

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

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

**MARCH 31, 2010 AND 2009**

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

## **Review Report of Independent Accountants Translated from Chinese**

PWCR10000009

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. and its subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income and of cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a conclusion on these consolidated financial statements based on our reviews.

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

As described in Note 1(2), the consolidated financial statements include unreviewed financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$1,144,223 thousand and \$1,017,723 thousand as of March 31, 2010 and 2009, respectively, and total operating revenues of \$410,000 thousand and \$581,573 thousand for the three-month periods then ended, respectively. In addition, as explained in Note 4(6), the consolidated financial statements include long-term investments accounted for under the equity method amounting to \$4,770 thousand and \$0 thousand, and the other liabilities-other amounting to \$0 thousand and \$4,390 thousand as of March 31, 2010 and 2009, respectively, and the related investment loss was \$1,025 thousand and \$643 thousand for the three-month periods then ended, respectively. These amounts and the information disclosed in Note 11 were based on their respective financial statements which were not reviewed by independent accountants.

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

PricewaterhouseCoopers, Taiwan

April 22, 2010

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

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

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

**MARCH 31,**

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(UNAUDITED)

	2010	2009		2010	2009
<b>ASSETS</b>			<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash and cash equivalents (Note 4 (1))	\$ 1,097,618	\$ 920,619	Short-term loans (Note 4 (10))	\$ 130,000	\$ 100,000
Notes receivable - third parties - net (Note 4 (2))	70,263	67,306	Notes payable - third parties	10,282	19,853
Accounts receivable - third parties - net (Note 4 (3))	1,346,045	972,578	Accounts payable - third parties	239,834	168,842
Other receivables	38,618	38,362	Accounts payable – related party (Note 5(2))	-	56,819
Other financial assets - current (Note 6)	2,000	2,000	Income tax payable (Note 4 (12))	34,576	86,054
Inventories - net (Note 4 (4))	76,712	50,397	Accrued expenses	330,442	250,715
Prepaid expenses	39,586	72,215	Other payables	182,378	144,666
Deferred income tax assets - current (Note 4 (12))	66,551	14,718	Unearned revenue collected in advance	333,267	120,166
Other current assets	2,939	3,937	Current portion of long-term liabilities (Note 4 (11))	21,715	10,486
	<u>2,740,332</u>	<u>2,142,132</u>	Other current liabilities	63,554	31,111
				<u>1,346,048</u>	<u>988,712</u>
<u>Long-term Investments</u>			<u>Long-term Liability</u>		
Financial assets carried at cost - non-current (Note 4 (5))	114,294	114,294	Long-term loans (Note 4 (11))	21,783	15,315
Long-term investment - accounted for under the equity method (Note 4 (6))	4,770	-			
Prepayment for long-term investment (Note 4 (6))	-	5,000	<u>Other Liabilities</u>		
	<u>119,064</u>	<u>119,294</u>	Accrued pension liabilities (Note 4 (13))	9,429	6,062
<u>Property, Plant and Equipment - net</u> (Notes 4 (7) and 6 )			Guarantee deposits	380	386
Cost			Other liabilities - other (Note 4 (6))	447	5,231
Land	147,751	147,751		<u>10,256</u>	<u>11,679</u>
Buildings	170,495	164,365	Total Liabilities	<u>1,378,087</u>	<u>1,015,706</u>
Machinery and equipment	559,004	714,217	<u>Stockholders' Equity</u>		
Office equipment	226,694	81,735	Common stock		
Leasehold improvements	37,838	38,676	Common stock (Note 1)	1,604,951	1,587,827
Other equipment	5,669	2,513	Stock subscriptions received in advance (Note 4 (19))	51,425	3,485
Total Cost	1,147,451	1,149,257	Capital reserve (Note 4 (14))		
Less: Accumulated depreciation	( 610,999)	( 619,948)	Paid-in capital in excess of par	852,683	740,670
Accumulated impairment	( 4,486)	( 4,063)	Gain on disposal of property, plant and equipment	221	221
Construction in progress and prepayments for equipment	11,568	5,234	Retained earnings		
	<u>543,534</u>	<u>530,480</u>	Legal reserve (Note 4 (15))	86,730	61,214
<u>Intangible Assets</u>			Retained earnings (Notes 4 (12) and (16))	503,782	422,853
Trademark	-	531	Cumulative translation adjustments	28,358	43,448
Goodwill	76,757	49,053	Financial instruments' unrealized gain	( 565)	-
Deferred pension cost	1,332	787	Treasury stock (Note 4 (18))	( 370,182)	( 370,182)
Other intangible assets - net (Note 4 (8))	194	35		2,757,403	2,489,536
	<u>78,283</u>	<u>50,406</u>	Minority interest	23,665	24,931
<u>Other Assets</u>			Total Stockholders' Equity	<u>2,781,068</u>	<u>2,514,467</u>
Refundable deposits	46,072	35,668	Commitments and Contingent Liabilities (Note 7)		
Deferred charges - net (Note 4 (9))	605,904	473,199			
Deferred income tax assets - non-current (Note 4 (12))	18,254	172,299			
Other asset – other (Note 4 (13))	7,712	6,695			
	<u>677,942</u>	<u>687,861</u>			
<b>TOTAL ASSETS</b>	<b>\$ 4,159,155</b>	<b>\$ 3,530,173</b>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 4,159,155</b>	<b>\$ 3,530,173</b>

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated April 22, 2010.

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

	<u>2010</u>	<u>2009</u>
Operating revenues		
Sales revenue	\$ 1,432,219	\$ 1,394,228
Sales returns	( 46,002)	( 30,341)
Sales allowances	( 9,610)	( 11,027)
Net sales revenue	1,376,607	1,352,860
Service revenue	19,280	10,754
Total operating revenues	<u>1,395,887</u>	<u>1,363,614</u>
Operating costs (Notes 4 (20) and 5 (2))		
Cost of goods sold	( 709,855)	( 654,091)
Gross profit	<u>686,032</u>	<u>709,523</u>
Operating expenses (Notes 4 (20), 5(2) and 10)		
Selling expenses	( 159,002)	( 210,941)
General and administrative expenses	( 237,655)	( 192,033)
Research and development expenses	( 94,063)	( 89,518)
Total operating expenses	( 490,720)	( 492,492)
Operating income	<u>195,312</u>	<u>217,031</u>
Non-operating income		
Interest income	267	501
Gain on adjustment of financial assets	127	96
Foreign exchange gain	1,951	2,919
Rental income	92	22
Miscellaneous income	1,600	2,794
Total non-operating income	<u>4,037</u>	<u>6,332</u>
Non-operating expenses		
Interest expense	( 1,176)	( 761)
Investment loss accounted for under the equity method (Note 4(6))	( 1,025)	( 643)
Loss on disposal of property, plant and equipment	( 5,328)	( 442)
Miscellaneous losses	( 33,551)	( 4,544)
Total non-operating expenses	( 41,080)	( 6,390)
Income before income tax	158,269	216,973
Income tax expense (Note 4 (12))	( 46,004)	( 46,685)
Consolidated net income	<u>\$ 112,265</u>	<u>\$ 170,288</u>
Attributable to:		
Equity holders of the Company	\$ 109,841	\$ 165,308
Minority interest	2,424	4,980
	<u>\$ 112,265</u>	<u>\$ 170,288</u>

	<u>2010</u>		<u>2009</u>	
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>
Basic earnings per share (in dollars) (Note 4(17))				
Profit attributable to equity holders of the Company	\$ 1.03	\$ 0.73	\$ 1.46	\$ 1.13
Minority interest income	<u>0.20</u>	<u>0.20</u>	<u>0.03</u>	<u>0.03</u>
Consolidated net income	<u>\$ 1.23</u>	<u>\$ 0.93</u>	<u>\$ 1.49</u>	<u>\$ 1.16</u>
Diluted earnings per share (in dollars) (Note 4(17))				
Profit attributable to equity holders of the Company	\$ 0.99	\$ 0.70	\$ 1.44	\$ 1.13
Minority interest income	<u>0.20</u>	<u>0.20</u>	<u>0.03</u>	<u>0.03</u>
Consolidated net income	<u>\$ 1.19</u>	<u>\$ 0.90</u>	<u>\$ 1.47</u>	<u>\$ 1.16</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated April 22, 2010.

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

	<u>2010</u>	<u>2009</u>
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 112,265	\$ 170,288
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Provision (reversal of allowance) for sales returns	436	( 599)
Provision for doubtful accounts	4,707	2,829
Provision for decline in market value of inventories	1,196	1,944
Investment loss accounted for under the equity method	1,025	643
Depreciation and amortization	101,290	99,849
Loss on disposal of property, plant and equipment	5,328	442
Deferred charges charged to other loss	28,214	4,513
Deferred income tax assets	22,996	19,720
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable - third parties	42,740	2,813
Accounts receivable - third parties	( 228,736)	( 36,318)
Other receivables - third parties	609	( 20,892)
Other financial assets - current	-	2,000
Inventories	( 17,324)	( 31,222)
Prepaid expenses	( 8,842)	( 15,292)
Other current assets	( 293)	( 1,510)
Increase (decrease) in:		
Notes payable - third parties	226	( 7,055)
Accounts payable - third parties	23,103	29,435
Accounts payable - related party	-	21,120
Income tax payable	21,994	26,277
Other payables - third parties	19,286	23,856
Accrued expenses	( 56,061)	( 62,583)
Unearned revenue collected in advance	( 31,806)	( 25,048)
Other current liabilities	4,721	1,248
Accrued pension liabilities	764	( 48)
Net cash provided by operating activities	<u>47,838</u>	<u>206,410</u>

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

	<u>2010</u>	<u>2009</u>
<u>Cash flows from investing activities</u>		
Increase in minority interest acquisition price	(\$ 38,337)	\$ -
Acquisition of property, plant and equipment	( 39,027)	( 23,984)
Increase in deferred charges	( 53,161)	( 62,044)
Decrease in refundable deposits, net	1,018	2,741
Increase in other assets – other	( 345)	( 322)
Net cash used in investing activities	( 129,852)	( 83,609)
<u>Cash flows from financing activities</u>		
Decrease in short-term loans	( 15,553)	( 15,000)
Decrease in long-term loans	( 6,495)	( 4,082)
Increase in other liabilities - other	6	232
Increase in guarantee deposits	-	12
Exercise of employee stock options	102,356	3,485
Changes in minority interest	<u>1,265</u>	<u>314</u>
Net cash provided by (used in) financing activities	<u>81,579</u>	( 15,039)
Effect of exchange rate changes on cash and cash equivalents	( 6,958)	( 8,627)
Net (decrease) increase in cash and cash equivalents	( 7,393)	99,135
Cash and cash equivalents at beginning of period	<u>1,105,011</u>	<u>821,484</u>
Cash and cash equivalents at end of period	<u>\$ 1,097,618</u>	<u>\$ 920,619</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 1,135</u>	<u>\$ 644</u>
Income tax	<u>\$ 880</u>	<u>\$ 856</u>
<u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 42,559	\$ 35,898
Payable at end of the period	( 14,031)	( 14,133)
Payable at beginning of period	<u>10,499</u>	<u>2,219</u>
Cash paid	<u>\$ 39,027</u>	<u>\$ 23,984</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See review report of independent accountants dated April 22, 2010.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

(UNAUDITED)

1. HISTORY AND ORGANIZATION

(1) Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of March 31, 2010, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 22 million shares for employee stock options), at a par value of \$10 (NT dollars) per share, and the issued and outstanding capital was \$1,604,951. The Company is engaged in software services. As of March 31, 2010, the Company and its consolidated subsidiaries had approximately 1,300 employees.

(2) Consolidated subsidiaries

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of</u>	
			<u>2010</u>	<u>2009</u>
Gamania Holdings Ltd.	Note A	Investment holding company	100%	100%
Gamania International Holdings Ltd.	Note B	Investment holdings	100%	100%
Gamania Digital Entertainment (Japan) Co., Ltd.	Note C	Design and sales of software; sales of hardware	100%	100%
Gamania China Holdings Ltd.	Note C	Investment holdings	97.91%	93.84%
Gamania Western Holdings Ltd.	Note C	Investment holdings	100%	-
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note D	Design and sales of software	97.91%	93.84%
Gamania Digital Entertainment Sino Holdings Co., Ltd.	Note D	Investment holdings	97.91%	93.84%
Gamania Digital Entertainment (U.S.) Co., Ltd.	Note F	Design and sales of software	100%	-
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note E	Design and sales of software	97.91%	93.84%
Taiwan Index Co., Ltd.	Note A	Software services	99.28%	99.28%
Gamania Asia Investments Co., Ltd.	Note A	Investment holdings	100%	100%
Gamania Korea Co., Ltd.	Note A	Design and sales of software	100%	100%
Alibangbang Games Co., Ltd.	Note A	Design and research of software	99.50%	99.27%



<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of March 31,</u>	
			<u>2010</u>	<u>2009</u>
Fundation Digital Entertainment Co., Ltd.	Note A	Publishing of magazines and periodicals	100%	100%
Gamania Digital Entertainment Labuan Holdings, Ltd.	Note A	Investment holdings	100%	100%
Redgate Games Co., Ltd.	Note A	Design and research of software	100%	100%
Seedo Games Co., Ltd.	Note A	Design and research of software	100%	100%
Playcoo Co.	Note A	Design and research of software	75.25%	75.25%
InnoJelly Corporation	Note G	Investment holdings	-	75.25%

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.

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

Note G: A majority-owned subsidiary of Playcoo CO.

B) The consolidated financial statements include unreviewed financial statements of certain consolidated subsidiaries as of March 31, 2010 and 2009, respectively. The statements reflect total assets of \$1,144,223 and \$1,017,723 as of March 31, 2010 and 2009, respectively, and total operating revenues of \$410,000 and \$581,573 for the three-month periods then ended, respectively.

(3) Changes in the consolidated subsidiaries:

1. Majority-owned subsidiaries that were newly included in the consolidated financial statements

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of March 31,</u>		<u>Note</u>
			<u>2010</u>	<u>2009</u>	
Gamania Western Holdings Ltd.	Note A	Investment holdings	100%	-	Note C
Gamania Digital Entertainment (U.S.) Co., Ltd.	Note B	Design and sales of software	100%	-	Note C

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

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

Note C: The company was established in the fourth quarter of 2009.

2. Majority-owned subsidiaries that were newly excluded from the consolidated financial statements

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of March 31,</u>		<u>Note</u>
			<u>2010</u>	<u>2009</u>	
InnoJelly Corporation	Note A	Investment holdings	-	75.25%	Note B

Note A: Majority-owned subsidiary.

Note B: The Company had been liquidated in April 2009.

- (4) Majority-owned subsidiaries not being consolidated: None.
- (5) Difference in accounting period among the Company and the subsidiaries: None.
- (6) Difference in the accounting policies adopted among the Company and the subsidiaries: None.
- (7) Special operation risk of foreign subsidiaries: None.
- (8) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- (9) The Company's and its subsidiaries' earnings distribution are restricted by enactment or contract: None.
- (10) The subsidiaries hold the Company's stock and bonds: None.
- (11) Convertible bonds and new stocks are issued by the subsidiaries: None.
- (12) Other consequential items to the consolidated financial statements: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Principles of consolidation

- A) All majority-owned subsidiaries or controlled entities, which meet the criteria of the amended Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements", are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares quarterly consolidated financial statements.
- B) The results of operations of a subsidiary are included in the consolidated financial

statements from the date of acquisition. Under the amended SFAS No. 7, the 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.

C) All significant intercompany balances and transactions are eliminated in the consolidation.

(2) Translation of financial statements of foreign subsidiaries

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

(3) Foreign currency transactions

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

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

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

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

- B) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- a) Liabilities arising from operating activities that are expected to be paid within the normal operating cycle;
  - b) Liabilities arising mainly from trading activities;
  - c) Liabilities that are to be paid within 12 months from the balance sheet date; and
  - d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date.

(5) Cash equivalents

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

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

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

- A) Financial assets at fair value through profit or loss are recognized as of the trade date at fair value for equity stocks. Financial assets at fair value through profit or loss are recognized as of the settlement date at fair value for bonds and beneficiary certificates.
- B) These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, closed-end mutual funds and depositary receipts is based on latest quoted fair prices of the accounting period. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date.

(7) Financial assets carried at cost

- A) Investments in unlisted equity instruments are recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B) If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss cannot be reversed.

(8) Allowance for doubtful accounts

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

(9) Inventories

The Company uses the perpetual inventory system and the original cost is the cost to obtain the assets. Cost is determined using the weighted-average method. The ending balance of inventory is valued at the lower of cost or net realizable value based on specific identification. The net realizable value is determined based on the estimated selling price of an inventory item less the estimated costs of completion.

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

- A) Long-term equity investments in which the Group holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method.
- B) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease by the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.

(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 3 to 55 years for buildings and 2 to 5 years for the other property, plant and equipment.
- B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).
- C) Major renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.

(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 are capitalized and amortized based on the period of the contract or deducted based on actual units of play.

(13) Other intangible assets

Franchises for game development are recorded at acquisition cost and amortized using the straight-line method over the estimated service life. Franchises could be deducted from franchises payable amounting to 2% based on sales revenues.

(14) Impairment of non-financial assets

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

B) If there is an indication that an asset has recovered its value of the impairment loss recognized in the prior period, a gain is recognized to the extent of the impairment loss recognized. No recovery in impairment loss is recognized for goodwill.

(15) Share-based payment – employee compensation plan

A) The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072 “Accounting for Employee Stock Options” as prescribed by the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share are prepared in accordance with the R.O.C. SFAS No. 39, “Accounting for Share-based Payment”.

B) For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

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

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration”, the costs of employees’ bonuses and directors’ and supervisors’ remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued

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

(17) Deferred income tax assets and income tax

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

- F) In accordance with the “Income Basic Tax Act”, effective January 1, 2006, when income tax is lower than the basic tax, income tax due shall be equal to the basic tax.

(18) Retirement plan

- A) Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. The net periodic pension costs include service cost, interest cost, expected return on plan assets, unrecognized net transition obligation and amortization of gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 15 years. Minimum pension liabilities in the interim financial statements were adjusted in accordance with the net periodic pension cost and funds contributed.
- B) Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(19) 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.

(20) Revenues, costs and expenses

- A) Costs from the development of software for sale are recognized as research expense before establishing technical feasibility.
- B) Revenue from prepaid cards for on-line games is deferred and is recognized based on points consumed.
- C) Revenue from software and other merchandise is recognized when the earning process is substantially completed and the revenue is realized or realizable.
- D) Sales returns are estimated based on a percentage of sales.
- E) Costs and expenses are recognized as incurred.
- F) Commissions received on prepaid cards from the on-line game providers is deferred and recognized as revenue when services are rendered.



(21) Earnings per share

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

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

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

B) The potential dilutive shares are employee stock options and estimated shares of employees' bonuses when distributing stock. The Company adopted the "treasury stock method" in computing the dilutive effect of the employee stock options and the employees' bonuses.

(22) Use of estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLE

Inventory

Effective January 1, 2009, the Company and its domestic subsidiaries adopted the amended Statement of Financial Accounting Standards No. 10, "Inventory". The adoption of this regulation had no significant effect on the consolidated financial statements as of and for the three-month period ended March 31, 2009.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 729	\$ 237,722
Cash in banks	740,484	575,104
Time deposits	356,405	71,000
Cash equivalents	-	36,793
	<u>\$ 1,097,618</u>	<u>\$ 920,619</u>

(2) Notes receivable - net

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Notes receivable	\$ 70,279	\$ 67,322
Less: Allowance for doubtful accounts	( 16)	( 16)
	<u>\$ 70,263</u>	<u>\$ 67,306</u>

(3) Accounts receivable - net

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Accounts receivable	\$ 1,432,949	\$ 1,050,974
Less: Allowance for doubtful accounts	( 81,492)	( 71,531)
Allowance for sales returns	( 5,412)	( 6,865)
	<u>\$ 1,346,045</u>	<u>\$ 972,578</u>

(4) Inventories - net

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Inventories	\$ 90,548	\$ 61,697
Less: Allowance for obsolescence and market value decline	( 13,836)	( 11,300)
	<u>\$ 76,712</u>	<u>\$ 50,397</u>

Related loss recognized for the period:

	<u>For the three-month periods ended March 31,</u>	
	<u>2010</u>	<u>2009</u>
Provision for decline in market value of inventories	<u>\$ 1,196</u>	<u>\$ 1,944</u>

(5) Financial assets carried at cost

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Unlisted stocks		
Nice Finance Co., Ltd.	\$ 91,453	\$ 91,453
NC Taiwan Co., Ltd.	22,841	22,841
	<u>\$ 114,294</u>	<u>\$ 114,294</u>

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

(6) Long-term investment accounted for under the equity method (Other liabilities-other)

A) List of long-term investment

<u>Name of investee</u>	<u>Original cost</u>	<u>March 31, 2010</u>		Investment loss for the three-month period ended <u>March 31, 2010</u>
		<u>Ownership percentage</u>	<u>Balance</u>	
Taiwan e-sports Co., Ltd.	<u>\$ 30,000</u>	46.15%	<u>\$ 4,770</u>	<u>(\$ 1,025)</u>

<u>Name of investee</u>	<u>Original cost</u>	<u>March 31, 2009</u>		Investment loss for the three-month period ended <u>March 31, 2009</u>
		<u>Ownership percentage</u>	<u>Balance</u>	
Taiwan e-sports Co., Ltd.	<u>\$ 5,000</u>	20%	<u>(\$ 4,390)</u>	<u>(\$ 643)</u>

Prepaid long-term investment:

Taiwan e-sports Co., Ltd.	<u>5,000</u>	<u>5,000</u>
	<u>\$ 10,000</u>	<u>\$ 610</u>

B) Long-term investment accounted for under the equity method was based on the investee's financial statements as of and for the three-month periods ended March 31, 2010 and 2009 which were not reviewed by independent accountants.

(7) Property, plant and equipment

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	170,495	164,365
Machinery and equipment	559,004	714,217
Office equipment	226,694	81,735
Leasehold improvements	37,838	38,676
Other equipment	<u>5,669</u>	<u>2,513</u>
	<u>1,147,451</u>	<u>1,149,257</u>
<u>Accumulated depreciation</u>		
Buildings	( 26,077)	( 22,201)
Machinery and equipment	( 397,611)	( 530,584)
Office equipment	( 150,420)	( 43,231)
Leasehold improvements	( 33,978)	( 22,503)
Other equipment	<u>( 2,913)</u>	<u>( 1,429)</u>
	<u>( 610,999)</u>	<u>( 619,948)</u>
Construction in progress and prepayments for equipment	11,568	5,234
Less: Accumulated impairment	<u>( 4,486)</u>	<u>( 4,063)</u>
Book value	<u>\$ 543,534</u>	<u>\$ 530,480</u>

(8) Other intangible assets

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Prepayments for franchises	\$ 194	\$ 38,333
Less: Accumulated impairment	-	( 38,298)
	<u>\$ 194</u>	<u>\$ 35</u>

(9) Deferred charges

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Royalty payments	\$ 376,848	\$ 553,691
Unamortized expense	229,056	225,066
	605,904	778,757
Less: Accumulated impairment	-	( 305,558)
	<u>\$ 605,904</u>	<u>\$ 473,199</u>

(10) Short-term loans

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Short-term bank loans	\$ 130,000	\$ 100,000
Annual interest rates	1.67%~2.50%	1.37%~2.36%
Credit lines	<u>\$ 1,762,582</u>	<u>\$ 989,000</u>

(11) Long-term loans

<u>Bank</u>	<u>Total Credit Line</u>	<u>Period/Terms of Repayment</u>	<u>March 31,</u>	
			<u>2010</u>	<u>2009</u>
Sumitomo Mitsui Banking Corporation	JPY 90,000 (Note)	09.24.2008 ~ 09.23.2011, equal quarterly installments	\$ 15,121	\$ 25,801
Sumitomo Mitsui Banking Corporation	JPY100,000 (Note)	08.31.2009 ~ 08.31.2013, equal quarterly installments	28,377	-
			43,498	25,801
Less: Current portion			( 21,715)	( 10,486)
			<u>\$ 21,783</u>	<u>\$ 15,315</u>

Note: Thousands of yen.

(12) Income tax payable

A) Income tax payable and income tax expense for the three-month periods ended March 31, 2010 and 2009 are reconciled as follows:

	<u>For the three-month periods ended March 31,</u>	
	<u>2010</u>	<u>2009</u>
Current year income tax expense	\$ 37,976	\$ 38,289
Additional 10% corporate income tax on undistributed earnings	<u>8,028</u>	<u>8,396</u>
	46,004	46,685
Add (Less): Net change in deferred income tax assets	( 22,996)	( 19,720)
Prepaid income tax	( 13)	( 26)
Income tax payable of prior year	11,680	58,947
Withholding tax by the foreign government	( 60)	-
Effect of exchange rate	<u>( 39)</u>	<u>168</u>
Income tax payable	<u>\$ 34,576</u>	<u>\$ 86,054</u>

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

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Deferred income tax assets - current	\$ 67,659	\$ 27,144
Deferred income tax assets - non-current	<u>248,781</u>	<u>343,263</u>
	316,440	370,407
Less: Valuation allowance - current	( 1,108)	( 12,426)
Valuation allowance - non-current	<u>( 230,527)</u>	<u>( 170,964)</u>
	<u>\$ 84,805</u>	<u>\$ 187,017</u>

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

	March 31,			
	2010		2009	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Allowance for sales returns	\$ 4,956	\$ 991	\$ 6,865	\$ 1,716
Allowance for decline in market value and inventory obsolescence	12,865	2,573	11,275	2,819
Welfare expenses	-	-	42	10
Loss carryforwards	-	-	35,833	8,958
Others	-	-	13,604	3,401
Investment tax credits		<u>64,095</u>		<u>10,240</u>
		67,659		27,144
Less: Valuation allowance		( 1,108)		( 12,426)
		<u>\$ 66,551</u>		<u>\$ 14,718</u>
Non-current items:				
Investment loss on financial assets carried at cost – non-current	\$ 9,851	\$ 1,970	\$ 9,851	\$ 2,463
Reserve for foreign investments	( 31,529)	( 6,306)	( 50,874)	( 12,718)
Reduction in capital of subsidiaries to cover accumulated deficit	-	-	672,643	168,161
Retirement fund expense but not deposited with Bank of Taiwan	114	23	287	71
Foreign investments	80,036	16,007	58,792	14,698
Depreciation allowances in excess of related depreciation	( 17,489)	( 2,885)	( 16,620)	( 2,742)
Loss carryforwards	719,075	143,814	498,460	124,615
Investment tax credits		<u>96,158</u>		<u>48,715</u>
		248,781		343,263
Less: Valuation allowance		( 230,527)		( 170,964)
		<u>\$ 18,254</u>		<u>\$172,299</u>

D) As of March 31, 2010 and 2009, the balance of shareholders account of deductible tax was as follows:

	March 31,	
	2010	2009
a. Balance of shareholders account of deductible tax	<u>\$ 16,983</u>	<u>\$ 419</u>
b. Creditable tax ratio	<u>2009 (Estimated)</u> 4.31%	<u>2008 (Actual)</u> 19.71%

E) Undistributed retained earnings:

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
On or after January 1, 1998		
a. Earnings not yet subjected to 10% income tax	\$ 109,841	\$ 165,308
b. Earnings subjected to 10% income tax	<u>393,941</u>	<u>257,545</u>
	<u>\$ 503,782</u>	<u>\$ 422,853</u>

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

- (a) As of March 31, 2010, the Company's income tax returns through 2003 have been assessed and approved by the Tax Authority.
- (b) The Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company paid \$4,050 and contested the remaining balance imposed by the Tax Authority. The Company filed for re-examination in February 2006 which is still pending as of the report date.
- (c) The Tax Authority imposed additional tax amounting to \$3,958 on the Company's 2003 income tax return. The Company filed for re-examination in June 2009 which is still pending as of the report date.

G) As of March 31, 2010, in accordance with the "Income Tax Law" and "Statute for Upgrading Industries", the Company and its domestic subsidiaries had investment tax credits in the amount of \$160,253 to offset against taxable income for the next three years. The details are as follows:

<u>Deductible item</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 168,985	\$ 154,830	2010~2013
Machinery and equipment	3,287	3,287	2011~2013
Employees' trainning	<u>2,136</u>	<u>2,136</u>	2012~2013
	<u>\$ 174,408</u>	<u>\$ 160,253</u>	

H) As of March 31, 2010, in accordance with the "Income Tax Law", the Company's domestic subsidiaries had loss carryforwards in the amount of \$143,814 to offset against taxable income for the next four to ten years. The details are as follows:

<u>Deductible item</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Loss carryforwards	<u>\$ 719,075</u>	<u>\$ 143,814</u>	2013~2019

(13) Accrued pension liability

- A) The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter with a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee. For the three-month periods ended March 31, 2010 and 2009, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to \$527 and \$651, respectively. The balance of the retirement fund deposited with Bank of Taiwan was \$43,863 and \$39,147 as of March 31, 2010 and 2009, respectively. The fund balances are not reflected in the consolidated financial statements. The accumulated contributions exceeded the net pension costs in the amount of \$7,507 and \$6,487 as of March 31, 2010 and 2009, respectively, which was accounted for in other assets – other.
- 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 \$746 and \$590 for the three-month periods ended March 31, 2010 and 2009, 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 \$913 and \$511 for the three-month periods ended March 31, 2010 and 2009, respectively.
- D) Effective July 1, 2005, the Company and its domestic subsidiaries, adopted a defined contribution pension plan (the "New Plan"). Under the New Plan, employees have the option to choose the New Plan. The Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts deposited with the Bureau of Labor Insurance. Benefits accrued under the New Plan are portable when the employees leave the company. The net pension costs



recognized by the Company and its domestic subsidiaries under the defined contribution plan for the three-month periods ended March 31, 2010 and 2009 amounted to \$8,010 and \$7,680, respectively.

E) Gamania Holdings Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment Labuan Holdings, Ltd., Gamania International Holdings Ltd., Gamania China Holdings Ltd., Gamania Western Holding Ltd. and Gamania Digital Entertainment (U.S.) Co., Ltd. do not have an employee retirement plan.

(14) Capital reserve

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

(15) 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.

(16) Retained earnings (accumulated deficit)

- A) As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:
- a. Paying all taxes and duties.
  - b. Covering prior years' accumulated deficit, if any.
  - c. After deducting items a and b, 10% of the remaining amount is appropriated as legal reserve.
  - d. In addition to the amount appropriated for legal reserve, the Company may appropriate an amount equal to the negative items in the stockholders' equity from retained earnings as special reserve.
  - e. Interest on capital.
  - f. After deducting items a to e, 10% ~ 15% of the remaining earnings is appropriated as employees' bonuses and up to 2% as remuneration to directors and supervisors.

- g. The remaining amount is to be distributed to stockholders in accordance with the resolution adopted at the stockholders' meeting.
- B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed in next year's shareholders' meeting. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholders can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.
- C) The appropriation of 2009 and 2008 earnings had been approved at the Board of Directors' meeting and stockholders' meeting on March 17, 2010 and June 10, 2009, respectively. Details are summarized below:

	2009 Earnings		2008 Earnings	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 30,919		\$ 25,516	
Cash dividends	197,999	\$ 1.23	145,807	\$ 1.0
Employees' cash bonuses	41,740		23,500	
Directors' and supervisors' remuneration	<u>5,565</u>		<u>4,600</u>	
	<u>\$ 276,223</u>		<u>\$ 199,423</u>	

- (a) As of April 22, 2010, no earnings distribution had been approved by the Company's stockholders.
- (b) The dividends appropriation for 2008 as stated above was not in agreement with the amount proposed by the Board of Directors on March 23, 2009. The difference mainly resulted from the change in the number of the Company's outstanding shares for the employee stock options that were converted into common shares. As a result, additional dividends of \$123 were resolved to be distributed at the stockholders' meeting in 2009.
- (c) For current status of the resolution, please visit the Taiwan Stock Exchange website.
- D) The estimated amounts of employees' bonuses were \$16,820 and \$14,617, and directors' and supervisors' remuneration were \$2,243 and \$2,923 for the three-

month periods ended March 31, 2010 and 2009, respectively. The above amounts constitute 1%~15% and 2%, respectively, of net income after taking into account the legal reserve, and are recognized as operating cost and expense.

- E) The amounts approved by the Company's Board of Directors for the distribution of 2009 earnings for employees' bonuses and directors' and supervisors' remuneration during its meeting on March 17, 2010 were different from the amounts recognized in the 2009 financial statements. The difference will be recognized as gain or loss in 2010 upon the approval of the 2009 earnings distribution by the Company's stockholders.

(17) Earnings per share

	For the three-month period ended March 31, 2010				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 1)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share					
Net income	\$ 155,845	\$ 109,841	151,464	<u>\$ 1.03</u>	<u>\$ 0.73</u>
Dilutive effect:					
Stock options	-	-	4,340		
Employees' bonuses	-	-	1,221		
Diluted earnings per share:					
Net income	<u>\$ 155,845</u>	<u>\$ 109,841</u>	<u>157,025</u>	<u>\$ 0.99</u>	<u>\$ 0.70</u>
	For the three-month period ended March 31, 2009				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 1)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share:					
Net income	\$ 211,993	\$ 165,308	145,684	<u>\$ 1.46</u>	<u>\$ 1.13</u>
Dilutive effect:					
Stock options (Note 2)	-	-	-		
Employees' bonuses	-	-	1,148		
Diluted earnings per share:					
Net income	<u>\$ 211,993</u>	<u>\$ 165,308</u>	<u>146,832</u>	<u>\$ 1.44</u>	<u>\$ 1.13</u>

Note 1: In New Taiwan Dollars.

Note 2: As of March 31, 2009, the outstanding employee stock options had no dilutive effect. Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include the estimated shares that would increase from employees' stock bonus issuance in the computation of the weighted-average number of common shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting period that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting period. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends, the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively. However, the accounting treatment for the appropriation of employees' bonus for 2007 earnings resolved at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of R.O.C. SFAS No. 24, "Earnings per Share".

(18) Treasury stock

Changes in the treasury stock for the three-month periods ended March 31, 2010 and 2009 are set forth below (in thousands of shares):

	For the three-month period ended March 31, 2010			
<u>Purpose</u>	<u>Beginning shares</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares</u>
Employee stock options	13,099	-	-	13,099
	For the three-month period ended March 31, 2009			
<u>Purpose</u>	<u>Beginning shares</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares</u>
Employee stock options	13,099	-	-	13,099

B) The maximum and ending balances of treasury stock for the three-month periods ended March 31, 2010 and 2009 are as follows:

March 31, 2010		March 31, 2009	
<u>Maximum balance</u>	<u>Ending balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>
\$ 370,182	\$ 370,182	\$ 370,182	\$ 370,182

C) According to the R.O.C. Securities and Exchange Act, the percentage of the number of shares of treasury stocks shall not exceed 10% of the total shares of common stocks issued by the Company and the total amount of treasury stock shall not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve.

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

(19) Employee stock option plan

- A) On December 25, 2003 and November 14, 2007, the board of directors approved the employee stock option plans which provide for the issuance of 10,000,000 units and 12,000,000 units of options, respectively, that can be converted to one share of common stock per unit. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The Company has issued the employee stock options on February 10, 2004 and December 17, 2007. The stock option has an exercise period of six years. Employees will be able to exercise these options after two years in accordance with the procedures of the employee stock option plan.
- B) The board of directors approved the employee stock option plan which provides for the issuance of 5,000,000 units of options on December 24, 2008. The plan has been reported to the Financial Supervisory Commission (the Administration) on December 31, 2008 and became effective since January 12, 2009. The Company expects to issue all or part of the stock options depending on actual demand during the year. As of January 12, 2010, no unit of employee stock options has been issued by the Company. Accordingly, these stock options had been considered invalid.

C) The units and weighted average exercise price of the stock options for the three-month periods ended March 31, 2010 and 2009 are as follows:

	For the three-month periods ended March 31,			
	2010		2009	
<u>Stock Options</u>	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)
Beginning balance (Note 2)	12,663	\$ 25.33	16,297	\$ 26.16
Number of options granted	-	-	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised (Note 2)	( 3,899)	-	( 123)	-
Cancelled	( 420)	-	( 109)	-
Ending balance	<u>8,344</u>	24.80	<u>16,065</u>	26.14
Exercisable at the end of the period	<u>2,844</u>		<u>4,488</u>	
Authorized but unissued at the end of the period	<u>-</u>		<u>-</u>	

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

(Note 2) As of March 31, 2010, 5,143 thousand shares had not been registered and were accounted for under stock subscriptions received in advance.

D) As of March 31, 2010 and 2009, the details of outstanding stock options are as follows:

For the three-month period ended March 31, 2010					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
\$ 24.80	8,344	3.67	\$ 24.80	2,844	\$ 24.80

For the three-month period ended March 31, 2009					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
\$ 28.30	4,488	0.83	\$ 28.30	4,488	\$ 28.30
\$ 25.30	11,577	4.67	\$ 25.30	-	\$ -

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

(a) Model: The Black-Scholes model

(b) Assumptions:

<u>Black-Scholes model assumptions</u>	<u>2007 Stock Options</u>	<u>2004 Stock Options</u>
Dividend yield	0%	0%
Volatility (Note 1)	43.58%	62.02%
Risk-free interest rate	2.65%	1.95%
Expected life of the option	4.3 years	6 years
Exercise price (Note 2)	\$ 24.8 (in dollars)	\$ 27.3 (in dollars)
Amortization period	2~3 years	2~3 years

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

Note 2: Exercise price of the stock options mentioned above considered the effect of earnings distribution and was readjusted to \$24.8 and \$27.3, respectively.

(c) Result of evaluation:

	<u>For the three-month period ended March 31, 2010</u>	
	<u>2007 Stock options</u>	<u>2004 Stock options</u>
Weighted average fair value of options granted to employees	\$ 10.95 (in dollars)	\$ 17.4656 (in dollars)
Compensation cost under "fair value method"	\$ 4,838	\$ -

  

	<u>For the three-month period ended March 31, 2009</u>	
	<u>2007 Stock options</u>	<u>2004 Stock options</u>
Weighted average fair value of options granted to employees	\$ 10.95 (in dollars)	\$ 17.4656 (in dollars)
Compensation cost under "fair value method"	\$ 12,874	\$ -

(d) Pro forma information:

		<u>For the three-month period ended March 31, 2010</u>	<u>For the three-month period ended March 31, 2009</u>
Net income	Net income	\$ 109,841	\$ 165,308
	Pro forma net income	105,003	152,434
Basic earnings per share (EPS)	EPS	0.73 (in dollars)	1.13 (in dollars)
	Pro forma EPS	0.69 (in dollars)	1.05 (in dollars)
Diluted earnings per share	EPS	0.70 (in dollars)	1.13 (in dollars)
	Pro forma EPS	0.67 (in dollars)	1.04 (in dollars)

(22) Personnel, depreciation and amortization expenses

	<u>For the three-month period ended March 31, 2010</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 23,995	\$ 227,170	\$ 251,165
Labor and health insurances	1,445	16,293	17,738
Pension	381	9,815	10,196
Others	281	14,288	14,569
	<u>\$ 26,102</u>	<u>\$ 267,566</u>	<u>\$ 293,668</u>
Depreciation	<u>\$ 13,974</u>	<u>\$ 16,222</u>	<u>\$ 30,196</u>
Amortization	<u>\$ 56,309</u>	<u>\$ 14,785</u>	<u>\$ 71,094</u>

	<u>For the three-month period ended March 31, 2009</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 23,429	\$ 201,951	\$ 225,380
Labor and health insurances	1,314	15,328	16,642
Pension	277	9,155	9,432
Others	278	15,178	15,456
	<u>\$ 25,298</u>	<u>\$ 241,612</u>	<u>\$ 266,910</u>
Depreciation	<u>\$ 16,854</u>	<u>\$ 22,435</u>	<u>\$ 39,289</u>
Amortization	<u>\$ 40,926</u>	<u>\$ 15,438</u>	<u>\$ 56,364</u>

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

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

Note: Nexon held more than 20% of the Company's voting shares which were accounted for under the equity method from December 2008 to June 23, 2009. Thereafter, Nexon disposed some of the Company's shares, which resulted to the decrease in Nexon's equity interest in the Company to below 20%. As Nexon had no ability to exercise significant influence on the Company's operational decisions and thus no longer considered as the Company's related party, the relevant transaction information between the Company and Nexon are disclosed until June 23, 2009.



(2) Significant transactions and balances with related parties

A) License fees

	<u>For the three-month periods ended March 31,</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% of license fees</u>	<u>Amount</u>	<u>% of license fees</u>
Nexon	<u>\$ -</u>	<u>-</u>	<u>\$ 254,240</u>	<u>54</u>

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

B) Donation

	<u>For the three-month periods ended March 31,</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% of donation</u>	<u>Amount</u>	<u>% of donation</u>
Gamania Cheer Up Foundation	<u>\$ -</u>	<u>-</u>	<u>\$ 3,000</u>	<u>86</u>

C) Deferred charges

	<u>March 31, 2010</u>		<u>March 31, 2009</u>	
	<u>Amount</u>	<u>% of net deferred charges</u>	<u>Amount</u>	<u>% of net deferred charges</u>
	Nexon	<u>\$ -</u>	<u>-</u>	<u>\$ 62,916</u>

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

D) Accounts payable

	<u>March 31, 2010</u>		<u>March 31, 2009</u>	
	<u>Amount</u>	<u>% of accounts payable</u>	<u>Amount</u>	<u>% of accounts payable</u>
	Nexon	<u>\$ -</u>	<u>-</u>	<u>\$ 56,819</u>

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>March 31,</u>		<u>Purpose</u>
	<u>2010</u>	<u>2009</u>	
Cash in bank (shown in other financial assets-current)	<u>\$ 2,000</u>	<u>\$ 2,000</u>	Short-term loans / Credit lines
Land	<u>117,270</u>	<u>57,497</u>	Long-term loans / Credit lines
Buildings	<u>116,931</u>	<u>59,764</u>	"
	<u>\$ 236,201</u>	<u>\$ 119,261</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- A) As of March 31, 2010, the total future rental payments for the next 3 years under non-cancelable operating lease agreements for the lease of the Company's office building, transportation equipment, networking device and the lease of the server warehouse from Chunghwa Telecom Co., Ltd. was \$193,278. The Company cooperated with Mirle Automation Corporation pertaining to the operating system off-site backup project. As of March 31, 2010, the total future project payments for the next 3 years was \$12,800.
- B) The subsidiaries entered into certain contracts for the development of website, and the total future contract payments as of March 31, 2010 was \$943.
- C) The Company contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In addition, the Company contracted with several on-line game vendors and will pay royalty based on actual usage.
- D) As stated in Note 4(12), the Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company reassessed the 2002 income tax return and deemed its additional liability to be \$4,050. The Company filed for re-examination in February 2006 to contest the balance of tax and penalties. The re-examination is still pending as of the report date.
- E) As stated in Note 4(12), the Tax Authority imposed additional tax amounting to \$3,958 on the Company's 2003 income tax return. The Company filed for re-examination in June 2009 to contest the balance of tax and penalties. The re-examination is still pending as of the report date.
- F) For the period from January 1, 2010 to December 31, 2010, First Commercial Bank provided guarantee for merchandise transactions on behalf of the Company to Wisdom Distribution Service Corporation. The Company guarantees that if the amount of sales to Wisdom Distribution Service Corporation is lower than the amount of sales returns, the Company should pay the guarantee of \$4,000 to First Commercial Bank and Wisdom Distribution Service Corporation would get implicative guarantee from First Commercial Bank.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

## 10. OTHERS

### (1) Financial statement presentation

Certain accounts in the March 31, 2009 consolidated financial statements were reclassified to conform with the March 31, 2010 consolidated financial statement presentation.

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

	March 31, 2010			March 31, 2009		
	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	\$2,528,507	(Note A)	\$2,528,507	\$2,000,804	(Note A)	\$2,000,804
Financial assets carried at cost	114,294	-	-	114,294	-	-
Refundable deposits	46,072	-	46,072	35,668	-	35,638
Liabilities						
Financial liabilities with fair values equal to book values	\$ 978,205	(Note A)	\$ 978,205	\$ 782,492	(Note A)	\$ 782,492
Long-term loans	21,783	-	20,644	15,315	-	14,416
Guarantee deposits	380	-	380	386	-	386

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

- A) For short-term instruments, the book value is approximate to the fair value because of their short-term maturities. This applies to cash and cash equivalents, notes and accounts receivable, (excluding income tax refundable) other receivables, other financial asset-current, short-term loans, notes and accounts payable (including related party), accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.
- B) The fair value of long-term loans is based on the present value of expected cash flow amounts. The discount rate was another instrument which the Company could acquire similar terms at about 2.225% and 2.425% as of March 31, 2010 and 2009, respectively.

C) The fair values of refundable deposits and guarantee deposits are the book value since the amounts are insignificant.

D) Off-balance sheet financial instruments with credit risk:

	<u>March 31,</u>	
	<u>2010</u>	<u>2009</u>
Guarantee for loans of subsidiaries	<u>\$ 256,000</u>	<u>\$ 30,000</u>

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

(3) Procedure of financial risk control and hedge

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

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

The Group's risk management program considers the effect of economic environment, competition and market value risk. The Group attains to the best risk position, holds appropriate liquidity position and centers on management of all the market risks.

To reach the objective of risk management, the Group's hedged activities are focused on the market value risk and the cash flow risk.

(4) Information of financial risk

A) Financial instruments of equity: Financial asset carried at cost – non-current

(A) Market risk

Investments in equity-type financial instruments are affected by changes in market prices. However, the Group can monitor market driver changes and establish stop-loss points when appropriate, so anticipated market risk is not significant.

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

B) Receivables: Accounts receivable, Notes receivable and Other receivables

(A) Market risk

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

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

C) Loans: Short-term loans and Long-term loans (including current portion of long-term loans).

(A) Market risk

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

(B) Credit risk

None.

(C) Liquidity risk

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

(D) Cash flow interest risk

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

(5) For the three-month periods ended March 31, 2010 and 2009, the Company donated cash and magazines amounting to \$800 and \$3,500, respectively, to charities and educational institutions that are accredited by the government, without significant appointed considerations.

## 11. DISCLOSURE INFORMATION

### (1) Related information of significant transactions

- A) Financing activities to any company or person: None
- B) Guarantee for any other company or person:

Unit: Thousands of New Taiwan Dollars

Company or investee companies		Parties being guaranteed		Limit of guarantee for each party (Note 3)	Maximum outstanding guarantee amount for the three-month period ended March 31, 2010	Outstanding guarantee amount at March 31, 2010	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	Taiwan Index Co., Ltd. (Note 4)	2	\$ 481,485	\$ 190,000	\$ 190,000	None	6.83%	\$ 1,604,951
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd. (Note 4)	3	481,485	66,000	66,000	None	2.37%	1,604,951
0	The Company	Gamania Digital Entertainment (Beijing) Co., Ltd. (Note 4)	3	481,485	48,135	-	None	-	1,604,951

Note 1: Number 0 represents the Company.

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

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

Note 3: The Company provides guarantee for the subsidiaries in which the Company directly or indirectly holds more than 50% voting rights. The limit of guarantee for each party is 30% of the Company's capital, and the maximum amount available for guarantee is the Company's capital.

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

C) Marketable securities held at March 31, 2010

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	March 31, 2010				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note (3)
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	12,178	\$ 470,793	100%	\$ 470,793	Note (3)
"	"	Gamania Korea Co., Ltd.	"	"	902	21,199	100%	21,199	Note (3)
"	"	Alibangbang Digital Games Co., Ltd.	"	"	15,423	20,900	99.50%	19,009	Note (3)
"	"	Taiwan Index Co., Ltd.	"	"	8,044	35,817	72.08%	44,817	Note (3)
"	"	Gamania Asia Investment Co., Ltd.	"	"	13,945	134,242	100%	134,242	Note (3)
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	108	100%	108	Note (3)
"	"	Foundation Digital Entertainment Co., Ltd.	"	"	9,000	( 3,368)	100%	( 3,368)	Note (3)
"	"	Foundation Digital Entertainment Co., Ltd.	"	Prepayment for long-term investment	-	30,000	-	30,000	Note (3)
"	"	Playcoo Co.	"	"	13,996	116,946	75.25%	54,039	Note (3)
"	"	Redgate Games Co., Ltd.	"	"	5,000	10,413	100%	10,413	Note (3)
"	"	Seedo Games Co., Ltd.	"	"	5,000	9,044	100%	9,044	Note (3)
"	"	Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity method	"	3,000	4,770	46.15%	4,770	None
"	"	NC Taiwan Co., Ltd.	Investee company accounted for under financial assets carried at cost	Financial assets carried at cost-non current	2,100	22,841	15%	22,841	None

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

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

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

D) Marketable securities acquired or sold during the three-month period ended March 31, 2010 in excess of \$100,000 or 20% of capital: None.

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

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

G) Sales to or purchases from related parties in excess of \$100,000 or 20% of capital: None.

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

I) Information on derivative transactions: None.



(2) Information of investee companies

A) Information of investee companies:

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

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2010.3.31	2009.12.31	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	\$1,198,464	\$1,131,301 (Note (1))	12,178	100%	\$ 470,793	\$ 14,583	\$ 14,583	Subsidiary Note (6)
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sale of software	238,685	224,672	902	100%	21,199	( 6,645)	( 6,645)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	260,000	240,000	15,423	99.50%	20,900	( 11,942)	( 11,874) (Note (5))	"
"	Taiwan Index Co., Ltd.	"	Software services and sales	211,433	211,433	8,044	72.08%	35,817	8,055	( 1,750) (Note (3))	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	13,945	100%	134,242	2,207	2,207	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 15(A), Main Office Tower, Financial Park Labuan, 87000 Labuan, Jalan Merdeka, 87000 Labuan, FT, Malaysia	Investment holdings	329	329	10	100%	108	( 1)	( 1)	"
"	Fundation Digital Entertainment CO., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Sales and publishing of magazines and periodicals	120,000 (Note (2))	90,000	9,000	100%	26,632 (Note (2))	( 7,848)	( 7,848)	"
"	Playcoo Co.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	152,554	152,554	13,996	75.25%	116,946	5,919	260 (Note (4))	"

Note (1): Including prepayment of \$4,880 for long-term investment.

Note (2): Including prepayment of \$30,000 for long-term investment.

Note (3): Including realized sales margin of \$2,145 and write-off of unrealized sales margin of \$9,701.

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

Note (5): The weighted-average ownership percentage is 99.43%.

Note (6): The investment has been eliminated in the consolidated financial statements.

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2010.3.31	2009.12.31	Number of shares	Percentage	Book value			
The Company	Redgate Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	\$ 50,000	\$ 50,000	5,000	100%	\$ 10,413	(\$ 10,280)	(\$ 10,280)	Subsidiary Note (3)
The Company	Seedo Games Co., Ltd.	"	Design and research and development of software	50,000	50,000	5,000	100%	9,044	( 10,607)	( 10,607)	"
"	Taiwan e-sports Co., Ltd.	9F, No.176 Chung Hsiao East Rd. Section 4, Taipei City, Taiwan	Supply of software services and electronic information	30,000	30,000	3,000	46.15%	4,770	( 2,221)	( 1,025)	Investee company accounted for under equity method
Gamania Asia Investment Co., Ltd.	Taiwan Index Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and sales of software	80,625	80,625	3,036	27.20%	16,912	8,055	2,191	Investee company accounted for under equity method Note (3)
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 35,568 thousand	USD 33,468 thousand (Note (1))	35,568	100%	USD 14,968 thousand	USD 527 thousand	USD 527 thousand	Subsidiary Note (3)
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Sumitomo Ooimachi Bldg. (North) 4F, 1-20-6, Ooi, Shinagawa-Ku, Tokyo, Japan 140-0014	Design and sales of software; sales of hardware	USD 14,298 thousand	USD 14,298 thousand	3	100%	USD 5,361 thousand	USD 250 thousand	USD 250 thousand	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 23,194 thousand	USD 21,094 thousand	22,794	97.91%	USD 9,816 thousand	USD 527 thousand	USD 497 thousand (Note (3))	"

Note (1): Including prepayment of USD\$150 thousand for long-term investment.

Note (2): The weighted-average ownership percentage is 94.25%.

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

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2010.3.31	2009.12.31	Number of shares	Percentage	Book value			
Gamania China Holdings Ltd.	Gamania Western Holdings, Ltd.	P.O. Box 2804 Scotia Centre, 4th George Town, Grand Cayman KY1-1112, Cayman Islands	Investment holdings	USD 150 thousand	USD 150 thousand (Note (1))	150	100%	(USD 179 thousand)	(USD 215 thousand)	(USD 215 thousand)	Subsidiary (Note (3))
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Fourth Floor, One Capital Place P.O. Box 874GT, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 21,420 thousand	USD 19,720 thousand	21,420	100%	USD 980 thousand	(USD 552 thousand)	(USD 552 thousand)	"
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Rm. 811, 8F, Building A, GEM Techcenter, No. 9, 3rd street of Shangdi, Beijing 100085 China	Design and sales of software	USD 17,500 thousand	USD 15,800 thousand	None	100%	(USD 692 thousand)	(USD 504 thousand)	(USD 504 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Design and sales of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 6,385 thousand	USD 1,077 thousand	USD 1,077 thousand	"
Gamania Western Holdings, Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	Suite 806, 1220 N. Market Street, Wilmington, DE 19801, County of New Castle	Design and sales of software	USD 130 thousand	USD 130 thousand (Note (2))	1	100%	(USD 184 thousand)	(USD 209 thousand)	(USD 209 thousand)	"

Note (1): The weighted-average ownership percentage is 94.25%.

Note (2): Including prepayment of USD\$130 thousand for long-term investment.

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

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

C) Guarantee information: None.

D) Marketable securities held at March 31, 2010:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	March 31, 2010				
					Number of shares (Note (3))	Book value	Percentage	Market value (Note (2))	Note
Gamania Holdings Ltd.	Common Stock	Gamania International Holdings Ltd.	Subsidiary	Long-term investments – accounted for under the equity method	35,568	USD 14,968 thousand	100%	USD 14,968 thousand	Note (4)
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	3	USD 5,361 thousand	100%	USD 5,361 thousand	Note (4)
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	22,794	USD 9,816 thousand	97.91%	USD 8,942 thousand	Note (4)
Gamania International Holdings Ltd.	"	Gamania Western Holdings, Ltd.	"	"	150	(USD 179 thousand)	100%	(USD 179 thousand)	Note (4)
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H. K.) Co., Ltd.	"	"	35,500	USD 6,385 thousand	100%	USD 6,385 thousand	Note (4)
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	21,420	USD 980 thousand	100%	USD 949 thousand	Note (4)
Gamania Sino Holdings Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	USD 692 thousand	100%	USD 692 thousand	Note (4)
Gamania Western Holdings, Ltd.	"	Gamania Digital Entertainment (U. S.) Co., Ltd.	"	"	1	(USD 184 thousand)	100%	(USD 184 thousand)	Note (4)
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under the equity method	"	3,036	16,912	27.20%	16,912	Note (4)
Gamania Asia Investment Co., Ltd.	Common Stock	Nice Finance Co., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost	9,383	91,453	14.60%	91,453	Note (4)

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

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

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

Note (3): Unit: In thousand shares.

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

- E) Marketable securities acquired or sold during the three-month period ended March 31, 2010 in excess of \$100,000 or 20% of capital: None.
- F) Acquired real estate in excess of \$100,000 or 20% of capital: None.
- G) Disposal of real estate in excess of \$100,000 or 20% of capital: None.
- H) Sale to or purchases from related parties in excess of \$100,000 or 20% of capital: None.
- I) Receivable from related parties in excess of \$100,000 or 20% of capital: None.
- J) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

A)

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment as of January 1, 2010	Remitted or received investment amount during the period		Accumulated investment as of March 31, 2010	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at March 31, 2010	Accumulated investment income received as of March 31, 2010
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	(RMB 137,918 thousand)	(Note (2))	(USD 13,670 thousand)	(USD 900 thousand)	\$ -	(USD 14,570 thousand)	97.91%	(USD 475 thousand)	(USD 678 thousand)	\$ -
		\$641,948		\$434,337	\$28,596	\$462,933	(\$ 15,179)		\$ 21,542		

Accumulated amount of investment in Mainland China as of March 31, 2010	Related investment amount approved by FIA	Upper limit of investment in Mainland China
\$ 462,933 (USD 14,570 thousand)	\$ 634,825 (Note (1))	\$ 1,668,641

Note (1): Related total investment amount approved by FIA is USD 19,980,000 or NTD 634,825 thousand based on 31.773 exchange rate.

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

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

B) The Company has no significant transactions with the holding company or its subsidiaries in Mainland China and the related transactions have been disclosed in Note (5).

C) The investment has been eliminated in the consolidated financial statements.

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

For the three-month period ended March 31, 2010

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
0	Gamania Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	1	Purchases	\$ 7,695	Note (4)	1%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	11,122	Note (4)	1%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	12,138	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other receivables	7,575	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	5,545	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Accrued expenses	8,112	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	93,716	Note (4)	2%
1	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	7,695	Note (4)	1%
1	"	"	2	Advertising revenue	11,122	Note (4)	1%
1	"	"	2	Accounts receivable	101,828	Note (4)	2%
1	"	"	2	Other payables	7,575	Note (4)	-%
2	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	2	Other payables	12,138	Note (4)	-%
2	"	Gamania Digital Entertainment (U.S.) Co., Ltd.	3	Other receivables	21,224	Note (4)	1%
3	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	5,545	Note (4)	-%
4	Gamania Digital Entertainment (U.S.) Co., Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	21,224	Note (4)	1%
5	Playcoo Co.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Sales revenue	21,798	Note (4)	2%
5	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Accounts receivable	13,476	Note (4)	-%
6	Gamania Digital Entertainment Labuan Holding, Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Sales revenue	24,145	Note (4)	2%
6	"	Playcoo Co.	3	Purchases	21,798	Note (4)	2%
6	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	7,563	Note (4)	-%
6	"	Playcoo Co.	3	Accounts payable	13,476	Note (4)	-%

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
7	Gamania Digital Entertainment (Japan) Co. Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Purchases	\$ 24,145	Note (4)	2%
7	Gamania Digital Entertainment (Japan) Co. Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	3	Accounts payable	7,563	Note (4)	-%

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

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

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

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

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

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

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



For the three-month period ended March 31, 2009

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
0	Gamania Digital Entertainment Co., Ltd.	Playcoo Co.	1	License costs	\$ 7,761	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	8,040	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	5,533	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	5,432	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Accrued expenses	5,423	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	62,381	Note (4)	2%
1	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	8,040	Note (4)	-%
1	"	"	2	Accounts receivable	67,804	Note (4)	2%
2	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	2	Other payables	5,432	Note (4)	-%
3	Gamania Digital Entertainment Labuan Holding, Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	33,071	Note (4)	1%
3	"	Playcoo Co.	3	Accounts payable	30,244	Note (4)	1%
4	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Accounts payable	33,071	Note (4)	1%
5	Playcoo Co.	Gamania Digital Entertainment Co., Ltd.	2	License revenue	7,761	Note (4)	-%
5	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Accounts receivable	30,244	Note (4)	1%
6	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	5,533	Note (4)	-%

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

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

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

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

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

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

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

## 12. SEGMENT FINANCIAL INFORMATION

According to Statement of Financial Accounting Standards No. 23, “Interim Financial Report”, the Company is not required to disclose segment financial information in the interim financial report.