

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

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

**JUNE 30, 2006 AND 2005**

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

## **Report of Independent Accountants**

(06) R.F014.06000117

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

We have audited the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. (the “Company”) and its subsidiaries as of June 30, 2006 and 2005, and the related consolidated statements of income, of changes in stockholders’ equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain investee companies, which statements reflect total assets of \$665,749 thousand and \$376,720 thousand, constituting 21% and 11% of the related consolidated totals as of June 30, 2006 and 2005, respectively, and total operating revenues of \$530,579 thousand and \$483,567 thousand, constituting 29% and 32% of the related consolidated totals for the six-month periods then ended. In addition, as explained in Note 4(6), we did not audit the financial statements of an investee company accounted for under the equity method. This long-term investment amounted to \$35,191 thousand, constituting 1.11% of the consolidated total assets as of June 30, 2006, and their related investment loss amounted to \$4,260 thousand, constituting 3.11% of the consolidated net income attributable to equity holders of the Company for the six-month period then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these investee companies and the information disclosed in Note 11(2) relative to these long-term investments, is based solely on the reports of the other auditors.

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

As described in Note 1, the consolidated financial statements include unaudited financial statements of certain consolidated subsidiaries, which statements reflect total assets and total liabilities of \$386,961 thousand and \$93,967 thousand, constituting 11% and 9% of the related consolidated totals, respectively, as of June 30, 2005, and total operating revenues and net loss of \$166,679 thousand and \$22,932 thousand,

constituting 11% and (46%) of the related consolidated totals, respectively, for the six-month period then ended. In addition, as explained in Note 4(6), the consolidated financial statements include long-term investment accounted for under the equity method amounting to \$25,483 thousand as of June 30, 2005, and the related investment loss was \$2,031 thousand for the six-month period then ended. These amounts and the information disclosed in Note 11 were based on the unaudited financial statements of these companies as of June 30, 2005.

In our opinion, based on our audits and the reports of the other auditors, 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 audited by independent accountants as explained in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of June 30, 2006 and 2005, and the consolidated results of their operations and their cash flows for the six-month periods then ended in conformity with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and generally accepted accounting principles in the Republic of China.

As disclosed in Note 3, 4(8) and 4(9), effective in the fourth quarter of 2004, the Company adopted R.O.C. Statement of Financial Accounting Standards No. 35, “Accounting for Assets Impairment”. As a result of the adoption of SFAS No. 35, total consolidated assets and stockholders’ equity decreased by \$321,770 thousand as of June 30, 2005. The adoption had no significant effect on consolidated net income for the six-month period ended June 30, 2005.

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

August 14, 2006

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

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

	2006	2005		2006	2005
<b>ASSETS</b>			<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash and cash equivalents (Note 4 (1))	\$ 914,584	\$ 1,052,353	Short-term loans (Note 4 (10))	\$ 60,622	\$ 55,000
Notes receivable - third parties - net (Note 4 (2))	39,559	52,229	Notes payable	90,722	87,183
Accounts receivable - third parties - net (Note 4 (3))	912,211	814,088	Accounts payable	140,081	49,673
Other receivables	2,262	7,413	Accounts payable - related party (Note 5(2))	17,117	48,696
Other receivables - related parties (Note 5 (2))	557	29,744	Income tax payable (Note 4 (18))	30,711	23,568
Other financial assets - current (Note 6)	30,043	694	Accrued expenses	123,041	116,347
Inventories - net (Note 4 (4))	34,298	21,684	Other payables	35,263	52,835
Prepaid expenses	40,058	36,291	Unearned revenue collected in advance	178,946	206,594
Deferred income tax assets - current (Note 4 (18))	47,869	45,887	Current portion of long-term liabilities (Notes 4 (11) and 4 (12))	54,278	47,081
Other current assets - other	2,461	6,301	Other current liabilities	24,089	26,099
	<u>2,023,902</u>	<u>2,066,684</u>		<u>754,870</u>	<u>713,076</u>
<u>Long-term Investments</u>			<u>Long-term Liabilities</u>		
Financial assets carried at cost - non-current (Note 4 (5))	112,550	19,346	Long-term loans (Note 4 (11))	286,750	315,519
Long-term investments - accounted for under the equity method (Note 4 (6))	55,650	25,483	Capital lease obligation - non current (Note 4 (12))	-	497
	<u>168,200</u>	<u>44,829</u>		<u>286,750</u>	<u>316,016</u>
Other financial assets-non current (Note 6)	<u>-</u>	<u>6,981</u>			
<u>Property, Plant and Equipment - net (Notes 4 (7) and 6 )</u>			<u>Other Liabilities</u>		
Cost			Accrued pension liabilities (Note 4 (13))	6,938	6,266
Land	147,751	147,751	Guarantee deposits	1,319	1,916
Buildings	156,059	178,469	Other liabilities - other	330	1,299
Machinery and equipment	924,435	798,619		<u>8,587</u>	<u>9,481</u>
Transportation equipment	1,700	3,275	Total Liabilities	<u>1,050,207</u>	<u>1,038,573</u>
Office equipment	109,425	168,513	<u>Stockholders' Equity</u>		
Leasehold assets	1,526	43,487	Common stock (Notes 1 and 4 (14))	1,468,787	1,529,177
Leasehold improvements	68,609	126,493	Capital reserve (Note 4 (15))		
Other equipment	14,329	10,587	Paid-in capital in excess of par	736,166	1,047,916
Total Cost	<u>1,423,834</u>	<u>1,477,194</u>	Treasury stock (Note 4 (20))	-	20,145
Less: Accumulated depreciation	( 677,626)	( 575,846)	Gain on disposal of property, plant and equipment	221	221
Construction in progress and prepayments for equipment	<u>746,208</u>	<u>910,355</u>	Retained earnings		
			(Accumulated deficit) retained earnings (Note 4 (17))	( 56,322)	23,018
<u>Intangible assets</u>			Cumulative translation adjustments	22,175	15,259
Trademark	319	-	Treasury stock (Note 4 (20))	( 155,765)	( 315,784)
Goodwill	2,878	66,249		<u>2,015,262</u>	<u>2,319,952</u>
Deferred pension cost	466	1,282	Minority interest	96,598	107,156
Other intangible assets -net (Note 4 (8))	916	-	Total Stockholders' Equity	<u>2,111,860</u>	<u>2,427,108</u>
	<u>4,579</u>	<u>67,531</u>	Commitments and Contingent Liabilities (Note 7)		
<u>Other Assets</u>					
Refundable deposits	31,132	39,941			
Deferred charges - net (Note 4 (9) )	141,166	218,514			
Deferred income tax assets-non current (Note 4 (18))	46,880	101,750			
Other asset - other	-	9,096			
	<u>219,178</u>	<u>369,301</u>			
<b>TOTAL ASSETS</b>	<b>\$ 3,162,067</b>	<b>\$ 3,465,681</b>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 3,162,067</b>	<b>\$ 3,465,681</b>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated August 14, 2006.

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

	<u>2006</u>	<u>2005</u>
Operating revenues		
Sales revenue	\$ 1,859,968	\$ 1,552,181
Sales returns	( 35,881)	( 41,411)
Sales allowances	( 22,718)	( 15,777)
Net sales revenue	1,801,369	1,494,993
Service revenue	8,644	9,314
Total operating revenues	<u>1,810,013</u>	<u>1,504,307</u>
Operating costs		
Cost of goods sold (Notes 4 (22) and 5)	( 995,828)	( 818,754)
Gross profit	<u>814,185</u>	<u>685,553</u>
Operating expenses (Notes 4 (22) and 10)		
Selling expenses	( 196,139)	( 167,226)
General and administrative expenses	( 357,303)	( 354,110)
Research and development expenses	( 55,564)	( 47,588)
Total operating expenses	<u>( 609,006)</u>	<u>( 568,924)</u>
Operating income	<u>205,179</u>	<u>116,629</u>
Non-operating income		
Interest income	2,200	319
Gain on disposal of property, plant and equipment	687	-
Gain on sale of investments	2,281	5,176
Foreign exchange gain	1,845	80
Rental income	130	83
Gain from price recovery of inventories	890	2,587
Miscellaneous income	1,509	5,584
Total non-operating income	<u>9,542</u>	<u>13,829</u>
Non-operating expenses		
Interest expense	( 7,103)	( 6,143)
Investment loss accounted for under the equity method (Note 4 (6))	( 7,305)	( 2,031)
Other investment loss (Note 4 (5))	-	( 7,500)
Loss on disposal of property, plant and equipment	( 7,032)	( 569)
Miscellaneous losses	( 13,910)	( 11,081)
Total non-operating expenses	<u>( 35,350)</u>	<u>( 27,324)</u>
Income before income tax	179,371	103,134
Income tax expense (Note 4 (18))	( 62,516)	( 52,761)
Consolidated net income	<u>\$ 116,855</u>	<u>\$ 50,373</u>
Attributable to:		
Equity holders of the Company	\$ 137,073	\$ 27,574
Minority interest	( 20,218)	22,799
	<u>\$ 116,855</u>	<u>\$ 50,373</u>

	<u>2006</u>		<u>2005</u>	
Basic earnings per share (in dollars) (Note 4 (19))	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
Profit attributable to equity holders of the Company	\$ 1.40	\$ 0.96	\$ 0.54	\$ 0.19
Minority interest income (loss)	( 0.14)	( 0.14)	0.16	0.15
Consolidated net income	<u>\$ 1.26</u>	<u>\$ 0.82</u>	<u>\$ 0.70</u>	<u>\$ 0.34</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated August 14, 2006.

**GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Capital Reserve				Retained Earnings		Cumulative Translation Adjustments	Treasury stock	Minority interest	Total
	Common Stock	Paid-in Capital in		Capital Surplus from Gain on Disposal of Assets	(Accumulated Deficit)					
		Excess of Par	Treasury Stock		Legal Reserve	Retained Earnings				
Balance at January 1, 2005	\$ 1,539,897	\$ 1,348,505	\$ 17,111	\$ 221	\$ 103,066	(\$ 394,267)	\$ 21,810	(\$ 319,214)	\$ 79,067	\$ 2,396,196
Retirement of treasury stock	( 10,720)	( 9,388)	3,034	-	-	-	-	17,074	-	-
Acquisition of treasury stock	-	-	-	-	-	-	-	( 13,644)	-	( 13,644)
Paid-in capital to offset accumulated deficit	-	( 291,201)	-	-	( 103,066)	394,267	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	( 6,551)	-	-	( 6,551)
Effect of change in ownership percentage of investee company	-	-	-	-	-	( 394,267)	-	-	-	( 4,556)
Changes in minority interest	-	-	-	-	-	-	-	-	5,290	5,290
Consolidated net income for the period	-	-	-	-	-	27,574	-	-	22,799	50,373
Balance at June 30, 2005	<u>\$ 1,529,177</u>	<u>\$ 1,047,916</u>	<u>\$ 20,145</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ 23,018</u>	<u>\$ 15,259</u>	<u>(\$ 315,784)</u>	<u>\$ 107,156</u>	<u>\$ 2,427,108</u>
Balance at January 1, 2006	\$ 1,518,787	\$ 1,037,644	\$ 27,162	\$ 221	\$ -	(\$ 267,318)	\$ 21,208	(\$ 302,140)	\$ 114,434	\$ 2,149,998
Retirement of treasury stock	( 50,000)	( 34,160)	( 27,162)	-	-	( 190,818)	-	302,140	-	-
Acquisition of treasury stock	-	-	-	-	-	-	-	( 155,765)	-	( 155,765)
Paid-in capital to offset accumulated deficit	-	( 267,318)	-	-	-	267,318	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	967	-	-	967
Effect of change in ownership percentage of investee company	-	-	-	-	-	( 2,577)	-	-	-	( 2,577)
Changes in minority interest	-	-	-	-	-	-	-	-	2,382	2,382
Consolidated net income for the period	-	-	-	-	-	137,073	-	-	( 20,218)	116,855
Balance at June 30, 2006	<u>\$ 1,468,787</u>	<u>\$ 736,166</u>	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>(\$ 56,322)</u>	<u>\$ 22,175</u>	<u>(\$ 155,765)</u>	<u>\$ 96,598</u>	<u>\$ 2,111,860</u>

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

See report of independent accountants dated August 14, 2006.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2006	2005
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 116,855	\$ 50,373
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
(Reversal of) provision for bad debts and sales returns	( 2,396)	5,034
Recovery of decline in market value and inventories written-off	( 8,191)	( 2,587)
Investment loss accounted for under the equity method	7,305	2,031
Other investment loss	-	7,500
Gain on disposal of investments	( 2,281)	( 5,176)
Depreciation and amortization	143,077	207,090
Amortization of goodwill	-	9,165
Amortization of trademark	22	338
Loss on disposal of property, plant and equipment and other intangible assets	6,345	569
Amortization of other intangible assets	201	-
Deferred charges charged to cost	22,864	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable - third parties	45,319	18,418
Accounts receivable - third parties	( 86,369)	( 53,917)
Other receivables - third parties	1,936	33
Other receivables - related parties	( 37)	( 16,940)
Other financial assets - current	( 43)	( 694)
Inventories	( 10,171)	( 5,602)
Prepaid expenses	( 10,100)	( 192)
Deferred income tax assets	34,460	35,450
Other current assets - other	3,853	3,720
Notes payable	( 14,950)	30,717
Accounts payable - third parties	60,927	( 9,623)
Accounts payable - related parties	( 29,361)	( 31,616)
Income tax payable	10,071	4,983
Accrued expenses	( 81,791)	( 38,563)
Other payables - third parties	( 2,177)	( 6,700)
Unearned revenue collected in advance	( 137)	( 20,259)
Other current liabilities	( 3,431)	( 210)
Accrued pension liabilities	( 609)	522
Net cash provided by operating activities	201,191	183,864

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

	<u>2006</u>	<u>2005</u>
<u>Cash flows from investing activities</u>		
Increase in financial asset held for trading-bond funds	(\$ 1,343,000)	(\$ 1,494,700)
Proceeds from disposal of financial asset held for trading-bond funds	1,345,281	1,499,876
Increase in long-term investment - subsidiary	-	( 14,400)
Proceeds from disposal of property, plant and equipment	3,256	3,398
Acquisition of property, plant and equipment	( 79,936)	( 127,529)
Increase in deferred charges	( 22,063)	( 51,908)
Decrease (increase) in refundable deposits, net	6,953	( 942)
Decrease (increase) in other financial assets – non current	2,327	( 6,981)
Decrease in other assets - other	<u>1,067</u>	<u>2,540</u>
Net cash used in investing activities	( <u>86,115</u> )	( <u>190,646</u> )
<u>Cash flows from financing activities</u>		
(Decrease) increase in short - term loans	( 23,754)	8,468
(Decrease) increase in long - term loans	( 4,037)	82,374
Increase in other liabilities - other	266	1,299
(Decrease) increase in guarantee deposits	( 19)	1,209
Decrease in capital lease obligation - non current	( 129)	-
Purchase of treasury stock	( 155,765)	( 13,644)
Changes in minority interest	<u>2,382</u>	<u>5,290</u>
Net cash (used in) provided by financing activities	( <u>181,056</u> )	<u>84,996</u>
Effect of exchange rate changes in cash and cash equivalents	( 4,484)	417
Effect of changes in consolidated subsidiaries	<u>-</u>	<u>46,072</u>
Net (decrease) increase in cash and cash equivalents	( 70,464)	124,703
Cash and cash equivalents at beginning of period	<u>985,048</u>	<u>927,650</u>
Cash and cash equivalents at end of period	<u>\$ 914,584</u>	<u>\$ 1,052,353</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 7,132</u>	<u>\$ 5,596</u>
Income taxes	<u>\$ 17,739</u>	<u>\$ 14,659</u>
<u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 60,198	\$ 141,176
Less: Payable-ending	( 387)	( 31,672)
Add: Payable-beginning	<u>20,125</u>	<u>18,025</u>
Cash paid	<u>\$ 79,936</u>	<u>\$ 127,529</u>

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

See report of independent accountants dated August 14, 2006.

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

1. HISTORY AND ORGANIZATION

(1) Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of June 30, 2006, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 15 million shares of employee stock options), at a par value \$10 (NTdollars) per share, and issued and outstanding capital was \$1,468,787. The Company is engaged in software services, TV programming and magazine publications. As of June 30, 2006, the Company and its consolidated subsidiaries had 1,024 employees.

(2) Consolidated subsidiaries

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

Note A: Majority-owned subsidiary

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (1) Principles of consolidation

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

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

(2) Translation of financial statements of foreign subsidiaries

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

(3) Foreign currency transactions

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

(4) Cash equivalents

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

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

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

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

B) These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized as profit or loss. The fair value of listed stocks,

closed-end mutual funds and depositary receipts is based on latest quoted fair prices of the accounting period. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date.

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

(6) Financial assets carried at cost

A) Investments in unlisted equity instruments is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B) If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized as profit or loss. Such impairment loss cannot be reversed.

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

(7) Allowance for doubtful accounts

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

(8) Inventories

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

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

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

B) Long-term investments in foreign investee companies accounted for under the equity method and denominated in foreign currency are translated into New

Taiwan dollars at the exchange rate prevailing at the balance sheet date. The unrealized exchange loss resulting from translation is deferred in the cumulative translation adjustment account in the stockholders' equity.

- C) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease by the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.
- D) The accounting policy on impairment of long-term investments accounted for under the equity method is described in Note 2(13).

(10) Property, plant and equipment

- A) Depreciation is provided on the straight-line method using the estimated useful lives of the assets plus one year as salvage value. The subsidiaries' property, plant and equipment are depreciated on a straight-line basis according to the estimated useful lives of the assets less the estimated salvage value. The estimated useful lives are 55 years for buildings, 15 years for leasehold improvements and 3 to 8 years for the other fixed assets.
- B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).
- C) Major renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
- D) Rents paid for capital leases are capitalized and liabilities on lease obligations are recognized accordingly.
- E) The accounting policy on impairment of fixed assets is described in Note 2(13).

(11) Deferred charges

- A) Costs of software and copyrights are capitalized and amortized under the straight-line basis over the estimated useful lives.
- B) Royalty payments for operating online game software is capitalized and amortized based on actual units of play.
- C) The accounting policy on impairment of deferred charges is described in Note 2(13).

(12) Other intangible assets

- A) Franchises for game development are recorded at acquisition cost and amortized using the straight-line method over the estimated service life. Franchises could be deducted from franchises payable amounting to 2 % based on sales revenues.
- B) The accounting policy on impairment of other intangible assets is described in Note 2(13).

(13) Impairment of non-financial assets

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

(14) Employee stock option plan

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

(15) Deferred income tax assets and income tax

- A) Income tax of the Company and its domestic subsidiaries are provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes. Deferred income tax assets or liabilities are further classified into current and non-current items based on the classifications of the related assets or liabilities or on the expected reversal date of the temporary differences and are presented on the financial statements as net balance. Valuation allowance on deferred income tax assets is recognized if it is more likely that the tax benefits will not be realized.
- B) Tax credits resulting from equipment purchases, technology acquisitions, research and development expenditures, training expenses and long-term equity

investments, etc. of the Company and its domestic subsidiaries are recognized as current income tax benefit when incurred.

- C) Over or under provision of prior years' income tax liabilities is included in the current year's income tax expense.
- D) According to the Taiwan imputation tax system, any undistributed current earnings of a company derived on or after January 1, 1998 is subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional corporate income tax is recorded as income tax expense in the period the stockholders approve a resolution to retain the earnings.
- E) According to "Income Basic Tax Act", effective on January 1, 2006, income tax is accounted for based on the income tax law or other regulations when income tax is above or equal basic tax. When income tax is lower than the basic tax, the difference between income tax and basic tax should be recognized based on income tax law or other regulations. The difference cannot be deducted from investment credits based on other regulations.

(16) Retirement plan

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

(17) 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.

(18) Revenues, costs and expenses

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

(19) Earnings per share

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

(20) 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 reported during the year. Actual results could differ from those estimates.

### 3. CHANGES IN ACCOUNTING PRINCIPLES

#### (1) Impairment of non-financial assets

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

#### (2) Goodwill

Effective on January 1, 2006, the Company adopted the amended R.O.C. SFAS No. 1, No. 5, No. 7, No. 25 and No. 35 about discontinued the amortization of goodwill. As a result of the adoption of the newly issued SFAS, net income increased by \$3,541 and earnings per share increased by \$0.0249 for the six months ended June 30, 2006.

#### (3) Changes in the consolidated subsidiaries

Pursuant to the amended R.O.C. Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements", effective on January 1, 2005, all the Company's majority-owned subsidiaries are included in the consolidated financial statements. Such a change in the accounting principle resulted in increases in consolidated total assets and consolidated operating revenues by \$140,818 and \$41,250, respectively, as of and for the six months ended June 30, 2005, constituting 4.1% and 2.7% of the respective consolidated totals. The consolidated net income attributable to equity holders of the Company for the six months ended June 30, 2005 was not affected by this change in the accounting principle.

#### (4) Financial instruments

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

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

##### a) Short-term investments

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

end mutual funds or balance funds is determined based on the net asset value at the balance sheet date.

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

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

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

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Cash on hand	\$ 1,580	\$ 510
Cash in banks	858,143	1,039,587
Time deposits	33,797	12,256
Cash equivalents	<u>21,064</u>	<u>-</u>
	<u>\$ 914,584</u>	<u>\$ 1,052,353</u>

(2) Notes receivable - net

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Notes receivable	\$ 39,575	\$ 52,245
Less: Allowance for doubtful accounts	( 16)	( 16)
	<u>\$ 39,559</u>	<u>\$ 52,229</u>

(3) Accounts receivable - net

	<u>June 30,</u>	
	<u>2006</u>	<u>2006</u>
Accounts receivable	\$ 979,071	\$ 891,627
Less: Allowance for doubtful accounts	( 52,808)	( 71,698)
Allowance for sales returns	( 14,052)	( 5,841)
	<u>\$ 912,211</u>	<u>\$ 814,088</u>

(4) Inventories

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Inventories	\$ 50,166	\$ 43,096
Less: Reserve for loss on decline in market value and obsolescence	( 15,868)	( 21,412)
	<u>\$ 34,298</u>	<u>\$ 21,684</u>

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

	<u>June 30,</u>	
<u>Items</u>	<u>2006</u>	<u>2005</u>
Unlisted stocks		
Buybooks Digital Technology Corp. Ltd.	\$ -	\$ 2,995
ECD Interactive Corporation	2,700	3,700
Joyon Entertainment Co., Ltd.	9,851	9,851
RAVA Ideologie Inc.	-	2,800
Nice Finance Co., Ltd.	99,999	-
	<u>\$ 112,550</u>	<u>\$ 19,346</u>

- A) The investments were measured at cost since their fair value cannot be measured reliably.
- B) The Company recognized a permanent impairment loss in RAVA Ideologie Inc. and ECD Interactive Corporation in the amounts of \$6,000 and \$1,500, respectively, for the six-month period ended June 30, 2005 because the above investees' unaudited financial statements showed that value had been impaired and the chance of recovery was remote. In addition, RAVA Ideologie Inc. began liquidation process in September 2005 but has not yet been completed as of June 30, 2006.
- C) In the first quarter of 2006, the board of directors approved to dispose the Company's investment in Joyon Entertainment Co., Ltd. which was initially classified as financial assets carried at cost-current. In the second quarter, however, the disposal was put on hold. Accordingly, the investment was reclassified to financial assets carried at cost-non-current.

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

A) List of long-term investments

<u>Name of investee</u>	<u>Original cost</u>	<u>June 30, 2006</u>		<u>Investment loss for the six-month period ended June 30, 2006</u>
		<u>Ownership Percentage</u>	<u>Balance</u>	
Soga Interactive Co., Ltd.	\$ 28,000	40%	\$ 20,459	(\$ 3,045)
Playcoo Co.	40,000	30.30%	35,191	( 4,260)
	<u>\$ 68,000</u>		<u>\$ 55,650</u>	<u>(\$ 7,305)</u>

<u>Name of investee</u>	<u>Original cost</u>	<u>June 30, 2005</u>		<u>Investment loss for the six-month period ended June 30, 2005</u>
		<u>Ownership Percentage</u>	<u>Balance</u>	
Soga Interactive Co., Ltd.	\$ 28,000	40%	\$ 25,483	(\$ 2,031)

- B) Long-term investment in Playcoo Co. accounted for under the equity method was based on financial statements audited by other auditors as of and for the six-month period ended June 30, 2006.
- C) Long-term investment in Soga Interactive Co., Ltd. accounted for under the equity method was based on the unaudited or unreviewed financial statements of the investee as of and for the six-month period ended June 30, 2005.
- D) The related investment loss based on financial statements audited by other auditors amounted to \$4,260 for the six-month period ended June 30, 2006. As of June 30, 2006, the balance of this investment was \$35,191.

(7) Property, plant, and equipment

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	156,059	178,469
Machinery and equipment	924,435	798,619
Transportation equipment	1,700	3,275
Office equipment	109,425	168,513
Leasehold assets	1,526	43,487
Leasehold improvements	68,609	126,493
Other equipment	<u>14,329</u>	<u>10,587</u>
	<u>1,423,834</u>	<u>1,477,194</u>
<u>Accumulated depreciation</u>		
Buildings	( 10,550)	( 13,701)
Machinery and equipment	( 540,470)	( 345,207)
Transportation equipment	( 1,228)	( 1,830)
Office equipment	( 68,878)	( 95,674)
Leasehold assets	( 509)	( 29,551)
Leasehold improvements	( 48,981)	( 84,284)
Other equipment	<u>( 7,010)</u>	<u>( 5,599)</u>
	<u>( 677,626)</u>	<u>( 575,846)</u>
Construction in progress and prepayments for equipment	-	9,007
	<u>\$ 746,208</u>	<u>\$ 910,355</u>

(8) Other intangible assets

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Prepayments for franchises	\$ 41,530	\$ 38,298
Less: Accumulated impairment	<u>( 40,614)</u>	<u>( 38,298)</u>
	<u>\$ 916</u>	<u>\$ -</u>

In the fourth quarter of 2004, the Company adopted the R.O.C. Statement of Financial of Accounting Standards No. 35, "Accounting for Assets Impairment" and recognized a loss of \$38,298. As of June 30, 2006, the accumulated impairment recognized for other intangible assets is \$40,614.

(9) Deferred charges

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Royalty payments	\$ 366,756	\$ 425,388
Unamortized expense	<u>100,192</u>	<u>76,598</u>
	466,948	501,986
Less: Accumulated impairment	( <u>325,782</u> )	( <u>283,472</u> )
	<u>\$ 141,166</u>	<u>\$ 218,514</u>

In the fourth quarter of 2004, the Company adopted the R.O.C. Statement of Financial of Accounting Standards No. 35, "Accounting for Assets Impairment" and recognized a loss of \$283,472. As of June 30, 2006, the accumulated impairment recognized for deferred charges is \$325,782.

(10) Short-term loans

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
Short-term bank loans	<u>\$ 60,622</u>	<u>\$ 55,000</u>
Annual interest rates	<u>2.5%~7.75%</u>	<u>2.5% ~2.7%</u>
Credit lines	<u>\$ 600,434</u>	<u>\$ 524,000</u>

(11) Long-term Loans

<u>Bank</u>	<u>Total</u> <u>Credit Lines</u>	<u>Period/Terms</u> <u>of Repayment</u>	<u>June 30,</u>	
			<u>2006</u>	<u>2005</u>
International Bank of Taipei	\$ 49,000	03.28.2002 ~ 03.28.2017 Two-year grace period, 52 equal quarterly installments starting from year 3	\$ 40,519	\$ 44,288
Chiao Tung Bank	200,000	08.30.2004 ~ 07.20.2007 Principal due on maturity	50,000	50,000
Chiao Tung Bank	200,000	12.31.2004 ~ 07.20.2007 Principal due on maturity	100,000	100,000
Chang Hwa Bank	150,000	02.14.2005 ~ 02.14.2009 First year grace period, 12 equal semi-annual installments starting from year 2	150,000	150,000
Union Bank of Taiwan	20,000	06.29.2004 ~ 06.29.2006 Equal quarterly installments of \$250,000	<u>-</u>	<u>7,500</u>
			340,519	351,788
Less: Current portion			( <u>53,769</u> )	( <u>36,269</u> )
			<u>\$286,750</u>	<u>\$315,519</u>

(12) Long-term liabilities on lease obligations

	<u>Period/Terms of Repayment</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Taiwan Fixed Network Co., Ltd.	01.01.2003 ~ 12.31.2005 36 equal monthly installments	\$ -	\$ 4,640
International Business Machines Corporation	02.28.2004 ~ 02.28.2006 8 equal quarterly installments	-	4,388
ORIX Asia Ltd.	07.21.2004 ~ 01.20.2006 18 equal monthly installments	-	447
ORIX Asia Ltd.	11.24.2004 ~ 05.23.2006 18 equal monthly installments	-	370
ORIX Asia Ltd.	08.24.2004 ~ 02.23.2006 18 equal monthly installments	-	223
ORIX Asia Ltd.	03.24.2006 ~ 04.24.2007 12 equal monthly installments	509	1,241
		509	11,309
Less: current portion		(509)	(10,812)
		<u>\$ -</u>	<u>\$ 497</u>

(13) Accrued pension liability

- A) The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each year thereafter with a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Central Trust of China under the name of the independent retirement fund committee. For the six-month periods ended June 30, 2006 and 2005, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to \$484 and \$5,086, respectively. The balance of the retirement fund deposited with Central Trust of China was \$22,972 and \$17,913 as of June 30, 2006 and 2005, respectively. The fund balances are not reflected in the 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 \$1,020 and \$1,170 for the six-month periods ended June 30, 2006 and 2005, respectively.

C) Gamania Digital Entertainment (Beijing) Co., Ltd. provides an old-age pension and insurance monthly based on 20% of the employees' salaries and wages in accordance with the local regulations. The net pension and insurance cost was \$994 and \$918 for the six-month periods ended June 30, 2006 and 2005, respectively.

D) Effective on July 1, 2005, the Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd. and Alibangbang Digital Games Co., Ltd. adopted a defined contribution pension plan (the "New Plan"). Under the New Plan, employees have the option to choose the New Plan. The Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd. and Alibangbang Games Co., Ltd. contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts deposited with the Bureau of Labor Insurance. Benefits accrued under the New Plan are portable when the employees leave the company. The net pension costs recognized by the Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd. and Alibangbang Digital Games Co., Ltd. under the defined contribution plan for the six-month period ended June 30, 2006 amounted to \$12,178.

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.

(14) Common Stock

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

(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, must be appropriated as legal reserve until its total amount equals the issued capital stock. Legal reserve can only be used to cover accumulated losses or to increase capital. Legal reserve can be used to increase capital only if the accumulated amount of legal reserve is more than 50% of paid-in capital, and the amount is limited to 50% of its balance.

(17) Accumulated deficit

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

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

B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed in next year's shareholders' meeting. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholder can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.

- C) As of December 31, 2005, the Company had an accumulated deficit of \$267,318. The Company's stockholders approved not to distribute dividends, employee bonus, and directors' remuneration. In addition, the stockholders during its meeting adopted a resolution to use \$267,318 of capital reserve to cover the accumulated deficit.
- D) As of December 31, 2004, the Company had an accumulated deficit of \$394,267. The Company's stockholders approved not to distribute dividends, employee bonus, and directors' remuneration. In addition, the stockholders during its meeting adopted a resolution to use \$103,066 of legal reserve and \$291,201 of capital reserve to cover the accumulated deficit.
- E) For current status on these resolutions, please visit the Taiwan Stock Exchange website.

(18) Income tax payable

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

	<u>2006</u>	<u>2005</u>
Current year income tax expense	\$ 58,991	\$ 33,759
Additional 10% corporate income tax on undistributed earnings	<u>3,525</u>	<u>19,002</u>
	62,516	52,761
Add (Less): Net change in deferred income tax assets	( 34,460)	( 35,556)
Prepaid income tax	( 1,338)	( 15)
(Under) over provision of prior year's income tax	( 75)	6,378
Income tax payable of prior year	4,050	-
Effect of exchange rate	<u>18</u>	<u>-</u>
Income tax payable	<u>\$ 30,711</u>	<u>\$ 23,568</u>

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

	June 30,	
	2006	2005
Deferred income tax assets-current	\$ 52,365	\$ 45,887
Deferred income tax assets (liabilities) - non-current	93,983	101,750
	<u>\$ 146,348</u>	<u>\$ 147,637</u>
Less: Valuation allowance - current	( 4,496)	-
Valuation allowance - non-current	( 47,103)	-
	<u>\$ 94,749</u>	<u>\$ 147,637</u>

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

	June 30,			
	2006		2005	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Allowance for loss on decline in market value and inventory obsolescence	\$ 18,418	\$ 4,605	\$ 29,599	\$ 7,400
Allowance for sales returns	14,052	3,513	7,570	1,893
Over provision of allowance for bad debts	45,464	11,366	71,338	17,835
Welfare expenses	1,100	275	2,930	732
Loss carryforwards	25,632	6,408	-	-
Others	549	138	2,544	636
Investment tax credits		<u>26,060</u>		<u>17,391</u>
		52,365		45,887
Less: Valuation allowance - current		( 4,496)		-
		<u>\$ 47,869</u>		<u>\$ 45,887</u>
Non-current items:				
Impairment loss on deferred charges and intangible assets	\$ 194,169	\$ 48,542	\$ 268,141	\$ 67,036
Loss carryforwards	256,822	64,205	116,796	29,199
Reserve for foreign investments	( 219,236)	( 54,809)	( 163,608)	( 40,902)
Others	1,553	389	5,196	1,299
Investment tax credits		<u>35,656</u>		<u>45,118</u>
		93,983		101,750
Less: Valuation allowance - non- current		( 47,103)		-
		<u>\$ 46,880</u>		<u>\$ 101,750</u>

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

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

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

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
On or after January 1, 1998		
a. Earnings not subjected to 10% income tax	\$ 137,073	\$ 27,574
b. Earnings subjected to 10% income tax	( 193,395)	( 4,556)
	<u>(\$ 56,322)</u>	<u>(\$ 23,018)</u>

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

- (a) As of June 30, 2006, the Company's income tax returns through 2002 have been assessed and approved by the Tax Authority.
- (b) The Company was assessed \$963 in additional tax for the year 1999, and in 2002 and 2003, the Company filed for re-examination to contest the assessment. The Ministry of Finance rendered unfavorable judgments and the Company paid all of the additional income tax, as well as, filed an appeal with the High Administrative Court.
- (c) The Tax Authority imposed additional tax and penalties amounting to \$26,293 on the Company's 2001 income tax return. The Company paid \$244 and is contesting the remaining balance and penalties imposed by the Tax Authority. The Company filed for re-examination in April 2005.
- (d) The Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company paid \$4,050 and contested the remaining balance imposed by the Tax Authority. The Company filed for re-examination in February 2006.

- G) The two incremental income associated with the Company's investments in the development of its PC-based and internet-based computer games are exempt from income tax for five years (2001 to 2005 and 2002 to 2006). The tax exempt income amounted to \$28,706 and \$19,721 for the six-month periods ended June 30, 2006 and 2005, respectively.
- H) The incremental income associated with the NC Taiwan Co., Ltd.'s investment in the development of internet-based computer games that conforms with the Regulation No. 8-1 of "Statute for Upgrading Industries", and its new non-taxable income are exempt from income tax for 5 years from the start of the Company's investment (2005 to 2009). The Company had no tax exempt income for the six-month periods ended June 30, 2006 and 2005.
- I) As of June 30, 2006, in accordance with the "Income Tax Law" and "Statute for Upgrading Industries," the Company and its domestic subsidiaries had investment tax credits and loss carryforwards to offset against taxable income for the next four to five years. The details are as follows:

<u>Deductible items</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 41,132	\$ 35,707	2008~2010
Machinery and equipment	29,616	23,562	2007~2011
Employee trainings	2,447	2,447	2009~2010
Loss carryforwards	70,613	70,613	2007~2011
	<u>\$ 143,808</u>	<u>\$ 132,329</u>	

(19) Earnings per share

<u>For the six-month period ended June 30, 2006</u>				
<u>Amount</u>		<u>Weighted average number of outstanding common shares</u>	<u>Earnings per share (Note)</u>	
<u>Before income tax</u>	<u>After income tax</u>		<u>Before income tax</u>	<u>After income tax</u>
		<u>(In thousands of shares)</u>		

Earnings per share:

Profit attributable to equity holders

of the Company \$ 199,589 \$ 137,073 142,283 \$ 1.40 \$ 0.96

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

	For the six-month period ended June 30, 2006				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note)	
	Before income tax	After income tax		Before income tax	After income tax
Earnings per share:					
Profit attributable to equity holders of the Company	<u>\$ 80,335</u>	<u>\$ 27,574</u>	<u>147,821</u>	<u>\$ 0.54</u>	<u>\$ 0.19</u>

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

Note: In New Taiwan Dollars.

(20) Treasury Stock

A) Purpose

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

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

Note: Amount in thousands of shares.

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

June 30, 2006		June 30, 2005	
Maximum balance	Ending balance	Maximum balance	Ending balance
<u>\$ 302,140</u>	<u>\$ 155,765</u>	<u>\$ 319,214</u>	<u>\$ 315,784</u>

C) The procedure for the write-off of the treasury stocks purchased on February 16, 2006 was under examination by the Ministry of Economic Affairs, R.O.C. As a

result, the additional paid in capital-in excess of par decreased by \$34,160, the additional paid in capital-treasury stock transaction decreased by \$27,162 and accumulated deficit increased by \$190,818. In addition, 10,000,000 shares were purchased continually since March 20, 2006.

- D) Treasury stocks purchased on April 18, 2005 and October 4, 2005 were retired. As a result, the additional paid in capital-treasury stock transaction increased by \$10,051 and the additional paid in capital-in excess of par decreased by \$19,660.
- E) According to the R.O.C Security Exchange Act, the percentage of the number of shares of treasury stocks shall not exceed 10% of the total shares of common stocks issued by the Company and the total amount of treasury stock shall not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve.
- F) According to the R.O.C Security Exchange Act, treasury stocks held by the Company shall not be pledged, and shall bear no right of shareholders until reissued.
- G) According to the R.O.C. Security Exchange Act, treasury shares for the purpose of enhancing Company's credit and shareholder's equity not reissued within six months shall be retired, treasury stocks for all other purposes shall be reissued within three years of acquisition.

(21) Employee Stock Option Plan

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

B) The units and weighted average exercise price of the stock options for the six-months ended June 30, 2006 and 2005 were as follows:

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

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

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

June 30, 2006					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousands)	Weighted- average remaining life (year)	Weighted- average exercise price (in dollars)	Units (in thousands)	Weighted- average exercise price (in dollars)
\$ 32.80	10,000	3.58	\$ 32.80	-	\$ -

  

June 30, 2005					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousands)	Weighted- average remaining life (year)	Weighted- average exercise price (in dollars)	Units (in thousands)	Weighted- average exercise price (in dollars)
\$ 32.80	10,000	4.58	\$ 32.80	-	\$ -

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

(a) Model: The Black-Scholes model.

(b) Assumptions:

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

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

(c) Result of evaluation:

	<u>For the six-month period ended June 30, 2006</u>	<u>For the six-month period ended June 30, 2005</u>
Weighted average fair value of options granted to employees	\$ 17.4656 (in dollars)	\$ 17.4656 (in dollars)
The compensation cost under “fair value method”	811	22,025

(d) Pro forma information:

		<u>For the six-month period ended June 30, 2006</u>	<u>For the six-month period ended June 30, 2005</u>
Net income	Net income	\$ 137,073	\$ 24,574
	Pro forma net income	136,262	5,549
Basic earnings per share	EPS	0.96 (in dollars)	0.19 (in dollars)
	Pro forma EPS	0.96 (in dollars)	0.04 (in dollars)
Diluted earnings per share	EPS	0.96 (in dollars)	0.19 (in dollars)
	Pro forma EPS	0.96 (in dollars)	0.04 (in dollars)

(22) Personnel, Depreciation and Amortization Expenses

	<u>For the six-month period ended June 30, 2006</u>		
	<u>Operating Costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 76,207	\$ 220,630	\$ 296,837
Labor and health insurances	3,192	18,181	21,373
Pension	2,083	12,593	14,676
Other	2,417	13,220	15,637
	<u>\$ 83,899</u>	<u>\$ 264,624</u>	<u>\$ 348,523</u>
Depreciation	\$ 85,476	\$ 24,984	\$ 110,460
Amortization	19,813	13,027	32,840
	<u>\$ 105,289</u>	<u>\$ 38,011</u>	<u>\$ 143,300</u>

	<u>For the six-month period ended June 30, 2005</u>		
	<u>Operating Costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 55,126	\$ 219,571	\$ 274,697
Labor and health insurances	3,525	15,951	19,476
Pension	502	6,672	7,174
Other	1,714	15,148	16,862
	<u>\$ 60,867</u>	<u>\$ 257,342</u>	<u>\$ 318,209</u>
Depreciation	\$ 63,784	\$ 45,102	\$ 108,886
Amortization	82,178	25,529	107,707
	<u>\$ 145,962</u>	<u>\$ 70,631</u>	<u>\$ 216,593</u>

(23) Preparation of Financial Statements

The Company, in accordance with Article 12 of “Statute for Upgrading Industries,” may set aside 20% of overseas investments as allowance for investment losses for income tax purposes. The balance amounted to \$219,236 as of June 30, 2006.

However, to comply with generally accepted accounting principles in Republic of China, the allowance had been reversed in the financial statements as of June 30, 2006.

The allowance for investment loss is as follows:

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

## 5. RELATED PARTY TRANSACTIONS

### (1) Names and relationship of related parties

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

### (2) Significant transactions with related parties

#### A) Other receivables

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Amount</u>	<u>% of net</u>	<u>Amount</u>	<u>% of net</u>
		<u>other receivables</u>		<u>other receivables</u>
NCsoft	\$ 514	18	\$ -	-
Soga	43	2	29,744	80
	<u>\$ 557</u>	<u>20</u>	<u>\$ 29,744</u>	<u>80</u>

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

#### B) Accounts payable

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Amount</u>	<u>% of net</u>	<u>Amount</u>	<u>% of net</u>
		<u>accounts payable</u>		<u>accounts payable</u>
NCsoft	\$ 17,117	11	\$ 48,696	50

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

#### C) Others

- The Company and its subsidiary, NC Taiwan Co., Ltd. have been engaged to sell the on-line games developed by NCsoft and are required to pay NCsoft royalties based on the negotiated proportion of the amount of the games consumed. For the six months ended June 30, 2006 and 2005, the royalties paid to NCsoft amounted to \$332,434 and \$417,995, respectively, which were included in "operating costs".
- For the six months ended June 30, 2006, its subsidiary, NC Taiwan Co., Ltd., paid \$1,092 to NCsoft for the security service fee for on-line games, which was included in "operating costs".

## 6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>June 30,</u>		<u>Purpose</u>
	<u>2006</u>	<u>2005</u>	
Time deposits (shown in other financial assets-current)	\$ 30,000	\$ -	Short-term loans / Credit lines
Time deposits (shown in other financial assets-non-current)	-	6,981	Long-term loans / Credit lines
Land	141,717	141,717	Long-term loans / Credit lines
Buildings	105,161	107,171	"
Machinery and equipment	24,157	34,818	"
	<u>\$ 301,035</u>	<u>\$ 290,687</u>	

## 7. COMMITMENTS AND CONTINGENT LIABILITIES

- A) As of June 30, 2006, the total rental commitment for the next 3 years under non-cancelable operating lease agreements for the Company's office building was \$66,712.
- B) The Company contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In addition, the Company contracted with several on-line game vendors and will pay royalty based on actual usage.
- C) As described in Note 4(18), the Tax Authority assessed additional income tax of \$963 on the 1999 income tax return for disallowing the R&D investment tax credits. In 2002, the Company filed for a re-examination which was rejected by the Ministry of Finance. As required under the regulations, the Company paid additional income tax and filed an appeal with the High Administrative Court in 2003. The case is currently pending.
- D) As stated in Note 4(18), the Tax Authority imposed additional tax and penalties totaling \$26,293 on the Company's 2001 income tax return. The Company reassessed the 2001 income tax return and deemed its additional liability to be \$244. The Company filed for re-examination in April 2005 to contest the balance of tax and penalties.
- E) As stated in Note 4(18), the Tax Authority imposed additional tax and penalties totaling \$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.
- F) The subsidiary, Gamania Korea Co., Ltd. was accused by Mediaweb Co. in May 2006 for quitting EverQuest2-Asia edition's affiliated service, amounting to KRW\$ 579,206 thousand (NTD 19,907 thousand approximately). The lawsuit is in process and the

final result is dependent on the court's decision, so the contingent liabilities are difficult to estimate.

G) For the period from January 1, 2006 to December 31, 2006, First Commercial Bank has provided guarantee for merchandise transactions on behalf of the Company to Wisdom Distribution Service Corporation. The Company guarantees that if the amount of sale to Wisdom Distribution Service Corporation is lower than the amount of sales return, the Company should pay the guarantee \$4,000 to First Commercial Bank and Wisdom Distribution Service Corporation would get implicative guarantee from First Commercial Bank.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

(1) The fair values of the financial instruments

	<u>June 30, 2006</u>			<u>June 30, 2005</u>		
	<u>Fair value</u>			<u>Fair value</u>		
	<u>Book value</u>	<u>Quotations in an active market</u>	<u>Estimated value</u>	<u>Book value</u>	<u>Quotations in an active market</u>	<u>Estimated value</u>
<u>Financial instruments</u>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$1,901,677	(Note)	\$1,901,677	\$1,969,803	(Note)	\$1,969,803
Financial assets carried at cost	112,550	-	-	19,346	-	-
Refundable deposits	31,132	-	30,641	39,941	-	39,888
Liabilities						
Financial liabilities with fair values equal to book values	\$ 575,924	(Note)	\$ 575,924	\$ 506,482	(Note)	\$ 506,482
Long-term loans	286,750	-	271,912	315,519	-	290,178
Guarantee deposits	1,319	-	1,319	1,916	-	1,916
Note: Please see note on (A)						

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

- A) For short-term instruments, the book value is approximate to the fair value. The carrying amounts of short-term non-derivative financial assets and liabilities, which include cash and cash equivalents, notes and accounts receivable, other receivables (including related parties), other financial assets-current, other current assets-other, other financial assets-non-current, short-term loans, notes and accounts payable (including related parties), income tax payable, accrued expenses, other payables, current portion of long-term liabilities, and other current liabilities, approximate their fair value because of their short-term maturities.
- B) The fair value of the refundable deposits is based on the present value of expected cash flow amounts. The discount rate is the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank.
- C) The fair value of the long-term loans is based on the present value of expected cash flow amounts. The discount rate was another instrument which the Company could acquire similar terms ranging from 2.445% to 3.47%.
- 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 Company's activities expose it to a variety of financial risks: (including market risk, credit risk, liquidity risk and cash flow interest rate risk).

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

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

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

(3) Information of financial risk

A) Financial instruments of equity

<u>Items</u>	<u>June 30, 2006</u>
Financial assets carried at cost-non-current	\$ 112,550

(A) Market risk

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

(B) Credit risk

The Company and its subsidiaries have evaluated credit standing of the counterparties and do not expect any non-fulfillment of the terms of the contract, so the chance of credit risk is low.

(C) Liquidity risk

There is no **active market** for financial instruments of equity of the Company and its subsidiaries, so the Company and its subsidiaries expect to have liquidity risk.

(D) Cash flow interest rate risk

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

B) Receivables

<u>Items</u>	<u>June 30, 2006</u>
Accounts receivable	\$ 912,211
Notes receivable	39,559
Other receivables	2,819
	<u>\$ 954,589</u>

(A) Market risk

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

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

C) Loans

<u>Items</u>	<u>June 30, 2006</u>
Long-term loans (including current portion of long-term liabilities)	<u>\$ 340,519</u>

(A) Market risk

The interest rate of the loans for working capital is floating, thus the Company and the subsidiaries expect no significant market risk.

(B) Credit risk

None.

(C) Liquidity risk

The working capital of the Company and the subsidiaries is sufficient to cover the loans, so they expect no significant liquidity risk.

(D) Cash flow interest risk

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

- (4) For the six-month periods ended June 30, 2006 and 2005, the Company donated magazines amounting to \$15,201 and \$3,870, respectively, to political parties, charities, and educational institutions that are accredited by the government, without significant appointed considerations.

E. Inter-company transactions eliminated

For the six-month period ended June 30, 2006

	Companies and amounts							
	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	NC Taiwan Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	Alibangbang Digital Games Co., Ltd.
1. Long-term investments and stockholders' equity eliminated	(\$ 501,151)	\$ 136,177	\$ 91,271	\$ 90,785	\$ 109,172	\$ 50,328	\$ 95	\$ 23,323
2. Receivables and payables eliminated	( 165,404)	( 24,140)	153,223	42,238	6	( 5,809)	( 71)	( 43)
3. Profit and loss accounts eliminated	-	-	-	-	-	-	-	-
(1) Sale and purchase transactions	76,951	3,737	( 76,088)	( 4,600)	-	-	-	-
(2) Royalty income and publishing expense	( 1,289)	1,289	-	-	-	-	-	-
(3) Other operating revenue and service expense	( 1,317)	-	-	1,317	-	-	-	-
(4) Publishing expense and royalty income	982	-	( 982)	-	-	-	-	-
(5) Advertising expense and revenue	3,528	-	-	( 3,528)	-	-	-	-
(6) Rent revenue and expense	( 11,933)	2,937	137	6,604	-	2,255	-	-
(7) Other revenue and expense	( 939)	-	575	364	-	-	-	-
(8) Realized (unrealized) gross profit on inter-company transactions	551	( 51)	( 1,055)	555	-	-	-	-

For the six-month period ended June 30, 2005

	Companies and amounts							
	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	NC Taiwan Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	Alibangbang Digital Games Co., Ltd.
1. Long-term investments and stockholders' equity eliminated	(\$ 659,882)	\$ 205,094	\$ 95,868	\$ 231,480	\$ -	\$ 121,205	\$ 172	\$ 6,063
2. Receivables and payables eliminated	( 202,015)	( 23,242)	193,632	31,656	-	( 64)	33	-
3. Profit and loss accounts eliminated								
(1) Sale and purchase transactions	-	3,025	-	( 3,025)	-	-	-	-
(2) Royalty income and publishing expense	( 1,465)	1,465	-	-	-	-	-	-
(3) Other operating revenue and service expense	( 1,956)	1,683	-	272	-	1	-	-
(4) Publishing expense and royalty income	2,146	-	( 2,146)	-	-	-	-	-
(5) Adverting expense and revenue	2,519	-	-	( 2,519)	-	-	-	-
(6) Rent revenue and expense	( 14,416)	-	2,726	11,690	-	-	-	-
(7) Realized (unrealized) gross profit on inter-company transactions	355	690	( 700)	( 345)	-	-	-	-

11. DISCLOSURE INFORMATION

(1) Related information of significant transactions

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

Unit: Thousands of New Taiwan Dollars

The Company or investee companies		Parties being guaranteed		The limit of guarantee for each party (Note 4)	Maximum outstanding guarantee amount for the six-month period ended June 30, 2006	Outstanding guarantee amount at June 30, 2006	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Maximum amount available for guarantee (Note 3)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Gamania Korea Co., Ltd.	2	\$ 30,000	\$ 29,133 (USD \$900,000)	\$ 29,133 (USD \$900,000)	None	1.45%	\$ 440,636 (30% of the Company's capital)

Note 1: Number 0 represents the Company.

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

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

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

C) Marketable securities held at June 30, 2006:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	June 30, 2006				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	27,920	\$ 136,177	100%	\$ 136,177	Note (3)
"	"	Gamania Korea Co., Ltd.	"	"	493	9,082	100%	9,082	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	8,600	3,323	96.36%	3,323	"
"	"	NC Taiwan Co., Ltd.	"	"	7,140	91,271	51.00%	91,271	"
"	"	Taiwan Index Co., Ltd.	"	"	17,350	64,840	69.40%	64,840	"
"	"	Gamania Asia Investmet Co., Ltd.	"	"	19,000	135,117	100%	135,117	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	95	100%	95	"
"	"	Soga Interactive Co., Ltd.	Investee company accounted for under equity method	"	2,800	20,459	40.00%	20,459	None
"	"	Playcoo Co.	"	"	4,000	35,191	30.30%	35,191	"
"	"	Gamania Korea Co., Ltd.	Subsidiary	Prepayment for long-term investment	-	41,246	-	41,246	Note (3)

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	June 30, 2006				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Alibangbang Digital Games Co., Ltd.	Subsidiary	Prepayment for long-term investment	-	\$ 20,000	-	\$ 20,000	Note (3)
"	"	Buybooks Digital Technology Co., 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	2,700	18.55%	2,700	"
"	"	Joyon Entertainment Co., Ltd.	"	"	697	9,851	11.47%	9,851	"
"	"	RAVA Ideologie Inc.	"	"	880	-	8.69%	-	"

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

Note (2): The market value of listed equity securities and closed-end mutual funds is determined respectively based on closing price at the balance sheet date and net assets value of funds. 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 June 30, 2006 in excess of \$100,000 or 20% of capital:

Investor	Type and name of marketable securities	General ledger account	Name and relationship of counter-party	Beginning balance (Note)		Addition		Disposal			Disposal gain (loss)	Ending balance (Note 1)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	Fund 1	Financial asset held for trading-bond funds	Initial investment at inception/None	-	-	7,715	\$ 115,000	7,715	\$ 115,255	\$ 115,000	255	-	-
"	Fund 2	"	"	-	-	8,381	138,000	8,381	138,103	138,000	103	-	-
"	Fund 3	"	"	-	-	9,656	110,000	9,656	110,093	110,000	93	-	-

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 is that long-term investment in NC Taiwan Co., Ltd., Taiwan Index Co., Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital (Japan) Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd., and Playcoo Co., were based on financial statements audited by other auditors. Gamania Entertainment Labuan Holdings Ltd. and G.A. Co., Limited were based on unaudited financial statements. The others were audited by us.)

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) Gain incurred by the Investee	Investment (loss) gain recognized by the Company	Note
				2006.06.30	2005.12.31	Number of Shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holding company	\$ 947,671	\$ 892,188	27,920	100%	\$136,177	(\$ 24,869)	(\$ 24,869)	Subsidiary (Note (3))
"	Gamania Korea Co., Ltd	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sale of software	96,224	80,189	493	100%	50,328 (Note 1)	( 21,435)	( 21,435)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Design and research and development of software	90,000	90,000	8,600	96%	23,323 (Note 1)	( 15,896)	( 15,194)	"
"	NC Taiwan Co., Ltd.	"	Design and sale of software	71,400	71,400	7,140	51%	91,271	( 36,630)	( 19,736)	"
"	Taiwan Index Co., Ltd.	"	Software service	208,200	208,200	17,350	69.40%	64,840	( 5,952)	( 3,575)	"
"	Gamania Asia Investment Co., Ltd.	"	Investment	190,000	190,000	19,000	100%	135,117	( 1,659)	( 1,659)	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 9F, Main Office Tower, Financial Park, 87000 Labuan FT Labuan, Malaysia	Investment holding company	329	329	10	100%	95	( 73)	( 73)	"

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss)gain incurred by the Investee	Investment( loss) gain recognized by the Company	Note
				2006.06.30	2005.12.31	Number of Shares	Percentage	Book value			
The Company	Soga Interactive Co., Ltd.	18F, No.736 Chang-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Design and research of software	\$ 28,000	\$ 28,000	2,800	40%	\$ 20,459	(\$ 7,612)	(\$ 3,045)	Investee company accounted for under equity method
"	Playcoo Co.	4F-4, No.215 Cheng-de Rd., Taipei Country, Taiwan	Supply software service and electric information	40,000	40,000	4,000	30.30%	35,191	( 14,059)	( 4,260)	"
Gamania Asia Investment Co., Ltd	Taiwan Index Co., Ltd.	18F, No.736 Chang-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Design and sale of software	80,625	80,625	6,800	27.20%	25,945	( 5,952)	( 1,619)	Investee company accounted for under equity method (Note (3))
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holding company	USD27,920 thousand	USD26,191 thousand	27,920	100%	USD4,235 thousand	(USD 768 thousand)	(USD 768 thousand)	Subsidiary (Note (3))
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan.) Co., Ltd.	Sumitomo Ooimachi Bldg (North) 4F, 1-20-6 Ooi, Shinagawa-Ku, Tokyo, Japan 140-0014	Design and sale of software; Sale of hardware	USD13,110 thousand	USD12,240 thousand	18	100%	USD2,252 thousand	(USD 617 thousand)	(USD 617 thousand)	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holding company	USD16,884 thousand	USD16,750 thousand	16,884	92.92%	USD2,145 thousand	(USD 158 thousand)	(USD 147 thousand)	"

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss)gain incurred by the Investee	Investment( loss) gain recognized by the Company	Note
				2006.06.30	2005.12.31	Number of Shares	Percentage	Book value			
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	4F, One Capital Place, P.O. box 847 gt, Grand Cayman, Cayman Islands, British West Indies	General Investment	USD14,910 thousand	USD14,250 thousand	N/A	100%	(USD 43 thousand)	(USD 948 thousand)	(USD 948 thousand)	Subsidiary (Note (3))
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Rm 2106, Bldg No. 5 Soho New Town No. 88, Jian Guo Re Beijing 1000022 China	Design and sale of software	USD11,980 thousand	USD11,480 thousand	N/A	100%	(USD 32 Thousand)	(USD 690 thousand)	(USD 690 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	USD3,009 thousand	USD3,009 thousand	35,500	100%	USD 1,960 thousand	USD 790 thousand	USD 790 thousand	"
Gamania China Holdings Ltd.	G.A. Co., Limited.	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	Note (2)	Note (2)	N/A	100%	(USD 6 thousand)	-	-	"

Note (1): Including prepayments for long-term investment.

Note (2): The original investment cost is \$HK2.

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

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

C) Guarantee information: None.

D) Marketable securities held at June 30, 2006:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	June 30, 2006				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
Gamania Holdings Ltd.	Common Stock	Gamania International Holdings Ltd.	Subsidiary	Long-term equity investment accounted for under the equity method	27,920	USD4,235 thousand	100%	USD4,235 Thousand	Note (3)
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	18	USD2,252 thousand	100%	USD2,252 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	16,884	USD2,145 thousand	92.92%	USD2,145 thousand	"
Gamania China Holdings Ltd.	"	G.A. Co., Limited.	"	"	N/A	(USD 6 thousand)	100%	(USD 6 thousand)	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD1,960 thousand	100%	USD1,960 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	N/A	(USD 43 Thousand)	100%	(USD 43 thousand)	"
Gamania Sino Holdings Co., Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	(USD 32 thousand)	100%	(USD 32 thousand)	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under the equity method	"	6,800	\$25,945	27.20%	\$25,945	"

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

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

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

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

Note (4): Unit: Share

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

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties	Turnover rate	Overdue receivable		Subsequent Collections	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
NC Taiwan Co., Ltd.	The Company	Parent Company	\$ 155,733	(Note (1))	\$ -	N/A	\$ 62,251	\$ -

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

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

- J) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

a.

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment as of January 1, 2006	Remitted or received investment amount during the period		Accumulated investment as of June 30, 2006	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at June 30, 2006	Accumulated investment income received as of June 30, 2006
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sale of software	(RMB 98,811 thousand) \$400,216	(Note (2))	(USD 9,350 thousand) \$302,660	(USD 500 thousand) \$16,185	\$ -	(USD 9,850 thousand) \$318,845	92.92%	(USD 640 thousand) (\$20,717)	(USD 30 thousand) (\$ 971)	\$ -

Accumulated amount of investment in Mainland China as of June 30, 2006	Related investment amount approved by FIA	The upper limit of investment in Mainland China
\$ 318,845(USD 9,850thousand)	\$403,978 (Note (1))	\$ 806,105

Note (1): Related total investment amount approved by FIA is USD12,480,000 or NTD 403,978 thousand based on 32.37exchange rate.

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

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

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 six-month period ended June 30, 2006.

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
0	Gamania Digital Entertainment Co., Ltd.	NC Taiwan Co., Ltd.	1	Service revenue	\$ 4,586	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Service revenue	3,876	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Royalty income	1,289	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other operating revenue	1,317	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Purchases	74,524	Note (4)	4%
0	"	Taiwan Index Co., Ltd.	1	Purchases	2,427	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	3,528	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Rent revenue	6,604	Note (4)	-%
0	"	Gamania Korea Co., Ltd.	1	Rent revenue	2,255	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Rent revenue	2,205	Note (4)	-%
0	"	Taiwan Index Co.	1	Notes receivable	7,928	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other receivables	17,787	Note (4)	1%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	9,802	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	7,185	Note (4)	-%
0	"	Gamania Korea Co., Ltd.	1	Other receivables	6,670	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Other receivables	2,446	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes payable	115,214	Note (4)	4%
0	"	Taiwan Index Co., Ltd.	1	Accounts payable	2,193	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other payable	40,238	Note (4)	1%

For the six-month period ended June 30, 2006 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
0	Gamania Digital Entertainment Co., Ltd.	NC Taiwan Co., Ltd.	1	Other payables	\$ 40,148	Note (4)	1%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other payables	4,436	Note (4)	-%
1	NC Taiwan Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	4,586	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sale revenue	74,524	Note (4)	4%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	2,446	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Notes receivable	115,214	Note (4)	4%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	40,148	Note (4)	1%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	6,330	Note (4)	-%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other receivables	1,548	Note (4)	-%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Sales revenue	1,564	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	3,876	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Service expense	1,317	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	2,427	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating revenue	3,528	Note (4)	-%

For the six-month period ended June 30, 2006 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	\$ 6,604	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	7,928	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	2,193	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	40,238	Note (4)	1%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	1,077	Note (4)	-%
3	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Rent expense	2,255	Note (4)	-%
3	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	6,670	Note (4)	-%
3	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	8,788	Note (4)	-%
4	Gamania Digital Entertainment (H.K.) Co., Ltd.	NC Taiwan Co., Ltd.	3	Operating costs	1,564	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	1,289	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	9,802	Note (4)	-%
4	"	NC Taiwan Co., Ltd.	3	Other payables	6,330	Note (4)	-%
4	"	NC Taiwan Co., Ltd.	3	Other payables	1,548	Note (4)	-%
4	"	Taiwan Index Co., Ltd.	3	Other payables	1,077	Note (4)	-%
4	"	Gamania Korea Co., Ltd.	3	Other receivables	8,788	Note (4)	-%
4	"	Gamania Sino Holdings Ltd.	3	Other receivables	5,927	Note (4)	-%
5	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	17,787	Note (4)	1%
5	"	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	4,436	Note (4)	-%

For the six-month period ended June 30, 2006 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
6	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	\$ 2,205	Note (4)	-%
6	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	7,185	Note (4)	-%
6	"	Gamania Sino Holdings Ltd.	3	Other payables	6,652	Note (4)	-%
7	Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (H.K) Co., Ltd.	3	Other payables	5,927	Note (4)	-%
7	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	Other receivables	6,652	Note (4)	-%

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

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

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

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

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

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

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

For the six-month period ended June 30, 2005 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
0	Gamania Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	1	Service revenue	\$ 5,062	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Service revenue	3,888	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Royalty income	1,465	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Purchases	18,852	Note (4)	1%
0	"	NC Taiwan Co., Ltd.	1	Purchases	10,292	Note (4)	1%
0	"	NC Taiwan Co., Ltd.	1	Publishing costs	2,146	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	2,519	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Rent revenue	11,690	Note (4)	1%
0	"	NC Taiwan Co., Ltd.	1	Rent revenue	2,726	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes receivable	1,558	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Accounts receivable	2,334	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other receivables	13,047	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	12,928	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Other receivables	9,628	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other receivables	8,791	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	1,953	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes payable	148,157	Note (4)	4%
0	"	Taiwan Index Co., Ltd.	1	Notes payable	5,449	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Other payables	57,483	Note (4)	2%
0	"	Taiwan Index Co., Ltd.	1	Other payables	37,651	Note (4)	1%

For the six-month period ended June 30, 2005 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
1	NC Taiwan Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	\$ 3,888	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	10,292	Note (4)	1%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	2,146	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	2,726	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	1,558	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	9,628	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Notes receivable	148,157	Note (4)	4%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	57,483	Note (4)	2%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	4,235	Note (4)	-%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	4,669	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	5,062	Note (4)	-%

For the six-month period ended June 30, 2005 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	\$ 18,852	Note (4)	1%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	2,519	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	11,690	Note (4)	1%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	13,047	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Notes receivable	5,449	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	37,651	Note (4)	1%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Sales revenue	1,022	Note (4)	-%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other receivables	2,156	Note (4)	-%
4	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	1,465	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	12,928	Note (4)	-%
4	"	NC Taiwan Co., Ltd.	3	Other payables	4,235	Note (4)	-%
4	"	NC Taiwan Co., Ltd.	3	Other receivables	4,669	Note (4)	-%
4	"	Taiwan Index Co., Ltd.	3	Other payables	2,156	Note (4)	-%
4	"	Taiwan Index Co., Ltd.	3	Operating costs	1,022	Note (4)	-%
5	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	2,334	Note (4)	-%
5	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	8,791	Note (4)	-%
6	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,953	Note (4)	-%
6	"	Gamania Sino Holdings Ltd.	3	Other payables	1,793	Note (4)	-%

For the six-month period ended June 30, 2005 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
7	G. A. Co., Limited	Gamania Sino Holdings Ltd.	3	Other payables	\$ 1,043	Note (4)	-%
8	Gamania Sino Holdings Ltd.	G. A. Co., Limited	3	Other receivables	1,043	Note (4)	-%
8	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	Other receivables	1,793	Note (4)	-%

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

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

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

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

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

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

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

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

None.