

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

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

**SEPTEMBER 30, 2008 AND 2007**

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

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

PWCR08000134

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

We have reviewed the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. (the “Company”) and its subsidiaries as of September 30, 2008 and 2007, and the related consolidated statements of income and of cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a conclusion on these 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 \$816,136 thousand and \$745,942 thousand, constituting 23.58 % and 22.86% of the related consolidated totals as of September 30, 2008 and 2007, respectively, and total operating revenues of \$514,246 thousand and \$435,641 thousand, constituting 18.06% and 16.58% of the related consolidated totals for the nine-month periods then ended, respectively. In addition, as explained in Note 4(7), the consolidated financial statements include long-term investments accounted for under the equity method amounting to \$1,303 thousand and \$36,486 thousand, constituting 0.04% and 1.12% of the consolidated total assets as of September 30, 2008 and 2007, respectively, and the related investment loss was \$6,253 thousand and \$8,284 thousand, constituting 2.51% and 2.52% of the consolidated net income attributable to equity holders of the Company for the nine-month periods then ended, respectively. These amounts and the information disclosed in Note 11 were based on their respective financial statements which were not reviewed by independent accountants.

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

As described in Note 3, Gamania Digital Entertainment Co., Ltd. adopted Regulation No. 52 “Accounting for Employees” Bonuses and Directors’ and Supervisors’ Remuneration” issued by the Accounting Research and Development Foundation in Taiwan on January 1, 2008. The Company recognizes the expense and the related liability when the obligation can be measured reliably.

As a result of the adoption of the newly issued regulation, net income decreased by \$20,732 thousand for the nine-month period ended September 30, 2008.

PricewaterhouseCoopers

October 21, 2008

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

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

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

**SEPTEMBER 30,**

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

**(UNAUDITED)**

<b>ASSETS</b>	<u>2008</u>	<u>2007</u>	<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>2008</u>	<u>2007</u>
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents (Note 4 (1))	\$ 1,064,390	\$ 1,049,740	Short-term loans (Note 4 (11))	\$ 40,000	\$ -
Financial assets at fair value through profit or loss - current (Note 4 (2))	-	24,000	Notes payable	128,033	177,306
Notes receivable - third parties - net (Note 4 (3))	77,075	132,757	Accounts payable - third parties	134,978	154,362
Accounts receivable - third parties - net (Note 4 (4))	863,016	844,608	Income tax payable (Note 4 (13))	61,936	9,904
Other receivables (Note 4 (13))	9,299	21,206	Accrued expenses (Note 4 (17))	233,785	170,842
Other receivables - related parties (Note 6)	3,000	-	Other payables	383,521	76,730
Inventories - net (Note 4 (5))	21,433	32,490	Unearned revenue collected in advance	76,021	124,061
Prepaid expenses	62,701	26,861	Current portion of long-term liabilities (Note 4 (12))	9,336	25,000
Deferred income tax assets - current (Note 4 (13))	20,873	35,818	Other current liabilities	43,090	23,624
Other current assets	4,643	3,148		<u>1,110,700</u>	<u>761,829</u>
	<u>2,126,430</u>	<u>2,170,628</u>	<b>Long-term Liability</b>		
<b>Long-term Investments</b>			Long-term loans (Note 4 (12))	18,304	-
Financial assets carried at cost - non-current (Note 4 (6))	114,294	114,294			
Long-term investments - accounted for under the equity method (Note 4 (7))	1,303	36,486	<b>Other Liabilities</b>		
Prepayment for long-term investment (Note 4 (7))	-	5,000	Accrued pension liabilities (Note 4 (14))	5,494	4,047
	<u>115,597</u>	<u>155,780</u>	Guarantee deposits	380	1,002
<b>Property, Plant and Equipment - net (Notes 4 (8) and 6)</b>			Other liabilities - other	510	729
Cost				<u>6,384</u>	<u>5,778</u>
Land	147,751	147,751	Total Liabilities	<u>1,135,388</u>	<u>767,607</u>
Buildings	158,343	156,293	<b>Stockholders' Equity</b>		
Machinery and equipment	674,886	658,934	Common stock		
Office equipment	67,183	71,576	Common stock (Note 1)	1,587,827	1,528,695
Leased assets	5,511	4,956	Stock subscriptions received in advance (Note 4 (20))	-	1,983
Leasehold improvements	37,883	28,943	Capital reserve (Note 4 (15))	-	-
Other equipment	2,343	1,403	Paid-in capital in excess of par	740,670	740,670
Total Cost	<u>1,093,900</u>	<u>1,069,856</u>	Gain on disposal of property, plant and equipment	221	221
Less: Accumulated depreciation	( 547,343)	( 501,238)	Retained earnings		
Accumulated impairment	( 4,449)	( 19,475)	Legal reserve (Notes 4 (16) and 4 (17))	61,214	24,132
Construction in progress and prepayments for equipment	277	2,364	Retained earnings (Note 4 (17))	252,167	316,832
	<u>542,385</u>	<u>551,507</u>	Financial instruments' unrealized gain	-	38
			Cumulative translation adjustments	24,570	24,271
<b>Intangible Assets</b>			Treasury stock (Note 4 (19))	( 356,354)	( 155,765)
Trademark	453	267	Minority interest	2,310,315	2,481,077
Goodwill	49,092	2,886		<u>15,229</u>	<u>13,826</u>
Deferred pension cost	710	396	Total Stockholders' Equity	<u>2,325,544</u>	<u>2,494,903</u>
Other intangible assets - net (Note 4 (9))	157	536	<b>Commitments and Contingent Liabilities (Note 7)</b>		
	<u>50,412</u>	<u>4,085</u>			
<b>Other Assets</b>			<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 3,460,932</u>	<u>\$ 3,262,510</u>
Refundable deposits	32,801	31,940			
Deferred charges - net (Note 4 (10))	424,357	178,727			
Deferred income tax assets - non-current (Note 4 (13))	168,766	169,435			
Other asset - other	184	408			
	<u>626,108</u>	<u>380,510</u>			
<b>TOTAL ASSETS</b>	<u>\$ 3,460,932</u>	<u>\$ 3,262,510</u>			

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated October 21, 2008.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

(UNAUDITED)

	<u>2008</u>		<u>2007</u>	
Operating revenues				
Sales revenue	\$	2,909,626	\$	2,680,840
Sales returns	(	97,370)	(	69,866)
Sales allowances	(	9,436)	(	42,448)
Net sales revenue		2,802,820		2,568,526
Service revenue		44,524		59,598
Total operating revenues		<u>2,847,344</u>		<u>2,628,124</u>
Operating costs				
Cost of goods sold (Notes 4 (21) and 5)	(	1,434,910)	(	1,346,089)
Gross profit		<u>1,412,434</u>		<u>1,282,035</u>
Operating expenses (Notes 4 (21), 5 and 10)				
Selling expenses	(	316,897)	(	229,428)
General and administrative expenses	(	637,504)	(	522,993)
Research and development expenses	(	163,475)	(	123,039)
Total operating expenses	(	1,117,876)	(	875,460)
Operating income		<u>294,558</u>		<u>406,575</u>
Non-operating income				
Interest income		8,217		6,101
Gain on adjustment of financial assets		3,199		5,359
Gain on sale of investments		-		20,681
Rental income		115		275
Gain on recovery of bad debts		10,000		-
Miscellaneous income		40,668		6,650
Total non-operating income		<u>62,199</u>		<u>39,066</u>
Non-operating expenses				
Interest expense	(	937)	(	2,377)
Investment loss accounted for under the equity method	(	6,253)	(	8,284)
Other investment loss (Note 4 (7))	(	1)	(	-
Loss on disposal of property, plant and equipment	(	113)	(	3,328)
Foreign exchange loss	(	586)	(	1,791)
Provision for decline in market value of obsolete inventories	(	16,921)	(	12,665)
Miscellaneous losses	(	14,738)	(	7,526)
Total non-operating expenses	(	39,549)	(	35,971)
Income before income tax		317,208		409,670
Income tax expense (Note 4 (13))	(	70,982)	(	81,783)
Consolidated net income		<u>\$ 246,226</u>		<u>\$ 327,887</u>
Attributable to:				
Equity holders of the Company	\$	248,866	\$	329,157
Minority interest	(	2,640)	(	1,270)
		<u>\$ 246,226</u>		<u>\$ 327,887</u>
		<u>2008</u>	<u>2007</u>	
		Before	After	Before
		<u>income tax</u>	<u>income tax</u>	<u>income tax</u>
Basic earnings per share (in dollars) (Note 4 (18))				
Profit attributable to equity holders of the Company	\$	2.08	\$	1.62
Minority interest loss	(	0.02)	(	0.01)
Consolidated net income	\$	<u>2.06</u>	\$	<u>1.60</u>
Diluted earnings per share (in dollars) (Note 4 (18))				
Profit attributable to equity holders of the Company	\$	2.05	\$	1.60
Minority interest loss	(	0.02)	(	0.01)
Consolidated net income	\$	<u>2.03</u>	\$	<u>1.58</u>
		<u>2.74</u>		<u>2.20</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated October 21, 2008.

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

	<u>2008</u>	<u>2007</u>
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 246,226	\$ 327,887
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Gain on sale of long-term investments	-	( 20,681)
Gain on adjustment of financial assets	( 3,199)	( 5,359)
(Reversal of allowance for) provision for bad debts and sales returns	( 17,034)	1,399
(Recovery of allowance for) provision for decline in market value and obsolescence of inventories and inventories written-off	( 17,051)	3,811
Investment loss accounted for under the equity method	6,253	8,284
Other investment loss	1	-
Depreciation and amortization	209,971	170,052
Amortization of trademark	-	32
Loss on disposal of property, plant and equipment	113	3,328
Amortization of other intangible assets	211	251
Deferred charges charged to cost	3,720	707
Changes in assets and liabilities:		
(Increase) decrease in:		
Financial assets at fair value through profit or loss	2,937	( 18,641)
Notes receivable - third parties	11,932	( 20,063)
Accounts receivable - third parties	21,597	25,206
Other receivables - third parties	3,780	( 17,436)
Inventories	10,728	( 13,631)
Prepaid expenses	( 35,652)	( 10,094)
Deferred income tax assets	18,865	44,481
Other current assets	( 931)	( 1,246)
Notes payable	( 10,667)	106,985
Accounts payable - third parties	( 34,905)	55,742
Accounts payable - related party	-	( 26,168)
Income tax payable	52,206	( 35,037)
Accrued expenses	29,864	( 7,152)
Other payables - third parties	2,154	25,015
Unearned revenue collected in advance	( 33,218)	( 22,741)
Other current liabilities	13,366	14,592
Accrued pension liabilities	295	( 1,024)
Net cash provided by operating activities	<u>481,562</u>	<u>588,499</u>
<u>Cash flows from investing activities</u>		
Proceeds from disposal of available-for-sale financial assets	19,984	-
Increase in long-term investment	-	( 23,151)
Increase in long-term investment-subsiary acquisition	( 75,545)	-
Prepaid long-term investment	-	( 5,000)
Proceeds from disposal of long-term investment	-	75,499
Increase in other financial assets-current	( 3,000)	-
Proceeds from disposal of property, plant, and equipment and deferred charges	644	3,926
Acquisition of property, plant and equipment	( 97,857)	( 80,788)
Increase in deferred charges	( 266,087)	( 53,438)
Increase in trademark	( 191)	-
Increase in refundable deposits, net	( 87)	( 6,141)
Decrease (increase) in other assets - other	15	( 408)
Net cash used in investing activities	<u>( 422,124)</u>	<u>( 89,501)</u>

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

	<u>2008</u>	<u>2007</u>
<b><u>Cash flows from financing activities</u></b>		
Increase in short-term loans	\$ 30,000	\$ -
Increase (decrease) in long-term loans	2,640	( 120,128)
Increase (decrease) in other liabilities - other	215	( 221)
(Decrease) increase in guarantee deposits	( 901)	652
Exercised employee stock options	-	6,487
Payment of cash dividends	-	( 152,140)
Payment of directors' and supervisors' remuneration	-	( 4,340)
Acquisition of treasury stock	( 155,566)	-
Changes in minority interest	3,748	5,049
Net cash used in financing activities	( 119,864)	( 264,641)
Effect of exchange rate changes on cash and cash equivalents	( 6,194)	( 403)
Effect of changes in consolidated subsidiaries	1,334	( 215,394)
Net (decrease) increase in cash and cash equivalents	( 65,286)	18,560
Cash and cash equivalents at beginning of period	1,129,676	1,031,180
Cash and cash equivalents at end of period	<u>\$ 1,064,390</u>	<u>\$ 1,049,740</u>
<b><u>Supplemental disclosures of cash flow information</u></b>		
Cash paid during the period for:		
Interest	<u>\$ 789</u>	<u>\$ 2,512</u>
Income tax	<u>\$ 2,822</u>	<u>\$ 86,502</u>
<b><u>Cash paid for the acquisition of property, plant and equipment</u></b>		
Property, plant and equipment acquired	\$ 79,695	\$ 83,883
Payable at end of the period	( 11,841)	( 5,186)
Payable at beginning of the period	30,003	2,091
Cash paid	<u>\$ 97,857</u>	<u>\$ 80,788</u>
<b><u>Information on disposal of majority-owned subsidiary:</u></b>		
Cash and bank deposits	\$ -	\$ 70,863
Other current assets	-	151,777
Property, plant and equipment	-	78,373
Other assets	-	23,526
Current liabilities	-	( 171,811)
Other liabilities	-	( 669)
Total minority interest's equity	-	152,059
Gain on disposal of majority-owned subsidiary	-	20,681
Minority interest	-	( 74,400)
Book value of long-term investments which were not disposed	-	( 22,841)
Proceeds from disposal of majority-owned subsidiary	<u>\$ -</u>	<u>\$ 75,499</u>
<b><u>Fair value of subsidiary acquired:</u></b>		
Current assets	\$ 21,146	\$ -
Other current assets	2,348	-
Long-term investments	10	-
Property, plant and equipment	793	-
Intangible assets and other assets	73,288	-
Accrued expenses	( 6,436)	-
Other current liabilities and other liabilities	( 7,503)	-
Minority interest	( 3,409)	-
Less: Previous fiscal year long-term investment balance	( 4,692)	-
Acquisition price	<u>\$ 75,545</u>	<u>\$ -</u>
<b>Non-cash flows from financing activities</b>		
Cash dividends declared but not yet paid	<u>\$ 268,333</u>	<u>\$ 614</u>
Cash increment from retained earnings and employees' bonuses	<u>\$ 57,149</u>	<u>\$ 59,908</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated October 21, 2008.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008 AND 2007  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)  
(UNAUDITED)

1. HISTORY AND ORGANIZATION

(1) Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of September 30, 2008, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 22 million shares of employee stock options), at a par value of \$10 (NT dollars) per share, and issued and outstanding capital was \$1,587,827. The Company is engaged in software services. As of September 30, 2008, the Company and its consolidated subsidiaries had 1,160 employees.

(2) Consolidated subsidiaries

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of September 30,</u>	
			<u>2008</u>	<u>2007</u>
Gamania Holdings Ltd.	Note A	Investment holding company	100%	100%
Taiwan Index Co., Ltd.	Note A	Software services	96.68%	96.60%
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	98.97%	98.60%
Foundation Digital Entertainment Co., Ltd.	Note A	Publishing of magazines and periodicals	100%	100%
Gamania Digital Entertainment Labuan Holdings, Ltd.	Note A	Investment holdings	100%	100%
Playcoo Co.	Note A	Design and research of software	73.32%	36.72% (Note F)
Gamania International Holdings Ltd.	Note B	Investment holdings	100%	100%
InnoJelly Coporation	Note B	Investment holdings	73.32%	36.72% (Note F)
Gamania Digital Entertainment (Japan) Co., Ltd.	Note C	Design and sales of software; sales of hardware	100%	100%
Gamania China Holdings Ltd.	Note C	Investment holdings	93.55%	93.55%

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of September 30,</u>	
			<u>2008</u>	<u>2007</u>
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note D	Design and sales of software	93.55%	93.55%
Gamania Digital Entertainment Sino Holdings Co., Ltd.	Note D	Investment holdings	93.55%	93.55%
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note E	Design and sales of software	93.55%	93.55%

Note A: Majority-owned subsidiary

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

Note C: A majority-owned subsidiary of Gamania International 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: As of September 30, 2007, the company was not a consolidated subsidiary.

(3) Changes in the consolidated subsidiaries:

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

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of September 30</u>		<u>Note</u>
			<u>2008</u>	<u>2007</u>	
Playcoo Co.	Note A	Design and research of software	73.32%	36.72%	Note C
InnoJelly Corporation	Note B	Investment holdings	73.32%	36.72%	Note B

Note A: Majority-owned subsidiary.

Note B: A majority owned subsidiary of Playcoo Co.

Note C: Percentage of shares held by the Company increased from 36.72% to 73.32%.

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

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of September 30</u>		<u>Note</u>
			<u>2008</u>	<u>2007</u>	
G.A.O. Co., Limited	Note A	Design and sales of software	-	93.55%	Note B

Note A: Majority-owned subsidiary.

Note B: The Company had been liquidated.

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (1) Principles of consolidation

- A) Effective January 1, 2005, all majority-owned subsidiaries or controlled entities, which meet the criteria of the amended Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements", are included in the consolidated financial statements, although the Company owns less than 50% of the voting rights of the investee companies directly or indirectly. All significant intercompany balances and transactions are eliminated in the consolidation.
- B) The results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition. Effective January 1, 2005, under the amended SFAS No. 7, the results of operations of such subsidiary are excluded from the consolidated statements of income effective the date on which the Company loses control over the subsidiary. For the initial year of adoption of SFAS No. 7, restatement of prior year's financial statements is not required.

### (2) Translation of financial statements of foreign subsidiaries

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

(3) Foreign currency transactions

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

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

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

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

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

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

(5) Cash equivalents

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

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

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

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

(7) Available-for-sale financial assets

- A) Available-for-sale financial assets are recognized and derecognized using trade date accounting and are initially stated at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B) The financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. The fair values of listed stocks, OTC stocks and closed-end mutual funds are based on latest quoted fair prices of the accounting period. The fair values of open-end and balanced mutual funds are based on the net asset value at the balance sheet date.
- C) If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be transferred from equity to profit or loss. When the fair value of an equity instrument subsequently increases, impairment losses recognized previously in profit or loss shall not be reversed. When the fair value of a debt instrument subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss recognized in profit or loss.

(8) Financial assets carried at cost

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

(9) Allowance for doubtful accounts

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

(10) Inventories

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

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

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

B) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease by the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.

C) The accounting policy on impairment of long-term investments accounted for under the equity method is described in Note 2(15).

(12) Property, plant and equipment

A) Depreciation is provided on the straight-line method using the estimated useful lives of the assets plus one year as salvage value. The subsidiaries' property, plant and equipment are depreciated on a straight-line basis according to the estimated useful lives of the assets less the estimated salvage value. Except for leasehold improvements, which are based on the shorter of the contract period or the life of the asset, the estimated useful lives are 55 years for buildings and 3 to 8 years for the other property, plant and equipment.

- B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).
  - C) Major renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
  - D) Rents paid for capital leases are capitalized and liabilities on lease obligations are recognized accordingly.
  - E) The accounting policy on impairment of property, plant and equipment is described in Note 2(15).
- (13) Deferred charges
- A) Costs of software and copyrights are capitalized and amortized under the straight-line basis over the estimated useful lives.
  - B) Royalty payments for operating online game software is capitalized and amortized based on the period of the contract or deducted based on actual units of play.
  - C) The accounting policy on impairment of deferred charges is described in Note 2(15).
- (14) Other intangible assets
- A) Franchises for game development are recorded at acquisition cost and amortized using the straight-line method over the estimated service life. Franchises could be deducted from franchises payable amounting to 2% based on sales revenues.
  - B) The accounting policy on impairment of other intangible assets is described in Note 2(15).
- (15) Impairment of non-financial assets
- A) Impairment loss is recognized when the recoverable amount is less than the book value due to changes in environment or occurrences of some events. Recoverable amount is the higher of net fair value or value in use of an asset. Net fair value is the selling price of an asset in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.
  - B) If there is an indication that an asset has recovered its value of the impairment loss recognized in the prior period, a gain is recognized to the extent of the impairment loss recognized. No recovery of impairment loss is recognized for goodwill.

(16) Share-based payment – employee compensation plan

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

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

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

(18) Deferred income tax assets and income tax

A) Income tax of the Company and its domestic subsidiaries are provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes. Deferred income tax assets or liabilities are further classified into current and non-current items based on the classifications of the related assets or liabilities or on the expected reversal date of the temporary differences and are presented on the financial statements at net amount. Valuation allowance on deferred income tax assets is recognized if it is more likely than not that the tax benefits will not be realized.

- B) Tax credits resulting from equipment purchases, technology acquisitions, research and development expenditures, training expenses and long-term equity investments, etc. 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, income tax is accounted for based on the income tax law or other regulations when income tax is equal or more than the basic tax. When income tax is lower than the basic tax, income tax due shall be equal to the basic tax. The difference cannot be deducted from investment credits based on other regulations.

(19) Retirement plan

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

(20) Treasury stock

- A) Treasury stocks acquired are stated at cost using the weighted-average method and reported as a deduction from stockholders' equity in the balance sheet.
- B) Upon disposal, the related gain is credited to "capital reserve-treasury stock transaction" and any loss is offset against this capital reserve account. However, when the balance of this capital reserve account is insufficient to offset the loss, then the remaining amount is charged against retained earnings.

C) Upon registration of cancellation, except for the book value sum of “common stock” and “capital reserve-additional paid-in”, which is in proportion to shareholding, the related gain is credited to “capital reserve-treasury stock transaction” and any loss is offset against this capital reserve account. However, when the balance of this capital reserve account is insufficient to offset the loss, then the remaining amount is charged against retained earnings.

(21) Revenues, costs and expenses

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

(22) Earnings per share

- A) The computation of earnings per share is as follows:
  - Basic earnings per share: net income divided by the weighted-average number of shares outstanding during the period.
  - Diluted earnings per share: the computation is the same as basic earnings per share, except that the potential dilutive shares are assumed to have been converted to common stock at the beginning of the period and net income is adjusted by the amount associated with the conversion.
- B) The potential dilutive shares are employee stock options and estimated shares of employees’ bonuses when distributing stock. The Company adopted the “treasury stock method” in computing the dilutive effect of the employee stock options and employees’ bonuses.

(23) Use of estimates

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

3. CHANGES IN ACCOUNTING PRINCIPLES

Effective January 1, 2008, the Company and its domestic subsidiaries adopted EITF 96-052 "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration" dated March 16, 2007 of the Accounting Research and Development Foundation, R.O.C. As a result of the adoption of this regulation, net income decreased by \$20,732 thousand and earnings per share decreased by \$0.13 for the nine-month period ended September 30, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Cash on hand	\$ 18,501	\$ 3,771
Cash in banks	505,087	555,286
Time deposits	492,710	474,584
Cash equivalents	48,092	16,099
	<u>\$ 1,064,390</u>	<u>\$ 1,049,740</u>

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

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Current items:		
Financial asset held for trading		
Bond funds	\$ -	\$ 24,000
Adjustment of financial asset held for trading	-	-
	<u>\$ -</u>	<u>\$ 24,000</u>

(3) Notes receivable – net

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Notes receivable	\$ 77,091	\$ 132,773
Less: Allowance for doubtful accounts	( 16)	( 16)
	<u>\$ 77,075</u>	<u>\$ 132,757</u>

(4) Accounts receivable – net

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ 931,756	\$ 926,726
Less: Allowance for doubtful accounts	( 65,973)	( 73,122)
Allowance for sales returns	( 2,767)	( 8,996)
	<u>\$ 863,016</u>	<u>\$ 844,608</u>

(5) Inventories – net

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Inventories	\$ 33,262	\$ 59,424
Less: Reserve for loss on decline in market value and obsolescence	( 11,829)	( 26,934)
	<u>\$ 21,433</u>	<u>\$ 32,490</u>

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

<u>Items</u>	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Unlisted stocks		
Nice Finance Co., Ltd.	\$ 91,453	\$ 91,453
NC Taiwan Co., Ltd.	22,841	22,841
	<u>\$ 114,294</u>	<u>\$ 114,294</u>

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

B) In January 2007, the Company sold 5,040,000 common shares of NC Taiwan Co., Ltd. to NCsoft Corporation at a cost of \$14.98 (in dollars) per share and recognized a gain on disposal of \$20,681. After the disposal, the Company's ownership in NC Taiwan Co., Ltd. decreased from 51% to 15%. Accordingly, the said investment was reclassified as "Financial asset carried at cost – non-current" instead of "Long-term investment accounted for under the equity method".

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

A) List of long-term investments

<u>Name of investee</u>	<u>September 30, 2008</u>			<u>Investment loss for the nine-month period ended September 30, 2008</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Taiwan e-sports Co., Ltd.	\$ 5,000	20.00%	\$ 1,303	(\$ 4,260)
Playcoo Co. (Note)	138,696	73.32%	-	( 1,993)
	<u>\$ 143,696</u>		<u>\$ 1,303</u>	<u>(\$ 6,253)</u>

Note: The Company increased its ownership in Playcoo Co. to 73.32% by acquiring 6,295,000 shares of common stocks from Wistron Corporation and Wisecap Ltd. in March 2008, and the Company has included Playcoo. Co. in its consolidated financial statements from then on.

Name of investee	September 30, 2007		Investment loss for the nine-month period ended September 30, 2007	
	Original cost	Ownership percentage		Balance
Playcoo Co.	\$ 63,151	36.72%	\$ 36,486	(\$ 8,284)
Prepayment for long-term investment :				
Taiwan e-sports Co., Ltd.	<u>5,000</u>		<u>5,000</u>	
	<u>\$ 68,151</u>		<u>\$ 41,486</u>	

B) Long-term investments accounted for under the equity method were based on the financial statements as of and for the nine-month periods ended September 30, 2008 and 2007 which were not reviewed by independent accountants.

(8) Property, plant, and equipment

	September 30,	
	2008	2007
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	158,343	156,293
Machinery and equipment	674,886	658,934
Office equipment	67,183	71,576
Leased assets	5,511	4,956
Leasehold improvements	37,883	28,943
Other equipment	<u>2,343</u>	<u>1,403</u>
	<u>1,093,900</u>	<u>1,069,856</u>
<u>Accumulated depreciation</u>		
Buildings	( 19,519)	( 15,481)
Machinery and equipment	( 475,050)	( 438,115)
Office equipment	( 32,401)	( 39,441)
Leased assets	( 3,371)	( 2,780)
Leasehold improvements	( 15,891)	( 4,645)
Other equipment	( <u>1,111</u> )	( <u>776</u> )
	( <u>574,343</u> )	( <u>501,238</u> )
Construction in progress and prepayments for equipment	277	2,364
Less: Accumulated impairment	( <u>4,449</u> )	( <u>19,475</u> )
	<u>\$ 542,385</u>	<u>\$ 551,507</u>

(9) Other intangible assets

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Prepayments for franchises	\$ 38,455	\$ 38,834
Less: Accumulated impairment	( 38,298)	( 38,298)
	<u>\$ 157</u>	<u>\$ 536</u>

(10) Deferred charges

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Royalty payments	\$ 552,777	\$ 394,298
Unamortized expense	195,163	110,384
	747,940	504,682
Less: Accumulated impairment	( 323,583)	( 325,955)
	<u>\$ 424,357</u>	<u>\$ 178,727</u>

(11) Short-term loans

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Short-term bank loans	\$ 40,000	\$ -
Annual interest rates	3.5%~4.15%	-
Credit lines	\$ 70,000	\$ -

(12) Long-term loans

<u>Bank</u>	<u>Total Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>September 30,</u>	
			<u>2008</u>	<u>2007</u>
Sumitomo Mitsui Bank	JPY 90,000	09.24.2008~09.26.2011, 12 equal quarterly installments	\$ 27,640	\$ -
Chang Hwa Bank	\$ 150,000	02.14.2005 ~ 02.14.2008 First year grace period, 12 equal semi-annual installments starting from year 2	-	25,000
			\$ 27,640	\$ 25,000
Less: Current portion			( 9,336)	( 25,000)
			<u>\$ 18,304</u>	<u>\$ -</u>

(13) Income tax payable

A) Income tax payable and income tax expense for the nine-month periods ended September 30, 2008 and 2007 are reconciled as follows:

	<u>2008</u>	<u>2007</u>
Current year income tax expense	\$ 70,824	\$ 81,764
Additional 10% corporate income tax on undistributed earnings	<u>158</u>	<u>19</u>
	70,982	81,783
Add (Less): Net change in deferred income tax assets	( 18,865)	( 44,481)
Prepaid income tax	( 660)	( 373)
Over (under) provision of prior year's income tax	2,793	( 16,790)
Provisional income tax	-	( 32,070)
Income tax refundable (accounted in "other receivables")	36	14,500
Income tax payable of prior year	7,377	7,377
Effect of exchange rate	<u>273</u>	<u>( 42)</u>
Income tax payable	<u>\$ 61,936</u>	<u>\$ 9,904</u>

B) Deferred income tax assets are as follows:

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Deferred income tax assets – current	\$ 104,673	\$ 38,303
Deferred income tax assets – non-current	<u>276,219</u>	<u>258,623</u>
	380,892	296,926
Less: Valuation allowance – current	( 83,800)	( 2,485)
Valuation allowance – non-current	<u>( 107,453)</u>	<u>( 89,188)</u>
	<u>\$ 189,639</u>	<u>\$ 205,253</u>

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

	September 30,			
	2008		2007	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Allowance for decline in market value and inventory obsolescence	\$ 25,676	\$ 6,419	\$ 26,947	\$ 6,737
Allowance for sales returns	7,409	1,852	6,711	1,678
Over provision of allowance for bad debts	-	-	18,049	4,512
Impairment loss on deferred charges and intangible assets	3,328	832	-	-
Welfare expenses	92	23	350	87
Loss carryforwards	174,679	43,670	-	-
Others	-	-	170	43
Investment tax credits		<u>51,877</u>		<u>25,246</u>
		104,673		38,303
Less: Valuation allowance		( 83,800)		( 2,485)
		<u>\$ 20,873</u>		<u>\$ 35,818</u>
Non-current items:				
Welfare expenses	\$ -	\$ -	\$ 92	\$ 23
Investment loss on financial assets carried at cost – non-current	9,851	2,463	9,851	2,463
Impairment loss on deferred charges and intangible assets	-	-	43,456	10,864
Loss carryforwards	308,008	77,002	250,662	62,666
Loss on foreign investments	108,003	27,001	79,184	19,796
Reserve for foreign investments	( 69,675)	( 17,418)	( 113,022)	( 28,255)
Reduction in capital of subsidiaries to cover the accumulated deficit	672,643	168,160	672,643	168,160
Depreciation allowance in excess of related depreciation	( 10,496)	( 1,837)	-	-
Retirement fund expense but not deposited with Bank of Taiwan	362	90	-	-
Investment tax credits		<u>20,758</u>		<u>22,906</u>
		276,219		258,623
Less: Valuation allowance		( 107,453)		( 89,188)
		<u>\$ 168,766</u>		<u>\$ 169,435</u>

D) As of September 30, 2008 and 2007, the balance of shareholders account of deductible tax was as follows:

	September 30,	
	2008	2007
Balance of shareholders account of deductible tax	<u>\$ 419</u>	<u>\$ 39,763</u>
2007 Actual creditable tax ratio		<u>17.60%</u>
2006 Actual creditable tax ratio		<u>21.45%</u>

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

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
On or after January 1, 1998		
a. Earnings not yet subjected to 10% income tax	\$ 248,866	\$ 329,157
b. Earnings subjected to 10% income tax	<u>3,301</u>	<u>(12,325)</u>
	<u>\$ 252,167</u>	<u>\$ 316,832</u>

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

(a) As of September 30, 2008, the Company's income tax returns through 2002 have been assessed and approved by the Tax Authority.

(b) The Tax Authority imposed additional tax and interests amounting to \$3,327 on the Company's re-examination of 2001 income tax return. The Company had temporarily recognized the assessment in the financial statements and filed an appeal in April 2007. In August 2007, the Ministry of Finance upheld the re-examination assessment by the Tax Authority as the Company did not have a legitimate certificate as support for its investment loss. Consequently, the Company filed an administrative litigation with the Taipei High Administrative Court in October 2007, which was dismissed by the Taipei High Administrative Court for the same reason in May 2008.

(c) The Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company paid \$4,050 and contested the remaining balance imposed by the Tax Authority. The Company filed for re-examination in February 2006. The re-examination is still pending as of the report date.

- G) As of September 30, 2008, according to "Income Tax Law" and "Statute for Upgrading Industries," the Company and its domestic subsidiaries had investment tax credits and loss carryforwards in the amount of \$192,943 to offset against taxable income for the next four to five years. The details are as follows:

<u>Deductible items</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 68,708	\$ 64,435	2008~2012
Machinery and equipment	4,760	4,760	2008~2012
Employee trainings	3,076	3,076	2009~2010
Loss carryforwards	<u>482,087</u>	<u>120,672</u>	2008~2013
	<u>\$ 559,231</u>	<u>\$ 192,943</u>	

(14) Accrued pension liability

- A) The Company and its domestic subsidiaries have a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter with a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan (Formerly Central Trust of China) under the name of the independent retirement fund committee. For the nine-month periods ended September 30, 2008 and 2007, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to \$1,073 and \$194, respectively. The balance of the retirement fund deposited with Bank of Taiwan (Formerly Central Trust of China) was \$35,521 and \$27,841 as of September 30, 2008 and 2007, respectively. The fund balances are not reflected in the consolidated financial statements.
- B) Gamania Digital Entertainment (Japan) Co., Ltd., Gamania Korea Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd. provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were \$1,780 and \$1,170 for the nine-month periods ended September 30, 2008 and 2007, respectively.
- C) Gamania Digital Entertainment (Beijing) Co., Ltd. provides an old-age pension and insurance monthly based on 20% of the employees' salaries and wages in accordance with the local regulations. The net pension and insurance cost was \$2,092 and \$1,779 for the nine-month periods ended September 30, 2008 and 2007, 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 nine-month periods ended September 30, 2008 and 2007 amounted to \$20,489 and \$16,209, respectively.

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

(15) Capital reserve

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

(16) Legal reserve

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

(17) Retained earnings

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

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

- B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed in next year's shareholders' meeting. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholder can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.
- C) On June 13, 2008, the Company's stockholders approved to distribute 2007 earnings, which included legal reserve of \$37,082, employee bonuses of \$50,088, cash dividends of \$268,333, stock dividends of \$7,061 and directors' and supervisors' remuneration of \$6,678.
- D) On June 13, 2007, the Company's stockholders approved to distribute 2006 earnings, which included legal reserve of \$24,132, employee bonuses of \$21,719, cash dividends of \$152,754 (which is \$614 different from the actual distribution of \$152,140 due to fractional shares), stock dividends of \$38,189 and directors' and supervisors' remuneration of \$4,340.
- E) The estimated amounts of employees' bonuses and directors' and supervisors' remuneration are \$21,692 and \$4,338, constituting 10% and 2%, respectively, of net income after tax for the nine-month period ended September 30, 2008, after taking into account the legal reserve, and are recognized as operating expenses for the nine-month period ended September 30, 2008.
- The calculation of shares of stock bonus distributed is based on the closing price of the Company's common stock at the previous day of the following year's stockholders' meeting after taking into account the effects of ex-rights and ex-dividends. If the estimated amount is different from the amount approved by the stockholders, the difference is recognized as gain or loss in the following year.
- F) In accordance with EITF 96-052 "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration" issued by the Accounting Research and Development Foundation, the pro forma information for the nine-month period ended June 30, 2007 is set forth below:
- a. The employees' bonuses and directors' and supervisors' remuneration are \$42,959 and \$5,727, respectively, for the nine-month period ended

September 30, 2007. The amounts are calculated based on the percentage of net income for the third quarter of 2007.

b. Pro forma information:

		(Retroactively adjusted)	
		<u>For the nine-month period ended September 30, 2007</u>	
Net income	Net income	\$	329,157
	Pro forma net income		280,471
Basic earnings per share	EPS		2.22 (in dollars)
	Pro forma EPS		1.89 (in dollars)
Diluted earnings per share	EPS		2.21 (in dollars)
	Pro forma EPS		1.88 (in dollars)

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

(18) Earnings per share

<u>For the nine-month period ended September 30, 2008</u>					
	<u>Amount</u>		<u>Weighted average</u>	<u>Earnings per share (Note)</u>	
	<u>Before</u>	<u>After</u>	<u>number of outstanding</u>	<u>Before income tax</u>	<u>After income tax</u>
	<u>income tax</u>	<u>income tax</u>	<u>(In thousands of shares)</u>		
Basic earnings per share:					
Net income	\$ 319,848	\$ 248,866	153,652	<u>\$ 2.08</u>	<u>\$ 1.62</u>
Dilutive effect:					
Employee bonus	-	-	860		
Stock options	-	-	<u>1,190</u>		
Diluted earnings per share:					
Net income	<u>\$ 319,848</u>	<u>\$ 248,866</u>	<u>155,702</u>	<u>\$ 2.05</u>	<u>\$ 1.60</u>

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".

Note: In New Taiwan Dollars.

For the nine-month period ended September 30, 2007					
	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 before retroactive adjustment:					
Net income	\$ 410,940	\$ 329,157	142,869	\$ 2.88	\$ 2.30
Dilutive effect:					
Stock options	-	-	617		
Diluted earnings per share:					
Net income	\$ 410,940	\$ 329,157	143,486	\$ 2.86	\$ 2.29
Basic earnings per share after retroactive adjustment:					
Net income	\$ 410,940	\$ 329,157	148,584	\$ 2.77	\$ 2.22
Dilutive effect:					
Stock options	-	-	617		
Diluted earnings per share:					
Net income	\$ 410,940	\$ 329,157	149,201	\$ 2.75	\$ 2.21

Note: In New Taiwan Dollars.

(19) Treasury stock

A) Changes in the treasury stock for the nine-month periods ended September 30, 2008 and 2007 are set forth below:

Reason for reacquisition	For the nine-month period ended September 30, 2008			
	Beginning shares (Note)	Additions	Disposals	Ending shares (Note)
Employee stock options	6,887	5,295	-	12,182
Reason for reacquisition	For the nine-month period ended September 30, 2007			
	Beginning shares (Note)	Additions	Disposals	Ending shares (Note)
Employee stock options	10,000	-	-	10,000

Note: Amount in thousands of shares.

C) The maximum and ending balances of treasury stock for the nine-month periods ended September 30, 2008 and 2007 are as follows:

September 30, 2008		September 30, 2007	
Maximum balance	Ending balance	Maximum balance	Ending balance
\$ 356,354	\$ 356,354	\$ 155,765	\$ 155,765

- C) According to the R.O.C. Securities and Exchange Act, the percentage of the number of shares of treasury stocks shall not exceed 10% of the total shares of common stocks issued by the Company and the total amount of treasury stock shall not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve.
- D) According to the R.O.C. Securities and Exchange Act, treasury stocks held by the Company shall not be pledged, and shall bear no right of shareholders until reissued.
- E) According to the R.O.C. Securities and Exchange Act, treasury shares for the purpose of enhancing the Company's credit standing and shareholders' equity shall be retired within six months; treasury stocks for all other purposes shall be reissued within three years from the month of acquisition; and treasury stocks not reissued within the said periods shall be retired.

(20) Employee stock option plan

- A) On December 25, 2003 and November 14, 2007, the board of directors approved the employee stock option plan for the issuance of 10,000,000 units and 12,000,000 units of options, respectively. Each unit of option can be converted to one share of common stock. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The stock options have an exercise period of six years. Employees will be able to exercise these options after two years in accordance with the procedures of the employee stock option plan.
- B) The units and weighted average exercise price of the stock options for the nine-month periods ended September 30, 2008 and 2007 are as follows:

	For the nine-month periods ended September 30,			
	2008		2007	
Stock Options	Units (in thousand shares)	Weighted-average exercise price (in dollars) (Note)	Units (in thousand shares)	Weighted-average exercise price (in dollars) (Note)
Beginning balance	16,718	\$ 29.21	5,210	\$ 32.80
Number of options granted	-	-	64	-
Exercised	-	-	( 198)	-
Cancelled	( 330)	-	( 354)	-
Ending balance (Note)	<u>16,388</u>	\$ 26.15	<u>4,722</u>	\$ 31.4
Exercisable at the end of the period	<u>4,653</u>		<u>4,722</u>	
Authorized but unissued at the end of the period	<u>-</u>		<u>-</u>	

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

C) As of September 30, 2008 and 2007, the details of outstanding stock options are as follows:

<u>September 30, 2008</u>					
<u>Outstanding stock options</u>			<u>Exercisable stock options</u>		
Exercise price	Units	Weighted-average	Weighted-average	Units	Weighted-average
<u>(in dollars)</u>	<u>(in thousand shares)</u>	<u>remaining life (year)</u>	<u>exercise price</u>	<u>(in thousand shares)</u>	<u>exercise price</u>
<u>(in dollars)</u>	<u>(in thousand shares)</u>	<u>remaining life (year)</u>	<u>(in dollars)</u>	<u>(in thousand shares)</u>	<u>(in dollars)</u>
\$ 28.30	4,653	1.33	\$ 28.30	4,653	\$ 28.30
\$ 25.30	11,735	5.17	\$ 25.30	-	\$ -

  

<u>September 30, 2007</u>					
<u>Outstanding stock options</u>			<u>Exercisable stock options</u>		
Exercise price	Units	Weighted-average	Weighted-average	Units	Weighted-average
<u>(in dollars)</u>	<u>(in thousand shares)</u>	<u>remaining life (year)</u>	<u>exercise price</u>	<u>(in thousand shares)</u>	<u>exercise price</u>
<u>(in dollars)</u>	<u>(in thousand shares)</u>	<u>remaining life (year)</u>	<u>(in dollars)</u>	<u>(in thousand shares)</u>	<u>(in dollars)</u>
\$ 31.40	4,722	2.33	\$ 31.40	4,722	\$ 31.40

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

(a) Model: The Black-Scholes model

(b) Assumptions:

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

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

Note 2: Exercise price of the stock options mentioned above considered the effect of earnings distribution of 2006 which was readjusted to \$28.3 and \$25.3, respectively.

(c) Result of evaluation:

	<u>For the nine-month period</u>		<u>For the nine-month period</u>	
	<u>ended September 30, 2008</u>		<u>ended September 30, 2007</u>	
	<u>2007 stock options</u>	<u>2004 stock options</u>	<u>2004 stock Options</u>	
Weighted average fair value of options granted to employees	\$ 10.95 (in dollars)	\$ 17.4656 (in dollars)	\$	17.4656 (in dollars)
Compensation cost under “fair value method”	\$ 40,104	\$ -	\$	6,982

(d) Pro forma information:

		(Retroactively adjusted)	
		For the nine-month period ended September 30, 2008	For the nine-month period ended September 30, 2007
Net income	Net income	\$ 248,866	\$ 329,157
	Pro forma net income	208,762	322,175
Basic earnings per share (EPS)	EPS	1.62 (in dollars)	2.22 (in dollars)
	Pro forma EPS	1.36 (in dollars)	2.17 (in dollars)
Diluted earnings per share	EPS	1.60 (in dollars)	2.21 (in dollars)
	Pro forma EPS	1.34 (in dollars)	2.16 (in dollars)

(21) Personnel, depreciation and amortization expenses

		<u>For the nine-month period ended September 30, 2008</u>		
		<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses				
Salaries	\$ 46,575	\$ 465,474	\$ 512,049	
Labor and health insurances	2,593	35,996	38,589	
Pension	721	24,713	25,434	
Others	1,410	28,091	29,501	
	<u>\$ 51,299</u>	<u>\$ 554,274</u>	<u>\$ 605,573</u>	
Depreciation	<u>\$ 54,166</u>	<u>\$ 54,070</u>	<u>\$ 108,236</u>	
Amortization	<u>\$ 81,692</u>	<u>\$ 21,975</u>	<u>\$ 103,667</u>	
Directors' and supervisors' remuneration	<u>\$ -</u>	<u>\$ 4,338</u>	<u>\$ 4,338</u>	
		<u>For the nine-month period ended September 30, 2007</u>		
		<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses				
Salaries	\$ 44,635	\$ 352,876	\$ 397,511	
Labor and health insurances	141	30,427	30,568	
Pension	91	19,261	19,352	
Others	1,033	25,728	26,761	
	<u>\$ 45,900</u>	<u>\$ 428,292</u>	<u>\$ 474,192</u>	
Depreciation	<u>\$ 59,440</u>	<u>\$ 45,746</u>	<u>\$ 105,186</u>	
Amortization	<u>\$ 54,532</u>	<u>\$ 15,655</u>	<u>\$ 70,187</u>	

(22) Preparation of financial statements

The Company, in accordance with Article 12 of “Statute for Upgrading Industries,” may set aside 20% of overseas investments as allowance for investment losses for income tax purposes. The balance amounted to \$69,675 as of September 30, 2008.

However, to comply with generally accepted accounting principles in the Republic of China, the allowance had been reversed in the financial statements as of September 30, 2008.

The allowance for investment loss is as follows:

<u>Amount as of January 1, 2008</u>	<u>Additions</u>	<u>Recovery</u>	<u>Amount as of September 30, 2008</u>
\$ <u>63,539</u>	\$ <u>6,136</u>	\$ <u>-</u>	\$ <u>69,675</u>

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Playcoo Co. (Playcoo)	A subsidiary of the Company (Note)
Gamania Cheer Up Foundation	Same chairman

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

(2) Significant transactions with related parties

A) License fees

	<u>For the nine-month periods ended September 30,</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>% of operating cost</u>	<u>Amount</u>	<u>% of operating cost</u>
Playcoo	\$ <u>1,395</u>	<u>-</u>	\$ <u>-</u>	<u>-</u>

The above represents payment for license fees as agent of the subsidiary’s on-line game.

The license fees are negotiated based on different factors.

B) Donation

	<u>For the nine-month periods ended September 30,</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>% of donation</u>	<u>Amount</u>	<u>% of donation</u>
Gamania Cheer Up Foundation	\$ <u>3,000</u>	<u>61</u>	\$ <u>-</u>	<u>-</u>

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>September 30,</u>		<u>Purpose</u>
	<u>2008</u>	<u>2007</u>	
Cash in banks (Shown in other financial assets - current)	\$ 3,000	\$ -	Short-term loans / Credit lines
Land	57,497	141,717	Long-term loans / Credit lines
Buildings	41,195	102,649	"
Machinery and equipment	-	15,001	Long-term loans / Credit loans
	<u>\$ 101,692</u>	<u>\$ 259,367</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- A) As of September 30, 2008, the total future rental payments for the next 3 years under non-cancelable operating lease agreements for the lease of the Group's office building and server warehouse from Chunghwa Telecom Co., Ltd. are \$105,967.
- B) The Company contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In addition, the Company contracted several on-line game vendors and will pay royalty based on actual usage.
- C) As stated in Note 4(13), the Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company reassessed the 2002 income tax return and deemed its additional liability to be \$4,050. The Company filed for re-examination in February 2006 to contest the balance of tax and penalties. The re-examination is still pending as of the report date.
- D) For the period from January 1, 2008 to December 31, 2008, 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 September 30, 2007 consolidated financial statements were

reclassified to conform with the September 30, 2008 consolidated financial statement presentation.

(2) The fair values of the financial instruments

	September 30, 2008			September 30, 2007		
	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	\$2,021,423	(Note A)	\$2,021,423	\$2,051,459	(Note A)	\$2,051,459
Financial asset held for trading	-	-	-	24,000	24,000	-
Financial assets carried at cost	114,294	-	-	114,294	-	-
Refundable deposits	32,801	-	32,619	31,940	-	31,750
Liabilities						
Financial liabilities with fair values equal to book values	\$1,034,679	(Note A)	\$1,034,679	\$ 637,768	(Note A)	\$ 637,768
Long-term loans	18,304	-	17,328	-	-	-
Guarantee deposits	380	-	380	1,002	-	1,002

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

- A) For short-term instruments, the book value is approximate to the fair value because of their short-term maturities. This applies to cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term loans, notes and accounts payable, income tax payable, accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.
- B) The fair value of long-term loans is based on the present value of expected cash flow amounts. The discount rate was another instrument which the Company could acquire similar terms about 2.625%.
- C) The fair value of refundable deposits is based on the present value of expected cash flow amounts. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank.
- D) The fair value of guarantee deposits is the book value since the amount is insignificant.
- E) Off-balance sheet financial instruments with credit risk: None.

(2) Procedure of financial risk control and hedge

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

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

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

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

(3) Information of financial risk

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

(A) Market risk

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

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

B) Receivables: 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.

(4) For the nine-month periods ended September 30, 2008 and 2007, the Group donated cash amounting to \$4,968 and \$1,620, 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 4)	Maximum outstanding guarantee amount for the nine-month period ended September 30, 2008	Outstanding guarantee amount at September 30, 2008	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Maximum amount available for guarantee (Note 3)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Foundation Digital Entertainment Co., Ltd.	2	\$ 30,000	\$ 10,000	\$ 10,000	None	0.43%	\$ 476,348 (30% of the Company's capital)
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd.	3	30,000	30,000	30,000	None	1.30%	\$ 476,348 (30% of the Company's capital)

Note 1: Number 0 represents the Company.

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

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

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

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

C) Marketable securities held at September 30, 2008:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	September 30, 2008				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	30,878	\$ 242,655	100%	\$ 242,655	Note (3)
"	"	Gamania Korea Co., Ltd.	"	"	522	15,275	100%	15,275	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	7,423	10,319	98.97%	10,319	"
"	"	Taiwan Index Co., Ltd.	"	"	7,754	79,336	69.48%	79,336	"
"	"	Gamania Asia Investment Co., Ltd.	"	"	13,945	145,741	100%	145,741	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	311	100%	311	"
"	"	Foundation Digital Entertainment Co., Ltd.	"	"	7,000	30,033	100%	30,033	"
"	"	Playcoo Co.	"	"	12,611	89,715	73.32%	89,715	"
"	"	Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity method	"	500	1,303	20.00%	1,303	None
"	"	Gamania Holdings Ltd.	Subsidiary	Prepayment for long-term investment	-	4,416	100%	4,416	Note (3)
"	"	Buybooks Digital Technology Corp., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost - non-current	300	-	3.74%	-	None
"	"	ECD Interactive Corporation	"	"	2,040	-	18.55%	-	"
"	"	Joyon Entertainment Co., Ltd.	"	"	697	-	11.47%	-	"
"	"	RAVA Ideologie Inc.	"	"	880	-	8.69%	-	"
"	"	NC Taiwan Co., Ltd	"	"	2,100	22,841	15.00%	22,841	"

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

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

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

D) Marketable securities acquired or sold during the period ended September 30, 2008 in excess of \$100,000 or 20% of capital :

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Investor	Type and name of marketable securities	General ledger account	Name and relationship of counterparty	Beginning balance (Note)		Addition		Disposal			Disposal gain	Ending balance (Note)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	Polaris De-Li Bond Fund	Financial asset held for trading-bond funds	Initial Investment at inception/None	-	-	8,477	\$ 130,000	8,477	\$ 130,306	\$ 130,000	\$ 306	-	-
"	IBT Ta-Chong Bond Fund	"	"	-	-	7,536	100,000	7,536	100,357	100,000	357	-	-
"	IBT 1699 Bond Fund	"	"	-	-	7,880	100,000	7,880	100,318	100,000	318	-	-
"	Yuanta Wan Tai Bond Fund	"	"	-	-	9,808	140,000	9,808	140,283	140,000	283	-	-
"	UPAMC James Bond Fund	"	"	-	-	6,989	110,000	6,989	110,194	110,000	194	-	-
"	Fuh Hwa Bond Fund	"	"	-	-	8,963	122,000	8,963	122,231	122,000	231	-	-

Note: Original investment cost.

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

(2) Information of investee companies

A) Information of investee companies:

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

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) income incurred by the investee	Investment (loss) gain recognized by the Company	Note
				2008.9.30	2007.12.31	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	\$1,050,206 (Note 1)	\$1,045,789	31,018 (Note 1)	100%	\$247,071 (Note 1)	\$ 14,765	\$ 14,765	Subsidiary (Note 2)
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sales of software	189,255	158,457	522	100%	15,275	( 36,105)	( 36,105)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	180,000	160,000	7,423	98.97%	10,319	( 30,877)	( 30,491)	"
"	Taiwan Index Co., Ltd.	"	Software services and sales	208,296	208,248	7,754	69.48%	79,336	( 3,613)	( 2,280)	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	13,945	100%	145,741	( 683)	( 683)	"
"	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%	311	338	338	"
"	Foundation Digital Entertainment CO., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Sales and publishing of magazines and periodicals	70,000	40,000	7,000	100%	30,033	( 20,160)	( 20,160)	"
"	Playcoo Co.	4F-4, No. 215, SEC 2, Cheng-de Rd., Taipei City, Taiwan	Supply of software services and electronic information	138,696	63,151	12,611	73.32%	89,715	( 16,035)	( 18,325)	"

Note 1: Including prepayment for long-term investment.

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

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) income incurred by the investee	Investment (loss) gain recognized by the Company	Note
				2008.9.30	2007.12.31	Number of shares	Percentage	Book value			
The Company	Taiwan e-sports Co., Ltd.	9F, No.176 Chung Hsiao East Rd. Section 4, Taipei City, Taiwan	Supply of software services and electronic information	\$ 5,000	5,000	500	20%	\$ 1,303	(\$ 17,239)	(\$ 4,260)	Investee company accounted for under equity method (Note 2)
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%	31,057	( 3,613)	( 983)	"
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 31,018 thousand (Note 1)	USD 30,878 thousand	31,018 (Note 1)	100%	USD 7,737 thousand (Note 1)	USD 492 thousand	USD 492 thousand	Subsidiary (Note 2)
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Sumitomo Ooimachi Bldg (North) 4F, 1-20-6, Ooi, Shinagawa-Ku, Tokyo, Japan 140-0014	Design and sales of software; sales of hardware	USD 14,298 thousand	USD 14,298 thousand	19	100%	USD 2,976 thousand	USD 316 thousand	USD 316 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 18,794 thousand (Note 1)	USD 18,654 thousand	18,794 (Note 1)	93.55%	USD 4,773 thousand (Note 1)	USD 201 thousand	USD 176 thousand	"
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Fourth Floor, One Capital Place P.O. Box 874GT, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 17,020 thousand (Note 1)	USD 16,880 thousand	17,020 (Note 1)	100%	USD 32 thousand (Note 1)	(USD 843 thousand)	(USD 843 thousand)	"
"	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 13,500 thousand	USD 13,500 thousand	N/A	100%	(USD 104 thousand)	( USD 744 thousand)	(USD 744 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Design and sales of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 5,045 thousand	USD 1,044 thousand	USD 1,044 thousand	"

Note 1: Including prepayment for long-term investment.

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

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) income incurred by the investee	Investment (loss) gain recognized by the Company	Note
				2008.9.30	2007.12.31	Number of shares	Percentage	Book value			
Playcoo Co.	InnoJelly Corporation	2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands	Investment holdings	USD 2 thousand	USD 2 thousand	2	100%	10	-	-	Subsidiary (Note)

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

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

C) Guarantee information: None.

D) Marketable securities held at September 30, 2008:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	September 30, 2008				
					Number of shares (Note (3))	Book value	Percentage	Market value (Note (2))	Note
Gamania Holdings Ltd.	Common Stock	Gamania International Holdings Ltd.	Subsidiary	Long-term investments – accounted for under the equity method	31,018 (Note (4))	USD \$7,737 thousand (Note (4))	100%	USD \$7,737 thousand (Note(4))	Note 5
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	19	USD 2,976 thousand	100%	USD 2,976 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	18,794 (Note (4))	USD 4,773 thousand (Note (4))	93.55%	USD 4,773 thousand (Note (4))	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD 5,045 thousand	100%	USD 5,045 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	17,020 (Note (4))	USD 32 thousand (Note (4))	100%	USD 32 thousand (Note (4))	"
Gamania Sino Holdings Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	(USD 104 thousand)	100%	(USD 104 thousand)	"
PlaycooCo.	"	InnoJelly Corporation	"	"	2	10	100%	10	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under equity method	"	3,036	31,057	27.20%	31,057	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd	Investee company accounted under financial assets carried at cost	Financial assets carried at cost	9,154	91,453	14.60%	91,453	None

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

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

Note (3): Unit: In thousand shares

Note (4): Including prepayment for long-term investment.

Note (5): The transaction has been eliminated in the consolidated financial statements.

- E) Marketable securities acquired or sold during the period ended September 30, 2008 in excess of \$100,000 or 20% of capital: None.
- F) Acquired real estate in excess of \$100,000 or 20% of capital: None.
- G) Disposal of real estate in excess of \$100,000 or 20% of capital: None.
- H) Sale to or purchases from related parties in excess of \$100,000 or 20% of capital: None.
- I) Receivable from related parties in excess of \$100,000 or 20% of capital:None.
- J) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

A)

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment as of January 1, 2008	Remitted or received investment amount during the period		Accumulated investment as of September 30, 2008	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at September 30, 2008	Accumulated investment income received as of September 30, 2008
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	(RMB 110,567 thousand) \$521,756	(Note (2))	(USD 11,370 thousand) \$365,773	\$ -	\$ -	(USD 11,370 thousand) \$365,773	93.55%	(USD 695 thousand) (\$ 22,358)	(USD 97 thousand) \$ 3,120	\$ -

Accumulated amount of investment in Mainland China as of September 30, 2008	Related investment amount approved by FIA	Upper limit of investment in Mainland China
\$ 365,773(USD 11,370 thousand)	\$ 546,247(Note (1))	\$ 1,386,189

Note (1): Related total investment amount approved by FIA is USD 16,980,000 or NTD 546,247 thousand based on 32.17 exchange rate.

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

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

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

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

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

For the nine-month period ended September 30, 2008

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Subject	Transaction terms		
					Amount	Transaction terms	Percentage of total combined revenue or total assets (Note (3))
0	Gamania Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	1	Other revenue	\$ 1,851	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Service revenue	1,920	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Rent revenue	2,994	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	License revenue	1,517	Note (4)	-%
0	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	1	License revenue	7,009	Note (4)	-%
0	"	Fundation Digital Entertainment Co., Ltd.	1	On-line game revenue	1,798	Note (4)	-%
0	"	Alibangbang Digital Games Co., Ltd.	1	Operating cost	2,332	Note (4)	-%
0	"	Playcoo Co.	1	Operating cost	9,066	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	8,731	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Notes receivable	2,148	Note (4)	-%
0	"	Fundation Digital Entertainment Co., Ltd.	1	Notes receivable	1,684	Note (4)	-%
0	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	1	Accounts receivable	5,476	Note (4)	-%
0	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	1	Other receivables	2,008	Note (4)	-%
0	"	Gamania International Holdings Ltd.	1	Other receivables	1,242	Note (4)	-%
0	"	Gamania Holdings Ltd.	1	Other receivables	1,896	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other receivables	1,240	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	6,592	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	6,662	Note (4)	-%
0	"	Playcoo Co.	1	Deferred charges	7,520	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd	1	Other payables	1,245	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	56,928	Note (4)	1%
0	"	Taiwan Index Co., Ltd.	1	Accrued expense	4,296	Note (4)	-%
1	Playcoo Co.	Gamaina Digital Entertainment Co., Ltd.	2	Operating revenue	9,066	Note (4)	-%

For the nine-month period ended September 30, 2008 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
1	Playcoo Co.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	\$ 4,958	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Receipts in advance	7,520	Note (4)	-%
1	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Receipts in advance	4,800	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating revenue	8,731	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	1,920	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	2,994	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Other operating costs	1,851	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	56,928	Note (4)	1%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	3,732	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	4,296	Note (4)	-%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Receipts in advance	3,330	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	2,148	Note (4)	-%
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	License costs	1,517	Note (4)	-%
3	"	Gamania Korea Co., Ltd.	3	Accounts receivable	3,360	Note (4)	-%
3	"	Taiwan Index Co., Ltd.	3	Prepayments	3,330	Note (4)	-%
3	"	Alibangbang Digital Games Co., Ltd.	3	Prepaid expense	1,275	Note (4)	-%
3	"	Taiwan Index Co., Ltd.	3	Accounts payable	3,732	Note (4)	-%
3	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	6,592	Note (4)	-%
4	Gamania Digital Entertainment (Japan) Co., Ltd.	Playcoo Co.	3	Prepayments	4,800	Note (4)	-%
4	"	Playcoo Co.	3	Accounts payable	4,958	Note (4)	-%

For the nine-month period ended September 30, 2008 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
4	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	\$ 1,240	Note (4)	-%
4	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts payable	1,001	Note (4)	-%
5	Fundation Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Advertising expenses	1,798	Note (4)	-%
5	Fundation Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	1,684	Note (4)	-%
6	Gamania Digital Entertainment Labuan Holdings, Ltd.	Gamania Digital Entertainment Co., Ltd.	2	License costs	7,009	Note (4)	-%
6	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	1,001	Note (4)	-%
6	"	Gamania Korea Co., Ltd.	3	Prepayments	1,165	Note (4)	-%
6	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	5,476	Note (4)	-%
6	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	2,008	Note (4)	-%
7	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	3	Receipts in advance	1,165	Note (4)	-%
7	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts payable	3,360	Note (4)	-%
8	Alibangbang Digital Games Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	License revenue	2,322	Note (4)	-%
8	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Receipts in advance	1,275	Note (4)	-%
9	Gamania Holdings Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,896	Note (4)	-%

For the nine-month period ended September 30, 2008 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
10	Gamania International Holdings Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	\$ 1,242	Note (4)	-%
11	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	1,245	Note (4)	-%
11	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	6,662	Note (4)	-%

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

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

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

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

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

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

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

For the nine-month period ended September 30, 2007

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
0	Gamania Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	1	Service revenue	\$ 1,440	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Royalty income	1,448	Note (4)	-%
0	"	Foundation Digital Entertainment Co., Ltd.	1	Purchases	18,947	Note (4)	1%
0	"	Taiwan Index Co., Ltd.	1	Purchases	12,827	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expenses	6,678	Note (4)	-%
0	"	Foundation Digital Entertainment Co., Ltd.	1	Notes receivable	11,980	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	7,362	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	6,711	Note (4)	-%
0	"	Foundation Digital Entertainment Co., Ltd.	1	Other receivables	4,179	Note (4)	-%
0	"	Gamania Holdings Ltd.	1	Other receivables	1,354	Note (4)	-%
0	"	Gamania International Holdings Ltd.	1	Other receivables	1,080	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	63,724	Note (4)	2%
0	"	Taiwan Index Co., Ltd.	1	Accrued expenses	4,694	Note (4)	-%
1	Foundation Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	18,947	Note (4)	1%
1	"	"	2	Notes payable	11,980	Note (4)	-%
1	"	"	2	Accounts payable	4,179	Note (4)	-%
2	Taiwan Index Co., Ltd.	"	2	Sales revenue	12,827	Note (4)	-%
2	"	"	2	Advertising revenue	6,678	Note (4)	-%
2	"	"	2	Service expenses	1,440	Note (4)	-%
2	"	"	2	Accounts receivable	68,418	Note (4)	2%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	1,237	Note (4)	-%
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	1,448	Note (4)	-%
3	"	"	2	Other payables	6,711	Note (4)	-%
3	"	Gamania Korea Co., Ltd.	3	Other receivables	3,439	Note (4)	-%
3	"	Taiwan Index Co., Ltd.	3	Accounts payable	1,237	Note (4)	-%

For the nine-month period ended September 30, 2007 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
4	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	\$ 7,362	Note (4)	-%
5	Gamania Holdings Ltd.	"	2	Other payables	1,354	Note (4)	-%
6	Gamania International Holdings Ltd.	"	2	Other payables	1,080	Note (4)	-%
7	Gamania Korea Co., Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts payable	3,439	Note (4)	-%

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

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

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

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

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

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

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