

**GAMANIA DIGITAL ENTERTAINMENT CO., LTD.**

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

**September 30, 2006 AND 2005**

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These English financial statements were translated from the financial statements originally prepared in Chinese.

## **Report of Independent Accountants**

(06) R.F014.06000165

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

We have reviewed the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. (the “Company”) and its subsidiaries as of September 30, 2006 and 2005, and the related consolidated statements of income and of cash flows for the nine-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 reviews.

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

As described in Note 1, the consolidated financial statements include unreviewed financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$756,337 thousand and \$893,970 thousand, constituting 23.79% and 25.72% of the related consolidated totals as of September 30, 2006 and 2005, respectively, and total operating revenues of \$780,765 thousand and \$931,888 thousand, constituting 27.38% and 41.36% of the related consolidated totals for the nine-month periods then ended, respectively. In addition, as explained in Note 4(7), the consolidated financial statements include long-term investments accounted for under the equity method amounting to \$51,233 thousand and \$23,127 thousand as of September 30, 2006 and 2005, respectively, and the related investment loss was \$11,722 thousand and \$4,387 thousand for the nine-month periods then ended, respectively. These amounts and the information disclosed in Note 11 were based on their respective financial statements which were not reviewed by independent accountants.

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

As disclosed in Note 3, 4(9) and 4(10), effective in the fourth quarter of 2004, the Company adopted R.O.C. Statement of Financial Accounting Standards No. 35, “Accounting for Assets Impairment”. As a result of the adoption of SFAS No. 35, total consolidated assets and stockholders’ equity decreased by \$321,770 thousand as of September 30, 2005. The adoption had no significant effect on consolidated net income for the nine-month period ended September 30, 2005.

As described in Notes 1, 2 and 3, effective January 1, 2005, the Company adopted the newly amended Statement of Financial Accounting Standards No. 7 “Consolidated Financial Statements” which require the consolidation of all majority-owned subsidiaries.

October 18, 2006

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

**GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30,**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**  
**(UNAUDITED)**

	2006	2005		2006	2005
<b><u>ASSETS</u></b>			<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents (Note 4 (1))	\$ 378,399	\$ 347,333	Short-term loans (Note 4 (11))	\$ 30,000	\$ 64,260
Financial assets at fair value through profit or loss - current (Note 4 (2))	533,306	694,000	Notes payable	123,562	76,535
Notes receivable - third parties - net (Note 4 (3))	82,696	41,473	Accounts payable - third parties	98,715	72,111
Accounts receivable - third parties - net (Note 4 (4))	986,040	811,410	Accounts payable - related party (Note 5)	40,822	43,573
Other receivables	3,443	8,523	Income tax payable (Note 4 (14))	43,969	29,829
Other receivables - related parties (Note 5)	213	13,112	Accrued expenses	157,319	131,189
Other financial assets - current (Note 6)	-	30,000	Other payables	35,641	97,058
Inventories - net (Note 4 (5))	24,848	23,182	Unearned revenue collected in advance	216,530	191,745
Prepaid expenses	65,689	49,139	Current portion of long-term liabilities (Notes 4 (12) and 4 (13))	124,093	59,735
Deferred income tax assets - current (Note 4 (14))	60,608	42,757	Other current liabilities	25,280	17,985
Other current assets - other	2,876	5,127		895,931	784,020
	2,138,118	2,066,056			
<b>Long-term Investments</b>			<b>Long-term Liabilities</b>		
Financial assets carried at cost - non-current (Note 4 (6))	104,004	16,046	Long-term loans (Note 4 (12))	60,807	289,576
Long-term investments - accounted for under the equity method (Note 4 (7))	51,233	23,127	Capital lease obligation - non-current (Note 4 (13))	-	325
	155,237	39,173		60,807	289,901
<b>Other financial assets - non-current</b> (Note 6)	-	4,654	<b>Other Liabilities</b>		
<b>Property, Plant and Equipment - net</b> (Notes 4 (8) and 6)			Accrued pension liabilities (Note 4 (15))	5,788	7,249
Cost			Guarantee deposits	1,948	2,000
Land	147,751	147,751	Other liabilities - other	1,368	-
Buildings	156,055	179,921		9,104	9,249
Machinery and equipment	930,277	862,030	<b>Total Liabilities</b>	965,842	1,083,170
Transportation equipment	1,700	3,335	<b>Stockholders' Equity</b>		
Office equipment	91,042	190,642	Common stock (Notes 1 and 4 (16))	1,468,787	1,518,787
Leasehold assets	1,556	43,487	Capital reserve (Note 4 (17))		
Leasehold improvements	45,617	125,847	Paid-in capital in excess of par	736,166	1,037,644
Other equipment	12,597	11,903	Treasury stock (Notes 4 (16) and 4 (21))	-	27,162
Total Cost	1,386,595	1,564,916	Gain on disposal of property, plant and equipment	221	221
Less: Accumulated depreciation	( 687,192)	( 618,691)	Retained earnings		
Construction in progress and prepayments for equipment	-	10,381	Retained earnings (accumulated deficit) (Note 4 (19))	49,543	( 29,571)
	699,403	956,606	Cumulative translation adjustments	18,968	25,904
<b>Intangible assets</b>			Treasury stock (Note 4 (21))	( 155,765)	( 302,140)
Trademark	308	291		2,117,920	2,278,007
Goodwill	2,901	61,585	Minority interest	95,344	115,213
Deferred pension cost	443	1,282	<b>Total Stockholders' Equity</b>	2,213,264	2,393,220
Other intangible assets - net (Note 4 (9))	795	-	<b>Commitments and Contingent Liabilities</b> (Note 7)		
	4,447	63,158			
<b>Other Assets</b>					
Refundable deposits	30,326	32,657			
Deferred charges - net (Note 4 (10))	135,665	212,845			
Deferred income tax assets - non-current (Note 4 (14))	15,910	100,316			
Other asset - other	-	925			
	181,901	346,743			
<b>TOTAL ASSETS</b>	\$ 3,179,106	\$ 3,476,390	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$ 3,179,106	\$ 3,476,390

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated October 18, 2006.

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

	<u>2006</u>	<u>2005</u>
Operating revenues		
Sales revenue	\$ 2,936,894	\$ 2,321,259
Sales returns	( 63,389)	( 63,547)
Sales allowances	( 33,158)	( 27,749)
Net sales revenue	<u>2,840,347</u>	<u>2,229,963</u>
Service revenue	<u>11,460</u>	<u>22,922</u>
Total operating revenues	<u>2,851,807</u>	<u>2,252,885</u>
Operating costs		
Cost of goods sold (Notes 4 (23) and 5)	( 1,590,815)	( 1,259,949)
Gross profit	<u>1,260,992</u>	<u>992,936</u>
Operating expenses (Notes 4 (23) and 10)		
Selling expenses	( 285,776)	( 294,584)
General and administrative expenses	( 540,484)	( 528,800)
Research and development expenses	( 82,137)	( 76,606)
Total operating expenses	<u>( 908,397)</u>	<u>( 899,990)</u>
Operating income	<u>352,595</u>	<u>92,946</u>
Non-operating income		
Interest income	3,953	1,315
Gain on adjustment of financial assets	1,306	-
Gain on sale of property, plant and equipment	679	-
Gain on sale of investments	2,599	5,778
Foreign exchange gain	1,274	2,411
Rental income	178	136
Miscellaneous income	<u>2,800</u>	<u>12,475</u>
Total non-operating income	<u>12,789</u>	<u>22,115</u>
Non-operating expenses		
Interest expense	( 9,118)	( 9,395)
Investment loss accounted for under the equity method (Note 4 (7))	( 11,722)	( 4,387)
Other investment loss (Note 4 (6))	-	( 10,800)
Loss on disposal of property, plant and equipment	( 5,949)	( 633)
Loss on decline in market value of obsolete inventories	( 7,790)	( 12,917)
Miscellaneous losses	( 14,915)	( 7,645)
Total non-operating expenses	<u>( 49,494)</u>	<u>( 45,777)</u>
Income before income tax	315,890	69,284
Income tax expense (Note 4 (14))	( 94,533)	( 63,876)
Consolidated net income	<u>\$ 221,357</u>	<u>\$ 5,408</u>
Attributable to:		
Equity holders of the Company	\$ 242,929	(\$ 24,351)
Minority interest	( 21,572)	29,759
	<u>\$ 221,357</u>	<u>\$ 5,408</u>
	<u>2006</u>	<u>2005</u>
Basic earnings per share (in dollars) (Note 4 (20))	<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>
Profit (loss) attributable to equity holders of the Company	\$ 2.40 \$ 1.73	\$ 0.27 (\$ 0.17)
Minority interest (loss) income	( 0.15) ( 0.15)	<u>0.20</u> <u>0.20</u>
Consolidated net income	<u>\$ 2.25</u> <u>\$ 1.58</u>	<u>\$ 0.47</u> <u>\$ 0.03</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated October 18, 2006.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

(UNAUDITED)

	2006	2005
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 221,357	\$ 5,408
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on sale of investments	( 2,599)	( 5,778)
Gain on adjustment of financial assets	( 1,306)	-
(Reversal of) provision for bad debts and sales returns	( 5,341)	22,225
(Recovery of) provision for decline in market value and obsolescence of inventories and inventories written-off	( 1,447)	4,200
Receipt of dividend from financial assets carried at cost recorded as a reduction of investment cost	8,547	-
Investment loss accounted for under the equity method	11,722	4,387
Other investment loss	-	10,800
Depreciation and amortization	214,792	328,476
Loss on disposal of property, plant and equipment and other intangible assets	5,270	633
Deferred charges charged to cost	22,864	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable - third parties	2,182	29,174
Accounts receivable - third parties	( 157,880)	( 68,430)
Other receivables - third parties	1,403	( 2,150)
Other receivables - related parties	307	( 308)
Inventories	( 7,465)	( 13,887)
Prepaid expenses	( 35,731)	( 14,323)
Other current assets - other	3,437	( 1,775)
Deferred income tax assets	52,691	40,407
Notes payable	17,890	20,069
Accounts payable - third parties	19,561	12,815
Accounts payable - related party	( 5,656)	( 36,739)
Income tax payable	23,329	11,244
Accrued expenses	( 47,513)	( 27,041)
Other payables - third parties	( 1,668)	55,254
Unearned revenue collected in advance	37,447	( 35,108)
Other current liabilities	( 2,240)	( 8,324)
Accrued pension liabilities	( 1,736)	2,787
Net cash provided by operating activities	372,217	334,016

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

	<u>2006</u>	<u>2005</u>
<u>Cash flows from investing activities</u>		
Proceeds from disposal of financial assets held for trading - bond funds	\$ 1,610,599	\$ 1,899,478
Increase in financial assets held for trading - bond funds	( 2,140,000)	( 2,577,700)
Increase in long-term investment-subsiary	-	( 14,400)
Proceeds from disposal of property, plant and equipment	4,339	9,859
Decrease (increase) in pledged assets, net	32,327	( 34,654)
Acquisition of property, plant and equipment	( 87,728)	( 261,147)
Increase in deferred charges	( 36,082)	( 94,730)
Decrease in refundable deposits, net	7,759	11,394
Decrease in other assets - other	<u>1,067</u>	<u>13,402</u>
Net cash used in investing activities	( <u>607,719</u> )	( <u>1,058,498</u> )
<u>Cash flows from financing activities</u>		
(Decrease) increase in short-term loans	( 54,376)	19,386
(Decrease) increase in long-term loans	( 160,165)	67,255
Increase in other liabilities - other	1,304	-
Decrease in capital lease obligation – non-current	( 129)	-
Increase in guarantee deposits	610	1,293
Purchase of treasury stock	( 155,765)	( 13,645)
Changes in minority interest	<u>2,482</u>	<u>-</u>
Net cash (used in) provided by financing activities	( <u>366,039</u> )	<u>74,289</u>
Effect of changes in consolidated subsidiaries	-	138,929
Effect of exchange rate changes in cash and cash equivalents	( <u>5,108</u> )	( <u>69,053</u> )
Net decrease in cash and cash equivalents	( 606,649)	( 580,317)
Cash and cash equivalents at beginning of period	<u>985,048</u>	<u>927,650</u>
Cash and cash equivalents at end of period	<u>\$ 378,399</u>	<u>\$ 347,333</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 9,571</u>	<u>\$ 8,804</u>
Income taxes	<u>\$ 18,266</u>	<u>\$ 14,663</u>
<u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 67,859	\$ 247,880
Less: Payable-ending	( 256)	( 4,758)
Add: Payable-beginning	<u>20,125</u>	<u>18,025</u>
Cash paid	<u>\$ 87,728</u>	<u>\$ 261,147</u>

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

See report of independent accountants dated October 18, 2006.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006 AND 2005  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)  
(UNAUDITED)

1. HISTORY AND ORGANIZATION

(1) Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of September 30, 2006, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 15 million shares of employee stock options), at a par value of \$10 (NT dollars) per share, and issued and outstanding capital was \$1,468,787. The Company is engaged in software services, TV programming and magazine publications. As of September 30, 2006, the Company and its consolidated subsidiaries had 1,042 employees.

(2) Consolidated subsidiaries

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of September 30, 2006</u>
Gamania Holdings Ltd.	Note A	Investment holding company	100%
NC Taiwan Co., Ltd.	Note A	Design and sale of software	51.00%
Taiwan Index Co., Ltd.	Note A	Software service	96.60%
Gamania Asia Investments Co., Ltd.	Note A	Investment	100%
Gamania Korea Co., Ltd.	Note A	Design and sale of software	100%
Alibangbang Games Co., Ltd.	Note A	Design and research of software	96.36%
Gamania Digital Entertainment Labuan Holdings, Ltd.	Note A	Investment holding company	100%
Gamania International Holdings, Ltd.	Note B	Investment holding company	100%
Gamania Digital Entertainment (Japan) Co., Ltd.	Note C	Design and sale of software and hardware	100%
Gamania China Holdings Ltd.	Note C	Investment holding company	92.92%
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note D	Design and sale of software	92.92%
G. A. Co., Limited.	Note D	Design and sale of software	92.92%
Gamania Digital Entertainment Sino Holdings Co., Ltd.	Note D	General investment	92.92%
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note E	Design and sale of software	92.92%

Note A: Majority-owned subsidiary

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

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

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

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

- (3) Changes in the consolidated subsidiaries: None.
- (4) Majority-owned subsidiaries not consolidated: None.
- (5) Difference in accounting period among the Company and the subsidiaries: None.
- (6) Difference in the accounting policies adopted among the Company and the subsidiaries: None.
- (7) Special operation risk of foreign subsidiaries: None.
- (8) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- (9) The Company's and its subsidiaries' earnings distribution are restricted by enactment or contract: None.
- (10) The amortization method and terms of the difference between the acquisition cost and the net equity of the subsidiary: None.
- (11) Other consequential items or the properly exposition to the consolidated financial statements: None.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers”, “Business Entity Accounting Act” and generally accepted accounting principles in the Republic of China. The significant accounting policies of the Company are summarized below:

### (1) Principles of consolidation

A) Effective January 1, 2005, all majority-owned subsidiaries or controlled entities, which meet the criteria of the amended Statement of Financial Accounting Standards No. 7 “Consolidated Financial Statements”, are included in the consolidated financial statements, although the Company owns less than 50% of the voting rights of the investee companies directly or indirectly. All significant intercompany balances and transactions are eliminated in the consolidation.

B) The results of operations of a subsidiary is included in the consolidated financial statements from the date of acquisition. Effective January 1, 2005, under the amended SFAS No. 7, the results of operations of such subsidiary is excluded from the consolidated statements of income effective the date on which the Company loses control over the subsidiary. For the initial year of adoption of SFAS No. 7, restatement of prior year's financial statements is not required.

(2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of the foreign subsidiaries are translated into New Taiwan dollars using the exchange rate at the balance sheet date; equity accounts are translated at historical rates, except for beginning retained earnings which are 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 are maintained in New Taiwan dollars. Transactions arising in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses are included in the current year's results of operations.

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

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

- a) Assets consisting of unrestricted cash or cash equivalents.
- b) Assets held for trading purpose, or held for a short-term period and expected to be realized within 12 months from the balance sheet date.
- c) Assets expected to be realized, available for sale or consumed within the business cycle in the ordinary course of business.

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

- a) Liabilities to be paid within 12 months from the balance sheet date.
- b) Liabilities incurred in operating activities and expected to be paid within the business cycle in the ordinary course of business.

(5) Cash equivalents

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

The Company's consolidated statements of cash flows is based on cash and cash equivalents.

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

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

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) The accounting policies before December 31, 2005 are described in Note 3.

(7) Financial assets carried at cost

A) Investments in unlisted equity instruments is 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 as profit or loss. Such impairment loss cannot be reversed.

C) The accounting policies before December 31, 2005 are described in Note 3.

(8) Allowance for doubtful accounts

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

(9) Inventories

The Company uses the perpetual inventory system wherein the original cost is the cost to obtain the assets. Inventories are stated at the lower of cost or market value based on

the aggregate value method. Market value is determined using the net realizable value. Cost is determined using the weighted-average method. Allowance for loss is provided on obsolete inventories, when necessary.

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

- A) Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized and carries on tests of impairment every year, effective January 1, 2006. Retroactive adjustment of the amount of goodwill amortized in previous years is not required.
- B) Long-term investments in foreign investee companies accounted for under the equity method and denominated in foreign currency are translated into New Taiwan dollars at the exchange rate prevailing at the balance sheet date. The unrealized exchange loss resulting from translation is deferred in the cumulative translation adjustment account in the stockholders' equity.
- C) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease by the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.
- D) The accounting policy on impairment of long-term investments accounted for under the equity method is described in Note 2(14).

(11) Property, plant and equipment

- A) Depreciation is provided on the straight-line method using the estimated useful lives of the assets plus one year as salvage value. The subsidiaries' property, plant and equipment are depreciated on a straight-line basis according to the estimated useful lives of the assets less the estimated salvage value. The estimated useful lives are 55 years for buildings, 15 years for leasehold improvements and 3 to 8 years for the other fixed assets.
- B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).

- C) Major renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
- D) Rents paid for capital leases are capitalized and liabilities on lease obligations are recognized accordingly.
- E) The accounting policy on impairment of fixed assets is described in Note 2(14).

(12) Deferred charges

- A) Costs of software and copyrights are capitalized and amortized under the straight-line basis over the estimated useful lives.
- B) Royalty payments for operating online game software is capitalized and amortized based on the period of the contract or deducted based on actual units of play.
- C) The accounting policy on impairment of deferred charges is described in Note 2(14).

(13) Other intangible assets

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

(14) Impairment of non-financial assets

- A) Impairment loss is recognized when the recoverable amount is below the book value due to changes of environment or occurrences of some events. Recoverable amount is the higher of net fair value or value in use of an asset. Net fair value refers to the selling price of an asset in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.
- B) If there is an indication that an asset has recovered its value of the impairment loss recognized in the prior period, a gain is recognized to the extent of the impairment loss recognized. No recovery of impairment loss is recognized for goodwill.

(15) Employee stock option plan

The Company adopted Regulation No. 72 "Accounting for Employee Stock Option Plan" issued by the Accounting Research and Development Foundation in Taiwan on March 17, 2003 for grant date of employee stock option or amended date of employee

stock option plan, effective January 1, 2004. The cost of employee stock option plan is determined using the “intrinsic value method”. In addition, the Company discloses the pro forma net income and earnings per share as if the “fair-value-based method” has been adopted.

(16) Deferred income tax assets and income tax

- A) Income tax of the Company and its domestic subsidiaries are provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes. Deferred income tax assets or liabilities are further classified into current and non-current items based on the classifications of the related assets or liabilities or on the expected reversal date of the temporary differences and are presented on the financial statements as net balance. Valuation allowance on deferred income tax assets is recognized if it is more likely than not that the tax benefits will not be realized.
- B) Tax credits resulting from equipment purchases, technology acquisitions, research and development expenditures, training expenses and long-term equity investments, etc. are recognized as current income tax benefit when incurred.
- C) Over or under provision of prior years' income tax liabilities is included in the current year's income tax expense.
- D) According to the Taiwan imputation tax system, any undistributed current earnings of a company derived on or after January 1, 1998 is subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional corporate income tax is recorded as income tax expense in the period the stockholders approve a resolution to retain the earnings.
- E) According to “Income Basic Tax Act”, effective January 1, 2006, income tax is accounted for based on the income tax law or other regulations when income tax is above or equal basic tax. When income tax is lower than the basic tax, the difference between income tax and basic tax should be recognized based on income tax law or other regulations. The difference cannot be deducted from investment credits based on other regulations.

(17) Retirement plan

- A) Under the defined benefit pension plan, net periodic pension costs are recognized

in accordance with the actuarial calculations. The net periodic pension costs include service cost, interest cost, expected return on plan assets, unrecognized net transition obligation and amortization of gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 15 years.

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 they are delivered.

D) Sales returns are estimated based on a percentage of sales. Costs and expenses are recognized as incurred.

(20) Earnings per share

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

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

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

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

(21) Use of estimates

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

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Impairment of non-financial assets

Effective in the fourth quarter of 2004, the Company adopted the newly issued R.O.C. Statement of Financial Accounting Standards No. 35, “Accounting for Asset Impairment”. As a result of this change in accounting principle, net income and total assets decreased by \$321,770 in 2004.

(2) Goodwill

Effective January 1, 2006, the Company adopted the amended R.O.C. SFAS No. 1, No. 5, No. 7, No. 25 and No. 35 and discontinued the amortization of goodwill. As a result of the adoption of the newly issued SFAS, net income increased by \$5,316 and earnings per share increased by \$0.0378 for the nine months ended September 30, 2006.

(3) Changes in the consolidated subsidiaries

Pursuant to the amended R.O.C. Statement of Financial Accounting Standards No. 7, “Consolidated Financial Statements”, effective January 1, 2005, all the Company’s majority-owned subsidiaries are included in the consolidated financial statements. Such a change in the accounting principle resulted in increases in consolidated total assets and consolidated operating revenues by \$141,679 and \$41,832, respectively, as of and for the nine months ended September 30, 2005, constituting 4.08% and 1.86% of the respective consolidated totals. The consolidated net income attributable to equity holders of the Company for the nine months ended September 30, 2005 was not affected by this change in the accounting principle.

(4) Financial instruments

A) Effective January 1, 2006, the Company adopted the R.O.C. SFAS No. 34, "Accounting for Financial Instruments", and No. 36, "Disclosure and Presentation of Financial Instruments" and reclassified certain accounts of the financial statements for the period ended December 31, 2005.

B) Certain accounting policies prior to December 31, 2005 are as follows:

a) Short-term investments

Short-term investments are stated at the lower of cost or market value; cost is determined using the weighted-average method. The market value of listed equity securities and closed-end mutual funds is determined based on average closing prices of the last month before the balance sheet date. The market value of open-end mutual funds or balance funds is determined based on the net asset value at the balance sheet date.

b) Long-term investments accounted for under the cost method

Long-term investments are stated at the lower of cost or market value for listed companies, and at cost for unlisted companies, if the ratio of the Company's voting rights in the investee company is below 20% and if the Company has no significant influence on the management of the investee company. Valuation allowance for unrealized loss under this method is shown under stockholders' equity. When it becomes evidently clear that there has been a permanent impairment in value, and the probability of recovery is unlikely, loss is recognized in the current year's operating results.

C) The adoption of the change in accounting principle had no impact for the Company.

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Cash on hand	\$ 1,462	\$ 896
Cash in banks	297,877	336,099
Time deposits	65,929	1,701
Cash equivalents	13,131	8,637
	<u>\$ 378,399</u>	<u>\$ 347,333</u>

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

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Current items:		
Financial asset held for trading		
Bonds fund	\$ 532,000	\$ 694,000
Adjustment of financial asset held for trading	1,306	-
	<u>\$ 533,306</u>	<u>\$ 694,000</u>

(3) Notes receivable-net

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Notes receivable	\$ 82,712	\$ 41,489
Less: Allowance for doubtful accounts	( 16)	( 16)
	<u>\$ 82,696</u>	<u>\$ 41,473</u>

(4) Accounts receivable-net

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Accounts receivable	\$ 1,050,582	\$ 887,951
Less: Allowance for doubtful accounts	( 52,772)	( 70,675)
Allowance for sales returns	( 11,770)	( 5,866)
	<u>\$ 986,040</u>	<u>\$ 811,410</u>

(5) Inventories

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Inventories	\$ 47,460	\$ 51,381
Less: Reserve for loss on decline in market value and obsolescence	( 22,612)	( 28,199)
	<u>\$ 24,848</u>	<u>\$ 23,182</u>

(6) Financial assets carried at cost - non-current

	<u>September 30,</u>	
<u>Items</u>	<u>2006</u>	<u>2005</u>
Unlisted stocks		
Buybooks Digital Technology Corp. Ltd.	\$ -	\$ 2,995
ECD Interactive Corporation	2,700	3,200
Joyon Entertainment Co., Ltd.	9,851	9,851
RAVA Ideologie Inc.	-	-
Nice Finance Co., Ltd	91,453	-
	<u>\$ 104,004</u>	<u>\$ 16,046</u>

- A) The investments were measured at cost since their fair value cannot be measured reliably.
- B) The Company recognized a permanent impairment loss in RAVA Ideologie Inc. and ECD Interactive Corporation in the amounts of \$8,800 and \$2,000, respectively, for the nine-month period ended September 30, 2005 because the above investees' unaudited financial statements showed that value had been impaired and the chance of recovery was remote. In addition, RAVA Ideologie Inc. began liquidation process in September 2005 but has not yet been completed as of September 30, 2006.
- C) In the first quarter of 2006, the board of directors approved to dispose the Company's investment in Joyon Entertainment Co., Ltd., which was initially classified as Financial assets carried at cost-current. In the second quarter, however,

the disposal was put on hold. Accordingly, the investment was reclassified to Financial assets carried at cost - non-current.

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

A) List of long-term investments

Name of investee	September 30, 2006			Investment loss for the nine-month period ended September 30, 2006
	Original cost	Ownership Percentage	Balance	
Soga Interactive Co., Ltd.	\$ 28,000	40%	\$ 18,813	(\$ 4,690)
Playcoo Co.	40,000	30.30%	32,420	( 7,032)
	<u>\$ 68,000</u>		<u>\$ 51,233</u>	<u>(\$ 11,722)</u>

Name of investee	September 30, 2005			Investment loss for the nine-month period ended September 30, 2005
	Original cost	Ownership Percentage	Balance	
Soga Interactive Co., Ltd.	\$ 28,000	40%	\$ 23,127	(\$ 4,387)

B) Long-term investments accounted for under the equity method were based on the financial statements which have not been reviewed by independent accountants as of and for the nine-month periods ended September 30, 2006 and 2005.

(8) Property, plant, and equipment

	September 30,	
	2006	2005
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	156,055	179,921
Machinery and equipment	930,277	862,030
Transportation equipment	1,700	3,335
Office equipment	91,042	190,642
Leasehold assets	1,556	43,487
Leasehold improvements	45,617	125,847
Other equipment	12,597	11,903
	<u>1,386,595</u>	<u>1,564,916</u>
<u>Accumulated depreciation</u>		
Buildings	( 11,534)	( 15,019)
Machinery and equipment	( 583,207)	( 383,659)
Transportation equipment	( 1,299)	( 2,037)
Office equipment	( 55,486)	( 94,722)
Leasehold assets	( 908)	( 33,175)
Leasehold improvements	( 28,848)	( 84,226)
Other equipment	( 5,910)	( 5,853)
	<u>( 687,192)</u>	<u>( 618,691)</u>
Construction in progress and prepayments for equipment	-	10,381
	<u>\$ 699,403</u>	<u>\$ 956,606</u>

(9) Other intangible assets

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Prepayments for franchises	\$ 41,486	\$ 38,298
Less: Accumulated impairment	( 40,691)	( 38,298)
	<u>\$ 795</u>	<u>\$ -</u>

In the fourth quarter of 2004, the Company adopted the R.O.C. Statement of Financial Accounting Standards No. 35, "Accounting for Assets Impairment" and recognized a loss of \$38,298. As of September 30, 2006, the accumulated impairment recognized for other intangible assets is \$40,691.

(10) Deferred charges

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Royalty payments	\$ 360,557	\$ 415,820
Unamortized expense	<u>100,969</u>	<u>80,497</u>
	461,526	496,317
Less: Accumulated impairment	( 325,861)	( 283,472)
	<u>\$ 135,665</u>	<u>\$ 212,845</u>

In the fourth quarter of 2004, the Company adopted the R.O.C. Statement of Financial Accounting Standards No. 35, "Accounting for Assets Impairment" and recognized a loss of \$283,472. As of September 30, 2006, the accumulated impairment recognized for deferred charges is \$325,861.

(11) Short-term loans

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Short-term bank loans	<u>\$ 30,000</u>	<u>\$ 64,260</u>
Annual interest rates	<u>2.5%~2.9%</u>	<u>2.5% ~6.4%</u>
Credit lines	<u>\$ 390,000</u>	<u>\$ 549,754</u>

(12) Long-term Loans

<u>Bank</u>	<u>Total Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>September 30,</u>	
			<u>2006</u>	<u>2005</u>
International Bank of Taipei	\$ 49,000	03.28.2002 ~ 03.28.2017 Two-year grace period, 52 equal quarterly installments starting from year 3	\$ 39,576	\$ 43,345
Mega International Commercial Bank	200,000	08.30.2004 ~ 07.20.2007 Principal due on maturity	50,000	50,000
Mega International Commercial Bank	200,000	12.31.2004 ~ 07.20.2007 Principal due on maturity (Note)	20,000	100,000
Chang Hwa Bank	150,000	02.14.2005 ~ 02.14.2009 First year grace period, 12 equal semi-annual installments starting from year 2 (Note)	<u>75,000</u>	<u>150,000</u>
			184,576	343,345
Less: Current portion			( <u>123,769</u> )	( <u>53,769</u> )
			<u>\$ 60,807</u>	<u>\$289,576</u>

(Note) Part of principal amount was repaid before due date.

(13) Long-term liabilities on lease obligations

	<u>Period/Terms of Repayment</u>	<u>September 30, 2006</u>	<u>September 30, 2005</u>
Taiwan Fixed Network Co., Ltd.	01.01.2003 ~ 12.31.2005 36 equal monthly installments	\$ -	\$ 2,334
International Business Machines Corporation	02.28.2004 ~ 02.28.2006 8 equal quarterly installments	-	2,201
ORIX Asia Ltd.	07.21.2004 ~ 01.20.2006 18 equal monthly installments	-	273
ORIX Asia Ltd.	11.24.2004 ~ 05.23.2006 18 equal monthly installments	-	238
ORIX Asia Ltd.	08.24.2004 ~ 02.23.2006 18 equal monthly installments	-	135
ORIX Asia Ltd.	03.24.2006 ~ 04.24.2007 12 equal monthly installments	<u>324</u>	<u>1,110</u>
		324	6,291
Less: current portion		( <u>324</u> )	( <u>5,966</u> )
		<u>\$ -</u>	<u>\$ 325</u>

(14) Income tax payable

A) Income tax payable and income tax expense are reconciled as follows:

	<u>2006</u>	<u>2005</u>
Current year income tax expense	\$ 91,008	\$ 44,874
Additional 10% corporate income tax on undistributed earnings	<u>3,525</u>	<u>19,002</u>
	94,533	63,876
Add (Less): Net change in deferred income tax assets	( 52,691)	( 40,407)
Prepaid income tax	( 1,866)	( 19)
(Under) over provision of prior year's income tax	( 75)	6,379
Income tax payable of prior year	4,050	-
Effect of exchange rate	<u>18</u>	<u>-</u>
Income tax payable	<u>\$ 43,969</u>	<u>\$ 29,829</u>

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

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Deferred income tax assets (liabilities) - current	\$ 65,104	\$ 42,757
Deferred income tax assets (liabilities) - non-current	<u>63,013</u>	<u>100,316</u>
	128,117	143,073
Less: Valuation allowance - current	( 4,496)	-
Valuation allowance - non-current	<u>( 47,103)</u>	<u>-</u>
	<u>\$ 76,518</u>	<u>\$ 143,073</u>

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

	<u>September 30,</u>			
	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Current items:				
Allowance for decline in market value and inventory obsolescence	\$ 23,479	\$ 5,870	\$ 30,767	\$ 7,692
Allowance for sales returns	11,770	2,942	5,866	1,467
Over provision of allowance for bad debts	45,464	11,366	46,206	11,552
Welfare expenses	1,100	275	1,598	399
Loss carryforwards	25,632	6,408	-	-
Others	( 771)	( 192)	2,236	559
Investment tax credits		<u>38,435</u>		<u>21,088</u>
		65,104		42,757
Less: Valuation allowance - current		( 4,496)		-
		<u>\$ 60,608</u>		<u>\$ 42,757</u>

	September 30,			
	2006		2005	
	Amount	Tax effect	Amount	Tax effect
Non-current items:				
Impairment loss on deferred charges and intangible assets	\$ 164,026	\$ 41,007	\$ 241,327	\$ 60,332
Loss carryforwards	248,165	62,041	124,090	31,022
Reserve for foreign investments	( 219,236)	( 54,809)	( 168,636)	( 42,159)
Others	1,278	319	32,412	8,103
Investment tax credits		<u>14,455</u>		<u>43,018</u>
		63,013		100,316
Less: Valuation allowance - non-current		( 47,103)		-
		<u>\$ 15,910</u>		<u>\$ 100,316</u>

D) As of September 30, 2006 and 2005, the balance of shareholders account of deductible tax was as follows:

	September 30,	
	2006	2005
The balance of shareholders account of deductible tax	<u>\$ 38,592</u>	<u>\$ 22,023</u>
2005 Actual creditable tax ratio		-
2004 Actual creditable tax ratio		-

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

	September 30,	
	2006	2005
On or after January 1, 1998		
a. Earnings not subjected to 10% income tax	\$ 242,929	(\$ 24,351)
b. Earnings subjected to 10% income tax	( 193,386)	( 5,220)
Total	<u>\$ 49,543</u>	<u>(\$ 29,571)</u>

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

(a) As of September 30, 2006, the Company's income tax returns through 2002 have been assessed and approved by the Tax Authority.

- (b) The Company was assessed \$963 in additional tax for the year 1999, and in 2002 and 2003, the Company filed for re-examination to contest the assessment. The Ministry of Finance rendered unfavorable judgments and the Company paid all of the additional income tax, as well as, filed an appeal with the High Administrative Court. The High Administrative Court rejected the appeal and upheld the original judgment in August 2006.
- (c) The Tax Authority imposed additional tax and penalties amounting to \$26,293 on the Company's 2001 income tax return. The Company paid \$244 and is contesting the remaining balance and penalties imposed by the Tax Authority. The Company filed for re-examination in April 2005.
- (d) The Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company paid \$4,050 and contested the remaining balance imposed by the Tax Authority. The Company filed for re-examination in February 2006.
- G) The two incremental income associated with the Company's investments in the development of its PC-based and internet-based computer games conforms with the Regulation No. 8-1 of "Statute for Upgrading Industries", and its non-taxable income are exempt from income tax for five years (2001 to 2005 and 2002 to 2006). The tax exempt income amounted to \$42,936 and \$28,326 for the nine-month periods ended September 30, 2006 and 2005, respectively.
- H) The incremental income associated with the NC Taiwan Co., Ltd.'s investment in the development of internet-based computer games conforms with the Regulation No. 8-1 of "Statute for Upgrading Industries", and its non-taxable income is exempt from income tax for 5 years from the start of the Company's investment (2005 to 2009). The Company had no tax exempt income for the nine-month periods ended September 30, 2006 and 2005.
- I) As of September 30, 2006, in accordance with the "Income Tax Law" and "Statute for Upgrading Industries," the Company and its domestic subsidiaries had investment tax credits and loss carryforwards to offset against taxable income for the next four to five years. The details are as follows:

<u>Deductible items</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 45,019	\$ 31,572	2008~2010
Machinery and equipment	17,038	17,038	2007~2011
Employee trainings	4,280	4,280	2008~2010
Loss carryforwards	68,449	68,449	2007~2011
	<u>\$ 134,786</u>	<u>\$ 121,339</u>	

(15) Accrued pension liability

- A) The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each year thereafter with a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Central Trust of China under the name of the independent retirement fund committee. For the nine-month periods ended September 30, 2006 and 2005, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to \$1,546 and \$6,237, respectively. The balance of the retirement fund deposited with Central Trust of China was \$24,187 and \$19,888 as of September 30, 2006 and 2005, respectively. The fund balances are not reflected in the consolidated financial statements.
- B) Gamania Digital Entertainment (Japan) Co., Ltd., Gamania Korea Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd. provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were \$1,180 and \$1,744 for the nine-month periods ended September 30, 2006 and 2005, respectively.
- C) Gamania Digital Entertainment (Beijing) Co., Ltd. provides an old-age pension and insurance monthly based on 20% of the employees' salaries and wages in accordance with the local regulations. The net pension and insurance cost was \$1,002 and \$1,454 for the nine-month periods ended September 30, 2006 and

2005, respectively.

- D) Effective July 1, 2005, the Company and the subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd. and Alibangbang Digital Games Co., Ltd. adopted a defined contribution pension plan (the “New Plan”). Under the New Plan, employees have the option to choose the New Plan. The Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd. and Alibangbang Games Co., Ltd. contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts deposited with the Bureau of Labor Insurance. Benefits accrued under the New Plan are portable when the employees leave the company. The net pension costs recognized by the Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd. and Alibangbang Digital Games Co., Ltd. under the defined contribution plan for the nine-month periods ended September 30, 2006 and 2005 amounted to \$17,622 and \$5,845, respectively.
- E) Gamania Holdings Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment Labuan Holdings Ltd., Gamania International Holdings Ltd. and Gamania China Holdings Ltd. do not have an employee retirement plan.

(16) Common Stock

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

(17) Capital reserve

Share premium from the issuance of new shares and donations may be used to increase capital stock if the Company has surplus in retained earnings. The amount that can be transferred to capital stock each year is limited to 10% of this balance. Other capital reserves can only be used to cover the accumulated deficit when the legal reserve is insufficient to cover the accumulated deficit.

(18) Legal reserve

Pursuant to the R.O.C Company Law, 10% of the annual after-tax net income of the Company, after covering accumulated losses, must be appropriated as legal reserve until its total amount equals the issued capital stock. Legal reserve can only be used

to cover accumulated losses or to increase capital. Legal reserve can be used to increase capital only if the accumulated amount of legal reserve is more than 50% of paid-in capital, and the amount is limited to 50% of its balance.

(19) Retained earnings (Accumulated deficit)

- A) As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:
- a. Pay for taxes and duties.
  - b. Cover prior years' accumulated deficit, if any.
  - c. After deducting items a and b, 10% of the remaining amount is appropriated as legal reserve.
  - d. In addition to the amount appropriated for legal reserve, the Company may appropriate an amount equal to the negative items in the stockholders' equity from retained earnings as special reserve.
  - e. Interest on capital.
  - f. After deducting items a to e, 10% ~ 15% of the remaining earnings is appropriated as employees' bonuses and up to 2% as remuneration to directors and supervisors.
  - g. The remaining amount is to be distributed to stockholders in accordance with the resolution adopted at the stockholders' meeting.
- B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed in next year's shareholders' meeting. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholder can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.
- C) As of December 31, 2005, the Company had an accumulated deficit of \$267,318. The Company's stockholders approved not to distribute dividends, employee bonus, and directors' remuneration. In addition, the stockholders during its meeting adopted a resolution to use \$267,318 of capital reserve to cover the

accumulated deficit.

D) As of December 31, 2004, the Company had an accumulated deficit of \$394,267.

The Company's stockholders approved not to distribute dividends, employee bonus, and directors' remuneration. In addition, the stockholders during its meeting adopted a resolution to use \$103,066 of legal reserve and \$291,201 of capital reserve to cover the accumulated deficit.

E) For current status on these resolutions, please visit the Taiwan Stock Exchange website.

(20) Earnings (loss) per share

	For the nine-month period ended September 30, 2006				
	<u>Amount</u>		Weighted average number of outstanding common shares ( In thousands of shares)	<u>Earnings per share (Note)</u>	
	<u>Before income tax</u>	<u>After income tax</u>		<u>Before income tax</u>	<u>After income tax</u>
Earnings per share:					
Profit attributable to equity holders of the Company	<u>\$ 337,462</u>	<u>\$ 242,929</u>	<u>140,462</u>	<u>\$ 2.40</u>	<u>\$ 1.73</u>

As of September 30, 2006, the outstanding employee stock option has no dilutive effect.

	For the nine-month period ended September 30, 2005				
	<u>Amount</u>		Weighted average number of outstanding common shares ( In thousands of shares)	<u>Earnings (loss) per share (Note)</u>	
	<u>Before income tax</u>	<u>After income tax</u>		<u>Before income tax</u>	<u>After income tax</u>
Earnings (loss) per share:					
Profit (loss) attributable to equity holders of the Company	<u>\$ 39,525</u>	<u>(\$ 24,351)</u>	<u>147,559</u>	<u>\$ 0.27</u>	<u>(\$ 0.17)</u>

As of September 30, 2005, the outstanding employee stock option has no dilutive effect.

Note: In New Taiwan Dollars.

(21) Treasury Stock

A) Purpose

<u>Purpose</u>	<u>For the nine-month period ended September 30, 2006</u>			
	<u>Beginning shares (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares (Note)</u>
Employees stock options	<u>5,000</u>	<u>10,000</u>	<u>( 5,000)</u>	<u>10,000</u>

  

<u>Purpose</u>	<u>For the nine-month period ended September 30, 2005</u>			
	<u>Beginning shares (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares (Note)</u>
Employees stock options	5,000	-	-	5,000
To enhance Company's credit and shareholders' equity	<u>1,072</u>	<u>1,039</u>	<u>( 2,111)</u>	<u>-</u>
	<u>6,072</u>	<u>1,039</u>	<u>( 2,111)</u>	<u>5,000</u>

Note: Amount in thousands of shares.

B) The maximum and ending balances of treasury stock for the nine-month periods ended September 30, 2006 and 2005 were as follows:

<u>September 30, 2006</u>		<u>September 30, 2005</u>	
<u>Maximum balance</u>	<u>Ending balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>
<u>\$ 302,140</u>	<u>\$ 155,765</u>	<u>\$ 319,214</u>	<u>\$ 302,140</u>

C) The procedure for the write-off of the treasury stocks purchased on February 16, 2006 was under examination by the Ministry of Economic Affairs, R.O.C. As a result, the additional paid in capital-in excess of par decreased by \$34,160, the additional paid in capital-treasury stock transaction decreased by \$27,162 and accumulated deficit increased by \$190,818. In addition, 10,000,000 shares were purchased continually since March 20, 2006.

D) Treasury stocks purchased on April 18, 2005 and October 4, 2005 were retired. As a result, the additional paid in capital-treasury stock transaction increased by \$10,051 and the additional paid in capital-in excess of par decreased by \$19,660.

E) According to the R.O.C Security 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.

- F) According to the R.O.C Security Exchange Act, treasury stocks held by the Company shall not be pledged, and shall bear no right of shareholders until reissued.
- G) According to the R.O.C. Security Exchange Act, treasury shares for the purpose of enhancing Company's credit and shareholder's equity not reissued within six months shall be retired, while treasury stocks for all other purposes shall be reissued within three years of acquisition.

(22) Employee Stock Option Plan

- A) On December 25, 2003, the board of directors approved an employee stock option plan. The program involves the issuance of 10,000,000 units of option that can be converted to one share of common stock per unit. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The stock options 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 nine-month periods ended September 30, 2006 and 2005 were as follows:

Stock Options	For the nine-month periods ended September 30,			
	2006		2005	
	Units (in thousand shares)	Weighted-average exercise price (in dollars) (Note)	Units (in thousand shares)	Weighted-average exercise price (in dollars) (Note)
Beginning balance (Note)	10,000	\$ 32.80	10,000	\$ 32.80
Number of options granted	-	-	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised	-	-	-	-
Cancelled	( 4,748)	-	-	-
Ending balance	<u>5,252</u>	\$ 32.80	<u>10,000</u>	\$ 32.80
Exercisable at the end of the period	<u>5,252</u>		<u>-</u>	
Authorized but unissued at the end of the period	<u>-</u>		<u>-</u>	

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

C) As of September 30, 2006 and 2005, the details of outstanding stock options are as follows:

September 30, 2006					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousand shares)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousand shares)	Weighted-average exercise price (in dollars)
\$ 32.80	5,252	3.33	\$ 32.80	5,252	\$ 32.80

September 30, 2005					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousand shares)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousand shares)	Weighted-average exercise price (in dollars)
\$ 32.80	10,000	4.33	\$ 32.80	-	\$ -

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

(a) Model: The Black-Scholes model

(b) Assumptions:

<u>Black-Scholes model assumptions</u>	<u>For the nine-month period ended September 30, 2006</u>	<u>For the nine-month period ended September 30, 2005</u>
Dividend yield	0%	0%
Volatility (Note)	62.02%	62.02%
Risk-free interest rate	1.95%	1.95%
Expected life of the option	6 years	6 years
Exercise price	\$ 32.8 (in dollars)	\$ 32.8 (in dollars)
Amortization period	2~3 years	2~3 years

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

(c) Result of evaluation:

	<u>For the nine-month period</u> <u>ended September 30, 2006</u>	<u>For the nine-month period</u> <u>ended September 30, 2005</u>
Weighted average fair value of options granted to employees	\$ 17.4656 (in dollars)	\$ 17.4656 (in dollars)
The compensation cost under "fair value method"	22,932	30,726

(d) Pro forma information:

		<u>For the nine-month period</u> <u>ended September 30, 2006</u>	<u>For the nine-month period</u> <u>ended September 30, 2005</u>
Net income	Net income (loss)	\$ 242,929	(\$ 24,351)
	Pro forma net income (loss)	219,997	( 55,077)
Basic earnings per share	EPS	1.73 (in dollars)	( 0.17) (in dollars)
	Pro forma EPS	1.57 (in dollars)	( 0.37) (in dollars)
Diluted earnings per share	EPS	1.73 (in dollars)	( 0.17) (in dollars)
	Pro forma EPS	1.57 (in dollars)	( 0.37) (in dollars)

(23) Personnel, Depreciation and Amortization Expenses

	<u>For the nine-month period ended September 30, 2006</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 120,017	\$ 324,202	\$ 444,219
Labor and health insurances	5,648	27,474	33,122
Pension	3,335	18,015	21,350
Other	2,551	20,163	22,714
	<u>\$ 131,551</u>	<u>\$ 389,854</u>	<u>\$ 521,405</u>
Depreciation	\$ 117,854	\$ 47,054	\$ 164,908
Amortization	31,064	16,644	47,708
	<u>\$ 148,918</u>	<u>\$ 63,698</u>	<u>\$ 212,616</u>

	<u>For the nine-month period ended September 30, 2005</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 84,331	\$ 331,344	\$ 415,675
Labor and health insurances	5,835	24,361	30,196
Pension	1,449	10,633	12,082
Other	<u>2,700</u>	<u>21,387</u>	<u>24,087</u>
	<u>\$ 94,315</u>	<u>\$ 387,725</u>	<u>\$ 482,040</u>
Depreciation	\$ 97,061	\$ 73,721	\$ 170,782
Amortization	<u>118,042</u>	<u>25,775</u>	<u>143,817</u>
	<u>\$ 215,103</u>	<u>\$ 99,496</u>	<u>\$ 314,599</u>

(24) Preparation of Financial Statements

The Company, in accordance with Article 12 of “Statute for Upgrading Industries,” may set aside 20% of overseas investments as allowance for investment losses for income tax purposes. The balance amounted to \$219,236 as of September 30, 2006. However, to comply with generally accepted accounting principles in the Republic of China, the allowance had been reversed in the financial statements as of September 30, 2006.

The allowance for investment loss is as follows:

<u>Amount as of January 1, 2006</u>	<u>Additions</u>	<u>Amount as of September 30, 2006</u>
\$ 219,236	\$ -	\$ 219,236

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

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

(2) Significant transactions with related parties

A) Other receivables

	<u>September 30, 2006</u>		<u>September 30, 2005</u>	
	% of net		% of net	
	<u>Amount</u>	<u>other receivables</u>	<u>Amount</u>	<u>other receivables</u>
NCsoft	\$ 131	4	\$ -	-
Soga	82	2	13,112	61
	<u>\$ 213</u>	<u>6</u>	<u>\$ 13,112</u>	<u>61</u>

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

B) Accounts payable

	<u>September 30, 2006</u>		<u>September 30, 2005</u>	
	% of net		% of net	
	<u>Amount</u>	<u>accounts payable</u>	<u>Amount</u>	<u>accounts payable</u>
NCsoft	\$ 40,822	29	\$ 43,573	38

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

C) Others

(a) The Company and its subsidiary, NC Taiwan Co., Ltd., have been engaged to sell the on-line games developed by NCsoft and are required to pay NCsoft royalties based on the negotiated proportion of the amount of the games consumed. For the nine months ended September 30, 2006 and 2005, the royalties paid to NCsoft amounted to \$499,619 and \$678,494, respectively, which were included in "operating costs".

(b) For the nine months ended September 30, 2006, NC Taiwan Co., Ltd. paid \$1,092 to NCsoft for the security service fee for on-line games, which was included in "operating costs".

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>September 30,</u>		<u>Purpose</u>
	<u>2006</u>	<u>2005</u>	
Time deposits (shown in other financial assets - current)	\$ -	\$ 30,000	Short-term loans / Credit lines
Time deposits (shown in other financial assets - non-current)	-	4,654	Long-term loans / Credit lines
Land	141,717	141,717	"
Buildings	104,659	106,668	"
Machinery and equipment	22,331	33,165	Long-term loans
	<u>\$ 268,707</u>	<u>\$ 316,204</u>	

## 7. COMMITMENTS AND CONTINGENT LIABILITIES

In addition to Note 5, others are as follows:

- A) As of September 30, 2006, the total rental commitment for the next 3 years under non-cancelable operating lease agreements for the Company's office building was \$91,688.
- B) The Company contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In addition, the Company contracted several on-line game vendors and will pay royalty based on actual usage.
- C) As stated in Note 4 (14), the Tax Authority imposed additional tax and penalties totaling \$26,293 on the Company's 2001 income tax return. The Company reassessed the 2001 income tax return and deemed its additional liability to be \$244. The Company filed for re-examination in April 2005 to contest the balance of tax and penalties.
- D) As stated in Note 4 (14), the Tax Authority imposed additional tax of \$127,204 on the Company's 2002 income tax return. The Company reassessed the 2002 income tax return and deemed its additional liability to be \$4,050. The Company filed for re-examination in February 2006 to contest the balance of tax.
- E) The subsidiary, Gamania Korea Co., Ltd., was accused by Mediaweb Co. in May 2006 for quitting EverQuest2-Asia edition's affiliated service, amounting to KRW\$ 579,206 thousand (NTD 19,907 thousand approximately). The lawsuit is in process and the final result is dependent on the court's decision, so the contingent liabilities are difficult to estimate.
- F) For the period from January 1, 2006 to December 31, 2006, First Commercial Bank has provided guarantee for merchandise transactions on behalf of the Company to Wisdom Distribution Service Corporation. The Company guarantees that if the amount of sale to Wisdom Distribution Service Corporation is lower than the amount of sales return, the Company should pay the guarantee of \$4,000 to First Commercial Bank and Wisdom Distribution Service Corporation would get implicative guarantee from First Commercial Bank.

## 8. MAJOR CATASTROPHE

None.

## 9. SUBSEQUENT EVENTS

None.

## 10. OTHERS

### (1) Financial statement presentation

Certain accounts in the September 30, 2005 financial statements were reclassified to conform with the September 30, 2006 financial statement presentation.

### (2) The fair values of the financial instruments

	September 30, 2006			September 30, 2005		
	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	\$1,453,667	(Note A)	\$1,453,667	\$1,261,632	(Note A)	\$1,261,632
Financial asset held for trading	533,306	533,306	-	694,000	694,000	-
Financial assets carried at cost	104,004	-	-	16,046	-	-
Refundable deposits	30,326	-	30,002	32,657	-	31,116
Liabilities						
Financial liabilities with fair values equal to book values	\$ 679,401	(Note A)	\$ 679,401	\$ 592,275	(Note A)	\$ 592,275
Long-term loans	60,807	-	51,254	289,576	-	266,955
Guarantee deposits	1,948	-	1,948	2,000	-	2,000

The method and assumptions to estimate the fair values of the financial instruments are summarized as follows:

- A) For short-term instruments, the book value is approximate to the fair value because of their short-term maturities. This applies to cash and cash equivalents, notes and accounts receivable, other receivables (including related parties), other financial assets - current, other current assets - other, other financial assets - non-current, short-term loans, notes and accounts payable (including related parties), income tax payable, accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.
- B) The fair value of the refundable deposits is based on the present value of expected cash flow amounts. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank.
- C) The fair value of the long-term loans is based on the present value of expected cash flow amounts. The discount rate was another instrument which the Company could

acquire similar terms ranging from 2.855% to 2.88%.

- D) The fair value of guarantee deposits is the book value since the amount is insignificant.
- E) Off-balance sheet financial instruments with credit risk: None.

(3) Procedure of financial risk control and hedge

The Company's activities expose it to a variety of financial risks, including market risk, credit risk, liquidity risk and cash flow interest rate risk.

The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's risk management program considers the effect of economic environment, competition and market value risk. The Company 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 Company's hedged activities are focused on the market value risk and the cash flow risk.

(4) Information of financial risk

A) Financial instruments of equity

<u>Item</u>	<u>September 30, 2006</u>
Financial assets carried at cost - non-current	<u>\$ 104,004</u>

(A) Market risk

The Company's and the subsidiaries' trading of financial assets is affected by market price. The Company and the subsidiaries do not expect to have significant market risk because the Company and the subsidiaries have set a stop loss limit.

(B) Credit risk

The Company and the subsidiaries have evaluated credit standing of the counterparties and do 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 financial instruments of equity of the Company and its subsidiaries, so the Company and the subsidiaries expect to have liquidity risk.

(D) Cash flow interest rate risk

As the Company and the subsidiaries have no significant interest-bearing assets, cash flows are substantially independent of changes in market interest rates.

B) Receivables

<u>Items</u>	<u>September 30, 2006</u>
Accounts receivable	\$ 986,040
Notes receivable	82,696
Other receivables	3,656
	<u>\$ 1,072,392</u>

(A) Market risk

The Company's and the subsidiaries' receivables are due within one year, so the Company and the subsidiaries expect no significant market risk.

(B) Credit risk

The debtors of the Company and the subsidiaries' have good credit standing, so the Company and the subsidiaries expect no significant credit risk.

(C) Liquidity risk

The Company's and the subsidiaries' receivables are due within one year, so the Company and the subsidiaries expect no significant liquidity risk.

(D) Cash flow interest rate risk

The Company's and the subsidiaries' receivables are due within one year, so the Company and the subsidiaries expect no significant cash flow interest risk.

C) Loans

<u>Item</u>	<u>September 30, 2006</u>
Long-term loans (including current portion of long-term liabilities)	<u>\$ 184,576</u>

(A) Market risk

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

(B) Credit risk

None.

(C) Liquidity risk

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

(D) Cash flow interest risk

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

- (5) For the nine-month periods ended September 30, 2006 and 2005, the Company donated cash and magazines amounting to \$15,761 and \$3,870, respectively, to political parties, charities, and educational institutions that are accredited by the government, without significant appointed considerations.

E. Inter-company transactions eliminated

	For the nine-month period ended September 30, 2006							
	Companies and amounts							
	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	NC Taiwan Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	Alibangbang Digital Games Co., Ltd.
1.Long-term investments and stockholders' equity eliminated	(\$ 527,865)	\$ 173,961	\$ 89,842	\$ 98,056	\$ 109,154	\$ 41,918	\$ 97	\$ 14,837
2.Receivables and payables eliminated	( 185,088)	( 14,224)	151,684	47,459	6	305	( 142)	-
3.Profit and loss accounts eliminated								
(1)Sale and purchase transactions	81,837	7,024	( 84,410)	( 4,451)	-	-	-	-
(2)Service revenue and service expense	( 1,440)	-	-	1,440	-	-	-	-
(3) Royalty income and publishing expense	( 1,933)	1,933	-	-	-	-	-	-
(4) Other operating revenue and service expense	( 1,478)	-	-	1,478	-	-	-	-
(5) Publishing expense and royalty income	1,357	-	( 1,357)	-	-	-	-	-
(6) Adverting expense and revenue	5,874	-	-	( 5,874)	-	-	-	-
(7) Rent revenue and expense	( 18,240)	2,937	3,921	9,127	-	2,255	-	-
(8) Other revenue and expense	( 1,026)	-	575	451	-	-	-	-
(9)Realized (unrealized) gross profit on inter-company transactions	( 76)	369	( 1,698)	1,405	-	-	-	-

For the nine-month period ended September 30, 2005

Companies and amounts

	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	NC Taiwan Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	Alibangbang Digital Games Co., Ltd.
1. Long-term investments and stockholders' equity eliminated	(\$ 589,704)	\$ 183,660	\$ 105,712	\$ 215,141	\$ 9,243	\$ 67,611	\$ 82	\$ 8,255
2. Receivables and payables eliminated	( 193,438)	( 16,346)	166,403	40,301	-	( 3,074)	-	6
3. Profit and loss accounts eliminated								
(1) Sale and purchase transactions	-	4,796	-	( 4,796)	-	-	-	-
(2) Service revenue and service expense	( 4,004)	-	2,264	1,740	-	-	-	-
(3) Royalty income and publishing expense	( 2,332)	2,332	-	-	-	-	-	-
(4) Other operating revenue and service expense	( 2,631)	2,604	-	27	-	-	-	-
(5) Publishing expense and royalty income	2,685	-	( 2,685)	-	-	-	-	-
(6) Adverting expense and revenue	4,417	-	-	( 4,417)	-	-	-	-
(7) Rent revenue and expense	( 20,389)	-	4,103	16,286	-	-	-	-
(8) Realized (unrealized) gross profit on inter – company transactions	( 262)	-	( 367)	( 629)	-	-	-	-

11. DISCLOSURE INFORMATION

(1) Related information of significant transactions

A) Financing activities to any company or person: None

B) Guarantee information:

Unit: Thousands of New Taiwan Dollars

The Company or investee companies		Parties being guaranteed		The limit of guarantee for each party (Note 4)	Maximum outstanding guarantee amount for the nine-month period ended September 30, 2006	Outstanding guarantee amount at September 30, 2006	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	Gamania Korea Co., Ltd.	2	\$ 30,000	\$ 29,133 (USD \$900,000)	-	None	-	\$ 440,636 (30% of the Company's capital)

Note 1: Number 0 represents the Company.

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

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

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

C) Marketable securities held at September 30, 2006:

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	September 30, 2006				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	29,108	\$ 173,961	100%	\$ 173,961	Note (3)
"	"	Gamania Korea Co., Ltd.	"	"	732	41,918	100%	41,918	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	10,600	14,837	96.36%	14,837	"
"	"	NC Taiwan Co., Ltd.	"	"	7,140	89,842	51.00%	89,842	"
"	"	Taiwan Index Co., Ltd.	"	"	17,350	70,303	69.40%	70,303	"
"	"	Gamania Asia Investment Co., Ltd.	"	"	19,000	136,907	100%	136,907	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	97	100%	97	"
"	"	Soga Interactive Co., Ltd.	Investee company accounted for under the equity method	"	2,800	18,813	40.00%	18,813	None
"	"	Playcoo Co.	"	"	4,000	32,420	30.30%	32,420	"
"	"	Buybooks Digital Technology Co., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost – non-current	300	-	3.74%	-	"

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	September 30, 2006				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	ECD Interactive Corporation	Investee company accounted under financial assets carried at cost	Financial assets carried at cost – non-current	2,040	\$ 2,700	18.55%	\$ 2,700	None
"	"	Joyon Entertainment Co., Ltd.	"	"	697	9,851	11.47%	9,851	"
"	"	RAVA Ideologie Inc.	"	"	880	-	8.69%	-	"

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

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

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

D) Marketable securities acquired or sold during the period ended September 30, 2006 in excess of \$100,000 or 20% of capital :

Investor	Type and name of marketable securities	General ledger account	Name and relationship of counterparty	Beginning balance (Note)		Additions		Disposals			Disposal gain (loss)	Ending balance (Note )	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	ABN Bond Fund	Financial asset held for trading-bond funds	Initial investment at inception/None	-	-	10,387	\$ 155,000	7,715	\$ 115,255	\$ 115,000	\$ 255	2,672	\$40,000
"	SK Bond Fund	"	"	-	-	8,381	138,000	8,381	138,103	138,000	103	-	-
"	MEGA Bond Fund	"	"	-	-	9,656	110,000	9,656	110,093	110,000	93	-	-
"	MT Bond Fund	"	"	-	-	7,550	102,000	7,550	102,093	102,000	93	-	-
"	FBS Bond Fund	"	"	-	-	9,244	120,000	9,244	120,196	120,000	196	-	-
"	CSC Bond Fund	"	"	-	-	7,198	106,000	3,748	55,266	55,000	266	3,450	51,000
"	NITC Bond Fund	"	"	-	-	7,525	105,000	5,027	70,137	70,000	137	2,498	35,000
"	FHS Bond Fund	"	"	-	-	10,595	140,000	9,084	120,182	120,000	182	1,511	20,000
"	SKFHC Bond Fund	"	"	-	-	10,329	105,000	10,329	105,152	105,000	152	-	-

Note: Original investment cost.

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

(2) Information of investee companies

## A) Information of investee companies:

(The information about investee companies were based on unreviewed financial statements.)

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) Gain incurred by the Investee	Investment (loss) gain recognized by the Company	Note
				2006.09.30	2005.12.31	Number of Shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holding company	\$ 987,151	\$ 892,188	29,108	100%	\$173,961	(\$ 27,586)	(\$ 27,586)	Subsidiary (Note (2))
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sale of software	137,352	80,189	732	100%	41,918	( 25,627)	( 25,627)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	110,000	90,000	10,600	95.36%	14,837	( 24,701)	( 23,675)	"
"	NC Taiwan Co., Ltd.	"	Design and sale of software	71,400	71,400	7,140	51%	89,842	( 38,172)	( 21,165)	"
"	Taiwan Index Co., Ltd.	"	Software service	208,200	208,200	17,350	69.40%	70,303	695	1,887	"
"	Gamania Asia Investment Co., Ltd.	"	Investment	190,000	190,000	19,000	100%	136,907	131	131	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 9F, Main Office Tower, Financial Park, 87000 Labuan FT Labuan, Malaysia	Investment holding company	329	329	10	100%	97	( 73)	( 73)	"

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) gain incurred by the Investee	Investment (loss) gain recognized by the Company	Note
				2006.09.30	2005.12.31	Number of Shares	Percentage	Book value			
The Company	Soga Interactive Co., Ltd.	18F, No.736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research of software	\$ 28,000	\$ 28,000	2,800	40%	\$ 18,813	(\$ 11,726)	(\$ 4,690)	Investee company accounted for under the equity method
"	Playcoo Co.	4F-4, No.215 Cheng-de Rd., Taipei County, Taiwan	Supply software service and electronic information	40,000	40,000	4,000	30.30%	32,420	( 23,207)	( 7,032)	"
Gamania Asia Investment Co., Ltd.	Taiwan Index Co., Ltd.	18F, No.736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and sale of software	80,625	80,625	6,800	27.20%	27,753	695	189	Investee company accounted for under the equity method (Note (2))
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holding company	USD29,108 thousand	USD26,191 thousand	29,108	100%	USD5,283 thousand	(USD 847 thousand)	(USD 847 thousand)	Subsidiary (Note (2))
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Sumitomo Ooimachi Bldg (North) 4F, 1-20-6 Ooi, Shinagawa-Ku, Tokyo, Japan 40-0014	Design and sale of software; sale of hardware	USD14,298 thousand	USD12,240 thousand	19	100%	USD3,186 Thousand	(USD 817 thousand)	(USD 817 thousand)	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holding company	USD18,171 thousand	USD16,750 thousand	18,171	92.92%	USD2,268 thousand	(USD 28 thousand)	(USD 26 thousand)	"

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) gain incurred by the Investee	Investment (loss) gain recognized by the Company	Note
				2006.09.30	2005.12.31	Number of Shares	Percentage	Book value			
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	4F, One Capital Place, P.O. Box 847 gt, Grand Cayman, Cayman Islands, British West Indies	General investment	USD15,110 thousand	USD14,250 thousand	N/A	100%	(USD 28 thousand)	(USD 1,132 thousand)	(USD 1,132 thousand)	Subsidiary (Note (2))
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Rm 2106, Bldg No. 5 Soho New Town No. 88, Jian Guo Re Beijing 1000022 China	Design and sale of software	USD11,980 thousand	USD11,480 thousand	N/A	100%	(USD 144 thousand)	(USD 802 thousand)	(USD 802 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	USD3,009 thousand	USD3,009 thousand	35,500	100%	USD 2,268 thousand	USD 1,105 thousand	USD 1,105 thousand	"
Gamania China Holdings Ltd.	G.A. Co., Limited	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	Note (1)	Note (1)	N/A	100%	(USD 6 thousand)	-	-	"

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

Note (2): The transaction has been eliminated in the consolidated financial statements.

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

C) Guarantee information: None.

D) Marketable securities held at September 30, 2006:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	September 30, 2006				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
Gamania Holdings Ltd.	Common Stock	Gamania International Holdings Ltd.	Subsidiary	Long-term equity investment accounted for under the equity method	29,108	USD5,283 thousand	100%	USD5,283 thousand	Note (3)
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	19	USD3,186 thousand	100%	USD3,186 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	18,171	USD2,268 thousand	92.92%	USD2,268 thousand	"
Gamania China Holdings Ltd.	"	G.A. Co., Limited	"	"	N/A	(USD 6 thousand)	100%	(USD 6 thousand)	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD2,268 thousand	100%	USD2,268 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	N/A	(USD 28 thousand)	100%	(USD 28 thousand)	"
Gamania Sino Holdings Co., Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	(USD 144 thousand)	100%	(USD 144 thousand)	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under the equity method	"	6,800	27,753	27.20%	27,753	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd.	Investee company accounted for under financial assets carried at cost	Financial assets carried at cost	8,547	91,453	14.60%	91,453	N/A

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

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

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

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

Note (4): Unit: Share

- E) Marketable securities acquired or sold during the period ended September 30, 2006 in excess of \$100,000 or 20% of capital: None
- F) Acquired real estate in excess of \$100,000 or 20% of capital: None.
- G) Disposal of real estate in excess of \$100,000 or 20% of capital: None.
- H) Sale to or purchases from related parties in excess of \$100,000 or 20% of capital: None
- I) Receivable from related parties in excess of \$100,000 or 20% of capital:

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties	Turnover rate	Overdue receivable		Subsequent Collections	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
NC Taiwan Co., Ltd.	The Company	Parent Company	\$ 160,886	(Note (1))	\$ -	N/A	\$ 42,422	\$ -

Note (1): This rate represents the turnover rate on the receivables from the Company for the merchandise sold by the Company. As the payments are made to NC Taiwan Co., Ltd. within three months after the Company receives the payments, the turnover rate is not applicable.

Note (2): The transaction has been eliminated in the consolidated financial statements.

- J) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

a.

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment as of January 1, 2006	Remitted or received investment amount during the period		Accumulated investment as of September 30, 2006	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at September 30, 2006	Accumulated investment income received as of September 30, 2006
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sale of software	(RMB 98,811 thousand) \$413,592	(Note (2))	(USD 9,350 thousand) \$309,485	(USD 500 thousand) \$16,550	\$ -	(USD 9,850 thousand) \$326,035	92.92%	(USD 744 thousand) (\$24,134)	(USD 134 thousand) (\$4,435)	\$ -

Accumulated amount of investment in Mainland China as of September 30, 2006	Related investment amount approved by FIA	The upper limit of investment in Mainland China
\$ 326,035 (USD 9,850 thousand)	\$ 413,088 (Note (1))	\$ 847,168

Note (1): Related total investment amount approved by FIA is USD12,480,000 or NTD 413,088 thousand based on 33.1 exchange rate.

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

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

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

c. The transaction has been eliminated in the consolidated financial statements.

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

For the nine-month period ended September 30, 2006

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
0	Gamania Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	1	Service revenue	\$ 1,440	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Royalty income	1,933	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other operating income	1,478	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Purchases	79,457	Note (4)	3%
0	"	Taiwan Index Co., Ltd.	1	Purchases	2,380	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	5,874	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Publishing expense	1,357	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Rent revenue	9,127	Note (4)	-%
0	"	Gamania Korea Co., Ltd.	1	Rent revenue	2,255	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Rent revenue	2,205	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Rent revenue	3,921	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Notes receivable	1,997	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes receivable	6,901	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other receivables	1,050	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	8,917	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	7,122	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Other receivables	2,307	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes payable	105,237	Note (4)	3%
0	"	Taiwan Index Co., Ltd.	1	Other payables	50,747	Note (4)	2%
0	"	NC Taiwan Co., Ltd.	1	Other payables	54,832	Note (4)	2%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other payables	4,778	Note (4)	-%
1	NC Taiwan Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	3,921	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	79,457	Note (4)	3%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	1,357	Note (4)	-%

For the nine-month period ended September 30, 2006 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
1	NC Taiwan Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	\$ 6,901	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	2,307	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Notes receivable	105,237	Note (4)	3%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	54,832	Note (4)	2%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	3,389	Note (4)	-%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Sales revenue	4,953	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	9,127	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	2,380	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating revenue	5,874	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Service expense	1,440	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Service expense	1,478	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	1,997	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	50,747	Note (4)	2%
3	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Rent expense	2,255	Note (4)	-%
3	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	3,492	Note (4)	-%
4	Gamania Digital Entertainment (H.K.) Co., Ltd.	NC Taiwan Co., Ltd.	3	Operating costs	4,953	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	1,933	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	4,139	Note (4)	-%

For the nine-month period ended September 30, 2006. (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
4	Gamania Digital Entertainment (H.K) Co., Ltd.	NC Taiwan Co., Ltd.	3	Other payables	\$ 3,389	Note (4)	-%
4	"	Gamania Korea Co., Ltd.	3	Other receivables	3,492	Note (4)	-%
4	"	Gamania Sino Holdings Ltd.	3	Other receivables	6,812	Note (4)	-%
5	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,050	Note (4)	-%
6	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	2,205	Note (4)	-%
6	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	7,122	Note (4)	-%
6	"	Gamania Sino Holding Ltd.	3	Other payables	7,499	Note (4)	-%
7	Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	6,812	Note (4)	-%
7	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	Other receivables	7,499	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 gain/loss accounts are divided by consolidated sales revenue.

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

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

For the nine-month period ended September 30, 2005

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
0	Gamania Digital Entertainment Co., Ltd.	NC Taiwan Co., Ltd.	1	Service revenue	\$ 2,264	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Service revenue	1,740	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Royalty income	2,332	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other operating revenue	1,432	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Purchases	51,457	Note (4)	2%
0	"	Taiwan Index Co., Ltd.	1	Purchases	28,262	Note (4)	1%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	4,417	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Publishing expense	2,685	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Rent revenue	16,286	Note (4)	1%
0	"	NC Taiwan Co., Ltd.	1	Rent revenue	4,103	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Notes receivable	1,147	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes receivable	1,495	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Accounts receivable	1,412	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other receivables	8,836	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	9,283	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Other receivables	3,396	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other receivables	15,117	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes payable	131,925	Note (4)	4%
0	"	Taiwan Index Co., Ltd.	1	Other payables	54,896	Note (4)	2%
0	"	NC Taiwan Co., Ltd.	1	Other payables	41,092	Note (4)	1%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other payables	3,627	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other payables	3,042	Note (4)	-%

For the nine-month period ended September 30, 2005

Transaction terms

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Subject	Amount	Transaction Terms	The percentage of total combined revenue or total assets (Note (3))
1	NC Taiwan Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	\$ 2,264	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	4,103	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	51,457	Note (4)	2%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	2,685	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Notes receivable	131,925	Note (4)	4%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	41,092	Note (4)	1%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	1,495	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	3,396	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	28,262	Note (4)	1%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating income	4,417	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	16,286	Note (4)	1%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Service expense	1,740	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	1,147	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	15,117	Note (4)	-%

For the nine-month period ended September 30, 2005

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	\$ 54,896	Note (4)	2%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Sales revenue	2,058	Note (4)	-%
3	Gamania Korea Co., Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	2,612	Note (4)	-%
4	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	2,332	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	9,283	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	3,042	Note (4)	-%
4	"	Taiwan Index Co., Ltd.	3	Operating costs	2,058	Note (4)	-%
4	"	Gamania Korea Co., Ltd.	3	Other receivables	2,612	Note (4)	-%
5	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating expense	1,432	Note (4)	-%
5	"	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	3,627	Note (4)	-%
5	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	8,836	Note (4)	-%
5	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,412	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 gain/loss accounts are divided by consolidated sales revenue.

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

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

(5) The relationship and significant transactions in the past years between the Company and its subsidiaries which are included in the consolidated financial statements under Financial Accounting Standard No. 7

None.