

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS**

JUNE 30, 2005 AND 2004

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.F014.7646

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

We have audited the accompanying balance sheets of Gamania Digital Entertainment Co., Ltd. as of June 30, 2005, and 2004, and the related statements of income, of changes in stockholders' equity and of cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain investee companies as of June 30, 2005 accounted for under the equity method, which statements reflect total investment balance of \$318,086,000 as of June 30, 2005 and the related investment gain of \$12,755,000 for the six-month periods then ended. These financial statements were audited by other auditors whose reports thereon were furnished to us, and our opinion, insofar as it relates to the amounts included for these investee companies and the information disclosed in Note 11 relative to these long-term investments, is based solely on the reports of the other auditors.

Except as explained in the following paragraph, our audits were made 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 audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

The financial statements included long-term investments in certain investee companies, accounted for under the equity method, stated at \$297,182,000 and \$731,816,000 as of June 30, 2005 and 2004, respectively, and related investment loss of \$26,917,000 and \$155,550,000 for the six-month periods then ended, respectively, as described in Note 4 (6). These amounts and the related information disclosed in Note 11, were based on the investees' unaudited financial statements.

In our opinion, based on our audits and the reports of other auditors, except for the effects on the financial statements of such adjustments, and disclosures information of investee companies, if any, as might have been determined to be necessary had the financial statements of the investee companies been audited as explained in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Gamania Digital Entertainment Co., Ltd. as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the six-month periods then ended in conformity with the "Rules Governing the Preparation of Financial Statements of Securities Issuers" and generally accepted accounting principles in the Republic of China.

As described in Notes 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 change in the method of accounting for asset impairment, total assets and stockholders' equity were decreased by \$321,770,000, as of June 30, 2005, respectively. However, there is no impact on net income of the six-month period ended June 30, 2005.

August 23, 2005

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
JUNE 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2005		2004			2005		2004	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES AND STOCKHOLDERS' EQUITY				
<u>Current Assets</u>					<u>Current Liabilities</u>				
Cash and cash equivalents (Note 4(1))	\$ 814,897	25	\$ 563,466	17	Notes payable	\$ 66,603	2	\$ 33,806	1
Notes receivable – third parties – net (Note 4(2))	52,170	2	86,924	3	Notes payable – related parties (Note 5(2))	153,606	5	-	-
Notes receivable – related parties – net (Note 5(2))	1,709	-	1,126	-	Accounts payable	55,907	2	59,772	2
Accounts receivable – third parties – net (Note 4(3))	432,920	13	556,160	17	Income tax payable (Note 4(16))	16,381	-	7,364	-
Accounts receivable – related parties – net (Note 5(2))	4,761	-	2,751	-	Accrued expenses	74,107	2	61,181	2
Other receivables – third parties – net (Note 4(4))	245,078	8	87,882	3	Other payables – related parties (Note 5(2))	100,706	3	129,071	4
Other receivables – related parties (Note 5(2))	77,881	2	11,306	-	Other payables – third parties	33,021	1	29,523	1
Other financial assets – current	694	-	987	-	Unearned revenue collected in advance	85,978	3	126,874	4
Inventories (Note 4(5))	16,607	1	7,159	-	Current portion of long-term liabilities (Note 4(10))	28,769	1	47,565	1
Prepaid expenses	13,279	-	24,025	1	Other current liabilities	4,830	-	4,134	-
Deferred income tax assets – current (Note 4(16))	37,292	1	34,145	1		<u>619,908</u>	<u>19</u>	<u>499,290</u>	<u>15</u>
	<u>1,697,288</u>	<u>52</u>	<u>1,375,931</u>	<u>42</u>	<u>Long-term Liability</u>				
<u>Long-term Investments</u> (Note 4(6))					Long-term loans (Note 4(10))	315,519	10	157,386	5
Long-term investments – accounted for under the equity method	685,365	21	719,816	22		<u>315,519</u>	<u>10</u>	<u>157,386</u>	<u>5</u>
Long-term investments – accounted for under the cost method	19,346	1	94,941	3	<u>Other Liabilities</u>				
Prepayments for long-term investments	-	-	12,000	-	Accrued pension liabilities (Note 4(11))	4,740	-	1,656	-
	<u>704,711</u>	<u>22</u>	<u>826,757</u>	<u>25</u>	Guarantee deposits	36	-	1,459	-
<u>Property, Plant and Equipment</u> (Notes 4(7) and 6)						<u>4,776</u>	<u>-</u>	<u>3,115</u>	<u>-</u>
Cost					Total Liabilities	<u>940,203</u>	<u>29</u>	<u>659,791</u>	<u>20</u>
Land	147,751	5	147,751	4	<u>Stockholders' Equity</u>				
Buildings	145,833	4	143,514	4	Common stock (Notes 1 and 4 (12))	1,529,177	47	1,587,997	48
Machinery equipment	622,392	19	504,879	15	Capital reserve (Note 4 (13))	-	-	-	-
Transportation equipment	1,700	-	1,700	-	Paid-in capital in excess of par	1,047,916	32	1,390,640	42
Computers and communication equipment	81,927	3	96,166	3	Treasury stock	20,145	1	-	-
Leasehold improvements	75,138	2	84,456	3	Gain on disposal of property, plant and equipment	221	-	221	-
Other equipment	4,950	-	5,349	-	Retained earnings (Notes 4 (14) (15) and (16))	-	-	-	-
Cost and appraisal increment	1,079,691	33	983,815	29	Legal reserve	-	-	103,066	3
Less: Accumulated depreciation	(405,342)	(12)	(308,164)	(9)	Undistributed earnings (accumulated deficit)	23,018	1	(140,523)	(4)
Construction in progress and prepayments for equipment	6,173	-	-	-	Cumulative translation adjustments	15,259	-	20,812	-
	<u>680,522</u>	<u>21</u>	<u>675,651</u>	<u>20</u>	Treasury stock (Note 4(18))	(315,784)	(10)	(302,140)	(9)
<u>Intangible Asset</u>					Total Stockholders' Equity	<u>2,319,952</u>	<u>71</u>	<u>2,660,073</u>	<u>80</u>
Other intangible asset (Note 4(8))	-	-	38,298	1	Commitments and Contingent Liabilities (Notes 5 and 7)				
	<u>-</u>	<u>-</u>	<u>38,298</u>	<u>1</u>					
<u>Other Asset</u>					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,260,155	100	\$ 3,319,864	100
Refundable deposits	5,082	-	9,718	-					
Deferred charges (Notes 4(9) and 7)	111,910	3	373,235	11					
Deferred income tax assets – non current (Note 4 (16))	60,642	2	20,274	1					
	<u>177,634</u>	<u>5</u>	<u>403,227</u>	<u>12</u>					
TOTAL ASSETS	\$ 3,260,155	100	\$ 3,319,864	100					

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

See report of independent accountants dated August 23, 2005.

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

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenues				
Sales revenue	\$ 830,631	97	\$ 1,001,687	101
Sales returns	(37,989)	(4)	(15,143)	(2)
Sales allowances	(15,696)	(2)	(19,648)	(2)
Net sales revenue	776,946	91	966,896	97
Service revenue (Note 5)	76,133	9	27,995	3
Operating revenues	<u>853,079</u>	<u>100</u>	<u>994,891</u>	<u>100</u>
Operating costs				
Cost of goods sold (Notes 4 (20) and 5)	(416,670)	(49)	(503,198)	(51)
Gross profit	<u>436,409</u>	<u>51</u>	<u>491,693</u>	<u>49</u>
Operating expenses (Notes 4 (20), 5 and 10)				
Selling expenses	(89,618)	(11)	(60,560)	(6)
General and administrative expenses	(200,361)	(23)	(193,913)	(19)
Research and development expenses	(37,297)	(4)	(36,617)	(4)
Total operating expenses	(327,276)	(38)	(291,090)	(29)
Operating income	<u>109,133</u>	<u>13</u>	<u>200,603</u>	<u>20</u>
Non – operating income				
Interest income	142	-	114	-
Gain on disposal of fixed asset	-	-	203	-
Gains on sale of investments	5,176	1	4,177	1
Foreign exchange gain	267	-	-	-
Rental income (Note 5)	14,483	2	1,774	-
Miscellaneous income	2,095	-	8,099	1
Total non – operating income	<u>22,163</u>	<u>3</u>	<u>14,367</u>	<u>2</u>
Non – operating expenses				
Interest expense	(4,925)	(1)	(4,188)	-
Investment loss accounted for under equity method (Note 4(6))	(44,000)	(5)	(155,550)	(16)
Other investment loss (Note 4(6))	(7,500)	(1)	-	-
Loss on disposal of fixed asset	(352)	-	-	-
Miscellaneous losses	(9,218)	(1)	(740)	-
Total non – operating expenses	(65,995)	(8)	(160,478)	(16)
Income before income tax	65,301	8	54,492	6
Income tax (expense) benefit (Note 4 (16))	(37,727)	(5)	30,043	3
Net income	<u>\$ 27,574</u>	<u>3</u>	<u>\$ 84,535</u>	<u>9</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 per share (in dollars) (Note 4(17))				
Net Income	<u>NT\$ 0.44</u>	<u>NT\$ 0.19</u>	<u>NT\$ 0.35</u>	<u>NT\$ 0.55</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated August 23, 2005.

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

	Capital Reserve			Retained Earnings			Cumulative Translation Adjustments	Treasury stock	Total
	Common Stock	Paid-in capital in		Capital Surplus from Gain on Disposal of Assets	Legal Reserve	(Accumulated Deficit) Undistributed Earnings			
		Excess of Par	Treasury Stock						
Balance at January 1, 2004	\$ 1,587,997	\$ 1,390,640	\$ -	\$ 221	\$ 103,066	(\$ 216,514)	\$ 24,123	(\$ 302,140)	\$ 2,587,393
Net income for the period	-	-	-	-	-	84,535	-	-	84,535
Cumulative translation adjustments	-	-	-	-	-	-	(3,311)	-	(3,311)
Effect of change in ownership percentage of investee company	-	-	-	-	-	(8,544)	-	-	(8,544)
Balance at June 30, 2004	<u>\$ 1,587,997</u>	<u>\$ 1,390,640</u>	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ 103,066</u>	<u>(\$ 140,523)</u>	<u>\$ 20,812</u>	<u>(\$ 302,140)</u>	<u>\$ 2,660,073</u>
Balance at January 1, 2005	\$ 1,539,897	\$ 1,348,505	\$ 17,111	\$ 221	\$ 103,066	(\$ 394,267)	\$ 21,810	(\$ 319,214)	\$ 2,317,129
Net income for the period	-	-	-	-	-	27,574	-	-	27,574
Retirement of treasury stock	(10,720)	(9,388)	3,034	-	-	-	-	17,074	-
Acquisition treasury stock	-	-	-	-	-	-	-	(13,644)	(13,644)
Capital reserve covered accumulated deficit	-	(291,201)	-	-	(103,066)	394,267	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	(6,551)	-	(6,551)
Effect of change in ownership percentage of investee company	-	-	-	-	-	(4,556)	-	-	(4,556)
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>\$ 2,319,952</u>

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

See report of independent accountants dated August 23, 2005.

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

	2005	2004
<u>Cash flows from operating activities</u>		
Net income	\$ 27,574	\$ 84,535
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on disposal of investments	(5,176)	(4,177)
Provision for (reversion of) bad debts and sales returns	3,306	(9,014)
Reversal of provision for decline in market value and obsolescence on inventories	(204)	(4,465)
Depreciation and amortization expenses	95,502	88,002
Loss (gain) on disposal of fixed assets	352	(203)
Investment loss accounted for under the equity method	44,000	155,550
Other investment loss	7,500	-
Changes in assets and liabilities (increase) decrease:		
Notes receivable – third parties – net	18,461	45,276
Notes receivable – related parties – net	(1,709)	(1,126)
Accounts receivable – third parties – net	96,724	(43,358)
Accounts receivable – related parties – net	(2,919)	(2,751)
Other receivables – third parties	(134,941)	(89,986)
Other receivables – related parties	(40,334)	(1,745)
Inventories	(7,031)	4,736
Prepaid expenses	(359)	(256)
Other financial assets – current	(694)	(988)
Deferred income tax assets	27,712	(40,383)
Notes payable	21,372	(20,910)
Notes payable – related parties	153,606	-
Accounts payable	(30,488)	(7,100)
Income tax payable	(2,204)	2,345
Accrued expenses	(26,687)	(12,313)
Other payables – third parties	7,319	5,730
Other payables – related parties	(67,812)	127,586
Unearned revenue collected in advance	(8,863)	78,686
Other current liabilities	(2,916)	(4,170)
Accrued pension liabilities	1,495	1,656
Net cash provided by operating activities	172,586	351,157

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

	<u>2005</u>	<u>2004</u>
<u>Cash flows from investing activities</u>		
Proceeds from disposal of property, plant and equipment	\$ 3,398	\$ 2,039
Increase in short-term investments	(1,494,700)	(1,804,412)
Proceeds from disposal of short-term investments	1,499,876	1,808,589
Decrease in pledged assets, net	-	15,000
Increase in long-term investments – subsidiary	(84,468)	(228,810)
Acquisition of subsidiary	-	(221,292)
Acquisition of property, plant and equipment	(99,170)	(52,766)
Increase in deferred charges	(28,496)	(12,339)
Decrease (increase) in refundable deposits, net	3,648	(3,874)
Net cash used in investing activities	<u>(199,912)</u>	<u>(497,865)</u>
<u>Cash flows from financing activities</u>		
Decrease in short-term loans	-	(100,000)
Increase (decrease) in long-term loans	98,240	(33,039)
Decrease in long-term notes payable, net	-	(10,687)
Increase in guarantee deposits	2	930
Acquisition of treasury stock	(13,644)	-
Net cash provided by (used in) financing activities	<u>84,598</u>	<u>(142,796)</u>
Net increase (decrease) in cash	57,272	(289,504)
Cash and cash equivalents at beginning of period	757,625	852,970
Cash and cash equivalents at end of period	<u>\$ 814,897</u>	<u>\$ 563,466</u>
<u>Supplemental disclosure of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 4,520</u>	<u>\$ 4,258</u>
Income taxes	<u>\$ 14,648</u>	<u>\$ 5,566</u>
<u>Cash paid for purchase of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 117,241	\$ 52,401
Payable at end of period	(22,955)	-
Payable at beginning of period	4,884	365
Cash paid	<u>\$ 99,170</u>	<u>\$ 52,766</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 August 23, 2005.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,

EXCEPT AS INDICATED)

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 June 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 NT\$10 (dollars) per share, and issued and outstanding capital was \$1,529,177. The Company engages in software services, TV programming and magazine publications. As of June 30, 2005, the Company has 539 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) The Company adopts the amended R.O.C. SFAS No. 7 " Consolidated Financial Statements " for the period ended June 30, 2005, under which majority owned and controlled entities are consolidated. Restatement of prior year's consolidated financial statements is not required under SFAS No. 7.

(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.

(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 compensation 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) The Company has a non-contributory and funded defined benefit retirement plan (the Plan) covering all regular employees. The Company recognizes minimum pension liability for the excess of accumulated benefit obligation over the fair value of plan assets and pension costs based on an actuarial valuation. Pension cost components include service cost, interest cost, expected return on plan assets and amortization of net obligation at transition. The unrecognized net transition obligation is amortized equally over 15 years.

- B) For interim financial statements, the Company recognized its minimum pension liabilities and the actuarial pension report, the measurement dates of which was December 31, 2004 and 2003, and adjusted for pension cost and contributions to the independent fund during the six-month periods ended June 30, 2005 and 2004.

(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 six-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 for impact on the net income for the six-month periods of 2005.

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Cash on hand	\$ 241	\$ 271
Cash in banks	<u>814,656</u>	<u>563,195</u>
	<u>\$ 814,897</u>	<u>\$ 563,466</u>

(2) Notes receivable – net

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Notes receivable	\$ 52,186	\$ 86,940
Less: Allowance for doubtful accounts	(<u>16</u>)	(<u>16</u>)
	<u>\$ 52,170</u>	<u>\$ 86,924</u>

(3) Accounts receivable – net

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ 472,081	\$ 609,990
Less: Allowance for doubtful accounts	(33,320)	(45,301)
Allowance for sales returns	(<u>5,841</u>)	(<u>8,529</u>)
	<u>\$ 432,920</u>	<u>\$ 556,160</u>

(4) Other receivable – net

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Commission receivable (Note)	\$ 262,566	\$ 87,249
Others	973	7,113
Less: Allowance for doubtful accounts	(18,461)	(6,480)
	<u>\$ 245,078</u>	<u>\$ 87,882</u>

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

(5) Inventories

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Inventories	\$ 36,852	\$ 27,182
Less: Reserve for loss on decline in market value and obsolescence	(20,245)	(20,023)
	<u>\$ 16,607</u>	<u>\$ 7,159</u>

(6) Long-term investments

(A) List of long-term investments

<u>Name of investee</u>	<u>June 30, 2005</u>			<u>Investment (loss) gain of six-month periods ended June 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%	\$ 205,094	(\$ 32,198)
Gamania Korea Co., Ltd.	80,189	100%	121,205	(8,132)
Alibangbang Digital Games Co., Ltd.	60,000	93.33%	6,063	(14,327)
NC Taiwan Co., Ltd.	71,400	51%	95,868	27,396
Taiwan Index Co., Ltd.	208,200	69.40%	156,276	(10,264)
Gamania Asia Investment Co., Ltd.	90,000	100%	75,204	(4,421)
Soga Interactive Co., Ltd.	28,000	40%	25,483	(2,031)
Gamania Digital				
Entertainment Labuan Holdings, Ltd.	<u>161</u>	100%	<u>172</u>	<u>(23)</u>
	<u>1,413,366</u>		<u>685,365</u>	<u>(44,000)</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%	3,700	(1,500)
Joyon Entertainment Co., Ltd.	9,851	14.71%	9,851	-
RAVA Ideologie Inc.	8,800	8.69%	2,800	(6,000)
Zona Inc.	<u>52,095</u>	10.34%	<u>-</u>	<u>-</u>
	<u>107,941</u>		<u>19,346</u>	<u>(7,500)</u>
Total	<u>\$ 1,521,307</u>		<u>\$ 704,711</u>	<u>(\$ 51,500)</u>

Name of investee	June 30, 2004			Investment (loss) gain of six-month periods ended June 30, 2004
	Original cost	Ownership Percentage	Balance	
Accounted for under the equity method:				
Gamania Holdings Ltd.	\$ 801,780	100%	\$ 241,131	(\$ 113,933)
Gamania Korea Co., Ltd.	80,189	100%	146,199	4,661
Mogamer Interactive Co., Ltd.	35,960	89.90%	3,553	(478)
Clicklit Interactive Co., Ltd.	91,163	68.85%	1,014	(316)
Alibangbang Digital Games Co., Ltd.	40,000	90.00%	15,461	(9,178)
NC Taiwan Co., Ltd.	71,400	51.00%	44,917	(16,671)
Gamania Asia Investment Co., Ltd.	78,000	100.00%	78,000	-
Taiwan Index Co., Ltd.	<u>209,176</u>	69.40%	<u>189,541</u>	(<u>19,635</u>)
	<u>1,407,668</u>		<u>719,816</u>	(<u>155,550</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%	21,200	-
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>52,095</u>	-
	<u>107,941</u>		<u>94,941</u>	-
Prepayments for long-term investments:				
Gamania Asia Investment Co., Ltd.	<u>12,000</u>		<u>12,000</u>	-
Total	<u>\$ 1,527,609</u>		<u>\$ 826,757</u>	(<u>\$ 155,550</u>)

- (B) These investments, accounted for under the equity method, were based on the unaudited financial statements of the investees for six-month period ended June 30, 2005, except for NC Taiwan Co., Ltd., Taiwan Index Co., Ltd. and Gamania Digital Entertainment (Beijing) Co., Ltd.
- (C) The long-term investments, accounted for under the equity method for six-month periods ended June 30, 2004, were based on the unaudited financial statements.
- (D) 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.
- (E) In 2004, Game Factory Digital Entertainment Studios Co., Ltd. was renamed, as RAVA Ideologie Inc.

(7) Property, plant, and equipment

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	145,833	143,514
Machinery equipment	622,392	504,879
Transportation equipment	1,700	1,700
Computer and communication equipment	81,927	96,166
Leasehold improvements	75,138	84,456
Other equipment	<u>4,950</u>	<u>5,349</u>
	<u>1,079,691</u>	<u>983,815</u>

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
<u>Accumulated depreciation</u>		
Buildings	(6,952)	(4,370)
Machinery equipment	(280,993)	(196,030)
Transportation equipment	(944)	(661)
Computer and communication equipment	(55,649)	(53,128)
Leasehold improvements	(57,117)	(51,086)
Other equipment	(3,687)	(2,889)
	<u>(405,342)</u>	<u>(308,164)</u>
Construction in progress and prepayments for equipment	<u>6,173</u>	<u>-</u>
Book Value	<u>\$ 680,522</u>	<u>\$ 675,651</u>

(8) Other intangible assets

	<u>June 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 June 30, 2005, total accumulated loss recognized for intangible assets is \$38,298.

(9) Deferred charges

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Agency fees	\$ 340,669	\$ 340,647
Unamortized expense	<u>54,713</u>	<u>32,588</u>
	395,382	373,235
Less: accumulated impairment	(<u>283,472</u>)	<u>-</u>
	<u>\$ 111,910</u>	<u>\$ 373,235</u>

In the fourth quarter of 2004, the Company adopted the R.O.C. Statement of Financial Accounting standards No. 35, "Accounting for Assets Impairment" and recognized a loss of \$283,472. As of June 30, 2005, total accumulated loss recognized for deferred charges was \$283,472.

(10) Long-term loans

Financial <u>Bank</u>	Total <u>Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>June 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	\$ 44,288	\$ 48,058
International Bank of Taipei	51,000	08.20.2002 ~ 08.20.2017 Two year grace period, equal quarterly installments starting from year 3 (Note)	-	51,000
Taipei FuBon Bank	37,600	05.09.2002 ~ 05.09.2007 20 equal quarterly installments (Note)	-	22,560
Chang Hwa Bank	100,000	08.18.2003 ~ 08.18.2006 6 equal semi-annual installments (Note)	-	83,333
Chiao Tung Bank	200,000	08.30.2004 ~ 08.30.2007 Full payment at maturity	50,000	-
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	-
			<u>344,288</u>	<u>204,951</u>
Less: current portion			(<u>28,769</u>)	(<u>47,565</u>)
			<u>\$315,519</u>	<u>\$157,386</u>

(Note) Principal repaid before due dates

(11) Retirement plans

A) Under the terms of the Company's retirement plan, the pension benefits payable to employees are determined retirement as follows:

- a) Two months of average monthly salary will be paid for each year of service for the first fifteen years.
- b) For the service period over 15 years, one month of average monthly salary will be paid per year.
- c) The maximum number of months to be accumulable is 45 months.
- d) Average monthly salary is determined based on the retiree's salary six monthly one month prior to their retirement.

B) As of June 30, 2005 and 2004, the balance of the pension fund, with Central Trust of China, the trustee, was \$17,013 and \$12,260, respectively. Total pension expense was \$4,379 and \$3,737 for six-month periods ended June 30, 2005 and 2004, respectively.

(12) Common Stock

On March 18, 2005, the Company's Board of Directors passed a resolution to decrease its paid-in capital to \$1,529,177 by retiring 1,072 thousand shares of treasury stocks.

(13) 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.

(14) 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.

(15) Undistributed earnings/special reserve

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.

(16) Income tax payable

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

	<u>Six-month</u> <u>periods ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Current year income tax expense (benefit)	\$ 18,725	(\$ 41,235)
Additional 10% corporate income tax on undistributed earnings	<u>19,002</u>	<u>11,192</u>
	37,727	(30,043)
Add (Less): Net changes in deferred income tax assets	(27,712)	40,384
Prepaid income tax	(12)	(34)
Over (under) provision of prior year's income tax	<u>6,378</u>	<u>(2,943)</u>
Income tax payable	<u>\$ 16,381</u>	<u>\$ 7,364</u>

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

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Deferred income tax assets – current	\$ 37,292	\$ 34,145
Deferred income tax assets (liability) – non-current – net	<u>60,642</u>	<u>20,274</u>
	<u>\$ 97,934</u>	<u>\$ 54,419</u>

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

	June 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	\$ 28,431	\$ 7,108	\$ 20,023	\$ 5,006
Allowance for sales returns	5,841	1,460	8,529	2,132
Over provision of allowance for bad debts	46,490	11,623	44,808	11,202
Welfare expenses	2,830	707	4,035	1,009
Investment tax credit		<u>16,394</u>		<u>14,796</u>
		<u>\$ 37,292</u>		<u>\$ 34,145</u>
Non-current items:				
Welfare expenses	\$ -	\$ -	\$ 328	\$ 82
Impairment losses	268,141	67,036	-	-
Investment tax credit	-	34,508		55,270
Reserve for foreign investment	(163,608)	(40,902)	(140,314)	(35,078)
		<u>\$ 60,642</u>		<u>\$ 20,274</u>

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

	June 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 June 30, 2005 and 2004, the information regarding the undistributed earnings is as follows:

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
On or after January 1, 1998		
a. Earnings not subjected to 10% income tax	\$ 27,574	\$ 84,535
b. Earnings subjected to 10% income tax	(4,556)	(225,058)
	<u>\$ 23,018</u>	<u>(\$ 140,523)</u>

F) (a) As of June 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 higher court.

(c) The Company's tax return for the year 2001 has been assessed by the Tax Authority and \$26,293 additional tax was imposed. The Company has reviewed each adjustment by the tax authority and determined that only \$244 additional tax was due. The Company has accrued this additional tax liability in the first quarter 2005 financial statements, and has filed an appeal 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 deductible tax income is \$19,721 for six-month periods ended June 30, 2005.

H) As of June 30, 2005, according to “Income Tax Law” and “Statute for Upgrading Industries,” the Company had investment tax credits in the amount of \$50,902 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	\$ 15,279	\$ 1,196	2007
"	13,843	13,843	2008
"	7,344	7,344	2009
Machinery and equipment	23,469	23,469	2007
"	2,195	2,195	2008
"	81	81	2009
Employees training	1,432	1,432	2007
"	1,342	1,342	2008
	<u>\$ 64,985</u>	<u>\$ 50,902</u>	

(17) Earnings per share

	<u>Six-month periods ended June 30, 2005</u>				
	<u>Amount</u>		<u>Weighted average 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>
Earnings per share:					
Net income	<u>\$ 65,301</u>	<u>\$ 27,574</u>	<u>147,821</u>	<u>\$ 0.44</u>	<u>\$ 0.19</u>

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

<u>Six-month periods ended June 30, 2004</u>					
	<u>Amount</u>		Weighted average outstanding common shares	<u>Earnings per share (Note)</u>	
	<u>Before income tax</u>	<u>After income tax</u>		<u>Before income tax</u>	<u>After income tax</u>
Earnings per share:					
Net income	\$ 54,492	\$ 84,535	153,800	\$ 0.35	\$ 0.55

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

Note: In New Taiwan Dollars.

(18) Treasury Stock

<u>Six-month periods ended June 30, 2005</u>					
<u>A) Purposes</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 and shareholders' equity	1,072	1,039	(1,072)	1,039	
	<u>6,072</u>	<u>1,039</u>	<u>(1,072)</u>	<u>6,039</u>	

<u>Six-month periods ended June 30, 2004</u>					
<u>Purposes</u>	<u>Beginning shares (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares (Note)</u>	
Employees stock option	5,000	-	-	5,000	

Note: Amount in thousands of shares.

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

<u>June 30, 2005</u>		<u>June 30, 2004</u>	
<u>Maximum balance</u>	<u>Ending balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>
\$ 319,214	\$ 315,784	\$ 302,140	\$ 302,140

- 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.

(19) 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 six-month periods ended June 30, 2005 and 2004 as follows:

	For the six-month periods ended June 30, 2005		For the six-month periods ended June 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	-	-	10,000	32.8
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-	-	-
Ending outstanding balance (Note)	<u>10,000</u>	<u>\$ 32.8</u>	<u>10,000</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>-</u>	

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

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

For the six-month periods ended 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	-	\$ -

For the six-month periods ended June 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	10,000	5.58	\$ 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 periods ended June 30, 2005</u>	<u>For the six-month periods ended June 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 six-month periods ended June 30, 2005</u>	<u>For the six-month periods ended June 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”	22,025	25,861

(d) Pro forma information:

		<u>For the six-month periods ended June 30, 2005</u>	<u>For the six-month periods ended June 30, 2004</u>
Net income	Net income	\$ 27,574	\$ 84,535
	Pro forma net income	5,549	58,674
Basic earnings per share	EPS	0.19 (in dollars)	0.55 (in dollars)
	Pro forma EPS	0.04 (in dollars)	0.38 (in dollars)
Diluted earnings per share	EPS	0.19 (in dollars)	0.55 (in dollars)
	Pro forma EPS	0.04 (in dollars)	0.38 (in dollars)

(20) Personnel, Depreciation and Amortization Expenses

	Six-month periods ended	
	June 30,	
	<u>2005</u>	<u>2004</u>
Personnel expenses		
Salaries	\$ 147,785	\$ 126,974
Labor and health insurances	10,555	12,411
Pension	4,379	3,737
Other	<u>9,026</u>	<u>8,665</u>
	<u>\$ 171,745</u>	<u>\$ 151,787</u>
Depreciation expense	\$ 66,425	\$ 65,562
Amortization expense	<u>29,077</u>	<u>22,440</u>
	<u>\$ 95,502</u>	<u>\$ 88,002</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)	"
Alibangbang Digital Games Co., Ltd. (Alibangbang)	"
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)	Investment company accounted for under equity method

(2) Significant transactions with related parties

A) Service revenue

	For the six-month periods ended June 30,			
	2005		2004	
	Amount	% of net service revenue	Amount	% of net service revenue
NC Taiwan	\$ 53,682	71	\$ 23,267	83
Taiwan Index	20,850	27	4,728	17
	<u>\$ 74,532</u>	<u>98</u>	<u>\$ 27,995</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

	For the six-month periods ended June 30,			
	2005		2004	
	Amount	% of net sales revenue	Amount	% of net sales revenue
Gamania (H.K.)	<u>\$ 1,465</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

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

C) Other operating revenue

	For the six-month periods ended June 30,			
	2005		2004	
	Amount	% of net sales revenue	Amount	% of net sales revenue
Gamania (Japan)	\$ 903	-	\$ -	-
Gamania (H.K.)	573	-	-	-
Others	480	-	-	-
	<u>\$ 1,956</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

Collected from subsidiaries by providing services.

D) Publish cost

	For the six-month periods ended June 30,			
	2005		2004	
	Amount	% of operating cost	Amount	% of operating cost
NC Taiwan	\$ 2,146	1	\$ -	-

Pay for subsidiary's publish royalty.

E) Advertising expense

	For the six-month periods ended June 30,			
	2005		2004	
	Amount	% of operating expense	Amount	% of operating expense
Taiwan Index	\$ 2,519	1	\$ -	-

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

F) Rent revenue

	For the six-month periods ended June 30,			
	2005		2004	
	Amount	% of rent revenue	Amount	% of rent revenue
Taiwan Index	\$ 11,690	81	\$ 589	34
NC Taiwan	2,726	19	-	-
Others	-	-	11	1
	\$ 14,416	100	\$ 600	35

The collection term was to collect 12 long-term notes receivables in advance with each note monthly.

G) Note receivable

	For the six-month periods ended June 30,			
	2005		2004	
	Amount	% of net note receivable	Amount	% of net note receivable
NC Taiwan	\$ 1,558	3	\$ -	-
Taiwan Index	-	-	1,096	1
Others	151	-	30	-
	<u>\$ 1,709</u>	<u>3</u>	<u>\$ 1,126</u>	<u>1</u>

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

H) Account receivable

	For the six-month periods ended June 30,			
	2005		2004	
	Amount	% of net account receivable	Amount	% of net account receivable
Gamania (Japan)	\$ 2,334	1	\$ -	-
Gamania (H.K.)	679	-	2,751	-
Others	1,748	-	-	-
	<u>\$ 4,761</u>	<u>1</u>	<u>\$ 2,751</u>	<u>-</u>

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

I) Other receivables

	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Amount</u>	<u>% of net</u>	<u>Amount</u>	<u>% of net</u>
		<u>other receivables</u>		<u>other receivables</u>
Soga	\$ 29,744	9	\$ -	-
Taiwan Index	13,047	4	-	-
Gamania (H.K.)	12,928	4	8,261	8
NC Taiwan	9,628	3	111	-
Game (Japan)	8,791	3	729	1
Gamania (Beijing)	1,953	1	463	-
Others	<u>1,790</u>	<u>-</u>	<u>1,742</u>	<u>2</u>
	<u>\$ 77,881</u>	<u>24</u>	<u>\$ 11,306</u>	<u>11</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>For the six-month periods ended June 30,</u>			
	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>% of</u>	<u>Amount</u>	<u>% of</u>
		<u>note payable</u>		<u>note payable</u>
NC Taiwan	\$ 148,157	67	\$ -	-
Taiwan Index	<u>5,449</u>	<u>3</u>	<u>-</u>	<u>-</u>
	<u>\$ 153,606</u>	<u>70</u>	<u>\$ -</u>	<u>-</u>

K) Other payables

	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Amount</u>	<u>% of</u>	<u>Amount</u>	<u>% of</u>
		<u>other payables</u>		<u>other payables</u>
NC Taiwan	\$ 57,483	43	\$ 104,835	66
Taiwan Index	37,651	28	18,575	12
Gamania (H.K.)	625	-	5,661	4
Others	<u>4,947</u>	<u>4</u>	<u>-</u>	<u>-</u>
	<u>\$ 100,706</u>	<u>75</u>	<u>\$ 129,071</u>	<u>82</u>

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

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>June 30,</u>		<u>Purpose</u>
	<u>2005</u>	<u>2004</u>	
Land	\$ 141,717	\$ 147,751	Long-term loans/Credit lines
Buildings	107,171	119,578	"
Machinery equipment	<u>31,459</u>	<u>1,650</u>	Long-term loans/Short-term loans
	<u>\$ 280,347</u>	<u>\$ 268,979</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- A) As of June 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 \$12,722.
- B) The Company has contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In additional, the Company has contracted with several on-line game vendors, and will pay royalty based on actual consumer usage .
- C) As of June 30, 2005, the total contract for accounting software and its related consulting services totaled \$30,860, of which \$28,155 have been paid.

D) As described in Note 4(16), 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 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 filing the second appeal to the higher court in 2003. The case is currently pending.

E) For the period from March 16, 2005 to December 31, 2005, First Commercial Bank will provided 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>June 30, 2005</u>	
<u>Assets</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets with book value approximating their fair value	\$ 1,630,110	\$ 1,630,110
Long-term investments	704,711	640,064
Refundable deposits	5,082	5,035
<u>Liabilities</u>		
Financial liabilities with book value approximating their fair value	505,161	505,161
Long-term liabilities – current portion	28,769	28,769
Long-term loans payable	315,519	315,519
Accrued pension liabilities	4,740	11,625
Deposits received	36	36

	<u>June 30, 2004</u>	
<u>Assets</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets with book value approximating their fair value	\$ 1,310,603	\$ 1,310,603
Long-term investments	826,757	762,876
Refundable deposits	9,718	9,613
<u>Liabilities</u>		
Financial liabilities with book value approximating their fair value	320,717	320,717
Long-term liabilities – current portion	47,565	47,565
Long-term loans payable	157,386	157,386
Accrued pension liabilities	1,656	7,344
Deposits received	1,459	1,459

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, 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 values of long-term investments is their market values or the equity in the net assets and/or their 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 six-month periods ended June 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:
None.

C. For the six-month periods ended June 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 six-month periods ended June 30, 2004 have been reclassified to conform with the presentation adopted for the three-month periods ended June 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 three-month period ended June 30, 2005	Outstanding guarantee amount at June 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	NC Taiwan Co., Ltd.	3	\$ 30,000	\$ 30,000	\$ -	None	-	\$ 458,753 (30% of the Company's net assets)

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 June 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	June 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	\$ 205,094	100%	\$ 205,094	None
"	"	Gamania Korea Co., Ltd.	"	"	394	121,205	100%	121,205	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	5,600	6,063	93.33%	3,718	"
"	"	NC Taiwan Co., Ltd.	"	"	7,140	95,868	51%	95,868	"
"	"	Taiwan Index Co., Ltd.	"	"	17,350	156,276	69.40%	114,478	"
"	"	Gamania Asia Investment Co., Ltd.	"	"	9,000	75,204	100%	54,700	"
"	"	Gamania digital Entertainment Labuan Holdings, Ltd.	"	"	5	172	100%	172	"
"	"	Soga Interactive Co., Ltd.	Investee company accounted for under the equity method	"	2,800	25,483	40%	25,483	"
"	"	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	3,700	18.55%	3,700	"
"	"	Joyon Entertainment Co., Ltd.	"	"	700	9,851	14.71%	9,851	"
"	"	RAVA Ideologie Inc.	"	"	880	2,800	8.69%	2,800	"
"	"	Zona Inc.	"	"	1,000	-	10.34%	-	"

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 June 30, 2005 in excess of \$100,000 or 20% of capital: None.
- E) Acquired real estate in excess of \$100,000 or 20% of capital: None.
- F) Disposal of real estate in excess of \$100,000 or 20% of capital: None.
- G) Sales to or purchases from related parties in excess of \$100,000 or 20% of capital: None.
- H) Receivable from related parties in excess of \$100,000 or 20% of capital: None.
- I) Information on derivative 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
				2005.6.30	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%	\$205,094	(\$ 32,198)	(\$ 32,198)	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%	121,205	(8,132)	(8,132)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chung-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Design and research of software	60,000	50,000	5,600	93.33%	6,063	(14,970)	(14,327)	"
"	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%	95,868	53,718	27,396	"
"	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%	156,276	(6,670)	(10,264)	"
"	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%	75,204	(4,421)	(4,421)	"
"	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%	172	(23)	(23)	"
"	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%	25,483	(5,078)	(2,031)	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%	65,942	(6,670)	(4,377)	"

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
				2005.6.30	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%	USD6,512 Thousand	(USD 1,023 thousand)	(USD 1,023 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%	USD3,190 Thousand	(USD 221 thousand)	(USD 221 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%	USD3,329 Thousand	(USD 872 thousand)	(USD 802 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%	USD2,739 Thousand	(USD 1,262 thousand)	(USD 1,277 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%	USD2,401 Thousand	(USD 1,031 thousand)	(USD 1,031 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%	USD867 thousand	USD 406 thousand	USD 406 thousand	"
Gamania China Holdings Ltd.	Gamania Alliance, Co., Limited	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	Note	Note	N/A	100%	(USD8 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 June 30, 2005:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	June 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	USD6,512 Thousand	100%	USD6,512 Thousand	None
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	17	USD3,190 Thousand	100%	USD3,190 Thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	15,524	USD3,329 Thousand	92.34%	USD3,329 Thousand	"
Gamania China Holdings Ltd.	"	Gamania Alliance, Co., Limited	"	"	2(Note(3))	(USD8 thousand)	100%	(USD8 thousand)	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD867 thousand	100%	USD867 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Co., Ltd.	"	"	N/A	USD2,739 Thousand	100%	USD2,739 Thousand	"
Gamania Sino Holdings Co., Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	USD2,401 Thousand	100%	USD2,401 Thousand	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under the equity method	"	6,800	\$ 65,942	27.2%	\$ 45,438	"

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 June 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	\$ 205,640	(Note)	\$ -	N/A	\$ 58,971	-

- 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 June 30, 2005	Remitted or received investment amount during the period		Accumulated investment as of June 30, 2005	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at June 30, 2005	Accumulated investment income received as of June 30, 2005
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sale of software	(RMB 90,778 thousand) \$346,818	(Note (2))	(USD7,350 thousand) \$232,407	(USD1,500 thousand) \$47,430	\$ -	(USD8,850 thousand) \$279,837	92.34%	(USD948 thousand) (\$29,738)	(USD2,217 thousand) \$ 70,102	\$ -

Accumulated amount of investment in Mainland China as of June 30, 2005	Related investment amount approved by FIA	The upper limit of investment in Mainland China
\$ 279,837 (USD8,850 thousand)	\$394,618 (Note (1))	\$ 927,981

Note (1): Related total investment amount approved by FIA is USD12,480,000 or NTD 394,618 thousand based on 31.62 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.