

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS**

MARCH 31, 2004 AND 2003

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

Report of Independent Accountants

(04) R.F014.4040

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 March 31, 2004 and 2003, and the related statements of income and of cash flows for the three-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 reviews were made in accordance with the "Review of Financial Statements" and the "Rules Governing Review of Quarterly Financial Statements of Listed Companies" 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, 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 long-term investments in certain investees stated at \$630,163 thousand and \$607,300 thousand and the related investment loss of \$75,645 thousand and \$121,685 thousand for the three-month periods then ended. These investments were accounted for under the equity method based on the financial statements of the investees which have not been reviewed. Information of certain investees disclosed in Note 11 was based on the financial statements of these investees which have not been reviewed.

Based on our reviews, 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 to above in order for the them to be in conformity with the “Rules Governing the Preparation of Financial Statements of Securities Issuers” and generally accepted accounting principles in the Republic of China.

April 20, 2004

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
MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEW ONLY)

	2004		2003			2004		2003	
<u>ASSETS</u>	Amount	%	Amount	%		Amount	%	Amount	%
<u>Current Assets</u>									
Cash (Note 4(1))	\$ 270,910	8	\$ 201,392	6	<u>Current Liabilities</u>	\$ 50,000	1	\$ 180,000	5
Short-term investments (Note 4(2))	643,174	18	529,000	15	Short-term loans (Note 4(9))	29,981	1	-	-
Notes receivable - net (Note 4(3))	134,032	4	142,089	4	Commercial paper payable (Note 4(10))	45,780	1	89,313	3
Accounts receivable - net – third parties (Note 4(4))	525,005	15	703,767	20	Notes payable	8,847	-	-	-
Accounts receivable-net-related parties (Note 5)	2,751	-	-	-	Notes payable-related parties (Note 5)	57,727	2	69,863	2
Other receivables - third parties	7,356	-	1,087	-	Accounts payable	32,005	1	-	-
Other receivables - related parties (Note 5)	22,919	1	17,121	1	Accounts payable-related parties (Note 5)	12,463	-	37,931	1
Other financial assets-current (Note 6)	765	-	16,125	1	Income tax payable (Note 4(17))	50,759	2	54,789	2
Inventories (Note 4(5))	9,221	-	38,770	1	Accrued expenses	19,625	1	2,646	-
Prepaid expenses	21,932	1	15,357	-	Other payables	103,676	3	28,913	1
Deferred tax assets-current (Note 4(17))	50,590	1	18,211	1	Unearned revenue collected in advance	60,216	2	19,790	-
	1,688,655	48	1,682,919	49	Current portion of long-term liabilities (Notes 4(11) and 4(12))	5,827	-	18,641	-
					Other current liabilities	476,906	14	501,886	14
<u>Long-term Investments (Note 4(6))</u>									
Long-term investments - equity method	630,163	18	572,515	17	<u>Long-term Liability</u>				
Long-term investments - cost method	94,941	3	47,046	1	Long-term loans (Note 4(11))	359,228	10	124,440	4
Prepayments for long-term investments	-	-	43,585	1	Long-term notes payable (Note 4(12))	7,770	-	19,440	-
	725,104	21	663,146	19		366,998	10	143,880	4
<u>Property, Plant and Equipment (Note 4(7))</u>					<u>Other Liability</u>				
Cost					Guarantee deposits	528	-	-	-
Land	117,270	3	117,270	3	Deferred tax liabilities-non-current (Note 4(17))	32,445	1	20,563	1
Buildings	123,015	4	107,225	3		32,973	1	20,563	1
Machinery equipment	504,879	15	341,433	10	Total Liabilities	876,877	25	666,329	19
Transportation equipment	5,238	-	5,238	-					
Computer and communication equipment	98,550	3	92,898	3	<u>Stockholders' Equity</u>				
Leasehold improvements	84,456	2	83,725	3	Common stock	1,587,997	45	1,080,270	31
Other equipment	5,349	-	6,436	-	Capital reserve (Note 4(14))				
Total cost	938,757	27	754,225	22	Paid-in capital in excess of par	1,390,640	40	1,390,640	40
Less: Accumulated depreciation	(280,306)	(8)	(162,597)	(5)	Gain on disposal of property, plant and equipment	221	-	221	-
Construction in progress and prepayments for equipment	-	-	59,232	2	Retained earnings				
	658,451	19	650,860	19	Legal reserve (Note 4(15))	103,066	3	37,609	1
Intangible assets	38,298	1	-	-	(Accumulated deficit) retained earnings (Note 4 (16))	(183,298)	(5)	573,292	17
<u>Other Asset</u>					Cumulative translation adjustments	20,261	1	16,237	1
Refundable deposits	13,308	-	10,446	-	Treasury stock (Note 4(19))	(302,140)	(9)	(302,140)	(9)
Deferred charges (Note 4(8))	369,672	11	454,816	13	Total Stockholders' Equity	2,616,747	75	2,796,129	81
Deferred tax assets (Note 4(17))	136	-	271	-					
	383,116	11	465,533	13	Commitments and Contingent Liabilities (Notes 5 and 7)				
<u>TOTAL ASSETS</u>	\$ 3,493,624	100	\$ 3,462,458	100	<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	\$ 3,493,624	100	\$ 3,462,458	100

The accompanying notes are an integral part of the financial statements.
See report of independent accountants dated April 20, 2004.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.
STATEMENTS OF INCOME
THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT EARNINGS PER SHARE DATA)
(REVIEW ONLY)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenues				
Sales revenue	\$ 526,561	100	\$ 550,747	114
Sales returns	(4,266)	(1)	(63,222)	(13)
Sales allowances	(1,813)	-	(2,613)	(1)
Net sales revenue	520,482	99	484,912	100
Service revenue (Note 5)	6,833	1	-	-
Operating revenues	<u>527,315</u>	<u>100</u>	<u>484,912</u>	<u>100</u>
Operating costs				
Cost of goods sold (Note 4(11))	(257,024)	(48)	(229,009)	(47)
Gross profit	<u>270,291</u>	<u>52</u>	<u>255,903</u>	<u>53</u>
Operating expenses (Note 4(11))				
Selling expenses	(49,470)	(9)	(86,900)	(18)
General and administrative expenses	(94,974)	(18)	(85,124)	(17)
Research and development expenses	(18,787)	(4)	(18,236)	(4)
Total operating expenses	<u>(163,231)</u>	<u>(31)</u>	<u>(190,260)</u>	<u>(39)</u>
Operating income	<u>107,060</u>	<u>21</u>	<u>65,643</u>	<u>14</u>
Non-operating income				
Interest income	39	-	309	-
Gains on sale of investments	294	-	423	-
Foreign exchange gain	1,169	-	433	-
Rental income	665	-	-	-
Miscellaneous income	9,083	2	215	-
Total non-operating income	<u>11,250</u>	<u>2</u>	<u>1,380</u>	<u>-</u>
Non-operating expenses				
Interest expense	(2,004)	(1)	(1,681)	(1)
Investment loss accounted for under equity method (Note 4(6))	(75,645)	(14)	(121,685)	(25)
Miscellaneous losses	(389)	-	(819)	-
Total non-operating expenses	<u>(78,038)</u>	<u>(15)</u>	<u>(124,185)</u>	<u>(26)</u>
Income (Loss) before income tax	40,272	8	(57,162)	(12)
Income tax expense (Note 4(17))	(3,226)	(1)	(18,751)	(4)
Net income (loss)	<u>\$ 37,046</u>	<u>7</u>	<u>(\$ 75,913)</u>	<u>(16)</u>

	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
Simple earnings (loss) per share (in dollars) (Note 4(18))				
Net Income (loss)	<u>\$ 0.26</u>	<u>\$ 0.24</u>	<u>(\$ 0.37)</u>	<u>(\$ 0.49)</u>

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

See report of independent accountants dated April 20, 2004

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.
STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEW ONLY)

	<u>2004</u>	<u>2003</u>
<u>Cash flows from operating activities</u>		
Net income (loss)	\$ 37,046	(\$ 75,913)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Bad debts and sales returns reverse	(9,013)	(38,751)
Gain on disposal of investments	(294)	(423)
Provision for decline in market value and obsolescence on inventories	(3,141)	795
Depreciation	32,780	25,811
Amortization	10,843	10,211
Donation of fixed assets	-	338
Investment loss accounted for under equity method	75,645	121,685
Loss on disposal of deferred charges	1,244	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable	(1,831)	116,878
Accounts receivable - third parties	(18,684)	(249,324)
Accounts receivable - related parties	(2,751)	-
Other receivables - third parties	(2,981)	612
Other receivables - related parties	(13,358)	(12,059)
Other financial assets-current	(765)	10,883
Inventories	1,350	(19,434)
Prepaid expenses	1,837	(1,207)
Deferred income tax assets	(4,246)	9,863
Increase (decrease) in:		
Notes payable	(8,935)	25,505
Notes payable – related parties	8,847	-
Accounts payable	(9,145)	(50,538)
Accounts payable - related parties	32,005	-
Income tax payable	7,444	8,821
Accrued expenses	(22,735)	(11,233)
Other payables – related parties	(1,485)	-
Other payables	(4,353)	(60,803)
Unearned revenue collected in advance	55,488	(2,534)
Other current liabilities	(2,477)	16,079
Net cash provided by (used in) operating activities	<u>158,335</u>	<u>(174,738)</u>

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.
STATEMENTS OF CASH FLOWS (CONTINUED)
THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEW ONLY)

	<u>2004</u>	<u>2003</u>
<u>Cash flows from investing activities</u>		
Increase in short-term investments	(\$ 1,548,406)	(\$ 841,000)
Proceeds from disposal of short - term investments	905,526	312,423
Increase in long-term investments - subsidiary	(43,089)	(152,213)
Decrease (increase) in pledged assets, net	15,000	(15,000)
Proceeds from disposal of property, plant and equipment	-	265
Acquisition of property, plant and equipment	(1,129)	(28,935)
Increase in deferred charges	(5,522)	(104,960)
Acquisition of subsidiary	(221,292)	-
Decrease in refundable deposits, net	-	15
Net cash used in investing activities	<u>(898,912)</u>	<u>(829,405)</u>
<u>Cash flows from financing activities</u>		
Decrease in short-term loans	(50,000)	(40,000)
Increase in other notes payable, net	3,898	12,270
Decrease in long-term notes payable, net	(2,917)	(2,917)
Acquisition of treasury stock	-	(76,912)
Increase in commercial paper payable, net	29,981	-
Increase (decrease) in long-term loans	<u>177,555</u>	<u>(1,880)</u>
Net cash provided by (used in) financing activities	<u>158,517</u>	<u>(109,439)</u>
Net decrease in cash	<u>(582,060)</u>	<u>(1,113,582)</u>
Cash and cash equivalents at beginning of period	<u>852,970</u>	<u>1,314,974</u>
Cash and cash equivalents at end of period	<u>\$ 270,910</u>	<u>\$ 201,392</u>
<u>Supplemental disclosure of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 2,286</u>	<u>\$ 1,681</u>
Income taxes	<u>\$ 28</u>	<u>\$ 67</u>
Cash paid for purchase of property, plant and equipment:		
Property, plant and equipment acquired	\$ 948	\$ 15,636
Payable at end of period	(184)	(514)
Payable at beginning of period	365	13,813
Cash paid	<u>\$ 1,129</u>	<u>\$ 28,935</u>
Cash paid for purchase of treasury stock:		
Treasury stocks acquired	\$ -	\$ 33,781
Payable at end of period	-	-
Payable at beginning of period	-	43,131
Cash paid	<u>\$ -</u>	<u>\$ 76,912</u>
The related fair market values of assets and liabilities of the acquired subsidiary are as follows:		
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>\$ 221,292</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.
See report of independent accountants dated April 20, 2004

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003

(REVIEWED ONLY)

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 March 31, 2004, the total authorized common stock balance was \$2,500,000 and issued and outstanding capital balance was \$1,587,997 consisted of 1,587,996,900 shares at par value NT\$10, per share. The Company engages in software services, TV programming and magazine publications. As of March 31, 2004, there were 500 employees in the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying non-consolidated financial statements were prepared in conformity with the "Rules Governing Preparation of the 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. The market value is determined using the average closing price of the last month of the accounting period. 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, and has the ability to exercise significant influence on the investee company, are accounted for under the equity method.

- 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 are debited.
- E) When the accumulated investment losses of an investee accounted for under the equity method exceeds the Company's original investment cost, the Company recognizes its investment losses up to the original investment cost. However, if the Company intends to continue supporting the investee or considers the losses of the investee as temporary, based on sufficient evidence that the investee will turn profitable in the near future, the Company continues to recognize investment loss in excess of its investment cost. The negative investment balance is presented as a liability in the balance sheet.

(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 of 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) When it is evidently clear that there has been a critical impairment in value of a fixed asset, a loss is recognized in the current operating result.

(7) Deferred charges

Cost of software copyright is capitalized and amortized under the straight-line basis over the estimated useful lives.

(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) 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, and 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.

(10) 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 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 based on the actuarial reports with, measurement dates of December 31, 2003 and 2002 and adjusted the pension cost and contributions to the independent fund during the three-month period ended 31, March, 2004 and 2003, respectively.

(11) Treasury Stock

- A) Treasury stocks acquired are stated at cost using the weighted average method. 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.
- B) All subsidiaries’ holdings of the Company’s stocks are treated as treasury stocks.

(12) Revenue, costs and expenses

- A) Revenue from prepaid cards for on-line game 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 return is estimated based on percentage of sales.
- D) Costs and expenses are recognized as incurred.

(13) 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 reporting period. Actual results could differ from those estimates.

3. CHANGES IN ACCOUNTING PRINCIPLES

None.

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Cash on hand	\$ 403	\$ 401
Cash in banks	<u>270,507</u>	<u>200,991</u>
	<u>\$ 270,910</u>	<u>\$ 201,392</u>

(2) Short-term investments

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Bond funds	<u>\$ 643,174</u>	<u>\$ 529,000</u>

(3) Notes receivable - net

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Notes receivable	\$ 134,048	\$ 143,560
Less: Allowance for doubtful accounts	(16)	(1,471)
	<u>\$ 134,032</u>	<u>\$ 142,089</u>

(4) Accounts receivables - net

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Accounts receivables	\$ 585,317	\$ 756,542
Less: Allowance for doubtful accounts	(47,781)	(31,990)
Allowance for sales returns	(12,531)	(20,785)
	<u>\$ 525,005</u>	<u>\$ 703,767</u>

(5) Inventories

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Inventories	\$ 30,569	\$ 63,159
Less: Reserve for loss on decline in market value and obsolescence	(21,348)	(24,389)
	<u>\$ 9,221</u>	<u>\$ 38,770</u>

(6) Long-term investments

(A) List of long-term investments

<u>Name of investee</u>	<u>March 31, 2004</u>			<u>Investment gain (loss) for three-month period ended March 31, 2004</u>
	<u>Original cost</u>	<u>Ownership Percentage</u>	<u>Balance</u>	
Accounted for under the equity method:				
Gamania Holdings Ltd.	\$ 703,941	100.00%	\$ 214,853	(\$ 47,734)
Gamania Korea Co., Ltd.	80,189	100.00%	145,696	6,204
Mogamer Interactive Co., Ltd.	35,960	89.90%	3,945	(87)
Clicklit Interactive Co., Ltd.	91,163	68.85%	1,038	(292)
Alibangbang Digital Games Co., Ltd.	30,000	86.67%	11,479	(4,007)
NC Taiwan Co., Ltd.	71,400	51.00%	35,986	(25,603)
Taiwan Index Co., Ltd	<u>221,292</u>	<u>73.76%</u>	<u>217,166</u>	<u>(4,126)</u>
	<u>1,233,945</u>		<u>630,163</u>	<u>(75,645)</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	-
Game Factory Digital Entertainment studios Co., Ltd.	8,800	8.69%	8,800	-
Zona Inc.	<u>52,095</u>	<u>10.34%</u>	<u>52,095</u>	<u>-</u>
	<u>107,941</u>		<u>94,941</u>	<u>-</u>
Total	<u>\$ 1,341,886</u>		<u>\$ 725,104</u>	<u>(\$ 75,645)</u>

B) List of long-term investments

Name of investee	March 31, 2003			Investment loss for three-month period ended March 31, 2003
	Original cost	Ownership Percentage	Balance	
Accounted for under the equity method:				
Gamania Holdings Ltd.	\$ 600,912	100.00%	\$ 395,771	(\$ 88,881)
Gamania Digital Entertainment (Japan) Co., Ltd.	97,655	100.00%	-	-
Gamania Korea Co., Ltd.	58,623	100.00%	120,495	(15,689)
Mogamer Interactive Co., Ltd.	35,960	89.90%	15,275	(3,078)
Clicklit Interactive Co., Ltd.	76,163	64.78%	17,463	(7,220)
POPcode Digital Entertainment Co., Ltd.	18,000	70.00%	7,352	(4,515)
Alibangbang Digital Games Co., Ltd.	20,000	80.00%	16,159	(2,302)
	<u>907,313</u>		<u>572,515</u>	<u>(121,685)</u>
Accounted for under the cost method:				
Buybooks Digital Technology Corp. Ltd.	5,990	3.74%	2,995	-
ECD Interactive Corporation	34,200	18.55%	34,200	-
Joyon Entertainment Co., Ltd.	19,702	17.86%	9,851	-
	<u>59,892</u>		<u>47,046</u>	<u>-</u>
Prepayment for long-term investments:				
Gamania Korea Co., Ltd.	19,903		19,785	-
Clicklit Interactive Co., Ltd.	15,000		15,000	-
Game Factory Digital Entertainment studios Co., Ltd.	8,800		8,800	-
	<u>43,703</u>		<u>43,585</u>	<u>-</u>
Total	<u>\$ 1,009,908</u>		<u>\$ 663,146</u>	<u>(\$ 121,685)</u>

- B) The related investment gain on loss for the three-month periods ended March 31, 2004 and 2003 under equity method was based on their respective financial statements which were not audited or reviewed by independent accountants.
- C) Among those companies which are accounted for under the equity method, POPcode Digital Entertainment Co., Ltd. was liquidated by the end of 2003.
- D) Clicklit Interactive Co., Ltd. and Mogamer Interactive Co., Ltd. are listed under prepayments for long-term inventants, however, they have already ceased operations, and have started the liquidation process.

(7) Property, plant, and equipment

	March 31,	
	2004	2003
<u>Cost</u>		
Land	\$ 117,270	\$ 117,270
Buildings	123,015	107,225
Machinery and equipment	504,879	341,433
Transportation equipment	5,238	5,238
Computer and communication equipment	98,550	92,898
Leasehold improvements	84,456	83,725
Other equipment	5,349	6,436
	<u>938,757</u>	<u>754,225</u>
<u>Accumulated depreciation</u>		
Buildings	(3,790)	(1,698)
Machinery and equipment	(175,007)	(101,911)
Transportation equipment	(2,998)	(2,125)
Computer and communication equipment	(49,825)	(29,352)
Leasehold improvements	(46,115)	(26,214)
Other equipment	(2,571)	(1,297)
	<u>(280,306)</u>	<u>(162,597)</u>
Construction in progress and prepayments for equipment	-	59,232
	<u>\$ 658,451</u>	<u>\$ 650,860</u>

(8) Deferred charges

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Agency fees	\$ 327,544	\$ 403,949
Unamortized expense	<u>42,128</u>	<u>50,867</u>
	<u>\$ 369,672</u>	<u>\$ 454,816</u>

(9) Short-term loans

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Short-term bank loans	<u>\$ 50,000</u>	<u>\$ 180,000</u>
Annual interest rates	<u>1.40%</u>	<u>1.9%~2.11%</u>
Credit lines	<u>\$ 567,000</u>	<u>\$ 670,000</u>

(10) Commercial papers payable

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Commercial papers payable	\$ 30,000	\$ -
Less: Unamortized discount	(<u>19</u>)	<u>-</u>
	<u>\$ 29,981</u>	<u>\$ -</u>
Interest rate	<u>1.10%</u>	<u>-</u>

The commercial paper payable are guaranteed by certain banks and financial institutions.

(11) Long-term Loans

Financial Bank	Total Credit Lines	Period/Terms of Repayment	March 31,	
			2004	2003
International Bank of Taipei	\$ 49,000	03.28.2002 ~ 03.28.2017 Two year grace period, 52 equal quarterly installments starting from year 3	\$ 49,000	\$ 49,000
International Bank of Taipei	51,000	08.19.2002 ~ 08.19.2017 Two year grace period, 52 equal quarterly installments starting from year 3	51,000	51,000
FuBon Bank	37,600	05.09.2002 ~ 05.09.2017 20 equal quarterly installments	24,440	31,960
Chang Hwa Bank	100,000	08.18.2003 ~ 08.18.2006 6 equal semi-annual installments	83,334	-
Taishin Bank	200,000	03.10.2004 ~ 03.10.2006	<u>200,000</u>	<u>-</u>
Less: Portion due within one year		Lump sum payment at end of term	407,774 <u>(48,546)</u>	131,960 <u>(7,520)</u>
			<u>\$359,228</u>	<u>\$124,440</u>

(12) Long-term notes payable

Financial Bank	Total Credit Lines	Period/Terms of Repayment	March 31,	
			2004	2003
Shanghai Commercial & Savings Bank	\$ 51,000	11.11.2002 ~ 11.11.2005 36 equal monthly installments	\$ 19,440	\$ 31,110
FuBon Bank	2,400	08.10.2001 ~ 08.10.2003 8 equal quarterly installments	-	600
			<u>19,440</u>	<u>31,710</u>
Less: portion due within one year			<u>(11,670)</u>	<u>(12,270)</u>
			<u>\$ 7,770</u>	<u>\$ 19,440</u>

(13) Retirement plan

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 accumulable is 45 months.
- d) Average monthly salary is determined based on the retiree's monthly salary one month prior to their retirement.

B) As of March 31, 2004 and 2003, the balance of the pension fund, with Central Trust of China, the trustee, was \$11,241 and \$7,164, respectively. Total pension expense was \$1,032 and \$1,152 for three-month periods ended March 31, 2004 and 2003, respectively.

(14) Capital reserve

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

(15) Legal reserve

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

(16) 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 tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholder can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.
- C) As of April 20, 2004, the distribution of 2003 earnings has not been passed by the Board of Directors. For current status of the distribution, please visit the Taiwan Stock Exchange website.
- D) According to the resolution adopted at the shareholders' meeting distribution of 2002 earnings consisted of cash dividends of NT\$0.2 per share and stock dividends of NT\$3.8 per share.

(17) Income tax payable

A) Income tax payable and income tax expense for the periods ended March 31, 2004 and 2003 are reconciled as follows:

	<u>Three-month periods ended March 31,</u>	
	<u>2004</u>	<u>2003</u>
Current year income tax expense	\$ 838	\$ 5,751
Additional 10% corporate income tax on undistributed earnings	<u>2,388</u>	<u>13,000</u>
	3,226	18,751
Add (Less): Net change in deferred income tax assets	4,246	(9,863)
Tax payable due to prior year	5,019	29,110
Prepaid income tax	(<u>28</u>)	(<u>67</u>)
Income tax payable	<u>\$ 12,463</u>	<u>\$ 37,931</u>

B) Deferred income tax assets are as follows:

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Deferred income tax assets - current	\$ 50,590	\$ 18,211
Deferred income tax assets-non-current	136	271
Deferred income tax liabilities - non-current	(<u>32,445</u>)	(<u>20,563</u>)
	<u>\$ 18,281</u>	<u>(\$ 2,081)</u>

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

	<u>March 31,</u>			
	<u>2004</u>		<u>2003</u>	
	<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 obsolescence inventories	\$ 21,348	\$ 5,337	\$ 24,389	\$ 6,097
Allowance for sales returns	12,531	3,133	20,785	5,196
Over provision of allowance for bad debts	36,984	9,246	26,230	6,558
Welfare expenses	535	134	535	134
Unrealized profit on inter-company sales	-	-	903	226
Investment credit		<u>32,740</u>		<u>-</u>
		<u>\$ 50,590</u>		<u>\$ 18,211</u>
Non-current items:				
Welfare expenses	\$ 545	\$ 136	\$ 1,082	\$ 271
Reserve for foreign investment	(129,780)	(32,445)	(82,250)	(20,563)
		<u>(\$ 32,309)</u>		<u>(\$ 20,292)</u>

D) As of March 31, 2004 and 2003, the balance of shareholders account of deductible tax were as follows:

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
The balance of shareholders account of deductible tax	<u>\$ 2,298</u>	<u>\$ 21,235</u>
2003 Estimated creditable tax ratio		<u>-</u>
2002 Actual creditable tax ratio		<u>3.48%</u>

E) As of March 31, 2004 and 2003, the information for the undistributed earning is as follows:

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
On or after January 1, 1998		
a. Earnings not subjected to 10%		
income tax	(\$ 233,738)	\$ 571,826
b. Earnings subjected to 10%		
income tax	<u>50,440</u>	<u>1,466</u>
	<u>(\$ 183,298)</u>	<u>\$ 573,292</u>

F) As of March 31, 2004, the Company's income tax returns for the years through 2000 have been assessed and approved by the Tax Authority. The Company was assessed \$963 in additional tax for the year 1999, and in 2002, the Company filed an appeal to contest the assessment. The court has rendered an unfavorable judgment and the Company had prepaid 1/2 of the additional income tax as well as filed a second appeal to the high court.

G) The incremental income associated with the Company's investments in the development of its PC - based and internet - based computer games is exempt from income tax for five years (2000 to 2005).

H) As of March 31, 2004, the Company is allowed investment credits in the amount of \$32,740, which is estimated to be deductible for income tax purposes in the next four years. The details are as follows:

<u>Qualified expenditures</u>	<u>Total credits</u>	<u>Balance Unused</u>	<u>Year of expiry</u>
Research and development expense	\$ 13,392	\$ 10,689	2007
Research and development expense	3,497	2,054	2008
Machinery and Equipment	14,306	11,419	2007
Machinery and Equipment	<u>14,608</u>	<u>8,578</u>	2008
	<u>\$ 45,803</u>	<u>\$ 32,740</u>	

(18) Earnings (loss) per share(in NT dollars)

<u>Three-month period ended March 31, 2004</u>					
	<u>Amount</u>		<u>Weighted</u>	<u>Earnings per share (Note 1)</u>	
			<u>average</u>		
			<u>outstanding</u>		
			<u>common</u>		
	<u>Before income tax</u>	<u>After income tax</u>	<u>shares</u>	<u>Before income tax</u>	<u>After income tax</u>
Earnings per share:					
Net income	<u>\$ 40,272</u>	<u>\$ 37,046</u>	<u>153,800</u>	<u>\$ 0.26</u>	<u>\$ 0.24</u>

<u>Three-month period ended March 31, 2003</u>					
<u>Amount</u>		Weighted average outstanding common shares	<u>Loss per share (Note 1)</u>		
<u>Before income tax</u>	<u>After income tax</u>		<u>Before income tax</u>	<u>After income tax</u>	
Earning per share					
Net loss					
before					
retroactively					
adjusted	(\$ 57,162)	153,895	(\$ 0.37)	(\$ 0.49)	
Net loss					
after					
retroactively					
adjusted (Note 2)	(\$ 57,162)	103,123	(\$ 0.55)	(\$ 0.74)	

Note1: In New Taiwan Dollars.

Note2: The weighted average outstanding common shares were retroactively adjusted for the capital increase from retained earnings and capital reserve.

(19) Treasury Stock

<u>Three-month period ended March 31, 2004</u>					
<u>a) Purpose for reacquisition</u>	<u>Beginning share (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending share (Note)</u>	
Employees ownership	5,000	-	-	5,000	
<u>Three-month period ended March 31, 2003</u>					
<u>Purpose for reacquisition</u>	<u>Beginning share (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending share (Note)</u>	
Employees ownership	3,776	1,224	-	5,000	

Note: Amount in thousand shares.

- b) The maximum and ending balances of treasury stock for the period ended March 31, 2004 and 2003 are as follow:

<u>March 31, 2004</u>		<u>March 31, 2003</u>	
<u>Maximum balance</u>	<u>Ending balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>
\$ 302,140	\$ 302,140	\$ 302,140	\$ 302,140

- c) According to the ROC Security Exchange Act, the percentage of the number of shares of treasury stocks can not exceed 10% of the total shares of common stocks issued by the Company and the total amount of treasury stock should not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve. As of March 31, 2004, the Company's treasury stock balance amounted to \$302,140.
- d) According to the ROC Security Exchange Act, treasury stocks held by the Company can not be pledged, and cannot exercise shareholder's right before being transferred.
- e) According to the ROC Security Exchange Act, the above mentioned treasury stocks should be transferred in three years after acquisition; otherwise, it will be regarded as unissued stocks and will be written off.

(20) 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 warrants for 10,000 units, 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 amount and weighted average exercise price for the Three-month period ended March 31, 2004 employee stock option plan is as follows:

	Three-month period ended	
	March 31, 2004	
Stock Options	<u>Shares</u>	<u>Weighted Average Price</u>
Beginning outstanding balance	-	-
Additions	-	-
Free issuance or adjustments	-	-
Exercised	-	-
Cancelled	-	-
Ending outstanding balance	<u>-</u>	
Exercisable stock options at end of period	<u>-</u>	
Stock options not yet issued at end of year	<u>10,000K</u>	

(21) Personnel, Depreciation and Amortization Expenses

	Three-month period ended	
	March 31,	
	<u>2004</u>	<u>2003</u>
Personnel expenses		
Salaries	\$ 64,932	\$ 84,254
Insurance	6,633	6,232
Pension	1,032	1,152
Other	<u>4,820</u>	<u>1,459</u>
	<u>\$ 77,417</u>	<u>\$ 93,097</u>
Depreciation	\$ 32,780	\$ 25,811
Amortization	<u>10,843</u>	<u>10,211</u>
	<u>\$ 43,623</u>	<u>\$ 36,022</u>

(22) Other

In accordance with the Statute for Upgrading Industries, the Company recognized provision for loss on foreign investment amounting to 20% of certain foreign investment for income tax purpose. As of March 31, 2004, the balance of such account was \$129,780, which was reversed in the financial statements to conform with the R.O.C. GAAP.

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.	"
Gamania Digital Entertainment (H.K.) Co., Ltd. (Gamania (H.K.))	"
Gamania Sino Holdings Ltd.	"
Gamania Korea Co., Ltd. (Gamania (Korea))	"
Gamania Holdings Ltd.	"
Gamania International Holdings Ltd.	"
Clicklit Interactive Co., Ltd.	" (Note a)
Mogarner Interactive Co., Ltd.	" (Note a)
NC Taiwan Co., Ltd.	"
Alibangbang Digital Games Co., Ltd.	"
Gamania Digital Entertainment (Beijing) Co., Ltd. (Gamania (Beijing))	"

Note a: See item 5 of Note 4(6) for detail.

(2) Significant transactions with related parties

A) Service revenue

	<u>March 31, 2004</u>		<u>March 31, 2003</u>	
	% of net		% of net	
	<u>Amount</u>	<u>service revenue</u>	<u>Amount</u>	<u>service revenue</u>
NC Taiwan Co., Ltd	\$ 6,833	100	\$ -	-

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

B) Other receivables

	<u>March 31, 2004</u>		<u>March 31, 2003</u>	
	% of net		% of net	
	<u>Amount</u>	<u>other receivables</u>	<u>Amount</u>	<u>other receivables</u>
NC Taiwan Co., Ltd	\$ 18,852	62	\$ 7,970	44
Gamania (Japan)	251	1	3,120	17
Gamania (H.K.)	2,022	7	2,830	16
Gamania (KOREA)	17	-	1,011	6
Others	1,777	6	2,190	11
	<u>\$ 22,919</u>	<u>76</u>	<u>\$ 17,121</u>	<u>94</u>

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

C) Account payable

	<u>March 31, 2004</u>		<u>March 31, 2003</u>	
	% of net		% of net	
	<u>Amount</u>	<u>other payables</u>	<u>Amount</u>	<u>other payables</u>
NC Taiwan Co., Ltd	\$ 32,005	36	\$ -	-

D) Note payable

	<u>March 31, 2004</u>		<u>March 31, 2003</u>	
	% of net		% of net	
	<u>Amount</u>	<u>note payable</u>	<u>Amount</u>	<u>note payable</u>
NC Taiwan Co., Ltd	\$ 8,847	16	\$ -	-

E) Account receivable

	<u>March 31, 2004</u>		<u>March 31, 2003</u>	
	% of net		% of net	
	<u>Amount</u>	<u>account receivable</u>	<u>Amount</u>	<u>account receivable</u>
Gamania (H.K.)	\$ 2,751	1	\$ -	-

F) Commitments

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

	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Gamania Digital Entertainment (H.K.) Co., Ltd.	-	<u>HK 600,000</u>

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>March 31,</u>		<u>Purpose</u>
	<u>2004</u>	<u>2003</u>	
Time deposits (shown in other financial assets-current)	\$ -	\$ 15,000	Short-term loans / credit lines
Land	117,270	117,270	Long-term loans / credit lines
Buildings	97,824	99,633	"
Machinery equipment	23,827	58,715	Long-term loans/ short term loans
	<u>\$ 238,921</u>	<u>\$ 290,618</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- A) As of March 31, 2004, the total minimum future rental payments under non-cancellable operating lease agreements for the Company's office building was \$10,580.
- B) The Company contracted the use of cable lines, T1 and T3, and the rent is charged based on utilization.
- C) As of March 31, 2004, the total contract for accounting software and its related consulting services amounted to \$28,614, of which \$24,781 have been paid.
- D) As described in Note 4(17), the Tax Authority assessed the Company with additional income tax of \$963 for the year of 1999 due to the following reasons:
- (1) The purpose of R&D project is to update the original version of a computer game instead creating a new product.
 - (2) The official employment date did not match with the first working date of production.

The Company appealed in 2002 with the following explanations

- (1) The program language was re-written for Version-Two, which is totally different from Version-One.

(2) The producer is the person who only documented the projects but not the person in-charge of the project. Because the Company policy is that a new employee must undergo a probationary period; therefore, the first working date is earlier than the official date of employment.

The result of the appeal was unsuccessful. Tax Authority ruled that the producer is unqualified due to lack of professional experience and that software design is disqualified for research and development costs for income tax deduction purpose. The Company disagrees with the result and had prepaid 50% of the income tax assessed, as well as filed a second appeal to the higher court.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

A. Information on derivative transactions

None.

B. Non-derivative financial instruments

<u>Assets</u>	<u>March 31, 2004</u>	
	<u>Book value</u>	<u>Fair value</u>
Financial assets with book value approximating their fair value	\$ 963,738	\$ 963,738
Short-term investments	643,174	644,679
Long-term investments	725,104	653,288
Refundable deposits	13,308	13,308
<u>Liabilities</u>		
Financial liabilities with book value approximating their fair value	313,014	313,014
Long-term liabilities-current portion	60,216	60,216
Accrued pension liabilities	-	5,439
Long-term notes and accounts payable	7,770	7,770
Long-term loans payable	359,228	359,228
Deposits received	528	528

<u>Assets</u>	<u>March 31, 2003</u>	
	<u>Book value</u>	<u>Fair value</u>
Financial assets with book value approximating their fair value	\$ 1,081,581	\$ 1,081,581
Short-term investments	529,000	530,933
Long-term investments	663,146	648,305
Refundable deposits	10,446	10,407
<u>Liabilities</u>		
Financial liabilities with book value approximating their fair value	452,280	452,280
Long-term liabilities-current portion	19,790	19,790
Accrued pension liabilities	-	3,583
Long-term notes payable and accounts payable	19,440	19,440
Long-term loans payable	124,440	124,440

The method and assumptions 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, Commercial paper payable, notes payable, accounts payable, income tax payable, accrued expenses, other payable (included related parties), current portion of long-term liabilities and other current liabilities, approximate their fair value because of their short-term maturates.
- B) The fair values of marketable securities and long-term investments are 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 notes payable are the present value of expected future flows.
- E) The fair value of accrued pension liabilities is based on the actuarial pension report and the measurement dates are December 31, 2003 and 2002 and adjusted for pension cost and contributions to the independent fund during the three-month periods ended March 31, 2004 and 2003.

F) Off-balance sheet financial instruments with credit risk

<u>March 31,</u>	
<u>2004</u>	<u>2003</u>

Guarantee provided for related parties' loans - HK 600,000

Guarantees made by the Company are in compliance with the Company's "Procedures to Provide Guarantees" and are provided only for majority owned subsidiaries. Because the Company is able to control the credit status of these related parties, no collateral was provided. In the event that the related parties fail to comply with the loan agreement, the maximum loss is the total amount of the guarantee.

C. The Company donated inventories, magazines and related products amounting to \$8,378 to political parties, charities, and educational institutes that are accredited by the government, without any condition.

D. Certain accounts in the financial statements of three-month period ended March 31, 2003 have been reclassified to conform with the presentation adopted for the three-month period ended March 31, 2004.

11. DISCLOSURE INFORMATION

(1) Related information of significant transactions

- A) Financing activities to any company or person: None
 B) Guarantee information: None
 C) Marketable securities held at March 31, 2004:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	The relationship of the issuers with the security holders	General ledger account	March 31, 2004				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	20,469	\$ 214,853	100%	\$ 214,853	None
"	"	Gamania Korea Co., Ltd.	"	"	394	145,696	100%	145,696	"
"	"	Mogamer Interactive Co., Ltd.	"	"	3,596	3,945	89.90%	3,945	"
"	"	Clicklit Interactive Co., Ltd.	"	"	8,950	1,038	68.85%	1,038	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	2,600	11,479	86.67%	7,999	"
"	"	NC Taiwan Co., Ltd.	"	"	7,140	35,986	51.00%	35,986	"
"	"	Taiwan Index Co., Ltd.	"	"	18,441	217,166	73.76%	148,830	"
"	"	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	21,200	18.55%	21,200	"
"	"	Joyon Entertainment Co., Ltd.	"	"	700	9,851	17.86%	9,851	"
"	"	Game Factory Co., Ltd.	"	"	880	8,800	8.69%	8,800	"
"	"	Zona Inc.	"	"	1,000	52,095	10.34%	52,095	"

Company	Type of marketable securities (Note (1))	Name of marketable securities	The relationship of the issuers with the security holders	General ledger account	March 31, 2004				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Bond Funds	Fund 1	None	Short-term investment	4,546	\$ 50,000	-	\$ 50,057	None
"	"	Fund 2	"	"	3,714	50,000	-	50,202	"
"	"	Fund 3	"	"	1,633	20,000	-	20,087	"
"	"	Fund 4	"	"	4,784	60,000	-	60,216	"
"	"	Fund 5	"	"	4,349	65,027	-	65,206	"
"	"	Fund 6	"	"	3,819	50,000	-	50,189	"
"	"	Fund 7	"	"	257	3,000	-	3,011	"
"	"	Fund 8	"	"	2,179	26,000	-	26,033	"
"	"	Fund 9	"	"	3,129	50,000	-	50,075	"
"	"	Fund 10	"	"	1,251	20,000	-	20,016	"
"	"	Fund 11	"	"	357	4,000	-	4,011	"
"	"	Fund 12	"	"	1,939	27,500	-	27,577	"
"	"	Fund 13	"	"	4,605	50,000	-	50,119	"
"	"	Fund 14	"	"	1,895	20,000	-	20,080	"
"	"	Fund 15	"	"	1,726	18,000	-	18,032	"
"	"	Fund 16	"	"	2,586	33,000	-	33,058	"
"	"	Fund 17	"	"	2,999	30,000	-	30,049	"
"	"	Fund 18	"	"	4,051	42,000	-	42,011	"
"	"	Fund 19	"	"	1,437	14,647	-	14,650	"
"	"	Fund 20	"	"	927	10,000	-	10,000	"

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 March 31, 2004 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			Disposal gain (loss)	Ending balance (Note 1)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	Taiwan Index Co., Ltd	Long-term investment	TFN Investment Co. Ltd and individuals. /None	-	-	18,441	\$ 221,292	-	\$ -	\$ -	\$ -	18,441	\$ 221,292
"	Fund 1	Short-term investment	Initial Investment at inception/ None	-	-	9,105	100,000	4,559	50,134	50,000	134	4,546	50,000

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
				2004.3.31	2003.3.31	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	\$ 703,941	\$670,851	20,469	100%	\$214,853	(\$ 47,734)	(\$ 47,734)	Subsidiary
"	Gamania Korea Co., Ltd	3F, NO.75-6 uniwide B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sale of software	80,189	80,189	394	100%	145,696	6,204	6,204	"
"	Mogamer Interactive Co., Ltd. (Note (3))	6F, No. 112 Yian Rd., Chung-Ho City, Taipei Country, Taiwan	Software tradings	35,960	35,960	3,596	89.90%	3,945	(96)	(87)	"
"	Clicklit Interactive Co., Ltd. (Note (3))	"	On-line reading technology development	91,163	91,163	8,950	68.85%	1,038	(425)	(292)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Yian Rd., Chung-Ho City, Taipei Country, Taiwan	Design and sale of software	30,000	20,000	2,600	86.67%	11,479	(4,597)	(4,007)	"
"	NC Taiwan Co., Ltd.	18F, No. 736 Yian Rd., Chung-He City, Taipei Country, Taiwan	"	71,400	71,400	7,140	51%	35,986	(50,201)	(25,603)	"
"	Taiwan Index Co., Ltd	13F, No. 736 Yian Rd., Chung-He City, Taipei Country, Taiwan	Software Service	221,292	-	18,441	73.76%	217,166	(28,891)	(4,126)	"

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
				2004.3.31	2003.3.31	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	USD20,470 thousand	USD19,485 thousand	20,469	100%	USD6,525 thousand	(USD 1,429 thousand)	(USD 1,429 thousand)	Subsidiary
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan.) Co., Ltd.	Ebisu East Bldg. 2F 1-13-7 Hiroo, Shibuya-Ku, Tokyo 150-0012 Japan	Design and sale of software; Sale of hardware	USD10,879 thousand	USD10,879 thousand	15	100%	USD4,629 Thousand	(USD 670 thousand)	(USD 670 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	USD13,826 thousand	USD12,841 Thousand	11,664	90.06%	USD2,931 thousand	(USD 848 thousand)	(USD 759 thousand)	"
Gamania International Holdings Ltd.	NC Gamania Co., Limited (Note (1))	45F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	-	-	9,800	49%	(USD1,029 thousand)	-	-	Investee company accounted for under equity method
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd. (Note (2))	4F, One Capital Place, P.O. box 847 gt, Grand Cayman, Cayman Islands, British West Indies	General Investment	USD9,290 thousand	USD9,290 thousand	N/A	100%	USD2,302 Thousand	(USD 703 thousand)	(USD 734 thousand)	Subsidiary
Gamania Sino Holdings Ltd. (Note (2))	Gamania Digital Entertainment (Beijing) Co., Ltd.	21 JIU XIAN QIAO Road, Chaoyang District, Beijing, 100022 China (登) 11F, Bldg C, SOHO New Town, Jian Guo	Design and sale of software	USD7,500 thousand	USD7,500 Thousand	N/A	100%	USD2,254 Thousand	(USD 579 thousand)	(USD 579 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	USD2,625 thousand	35,500	100%	USD345 thousand	(USD 114 thousand)	(USD 114 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 (4)	Note (4)	N/A	100%	(USD6 thousand)	-	-	"
Gamania Alliance Co., Ltd.	Gamania Advertising Co., Limited	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	Note (4)	Note (4)	N/A	100%	(HK14 thousand)	-	-	"

Note (1): NC Gamania Co., Limited, originally an investee company of Gamania Digital Entertainment (H.K) Co, Ltd., was transferred to Gamania International Holdings Ltd. on May 12, 2004 due to corporate restructuring, and is expected to liquidate in 2004.

Note (2): Gamania Digital Entertainment Sino Holding Co., Ltd was renamed Gamania Sina Holding Ltd.

Note (3): See item 5 of Note4(6) for detail.

Note (4):The original invstment cost is \$HK2.

B) Financing activities to any company or person:

Number (Note)	Company providing financing	Company receiving financing	General ledger account	Maximum balance during period	Balance at March 31, 2004	Interest rate	Type of financing activity	Amount for business transaction	Reason for short-term financing	Allowance for doubtful accounts	Pledged assets		Limit amount of financing to each company or person	Total limit amount of financing activities
											Item	Value		
1	Gamania Digital Entertainment (H.K.) Co., Ltd.	NC Gamania Company Limited	Intercompany receivable	HK 3,000 thousand	HK 3,000 thousand	4%	Short-term financing	N/A	For operation use	HK 3,000 thousand	-	-	\$ 392,512 (15% of the Company's net asset)	\$785,024 (30% of the Company's net assets)

Note: Number 0 represents the Company.

Represents the Company's subsidiaries starting with number 1.

C) Guarantee information: None.

D) Marketable securities held at March 31, 2004:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	The relationship with the security holders	General ledger account	March 31, 2004				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
Gamania Holdings Ltd.	Common Stock	Gamanina International Holdings Ltd.	Subsidiary	Long-term investment	20,469	USD6,525 thousand	100%	USD6,525 thousand	None
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	15	USD4,629 thousand	100%	USD4,629 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	11,664	USD2,931 thousand	90.06%	USD2,931 thousand	"
Gamania International Holdings Ltd.	"	NC Gamania Co., Limited	Investee company accounted for under the equity method	"	9,800	(USD1,029 thousand)	49%	(USD1,029 thousand)	"
Gamania China Holdings Ltd.	"	Gamania Alliance, Co., Limited	Subsidiary	"	2(Note(3))	(USD6 thousand)	100%	(USD6 thousand)	"
Gamania Alliance Co., Limited	"	Gamania Advertising Co., Limited	"	"	2(Note(3))	(HK14 thousand)	100%	(HK14 thousand)	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD345 thousand	100%	(USD345 thousand)	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	N/A	USD2,302 thousand	100%	USD2,302 thousand	"
Gamania Sino Holdings Co., Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	USD2,254 thousand	100%	USD2,254 thousand	"

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 March 31, 2004 in excess of \$100,000 or 20% of capital: None
- F) Acquired real estate in excess of \$100,000 or 20% of capital: None.
- G) Disposal of real estate in excess of \$100,000 or 20% of capital: None.
- H) Sale to or purchases from related parties in excess of \$100,000 or 20% of capital: None.
- I) Receivable from related parties in excess of \$100,000 or 20% of capital: None.
- J) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment as of March 31, 2004	Remitted or received investment amount during the period		Accumulated investment as of March 31, 2004	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at March 31, 2004	Accumulated investment income received as of March 31, 2004
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sale of software	(RMB 62,000 thousand) \$247,416	(Note (2))	(USD5,370 thousand) \$177,371	\$ -	\$ -	(USD5,370 thousand) \$177,371	90.06%	(\$17,255)	\$67,060	\$ -

Accumulated amount of investment in Mainland China as of March 31, 2004	Related investment amount approved by FIA	The upper limit of investment in Mainland China
\$ 177,371 (USD5,370 thousand)	\$261,631 (Note (1))	\$1,046,699

Note (1): Related total investment amount approved by FIA is USD7,921,000 or NTD 261,631 thousand based on 33.03 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 unaudited financial statements of the investee.

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