

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

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

SEPTEMBER 30, 2007 AND 2006

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

Review Report of Independent Accountants Translated from Chinese

(07) R.F014.07000174

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

We have reviewed the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. (the “Company”) and its subsidiaries as of September 30, 2007 and 2006, and the related consolidated statements of income and of cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to report on these financial statements based on our reviews.

Except as explained in the following paragraph, our reviews were made in accordance with the Generally Accepted Auditing Standards No. 36, “Review of Financial Statements” in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 1, the consolidated financial statements include unreviewed financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$745,952 thousand and \$756,337 thousand, constituting 22.86 % and 23.79% of the related consolidated totals as of September 30, 2007 and 2006, respectively, and total operating revenues of \$435,641 thousand and \$780,765 thousand, constituting 16.58% and 27.38% of the related consolidated totals for the nine-month periods then ended, respectively. In addition, as explained in Note 4(7), the consolidated financial statements include long-term investments accounted for under the equity method amounting to \$36,486 thousand and \$51,233 thousand, constituting 1.12% and 1.61% of the consolidated total assets as of September 30, 2007 and 2006, respectively, and the related investment loss was \$8,284 thousand and \$11,722 thousand, constituting 2.52% and 4.82% of the consolidated net income attributable to equity holders of the Company

for the nine-month periods then ended, respectively. These amounts and the information disclosed in Note 11 were based on their respective financial statements which were not reviewed by independent accountants.

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

PricewaterhouseCoopers

October 22, 2007

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

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

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

SEPTEMBER 30,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

(UNAUDITED)

	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>
ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash and cash equivalents (Note 4 (1))	\$ 1,049,740	\$ 378,399	Short-term loans (Note 4 (11))	\$ -	\$ 30,000
Financial assets at fair value through profit or loss - current (Note 4 (2))	24,000	533,306	Notes payable	177,306	123,562
Notes receivable - third parties - net (Note 4 (3))	132,757	82,696	Accounts payable - third parties	154,362	98,715
Accounts receivable - third parties - net (Note 4 (4))	844,608	986,040	Accounts payable - related party (Note 5(2))	-	40,822
Other receivables (Note 4 (14))	21,206	3,443	Income tax payable (Note 4 (14))	9,904	43,969
Other receivables - related parties (Note 5 (2))	-	213	Accrued expenses	170,842	157,319
Inventories - net (Note 4 (5))	32,490	24,848	Other payables	76,730	35,641
Prepaid expenses	26,861	65,689	Unearned revenue collected in advance	124,061	216,530
Deferred income tax assets - current (Note 4 (14))	35,818	60,608	Current portion of long-term liabilities (Notes 4 (12) and 4 (13))	25,000	124,093
Other current assets	3,148	2,876	Other current liabilities	23,624	25,280
	<u>2,170,628</u>	<u>2,138,118</u>		<u>761,829</u>	<u>895,931</u>
<u>Long-term Investments</u>			<u>Long-term Liability</u>		
Financial assets carried at cost - non-current (Note 4 (6))	114,294	104,004	Long-term loans (Note 4 (12))	-	60,807
Long-term investments - accounted for under the equity method (Note 4 (7))	36,486	51,233			
Prepayment for long-term investment (Note 4 (7))	5,000	-	<u>Other Liabilities</u>		
	<u>155,780</u>	<u>155,237</u>	Accrued pension liabilities (Note 4 (15))	4,047	5,788
<u>Property, Plant and Equipment - net</u> (Notes 4 (8) and 6)			Guarantee deposits	1,002	1,948
Cost			Other liabilities - other	729	1,368
Land	147,751	147,751		<u>5,778</u>	<u>9,104</u>
Buildings	156,293	156,055	Total Liabilities	<u>767,607</u>	<u>965,842</u>
Machinery and equipment	658,934	930,277	<u>Stockholders' Equity</u>		
Transportation equipment	-	1,700	Common stock		
Office equipment	71,576	91,042	Common stock (Notes 1 and 4 (16))	1,528,695	1,468,787
Leased assets	4,956	1,556	Stock subscriptions received in advance (Notes 4 (16) and 4 (22))	1,983	-
Leasehold improvements	28,943	45,617	Capital reserve (Note 4 (17))		
Other equipment	1,403	12,597	Paid-in capital in excess of par	740,670	736,166
Total Cost	1,069,856	1,386,595	Gain on disposal of property, plant and equipment	221	221
Less: Accumulated depreciation	(501,238)	(687,192)	Retained earnings		
Accumulated impairment	(19,475)	-	Legal reserve (Notes 4 (18) and 4 (19))	24,132	-
Construction in progress and prepayments for equipment	2,364	-	Retained earnings (Note 4 (19))	316,832	49,543
	<u>551,507</u>	<u>699,403</u>	Financial instruments' unrealized gain	38	-
<u>Intangible Assets</u>			Cumulative translation adjustments	24,271	18,968
Trademark	267	308	Treasury stock (Note 4 (21))	(155,765)	(155,765)
Goodwill	2,886	2,901		2,481,077	2,117,920
Deferred pension cost	396	443	Minority interest	13,826	95,344
Other intangible assets - net (Note 4 (9))	536	795	Total Stockholders' Equity	<u>2,494,903</u>	<u>2,213,264</u>
	<u>4,085</u>	<u>4,447</u>	Commitments and Contingent Liabilities (Note 7)		
<u>Other Assets</u>			TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 3,262,510</u>	<u>\$ 3,179,106</u>
Refundable deposits	31,940	30,326			
Deferred charges - net (Note 4 (10))	178,727	135,665			
Deferred income tax assets - non-current (Note 4 (14))	169,435	15,910			
Other asset - other	408	-			
	<u>380,510</u>	<u>181,901</u>			
TOTAL ASSETS	<u>\$ 3,262,510</u>	<u>\$ 3,179,106</u>			

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated October 22, 2007.

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

	2007	2006		
Operating revenues				
Sales revenue	\$ 2,680,840	\$ 2,936,894		
Sales returns	(69,866)	(63,389)		
Sales allowances	(42,448)	(33,158)		
Net sales revenue	2,568,526	2,840,347		
Service revenue	59,598	11,460		
Total operating revenues	2,628,124	2,851,807		
Operating costs				
Cost of goods sold (Notes 4 (23) and 5)	(1,296,201)	(1,590,815)		
Gross profit	1,331,923	1,260,992		
Operating expenses (Notes 4 (23) and 10)				
Selling expenses	(279,316)	(285,776)		
General and administrative expenses	(555,967)	(540,484)		
Research and development expenses	(90,065)	(82,137)		
Total operating expenses	(925,348)	(908,397)		
Operating income	406,575	352,595		
Non-operating income				
Interest income	6,101	3,953		
Gain on valuation of financial assets	5,359	3,905		
Gain on disposal of property, plant and equipment	-	679		
Gain on sale of investments (Note 4 (6))	20,681	-		
Foreign exchange gain	-	1,274		
Rental income	275	178		
Miscellaneous income	6,650	2,800		
Total non-operating income	39,066	12,789		
Non-operating expenses				
Interest expense	(2,377)	(9,118)		
Investment loss accounted for under the equity method (Note 4 (7))	(8,284)	(11,722)		
Loss on disposal of property, plant and equipment	(3,328)	(5,949)		
Foreign exchange loss	(1,791)	-		
Loss on decline in market value of obsolete inventories	(12,665)	(7,790)		
Miscellaneous losses	(7,526)	(14,915)		
Total non-operating expenses	(35,971)	(49,494)		
Income before income tax	409,670	315,890		
Income tax expense (Note 4 (14))	(81,783)	(94,533)		
Consolidated net income	\$ 327,887	\$ 221,357		
Attributable to:				
Equity holders of the Company	\$ 329,157	\$ 242,929		
Minority interest	(1,270)	(21,572)		
	\$ 327,887	\$ 221,357		
	2007	2006		
Basic earnings per share (in dollars) (Note 4 (20))	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
Profit attributable to equity holders of the Company	\$ 2.88	\$ 2.30	\$ 2.30	\$ 1.66
Minority interest loss	(0.01)	(0.01)	(0.15)	(0.15)
Consolidated net income	\$ 2.87	\$ 2.29	\$ 2.15	\$ 1.51
Diluted earnings per share (in dollars) (Note 4 (20))				
Profit attributable to equity holders of the Company	\$ 2.86	\$ 2.29	\$ 2.30	\$ 1.66
Minority interest loss	(0.01)	(0.01)	(0.15)	(0.15)
Consolidated net income	\$ 2.85	\$ 2.28	\$ 2.15	\$ 1.51

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated October 22, 2007.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

(UNAUDITED)

	2007	2006
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 327,887	\$ 221,357
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on sale of long-term investments	(20,681)	-
Gain on valuation of financial assets	(5,359)	(3,905)
Provision for (reversal of allowance for) bad debts and sales returns	1,399	(5,341)
Provision for (recovery of allowance for) decline in market value and obsolescence of inventories and inventories written-off	3,811	(1,447)
Receipt of dividend from financial assets carried at cost recorded as a reduction of investment cost	-	8,547
Investment loss accounted for under the equity method	8,284	11,722
Depreciation and amortization	170,052	214,792
Amortization of trademark	32	-
Loss on disposal of property, plant and equipment and other intangible assets	3,328	5,270
Amortization of other intangible assets	251	-
Deferred charges charged to cost	707	22,864
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable - third parties	(20,063)	2,182
Accounts receivable - third parties	25,206	(157,880)
Other receivables - third parties	(17,436)	1,403
Other receivables - related parties	-	307
Inventories	(13,631)	(7,465)
Prepaid expenses	(10,094)	(35,731)
Deferred income tax assets	44,481	52,691
Other current assets	(1,246)	3,437
Notes payable	106,985	17,890
Accounts payable - third parties	55,742	19,561
Accounts payable - related party	(26,168)	(5,656)
Income tax payable	(35,037)	23,329
Accrued expenses	(7,152)	(47,513)
Other payables - third parties	25,015	(1,668)
Unearned revenue collected in advance	(22,741)	37,447
Other current liabilities	14,592	(2,240)
Accrued pension liabilities	(1,024)	(1,736)
Net cash provided by operating activities	607,140	372,217

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

	<u>2007</u>	<u>2006</u>
<u>Cash flows from investing activities</u>		
Proceeds from disposal of financial assets held for trading - bond funds	\$ 2,571,359	\$ 1,610,599
Increase in financial assets held for trading - bond funds	(2,590,000)	(2,140,000)
Increase in long-term investment	(23,151)	-
Prepaid long-term investment	(5,000)	-
Proceeds from disposal of long-term investment	75,499	-
Proceeds from disposal of property, plant, and equipment and deferred charges	3,926	4,339
Acquisition of property, plant and equipment	(80,788)	(87,728)
Increase in deferred charges	(53,438)	(36,082)
Decrease in pledged assets, net	-	32,327
(Increase) decrease in refundable deposits, net	(6,141)	7,759
(Increase) decrease in other assets - other	(408)	1,067
Net cash used in investing activities	<u>(108,142)</u>	<u>(607,719)</u>
<u>Cash flows from financing activities</u>		
Decrease in short-term loans	-	(54,376)
Decrease in long-term loans	(120,128)	(160,165)
(Decrease) increase in other liabilities - other	(221)	1,304
Increase in guarantee deposits	652	610
Decrease in capital lease obligation - non-current	-	(129)
Payment of cash dividends	(152,140)	-
Exercised employee stock options	6,487	-
Payment of directors' and supervisors' remuneration	(4,340)	-
Acquisition of treasury stock	-	(155,765)
Changes in minority interest	5,049	2,482
Net cash used in financing activities	<u>(264,641)</u>	<u>(366,039)</u>
Effect of exchange rate changes on cash and cash equivalents	(403)	(5,108)
Effect of changes in consolidated subsidiaries	(215,394)	-
Net increase (decrease) in cash and cash equivalents	18,560	(606,649)
Cash and cash equivalents at beginning of period	1,031,180	985,048
Cash and cash equivalents at end of period	<u>\$ 1,049,740</u>	<u>\$ 378,399</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 2,512</u>	<u>\$ 9,571</u>
Income tax	<u>\$ 86,502</u>	<u>\$ 18,266</u>
<u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 83,883	\$ 67,859
Payable at end of the period	(5,186)	(256)
Payable at beginning of the period	2,091	20,125
Cash paid	<u>\$ 80,788</u>	<u>\$ 87,728</u>
<u>Non-cash flows from financing activities</u>		
Cash dividends declared but not yet paid	<u>\$ 614</u>	<u>\$ -</u>
Cash increment from retained earnings and employees' bonuses	<u>\$ 59,908</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated October 22, 2007.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. **HISTORY AND ORGANIZATION**

(1) Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of September 30, 2007, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 15 million shares of employee stock options), at a par value of \$10 (NT dollars) per share, and issued and outstanding capital was \$1,528,695. The Company is engaged in software services, TV programming and magazine publications. As of September 30, 2007, the Company and its consolidated subsidiaries had 930 employees.

(2) Consolidated subsidiaries

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of September 30,</u>	
			<u>2007</u>	<u>2006</u>
Gamania Holdings Ltd.	Note A	Investment holdings	100%	100%
Taiwan Index Co., Ltd.	Note A	Software services	96.60%	96.60%
Gamania Asia Investments Co., Ltd.	Note A	Investment holdings	100%	100%
Gamania Korea Co., Ltd.	Note A	Design and sales of software	100%	100%
Alibangbang Games Co., Ltd.	Note A	Design and research of software	98.60%	96.36%
Foundation Digital Entertainment Co., Ltd.	Note A	Publishing of magazines and periodicals	100%	-
Gamania Digital Entertainment Labuan Holdings, Ltd.	Note A	Investment holdings	100%	100%
Gamania International Holding Ltd.	Note B	Investment holdings	100%	100%
Gamania Digital Entertainment (Japan) Co., Ltd.	Note C	Design and sales of software; sales of hardware	100%	100%
Gamania China Holdings Ltd.	Note C	Investment holdings	93.55%	92.92%
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note D	Design and sales of software	93.55%	92.92%
G. A. Co., Limited	Note D	Design and sales of software	93.55%	92.92%
Gamania Digital Entertainment Sino Holdings Co., Ltd.	Note D	General investment	93.55%	92.92%
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note E	Design and sales of software	93.55%	92.92%

Note A: Majority-owned subsidiary

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

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

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

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

(3) Changes in the consolidated subsidiaries:

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

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of September 30,</u>		<u>Note</u>
			<u>2007</u>	<u>2006</u>	
Fundation Digital Entertainment Co., Ltd.	Note A	Publishing of magazines and periodicals	100%	-	Note B

Note A: Majority-owned subsidiary.

Note B: The company was established in 2007.

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

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of September 30,</u>		<u>Note</u>
			<u>2007</u>	<u>2006</u>	
NC Taiwan Co., Ltd.	Note A	Design and sales of software	15%	51%	Note B

Note A: Majority-owned subsidiary.

Note B: Percentage of shares held by the Company decreased from 51% to 15% in January 2007.

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

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

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

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

(8) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(9) The Company's and its subsidiaries' earnings distributions are restricted by enactment or contract: None.

(10) The subsidiaries hold the company's stocks and bonds: None.

(11) Convertible bonds and new stocks are issued by the subsidiaries: None.

- (12) The amortization method and terms of the difference between the acquisition cost and the net equity of the subsidiary: None.
- (13) Other consequential items or the proper exposition to the consolidated financial statements: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in conformity with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China. The significant accounting policies of the Group are summarized below:

(1) Principles of consolidation

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

(2) Translation of financial statements of foreign subsidiaries

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

(3) Foreign currency transactions

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

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

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

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

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

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

(5) Cash equivalents

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

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

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

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

(7) Financial assets carried at cost

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

(8) Allowance for doubtful accounts

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

(9) Inventories

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

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

- A) Long-term equity investments in which the Group holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized and carries on tests of impairment every year, effective January 1, 2006. Retroactive adjustment of the amount of goodwill amortized in previous years is not required.
- B) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease by the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.
- C) The accounting policy on impairment of long-term investments accounted for under the equity method is described in Note 2(14).

(11) Property, plant and equipment

- A) Depreciation is provided on the straight-line method using the estimated useful lives of the assets plus one year as salvage value. The subsidiaries' property, plant and equipment are depreciated on a straight-line basis according to the estimated useful lives of the assets less the estimated salvage value. Except for leasehold improvements, which are based on the shorter of the contract period or the life of the asset, the estimated useful lives are 55 years for buildings and 3 to 8 years for the other property, plant and equipment.
- B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).
- C) Major renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
- D) Rents paid for capital leases are capitalized and liabilities on lease obligations are recognized accordingly.
- E) The accounting policy on impairment of property, plant and equipment is described in Note 2(14).

(12) Deferred charges

- A) Costs of software and copyrights are capitalized and amortized under the straight-line basis over the estimated useful lives.
- B) Royalty payments for operating online game software is capitalized and amortized based on the period of the contract or deducted based on actual units of play.
- C) The accounting policy on impairment of deferred charges is described in Note 2(14).

(13) Other intangible assets

- A) Franchises for game development are recorded at acquisition cost and amortized using the straight-line method over the estimated service life. Franchises could be deducted from franchises payable amounting to 2% based on sales revenues.
- B) The accounting policy on impairment of other intangible assets is described in Note 2(14).

(14) Impairment of non-financial assets

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

(15) Employee stock option plan

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

(16) Deferred income tax assets and income tax

- A) Income tax of the Company and its domestic subsidiaries are provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes. Deferred income tax assets or liabilities are further classified into current and non-current items based on the classifications of the related assets or liabilities or on the expected reversal date of the temporary differences and are presented on the financial statements at net amount. Valuation allowance on deferred income tax assets is recognized if it is more likely than not that the tax benefits will not be realized.
- B) Tax credits resulting from equipment purchases, technology acquisitions, research and development expenditures, training expenses and long-term equity investments, etc. of the Company and its domestic subsidiaries are recognized as current income tax benefit when incurred.
- C) Over or under provision of prior years' income tax liabilities is included in the current year's income tax expense.
- D) According to the Taiwan imputation tax system, any undistributed current earnings of a company derived on or after January 1, 1998 is subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional corporate income tax is recorded as income tax expense in the period the stockholders approve a resolution to retain the earnings.
- E) According to "Income Basic Tax Act", effective January 1, 2006, income tax is accounted for based on the income tax law or other regulations when income tax is equal or more than the basic tax. When income tax is less than the basic tax, income tax due shall be equal to the basic tax. The difference cannot be deducted from investment credits based on other regulations.

(17) Retirement plan

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

B) Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(18) Treasury stock

A) Treasury stocks acquired are stated at cost using the weighted-average method and reported as a deduction from stockholders' equity in the balance sheet.

B) Upon disposal, the related gain is credited to "capital reserve-treasury stock transaction" and any loss is offset against this capital reserve account. However, when the balance of this capital reserve account is insufficient to offset the loss, then the remaining amount is charged against retained earnings.

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

(19) Revenues, costs and expenses

A) Costs from the development of software for sale are recognized as research expense before establishing technical feasibility.

B) Revenue from prepaid cards for on-line games is deferred and is recognized based on points consumed.

C) Revenue from software and other merchandise is recognized when the earning process is substantially completed and the revenue is realized or realizable.

D) Sales returns are estimated based on a percentage of sales. Costs and expenses are recognized as incurred.

E) Commissions received on prepaid cards from the on-line game providers is deferred and recognized as revenue when services are rendered.

(20) Earnings per share

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

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

Diluted earnings per share: the computation is the same as basic earnings per share, except that the potential dilutive shares are assumed to have been converted to common stock at the beginning of the year and net income is adjusted by the amount associated with the conversion.

B) The potential dilutive shares are employee stock options. The Company adopted the “treasury stock method” in computing the dilutive effect of the employee stock options.

(21) Use of estimates

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

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Goodwill

Effective January 1, 2006, the Group adopted the amended R.O.C. SFAS No. 1, No. 5, No. 7, No. 25 and No. 35 which discontinued the amortization of goodwill. As a result of the adoption of these SFAS, net income increased by \$5,316 and earnings per share increased by \$0.0378 for the nine-month period ended September 30, 2006.

(2) Financial instruments

Effective January 1, 2006, the Group adopted the R.O.C. SFAS No. 34, “Accounting for Financial Instruments”, and No. 36, “Disclosure and Presentation of Financial Instruments” and reclassified certain accounts in the financial statements as of December 31, 2005. The adoption of these changes in accounting principles had no significant impact on the consolidated financial statements as of and for the nine-month period ended September 30, 2006.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash on hand	\$ 3,771	\$ 1,462
Cash in banks	555,286	297,877
Time deposits	474,584	65,929
Cash equivalents	16,099	13,131
	<u>\$ 1,049,740</u>	<u>\$ 378,399</u>

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

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Current items:		
Financial asset held for trading		
Bond funds	\$ 24,000	\$ 532,000
Adjustment of financial asset held for trading	-	1,306
	<u>\$ 24,000</u>	<u>\$ 533,306</u>

(3) Notes receivable - net

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Notes receivable	\$ 132,773	\$ 82,712
Less: Allowance for doubtful accounts	(16)	(16)
	<u>\$ 132,757</u>	<u>\$ 82,696</u>

(4) Accounts receivable - net

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ 926,726	\$ 1,050,582
Less: Allowance for doubtful accounts	(73,122)	(52,772)
Allowance for sales returns	(8,996)	(11,770)
	<u>\$ 844,608</u>	<u>\$ 986,040</u>

(5) Inventories - net

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Inventories	\$ 59,424	\$ 47,460
Less: Reserve for loss on decline in market value and obsolescence	(26,934)	(22,612)
	<u>\$ 32,490</u>	<u>\$ 24,848</u>

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

	<u>September 30,</u>	
<u>Items</u>	<u>2007</u>	<u>2006</u>
Unlisted stocks		
Nice Finance Co., Ltd	\$ 91,453	\$ 91,453
NC Taiwan Co., Ltd.	22,841	-
Buybooks Digital Technology Corp. Ltd.	-	-
ECD Interactive Corporation	-	2,700
Joyon Entertainment Co., Ltd.	-	9,851
RAVA Ideologie Inc.	-	-
	<u>\$ 114,294</u>	<u>\$ 104,004</u>

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

- B) In the first quarter of 2006, the board of directors approved to dispose the Company's investment in Joyon Entertainment Co., Ltd., which was initially classified as "Financial asset carried at cost-current". In the second quarter, however, the disposal was put on hold. Accordingly, the investment was reclassified to "Financial asset carried at cost – non-current".
- C) The Company recognized other investment loss in ECD Interactive Corporation and Joyon Entertainment Co., Ltd. in the amount of \$12,551 for the year ended December 31, 2006 because the Company has assessed that its investments had no value.
- D) In January 2007, the Company sold 5,040,000 common shares of NC Taiwan Co., Ltd. to NCSOFT Corporation at a cost of \$14.98 (in dollars) per share and recognized a gain on disposal of \$20,681. After the disposal, the Company's ownership in NC Taiwan Co., Ltd. decreased from 51% to 15%. Accordingly, the said investment was reclassified as "Financial asset carried at cost – non-current" instead of "Long-term investment accounted for under the equity method".

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

A) List of long-term investments

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

<u>Name of investee</u>	<u>September 30, 2006</u>			<u>Investment loss for the nine-month period ended September 30, 2006</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Soga Interactive Co., Ltd. (Note)	\$ 28,000	40%	\$ 18,813	(\$ 4,690)
Playcoo Co.	40,000	30.30%	32,420	(7,032)
	<u>\$ 68,000</u>		<u>\$ 51,233</u>	<u>(\$ 11,722)</u>

Note: Sold in December 2006.

- B) Long-term investments accounted for under the equity method were based on the financial statements as of and for the nine-month periods ended September 30, 2007 and 2006 which were not reviewed by independent accountants.

(8) Property, plant, and equipment

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	156,293	156,055
Machinery and equipment	658,934	930,277
Transportation equipment	-	1,700
Office equipment	71,576	91,042
Leased assets	4,956	1,556
Leasehold improvements	28,943	45,617
Other equipment	1,403	12,597
	<u>1,069,856</u>	<u>1,386,595</u>
<u>Accumulated depreciation</u>		
Buildings	(15,481)	(11,534)
Machinery and equipment	(438,115)	(583,207)
Transportation equipment	-	(1,299)
Office equipment	(39,441)	(55,486)
Leased assets	(2,780)	(908)
Leasehold improvements	(4,645)	(28,848)
Other equipment	(776)	(5,910)
	<u>(501,238)</u>	<u>(687,192)</u>
Construction in progress and prepayments for equipment	2,364	-
Less: Accumulated impairment	(19,475)	-
	<u>\$ 551,507</u>	<u>\$ 699,403</u>

(9) Other intangible assets

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Prepayments for franchises	\$ 38,834	\$ 41,486
Less: Accumulated impairment	(38,298)	(40,691)
	<u>\$ 536</u>	<u>\$ 795</u>

(10) Deferred charges

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Royalty payments	\$ 394,298	\$ 360,557
Unamortized expense	110,384	100,969
	504,682	461,526
Less: Accumulated impairment	(325,955)	(325,861)
	<u>\$ 178,727</u>	<u>\$ 135,665</u>

(11) Short-term loans

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Short-term bank loans	\$ -	\$ 30,000
Annual interest rates	-	2.5%~2.9%
Credit lines	\$ -	\$ 390,000

(12) Long-term loans

<u>Bank</u>	<u>Total Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>September 30,</u>	
			<u>2007</u>	<u>2006</u>
Bank SinoPac	\$ 49,000	03.28.2002 ~ 03.28.2017 Two year grace period, 52 equal quarterly installments starting from year 3 (Note 1)	\$ -	\$ 39,576
Mega International Commercial Bank	150,000	08.30.2004 ~ 07.20.2007 Principal due on maturity	-	50,000
Mega International Commercial Bank	150,000	12.31.2004 ~ 07.20.2007 Principal due on maturity	-	20,000
Chang Hwa Bank	150,000	02.14.2005 ~ 02.14.2008 First year grace period, 12 equal semi-annual installments starting from year 2 (Note 2)	<u>25,000</u>	<u>75,000</u>
			25,000	184,576
Less: Current portion			(25,000)	(123,769)
			<u>\$ -</u>	<u>\$ 60,807</u>

Note 1: Total principal amount was repaid before due date.

Note 2: Part of the principal amount was repaid before due date.

(13) Long-term liabilities on lease obligations

	<u>Period/Terms of Repayment</u>	<u>September 30, 2007</u>	<u>September 30, 2006</u>
Orix Asia Ltd.	03.24.2006 ~ 04.24.2007 12 equal monthly installments	\$ -	\$ 324
		-	324
Less: Current portion		-	(324)
		<u>\$ -</u>	<u>\$ -</u>

(14) Income tax payable

A) Income tax payable and income tax expense for the nine-month periods ended September 30, 2007 and 2006 are reconciled as follows:

	<u>2007</u>	<u>2006</u>
Current year income tax expense	\$ 81,764	\$ 91,008
Additional 10% corporate income tax on undistributed earnings	<u>19</u>	<u>3,525</u>
	81,783	94,533
Add (Less): Net change in deferred income tax assets	(44,481)	(52,691)
Prepaid income tax	(373)	(1,866)
Under provision of prior year's income tax	(16,790)	(75)
Provisional income tax	(32,070)	-
Income tax refundable (accounted in "other receivables")	14,500	-
Income tax payable of prior year	7,377	4,050
Effect of exchange rate	(42)	<u>18</u>
Income tax payable	<u>\$ 9,904</u>	<u>\$ 43,969</u>

B) Deferred income tax assets are as follows:

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Deferred income tax assets - current	\$ 38,303	\$ 65,104
Deferred income tax assets - non-current	<u>258,623</u>	<u>63,013</u>
	296,926	128,117
Less: Valuation allowance - current	(2,485)	(4,496)
Valuation allowance - non-current	<u>(89,188)</u>	<u>(47,103)</u>
	<u>\$ 205,253</u>	<u>\$ 76,518</u>

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

	September 30,			
	2007		2006	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Current items:				
Allowance for decline in market value and inventory obsolescence	\$ 26,947	\$ 6,737	\$ 23,479	\$ 5,870
Allowance for sales returns	6,711	1,678	11,770	2,942
Over provision of allowance for bad debts	18,049	4,512	45,464	11,366
Welfare expenses	350	87	1,100	275
Loss carryforwards	-	-	25,632	6,408
Others	170	43	(771)	(192)
Investment tax credits		<u>25,246</u>		<u>38,435</u>
		38,303		65,104
Less: Valuation allowance		(<u>2,485</u>)		(<u>4,496</u>)
		<u>\$ 35,818</u>		<u>\$ 60,608</u>
Non-current items:				
Welfare expenses	\$ 92	\$ 23	-	-
Investment loss on financial assets carried at cost – non- current	9,851	2,463	-	-
Impairment loss on deferred charges and intangible assets	43,456	10,864	164,026	41,007
Loss carryforwards	250,662	62,666	248,165	62,041
Loss on foreign investments	79,184	19,796	807,615	201,904
Reserve for foreign investments	(113,022)	(28,255)	(219,236)	(54,809)
Reduction in capital of subsidiaries to cover the accumulated deficit	672,643	168,160	-	-
Others	-	-	1,278	319
Investment tax credits		<u>22,906</u>		<u>14,455</u>
		258,623		264,917
Less: Valuation allowance		(<u>89,188</u>)		(<u>249,007</u>)
		<u>\$ 169,435</u>		<u>\$ 15,910</u>

D) As of September 30, 2007 and 2006, the balance of shareholders account of deductible tax was as follows:

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Balance of shareholders account of deductible tax	\$ 39,736	\$ 38,592
2006 Actual creditable tax ratio		<u>21.45%</u>
2005 Actual creditable tax ratio		<u>-</u>

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

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
On or after January 1, 1998		
a. Earnings not yet subjected to 10% income tax	\$ 329,157	\$ 242,929
b. Earnings subjected to 10% income tax	(<u>12,325</u>)	(<u>193,386</u>)
	<u>\$ 316,832</u>	<u>\$ 49,543</u>

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

- (a) As of September 30, 2007, the Company's income tax returns through 2002 have been assessed and approved by the Tax Authority.
- (b) The Tax Authority imposed additional tax and interests amounting to \$3,327 on the Company's re-examination of 2001 income tax return. The Company had temporarily recognized the assessment in the financial statements and filed an appeal in April 2007. In August 2007, the Ministry of Finance upheld the re-examination assessment by the Tax Authority as the Company did not have a legitimate certificate as support for its investment loss. Consequently, the Company filed an administrative litigation with the Taipei High Administrative Court in October 2007, which is pending as of the report date.
- (c) The Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company paid \$4,050 and contested the remaining balance imposed by the Tax Authority. The Company filed for re-examination in February 2006. The re-examination is still pending as of the report date.

- G) The incremental income associated with the Company's investments in the development of its internet-based computer games qualifies with the Regulation No. 8-1 of "Statute for Upgrading Industries", and its non-taxable income is exempt from income tax for five years (2002 to 2006). The tax exempt income amounted to \$42,936 for the nine-month period ended September 30, 2006.
- H) As of September 30, 2007, according to "Income Tax Law" and "Statute for Upgrading Industries," the Company and its domestic subsidiaries had investment tax credits and loss carryforwards in the amount of \$110,818 to offset against taxable income for the next four to five years. The details are as follows:

<u>Deductible items</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 56,740	\$ 39,903	2007~2011
Machinery and equipment	5,120	5,120	2008~2009
Employee trainings	4,090	3,129	2009~2011
Loss carryforwards	62,666	62,666	2007~2012
	<u>\$ 128,616</u>	<u>\$ 110,818</u>	

(15) Accrued pension liability

- A) The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each year thereafter with a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Central Trust of China under the name of the independent retirement fund committee. For the nine-month periods ended September 30, 2007 and 2006, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to \$194 and \$1,546, respectively. The balance of the retirement fund deposited with Bank of Taiwan (Formerly Central Trust of China) was \$27,841 and \$24,187 as of September 30, 2007 and 2006, respectively. The fund balances are not reflected in the consolidated financial statements.

- B) Gamania Digital Entertainment (Japan) Co., Ltd., Gamania Korea Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd. provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were \$1,170 and \$1,180 for the nine-month periods ended September 30, 2007 and 2006, respectively.
- C) Gamania Digital Entertainment (Beijing) Co., Ltd. provides an old-age pension and insurance monthly based on 20% of the employees' salaries and wages in accordance with the local regulations. The net pension and insurance cost was \$1,779 and \$1,002 for the nine-month periods ended September 30, 2007 and 2006, respectively.
- D) Effective July 1, 2005, the Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd., Alibangbang Digital Games Co., Ltd. and Foundation Digital Entertainment Co., Ltd. (established in February 8, 2007), adopted a defined contribution pension plan (the "New Plan"). Under the New Plan, employees have the option to choose the New Plan. The Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd., Alibangbang Digital Games Co., Ltd. and Foundation Digital Entertainment Co., Ltd. contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts deposited with the Bureau of Labor Insurance. Benefits accrued under the New Plan are portable when the employees leave the company. The net pension costs recognized by the Company and its subsidiaries, Taiwan Index Co., Ltd., Alibangbang Digital Games Co., Ltd. and Foundation Digital Entertainment Co., Ltd. under the defined contribution plan for the nine-month period ended September 30, 2007 amounted to \$16,209. The net pension costs recognized by the Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd. and Alibangbang Digital Games Co., Ltd. under the defined contribution plan for the nine-month period ended September 30, 2006 amounted to \$17,622.
- E) Gamania Holdings Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment Labuan Holdings Ltd., Gamania International Holdings Ltd. and Gamania China Holdings Ltd. do not have an employee retirement plan.

(16) Common stock / Stock subscriptions received in advance

- A) On March 18, 2005, August 30, 2005 and February 15, 2006, the Company's Board of Directors adopted the resolutions to reduce its paid-in capital to \$1,468,787 by retiring 1,072,000 shares, 1,039,000 shares and 5,000,000 shares of treasury stocks on March 18, 2005, September 1, 2005 and February 16, 2006, respectively. As of June 30, 2007, the outstanding common stocks were \$1,468,787.
- B) As approved by the stockholders' during their meeting on June 13, 2007, the Company issued 5,991 thousand new shares for employees' bonus of \$21,719 and stock dividends of \$38,189. The Company has completed the amendment procedures for registration in September 2007.
- C) As of September 30, 2007, the total issued and outstanding common stocks were 153,067,791 shares (including 198,315 shares of warrant bonds converted which is shown as "Stock subscriptions received in advance") with a par value \$10 (in dollars) per share, totaling \$1,528,695.

(17) 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

(18) Legal reserve

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

(19) Retained earnings

- A) As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:
- a. Pay for taxes and duties.
 - b. Cover prior years' accumulated deficit, if any.

- c. After deducting items a and b, 10% of the remaining amount is appropriated as legal reserve.
 - d. In addition to the amount appropriated for legal reserve, the Company may appropriate an amount equal to the negative items in the stockholders' equity from retained earnings as special reserve.
 - e. Interest on capital.
 - f. After deducting items a to e, 10%~15% of the remaining earnings is appropriated as employees' bonuses and up to 2% as remuneration to directors and supervisors.
 - g. The remaining amount is to be distributed to stockholders in accordance with the resolution adopted at the stockholders' meeting.
- B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed in next year's shareholders' meeting. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholder can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.
- C) On June 13, 2007, the Company's stockholders approved to distribute the 2006 earnings which include legal reserve of \$24,132, employee bonuses of \$21,719, cash dividends of \$152,754, stock dividends of \$38,189 and directors' and supervisors' remuneration of \$4,340.
- D) As of December 31, 2005, the Company had an accumulated deficit of \$267,318. The Company's stockholders approved not to distribute dividends, employee bonus, and directors' and supervisors' remuneration. In addition, the stockholders during their meeting adopted a resolution to use \$267,318 of capital reserve to cover the accumulated deficit.
- E) For current status of the resolution, please visit the Taiwan Stock Exchange website.

(20) Earnings per share

	For the nine-month period ended September 30, 2007				
	<u>Amount</u>		Weighted average number of outstanding common shares (In thousands of shares)	<u>Earnings 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>
Basic earnings per share:					
Net income	\$ 410,940	\$ 329,157	142,869	<u>\$ 2.88</u>	<u>\$ 2.30</u>
Dilutive effect:					
Stock options	-	-	617		
Diluted earnings per share:					
Net income	<u>\$ 410,940</u>	<u>\$ 329,157</u>	<u>143,486</u>	<u>\$ 2.86</u>	<u>\$ 2.29</u>
	For the nine-month period ended September 30, 2006				
	<u>Amount</u>		Weighted average number of outstanding common shares (In thousands of shares)	<u>Earnings 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>
Basic earnings per share before retroactive adjustment:					
Net income	\$ 337,462	\$ 242,929	140,462	<u>\$ 2.40</u>	<u>\$ 1.73</u>
Dilutive effect:					
Stock options (Note 2)	-	-	-		
Diluted earnings per share:					
Net income	<u>\$ 337,462</u>	<u>\$ 242,929</u>	<u>140,462</u>	<u>\$ 2.40</u>	<u>\$ 1.73</u>
Basic earnings per share after retroactive adjustment:					
Net income	\$ 337,462	\$ 242,929	146,453	<u>\$ 2.30</u>	<u>\$ 1.66</u>
Dilutive effect:					
Stock options (Note 2)	-	-	-		
Diluted earnings per share:					
Net income	<u>\$ 337,462</u>	<u>\$ 242,929</u>	<u>146,453</u>	<u>\$ 2.30</u>	<u>\$ 1.66</u>

Note 1: In New Taiwan Dollars.

Note 2: As of September 30, 2006, the outstanding employee stock options have no dilutive effect.

(21) Treasury stock

Changes in the treasury stock for the nine-month periods ended September 30, 2007 and 2006 are set forth below:

A) Purpose

	<u>For the nine-month period ended September 30, 2007</u>				
<u>Reason for reacquisition</u>	<u>Beginning shares (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares (Note)</u>	
Employee stock options	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	

	<u>For the nine-month period ended September 30, 2006</u>				
<u>Reason for reacquisition</u>	<u>Beginning shares (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares (Note)</u>	
Employee stock options	<u>5,000</u>	<u>10,000</u>	<u>(5,000)</u>	<u>10,000</u>	

Note: Amount in thousands of shares.

B) The maximum and ending balances of treasury stock for the nine-month periods ended September 30, 2007 and 2006 were as follows:

<u>September 30, 2007</u>		<u>September 30, 2006</u>	
<u>Maximum balance</u>	<u>Ending balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>
<u>\$ 155,765</u>	<u>\$ 155,765</u>	<u>\$ 302,140</u>	<u>\$ 155,765</u>

- C) The procedures for the write-off of treasury stocks purchased on February 16, 2006 had been completed. As a result, the additional paid in capital-in excess of par decreased by \$34,160, additional paid in capital-treasury stock transaction decreased by \$27,162 and accumulated deficit increased by \$190,818. In addition, 10,000,000 shares were purchased continually since March 20, 2006.
- D) According to the R.O.C. Securities and Exchange Act, the percentage of the number of shares of treasury stocks shall not exceed 10% of the total shares of common stocks issued by the Company and the total amount of treasury stock shall not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve.
- E) According to the R.O.C. Securities and Exchange Act, treasury stocks held by the Company shall not be pledged, and shall bear no right of shareholders until reissued.
- F) According to the R.O.C. Securities and Exchange Act, treasury shares for the purpose of enhancing the Company's credit standing and shareholders' equity shall be retired within six months; treasury stocks for all other purposes shall be reissued within three years from the month of acquisition; and treasury stocks not reissued within the said periods shall be retired.

(22) Employee stock option plan

- A) On December 25, 2003, the board of directors approved an employee stock option plan. The program involves the issuance of 10,000,000 units of options that can be converted to one share of common stock per unit. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The stock options has an exercise period of six years. Employees will be able to exercise these options after two years in accordance with the procedures of the employee stock option plan.
- B) The units and weighted average exercise price of the stock options for the nine-month periods ended September 30, 2007 and 2006 were as follows:

	For the nine-month periods ended September 30.			
	2007		2006	
Stock Options	Units (in thousand shares)	Weighted-average exercise price (in dollars) (Note)	Units (in thousand shares)	Weighted-average exercise price (in dollars) (Note)
Beginning balance (Note)	5,210	\$ 32.80	10,000	\$ 32.80
Number of options granted	64	-	-	-
Exercised	(198)	-	-	-
Cancelled	(354)	-	(4,748)	-
Ending balance (Note)	<u>4,722</u>	\$ 31.40	<u>5,252</u>	\$ 32.80
Exercisable at the end of the period	<u>4,722</u>		<u>5,252</u>	
Authorized but unissued at the end of the period	<u>-</u>		<u>-</u>	

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

- C) As of September 30, 2007 and 2006, the details of outstanding stock options are as follows:

September 30, 2007					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousand shares)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousand shares)	Weighted-average exercise price (in dollars)
\$ 31.40	4,722	2.333	\$ 31.40	4,722	\$ 31.40

September 30, 2006					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousand shares)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousand shares)	Weighted-average exercise price (in dollars)
\$ 32.80	5,252	3.333	\$ 32.80	5,252	\$ 32.80

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

(a) Model: The Black-Scholes model

(b) Assumptions:

<u>Black-Scholes model assumptions</u>	<u>For the nine-month period ended September 30, 2007</u>	<u>For the nine-month period ended September 30, 2006</u>
Dividend yield	0%	0%
Volatility (Note 1)	62.02%	62.02%
Risk-free interest rate	1.95%	1.95%
Expected life of the options	6 years	6 years
Exercise price (Note 2)	\$ 31.4 (in dollars)	\$ 32.8 (in dollars)
Amortization period	2~3 years	2~3 years

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

Note 2: Exercise price of the stock options mentioned above considered the effect of earnings distribution of 2006 which was readjusted to \$31.4.

(c) Result of evaluation:

	<u>For the nine-month period ended September 30, 2007</u>	<u>For the nine-month period ended September 30, 2006</u>
Weighted average fair value of options granted to employees	\$ 17.4656 (in dollars)	\$ 17.4656 (in dollars)
Compensation cost under “fair value method”	6,982	22,932

(d) Pro forma information:

		<u>For the nine-month period ended September 30, 2007</u>	<u>For the nine-month period ended September 30, 2006</u>
Net income	Net income	\$ 329,157	\$ 242,929
	Pro forma net income	322,175	219,997
Basic earnings per share (EPS)	EPS	2.30 (in dollars)	1.66 (in dollars)
	Pro forma EPS	2.26 (in dollars)	1.50 (in dollars)
Diluted earnings per share	EPS	2.29 (in dollars)	1.66 (in dollars)
	Pro forma EPS	2.25 (in dollars)	1.50 (in dollars)

(23) Personnel, depreciation and amortization expenses

	<u>For the nine-month period ended September 30, 2007</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 44,635	\$ 352,876	\$ 397,511
Labor and health insurances	141	30,427	30,568
Pension	91	19,261	19,352
Others	<u>1,033</u>	<u>25,728</u>	<u>26,761</u>
	<u>\$ 45,900</u>	<u>\$ 428,292</u>	<u>\$ 474,192</u>
Depreciation	\$ 59,440	\$ 45,746	\$ 105,186
Amortization	<u>54,532</u>	<u>15,655</u>	<u>70,187</u>
	<u>\$ 113,972</u>	<u>\$ 61,401</u>	<u>\$ 175,373</u>

	<u>For the nine-month period ended September 30, 2006</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 120,017	\$ 324,202	\$ 444,219
Labor and health insurances	5,648	27,474	33,122
Pension	3,335	18,015	21,350
Others	<u>2,551</u>	<u>20,163</u>	<u>22,714</u>
	<u>\$ 131,551</u>	<u>\$ 389,854</u>	<u>\$ 521,405</u>
Depreciation	\$ 117,854	\$ 47,054	\$ 164,908
Amortization	<u>31,064</u>	<u>16,644</u>	<u>47,708</u>
	<u>\$ 148,918</u>	<u>\$ 63,698</u>	<u>\$ 212,616</u>

(24) Preparation of financial statements

The Company, in accordance with Article 12 of “Statute for Upgrading Industries,” may set aside 20% of overseas investments as allowance for investment losses for income tax purposes. The balance amounted to \$113,022 as of September 30, 2007. However, to comply with generally accepted accounting principles in the Republic of China, the allowance had been reversed in the financial statements as of September 30, 2007.

The allowance for investment loss is as follows:

<u>Amount as of January 1, 2007</u>	<u>Additions</u>	<u>Recovery</u>	<u>Amount as of September 30, 2007</u>
<u>\$ 237,303</u>	<u>\$ 15,949</u>	<u>(\$ 140,230)</u>	<u>\$ 113,022</u>

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Soga Interactive Co., Ltd. (Soga)	Investee accounted for under the equity method (Note 1)
NCSOft Corporation (NCSOft)	NC Taiwan Co., Ltd. is an investee of NCSOft accounted for under the equity method (Note 2)

Note 1: The Company disposed all the shares in December 2006.

Note 2: The Company's ownership in NC Taiwan Co., Ltd. decreased from 51% to 15% in January 2007, therefore it was no longer the Company's related party in 2007.

(2) Significant transactions with related parties

A) Other receivables

	<u>September 30, 2007</u>		<u>September 30, 2006</u>	
	% of net		% of net	
	<u>Amount</u>	<u>other receivables</u>	<u>Amount</u>	<u>other receivables</u>
NCSOft	\$ -	-	\$ 131	4
Soga	-	-	82	2
	<u>\$ -</u>	<u>-</u>	<u>\$ 213</u>	<u>6</u>

Other receivables consist of payments made by the Company for the purchase of materials and miscellaneous expenses on behalf of related parties.

B) Accounts payable

	<u>September 30, 2007</u>		<u>September 30, 2006</u>	
	% of net		% of net	
	<u>Amount</u>	<u>accounts payable</u>	<u>Amount</u>	<u>accounts payable</u>
NCSOft	\$ -	-	\$ 40,822	29

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

C) Others

- The Company and its subsidiary, NC Taiwan Co., Ltd., have been engaged to sell the on-line games developed by NCSOft and are required to pay NCSOft royalties based on the negotiated percentage of the amount of the games consumed. For the nine-month period ended September 30, 2006, the royalties paid to NCSOft amounted to \$499,619, which was included in "operating costs".
- For the nine-month period ended September 30, 2006, a subsidiary, NC Taiwan Co., Ltd., paid \$1,092 to NCSOft for the security service fee for on-line games, which was included in "operating costs".

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>September 30,</u>		<u>Purpose</u>
	<u>2007</u>	<u>2006</u>	
Land	\$ 141,717	\$ 141,717	Long-term loans / Credit lines
Buildings	102,649	104,659	"
Machinery and equipment	15,001	22,331	Long-term loans / Credit loans
	<u>\$ 259,367</u>	<u>\$ 268,707</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- A) As of September 30, 2007, the total future rental payments for the next 3 years under non-cancelable operating lease agreements for the lease of the Group's office building and server warehouse from Chunghwa Telecom Co., Ltd. was \$94,818.
- B) The Company contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In addition, the Company contracted several on-line game vendors and will pay royalty based on actual usage.
- C) As stated in Note 4(14), the Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company reassessed the 2002 income tax return and deemed its additional liability to be \$4,050. The Company filed for re-examination in February 2006 to contest the balance of tax and penalties. The re-examination is still pending as of the report date.
- D) For the period from January 1, 2007 to December 31, 2007, First Commercial Bank provided guarantee for merchandise transactions on behalf of the Company to Wisdom Distribution Service Corporation. The Company guarantees that if the amount of sales to Wisdom Distribution Service Corporation is lower than the amount of sales returns, the Company should pay the guarantee of \$4,000 to First Commercial Bank and Wisdom Distribution Service Corporation would get implicative guarantee from First Commercial Bank.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

(1) The fair values of the financial instruments

	September 30, 2007			September 30, 2006		
	Book value	Fair value		Book value	Fair value	
		Quotations in an active market	Estimated value		Quotations in an active market	Estimated value
<u>Financial instruments</u>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$2,051,459	(Note A)	\$2,051,459	\$1,453,667	(Note A)	\$1,453,667
Financial asset held for trading	24,000	24,000	-	533,306	533,306	-
Financial assets carried at cost	114,294	-	-	104,004	-	-
Refundable deposits	31,940	-	31,750	30,326	-	30,002
Liabilities						
Financial liabilities with fair values equal to book values	\$ 637,768	(Note A)	\$ 637,768	\$ 679,401	(Note A)	\$ 679,401
Long-term loans	-	-	-	60,807	-	51,254
Guarantee deposits	1,002	-	1,002	1,948	-	1,948

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

- A) For short-term instruments, the book value is approximate to the fair value because of their short-term maturities. This applies to cash and cash equivalents, notes and accounts receivable, other receivables (including related parties), other current assets, short-term loans, notes and accounts payable (including related parties), income tax payable, accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.
- B) The fair value of refundable deposits is based on the present value of expected cash flow amounts. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank.
- C) The fair value of long-term loans is based on the present value of expected cash flow amounts. The discount rate was another instrument which the Company could acquire similar terms ranging from 2.855% to 2.88%.
- D) The fair value of guarantee deposits is the book value since the amount is insignificant.
- E) Off-balance sheet financial instruments with credit risk: None.

(2) Procedure of financial risk control and hedge

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

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

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

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

(3) Information of financial risk

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

(A) Market risk

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

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

B) Receivables: Accounts receivable, Notes receivable and Other receivables

(A) Market risk

The Group's receivables are due within one year, so the Group expects no significant market risk.

(B) Credit risk

The debtors of the Group have good credit standing, so the Group expects no significant credit risk.

(C) Liquidity risk

The Group's receivables are due within one year, so the Group expects no significant liquidity risk.

(D) Cash flow interest rate risk

The Group's receivables are due within one year, so the Group expects no significant cash flow interest risk.

C) Loans: Short-term loans and long-term loans (including current portion of long-term loans)

(A) Market risk

As interest rate of the loans for working capital is floating, the Group expects no significant market risk.

(B) Credit risk

None.

(C) Liquidity risk

The working capital of the Group is sufficient to cover the loans, so it expects no significant liquidity risk.

(D) Cash flow interest risk

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

- (4) For the nine-month periods ended September 30, 2007 and 2006, the Company donated cash and magazines amounting to \$1,620 and \$15,761, respectively, to political parties, charities, and educational institutions that are accredited by the government, without significant appointed considerations.

E. Intercompany transactions eliminated

For the nine-month period ended September 30, 2007

	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	Fundation Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	Alibangbang Digital Games Co., Ltd.
1. Long-term investments and stockholders' equity eliminated	(\$ 560,885)	\$ 215,009	\$ 49,414	\$ 116,123	\$ 109,156	\$ 41,105	(\$ 34)	\$ 30,112
2. Receivables and payables eliminated	(34,751)	(16,368)	(6,152)	67,212	6	152	(14)	(85)
3. Profit and loss accounts eliminated								
(1) Sale and purchase transactions	31,774	-	(18,947)	(12,827)	-	-	-	-
(2) Royalty income and publishing cost	(1,488)	1,488	-	-	-	-	-	-
(3) Other operating revenue, service expense and advertising expense	(1,532)	-	92	1,440	-	-	-	-
(4) Advertising expense and revenue	6,749	-	(71)	(6,678)	-	-	-	-
(5) Rent revenue and expense	(466)	-	356	110	-	-	-	-
(6) Other revenue and expense	(727)	72	116	539	-	-	-	-
(7) Realized (unrealized) gross profit on intercompany transactions	(1,237)	(32)	-	1,269	-	-	-	-

For the nine-month period ended September 30, 2006

	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	NC Taiwan Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	Alibangbang Digital Games Co., Ltd.
1. Long-term investments and stockholders' equity eliminated	(\$ 527,865)	\$ 173,961	\$ 89,842	\$ 98,056	\$ 109,154	\$ 41,918	\$ 97	\$ 14,837
2. Receivables and payables eliminated	(185,088)	(14,224)	151,684	47,459	6	305	(142)	-
3. Profit and loss accounts eliminated								
(1) Sale and purchase transactions	81,837	7,024	(84,410)	(4,451)	-	-	-	-
(2) Service revenue and service expense	(1,440)	-	-	1,440	-	-	-	-
(3) Royalty income and publishing cost	(1,933)	1,933	-	-	-	-	-	-
(4) Other operating revenue and service expense	(1,478)	-	-	1,478	-	-	-	-
(5) Publishing expense and royalty income	1,357	-	(1,357)	-	-	-	-	-
(6) Advertising expense and revenue	5,874	-	-	(5,874)	-	-	-	-
(7) Rent revenue and expense	(18,240)	2,937	3,921	9,127	-	2,255	-	-
(8) Other revenue and expense	(1,026)	-	575	451	-	-	-	-
(9) Realized (unrealized) gross profit on intercompany transactions	(76)	369	(1,698)	1,405	-	-	-	-

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 September 30, 2007:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	September 30, 2007				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	30,878	\$ 215,009	100%	\$ 215,009	Note (3)
"	"	Gamania Korea Co., Ltd.	"	"	329	41,105	100%	41,105	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	5,423	30,112	98.60%	30,112	"
"	"	Taiwan Index Co., Ltd.	"	"	7,745	83,387	69.40%	83,387	"
"	"	Gamania Asia Investmet Co., Ltd.	"	"	13,945	141,892	100%	141,892	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	(34)	100%	(34)	"
"	"	Foundation Digital Entertainment Co., Ltd.	"	"	4,000	49,414	100%	49,414	"
"	"	Playcoo Co.	Investee company accounted for under the equity method	"	6,315	36,486	36.72%	36,486	None
"	"	Taiwan e-sports Co., Ltd.	"	Prepayment for long-term investment	-	5,000	-	5,000	"
"	"	Buybooks Digital Technology Corp., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost - non-current	300	-	3.74%	-	"
"	"	ECD Interactive Corporation	"	"	2,040	-	18.55%	-	"
"	"	Joyon Entertainment Co., Ltd.	"	"	697	-	11.47%	-	"
"	"	RAVA Ideologie Inc.	"	"	880	-	8.69%	-	"
"	"	NC Taiwan Co., Ltd	"	"	2,100	22,841	15.00%	22,841	"

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

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

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

D) Marketable securities acquired or sold during the period ended September 30, 2007 in excess of \$100,000 or 20% of capital :

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Investor	Type and name of marketable securities	General ledger account	Name and relationship of counterparty	Beginning balance (Note)		Addition		Disposal			Disposal gain	Ending balance (Note)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	TIIM High Yield Fund	Financial asset held for trading-bond funds	Initial investment at inception/None	-	-	14,435	\$ 180,000	14,435	\$ 180,363	\$ 180,000	\$ 363	-	-
"	FGIT Wan-tai Bond Fund	"	"	-	-	10,688	150,000	10,688	150,327	150,000	327	-	-
"	HSBC Taiwan Dragon Fund	"	"	-	-	9,683	150,000	9,683	150,316	150,000	316	-	-
"	Polaries De-Bao Fund	"	"	-	-	9,006	100,000	9,006	100,311	100,000	311	-	-
"	Fuban Ju-I III Fund	"	"	-	-	8,159	100,000	8,159	100,359	100,000	359	-	-
"	CITC Safe Income Fund	"	"	-	-	6,701	100,000	6,701	100,347	100,000	347	-	-
"	NITC Tawan Bond Fund	"	"	-	-	10,595	150,000	10,595	150,236	150,000	236	-	-
"	NITC Bond Fund	"	"	-	-	631	104,000	631	104,180	104,000	180	-	-
"	Fuh-Hwa Bond Fund	"	"	-	-	11,125	149,000	11,125	149,371	149,000	371	-	-
"	Fuh-Hwa Yuli Bond Fund	"	"	-	-	8,025	100,000	8,025	100,133	100,000	133	-	-
"	JF Taiwan First Bond Fund	"	"	-	-	9,515	134,000	9,515	134,215	134,000	215	-	-
"	JF (Taiwan) Bond Fund	"	"	-	-	6,540	100,000	6,540	100,170	100,000	170	-	-
"	Prudential Financial Bond Fund	"	"	-	-	9,624	141,000	9,624	141,248	141,000	248	-	-
"	MEGA Diamond Bond Fund	"	"	-	-	12,974	150,000	12,974	150,407	150,000	407	-	-

Note: Original investment cost.

E) Acquired real estate in excess of \$100,000 or 20% of capital: None.

F) Disposal of real estate in excess of \$100,000 or 20% of capital: None.

G) Sales to or purchases from related parties in excess of \$100,000 or 20% of capital: None.

H) Receivable from related parties in excess of \$100,000 or 20% of capital: None.

I) Information on derivative transaction: None.

(2) Information of investee companies

A) Information of investee companies:

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

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) income incurred by the investee	Investment (loss) gain recognized by the Company	Note
				2007.9.30	2006.12.31	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 holdings	\$1,045,789	\$ 987,151	30,878	100%	\$ 215,009	(\$ 14,557)	(\$ 14,557)	Subsidiary (Note 3)
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sales of software	158,457	137,352	329	100%	41,105	(17,583)	(17,583)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	160,000	110,000	5,423	98.60%	30,112	(26,354)	(25,526)	"
"	Taiwan Index Co., Ltd.	"	Software services	208,200	208,200	7,745	69.40%	83,387	8,783	7,364	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	13,945	100%	141,892	2,446	2,446	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 9F, Main Office Tower, Financial Park, 87000 Labuan FT Labuan, Malaysia	Investment holdings	329	329	10	100%	(34)	(97)	(97)	"
"	Fundation Digital Entertainment CO., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Sales and publishing of magazines and periodicals	40,000	-	4,000	100%	49,414	9,414	9,414	"
"	Playcoo Co.	4F-4, No. 215, SEC 2 Cheng-de Rd., Taipei City, Taiwan	Supply of software services and electronic information	63,151	40,000	6,315	36.72%	36,486	(24,123)	(8,284)	Investee company accounted for under equity method

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) income incurred by the investee	Investment (loss) gain recognized by the Company	Note
				2007.9.30	2006.12.31	Number of shares	Percentage	Book value			
Gamania Asia Investment Co., Ltd.	Taiwan Index Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and sales of software	\$ 80,625	\$ 80,625	3,036	27.20%	\$ 32,736	\$ 8,783	\$ 2,389	Investee company accounted for under equity method (Note 3)
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 30,878 thousand	USD 29,108 thousand	30,878	100%	USD 6,631 thousand	(USD 429 thousand)	(USD 429 thousand)	Subsidiary (Note 3)
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Sumitomo Ooimachi Bldg (North) 4F, 1-20-6, Ooi, Shinagawa-Ku, Tokyo, Japan 140-0014	Design and sales of software; sales of hardware	USD 14,298 thousand	USD 14,298 thousand	19	100%	USD 2,510 thousand	(USD 464 thousand)	(USD 464 thousand)	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 18,654 thousand	USD 16,884 thousand	18,654	93.55%	USD 4,134 thousand	USD 41 thousand	USD 39 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 investments	USD 16,880 thousand	USD 15,110 thousand	16,880	100%	USD 1,012 thousand	(USD 565 thousand)	(USD 565 thousand)	"
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Rm 2106, Bldg No. 5 Soho New Town, No. 88, Jian Guo Re Beijing, 1000022 China	Design and sales of software	USD 13,500 thousand	USD 11,980 thousand	N/A	100%	USD 794 thousand	(USD 449 thousand)	(USD 449 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen Street, Hung, Hom, Kowloon, Hong Kong	Design and sales of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 3,408 thousand	USD 607 thousand	USD 607 thousand	"
Gamania China Holdings Ltd.	G.A. Co., Limited	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen Street, Hung, Hom, Kowloon, Hong Kong	Design and sales of software	(Note 1)	(Note 1)	N/A	100%	(Note 2)	-	-	"

Note 1: The original investment cost is \$HK2.

Note 2: Under liquidation since December 2006.

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

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

C) Guarantee information: None.

D) Marketable securities held at September 30, 2007:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	September 30, 2007				
					Number of shares (Note (3))	Book value	Percentage	Market value (Note (2))	Note
Gamania Holdings Ltd.	Common Stock	Gamania International Holdings Ltd.	Subsidiary	Long-term investments – accounted for under the equity method	30,878	USD \$6,631 thousand	100%	USD \$6,631 thousand	Note 4
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	19	USD 2,510 thousand	100%	USD 2,510 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	18,654	USD 4,134 thousand	93.55%	USD 4,134 thousand	"
Gamania China Holdings Ltd.	"	G.A. Co., Limited	"	"	N/A	-	100%	-	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD 3,408 thousand	100%	USD 3,408 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	16,800	USD 1,012 thousand	100%	USD 1,012 thousand	"
Gamania Sino Holdings Co., Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	USD 794 thousand	100%	USD 794 thousand	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under equity method	"	3,036	32,736	27.20%	32,736	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost	8,718	91,453	14.60%	91,453	None
Taiwan Index Co., Ltd.	Fund	Fuban Ju-I III Fund	N/A	Financial asset held for trading-bond funds	647	8,000	N/A	8,000	"
Taiwan Index Co., Ltd.	"	Prudential Financial Bond Fund	"	"	542	8,000	N/A	8,000	"
Taiwan Index Co., Ltd.	"	FGIT Wan-tai Bond Fund	"	"	567	8,000	N/A	8,000	"

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

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

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

Note (3): Unit: In thousand shares

Note (4): The transaction has been eliminated in the consolidated financial statements.

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

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

a.

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment as of January 1, 2007	Remitted or received investment amount during the period		Accumulated investment as of September 30, 2007	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at September 30, 2007	Accumulated investment income received as of September 30, 2007
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	(RMB 110,567 thousand) \$480,502	(Note (2))	(USD 9,850 thousand) \$321,307	(USD 1,520 thousand) \$49,582	\$ -	(USD 11,370 thousand) \$370,889	93.55%	(USD 419 thousand) (\$ 13,819)	(USD 743 thousand) \$ 24,237	\$ -

Accumulated amount of investment in Mainland China as of September 30, 2007	Related investment amount approved by FIA	Upper limit of investment in Mainland China
\$ 370,889 (USD 11,370 thousand)	\$ 456,028 (Note (1))	\$ 992,431

Note (1): Related total investment amount approved by FIA is USD 13,980,000 or NTD 456,028 thousand based on 32.62 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 were unreviewed.

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

c. The transaction has been eliminated in the consolidated financial statements.

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

For the nine-month period ended September 30, 2007

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

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

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

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

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

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

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

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

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

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

For the nine-month period ended September 30, 2006

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
0	Gamania Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	1	Service revenue	\$ 1,440	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Royalty income	1,933	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other operating income	1,478	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Purchases	79,457	Note (4)	3%
0	"	Taiwan Index Co., Ltd.	1	Purchases	2,380	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	5,874	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Publishing cost	1,357	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Rent revenue	9,127	Note (4)	-%
0	"	Gamania Korea Co., Ltd.	1	Rent revenue	2,255	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Rent revenue	2,205	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Rent revenue	3,921	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Notes receivable	1,997	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes receivable	6,901	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other receivables	1,050	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	8,917	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	7,122	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Other receivables	2,307	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes payable	105,237	Note (4)	3%
0	"	Taiwan Index Co., Ltd.	1	Other payables	50,747	Note (4)	2%
0	"	NC Taiwan Co., Ltd.	1	Other payables	54,832	Note (4)	2%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other payables	4,778	Note (4)	-%
1	NC Taiwan Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	3,921	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	79,457	Note (4)	3%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	1,357	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	6,901	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	2,307	Note (4)	-%

For the nine-month period ended September 30, 2006 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
1	NC Taiwan Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Notes receivable	\$ 105,237	Note (4)	3%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	54,832	Note (4)	2%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	3,389	Note (4)	-%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Sales revenue	4,953	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	9,127	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	2,380	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating revenue	5,874	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Service expense	1,440	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Service expense	1,478	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	1,997	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	50,747	Note (4)	2%
3	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Rent expense	2,255	Note (4)	-%
3	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	3,492	Note (4)	-%
4	Gamania Digital Entertainment (H.K.) Co., Ltd.	NC Taiwan Co., Ltd.	3	Operating costs	4,953	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	1,933	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	4,139	Note (4)	-%
4	"	NC Taiwan Co., Ltd.	3	Other payables	3,389	Note (4)	-%
4	"	Gamania Korea Co., Ltd.	3	Other receivables	3,492	Note (4)	-%
4	"	Gamania Sino Holdings Ltd.	3	Other receivables	6,812	Note (4)	-%
5	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,050	Note (4)	-%

For the nine-month period ended September 30, 2006 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
6	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	\$ 2,205	Note (4)	-%
6	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	7,122	Note (4)	-%
6	"	Gamania Sino Holding Ltd.	3	Other payables	7,499	Note (4)	-%
7	Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	6,812	Note (4)	-%
7	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	Other receivables	7,499	Note (4)	-%

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

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

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

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

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

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

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