report date.
- c) The Tax Authority imposed additional tax amounting to \$3,958 on the Company's 2003 income tax return after the re-examination. The Company filed a petition in November 2010. In June 2011, the Tax Authority lowered the additional tax after the re-examination. The Company has not filed a petition as of the report date.

G) As of June 30, 2011, according to the "Statute for Upgrading Industries", the Company's domestic subsidiaries had investment tax credits in the amount of \$77,316 to offset against taxable income for the next few 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	\$ 76,913	\$ 76,913	2011~2013
Machinery and equipment	<u>403</u>	<u>403</u>	2011~2013
	<u>\$ 77,316</u>	<u>\$ 77,316</u>	

H) As of June 30, 2011, in accordance with the “Income Tax Law”, the Company’s domestic subsidiaries had loss carryforwards in the amount of \$146,621 to offset against taxable income for the next few years. The details are as follows:

<u>Deductible item</u>	<u>Amount reported</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Loss carryforwards	\$ 901,561	\$ 146,621	\$ 146,621	2014~2020

(16) Accrued pension liability

- A) The Company and its domestic subsidiaries have a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter with a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee. The balance of the retirement fund deposited with Bank of Taiwan was \$48,491 and \$44,738 as of June 30, 2011 and 2010, respectively. For the six-month periods ended June 30, 2011 and 2010, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to \$1,362 and \$1,044, respectively. The fund balances are not reflected in the consolidated financial statements. The accumulated contributions exceeded the net pension costs in the amount of \$8,824 and \$7,864 as of June 30, 2011 and 2010, respectively, which was accounted for in other assets – other.
- B) Gamania Digital Entertainment (Japan) Co., Ltd., Gamania Korea Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd. and Firedog Studio Company Ltd. provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were \$2,401 and \$1,770 for the six-month periods ended June 30, 2011 and 2010, respectively.
- C) Gamania Digital Entertainment (Beijing) Co., Ltd. provides an old-age pension and insurance monthly based on 20~22% of the employees’ salaries and wages in accordance with the local regulations. The net pension and insurance cost was \$3,886 and \$2,510 for the six-month periods ended June 30, 2011 and 2010, respectively.
- D) Effective July 1, 2005, the Company and its domestic subsidiaries, adopted a defined contribution pension plan (the “New Plan”). Under the New Plan,

employees have the option to choose the New Plan. The Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts deposited with the Bureau of Labor Insurance. Benefits accrued under the New Plan are portable when the employees leave the company. The net pension costs recognized by the Company and its domestic subsidiaries under the defined contribution plan for the six-month periods ended June 30, 2011 and 2010 amounted to \$19,270 and \$16,212, respectively.

E) Gamania Holdings Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment Labuan Holdings, Ltd., Gamania International Holdings Ltd., Gamania China Holdings Ltd., Gamania Western Holdings Ltd., Gamania Sino Holdings Ltd., Gamania Netherlands Holdings Cooperatief U.A., Gamania Digital Entertainment (U.S.) Co., Ltd., Gamania Digital Entertainment (Europe) B.V., Gash Plus (Hong Kong) Company Limited and Gama Games Co., Ltd. do not have an employee retirement plan.

(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

- 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 shareholders can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.
- C) The appropriation of 2010 and 2009 earnings had been approved at the Board of Directors' meeting on June 17, 2011 and June 9, 2010, respectively. Details are summarized below:

	2010 Earnings		2009 Earnings	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 23,260		\$ 30,919	
Cash dividends	186,035	\$ 1.20	197,999	\$ 1.30
Employee cash bonus	Note 1		Note 2	
Directors' and supervisors' remuneration	"		"	

Note 1: The amounts approved during the stockholders' meeting for employees' bonus and directors' and supervisors' remuneration are \$38,200 and \$5,040, respectively.

Note 2: The amounts approved during the stockholders' meeting for employees' bonus and directors' and supervisors' remuneration are \$41,740 and \$5,565, respectively.

- (a) The amount approved during the stockholders' meeting for the distribution of 2010 earnings for cash dividends was the same with the amount approved by the Company's Board of Directors on April 22, 2011. As employee stock options were converted to common stock, the number of shares outstanding changed during the year. Accordingly, the appropriation of dividend per share had been adjusted to \$1.19896483 during the board of directors' meeting on July 7, 2011.
- (b) The amount approved during the stockholders' meeting for the distribution of 2009 earnings for cash dividends was the same with the amount approved by the Company's Board of Directors on March 17, 2010.

- D) The estimated amounts for employees' bonuses are \$25,908 and \$25,109, and the estimated amounts for directors' and supervisors' remuneration are \$3,454 and \$3,348 for the six-month periods ended June 30, 2011 and 2010, respectively. The above amounts constitute 10%~15% and 2%, respectively, of net income after taking into account the legal reserve, and are recognized as operating cost and expense. If the actual distribution amounts are different from the estimated amounts, the difference will be adjusted in the income statement of the following year.
- E) The distribution of employees' bonus and directors' and supervisors' remuneration in 2010, as mentioned in C) above, was different from the employees' bonus of \$41,401 and directors' and supervisors' remuneration of \$5,520 recognized in the 2010 financial statements. The difference of \$3,201 and \$480, respectively, had been adjusted in the consolidated income statement for the six-month period ended June 30, 2011. The distribution of the employees' bonus and the directors' and supervisors' remuneration in 2009, as mentioned in C) above, was different from the employees' bonus of \$42,596 and directors' and supervisors' remuneration of \$5,679 recognized in the 2009 financial statements. The difference of \$856 and \$114, respectively, had been adjusted in the consolidated income statement for the six-month period ended June 30, 2010.
- F) For current status of the resolution, please visit the Taiwan Stock Exchange website.

(20) Earnings per share

	For the six-month period ended June 30, 2011				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 1)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share:					
Net income	\$ 254,288	\$ 166,389	154,520	\$ <u>1.65</u>	\$ <u>1.08</u>
Dilutive effect:					
Stock options	-	-	2,475		
Employees' bonuses	-	-	<u>579</u>		
Diluted earnings per share:					
Net income	\$ <u>254,288</u>	\$ <u>166,389</u>	<u>157,574</u>	\$ <u>1.61</u>	\$ <u>1.06</u>

	For the six-month period ended June 30, 2010				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 1)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share:					
Net income	\$ 252,341	\$ 160,337	152,004	\$ 1.66	\$ 1.05
Dilutive effect:					
Stock options	-	-	4,256		
Employees' bonuses	-	-	475		
Diluted earnings per share:					
Net income	\$ 252,341	\$ 160,337	156,735	\$ 1.61	\$ 1.02

Note 1: In New Taiwan Dollars.

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include the estimated shares that would increase from employees' stock bonus issuance in the computation of the weighted-average number of common shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting period that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting period. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends, the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively.

(21) Treasury stock

Changes in the treasury stock for the six-month periods ended June 30, 2011 and 2010 are set forth below (in thousands of shares):

Purpose	For the six-month period ended June 30, 2011			
	Beginning	Additions	Disposals	Ending
Employee stock options	13,099	-	(11,840)	1,259

Purpose	For the six-month period ended June 30, 2010			
	Beginning	Additions	Disposals	Ending
Employee stock options	13,099	-	-	13,099

B) The maximum and ending balances of treasury stock for the six-month periods ended June 30, 2011 and 2010 are as follows:

June 30, 2011		June 30, 2010	
Maximum balance	Ending balance	Maximum balance	Ending balance
\$ 370,182	\$ 35,580	\$ 370,182	\$ 370,182

- C) According to the R.O.C Securities and Exchange Act, the percentage of the number of shares of treasury stocks shall not exceed 10% of the total shares of common stocks issued by the Company and the total amount of treasury stock shall not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve.
- D) According to the R.O.C. Securities and Exchange Act, treasury stocks held by the Company shall not be pledged, and shall bear no right of shareholders until reissued.
- E) According to the R.O.C. Securities and Exchange Act, treasury shares for the purpose of enhancing the Company's creditworthiness and shareholders' equity not reissued within six months shall be retired, while treasury stocks for all other purposes shall be reissued within three years from the month of acquisition. After the approval of the board of directors' meeting on April 22, 2011, the treasury stocks which were not reissued within three years from the month of acquisition have been retired totaling 11,840 thousand shares. The retirement resulted in the decrease in capital of \$118,400. The rate of capital reduction was 7.04%, and the effective date was April 23, 2011.

(22) Employee stock option plan

- A) On December 25, 2003 and November 14, 2007, the board of directors approved the employee stock option plans which provide for the issuance of 10,000,000 units and 12,000,000 units of options, respectively, that can be converted to one share of common stock per unit. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The Company has issued the employee stock options on February 10, 2004 and December 17, 2007. The stock option has an exercise period of six years. Employees will be able to exercise these options after two years in accordance with the procedures of the employee stock option plan.

B) The units and weighted average exercise price of the stock options for the six-month periods ended June 30, 2011 and 2010 were as follows:

Stock Options	For the six-month periods ended June 30,			
	2011		2010	
	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)
Beginning balance	7,249	\$ 24.20	12,663	\$ 25.33
Number of options granted	-	-	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised	(1,921)	-	(3,899)	-
Cancelled	(67)	-	(791)	-
Ending balance	<u>5,261</u>	24.20	<u>7,973</u>	24.20
Exercisable at the end of the period	<u>5,261</u>		<u>2,844</u>	
Authorized but unissued at the end of the period	<u>-</u>		<u>-</u>	

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

Note 2: As of June 30, 2011, 113 thousand shares had not been registered and were accounted for under stock subscriptions received in advance.

Note 3: As of June 30, 2010, all shares had been registered.

C) As of June 30, 2011 and 2010, the details of outstanding stock options are as follows:

For the six-month period ended June 30, 2011					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
\$ 24.20	5,261	2.42	\$ 24.20	5,261	\$ 24.20

For the six-month period ended June 30, 2010					
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)
\$ 24.20	7,973	3.42	\$ 24.20	2,844	\$ 24.20

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>For the six-month period ended June 30, 2010</u>
	<u>Black-Scholes model assumptions</u>
Dividend yield	0%
Volatility (Note 1)	43.58%
Risk-free interest rate	2.65%
Expected life of the option	4.3 years
Exercise price (Note 2)	\$ 24.2 (in dollars)
Amortization period	2~3 years

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

Note 2: Exercise price of the stock options mentioned above considered the effect of earnings distribution and was readjusted to \$24.2.

(c) Result of evaluation:

	<u>For the six-month period ended June 30, 2010</u>	
	<u>Black-Scholes model assumptions</u>	
Weighted average fair value of options granted to employees	\$	10.95 (in dollars)
Compensation cost under “fair value method”	\$	6,418

There is no compensation cost for the six-month period ended June 30, 2011 under the fair value method.

(23) Personnel, depreciation and amortization expenses

	<u>For the six-month period ended June 30, 2011</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 69,182	\$ 538,214	\$ 607,396
Labor and health insurance	5,818	41,029	46,847
Pension	2,069	24,850	26,919
Others	1,271	37,262	38,533
	<u>\$ 78,340</u>	<u>\$ 641,355</u>	<u>\$ 719,695</u>
Depreciation	<u>\$ 41,467</u>	<u>\$ 39,603</u>	<u>\$ 81,070</u>
Amortization	<u>\$ 107,779</u>	<u>\$ 54,540</u>	<u>\$ 162,319</u>

	<u>For the six-month period ended June 30, 2010</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 43,087	\$ 466,813	\$ 509,900
Labor and health insurance	3,049	33,848	36,897
Pension	939	20,597	21,536
Others	589	28,305	28,894
	<u>\$ 47,664</u>	<u>\$ 549,563</u>	<u>\$ 597,227</u>
Depreciation	<u>\$ 29,029</u>	<u>\$ 30,400</u>	<u>\$ 59,429</u>
Amortization	<u>\$ 123,900</u>	<u>\$ 30,679</u>	<u>\$ 154,579</u>

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Nexon Corporation (Nexon)	Note
Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity
Gamania Cheer Up Foundation	Same chairman

Note: Nexon held more than 20% of the Company's voting shares which were accounted for under the equity method since March 2011. As Nexon has the ability to exercise significant influence on the Company's operational decisions and thus considered as the Company's related party, the relevant transaction information between the Company and Nexon are disclosed from then on.

(2) Significant transactions and balances with related parties

A) License fees

	<u>For the six-month periods ended June 30,</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of license fees</u>	<u>Amount</u>	<u>% of license fees</u>
Nexon	<u>\$ 319,933</u>	<u>22</u>	<u>\$ -</u>	<u>-</u>

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

B) Donation

	<u>For the six-month periods ended June 30,</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of donation</u>	<u>Amount</u>	<u>% of donation</u>
Gamania Cheer Up Foundation	<u>\$ 5,000</u>	<u>81</u>	<u>\$ 3,000</u>	<u>46</u>

C) Deferred charges

	<u>March 31, 2011</u>		<u>March 31, 2010</u>	
	% of net		% of net	
	<u>Amount</u>	<u>deferred charges</u>	<u>Amount</u>	<u>deferred charges</u>
Nexon	\$ 81,985	19	\$ -	-

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

D) Accounts payable

	<u>March 31, 2011</u>		<u>March 31, 2010</u>	
	% of net		% of net	
	<u>Amount</u>	<u>accounts payable</u>	<u>Amount</u>	<u>accounts payable</u>
Nexon	\$ 70,391	14	\$ -	-

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>June 30,</u>		<u>Purpose</u>
	<u>2011</u>	<u>2010</u>	
Land	\$ -	\$ 117,270	Short-term and long-term loans / Credit loans
Buildings	-	118,361	Short-term and long-term loans / Credit lines
	<u>\$ -</u>	<u>\$ 235,631</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

In addition to Note 4(15), others are as follows:

- A) As of June 30, 2011, 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, transportation equipment and networking device was \$131,790.
- 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.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

(1) Fair values of the financial instruments

	June 30, 2011			June 30, 2010		
	Book value	Fair value		Book value	Fair value	
		Quotations in an active market	Estimated value		Quotations in an active market	Estimated value
<u>Financial instruments</u>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$3,227,985	(Note 1)	\$ 3,227,985	\$2,927,903	(Note 1)	\$2,927,903
Financial assets at fair value through profit or loss	2,850	-	2,850	2,850	-	2,850
Financial assets carried at cost	114,294	-	-	114,294	-	-
Refundable deposits	54,194	-	54,194	48,254	-	48,254
Liabilities						
Financial liabilities with fair values equal to book values	\$1,478,051	(Note 1)	\$ 1,478,051	\$1,410,814	(Note 1)	\$1,410,814
Financial liabilities at fair value through profit or loss	3,426	-	3,426	2,805	-	2,805
Long-term loans	15,853	-	15,578	17,473	-	16,651
Guarantee deposits	6	-	6	6	-	6

The methods and assumptions used to estimate the fair values of the financial instruments are summarized below:

- A) For short-term instruments, the book value is approximate to the fair value because of their short-term maturities. This applies to cash and cash equivalents, notes and accounts receivable, other receivables (excluding income tax refundable), short-term loans, notes and accounts payable, accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.
- B) Designated as financial assets at fair value through profit or loss are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques

include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

- C) The fair value of long-term loans is based on the present value of expected cash flow amount. The discount rate was another instrument which the Company could acquire similar terms at about 1.775% ~ 2.225% as of June 30, 2011.
- D) The fair values of refundable deposits and guarantee deposits are the book value since the amounts are insignificant.
- E) Off-balance sheet financial instruments with credit risk:

	June 30,	
	2011	2010
Guarantee for loans of subsidiaries	\$ 490,523	\$ 339,788

According to the Company's credit policy, guarantees can be provided for the loans borrowed by the subsidiaries in which the Company directly or indirectly holds more than 50% voting rights and over which the Company can exercise controlling power. No collaterals have been requested from these subsidiaries as the Company is able to monitor its credit standing. Should these subsidiaries default, the losses that would be incurred by the Company approximate the amount of the guarantee provided by the Company.

- F) As of June 30, 2011 and 2010, the fair values of the financial instruments with interest rate risk were \$409,645 and \$374,950, respectively.

(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

Investments in equity-type financial instruments are affected by changes in

market prices. However, the Group can monitor market driven changes and establish stop-loss points when appropriate, so anticipated market risk is not significant.

(B) Credit risk

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

(C) Liquidity risk

There is no active market for equity financial instruments of the Group, so the Group expects to have liquidity risk.

(D) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, cash flows are substantially independent of changes in market interest rates.

B) Receivables: Notes and accounts receivable and other receivables

(A) Market risk

The Group's receivables are due within one year, so the Group expects no significant market risk.

(B) Credit risk

The debtors of the Group have good credit standing, so the Group expects no significant credit risk.

(C) Liquidity risk

The Group's receivables are due within one year, so the Group expects no significant liquidity risk.

(D) Cash flow interest rate risk

The Group's receivables are due within one year, so the Group expects no significant cash flow interest risk.

C) Loans: Short-term loans, short-term notes and bills payable and long-term loans (including current portion of long-term loans)

(A) Market risk

As the interest rate of the loans for working capital is fixed, the Group expects no significant market risk.

(B) Credit risk

None.

(C) Liquidity risk

The working capital of the Group is sufficient to cover the loans, so it expects no significant liquidity risk.

(D) Cash flow interest risk

Fixed and floating interests for loans are adopted by the Group. There will be no cash flow interest risk for loans with fixed interest, but for loans with floating interest, effective interest will vary with fluctuations in market interest and it will change future cash flows.

- D) Some transactions of the Company and its domestic subsidiaries involve non-functional currency, resulting in foreign currency denominated assets and liabilities which are affected by exchange rate fluctuations. The significant foreign currency denominated assets and liabilities of the Company and its domestic subsidiaries as of June 30, 2011 and 2010 are summarized below:

	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
	<u>Foreign Currency</u>	<u>Exchange</u>	<u>Foreign Currency</u>	<u>Exchange</u>
	<u>Amount (Note)</u>	<u>Rate</u>	<u>Amount (Note)</u>	<u>Rate</u>
<u>Financial Assets</u>				
USD : TWD	USD 2,531,290	28.8020	USD 258,877	32.2090
HKD : TWD	HKD 1,470,441	3.7008	HKD 2,627,903	4.1365
RMB : TWD	RMB 2,045,007	4.4558	RMB 1,406,226	4.7114
<u>Financial Liabilities</u>				
USD : TWD	USD 4,045,895	28.8020	USD 3,019,048	32.2090
HKD : TWD	HKD 259,276	3.7008	HKD 523,241	4.1365

Note: Foreign currency amount is expressed in dollars.

- (4) For the six-month periods ended June 30, 2011 and 2010, the Group donated cash amounting to \$6,200 and \$6,500, respectively, to charities, and educational institutions that are accredited by the government, without significant appointed considerations.

11. DISCLOSURE INFORMATION

(1) Related information of significant transactions

A) Financing activities to any company or person: None.

B) Guarantee for any other company or person:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

The Company or investee companies		Parties being guaranteed		Limit of guarantee for each party (Note 4)	Maximum outstanding guarantee amount for the six-month period ended June 30, 2011	Outstanding guarantee amount at June 30, 2011	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Maximum amount available for guarantee (Note 3)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Gash Plus Company Ltd.	2	\$ 468,865 (30% of the Company's capital)	\$ 80,000	\$ 80,000	None	2.97%	\$ 1,562,883
0	The Company	Gameastor Digital Entertainment Co., Ltd.	2	468,865 (30% of the Company's capital)	330,000	\$ 290,000	None	10.78%	\$ 1,562,883
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd.	3	468,865 (30% of the Company's capital)	66,000	\$ 66,000	None	2.45%	\$ 1,562,883
0	The Company	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	468,865 (30% of the Company's capital)	59,010	\$ 54,523	None	2.03%	\$ 1,562,883

Note 1: Number 0 represents the Company.

Note 2: Number 2 means the Company directly owns over 50% of the shares of the subsidiary.

Number 3 means the Company and the subsidiary own over 50% of the shares of the investee company.

Note 3: In accordance with the Company's policy, the total guarantee amount of the Company shall not exceed 30% of the Company's capital.

Note 4: The Company provides guarantee for the subsidiaries in which the Company directly or indirectly holds more than 50% voting rights. The limit of guarantee for each party is 30% of the Company's capital, and the maximum amount available for guarantee is the Company's capital.

C) Marketable securities held at June 30, 2011

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	June 30, 2011				
					Number of shares	Book value	Percentage	Market value (Note 2)	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	26,320	\$ 719,634	100%	\$ 719,634	Note 3
"	"	Gamania Korea Co., Ltd.	"	"	416	16,600	100%	16,600	"
"	"	Fantasy Fish Digital Games Co., Ltd.	"	"	10,174	22,753	99.75%	20,862	"
"	"	Gameastor Digital Entertainment Co., Ltd.	"	"	3,863	63,297	72.08%	63,996	"
"	"	Gamania Asia Investment Co., Ltd.	"	"	13,945	141,554	100%	141,554	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	(147)	100%	(147)	"
"	"	Fundation Digital Entertainment Co., Ltd.	"	"	6,448	13,888	100%	13,888	"
"	"	Playcoo Co.	"	"	13,996	107,990	75.25%	61,862	"
"	"	Redgate Games Co., Ltd.	"	"	12,200	9,978	100%	9,978	"
"	"	Seedo Games Co., Ltd.	"	"	12,200	16,952	100%	16,952	"
"	"	Two Tigers Co., Ltd.	"	"	627	6,105	51%	6,105	"
"	"	Gash Plus Company Ltd.	"	"	5,000	55,307	100%	55,307	"
"	"	Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity method	"	3,200	5,076	37.65%	5,076	N/A
"	"	NC Taiwan Co., Ltd.	Investee company accounted for under financial assets carried at cost	Financial assets carried at cost-non current	2,100	22,841	15%	22,841	"

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

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

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 investment has been eliminated in the consolidated financial statements.

D) Marketable securities acquired or sold during the six-month period ended June 30, 2011 in excess of \$100,000 or 20% of capital:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Investor	Type and name of marketable securities	General ledger account	Name and relationship of counterparty	Beginning balance (Note 1)		Addition		Disposal			Disposal gain	Ending balance (Note 2)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	USITC Bond Fund	Financial asset held for trading bond funds	Initial investment at inception/ none	-	\$ -	8,104	\$ 115,000 (Note 1)	8,104	\$115,044	\$115,000	\$ 44	-	\$ -
"	Jih Sun Bond Fund	"	"	-	-	10,182	129,000 (Note 1)	10,182	129,071	129,000	71	-	-
"	Gamania Holdings Ltd.	Long-term investments accounted for under the equity method	Gamania Holdings Ltd./ Investee company accounted for under the equity method	22,650	657,580 (Note 1)	3,670	62,054 (Note 2)	-	-	-	-	26,320	719,634 (Note 3)

Note 1: Amount of initial investment at inception.

Note 2: The Company invested \$107,072 and recognized investment loss, cumulative translation adjustments and effect of change in ownership percentage of investee company. The net increase amount was \$62,054.

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

E) Acquisition of real estate in excess of \$100,000 or 20% of capital: None.

F) Disposal of real estate in excess of \$100,000 or 20% of capital: None.

G) Sales to or purchases from related parties in excess of \$100,000 or 20% of capital:

Purchaser /Seller	Name of transaction parties	Relationship	Transaction terms				Description of and reasons for difference in transaction terms compared to non-related party transactions		Accounts or notes receivable (payable)	
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit terms	Unit price	Credit period	Balance	Percentage of total accounts or notes receivable (payable)
Gamania Digital Entertainment Co., Ltd.	Gash Plus Co., Ltd.	Subsidiary	Sales	\$ 613,161	27%	Note 1	Note 1	Note 1	\$ 486,167	50% (Note 2)

Note 1: The above represents sales condition based on merchandise, competitive market and trading situation. The price and collection terms are similar to third parties.

Note 2: The investment has been eliminated in the consolidated financial statements.

H) Receivable from related parties in excess of \$100,000 or 20% of capital: None.

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties (in thousands)	Turnover rate	Overdue receivables		Subsequent collections	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
Gamania Digital Entertainment Co., Ltd.	Gash Plus Co., Ltd.	Subsidiary	\$ 486,167 (Note 1)	5.04	\$ -	-	\$ -	\$ -

Note 1: The investment has been eliminated in the consolidated financial statements.

I) Information on derivative transaction: None.

(2) Information of investee companies

A) Information of investee companies:

(The information on Taiwan e-sports Co., Ltd. is based on unaudited financial statements because of the small scale. The information on Gamania Korea Co., Ltd., Firedog Studio Company Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd. were based on financial statements audited by other auditors. The others were audited by the Company's auditors.)

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2011.6.30	2010.6.30	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	\$1,637,103	\$ 1,530,031	26,320	100%	\$ 719,634	(\$ 42,241)	(\$ 42,241)	Subsidiary (Note 1)
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sale of software	267,952	249,615	416	100%	16,600	(13,448)	(13,448)	"
"	Fantasy Fish Digital Games Co., Ltd.	18F, No. 736, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan	Design and research and development of software	330,000	310,000	10,174	99.75%	22,753	(23,782)	(23,711) (Note 2)	"
"	Gameastor Digital Entertainment Co., Ltd.	"	Software services and sales	211,433	211,433	3,863	72.08%	63,297	21,050	14,898 (Note 3)	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	13,945	100%	141,554	5,757	5,757	"
"	Gamania Digital Entertainment Labuan Holdings Ltd.	Level 15(A), Main Office Tower, Financial Park Labuan, 87000 Labuan, Jalan Merdeka, 87000 Labuan, FT, Malaysia	Investment holdings	329	329	10	100%	(147)	1	1	"
"	Foundation Digital Entertainment Co., Ltd.	18F, No. 736, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan	Sales and publishing of magazines and periodicals	150,000	120,000	6,448	100%	13,888	(19,194)	(19,194)	"
"	Playcoo Co.	"	Design and research and development of software	152,554	152,554	13,996	75.25%	107,990	8,320	2,066 (Note 4)	"

Note 1: The investment has been eliminated in the consolidated financial statements.

Note 2: The weighted-average ownership percentage is 99.70%.

Note 3: Including the amount of write-off of realized and unrealized upstream revenue (\$275).

Note 4: Including amortization of subsidiary's patent amounting to (\$4,195).

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2011.6.30	2010.6.30	Number of shares	Percentage	Book value			
The Company	Redgate Games Co., Ltd.	18F, No. 736, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan	Design and research and development of software	\$ 122,000	\$ 82,000	12,200	100%	\$ 9,978	(\$ 28,982)	(\$ 28,982)	Subsidiary (Note 1)
"	Seedo Games Co., Ltd.	"	Design and research and development of software	122,000	82,000	12,200	100%	16,952	(24,870)	(24,870)	"
"	Two Tigers Co. Ltd.	"	Animation production	6,269	6,269	627	51%	6,105	(140)	(140)	"
"	Gash Plus Co., Ltd.	"	Supply of software services and electronic information	50,000	-	5,000	100%	55,307	5,307	5,307	"
"	Taiwan e-sports Co., Ltd.	9F, No.176 Chung Hsiao East Rd. Section 4, Taipei City, Taiwan	Supply of software services and electronic information	32,000	32,000	3,200	37.65%	5,076	(4,433)	(1,669)	Investee company accounted for under equity method
Gamania Asia Investment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and sales of software	80,625	80,625	1,458	27.20%	24,149	21,050	5,726	Investee company accounted for under equity method (Note 1)
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 49,710 thousand	USD 46,040 thousand	49,710	100%	USD 25,141 thousand	(USD 1,443 thousand)	(USD 1,443 thousand)	Subsidiary (Note 1)
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Sumitomo Ooimachi Bldg (South) 3F, 1-20-10 Town, Ooi, Shinagawa-Ku, Tokyo , Japan 140-0014	Design and sales of software; sales of hardware	USD 14,298 thousand	USD 14,298 thousand	3	100%	USD 7,020 thousand	USD 1,056 thousand	USD 1,056 thousand	"

Note 1: The investment has been eliminated in the consolidated financial statements.

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2011.6.30	2010.6.30	Number of shares	Percentage	Book value			
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 32,284 thousand	USD 29,784 thousand	32,370	98.50%	USD 9,989 thousand	(USD 658 thousand)	(USD 648 thousand) (Note 1)	Subsidiary (Note 2)
Gamania International Holdings Ltd.	Gamania Western Holdings Ltd.	P.O. Box 2804 Scotia Centre, 4th, George Town, Grand Cayman KY1-1112, Cayman Islands	Investment holdings	USD 6,150 thousand	USD 4,850 thousand	6,150	100%	USD 3,135 thousand	USD 829 thousand	USD 829 thousand	"
Gamania International Holdings Ltd.	Gamania Netherlands Holdings Cooperatief U.A.	Prof J H Barincklaan 5, 1183AT Amstelveen	Investment holdings	EUR 1,500 thousand	EUR 500 thousand	1,500	100%	EUR 1,061 thousand	(EUR 352 thousand)	(EUR 352 thousand)	"
Gamania International Holdings Ltd.	Firedog Studio Company Ltd.	Unit 509 5/F., Conic Investment Building, No.13 Hok Yuen St., Hunghom, Kowloon, Hong Kong	Design and research and development of software	HKD 18,255 thousand	HKD 10,455 thousand	18,255	100%	HKD 14,318 thousand	(HKD 4,326 thousand)	(HKD 4,326 thousand)	"
Gamania International Holdings Ltd.	Gash Plus (Hong Kong) Company Ltd.	Unit 509 5/F., Conic Investment Building, No.13 Hok Yuen St., Hunghom, Kowloon, Hong Kong	Supply of software services and electronic information	HKD 750 thousand	-	750	100%	USD 128 thousand	USD 32 thousand	USD 32 thousand	"

Note 1: The weighted-average ownership percentage is 98.44%.

Note 2: The investment has been eliminated in the consolidated financial statements.

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2011.6.30	2011.6.30	Number of shares	Percentage	Book value			
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Fourth Floor, One Capital Place P.O. Box 847GT, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 29,420 thousand	USD 26,920 thousand	29,420	100%	USD 1,884 thousand	(USD 3,371 thousand)	(USD 3,371 thousand)	Subsidiary (Note)
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Design and sales of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 6,851 thousand	USD 3,164 thousand	USD 3,164 thousand	"
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Building B 3F, No.329, Tian Yao Qiao Rd., Xuhui Dist., Shanghai City, Chiana	Design and sales of software	USD 25,500 thousand	USD 23,000 thousand	N/A	100%	USD 1,831 thousand	(USD 3,218 thousand)	(USD 3,218 thousand)	"
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	Suite 806, 1220 N. Market Street, Wilmington, DE 19801, County of New Castle	Design and sales of software	USD 6,130 thousand	USD 4,830 thousand	1	100%	USD 3,136 thousand	(USD 828 thousand)	(USD 828 thousand)	"
Gamania Netherlands Holdings Cooperatief U.A.	Gamania Digital Entertainment (Europe) Co., Ltd.	Naritaweg 165, Telestone 8, 1043 BW, Amsterdam	Design and sales of software	EUR 1,500 thousand	EUR 500 thousand	1,500	100%	EUR 1,061 thousand	(EUR 352 thousand)	(EUR 352 thousand)	"

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

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

D) Marketable securities held at June 30, 2011:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Issuer	Type of marketable securities (Note 1)	Name of marketable securities	Relationship with the security holders	General ledger account	June 30, 2011				
					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	49,710	USD 25,141 thousand	100%	USD 25,141 thousand	Note 4
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	3	USD 7,020 thousand	100%	USD 7,020 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	32,370	USD 9,989 thousand	98.50%	USD 9,989 thousand	"
Gamania International Holdings Ltd.	"	Gamania Western Holdings Ltd.	"	"	6,150	USD 3,135 thousand	100%	USD 3,135 thousand	"
Gamania International Holdings Ltd.	"	Gamania Netherlands Holdings Cooperatief U.A.	"	"	1,500	EUR 1,061 thousand	100%	EUR 1,061 thousand	"
Gamania International Holdings Ltd.	"	Firedog Studio Company Ltd.	"	"	18,255	HKD 14,318 thousand	100%	HKD 14,318 thousand	"
Gamania International Holdings Ltd.	"	Gash Plus (Hong Kong) Company Ltd.	"	"	750	USD 128 thousand	100%	USD 128 thousand	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD 6,851 thousand	100%	USD 6,851 thousand	"

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

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

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

Note 3: Unit: In thousand shares.

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

Issuer	Type of marketable securities (Note 1)	Name of marketable securities	Relationship with the security holders	General ledger account	June 30, 2011				
					Number of shares (Note 3)	Book value	Percentage	Market value (Note 2)	Note
Gamania China Holdings Ltd.	Common Stock	Gamania Sino Holdings Ltd.	Subsidiary	Long-term investments – accounted for under the equity method	29,420	USD 1,884 thousand	100%	USD 1,884 thousand	Note 4
Gamania Sino Holdings Ltd.	"	Gamania Digital Entertainment (Beijing) Co.,Ltd.	"	"	N/A	USD 1,831 thousand	100%	USD 1,831 thousand	"
Gamania Western Holdings Ltd.	"	Gamania Digital Entertainment (U.S.) Co., Ltd.	"	"	1	USD 3,136 thousand	100%	USD 3,136 thousand	"
Gamania Netherlands Holdings Cooperatief U.A.	"	Gamania Digital Entertainment (Europe) B.V.	"	"	1,500	EUR 1,061 thousand	100%	USD 1,061 thousand	"
Gamania Asia Investment Co., Ltd.	"	Gameastor Digital Entertainment Co., Ltd.	Investee company accounted for under the equity method	"	1,458	24,149	27.20%	24,149	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd.	None	Financial assets carried at cost	9,383	91,453	14.60%	91,453	None
Gamania Asia Investment Co., Ltd.	"	Iwan Interactive Entertainment Co., Ltd.	"	Financial assets at fair value through profit or loss	285	2,850	14.96%	2,850	"

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

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

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

Note 3: Unit: In thousand shares.

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

E) Acquisition of 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% or capital: None.

I) 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, 2011	Remitted or received investment amount during the period		Accumulated investment as of June 30, 2011	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note 2)	Balance of investment at June 30, 2011	Accumulated investment income received as of June 30, 2011
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	(RMB 191,189 thousand) \$851,900	Note 2	(USD20,870 thousand) \$601,098	USD 2,500 thousand \$72,005	\$ -	(USD 23,370 thousand) \$673,103	98.50%	(USD 3,168 thousand) (\$ 91,245)	(USD 1,804 thousand) \$ 51,959	\$ -

Accumulated amount of investment in Mainland China as of June 30, 2011	Related investment amount approved by FIA	Upper limit of investment in Mainland China
(USD 23,370 thousand) \$673,103	\$754,036 (Note 1)	\$ 1,631,949

Note 1: Related total investment amount approved by FIA is USD 26,180,000 or NTD 754,036 thousand based on 28.8020 exchange rate.

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

Note 3: Investment loss recognized in the period is calculated based on 98.44 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 investment has been eliminated in the consolidated financial statements.

(4) The relationship and significant transactions between the Company and its subsidiaries

For the six-month period ended June 30, 2011

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.	Gash Plus Co. Ltd.	1	Sales revenue	\$ 613,161	Note 4	17%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Advertising expense	17,895	Note 4	-%
0	"	Gash Plus Co. Ltd.	1	Accounts receivable	485,206	Note 4	10%
0	"	Gamania Digital Entertainment (Europe) B.V.	1	Other receivables	36,651	Note 4	1%
0	"	Gash Plus (Hong Kong) Company Ltd.	1	Other receivables	30,453	Note 4	1%
0	"	Gash Plus Co. Ltd.	1	Other receivables	26,608	Note 4	1%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	8,636	Note 4	-%
0	"	Gamania Holdings Ltd.	1	Other receivables	5,114	Note 4	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	5,068	Note 4	-%
0	"	Playcoo Co.	1	Accounts payable	11,214	Note 4	-%
0	"	Gash Plus (Hong Kong) Company Ltd.	1	Accrued expenses	11,636	Note 4	-%
0	"	Gash Plus Co. Ltd.	1	Other payables	123,531	Note 4	2%
0	"	Gash Plus (Hong Kong) Company Ltd.	1	Other payables	50,085	Note 4	1%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Other payables	82,248	Note 4	2%
1	Gameastor Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	License costs	10,020	Note 4	-%
1	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Payments	18,324	Note 4	-%
1	"	Gash Plus Co. Ltd.	3	Sales revenue	26,296	Note 4	1%
1	"	Gash Plus Co. Ltd.	3	Accounts receivable	27,094	Note 4	1%
2	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gash Plus (Hong Kong) Company Ltd.	3	Accounts payable	62,677	Note 4	1%

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	Playcoo Co.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License revenue	\$ 43,020	Note 4	1%
3	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts receivable	6,668	Note 4	-%
4	Gamania Digital Entertainment Labuan Holdings, Ltd.	Gamania Digital Entertainment (Japan) Co. Ltd.	3	License revenue	43,022	Note 4	1%
4	"	Gamania Digital Entertainment (Japan) Co. Ltd.	3	Accounts receivable	7,434	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 \$5,000 for the transaction amount.

For the six-month period ended June 30, 2010

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.	Foundation Digital Entertainment Co., Ltd.	1	Purchases	\$ 6,018	Note 4 -%
0	"	Gameastor Digital Entertainment Co., Ltd. (Note 6)	1	Purchases	5,092	Note 4 -%
0	"	Gameastor Digital Entertainment Co., Ltd. (Note 6)	1	Advertising expense	24,054	Note 4 1%
0	"	Gameastor Digital Entertainment Co., Ltd. (Note 6)	1	Rent revenue	5,412	Note 4 -%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	10,649	Note 4 -%
0	"	Gameastor Digital Entertainment Co., Ltd. (Note 6)	1	Other receivables	7,238	Note 4 -%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	5,711	Note 4 -%
0	"	Gameastor Digital Entertainment Co., Ltd. (Note 6)	1	Accrued expenses	8,109	Note 4 -%
0	"	Gameastor Digital Entertainment Co., Ltd. (Note 6)	1	Other payables	97,664	Note 4 2%
1	Gameastor Digital Entertainment Co., Ltd. (Note 6)	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License costs	25,343	Note 4 1%
1	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Royalties payments	29,681	Note 4 1%
1	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts payable	9,962	Note 4 -%
2	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	3	Other receivables	5,269	Note 4 -%
3	Playcoo Co.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License revenue	37,963	Note 4 1%
3	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts receivable	11,796	Note 4 -%
4	Gamania Digital Entertainment Labuan Holdings, Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	License revenue	43,795	Note 4 1%
4	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	5,698	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 \$5,000 for the transaction amount.

Note 6: Gameastor Digital Entertainment Co., Ltd., formerly Taiwan Index Co., Ltd., has completed its change of registration in September 2010.

12. OPERATING SEGMENTS INFORMATION

(1) General information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker which are used to make strategic decisions.

(2) Assessment of segment information

The chief operating decision-maker assesses the performance of the operating segments based on net income or net loss of the reporting period.

(3) Information on segment profit (loss), assets and liabilities

The segment information on reportable segments provided to the chief operating decision-maker for the six-month periods ended June 30, 2011 and 2010 are as follows:

For the six-month period ended <u>June 30, 2011</u>	<u>Gamania Digital Entertainment Co., Ltd.</u>	<u>Gameastor Digital Entertainment Co., Ltd</u>	<u>Gash Plus Co., Ltd</u>	<u>Others</u>	<u>Total</u>
Revenue from external customers	\$ 1,710,971	\$ 373,730	\$ 792,251	\$ 724,998	\$ 3,601,950
Inter-segment revenue	597,641	15,283	-	144,853	757,777
Segment profit (loss)	166,389	21,050	5,307	(24,653)	168,093
Depreciation and amortization	(136,210)	(37,646)	(18)	(69,515)	(243,389)
Income tax expense	(68,177)	52	(1,087)	(18,687)	(87,899)
Investment income (loss) accounted for under the equity method	(126,226)	-	-	124,557	(1,669) (Note)
Segment assets	-	-	-	-	-
For the six-month period ended <u>June 30, 2010</u>	<u>Gamania Digital Entertainment Co., Ltd.</u>	<u>Gameastor Digital Entertainment Co., Ltd</u>	<u>Gash Plus Co., Ltd</u>	<u>Others</u>	<u>Total</u>
Revenue from external customers	\$ 1,989,786	\$ 277,170	\$ -	\$ 528,574	\$ 2,795,530
Inter-segment revenue	3,166	28,757	-	141,945	173,868
Segment profit (loss)	160,337	17,048	-	(15,566)	161,819
Depreciation and amortization	(139,530)	(35,999)	-	(38,479)	(214,008)
Income tax expense	(71,950)	(5,483)	-	(14,571)	(92,004)
Investment income (loss) accounted for under the equity method	(102,985)	-	-	99,203	(3,782) (Note)
Segment assets	-	-	-	-	-

Note: The inter-segment investment income or loss has been eliminated.

(4) Reconciliation information of segment profit (loss), assets and liabilities

The segment reports provided to the chief operating decision-maker are measured in a manner consistent with that used for the income statement. There is no difference between the presentation of segment report and income statement and accordingly, no reconciliation is required to be disclosed.