

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

**FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS**

**SEPTEMBER 30, 2005 AND 2004**

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These English financial statements and report of independent accountants were translated from the financial statements and report of independent accountants originally prepared in Chinese.

## **Report of Independent Accountants**

(05) R.F014.5030

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

We have reviewed the accompanying balance sheets of Gamania Digital Entertainment Co., Ltd. as of September 30, 2005, and 2004, and the related statements of income and of cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

Except as explained in the following paragraph, our review was made in accordance with the "Review of Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The financial statements included certain long-term investments, accounted for under the equity method, stated at \$612,831,000 and \$715,944,000 as of September 30, 2005 and 2004, respectively, and the related investment loss of \$136,514,000 and \$178,836,000 for the nine-month periods then ended, as described in Note 4(7). These amounts and the related disclosure in Note 11, were based on the their respective financial statements, which were not reviewed by independent accountants.

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

As discussed in Note 3, 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 change in the method of accounting for asset impairment, total assets and stockholders’ equity were decreased by \$321,770,000, as of September 30, 2005, and the change had no significant effect on net income for the nine-month period ended September 30, 2005.

October 22, 2005

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The accompanying 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 financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying 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.**  
**BALANCE SHEETS**  
**SEPTEMBER 30,**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

ASSETS	2005		2004		LIABILITIES AND STOCKHOLDERS' EQUITY	2005		2004	
	Amount (Review Only)	%	Amount (Review Only)	%		Amount (Review Only)	%	Amount (Review Only)	%
<b>Current Assets</b>					<b>Current Liabilities</b>				
Cash and cash equivalents (Note 4(1))	\$ 75,399	3	\$ 107,395	3	Short-term loans (Note4(11))	\$ -	-	\$ 30,000	1
Short-term investments (Note 4(2))	694,000	22	496,400	16	Notes payable	49,305	2	50,901	2
Notes receivable - third parties - net (Note 4(3))	41,411	1	68,855	2	Notes payable - related parties (Note 5)	131,925	4	-	-
Notes receivable - related parties - net (Note 5)	2,642	-	2,696	-	Accounts payable	64,952	2	42,758	1
Accounts receivable - third parties - net (Note 4(4))	471,638	15	569,562	18	Income tax payable (Note 4(13))	18,015	1	13,883	-
Accounts receivable - related parties - net (Note 5)	2,057	-	-	-	Accrued expenses	82,771	3	84,464	3
Other receivables - third parties - net(Note 4(5))	224,160	7	82,650	3	Other payables - related parties (Note 5)	103,223	3	131,968	4
Other receivables - related parties (Note 5)	51,651	2	12,710	1	Other payables - third parties	10,989	-	14,409	-
Other financial assets - current (Note 6)	30,000	1	-	-	Unearned revenue collected in advance	63,856	2	72,623	2
Inventories (Note 4(6))	15,168	1	11,282	-	Current portion of long-term liabilities (Note 4(12))	53,769	2	14,701	1
Prepaid expenses	7,115	-	11,976	-	Other current liabilities	4,502	-	7,910	-
Deferred income tax assets - current (Note 4(13))	38,892	1	37,275	1		<u>583,307</u>	<u>19</u>	<u>463,617</u>	<u>14</u>
	<u>1,654,133</u>	<u>53</u>	<u>1,400,801</u>	<u>44</u>	<b>Long-term Liability</b>				
<b>Long-term Investments (Note 4(7))</b>					Long-term loans (Note 4(12))	289,576	9	153,813	5
Long-term investments - accounted for under the equity method	612,831	19	715,994	22		<u>289,576</u>	<u>9</u>	<u>153,813</u>	<u>5</u>
Long-term investments - accounted for under the cost method	16,046	1	27,846	1	<b>Other Liabilities</b>				
	<u>628,877</u>	<u>20</u>	<u>743,840</u>	<u>23</u>	Accrued pension liabilities (Note 4(14))	5,842	-	2,488	-
<b>Property, Plant and Equipment (Notes 4(8) and 6)</b>					Guarantee deposits	54	-	1,655	-
Cost						<u>5,896</u>	<u>-</u>	<u>4,143</u>	<u>-</u>
Land	147,751	5	147,751	5	Total Liabilities	<u>878,779</u>	<u>28</u>	<u>621,573</u>	<u>19</u>
Buildings	146,804	5	144,548	4	<b>Stockholders' Equity</b>				
Machinery equipment	645,955	20	512,617	16	Common stock (Notes 1 and 4 (15))	1,518,787	48	1,587,997	49
Transportation equipment	1,700	-	1,700	-	Capital reserve (Note 4 (16))				
Computers and communication equipment	76,636	2	93,208	3	Paid-in capital in excess of par	1,037,644	33	1,390,640	43
Leasehold improvements	66,218	2	81,511	3	Treasury stock	27,162	1	-	-
Other equipment	4,520	-	5,349	-	Gain on disposal of property, plant and equipment	221	-	221	-
Cost and appraisal increment	1,089,584	34	986,684	31	Retained earnings				
Less: Accumulated depreciation	( 422,065 )	( 13 )	( 335,069 )	( 11 )	Legal reserve (Note 4(17))	-	-	103,066	3
Construction in progress and prepayments for equipment	6,671	-	-	-	accumulated deficit (Note 4(13) and4 (18))	( 29,571 )	( 1 )	( 124,861 )	( 4 )
	<u>674,190</u>	<u>21</u>	<u>651,615</u>	<u>20</u>	Cumulative translation adjustments	25,904	1	19,284	1
<b>Intangible Asset</b>					Treasury stock (Note 4(20))	( 302,140 )	( 10 )	( 375,264 )	( 11 )
Other intangible asset (Note 4(9))	-	-	38,298	1	Total Stockholders' Equity	<u>2,278,007</u>	<u>72</u>	<u>2,601,083</u>	<u>81</u>
	<u>-</u>	<u>-</u>	<u>38,298</u>	<u>1</u>	<b>Commitments and Contingent Liabilities (Notes 7)</b>				
<b>Other Asset</b>									
Refundable deposits	6,272	-	11,129	-					
Deferred charges (Notes 4(10) and 7)	139,364	4	366,914	12					
Deferred income tax assets - non current (Note 4 (13))	53,950	2	10,059	-					
	<u>199,586</u>	<u>6</u>	<u>388,102</u>	<u>12</u>					
<b>TOTAL ASSETS</b>	<u>\$ 3,156,786</u>	<u>100</u>	<u>\$ 3,222,656</u>	<u>100</u>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 3,156,786</u>	<u>100</u>	<u>\$ 3,222,656</u>	<u>100</u>

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

See report of independent accountants dated October 22, 2005.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.  
STATEMENTS OF INCOME  
NINE-MONTH PERIODS ENDED SEPTEMBER 30,  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT EARNINGS (LOSS) PER SHARE DATA)

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenues	(Review Only)		(Review Only)	
Sales revenue (Note 5)	\$ 1,267,318	97	\$ 1,487,445	99
Sales returns	( 52,195)	( 4)	( 28,831)	( 2)
Sales allowances	( 27,604)	( 2)	( 31,996)	( 2)
Net sales revenue	1,187,519	91	1,426,618	95
Service revenue (Note 5)	113,657	9	75,115	5
Operating revenues	<u>1,301,176</u>	<u>100</u>	<u>1,501,733</u>	<u>100</u>
Operating costs				
Cost of goods sold (Notes 4 (22) and 5)	( 639,262)	( 49)	( 723,790)	( 48)
Gross profit	<u>661,914</u>	<u>51</u>	<u>777,943</u>	<u>52</u>
Operating expenses (Notes 4 (22) and 5)				
Selling expenses	( 149,698)	( 12)	( 111,828)	( 7)
General and administrative expenses	( 290,662)	( 22)	( 291,024)	( 19)
Research and development expenses	( 60,911)	( 5)	( 54,260)	( 4)
Total operating expenses	<u>( 501,271)</u>	<u>( 39)</u>	<u>( 457,112)</u>	<u>( 30)</u>
Operating income	<u>160,643</u>	<u>12</u>	<u>320,831</u>	<u>22</u>
Non – operating income				
Interest income	204	-	294	-
Gain on disposal of fixed asset	-	-	354	-
Gains on sale of investments	5,778	1	4,718	-
Foreign exchange gain	1,997	-	621	-
Rental income (Note 5)	20,510	2	3,304	-
Miscellaneous income	4,424	-	5,000	1
Total non – operating income	<u>32,913</u>	<u>3</u>	<u>14,291</u>	<u>1</u>
Non – operating expenses				
Interest expense	( 7,572)	( 1)	( 5,479)	-
Investment loss accounted for under equity method (Note 4(7))	( 136,514)	( 11)	( 178,836)	( 12)
Other investment loss (Note 4(7))	( 10,800)	( 1)	( 67,095)	( 5)
Loss on disposal of fixed asset	( 413)	-	-	-
Provision for decline in market value and obsolescence of inventories	( 15,300)	( 1)	( 196)	-
Miscellaneous losses	( 2,852)	( -)	( 525)	-
Total non – operating expenses	<u>( 173,451)</u>	<u>( 14)</u>	<u>( 252,131)</u>	<u>( 17)</u>
Income before income tax	20,105	1	82,991	6
Income tax (expense) benefit (Note 4 (13))	( 44,456)	( 3)	17,833	1
Net (loss) income	<u>(\$ 24,351)</u>	<u>( 2)</u>	<u>\$ 100,824</u>	<u>7</u>

	<u>2005</u>		<u>2004</u>	
	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
Basic earnings (loss) per share (in dollars) (Note 4(19))				
Net income (loss)	<u>NT\$ 0.14</u>	<u>(NT\$ 0.17)</u>	<u>NT\$ 0.54</u>	<u>NT\$ 0.66</u>

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated October 22, 2005.

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

	2005	2004
<u>Cash flows from operating activities</u>	(Review Only)	(Review Only)
Net (loss) income	(\$ 24,351)	\$ 100,824
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Gain on disposal of investments	( 5,778)	( 4,718)
Provision for (reversion of) bad debts and sales returns	3,331	( 6,950)
Provision for decline in market value and obsolescence on inventories and write off	6,583	196
Depreciation and amortization expenses	137,409	136,280
Loss (gain) on disposal of fixed assets	413	( 354)
Investment loss accounted for under the equity method	136,514	178,836
Other investment loss	10,800	67,095
Changes in assets and liabilities (increase) decrease:		
Notes receivable - third parties - net	29,220	63,345
Notes receivable - related parties - net	( 2,642)	( 2,696)
Accounts receivable - third parties - net	55,859	( 65,303)
Accounts receivable - related parties - net	( 215)	-
Other receivables - third parties - net	( 111,901)	( 78,275)
Other receivables - related parties	( 14,104)	( 3,149)
Inventories	( 12,379)	( 4,048)
Prepaid expenses	5,805	11,793
Deferred income tax assets	32,804	( 33,299)
Notes payable	4,074	( 3,814)
Notes payable - related parties	131,925	-
Accounts payable	( 21,443)	( 24,114)
Income tax payable	( 570)	8,864
Accrued expenses	( 18,023)	10,970
Other payables - third parties	3,484	130,483
Other payables - related parties	( 65,295)	( 9,583)
Unearned revenue collected in advance	( 30,985)	24,435
Other current liabilities	( 3,244)	( 395)
Accrued pension liabilities	2,597	2,488
Net cash provided by operating activities	249,888	498,911

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

	<u>2005</u>	<u>2004</u>
	(Review Only)	(Review Only)
<u>Cash flows from investing activities</u>		
Proceeds from disposal of property, plant and equipment	\$ 3,426	\$ 3,371
Increase in short-term investments	( 2,577,700)	( 2,653,812)
Proceeds from disposal of short - term investments	1,889,478	2,162,130
(Increase) decrease in pledged assets, net	( 30,000)	15,000
Increase in long-term investments - subsidiary	( 94,467)	( 242,474)
Acquisition of subsidiary	-	( 221,292)
Return for liquidation of subsidiaries	-	4,045
Acquisition of property, plant and equipment	( 144,267)	( 62,325)
Increase in deferred charges	( 64,714)	( 60,486)
Decrease in refundable deposits, net	2,458	2,179
Recovery from prepayment of agency fee	-	31,339
Net cash used in investing activities	<u>( 1,015,786)</u>	<u>( 1,022,325)</u>
<u>Cash flows from financing activities</u>		
Decrease in short-term loans	-	( 70,000)
Increase (decrease) in long-term loans	97,297	( 69,477)
Decrease in long-term notes payable, net	-	( 10,687)
Increase in guarantee deposits	20	1,127
Acquisition of treasury stock	( 13,645)	( 73,124)
Net cash provided by (used in) financing activities	<u>83,672</u>	<u>( 222,161)</u>
Net decrease in cash	<u>( 682,226)</u>	<u>( 745,575)</u>
Cash and cash equivalents at beginning of period	<u>757,625</u>	<u>852,970</u>
Cash and cash equivalents at end of period	<u>\$ 75,399</u>	<u>\$ 107,395</u>
<u>Supplemental disclosure of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 7,125</u>	<u>\$ 5,549</u>
Income taxes	<u>\$ 14,652</u>	<u>\$ 5,567</u>
<u>Cash paid for purchase of property, plant and equipment:</u>		
Property , plant and equipment acquired	\$ 144,141	\$ 61,960
Payable at end of period	( 4,758)	-
Payable at beginning of period	4,884	365
Cash paid	<u>\$ 144,267</u>	<u>\$ 62,325</u>
<u>The related fair market values of assets and liabilities of the subsidiary acquired are as follows:</u>		
Cash and bank deposits	\$ -	\$ 93,096
Securities	-	15,581
Other current assets	-	171,020
Property, plant and equipment	-	49,455
Other assets	-	14,967
Goodwill	-	68,910
Current liabilities	-	( 128,874)
Long-term liabilities	-	( 13,480)
Minority interest	-	( 49,383)
Cash paid from purchase of subsidiary	<u>\$ -</u>	<u>\$ 221,292</u>

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

See report of independent accountants dated October 22, 2005.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005 AND 2004

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,

EXCEPT AS INDICATED)

(REVIEWED ONLY)

1. HISTORY AND ORGANIZATION

Gamania Digital Entertainment Co., Ltd. (the “Company”) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of September 30, 2005, the total authorized shares of common stock was \$2,500,000 consisted of 250 million shares of common stock (including 15 million shares of employee stock options), at par value \$10 (NT dollars) per share, and issued and outstanding capital was \$1,518,787. The Company engages in software services, TV programming and magazine publications. As of September 30, 2005, the Company has 526 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying non-consolidated financial statements were prepared in conformity with the “Rules Governing the Preparation of Financial Statements of Securities Issuers” and generally accepted accounting principles in the Republic of China. Significant accounting policies are summarized as follows:

(1) 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 net income.

(2) 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 is determined based on the net asset value as of the balance sheet date.

(3) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on an evaluation of the collectibility of ending balances of notes receivable, accounts receivable and other receivables (including balances from related parties), taking into account the aging analysis of receivables.

(4) Inventories

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.

(5) Long-term investments

A) 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 ability to exercise significant influence in 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.

- B) Long-term investments in which the Company owns at least 20% of the investee company's voting rights, or has the ability to exercise significant influence on the investee company, are accounted for under the equity method. The excess of investment cost over the underlying equity in net assets of the investee companies at the date of investment is amortized at 5 years.
- C) 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.
- D) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease by the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.
- E) Details on assets impairment of long-term investment accounted for under the equity method are listed in Note 2(9).

(6) 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, except for leasehold improvements, which is based on the shorter of the contract period or the life for the asset. The estimated useful lives are 55 years for buildings and 3 to 5 years for the other property, plant and equipment.
- B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating result.
- C) Major renewals or betterments are capitalized. Maintenance and repairs are charged to expense as incurred.
- D) Details on assets impairment are listed in Note 2(9).

(7) Deferred charges

- A) Costs of software copyright is capitalized and amortized under the straight-line basis over the estimated useful lives.
- B) Agency fee consists of prepayment for royalties for online game software and is stated at cost. The agency fee is amortized based on a percentage of future sales.

(8) Other intangible assets

Other intangible assets consist primarily of prepayments for developing game software are stated at cost. The accounts are used to offset against future agency fee that is based on 2% of net sales.

(9) Impairment of assets

- A) Impairments loss is recognized when recoverable amount is below the book value due to changes of environment or occurrences of some events. Recoverable amounts is the higher of fair value less cost to sell or value in use of an asset. Fair value less cost to sell is the selling price of an asset in an arm's length transaction between knowledgeable and willing parties, less the cost of disposal. Value in use is present value of the future cash flow 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 prior period, a gain is recognized to the extent of the impairment loss recognized. No recovery in impairment loss is recognized in goodwill.

(10) Employee stock option plan

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 under "fair-value-based method" has been adopted.

(11) Deferred income tax assets and income tax

- A) Income tax is provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different 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 for deferred income tax assets is recognized if it is more likely than not that the tax benefits will not be realized.
- B) Tax credits resulting from equipment purchase, technology acquisition, research and development expenditure, training expense and long-term equity investment, etc. are recognized as current income tax benefit when it 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, 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 approved a resolution to retain the earnings.

(12) 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.

(13) Treasury Stock

- A) Treasury stocks acquired are stated at cost using the weighted average method.
- 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 the book value offset sum of “common stock” and “capital reserve – additional paid-in”, 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.

(14) Earnings per Share

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

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

Diluted earnings per share: the computation is the same as basic earnings per share, except that the potential dilutive shares were assumed to have been converted to common stock at the beginning of the period and net income was 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 affect of the employee stock options.

(15) Revenue, costs and expenses

- A) Revenue from prepaid cards for on-line games is deferred and is recognized based on points consumed.
- B) Revenue from software and other merchandise is recognized upon sale and delivery of goods to retailers.

C) Sales returns are estimated based on a percentage of sales.

D) Costs and expenses are recognized as incurred.

(16) Use of estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLE

(1) In accordance with the newly issued accounting standard for employee stock option by Accounting Research Foundation, the Company adopted the “intrinsic value method” to account for the stock options after January 1, 2004. The adoption of newly issued accounting principle had no significant impact on the nine-month periods of 2004 financial statements.

(2) 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 Assets Impairment”. As a result of this change in accounting principle, the net income and total assets was decreased by \$321,770 in 2004, respectively. The adoption of the new accounting principle had no significant effect on the financial statements for the nine-month period ended September 30, 2005.

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
Cash on hand	\$ 435	\$ 267
Cash in banks	<u>74,964</u>	<u>107,128</u>
	<u>\$ 75,399</u>	<u>\$ 107,395</u>

(2) Short-term investments

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
Bond funds	<u>\$ 694,000</u>	<u>\$ 496,400</u>

(3) Notes receivable – net

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
Notes receivable	\$ 41,427	\$ 68,871
Less: Allowance for doubtful accounts	( 16)	( 16)
	<u>\$ 41,411</u>	<u>\$ 68,855</u>

(4) Accounts receivable – net

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ 512,946	\$ 631,936
Less: Allowance for doubtful accounts	( 35,442)	( 51,781)
Allowance for sales returns	( 5,866)	( 10,593)
	<u>\$ 471,638</u>	<u>\$ 569,562</u>

(5) Other receivable – net

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
Commission receivable (Note)	\$ 240,074	\$ 81,683
Others	425	967
Less: Allowance for doubtful accounts	( 16,339)	-
	<u>\$ 224,160</u>	<u>\$ 82,650</u>

(Note) Commission receivable is generated from sales of subsidiary's on-line games and peripheral products.

(6) Inventories

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
Inventories	\$ 42,200	\$ 34,439
Less: Reserve for loss on decline in market value and obsolescence	( 27,032)	( 23,157)
	<u>\$ 15,168</u>	<u>\$ 11,282</u>

(7) Long-term investments

(A) List of long-term investments

<u>Name of investee</u>	<u>September 30, 2005</u>			<u>Investment (loss) gain of nine-month periods ended September 30, 2005</u>
	<u>Original cost</u>	<u>Ownership Percentage</u>	<u>Balance</u>	
Accounted for under the equity method:				
Gamania Holdings Ltd.	\$ 875,416	100%	\$ 183,660	(\$ 60,700)
Gamania Korea Co., Ltd.	80,189	100%	67,611	( 65,226)
Alibangbang Digital Games Co., Ltd.	70,000	94.29%	8,255	( 21,541)
NC Taiwan Co., Ltd.	71,400	51%	105,712	37,240
Taiwan Index Co., Ltd.	208,200	69.40%	151,496	( 15,044)
Gamania Asia Investment Co., Ltd.	90,000	100%	72,888	( 6,737)
Soga Interactive Co., Ltd.	28,000	40%	23,127	( 4,387)
Gamania Digital Entertainment Labuan Holdings, Ltd.	161	100%	82	( 119)
	<u>1,423,366</u>		<u>612,831</u>	<u>( 136,514)</u>
Accounted for under the cost method:				
Buybooks Digital Technology Corp. Ltd.	2,995	3.74%	2,995	-
ECD Interactive Corporation	34,200	18.55%	3,200	( 2,000)
Joyon Entertainment Co., Ltd.	9,851	14.71%	9,851	-
RAVA Ideologie Inc.	8,800	8.69%	-	( 8,800)
Zona Inc.	52,095	10.34%	-	-
	<u>107,941</u>		<u>16,046</u>	<u>( 10,800)</u>
Total	<u>\$ 1,531,307</u>		<u>\$ 628,877</u>	<u>(\$ 147,314)</u>

<u>Name of investee</u>	<u>September 30, 2004</u>			<u>Investment (loss) gain of nine-month periods ended September 30, 2004</u>
	<u>Original cost</u>	<u>Ownership Percentage</u>	<u>Balance</u>	
Accounted for under the equity method:				
Gamania Holdings Ltd.	\$ 815,442	100%	\$ 250,359	(\$ 116,718)
Gamania Korea Co., Ltd.	80,189	100%	141,232	158
Mogamer Interactive Co., Ltd.	32,625	89.90%	-	( 697)
Clicklit Interactive Co., Ltd.	90,452	68.85%	-	( 621)
Alibangbang Digital Games Co., Ltd.	40,000	90%	9,517	( 15,079)
NC Taiwan Co., Ltd.	71,400	51%	54,383	( 7,206)
Gamania Asia Investment Co., Ltd.	90,000	100%	83,605	( 6,395)
Taiwan Index Co., Ltd.	<u>209,176</u>	69.40%	<u>176,898</u>	<u>( 32,278)</u>
	<u>1,429,284</u>		<u>715,994</u>	<u>( 178,836)</u>
Accounted for under the cost method:				
Buybooks Digital Technology Corp. Ltd.	2,995	3.74%	2,995	-
ECD Interactive Corporation	34,200	18.55%	6,200	( 15,000)
Joyon Entertainment Co., Ltd.	9,851	17.86%	9,851	-
RAVA Ideologie Inc.	8,800	8.69%	8,800	-
Zona Inc.	<u>52,095</u>	10.34%	<u>-</u>	<u>( 52,095)</u>
	<u>107,941</u>		<u>27,846</u>	<u>( 67,095)</u>
Total	<u>\$ 1,537,225</u>		<u>\$ 743,840</u>	<u>(\$ 245,931)</u>

- (B) The long-term investments, accounted for under the equity method for nine-month periods ended September 30, 2005 and 2004, were based on the financial statements. which have been reviewed by independent accountants.
- (C) Among those companies which are accounted for under the equity method, Mogamer interactive Co., Ltd. and Clicklit Interactive Co., Ltd. were liquidated in July, 2004. In addition, RAVA Ideologie Inc., investment accounted for under the cost method, began the liquidation process in September 2005 and the process has not been completed.
- (D) In 2004, Game Factory Digital Entertainment Studios Co., Ltd. was renamed, as RAVA Ideologie Inc.

(8) Property, plant, and equipment

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	146,804	144,548
Machinery equipment	645,955	512,617
Transportation equipment	1,700	1,700
Computer and communication equipment	76,636	93,208
Leasehold improvements	66,218	81,511
Other equipment	<u>4,520</u>	<u>5,349</u>
	<u>1,089,584</u>	<u>986,684</u>

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
<u>Accumulated depreciation</u>		
Buildings	( 7,717)	( 5,015)
Machinery equipment	( 303,685)	( 217,178)
Transportation equipment	( 1,015)	( 732)
Computer and communication equipment	( 53,538)	( 55,656)
Leasehold improvements	( 52,545)	( 53,280)
Other equipment	( 3,565)	( 3,208)
	<u>( 422,065)</u>	<u>( 335,069)</u>
Construction in progress and prepayments for equipment	<u>6,671</u>	<u>-</u>
Book Value	<u>\$ 674,190</u>	<u>\$ 651,615</u>

(9) Other intangible assets

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
Prepayment for developing game software	\$ 38,298	\$ 38,298
Less: accumulated impairment	( 38,298)	-
	<u>\$ -</u>	<u>\$ 38,298</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 September 30, 2005, total accumulated loss recognized for intangible assets is \$38,298.

(10) Deferred charges

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
Agency fees	\$ 363,456	\$ 326,487
Unamortized expense	<u>59,380</u>	<u>40,427</u>
	422,836	366,914
Less: accumulated impairment	( <u>283,472</u> )	<u>-</u>
	<u>\$ 139,364</u>	<u>\$ 366,914</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 September 30, 2005, total accumulated loss recognized for deferred charges was \$283,472.

(11) Short-term loans

	<u>September 30, 2004</u>
Short-term bank loans	<u>\$ 30,000</u>
Annual interest rates	<u>1.8%</u>
Credit lines	<u>\$ 558,000</u>

(12) Long-term loans

Financial <u>Bank</u>	Total <u>Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>September 30,</u>	
			<u>2005</u>	<u>2004</u>
International Bank of Taipei	\$ 49,000	03.28.2002 ~ 03.28.2017 Two year grace period, equal quarterly installments starting from year 3	\$ 43,345	\$ 47,115
International Bank of Taipei	51,000	08.20.2002 ~ 08.20.2017 Two year grace period, equal quarterly installments starting from year 3 (Note)	-	50,719
Taipei FuBon Bank	37,600	05.09.2002 ~ 05.09.2007 20 equal quarterly installments (Note)	-	20,680
Chiao Tung Bank	200,000	08.30.2004 ~ 08.30.2007 Full payment at maturity	50,000	50,000

Financial Bank	Total Credit Lines	Period/Terms of Repayment	September 30,	
			2005	2004
Chiao Tung Bank	200,000	12.31.2004 ~ 12.31.2007 Full payment at maturity	100,000	-
Chang Hua Bank	150,000	02.14.2005 ~ 02.14.2009 First year grace period, equal semi-annual installments starting from year 2	150,000	-
			343,345	168,514
Less: current portion			( 53,769)	( 14,701)
			<u>\$289,576</u>	<u>\$153,813</u>

(Note) Principal repaid before due dates

(13) Income tax payable

A) Income tax payable and income tax expense for the periods ended September 30, 2005 and 2004 are reconciled as follows:

	Nine-month periods ended September 30,	
	2005	2004
Current year income tax expense (benefit)	\$ 25,454	(\$ 29,025)
Additional 10% corporate income tax on undistributed earnings	19,002	11,192
	44,456	( 17,833)
Add (Less): Net changes in deferred income tax assets	( 32,804)	33,299
Prepaid income tax	( 16)	( 35)
Over (under) provision of prior year's income tax	6,379	( 1,548)
Income tax payable	<u>\$ 18,015</u>	<u>\$ 13,883</u>

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

	September 30,	
	2005	2004
Deferred income tax assets – current	\$ 38,892	\$ 37,275
Deferred income tax assets (liability) – non-current – net	53,950	10,059
	<u>\$ 92,842</u>	<u>\$ 47,334</u>

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

	September 30,			
	2005		2004	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Current items:				
Allowance for loss on decline in market value and inventories obsolescence	\$ 30,165	\$ 7,541	\$ 23,157	\$ 5,790
Allowance for sales returns	5,866	1,467	10,593	2,648
Over provision of allowance for bad debts	46,206	11,551	44,808	11,202
Welfare expenses	1,206	302	3,775	944
Investment tax credit		<u>18,031</u>		<u>16,691</u>
		<u>\$ 38,892</u>		<u>\$ 37,275</u>
Non-current items:				
Welfare expenses	\$ 1,250	\$ 312	\$ 206	\$ 52
Impairment losses	241,327	60,332	-	-
Investment tax credit		35,465		52,315
Reserve for foreign investment	( 168,636)	( 42,159)	( 169,233)	( 42,308)
		<u>\$ 53,950</u>		<u>\$ 10,059</u>

D) As of September 30, 2005 and 2004, the balance of shareholders account of deductible tax was as follows:

	September 30,	
	<u>2005</u>	<u>2004</u>
The balance of shareholders account of deductible tax	<u>\$ 22,023</u>	<u>\$ 2,298</u>
2004 Actual creditable tax ratio		<u>-</u>
2003 Actual creditable tax ratio		<u>-</u>

E) As of September 30, 2005 and 2004, the information regarding the undistributed earnings is as follows:

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
On or after January 1, 1998		
a. Earnings not subjected to 10% income tax	(\$ 24,351)	\$ 100,824
b. Earnings subjected to 10% income tax	( 5,220)	( 225,685)
	<u>(\$ 29,571)</u>	<u>(\$ 124,861)</u>

F) (a) As of September 30, 2005, the Company's income tax returns for the years through 2001 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 an appeal to contest the assessment. The court has rendered an unfavorable judgment and the Company has prepaid all of the additional income tax (stated under other receivables – third parties – net), as well as, filed a second appeal to the high 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 has filed for re-examination in April 2005.

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 (2000 to 2005 and 2001 to 2006). The tax exempt income amounted to \$28,326 for nine-month periods ended September 30, 2005.

H) As of September 30, 2005, according to “Income Tax Law” and “Statute for Upgrading Industries,” the Company had investment tax credits in the amount of \$53,496 to offset taxable income for the next four years. The details are as follows:

<u>Deductible item</u>	<u>Total credits</u>	<u>Un-utilized balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 13,843	\$ 13,843	2008
"	11,576	11,576	2009
Machinery and equipment	23,469	23,027	2007
"	2,195	2,195	2008
"	81	81	2009
Employees training	1,432	1,432	2007
"	1,342	1,342	2008
	<u>\$ 53,938</u>	<u>\$ 53,496</u>	

(14) Accrued pension liability

(A) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each units year thereafter with a maximum of 45 units. Retirement benefits are based the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Central Trust of China under the name of the independent retirement fund committee. For the nine-month period ended September 30, 2005 and 2004, net pension costs recognized by the Company and its certain R.O.C. subsidiaries under the defined benefit plan amounted to \$3,663 and \$5,605. The balance of the retirement fund deposited with Central Trust of China was \$18,234and \$13,296 as of September 30, 2005 and 2004. The fund balance are not reflected in the financial statements.

(B) Effective July last to 2005 in accordance with Labor Pension Act, the Company adopted defined contribution pension plan (New Plan). Under the New Plan, employees have the option to join the New Plan and the

Company contributes monthly an amount of 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 under the defined contribution plan for the nine-month period ended September 30,2005 amounted to \$3,950.

(15) Common Stock

On March 18, 2005 and August 30, 2005, the Company's Board of Directors passed a resolution to decrease its paid-in capital to \$1,518,787 by retiring 1,072,000 shares and 1,039,000 shares of treasury stocks.

(16) 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.

(17) 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.

(18) Undistributed earnings

- A) As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:
- (a) Pay for taxes and duties.
  - (b) Covering prior years' accumulated deficit, if any.
  - (c) After deducting items (a) and (b), 10% of the remaining amount is appropriated as legal reserve.
  - (d) In addition to the amount appropriated for legal reserve, the Company may appropriate an amount equal to the negative items in the stockholders' equity from retained earnings as special reserve.
  - (e) Interest on capital.
  - (f) After deducting items (a) to (e), 10%~15% of the remaining earnings is appropriated as employees' bonuses and up to 2% as remuneration to directors and supervisors.
  - (g) The remaining amount is to be distributed to stockholders in accordance with the resolution adopted at the stockholders' meeting.
- B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed before a specific time. This 10% additional tax on undistributed earnings paid by the company may be used as a tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholders can claim a proportionate share of the company's corporate income tax as a tax credit against their individual income tax liability effective 1998.
- C) As of December 31, 2004, the Company is in a deficit position. The Company's Board of Directors has adopted a resolution not to distribute dividends, employee bonus, and directors' remuneration. In addition, the Board adopted a resolution to use \$103,066 of legal reserve and \$291,201 of capital reserve to cover the accumulated deficit of \$394,267.
- D) The Company incurred net loss in 2003, accordingly the shareholders passed a resolution not to distribute any dividends, employee bonus, and directors' remuneration in 2004.

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

(19) Earnings (Loss) per share

Nine-month periods ended September 30, 2005					
	Amount		Weighted average outstanding common shares	Earnings (loss) per share (Note)	
	Before income tax	After income tax		Before income tax	After income tax
Earnings (loss) per share:					
Net income	\$ 20,105	(\$ 24,351)	147,559	\$ 0.14	(\$ 0.17)

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

Nine-month periods ended September 30, 2004					
	Amount		Weighted average outstanding common shares	Earnings per share (Note)	
	Before income tax	After income tax		Before income tax	After income tax
Earnings per share:					
Net income	\$ 82,991	\$ 100,824	153,514	\$ 0.54	\$ 0.66

As of September 30, 2004, the outstanding employee stock option has no dilutive effect.

Note: In New Taiwan Dollars.

(20) Treasury Stock

Nine-month periods ended September 30, 2005				
A) Purposes	Beginning shares (Note)	Additions	Disposals	Ending shares (Note)
Employees stock option	5,000	-	-	5,000
To enhance Company's credit rating and shareholders' equity	1,072	1,039	(2,111)	-
	<u>6,072</u>	<u>1,039</u>	<u>(2,111)</u>	<u>5,000</u>

<u>Purposes</u>	<u>Nine-month periods ended September 30, 2004</u>			
	<u>Beginning shares (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares (Note)</u>
Employees stock option	5,000	-	-	5,000
To enhance Company's credit rating and shareholders' equity	-	4,810	-	4,810
	<u>5,000</u>	<u>4,810</u>	<u>-</u>	<u>9,810</u>

Note: Amount in thousands of shares.

- B) The maximum and ending balances of treasury stock for the period ended September 30, 2005 and 2004 are as follows:

<u>September 30, 2005</u>		<u>September 30, 2004</u>	
<u>Maximum balance</u>	<u>Ending balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>
<u>\$ 319,214</u>	<u>\$ 302,140</u>	<u>\$ 375,264</u>	<u>\$ 375,264</u>

- C) According to the ROC Security Exchange Act, the percentage of the number of shares of treasury stock may not exceed 10% of the total shares of common stocks issued by the Company and the total amount of treasury stock may not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve.
- D) According to the ROC Security Exchange Act, treasury stock held by the Company can not be pledged, and shall bear no right of shareholders' until reissued.
- E) According to the R.O.C. Security Exchange Act. The shares bought back by the Company, except for the purpose of maintaining Company credit and shareholders' equity which amendment of the registration shall be filed within six months from date of repurchase, must be transferred within three years from the date of repurchase. Shares not transferred within the fine limit shall be deemed as unissued and application for amendment of the registration shall be filed.

(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 units of option with one unit equal to one thousand shares of common stock. When the contributed capital changes as a result of the issuance of new shares of

common stock, the option price will be adjusted based on a predetermined formula. The stock option has a exercise period of six years. Employees will be able to exercise these options after two years under the policy in accordance with the procedures of the employee stock option plan.

B) The units and weighted average exercise price of the stock options for the nine-month periods ended September 30, 2005 and 2004 as follows:

	For the nine-month periods ended September 30, 2005		For the nine-month periods ended September 30, 2004	
	Units (in thousands)	Weighted -average exercise price (in dollars) (Note)	Units (in thousands)	Weighted -average exercise price (in dollars) (Note)
Stock Options				
Beginning outstanding balance (Note)	10,000	\$ 32.8	-	\$ -
Number of option granted	-	-	5,970	32.8
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-	450	32.8
Ending outstanding balance (Note)	<u>10,000</u>	<u>\$ 32.8</u>	<u>5,520</u>	<u>\$ 32.8</u>
Exercisable at the period of the year	<u>-</u>		<u>-</u>	
Authorized but unissued at the period of the year	<u>-</u>		<u>4,030</u>	

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

C) As of September 30, 2005 and 2004, the details of outstanding stock options are as follows:

For the nine-month periods ended September 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	4.33	\$ 32.80	-	\$ -

  

For the nine-month periods ended September 30, 2004					
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	5,520	5.33	\$ 32.80	-	\$ -

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

(a) Model: The Black-Scholes model.

(b) Assumptions:

<u>Black-Scholes model assumptions</u>	<u>For the nine-month periods ended September 30, 2005</u>	<u>For the nine-month periods ended September 30, 2004</u>
Dividend yield	0%	0%
Volatility	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

(c) Result of evaluation:

	<u>For the nine-month periods ended September 30, 2005</u>	<u>For the nine-month periods ended September 30, 2004</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”	30,726	24,646

(d) Pro forma information:

	<u>For the nine-month periods ended September 30, 2005</u>	<u>For the nine-month periods ended September 30, 2004</u>
Net income	Net (loss) income (\$ 24,351)	\$ 100,824
	Pro forma net (loss) income ( 55,077)	76,178
Basic earnings per share	EPS ( 0.17) (in dollars)	0.66 (in dollars)
	Pro forma EPS ( 0.37) (in dollars)	0.50 (in dollars)
Diluted earnings per share	EPS ( 0.17) (in dollars)	0.66 (in dollars)
	Pro forma EPS ( 0.37) (in dollars)	0.50 (in dollars)

(22) Personnel, Depreciation and Amortization Expenses

	Nine-month periods ended	
	September 30,	
	<u>2005</u>	<u>2004</u>
Personnel expenses		
Salaries	\$ 221,420	\$ 191,186
Labor and health insurances	16,202	15,295
Pension	7,613	5,605
Other	<u>15,521</u>	<u>12,253</u>
	<u>\$ 260,756</u>	<u>\$ 224,339</u>
Depreciation expense	\$ 99,568	\$ 98,233
Amortization expense	<u>37,841</u>	<u>38,047</u>
	<u>\$ 137,409</u>	<u>\$ 136,280</u>

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Gamania Digital Entertainment (Japan) Co., Ltd. (Gamania (Japan))	A subsidiary of the Company
Gamania China Holdings Ltd. (G.C.H.)	"
Gamania Digital Entertainment (H.K.) Co., Ltd. (Gamania (H.K.))	"
Gamania Korea Co., Ltd. (Gamania (Korea))	"
Gamania Holdings Ltd. (G.H.)	"
Gamania International Holdings Ltd. (G.I.H.)	"
Gamania Sino Holdings Ltd. (Sino)	"
NC Taiwan Co., Ltd. (NC Taiwan)	"

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Alibangbang Digital Games Co., Ltd. (Alibangbang)	A subsidiary of the Company
Gamania Digital Entertainment (Beijing) Co., Ltd. (Gamania (Beijing))	"
Taiwan Index Co., Ltd. (Taiwan Index)	"
Gamania Asia Investment Co., Ltd. (Gamania Asia)	"
Gamania Digital Entertainment Labuan Holdings, Ltd. (Gamania (Labuan))	"
Soga Interactive Co., Ltd. (Soga)	Investee accounted for under equity method

(2) Significant transactions with related parties

A) Service revenue

	<u>For the nine-month periods ended September 30,</u>			
	<u>2005</u>		<u>2004</u>	
	% of net		% of net	
	<u>Amount</u>	<u>service revenue</u>	<u>Amount</u>	<u>service revenue</u>
NC Taiwan	\$ 63,954	56	\$ 53,660	71
Taiwan Index	42,161	37	21,455	29
	<u>\$ 106,115</u>	<u>93</u>	<u>\$ 75,115</u>	<u>100</u>

The terms and prices of sales were negotiated in consideration of different factors including product, cost and competitors.

B) Royalty revenue

	<u>For the nine-month periods ended September 30,</u>			
	<u>2005</u>		<u>2004</u>	
	% of net		% of net	
	<u>Amount</u>	<u>sales revenue</u>	<u>Amount</u>	<u>sales revenue</u>
Gamania (H.K.)	\$ 2,332	85	\$ -	-

Collected royalty amounts from subsidiaries for the on-line game.

C) Other operating revenue

	For the nine-month periods ended September 30,			
	2005		2004	
	Amount	% of net sales revenue	Amount	% of net sales revenue
Gamania (Japan)	\$ 1,432	8	\$ -	-
Gamania (H.K.)	801	4	2,751	-
Others	398	2	-	-
	<u>\$ 2,631</u>	<u>14</u>	<u>\$ 2,751</u>	<u>-</u>

Collected from subsidiaries for services revenue.

D) Publishing expense

	For the nine-month periods ended September 30,			
	2005		2004	
	Amount	% of operating cost	Amount	% of operating cost
NC Taiwan	\$ 2,685	6	\$ -	-

Amount represents royalties for publishing right.

E) Advertising expense

	For the nine-month periods ended September 30,			
	2005		2004	
	Amount	% of operating expense	Amount	% of operating expense
NC Taiwan	\$ 4,417	1	\$ -	-

The terms and prices of advertising expense were negotiated in contract of different factors.

F) Rent revenue

	For the nine-month periods ended September 30,			
	2005		2004	
	Amount	% of rent revenue	Amount	% of rent revenue
Taiwan Index	\$ 16,286	79	\$ 1,528	46
NC Taiwan	4,103	20	-	-
Others	-	-	25	1
	<u>\$ 20,389</u>	<u>99</u>	<u>\$ 1,553</u>	<u>47</u>

Payments are collected with monthly notes receivables.

G) Notes receivable

	<u>September 30, 2005</u>		<u>September 30, 2004</u>	
	<u>Amount</u>	<u>% of net note receivable</u>	<u>Amount</u>	<u>% of net note receivable</u>
NC Taiwan	\$ 1,495	3	\$ -	-
Taiwan Index	1,147	3	2,609	4
Others	-	-	87	-
	<u>\$ 2,642</u>	<u>6</u>	<u>\$ 2,696</u>	<u>4</u>

Notes receivable are receivables from subsidiaries for providing customer services and sale of goods.

H) Accounts receivable

	<u>September 30, 2005</u>		<u>September 30, 2004</u>	
	<u>Amount</u>	<u>% of net account receivable</u>	<u>Amount</u>	<u>% of net account receivable</u>
Gamania (Japan)	\$ 1,412	-	\$ -	-
NC Taiwan	378	-	-	-
Gamania (Beijing)	119	-	-	-
Others	148	-	-	-
	<u>\$ 2,057</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

Accounts receivable are receivables from subsidiaries for providing customer services and sale of goods.

I) Other receivables

	<u>September 30, 2005</u>		<u>September 30, 2004</u>	
	<u>Amount</u>	<u>% of net other receivables</u>	<u>Amount</u>	<u>% of net other receivables</u>
Taiwan Index	\$ 15,117	5	\$ -	-
Soga	13,112	5	-	-
Gamania (H.K.)	9,283	3	2,700	3
Gamania (Japan)	8,836	3	299	-
NC Taiwan	3,396	1	7,953	8
Others	1,907	1	1,758	2
	<u>\$ 51,651</u>	<u>18</u>	<u>\$ 12,710</u>	<u>13</u>

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

J) Note payable

	<u>September 30, 2005</u>		<u>September 30, 2004</u>	
	<u>Amount</u>	<u>% of note payable</u>	<u>Amount</u>	<u>% of note payable</u>
NC Taiwan	<u>\$ 131,925</u>	<u>73</u>	<u>\$ -</u>	<u>-</u>

K) Other payables

	<u>September 30, 2005</u>		<u>September 30, 2004</u>	
	<u>Amount</u>	<u>% of other payables</u>	<u>Amount</u>	<u>% of other payables</u>
Taiwan Index	\$ 54,896	48	\$ 36,664	24
NC Taiwan	41,092	36	94,804	66
Gamania (Japan)	3,627	3	-	-
Gamania (H.K.)	3,042	3	-	-
Others	<u>566</u>	<u>-</u>	<u>500</u>	<u>-</u>
	<u>\$ 103,223</u>	<u>90</u>	<u>\$ 131,968</u>	<u>90</u>

Other payables consists of sales of products and expense incurred on behalf of the subsidiaries.

L) Commitments

The Company provided guarantees for bank loans of its related party as follows:

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
Gamania (Korea)	\$ 30,000	\$ -
NC Taiwan	<u>-</u>	<u>30,000</u>
	<u>\$ 30,000</u>	<u>\$ 30,000</u>

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>September 30,</u>		<u>Purpose</u>
	<u>2005</u>	<u>2004</u>	
Time deposits (shown in other financial assets-current )	\$ 30,000	\$ -	Provided guarantees of its related party
Land	141,717	147,751	Long-term loans/Credit lines
Buildings	106,668	117,297	Long-term loans/Credit lines
Machinery equipment	29,634	1,553	Long-term loans/Short-term loans
	<u>\$ 308,019</u>	<u>\$ 266,601</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- A) As of September 30, 2005, the total future rental payments for the next 3 years under non-cancellable operating lease agreements for the Company's office building was \$16,821.
- B) The Company has contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In addition, the Company has contracted with several on-line game vendors, and will pay royalty based on actual consumer usage .
- C) As of September 30, 2005, the total contract for accounting software and its related consulting services totaled \$30,860, of which \$28,775 have been paid.
- D) As described in Note 4(13), the Tax Authority assessed additional income tax of \$963 the 1999 income tax return for disallowing the R&D investment tax credits. In 2002, the Company has filed an appeal which was rejected by the Tax Authority. As required under the regulations, the Company had prepaid the additional income tax for filling the second appeal to the high court in 2003. The case is currently pending.
- E) As stated in Note 4(13), the Tax Authority imposed additional tax and penalties amounting to \$26,293 on the Company's 2001 income tax return and the Company paid 2001 income tax return exceeded the limits prescribed in the Income Tax Law \$244. However, the Company is contesting the balance due

and penalties. The Company filed for re-examination in April, 2005.

F) For the period from March 16, 2005 to December 31, 2005, First Commercial Bank will provide guarantee on behalf the Company to a customer.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

A. Information on derivative transactions

None.

B. Non-derivative financial instruments

	<u>September 30, 2005</u>	
	<u>Book value</u>	<u>Fair value</u>
<u>Assets</u>		
Financial assets with book value approximating their fair value	\$ 898,958	\$ 898,958
Short-term investments	694,000	695,768
Long-term investments	628,877	628,877
Refundable deposits	6,272	6,231
<u>Liabilities</u>		
Financial liabilities with book value approximating their fair value	465,682	465,682
Long-term liabilities – current portion	53,769	53,769
Long-term loans payable	289,576	289,576
Accrued pension liabilities	5,842	12,626
Deposits received	54	54

	September 30, 2004	
	Book value	Fair value
<u>Assets</u>		
Financial assets with book value approximating their fair value	\$ 843,868	\$ 843,868
Short-term investments	496,400	498,326
Long-term investments	743,840	743,840
Refundable deposits	11,129	11,065
<u>Liabilities</u>		
Financial liabilities with book value approximating their fair value	376,293	376,293
Long-term liabilities – current portion	14,701	14,701
Accrued pension liabilities	2,488	8,176
Long-term loans payable	153,813	153,813
Deposits received	1,655	1,655

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

- A) Financial assets and liabilities with book value approximating fair value. The carrying amounts of short-term non-derivative financial assets and liabilities, which include cash and cash equivalents, notes and accounts receivable (included related parties), other receivables (included related parties), other financial assets – current, short-term loans, notes and accounts payable (included related parties), income tax payable, accrued expenses, other payables (included related parties), 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 marketable securities and long-term investments are their market values or the underlying equity in net assets and/or other financial information, if market value is not available.
- C) The fair value of refundable deposits is estimated using discounted future cash flows with a discount rate based on the one-year time deposit interest rate at year-end.

- D) The fair value of long-term loans payable is the present value of expected future cash flows.
- E) The fair value of accrued pension liabilities is based on the actuarial pension report and the measurement date are December 31, 2004 and 2003, and adjusted for pension cost and contributions to the independent fund during the nine-month periods ended September 30, 2005 and 2004.
- F) The fair value of guarantee deposits is the book value since the amount is on significant.
- G) Off-balance sheet financial instruments with credit risk:

	<u>September 30, 2005</u>	<u>September 30, 2004</u>
	<u>Contract Amount</u>	<u>Contract Amount</u>
Guarantees for loans borrowed by related parties	\$ <u>30,000</u>	\$ <u>30,000</u>

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

- C. For the nine-month periods ended September 30, 2005 and 2004, the Company donated inventories, magazines and related products amounting to \$3,870 and \$11,197, respectively, to political parties, charities, and educational institutes that are accredited by the government, without any considerations.
- D. Certain accounts in the financial statements of nine-month periods ended September 30, 2004 have been reclassified to conform with the presentation adopted for the nine-month periods ended September 30, 2005.

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		Maximum of guarantee for such party (Note 4)	Maximum outstanding guarantee amount for the nine-month period ended September 30, 2005	Outstanding guarantee amount at September 30, 2005	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Ceiling of the outstanding guarantee to the respective party (Note 3)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Gamania Korea Co., Ltd.	3	\$ 30,000	\$ 30,000	\$ 30,000	None	1.3%	\$ 455,636 (30% of the Company's capital)
0	The Company	NC Taiwan Co., Ltd.	3	\$ 30,000	\$ 30,000	\$ -	None	0.0%	\$ 455,636 (30% of the Company's capital)

Note 1: Number 0 represents the Company.

Note 2: Number 3 means the Company directly or indirectly 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 may not exceed 30% of the Company's capital.

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

C) Marketable securities held at September 30, 2005:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	September 30, 2005				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	25,691	\$ 183,660	100%	\$ 183,660	None
"	"	Gamania Korea Co., Ltd.	"	"	394	67,611	100%	67,611	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	6,600	8,255	94.29%	8,255	"
"	"	NC Taiwan Co., Ltd.	"	"	7,140	105,712	51%	105,712	"
"	"	Taiwan Index Co., Ltd.	"	"	17,350	151,496	69.40%	151,496	"
"	"	Gamania Asia Investment Co., Ltd.	"	"	9,000	72,888	100%	72,888	"
"	"	Gamania digital Entertainment Labuan Holdings, Ltd.	"	"	5	82	100%	82	"
"	"	Soga Interactive Co., Ltd.	Investee company accounted for under the equity method	"	2,800	23,127	40%	23,127	"
"	"	Buybooks Digital Technology Co., Ltd.	Investee company accounted for under the cost method	"	300	2,995	3.74%	2,995	"
"	"	ECD Interactive Corporation	"	"	2,040	3,200	18.55%	3,200	"
"	"	Joyon Entertainment Co., Ltd.	"	"	700	9,851	14.71%	9,851	"
"	"	RAVA Ideologie Inc.	"	"	880	-	8.69%	-	"
"	"	Zona Inc.	"	"	1,000	-	10.34%	-	"
"	Bond Funds	Fund 1	None	Short-term investment	2,158	30,000	-	30,059	"
"	"	Fund 2	"	"	523	7,000	-	7,021	"
"	"	Fund 3	"	"	1,341	20,000	-	20,027	"
"	"	Fund 4	"	"	1,338	20,000	-	20,033	"
"	"	Fund 5	"	"	2,117	30,000	-	30,095	"
"	"	Fund 6	"	"	1,746	25,000	-	25,013	"

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	September 30, 2005				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
"	"	Fund 7	"	"	4,813	50,000	-	50,173	"
"	"	Fund 8	"	"	1,949	25,000	-	25,091	"
"	"	Fund 9	"	"	1,386	20,000	-	20,056	"
"	"	Fund 10	"	"	2,443	37,000	-	37,086	"
"	"	Fund 11	"	"	3,436	50,000	-	50,163	"
"	"	Fund 12	"	"	2,612	30,000	-	30,100	"
"	"	Fund 13	"	"	2,169	30,000	-	30,047	"
"	"	Fund 14	"	"	248	40,000	-	40,064	"
"	"	Fund 15	"	"	1,450	20,000	-	20,035	"
"	"	Fund 16	"	"	2,300	33,000	-	33,058	"
"	"	Fund 17	"	"	1,752	22,000	-	22,012	"
"	"	Fund 18	"	"	2,729	30,000	-	30,093	"
"	"	Fund 19	"	"	3,190	40,000	-	40,133	"
"	"	Fund 20	"	"	4,693	50,000	-	50,166	"
"	"	Fund 21	"	"	4,884	55,000	-	55,184	"
"	"	Fund 22	"	"	2,029	30,000	-	30,058	"

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

Note (2): The market value of listed equity securities and closed-end mutual funds is determined based on average closing price of the last month before period-end date. The market value of open-end mutual funds is determined based on the net assets par value as of balance sheet date.

D) Marketable securities acquired or sold during the period ended September 30, 2005 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 1)		Addition		Disposal				Ending balance (Note 1)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	Disposal gain (loss)	Number of shares	Amount
The Company	Fund 1	Short-term investment	Initial Investment at inception/ None	-	\$ -	8,596	\$ 119,000	6,438	\$ 89,408	\$ 89,000	\$ 408	2,158	\$ 30,000
"	Fund 2	"	"	-	-	8,401	100,000	8,401	100,229	100,000	229	-	-
"	Fund 3	"	"	-	-	9,650	100,000	4,837	50,243	50,000	243	4,813	50,000
"	Fund 4	"	"	-	-	7,572	109,700	4,136	60,154	59,700	454	3,436	50,000
"	Fund 5	"	"	-	-	10,944	151,000	8,775	121,145	121,000	145	2,169	30,000
"	Fund 6	"	"	-	-	9,364	117,000	7,612	95,283	95,000	283	1,752	22,000
"	Fund 7	"	"	-	-	9,875	105,000	5,182	55,212	55,000	212	4,693	50,000
"	Fund 8	"	"	-	-	9,785	110,000	4,901	55,194	55,000	194	4,884	55,000

Note 1: 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:

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
				2005.9.30	2004.12.31	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	\$ 875,416	\$815,442	25,691	100%	\$183,660	(\$ 60,700)	(\$ 60,700)	Subsidiary
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samseong-Dong Kang Nam-Gu, Seoul, Korea	Design and sale of software	80,189	80,189	394	100%	67,611	( 65,226)	( 65,226)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chung-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Design and research of software	70,000	50,000	6,600	94.29%	8,255	( 22,394)	( 21,541)	"
"	NC Taiwan Co., Ltd.	18F, No. 736 Chung-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Design and sale of software	71,400	71,400	7,140	51%	105,712	73,739	37,240	"
"	Taiwan Index Co., Ltd.	18F, No. 736 Chung-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Software Service	208,200	208,200	17,350	69.40%	151,496	( 10,404)	( 15,044)	"
"	Gamania Asia Investment Co., Ltd.	18F, No. 736 Chung-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Investment	90,000	90,000	9,000	100%	72,888	( 6,737)	( 6,737)	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 9F, Main Office Tower, Financial Park, 87000 Labuan, FT Labuan, Malaysia	Investment, holding company	161	67	5	100%	82	( 119)	( 119)	"
"	Soga Interactive Co., Ltd.	18F, No. 736 Chung-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Design and research of software	28,000	13,600	2,800	40%	23,127	( 10,968)	( 4,387)	Investee company accounted for under equity method
Gamania Asia Investment Co., Ltd.	Taiwan Index Co., Ltd.	18F, No. 736 Chung-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Software Service	80,625	80,625	6,800	27.20%	63,644	( 10,404)	( 6,674)	"

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
				2005 . 9 . 30	2004 . 12 . 31	Number of Shares	Percentage	Book value			
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment 、 holding company	USD25,691 thousand	USD23,791 Thousand	25,691	100%	USD5,561 Thousand	( USD 1,912 thousand)	( USD 1,912 thousand)	Subsidiary
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan.) Co., Ltd.	Ebisu East Bldg. 2F 1-13-7 Hiroo, Shibuya-KuKu, Tokyo 150-0012 Japan	Design and sale of software; Sale of hardware	USD12,240 Thousand	USD12,240 Thousand	17	100%	USD3,042 Thousand	(USD 264 thousand)	(USD 264 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	USD16,250 thousand	USD14,350 Thousand	15,524	92.34%	USD2,524 Thousand	(USD 1,790 thousand)	(USD 1,649 thousand)	"
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	USD13,750 Thousand	USD11,850 thousand	N/A	100%	USD1,783 Thousand	(USD 2,255 thousand)	(USD 2,278 thousand)	"
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	No 88, Jian Guo Rd., 11F, Bldg C, SOHO New Town, Beijing 100022, China	Design and sale of software	USD10,980 Thousand	USD9,480 Thousand	N/A	100%	USD1,551 Thousand	(USD 1,926 thousand)	(USD 1,926 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%	USD949 thousand	USD 487 thousand	USD 487 thousand	"
Gamania China Holdings Ltd.	Game Alliance, Co., Ltd.	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	Note	Note	N/A	100%	(USD6 thousand)	USD 2 thousand	USD 2 thousand	"

Note:The original investment cost is \$HK2.

B) Financing activities to any company or person: None

C) Guarantee information: None.

D) Marketable securities held at September 30, 2005:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	September 30, 2005				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
Gamania Holdings Ltd.	Common Stock	Gamanina International Holdings Ltd.	Subsidiary	Long-term investment	25,691	USD5,561 Thousand	100%	USD5,561 Thousand	None
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	17	USD3,042 Thousand	100%	USD3,042 Thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	15,524	USD2,524 Thousand	92.34%	USD2,524 Thousand	"
Gamania China Holdings Ltd.	"	Game Alliance, Co., Ltd.	"	"	2(Note(3))	(USD6 thousand)	100%	(USD6 thousand)	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD949 thousand	100%	USD949 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Co., Ltd.	"	"	N/A	USD1,783 Thousand	100%	USD1,783 Thousand	"
Gamania Sino Holdings Co., Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	USD1,551 Thousand	100%	USD1,551 Thousand	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under the equity method	"	6,800	\$ 63,644	27.20%	\$ 63,644	"

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

Note (2): The market value of listed equity securities and closed-end mutual funds is determined based on average closing price of the last month before period-end date. The market value of open-end mutual funds is determined based on the net asset value as of the balance sheet date.

Note (3): Unit:Share.

- E) Marketable securities acquired or sold during the period ended September 30, 2005 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 receivables		Subsequent Collections	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
NC Taiwan Co., Ltd	The Company	Parent company	\$ 173,017	(Note)	\$ -	N/A	\$ -	\$ -

- J) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment as of September 30, 2005	Remitted or received investment amount during the period		Accumulated investment as of September 30, 2005	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at September 30, 2005	Accumulated investment income received as of September 30, 2005
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sale of software	(RMB 90,778 thousand) \$372,221	(Note (2))	( USD7,350 thousand) \$243,873	(USD1,500 thousand) \$49,770	\$ -	(USD8,850 thousand) \$293,643	92.34%	(USD1,774 thousand) (\$56,307)	(USD1,432 thousand) \$ 47,520	\$ -

Accumulated amount of investment in Mainland China as of September 30, 2005	Related investment amount approved by FIA	The upper limit of investment in Mainland China
\$ 293,643(USD8,850 thousand)	\$414,086 (Note (1))	\$ 911,203

Note (1): Related total investment amount approved by FIA is USD12,480,000 or NTD 414,086 thousand based on 33.18 exchange rate.

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

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

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