

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

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

**JUNE 30, 2010 AND 2009**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying consolidated 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.

## **Report of Independent Accountants Translated from Chinese**

PWCR10000076

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

We have audited the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As described in Note 1(2), we did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$529,812 thousand and \$531,128 thousand, constituting 11.65% and 13.91% of the related consolidated totals as of June 30, 2010 and 2009, respectively, and total operating revenues of \$550,499 thousand and \$400,333 thousand, constituting 19.52% and 14.98% of the related consolidated totals for the six-month periods then ended, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these investee companies and the information disclosed in Note 11(2) relative to these long-term investments, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of June 30, 2010 and 2009, and the results of their operations and their cash flows for the six-month periods then ended, in conformity with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers, Taiwan

August 19, 2010

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

As the 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**

**JUNE 30,**

**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>	<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>2010</u>	<u>2009</u>
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash and cash equivalents (Note 4(1))	\$ 1,399,576	\$ 950,662	Short-term loans (Note 4(11))	\$ 231,164	\$ 98,344
Notes receivable – third parties – net (Note 4(2))	129,186	119,712	Short-term notes and bills payable (Note 4(12))	19,996	-
Accounts receivable – third parties – net (Note 4(3))	1,388,816	1,115,085	Notes payable – third parties	1,071	9,630
Other receivables (Note 4(15))	28,151	9,819	Accounts payable – third parties	219,844	245,579
Other financial assets – current (Note 6)	-	6,000	Income tax payable (Note 4(15))	44,336	66,218
Inventories – net (Note 4(4))	59,415	54,839	Accrued expenses (Note 4(19))	396,345	317,853
Prepaid expenses	30,935	63,035	Other payables (Note 4(19))	512,926	329,492
Deferred income tax assets – current (Note 4(15))	34,311	12,543	Unearned revenue collected in advance	414,855	169,909
Other current assets	<u>3,068</u>	<u>4,118</u>	Current portion of long-term loans (Note 4(14))	23,200	60,441
	3,073,458	2,335,813	Other current liabilities	6,268	7,079
				<u>1,870,005</u>	<u>1,304,545</u>
<u>Long-term Investments</u>			<u>Long-term liabilities</u>		
Financial assets at fair value through profit or loss – non-current (Note 4(5))	2,850	-	Financial liabilities at fair value through profit or loss – non-current (Note 4(13))	2,805	-
Financial assets carried at cost – non-current (Note 4(6))	114,294	114,294	Long-term loans (Note 4(14))	17,473	12,639
Long-term investments – accounted for under the equity method (Note 4(7))	2,013	1,186		<u>20,278</u>	<u>12,639</u>
Prepaid long-term investment (Note 4(7))	-	10,000	<u>Other Liability</u>		
	119,157	125,480	Accrued pension liabilities (Note 4(16))	9,659	6,822
<u>Property, Plant and Equipment – net</u> (Notes 4(8) and 6 )			Guarantee deposits	6	380
Cost			Other liabilities – other	452	462
Land	147,751	147,751		<u>10,117</u>	<u>7,664</u>
Buildings	182,701	164,561	Total Liabilities	<u>1,900,400</u>	<u>1,324,848</u>
Machinery and equipment	661,397	749,167	<u>Stockholders' Equity</u>		
Transportation equipment	1,033	-	Common stock		
Office equipment	161,735	87,414	Common stock (Note 1)	1,656,376	1,589,059
Leasehold improvements	45,315	39,068	Capital reserve (Note 4(17))		
Other equipment	<u>10,294</u>	<u>2,564</u>	Paid-in capital in excess of par	852,683	742,923
Total Cost	1,210,226	1,190,525	Gain on disposal of property, plant and equipment	221	221
Less: Accumulated depreciation	( 626,890)	( 650,142)	Long-term investments	-	2,145
Accumulated impairment	( 4,182)	( 4,241)	Retained earnings		
Construction in progress and prepayments for equipment	14,225	4,675	Legal reserve (Notes 4(18) and 4(19))	117,649	86,730
	<u>593,379</u>	<u>540,817</u>	Retained earnings (Notes 4(15) and 4(19))	325,242	375,167
<u>Intangible Assets</u>			Cumulative translation adjustments	42,164	36,218
Trademark	-	581	Unrealized net loss	( 565)	-
Goodwill	77,365	49,020	Treasury stock (Note 4(21))	<u>( 370,182)</u>	<u>( 370,182)</u>
Deferred pension cost (Note 4(16))	1,312	724		2,623,588	2,462,281
Other intangible assets – net (Note 4(9))	166	220	Minority interest	21,961	30,299
	<u>78,843</u>	<u>50,545</u>	Total Stockholders' Equity	<u>2,645,549</u>	<u>2,492,580</u>
<u>Other Assets</u>			Commitments and Contingent Liabilities (Note 7)		
Refundable deposits	48,254	35,919			
Deferred charges – net (Note 4(10))	604,615	552,991	<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>\$ 4,545,949</u>	<u>\$ 3,817,428</u>
Deferred income tax assets – non-current (Note 4(15))	20,161	168,584			
Other assets – other (Note 4(16))	8,082	7,279			
	<u>681,112</u>	<u>764,773</u>			
<u>TOTAL ASSETS</u>	<u>\$ 4,545,949</u>	<u>\$ 3,817,428</u>			

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated August 19, 2010.

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

	2010	2009	
Operating revenues			
Sales revenue	\$ 2,846,368	\$ 2,721,218	
Sales returns	( 64,991)	( 50,544)	
Sales allowances	( 3,560)	( 21,772)	
Net sales revenue	2,777,817	2,648,902	
Service revenue	41,730	22,768	
Total operating revenues	2,819,547	2,671,670	
Operating costs			
Cost of goods sold (Notes 4(4), 4(23) and 5(2))	( 1,424,583)	( 1,287,740)	
Gross profit	1,394,964	1,383,930	
Operating expenses (Notes 4(23), 5(2) and 10)			
Selling expenses	( 393,847)	( 426,461)	
General and administrative expenses	( 480,965)	( 388,026)	
Research and development expenses	( 219,796)	( 184,990)	
Total operating expenses	( 1,094,608)	( 999,477)	
Operating income	300,356	384,453	
Non-operating income			
Interest income	873	964	
Gain on valuation of financial assets (Note 4(13))	418	280	
Foreign exchange gain	2,981	2,213	
Rental income	468	40	
Miscellaneous income	5,292	5,144	
Total non-operating income	10,032	8,641	
Non-operating expenses			
Interest expense	( 2,378)	( 1,349)	
Investment loss accounted for under the equity method (Note 4(7))	( 3,782)	( 2,212)	
Other investment loss	-	( 2)	
Loss on disposal of property, plant and equipment	( 5,315)	( 468)	
Miscellaneous losses	( 45,090)	( 6,511)	
Total non-operating expenses	( 56,565)	( 10,542)	
Income before income tax	253,823	382,552	
Income tax expense (Note 4(15))	( 92,004)	( 82,740)	
Consolidated net income	\$ 161,819	\$ 299,812	
Attributable to:			
Equity holders of the Company	\$ 160,337	\$ 291,943	
Minority interest	1,482	7,869	
	\$ 161,819	\$ 299,812	
	2010	2009	
Basic earnings per share (in dollars) (Note 4(20))	Before	After	Before
Profit attributable to equity holders of the Company	\$ 1.66	\$ 1.05	\$ 2.57
Minority interest income	0.01	0.01	0.05
Consolidated net income	<u>\$ 1.67</u>	<u>\$ 1.06</u>	<u>\$ 2.62</u>
Diluted earnings per share (in dollars) (Note 4(20))	Before	After	Before
Profit attributable to equity holders of the Company	\$ 1.61	\$ 1.02	\$ 2.49
Minority interest income	0.01	0.01	0.05
Consolidated net income	<u>\$ 1.62</u>	<u>\$ 1.03</u>	<u>\$ 2.54</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated August 19, 2010.

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

	Common Stock		Capital Reserve		Retained Earnings			Cumulative Translation Adjustments	Unrealized Net Loss	Treasury Stock	Minority Interest	Total
	Common Stock	Stock Subscription Received in Advance	Paid-in Capital in Excess of Par	Capital Surplus from Gain on Disposal of Assets	Long-term Investments	Legal Reserve	Retained Earnings					
Balance at January 1, 2009	\$ 1,587,827	\$ -	\$ 740,670	\$ 221	\$ -	\$ 61,214	\$ 257,544	\$ 46,084	\$ -	(\$ 370,182)	\$ 19,637	\$ 2,343,015
Employee stock options to be exercised	1,232	-	2,253	-	-	-	-	-	-	-	-	3,485
Distribution of 2008 earnings (Note 1):												
Legal reserve	-	-	-	-	-	25,516	(25,516)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(145,807)	-	-	-	-	(145,807)
Consolidated net income for the period	-	-	-	-	-	-	291,943	-	-	-	7,869	299,812
Effect of change in ownership percentage of investee company	-	-	-	-	2,145	-	(2,997)	-	-	-	-	(852)
Cumulative translation adjustments	-	-	-	-	-	-	-	(9,866)	-	-	-	(9,866)
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	2,793	2,793
Balance at June 30, 2009	<u>\$ 1,589,059</u>	<u>\$ -</u>	<u>\$ 742,923</u>	<u>\$ 221</u>	<u>\$ 2,145</u>	<u>\$ 86,730</u>	<u>\$ 375,167</u>	<u>\$ 36,218</u>	<u>\$ -</u>	<u>(\$ 370,182)</u>	<u>\$ 30,299</u>	<u>\$ 2,492,580</u>
Balance at January 1, 2010	\$ 1,604,951	\$ 12,437	\$ 789,316	\$ 221	\$ -	\$ 86,730	\$ 395,413	\$ 35,674	(\$ 565)	(\$ 370,182)	\$ 30,335	\$ 2,584,330
Employee stock options to be exercised	38,988	-	63,367	-	-	-	-	-	-	-	-	102,355
Capital collected in advance transferred to common stock	12,437	(12,437)	-	-	-	-	-	-	-	-	-	-
Distribution of 2009 earnings (Note 2):												
Legal reserve	-	-	-	-	-	30,919	(30,919)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(197,999)	-	-	-	-	(197,999)
Consolidated net income for the period	-	-	-	-	-	-	160,337	-	-	-	1,482	161,819
Effect of change in ownership percentage of investee company	-	-	-	-	-	-	(1,590)	-	-	-	-	(1,590)
Cumulative translation adjustments	-	-	-	-	-	-	-	6,490	-	-	-	6,490
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	(9,856)	(9,856)
Balance at June 30, 2010	<u>\$ 1,656,376</u>	<u>\$ -</u>	<u>\$ 852,683</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ 117,649</u>	<u>\$ 325,242</u>	<u>\$ 42,164</u>	<u>(\$ 565)</u>	<u>(\$ 370,182)</u>	<u>\$ 21,961</u>	<u>\$ 2,645,549</u>

Note 1: The amounts approved by the Company's stockholders for the distribution of 2008 earnings for the directors' and supervisors' remuneration and employees' bonuses are \$4,600 and \$23,500, respectively, whereas the amounts deducted from the Income Statement for 2008 were \$4,398 and \$21,990, respectively. The difference of \$202 and \$1,510, respectively was adjusted in the income statement for the six-month period ended June 30, 2009.

Note 2: The amounts approved by the Company's stockholders for the distribution of 2009 earnings for the directors' and supervisors' remuneration and employees' bonuses are \$5,565 and \$41,740, respectively, whereas the amounts deducted from the Income Statement for 2009 were \$5,679 and \$42,596, respectively. The difference of \$114 and \$856, respectively was adjusted in the income statement for the six-month period ended June 30, 2010.

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

See report of independent accountants dated August 19, 2010.

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

	<u>2010</u>	<u>2009</u>
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 161,819	\$ 299,812
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on valuation of financial assets	( 45)	-
Provision for sales returns	747	4,304
Provision for doubtful accounts	3,633	7,879
Provision for decline in market value of inventories	5,541	4,892
Investment loss accounted for under the equity method	3,782	2,212
Loss on disposal of investment	-	2
Loss on disposal of property, plant and equipment	5,315	468
Depreciation and amortization	214,008	208,141
Prepaid expense and deferred charges charged to other expenses	42,934	4,582
Deferred income tax assets	53,289	25,610
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable - third parties	( 16,183)	( 49,593)
Accounts receivable - third parties	( 270,949)	( 188,583)
Other receivables - third parties	11,076	7,651
Inventories	( 4,372)	( 38,612)
Prepaid expenses	( 4,033)	( 22,168)
Other current assets	( 422)	( 1,700)
Increase (decrease) in:		
Notes payable - third parties	( 8,985)	( 17,278)
Accounts payable - third parties	3,113	106,172
Accounts payable - related party	-	( 35,699)
Income tax payable	31,754	6,441
Accrued expenses	9,842	30,944
Other payables - third parties	126,555	14,286
Unearned revenue collected in advance	49,782	24,695
Other current liabilities	( 52,565)	( 22,784)
Accrued pension liabilities	1,014	775
Net cash provided by operating activities	<u>366,650</u>	<u>372,449</u>

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

	<u>2010</u>	<u>2009</u>
<u>Cash flows from investing activities</u>		
Increase in minority interest acquisition price	(\$ 38,337)	\$ -
Decrease (increase) in other financial assets	2,000	( 2,000)
Prepayment for long-term investment – non-subsidiary	-	( 10,000)
Increase in financial assets at fair value through profit or loss – non-current	2,850	-
Proceeds from disposal of long-term investment	-	7
Acquisition of property, plant and equipment	( 104,761)	( 61,378)
Increase in deferred charges	( 129,544)	( 194,599)
Proceeds from disposal of property, plant and equipment and deferred charges	-	1,921
Increase in trademark	-	( 78)
(Increase) decrease in refundable deposits, net	( 1,164)	2,490
Increase in other assets - other	( 715)	( 907)
Decrease in financial liabilities at fair value through profit or loss – non-current	( 2,850)	-
Net cash used in investing activities	<u>( 272,521)</u>	<u>( 264,544)</u>
<u>Cash flows from financing activities</u>		
Increase (decrease) in short-term loans	85,611	( 16,656)
Increase in short-term notes and bills payable	19,996	-
(Decrease) increase in long-term liabilities	( 9,320)	43,197
(Decrease) increase in guarantee deposits	( 374)	6
Decrease in other liabilities	( 1)	( 147)
Employee stock options to be exercised	102,355	3,485
Changes in minority interest	<u>432</u>	<u>2,793</u>
Net cash provided by financing activities	<u>198,699</u>	<u>32,678</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,737</u>	<u>( 11,405)</u>
Net increase in cash and cash equivalents	294,565	129,178
Cash and cash equivalents at beginning of the period	<u>1,105,011</u>	<u>821,484</u>
Cash and cash equivalents at end of the period	<u>\$ 1,399,576</u>	<u>\$ 950,662</u>
 <u>Supplemental disclosures of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 2,317</u>	<u>\$ 1,359</u>
Income taxes	<u>\$ 983</u>	<u>\$ 50,522</u>
 <u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 119,962	\$ 83,578
Payable at end of the period	( 25,700)	( 24,419)
Payable at beginning of the period	<u>10,499</u>	<u>2,219</u>
Cash paid	<u>\$ 104,761</u>	<u>\$ 61,378</u>
 <u>Non-cash flows from financing activities:</u>		
Cash dividends	<u>\$ 197,999</u>	<u>\$ 145,807</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated August 19, 2010.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

(1) Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of June 30, 2010, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 22 million shares of employee stock options), at a par value of \$10 (NT dollars) per share, and the issued and outstanding capital was \$1,656,376. The Company is engaged in software services. As of June 30, 2010, the Company and its consolidated subsidiaries had approximately 1,390 employees.

(2) Consolidated subsidiaries

A) Name of company	Relationship	Main activities	% of shares held as of June 30	
			2010	2009
Gamania Holdings Ltd.	Note 1	Investment holding company	100%	100%
Gamania International Holdings Ltd.	Note 2	Investment holdings	100%	100%
Gamania Digital Entertainment (Japan) Co., Ltd.	Note 3	Design and sales of software; sales of hardware	100%	100%
Gamania China Holdings Ltd.	Note 3	Investment holdings	97.91%	94.25%
Gamania Western Holdings Ltd.	Note 3	Investment holdings	100%	-
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note 4	Design and sales of software	97.91%	94.25%
Gamania Sino Holdings Ltd.	Note 4	Investment holdings	97.91%	94.25%
Gamania Digital Entertainment (U.S.) Co., Ltd.	Note 4	Design and sales of software	100%	-
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note 5	Design and sales of software	97.91%	94.25%
Taiwan Index Co., Ltd.	Note 1	Software services	99.28%	99.28%
Gamania Asia Investments Co., Ltd.	Note 1	Investment holdings	100%	100%
Gamania Korea Co., Ltd.	Note 1	Design and sales of software	100%	100%
Fantasy Fish Games Co., Ltd.	Note 1	Design and research of software	99.50%	99.27%

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of June 30</u>	
			<u>2010</u>	<u>2009</u>
Fundation Digital Entertainment Co., Ltd.	Note 1	Publishing of magazines and periodicals	100%	100%
Gamania Digital Entertainment Labuan Holdings, Ltd.	Note 1	Investment holdings	100%	100%
Redgate Games Co., Ltd.	Note 1	Design and research of software	100%	100%
Seedo Games Co., Ltd.	Note 1	Design and research of software	100%	100%
Playcoo Co.	Note 1	Design and research of software	75.25%	75.25%

Note 1: Majority-owned subsidiary.

Note 2: A majority-owned subsidiary of Gamania Holdings Ltd.

Note 3: A majority-owned subsidiary of Gamania International Holdings Ltd.

Note 4: A majority-owned subsidiary of Gamania China Holdings Ltd.

Note 5: A majority-owned subsidiary of Gamania Sino Holdings Ltd.

B) The information on investee companies, Taiwan Index Co., Ltd., Gamania Korea Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd., were based on financial statements audited by other auditors for the six-month period ended June 30, 2010.

C) The information on investee companies, Taiwan Index Co., Ltd., Playcoo Co., Gamania Korea Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd., were based on financial statements audited by other auditors for the six-month period ended June 30, 2009.

D) The statements reflect total assets of \$529,812 and \$531,128, constituting 11.65% and 13.91% of the related consolidated totals as of June 30, 2010 and 2009, respectively, and total operating revenues of \$550,499 and \$400,333 constituting 19.52 % and 14.98% of the related consolidated totals for the six-month periods then ended, respectively.

(3) Changes in the consolidated subsidiaries:

A) Majority-owned subsidiaries that were 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 June 30</u>		<u>Note</u>
			<u>2010</u>	<u>2009</u>	
Gamania Western Holdings Ltd.	Note 1	Investment holdings	100%	-	Note 3
Gamania Digital Entertainment (U.S.) Co., Ltd.	Note 2	Design and research of software	100%	-	Note 3

Note 1: A majority-owned subsidiary of Gamania International Holdings Ltd.

Note 2: A majority-owned subsidiary of Gamania Western Holdings Ltd.

Note 3: The company was established in the fourth quarter of 2009.

B) 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 June 30</u>		<u>Note</u>
			<u>2010</u>	<u>2009</u>	
InnoJelly Corporation	Note 1	Investment holdings	-	-	Note 2

Note 1: Majority-owned subsidiary.

Note 2: The Company had been liquidated in April 2009.

(4) Majority-owned subsidiaries not being 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) Other consequential items 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” 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) 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. Effective January 1, 2008, the Company prepares quarterly consolidated financial statements.
- B) The results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition. Under the amended SFAS No. 7, the result 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.
- C) All significant intercompany balances and transactions are eliminated in the consolidation.

### (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 which are translated using weighted-average rate. Exchange differences are recorded as cumulative translation adjustments and are included as a component of stockholders' equity.

### (3) Foreign currency transactions

The accounts of the Company and its subsidiaries are maintained in New Taiwan dollars and functional currencies, respectively. Transactions arising in foreign currencies are translated into New Taiwan dollars and functional currencies 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 period 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) Financial assets or liabilities 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 and beneficiary certificates.
- 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.
- C) Financial instruments that meet one of the following criteria are designated as financial assets or financial liabilities at fair value through profit or loss:
  - 1) The instrument is a hybrid instrument.
  - 2) The instrument is designated as a financial asset or liability at fair value through profit or loss in order to eliminate or substantially reduce the inconsistency in accounting measurement or recognition.
  - 3) The instrument is managed in accordance with the Company's documented risk management and investment strategies, and its performance is evaluated on a fair value basis.

(6) 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.

(7) 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.

(8) Inventories

The Group uses the perpetual inventory system and the original cost is the cost to obtain the assets. Cost is determined using the weighted-average method. The ending balance of inventory is valued at the lower of cost or net realizable value based on specific identification. The net realizable value is determined based on the estimated selling price of an inventory item less the estimated costs of completion.

(9) 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.
- 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.

(10) Property, plant and equipment

- A) Depreciation is provided on the straight-line method using the estimated useful lives of the assets plus one year as salvage value. The subsidiaries' property, plant and equipment are depreciated on a straight-line basis according to the estimated useful lives of the assets less the estimated salvage value, except for leasehold improvements, which is based on the contract period of the asset. The estimated useful lives are 3 to 55 years for buildings and 2 to 5 years for the other property, plant and equipment.
- B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).

- C) Major renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
- (11) Deferred charges
- A) Costs of software and copyrights are capitalized and amortized under the straight-line basis over the estimated useful lives.
  - B) Royalty payments for operating online game software are capitalized and amortized based on the period of the contract or deducted based on actual units of play.
- (12) Other intangible assets
- 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.
- (13) Impairment of non-financial assets
- A) Impairment loss is recognized when the recoverable amount of an asset 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 in impairment loss is recognized for goodwill.
- (14) Share-based payment - employee compensation plan
- A) The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072 "Accounting for Employee Stock Options" as prescribed by the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share are prepared in accordance with the R.O.C. SFAS No. 39, "Accounting for Share-based Payment"
  - B) For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.
- (15) Employees' bonuses and directors' and supervisors' remuneration
- Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for

Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(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 to the extent that 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) The Company's overseas subsidiaries' income taxes are subject to their local regulations.
- E) In accordance with 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.

- F) In accordance with the “Income Basic Tax Act”, effective January 1, 2006, when income tax is lower than the basic tax, income tax due shall be equal to the basic tax.
- G) When a change in the tax laws is enacted, the deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, is reported as an adjustment to current income tax expense (benefit).
- (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 liabilities in the interim financial statements were 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 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.
- E) Costs and expenses are recognized as incurred.
- F) 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 period and net income is adjusted by the amount associated with the conversion.

- B) The potential dilutive shares are employee stock options and estimated shares of employees' bonuses when distributing stock. The Company adopted the "treasury stock method" in computing the dilutive effect of the employee stock options and the employees' bonuses.

(21) Use of estimates

The preparation of consolidated 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 reporting period. Actual results could differ from those estimates.

3. CHANGE IN ACCOUNTING PRINCIPLE

Inventory

Effective January 1, 2009, the Company and its domestic subsidiaries adopted the amended Statement of Financial Accounting Standards No. 10, "Inventory". The adoption of this regulation had no significant effect on the consolidated financial statements as of and for the six-month period ended June 30, 2009.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 794	\$ 751
Demand deposit and check deposit	1,023,832	784,538
Time deposits	374,950	165,373
	<u>\$ 1,399,576</u>	<u>\$ 950,662</u>

(2) Notes receivable - net

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Notes receivable	\$ 129,202	\$ 119,728
Less: Allowance for doubtful accounts	( 16)	( 16)
	<u>\$ 129,186</u>	<u>\$ 119,712</u>

(3) Accounts receivable - net

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Accounts receivable	\$ 1,475,162	\$ 1,202,977
Less: Allowance for doubtful accounts	( 80,623)	( 76,124)
Allowance for sales returns	( 5,723)	( 11,768)
	<u>\$ 1,388,816</u>	<u>\$ 1,115,085</u>

(4) Inventories - net

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Inventories	\$ 69,841	\$ 68,812
Less: Allowance for obsolescence and market value decline	( 10,426)	( 13,973)
	<u>\$ 59,415</u>	<u>\$ 54,839</u>

Related loss recognized for the period:

For the six-month periods ended June 30,

	<u>2010</u>	<u>2009</u>
Provision for decline in market value of inventories	<u>\$ 5,541</u>	<u>\$ 4,892</u>
Gain on physical count of inventories	<u>\$ 3</u>	<u>\$ -</u>

(5) Financial assets at fair value through profit or loss — non-current

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Designated as at financial assets at fair value through profit or loss:		
Callable preferred stock	\$ 2,850	\$ -
Adjustment of designated as at fair value through profit or loss	-	-
	<u>\$ 2,850</u>	<u>\$ -</u>

For business operation purposes, the Company's domestic subsidiary, Gamania Asia Investment Co., Ltd., invested 285 thousand shares at a par value of \$10 (NT dollars) per share in the amount of \$2,850. Such investment is not entitled to a voting right, profit distribution right and the right to claim for remaining property. According to the investment contract, both parties agreed that during the thirty days from the repurchase base day, which is at the expiration of three years of settling date or other documents' appointment date, the investor can ask the publisher to redeem all of the preferred stock based on fair value at the repurchase base day. If the fair value will be lower than the published price, the publisher will have to repurchase based on the published price. According to the contents of the preferred stock contract and Statement of Financial Accounting Standards No. 34, "Accounting for Financial Instruments: Recognition and Measurement", the subsidiary is accounted for as Financial assets at fair value through profit or loss.

(6) Financial assets carried at cost

<u>Items</u>	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Unlisted stocks		
Nice Finance Co., Ltd.	\$ 91,453	\$ 91,453
NC Taiwan Co., Ltd.	22,841	22,841
	<u>\$ 114,294</u>	<u>\$ 114,294</u>

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

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

A) List of long-term investments

<u>Name of investee</u>	<u>June 30, 2010</u>			Investment loss for the six-month period ended <u>June 30, 2010</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Taiwan e-sports Co., Ltd.	<u>\$ 30,000</u>	46.15%	<u>\$ 2,013</u>	<u>(\$ 3,782)</u>
		<u>June 30, 2009</u>		Investment loss for the six-month period ended <u>June 30, 2009</u>
<u>Name of investee</u>	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Taiwan e-sports Co., Ltd.	\$ 10,000	25.00%	<u>\$ 1,186</u>	<u>(\$ 2,212)</u>
Prepaid long-term investment:				
Taiwan e-sports Co., Ltd.	10,000			
	<u>\$ 20,000</u>			

B) The related investment loss of \$3,782 and \$2,212 in Taiwan e-sports Co., Ltd. were based on its unaudited financial statements for the six-month periods ended June 30, 2010 and 2009, respectively, as its operating revenue was insignificant for the Company.

(8) Property, plant and equipment

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	182,701	164,561
Machinery and equipment	661,397	749,167
Transportation equipment	1,033	-
Office equipment	161,735	87,414
Leasehold improvements	45,315	39,068
Other equipment	<u>10,294</u>	<u>2,564</u>
	<u>1,210,226</u>	<u>1,190,525</u>
 <u>Accumulated depreciation</u>		
Buildings	( 36,204)	( 23,674)
Machinery and equipment	( 433,679)	( 552,539)
Transportation equipment	( 160)	-
Office equipment	( 115,956)	( 46,886)
Leasehold improvements	( 35,087)	( 25,499)
Other equipment	<u>( 5,804)</u>	<u>( 1,544)</u>
	<u>( 626,890)</u>	<u>( 650,142)</u>
Construction in progress and prepayments for equipment	14,225	4,675
Less: Accumulated impairment	<u>( 4,182)</u>	<u>( 4,241)</u>
	<u>\$ 593,379</u>	<u>\$ 540,817</u>

(9) Other intangible assets

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Prepayments for franchises	\$ 166	\$ 38,518
Less: Accumulated impairment	<u>-</u>	<u>( 38,298)</u>
	<u>\$ 166</u>	<u>\$ 220</u>

(10) Deferred charges

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Royalty payments	\$ 491,584	\$ 671,069
Unamortized expense	113,031	187,475
	<u>604,615</u>	<u>858,544</u>
Less: Accumulated impairment	-	( 305,553)
	<u>\$ 604,615</u>	<u>\$ 552,991</u>

(11) Short-term loans

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Short-term bank loans	\$ 231,164	\$ 98,344
Annual interest rates	<u>1.20%~5.00%</u>	<u>1.11%~5.103%</u>
Credit lines	<u>\$ 1,828,799</u>	<u>\$ 1,102,628</u>

(12) Short-term notes and bills payable

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Commercial paper payable	\$ 20,000	\$ -
Less: Unamortized discount	( 4)	-
	<u>\$ 19,996</u>	<u>\$ -</u>
Annual interest rate	<u>0.35%</u>	<u>-</u>

(13) Financial liabilities at fair value through profit or loss — non-current

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Designated as at financial liabilities at fair value through profit or loss:		
Callable preferred stock liability	\$ 2,850	\$ -
Adjustment of designated as at fair value through profit or loss	( 45)	-
	<u>\$ 2,805</u>	<u>\$ -</u>

For business operation purposes, the Company's domestic subsidiary, Taiwan Index Co., Ltd., issued 285 thousand shares of preferred stock at a par value of \$10 (NT dollars) per share in the amount of \$2,850 which was approved by the Board of Directors on March 30, 2010. At the expiration of three years from issuance date, if the fair value of the preferred stock is higher than the appointed base price, Taiwan Index Co., Ltd. can ask for the redemption of the stock based on the fair value, otherwise it will have to redeem the stock based on the appointed base price. In accordance with the preferred stock contract and Statement of Financial Accounting Standards No. 34, "Accounting for Financial Instruments: Recognition and Measurement", Taiwan Index

Co., Ltd. accounted for the preferred stock in “Financial liabilities at fair value through profit or loss”.

(14) Long-term loans

Bank	Total Credit Lines	Period/Terms of Repayment	June 30,	
			2010	2009
Sumitomo Mitsui Banking Corporation	JPY 90,000 (Note 1)	09.24.2008 ~ 09.23.2011, equal quarterly installments	\$ 13,390	\$ 23,080
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note 1)	08.31.2009 ~ 08.31.2012, equal quarterly installments	27,283	-
First Commercial Bank	\$110,000 (Note 2)	06.30.2009 ~ 07.29.2010 Principal due on maturity	-	50,000
			40,673	73,080
Less: Current portion			( 23,200)	( 60,441)
			<u>\$ 17,473</u>	<u>\$ 12,639</u>

Note 1: In thousands of yen.

Note 2: The principal was repaid in July 2009.

(15) Income tax

A) Income tax payable and income tax expense for the six-month periods ended June 30, 2010 and 2009 are reconciled as follows:

	For the six-month periods ended June 30,	
	2010	2009
Current year income tax expense	\$ 79,625	\$ 72,852
Effect of changes in the deferred tax asset resulting from the change in tax rate	4,352	1,504
Additional 10% corporate income tax on undistributed earnings	8,027	8,384
	92,004	82,740
Add (Less): Net change in deferred income tax assets	( 53,289)	( 25,610)
Prepaid income tax	( 71)	( 109)
(Under) over provision of prior year's income tax	( 4,485)	2,537
Income tax payable of prior year	11,762	6,853
Withholding tax by the foreign government	( 1,673)	-
Effect of exchange rate	88	( 270)
Income tax payable	<u>\$ 44,336</u>	<u>\$ 66,141</u>

	<u>For the six-month periods ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Income tax refundable (shown as part of other receivables)	\$ -	(\$ 77)
Income tax payable	44,336	66,218
	<u>\$ 44,336</u>	<u>\$ 66,141</u>

B) Deferred income tax assets are as follows:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Deferred income tax assets – current	\$ 35,253	\$ 24,510
Deferred income tax assets – non-current	226,664	323,297
	261,917	347,807
Less: Valuation allowance – current	( 942)	( 11,967)
Valuation allowance – non-current	( 206,503)	( 154,713)
	<u>\$ 54,472</u>	<u>\$ 181,127</u>

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

	<u>June 30,</u>			
	<u>2010</u>		<u>2009</u>	
	<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	\$ 11,445	\$ 1,946	\$ 13,856	\$ 2,771
Allowance for sales returns	5,684	966	11,768	2,354
Welfare expenses	-	-	17	3
Loss carryforwards	-	-	50,965	10,193
Investment tax credits		32,341		9,189
		35,253		24,510
Less: Valuation allowance		( 942)		( 11,967)
		<u>\$ 34,311</u>		<u>\$ 12,543</u>
Non-current items:				
Investment loss on financial assets carried at cost – non-current	\$ 9,851	\$ 1,675	\$ 9,851	\$ 1,970
Loss carryforwards	694,799	118,117	534,464	106,893
Loss on foreign investments	109,834	18,672	46,251	9,250
Reserve for foreign investments	( 31,529)	( 5,360)	( 63,953)	( 12,790)
Reduction in capital of subsidiaries to cover accumulated deficit	-	-	672,643	168,160
Depreciation allowances in excess of related depreciation	( 15,783)	( 2,604)	( 18,389)	( 3,034)
Others	38	6	287	58
Investment tax credits		96,158		52,790
		226,664		323,297
Less: Valuation allowance		( 206,503)		( 154,713)
		<u>\$ 20,161</u>		<u>\$ 168,584</u>

D) As of June 30, 2010 and 2009, the balance of shareholders account of deductible tax was as follows:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
a. Balance of shareholders account of deductible tax	\$ 25,367	\$ 50,751
b. Creditable tax ratio	<u>6.49%</u>	<u>19.71%</u>

E) Undistributed retained earnings:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
On or after January 1, 1998		
a. Earnings not subjected to 10% income tax	\$ 160,337	\$ 291,943
b. Earnings subjected to 10% income tax	<u>164,905</u>	<u>83,224</u>
	<u>\$ 325,242</u>	<u>\$ 375,167</u>

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

- (a) As of June 30, 2010, the Company's income tax returns through 2006 have been assessed and approved by the Tax Authority.
- (b) 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 which is still pending as of the report date.
- (c) The Tax Authority imposed additional tax amounting to \$3,958 on the Company's 2003 income tax return. The Company filed for re-examination in June 2009 which is still pending as of the report date.

G) As of June 30, 2010, in accordance with the "Income Tax Law" and "Statute for Upgrading Industries", the Company and its domestic subsidiaries had investment tax credits in the amount of \$128,499 to offset against taxable income for the next three years. The details are as follows:

<u>Deductible item</u>	<u>Total Credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 135,404	\$ 123,095	2010~2013
Machinery and equipment	3,287	3,287	2011~2013
Employees training	<u>2,117</u>	<u>2,117</u>	2012~2013
	<u>\$ 140,808</u>	<u>\$ 128,499</u>	

H) As of June 30, 2010, in accordance with the “Income Tax Law”, the Company’s domestic subsidiaries had loss carryforwards in the amount of \$118,117 to offset against taxable income for the next four to ten years. The details are as follows:

<u>Deductible item</u>	<u>Amount reported</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Loss carryforwards	\$ 694,799	\$ 118,117	\$ 118,117	2013~2019

(16) 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 additional year thereafter up to 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 and its subsidiaries contribute monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee. For the six-month periods ended June 30, 2010 and 2009, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to \$1,044 and \$1,593, respectively. The balance of the retirement fund deposited with Bank of Taiwan was \$44,738 and \$40,512 as of June 30, 2010 and 2009, respectively. The fund balances are not reflected in the consolidated financial statements. The accumulated contributions exceeded the net pension costs in the amount of \$7,864 and \$7,073 as of June 30, 2010 and 2009, respectively, which was accounted for in other assets – other.
- 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 \$1,770 and \$1,458 for the six-month periods ended June 30, 2010 and 2009, respectively.
- C) Gamania Digital Entertainment (Beijing) Co., Ltd. provides an old-age pension and insurance monthly based on 22% of the employees’ salaries and wages in accordance with the local regulations. The net pension and insurance cost was \$2,510 and \$1,024 for the six-month periods ended June 30, 2010 and 2009, respectively.
- D) Effective July 1, 2005, the Company and its domestic subsidiaries, 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

domestic subsidiaries 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 domestic subsidiaries under the defined contribution plan for the six-month periods ended June 30, 2010 and 2009 amounted to \$16,212 and \$14,877, respectively.

E) Gamania Holdings Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment Labuan Holdings, Ltd., Gamania International Holdings Ltd., Gamania China Holdings Ltd., Gamania Western Holdings Ltd., Gamania Sino Holdings Ltd. and Gamania Digital Entertainment (U.S.) Co., Ltd. do not have an employee retirement plan.

(17) Capital reserve

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

(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. Paying all taxes and duties.
  - b. Covering prior years' accumulated deficit, if any.
  - c. After deducting items a and b, 10% of the remaining amount is appropriated as legal reserve.
  - d. In addition to the amount appropriated for legal reserve, the Company may appropriate an amount equal to the negative items in the stockholders' equity from retained earnings as special reserve.
  - e. Interest on capital.
  - f. After deducting items a to e, 10% ~ 15% of the remaining earnings is appropriated as employees' bonuses and up to 2% as remuneration to directors

and supervisors.

- g. The remaining amount is to be distributed to stockholders in accordance with the resolution adopted at the stockholders' meeting.
- B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed 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 shareholders can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.
- C) The appropriation of 2009 and 2008 earnings had been approved at the Board of Directors' meeting on June 9, 2010 and June 10, 2009, respectively. Details are summarized below:

	2009 Earnings		2008 Earnings	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 30,919		\$ 25,516	
Cash dividends	197,999	\$ 1.30	145,807	\$ 1.00
Employee cash bonus	Note 1		Note 2	
Directors' and supervisors' remuneration	Note 1		Note 2	

Note 1: The amounts approved during the stockholders' meeting for employees' bonus and directors' and supervisors' remuneration are \$41,740 and \$5,565, respectively.

Note 2: The amounts approved during the stockholders' meeting for employees' bonus and directors' and supervisors' remuneration are \$23,500 and \$4,600, respectively.

- (a) The amount approved during the stockholders' meeting for the distribution of 2009 earnings for cash dividends was the same with the amount approved by the Company's Board of Directors on March 17, 2010.
- (b) The dividends appropriation for 2008 as stated above was not in agreement with the amount proposed by the Board of Directors on March 23, 2009. The difference mainly resulted from the change in the number of the Company's outstanding shares for the employee stock options that were converted into common shares. As a result, additional dividends of \$123 were resolved to be distributed during the stockholders' meeting in 2009.
- D) The estimated amounts for employees' bonuses are \$25,109 and \$24,585, and the estimated amounts for directors' and supervisors' remuneration are \$3,348 and \$4,917 for the six-month periods ended June 30, 2010 and 2009, respectively. The above amounts constitute 10%~15% and 2%, respectively, of net income after taking into account the legal reserve, and are recognized as operating cost and

expense. If the actual distribution amounts are different from the estimated amounts, the difference will be adjusted in the income statement of the following year.

- E) The distribution of employees' bonus and directors' and supervisors' remuneration in 2009, as mentioned in C) above, was different from the employees' bonus of \$42,596 and directors' and supervisors' remuneration of \$5,679 recognized in the 2009 financial statements. The difference of \$856 and \$114, respectively, had been adjusted in the income statement for the six-month period ended June 30, 2010. The distribution of the employees' bonus and the directors' and supervisors' remuneration in 2008, as mentioned in C) above, was different from the employees' bonus of \$21,990 and directors' and supervisors' remuneration \$4,398 recognized in the 2008 financial statements. The difference of (\$1,510) and (\$202), respectively, had been adjusted in the income statement for the six-month period ended June 30, 2009.
- F) For current status of the resolution, please visit the Taiwan Stock Exchange website.

(20) Earnings per share

	For the six-month period ended June 30, 2010				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 1)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share:					
Net income	\$ 252,341	\$ 160,337	152,004	\$ 1.66	\$ 1.05
Dilutive effect:					
Stock options	-	-	4,256		
Employees' bonuses	-	-	475		
Diluted earnings per share:					
Net income	\$ 252,341	\$ 160,337	156,735	\$ 1.61	\$ 1.02
	For the six-month period ended June 30, 2009				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 1)	
	Before income tax	After income tax		Before income tax	After income tax
	Basic earnings per share:				
Net income	\$ 374,683	\$ 291,843	145,747	\$ 2.57	\$ 2.00
Dilutive effect:					
Stock options	-	-	4,202		
Employees' bonuses	-	-	431		
Diluted earnings per share:					
Net income	\$ 374,683	\$ 291,843	150,380	\$ 2.49	\$ 1.94

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include the estimated shares that would increase from employees' stock bonus issuance in the computation of the weighted-average number of common shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting period that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting period. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends, the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively. However, the accounting treatment for the appropriation of employees' bonus for 2007 earnings resolved at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of R.O.C. SFAS No. 24, "Earnings per Share".

Note 1: In New Taiwan Dollars.

(21) Treasury stock

Changes in the treasury stock for the six-month periods ended June 30, 2010 and 2009 are set forth below (in thousands of shares):

Purpose	For the six-month period ended June 30, 2010			
	Beginning shares	Additions	Disposals	Ending shares
Employee stock options	13,099	-	-	13,099

  

Purpose	For the six-month period ended June 30, 2009			
	Beginning shares	Additions	Disposals	Ending shares
Employee stock options	13,099	-	-	13,099

B) The maximum and ending balances of treasury stock for the six-month periods ended June 30, 2010 and 2009 are as follows:

June 30, 2010		June 30, 2009	
Maximum balance	Ending balance	Maximum balance	Ending balance
\$ 370,182	\$ 370,182	\$ 370,182	\$ 370,182

C) 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.

D) 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. According to the R.O.C. Securities and Exchange Act, treasury shares for the purpose of enhancing Company's credit and shareholders' equity not reissued within six months shall be retired and treasury stocks for all other purposes shall be reissued within three years from the month of acquisition.

(22) Employee stock option plan

- A) On December 25, 2003 and November 14, 2007, the board of directors approved the employee stock option plans which provide for the issuance of 10,000,000 units and 12,000,000 units of options, respectively, 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 Company has issued the employee stock options on February 10, 2004 and December 17, 2007. The stock option 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 board of directors approved the employee stock option plan which provides for the issuance of 5,000,000 units of options on December 24, 2008. The plan has been reported to the Financial Supervisory Commission (the Administration) on December 31, 2008 and became effective since January 12, 2009. The Company expects to issue all or part of the stock options depending on actual demand during the year. As of January 12, 2010, no unit of employee stock options has been issued by the Company. Accordingly, these stock options had been considered invalid.
- C) The units and weighted average exercise price of the stock options for the six-month periods ended June 30, 2010 and 2009 were as follows:

	For the six-month periods ended June 30,			
	2010		2009	
<u>Stock Options</u>	<u>Units</u> <u>(in thousands)</u>	<u>Weighted-average</u> <u>exercise price</u> <u>(in dollars) (Note)</u>	<u>Units</u> <u>(in thousands)</u>	<u>Weighted-average</u> <u>exercise price</u> <u>(in dollars) (Note)</u>
Beginning balance	12,663	\$ 25.33	16,297	\$ 26.16
Number of options granted	-	-	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised	( 3,899)	-	( 123)	-
Cancelled	( 791)	-	( 463)	-
Ending balance	<u>7,973</u>	24.20	<u>15,711</u>	25.51
Exercisable at the end of the period	<u>2,844</u>		<u>4,467</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.

D) As of June 30, 2010 and 2009, the details of outstanding stock options are as follows:

For the six-month period ended June 30, 2010					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
\$ 24.20	7,973	3.417	\$ 24.20	2,844	\$ 24.20

  

For the six-month period ended June 30, 2009					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
\$ 27.30	4,467	0.583	\$ 27.30	4,467	\$ 27.30
\$ 24.80	11,244	4.417	\$ 24.80	-	-

E) 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>2007 Stock Options</u>	<u>2004 Stock Options</u>
Dividend yield	0%	0%
Volatility (Note 1)	43.58%	62.02%
Risk-free interest rate	2.65%	1.95%
Expected life of the options	4.3 years	6 years
Exercise price (Note 2)	\$ 24.2 (in dollars)	\$ 27.3 (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 and was readjusted to \$24.2 and \$27.3, respectively.

(c) Result of evaluation:

	For the six-month period ended June 30, 2010	
	<u>2007 stock options</u>	<u>2004 stock options</u>
Weighted average fair value of options granted to employees	\$ 10.95 (in dollars)	\$ 17.4656 (in dollars)
Compensation cost under “fair value method”	\$ 6,418	\$ -

	For the six-month period ended June 30, 2009	
	<u>2007 stock options</u>	<u>2004 stock options</u>
Weighted average fair value of options granted to employees	10.95	17.4656
	(in dollars)	(in dollars)
Compensation cost under "fair value method"	\$ 23,740	\$ -

(d) Pro forma information:

		For the six-month period ended June 30, 2010	For the six-month period ended June 30, 2009
Net income	Net income	\$ 160,337	\$ 291,943
	Pro forma net income	153,919	268,203
Basic earnings per share (EPS)	EPS	1.05 (in dollars)	2.00 (in dollars)
	Pro forma EPS	1.01 (in dollars)	1.84 (in dollars)
Diluted earnings per share	EPS	1.02 (in dollars)	1.94 (in dollars)
	Pro forma EPS	0.98 (in dollars)	1.78 (in dollars)

(23) Personnel, depreciation and amortization expenses

	For the six-month period ended June 30, 2010		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 43,087	\$ 466,813	\$ 509,900
Labor and health insurance	3,049	33,848	36,897
Pension	939	20,597	21,536
Others	589	28,305	28,894
	<u>\$ 47,664</u>	<u>\$ 549,563</u>	<u>\$ 597,227</u>
Depreciation	<u>\$ 29,029</u>	<u>\$ 30,400</u>	<u>\$ 59,429</u>
Amortization	<u>\$ 123,900</u>	<u>\$ 30,679</u>	<u>\$ 154,579</u>

	For the six-month period ended June 30, 2009		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 50,037	\$ 411,241	\$ 461,278
Labor and health insurance	2,489	30,525	33,014
Pension	572	18,380	18,952
Others	637	34,979	35,616
	<u>\$ 53,735</u>	<u>\$ 495,125</u>	<u>\$ 548,860</u>
Depreciation	<u>\$ 34,573</u>	<u>\$ 44,353</u>	<u>\$ 78,926</u>
Amortization	<u>\$ 90,107</u>	<u>\$ 39,108</u>	<u>\$ 129,215</u>

## 5. RELATED PARTY TRANSACTIONS

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Nexon Corporation (Nexon)	Note
Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity
Gamania Cheer Up Foundation	Same chairman

Note: Nexon held more than 20% of the Company's voting shares which were accounted for under the equity method from December 2008 to June 23, 2009. Thereafter, Nexon disposed some of the Company's shares, which resulted to the decrease in Nexon's equity interest in the Company to below 20%. As Nexon had no ability to exercise significant influence on the Company's operational decisions and thus no longer considered as the Company's related party, the relevant transaction information between the Company and Nexon are disclosed until June 23, 2009.

### (2) Significant transactions and balances with related parties

#### A) License fees

	<u>For the six-month periods ended June 30,</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% of operating cost</u>	<u>Amount</u>	<u>% of operating cost</u>
Nexon	\$ -	-	\$ 436,792	47

The above represents payments for license fees as agent of the related party's on-line game. The license fees are negotiated based on different factors.

#### B) Donation

	<u>For the six-month periods ended June 30,</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% of donation</u>	<u>Amount</u>	<u>% of donation</u>
Gamania Cheer Up Foundation	\$ 3,000	46	\$ 3,000	71

## 6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>June 30,</u>		<u>Purpose</u>
	<u>2010</u>	<u>2009</u>	
Cash in bank (shown in other financial assets-current)	\$ -	\$ 6,000	Short-term loans guarantee
Land	117,270	147,751	Long-term loans / Credit loans
Buildings	118,361	135,868	Long-term loans / Credit lines
	<u>\$ 235,631</u>	<u>\$ 289,619</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

In addition to Note 4(15), others are as follows:

- A) As of June 30, 2010, the total future rental payments for the next 3 years under non-cancelable operating lease agreements for the lease of the Company's office building, transportation equipment and networking device was \$231,957.
- B) The subsidiary signed a contract for the development of website and the total future contract payment as of June 30, 2010 was \$700.
- C) The Company contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In addition, the Company contracted with several on-line game vendors and will pay royalty based on actual usage.
- D) For the period from January 1, 2010 to December 31, 2010, 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) Financial statement presentation

Certain accounts in the June 30, 2009 consolidated financial statements were reclassified to conform with the June 30, 2010 consolidated financial statements presentation.

(2) The fair values of the financial instruments

	June 30, 2010			June 30, 2009		
	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	\$2,927,903	(Note 1)	\$ 2,927,903	\$2,194,220	(Note 1)	\$2,194,220
Financial assets at fair value through profit or loss	2,850	-	2,850	-	-	-
Financial assets carried at cost	114,294	-	-	114,294	-	-
Refundable deposits	48,254	-	48,254	35,919	-	35,902
Liabilities						
Financial liabilities with fair values						
equal to book values	\$1,410,814	(Note 1)	\$ 1,410,814	\$1,068,418	(Note 1)	\$1,068,418
Financial liabilities at fair value through profit or loss	2,805	-	2,805	-	-	-
Long-term loans	17,473	-	16,651	12,639	-	12,022
Guarantee deposits	6	-	6	380	-	380

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 (excluding income tax refundable), other financial assets-current, short-term loans, notes and accounts payable, accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.
- B) Designated as financial assets at fair value through profit or loss are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair

value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

- C) The fair value of long-term loans is based on the present value of expected cash flow amount. The discount rate was another instrument which the Company could acquire similar terms at about 2.225% as of June 30, 2010.
- D) The fair values of refundable deposits and guarantee deposits are the book value since the amounts are insignificant.
- E) Off-balance sheet financial instruments with credit risk:

	June 30,	
	2010	2009
Guarantee for loans of subsidiaries	\$ 339,788	\$ 60,000

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

### (3) 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.

### (4) Information of financial risk

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

#### (A) Market risk

Investments in equity-type financial instruments are affected by changes in market prices. However, the Group can monitor market driver changes and establish stop-loss points when appropriate, so anticipated market risk is not significant.

(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: Notes and accounts 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, short-term notes and bills payable and long-term loans (including current portion of long-term loans)

(A) Market risk

As the interest rate of the loans for working capital is fixed, 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 fixed interest for loans is adopted by the Group, there will be no cash flow interest risk.

- (5) For the six-month periods ended June 30, 2010 and 2009, the Group donated cash amounting to \$6,500 and \$4,200, respectively, to charities, and educational institutions that are accredited by the government, without significant appointed considerations.

## 11. DISCLOSURE INFORMATION

### (1) Related information of significant transactions

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

B) Guarantee for any other company or person:

Unit: Thousands of New Taiwan Dollars

The Company or investee companies		Parties being guaranteed		Limit of guarantee for each party (Note 4)	Maximum outstanding guarantee amount for the six-month period ended June 30, 2010	Outstanding guarantee amount at June 30, 2010	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Maximum amount available for guarantee (Note 3)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Taiwan Index Co., Ltd.	2	\$ 496,913	\$ 210,000	\$ 210,000	None	8.00%	\$ 1,656,376
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd.	3	\$ 496,913	\$ 66,000	\$ 66,000	None	2.52%	\$ 1,656,376
0	The Company	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	\$ 496,913	\$ 63,788	\$ 63,788	None	2.43%	\$ 1,656,376

Note 1: Number 0 represents the Company.

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

Number 3 means the Company and the subsidiary own over 50% of the shares of the investee company.

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

Note 4: The Company provides guarantee for the subsidiaries in which the Company directly or indirectly holds more than 50% voting rights. The limit of guarantee for each party is 30% of the Company's capital, and the maximum amount available for guarantee is the Company's capital.

C) Marketable securities held at June 30, 2010

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note 1)	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	June 30, 2010				
					Number of shares	Book value	Percentage	Market value (Note 2)	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	15,178	\$ 559,027	100%	\$ 559,027	Note 3
"	"	Gamania Korea Co., Ltd.	"	"	902	13,526	100%	13,526	"
"	"	Fantasy Fish Digital Games Co., Ltd.	"	"	15,423	5,192	99.50%	3,301	"
"	"	Fantasy Fish Digital Games Co., Ltd.	"	Prepayment for long-term investment	-	30,000	-	30,000	"
"	"	Taiwan Index Co., Ltd.	"	Long-term investment	3,863	50,413	72.08%	51,299	"
"	"	Gamania Asia Investment Co., Ltd.	"	"	13,945	136,704	100%	136,704	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	38	100%	38	"
"	"	Fundation Digital Entertainment Co., Ltd.	"	"	3,448	19,953	100%	19,953	"
"	"	Playcoo Co.	"	"	13,996	110,115	75.25%	51,403	"
"	"	Redgate Games Co., Ltd.	"	"	7,000	18,206	100%	18,206	"
"	"	Seedo Games Co., Ltd.	"	"	7,000	15,844	100%	15,844	"
"	"	Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity method	"	3,000	2,013	46.15%	2,013	N/A
"	"	NC Taiwan Co., Ltd.	Investee company accounted for under financial assets carried at cost	Financial assets carried at cost-non current	2,100	22,841	15%	22,841	"

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 and net asset value of funds, respectively, at the balance sheet date.

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 investment has been eliminated in the consolidated financial statements.

D) Marketable securities acquired or sold during the six-month period ended June 30, 2010 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		Addition		Disposal			Disposal gain	Ending balance (Note 2)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	Gamania Holdings Ltd.	Long-term investments accounted for under the equity method	Gamania Holdings Ltd./ Investee company accounted for under the equity method	9,928	\$ 397,915 (Note 1)	5,250	\$ 161,112 (Note 2)	-	\$ -	\$ -	\$ -	15,178	\$ 559,027 (Note 3)

Note 1: Including prepayment of \$4,880 for long-term investment.

Note 2: The Company invested \$163,648 and recognized investment loss, cumulative translation adjustments and effect of change in ownership percentage of investee company in the amount of \$2,536. The net increase amount was \$161,112.

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

E) Acquisition of 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 on Taiwan e-sports Co., Ltd. is based on unaudited financial statements because of the small scale. The information on Gamania Korea Co., Ltd., Taiwan Index Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd. were based on financial statements audited by other auditors. The others were audited by the Company's auditors.)

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2010.6.30	2009.12.31	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	\$1,294,949	\$1,131,301 (Note 1)	15,178	100%	\$ 559,027	(\$ 8,608)	(\$ 8,608)	Subsidiary (Note 5)
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sale of software	238,685	224,672	902	100%	13,526	( 13,214)	( 13,214)	"
"	Fantasy Fish Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	290,000 (Note 2)	240,000	15,423	99.50%	35,192 (Note 2)	( 27,579)	( 27,433) (Note 4)	"
"	Taiwan Index Co., Ltd.	"	Software services and sales	211,433	211,433	3,863	72.08%	50,413	17,048	12,846 (Note 3)	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	13,945	100%	136,704	4,669	4,669	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 15(A), Main Office Tower, Financial Park Labuan, 87000 Labuan, Jalan Merdeka, 87000 Labuan, FT, Malaysia	Investment holdings	329	329	10	100%	38	( 70)	( 70)	"

Note 1: Including prepayment of \$4,880 for long-term investment.

Note 2: Including prepayment of \$30,000 for long-term investment.

Note 3: Including realized sales margin of \$2,145 and write-off of unrealized sales margin of \$1,587.

Note 4: The weighted-average ownership percentage is 99.47%.

Note 5: The investment has been eliminated in the consolidated 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			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2010.6.30	2009.12.31	Number of shares	Percentage	Book value			
The Company	Foundation Digital Entertainment Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Sales and publishing of magazines and periodicals	\$ 120,000	\$ 90,000	3,448	100%	\$ 19,953	(\$ 14,527)	(\$ 14,527)	Subsidiary (Note 2)
"	Playcoo Co.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	152,554	152,554	13,996	75.25%	110,115	2,416	( 6,572) (Note 1)	"
"	Redgate Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	70,000	50,000	7,000	100%	18,206	( 22,487)	( 22,487)	"
"	Seedo Games Co., Ltd.	"	Design and research and development of software	70,000	50,000	7,000	100%	15,844	( 23,807)	( 23,807)	"
"	Taiwan e-sports Co., Ltd.	9F, No.176 Chung Hsiao East Rd. Section 4, Taipei City, Taiwan	Supply of software services and electronic information	30,000	30,000	3,000	46.15%	2,013	( 8,195)	( 3,782)	Investee company accounted for under equity method
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	1,458	27.20%	19,358	17,048	4,637	Investee company accounted for under equity method (Note 2)

Note 1: Including amortization of subsidiary's patent amounting to (\$8,390).

Note 2: The investment has been eliminated in the consolidated 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			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2010.6.30	2009.12.31	Number of shares	Percentage	Book value			
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 38,568 thousand	USD 33,468 thousand (Note 1)	38,568	100%	USD 17,508 thousand	(USD 198 thousand)	(USD 198 thousand)	Subsidiary (Note 4)
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Sumitomo Ooimachi Bldg (South) 3F, 1-20-10 Town, Ooi, Shinagawa-Ku, Tokyo, Japan 140-0014	Design and sales of software; sales of hardware	USD 14,298 thousand	USD 14,298 thousand	3	100%	USD 5,473 thousand	USD 77 thousand	(USD 77 thousand)	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 26,194 thousand (Note 2)	USD 21,094 thousand	22,794	97.91%	USD 11,286 thousand (Note 2)	USD 726 thousand	USD 698 thousand (Note 3)	"
Gamania International Holdings Ltd.	Gamania Western Holdings Ltd.	P.O. Box 2804 Scotia Centre, 4th George Town, Grand Cayman KY 1-1112, Cayman Islands	Investment holdings	USD 1,850 thousand	USD 150 thousand (Note 1)	1,850	100%	USD 767 thousand	(USD 969 thousand)	(USD 969 thousand)	"
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Fourth Floor, One Capital Place P.O. Box 847GT, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 24,420 thousand (Note 2)	USD 19,720 thousand	21,420	100%	USD 3,272 thousand (Note 2)	(USD 1,258 thousand)	(USD 1,258 thousand)	"

Note 1: Including prepayment of USD\$150 thousand for long-term investment.

Note 2: Including prepayment of USD\$3 million for long-term investment.

Note 3: The weighted-average ownership percentage is 96.09%.

Note 4: The investment has been eliminated in the consolidated 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			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2010.6.30	2009.12.31	Number of shares	Percentage	Book value			
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Rm. 811, 8F, Building A, GEM Techcenter, No. 9, 3rd street of Shangdi, Beijing 100085 China	Design and sales of software	USD 20,500 thousand (Note 1)	USD 15,800 thousand	None	100%	USD 3,022 thousand (Note 1)	(USD 1,173 thousand)	(USD 1,173 thousand)	Subsidiary (Note 2)
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 6,582 thousand	USD 1,977 thousand	USD 1,977 thousand	"
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	Suite 806, 1220 N. Market Street, Wilmington, DE 19801, County of New Castle	Design and sales of software	USD 1,830 thousand	USD 130 thousand (Note 2)	1	100%	USD 762 thousand	(USD 962 thousand)	(USD 962 thousand)	"

Note 1: Including prepayment of USD\$3 million for long-term investment.

Note 2: Including prepayment of USD\$130 thousand for long-term investment.

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

B) Financing activities to any company or person: None

C) Guarantee information: None.

D) Marketable securities held at June 30, 2010:

Issuer	Type of marketable securities (Note 1)	Name of marketable securities	Relationship with the security holders	General ledger account	June 30, 2010				
					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	38,568	USD 17,508 thousand	100%	USD 17,508 thousand	Note 4
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	3	USD 5,473 thousand	100%	USD 5,473 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	22,794	USD 8,286 thousand	97.91%	USD 7,406 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	Prepayment for long-term investment	-	USD 3,000 thousand	-	USD 3,000 thousand	"
Gamania International Holdings Ltd.	"	Gamania Western Holdings Ltd.	"	Long-term investments – accounted for under the equity method	1,850	USD 767 thousand	100%	USD 767 thousand	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD 6,582 thousand	100%	USD 6,582 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	21,420	USD 272 thousand	100%	USD 242 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	Prepayment for long-term investment	-	USD 3,000 thousand	-	USD 3,000 thousand	"

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 and net asset value of funds, respectively, at the balance sheet date.

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

Note 3: Unit: In thousand shares.

Note 4: The investment has been eliminated in the consolidated financial statements.

Issuer	Type of marketable securities (Note 1)	Name of marketable securities	Relationship with the security holders	General ledger account	June 30, 2010				
					Number of shares (Note 3)	Book value	Percentage	Market value (Note 2)	Note
Gamania Sino Holdings Ltd.	Common Stock	Gamania Digital Entertainment (Beijing) Co., Ltd.	Subsidiary	Long-term investments – accounted for under the equity method	N/A	USD 22 thousand	100%	USD 22 thousand	Note 4
Gamania Sino Holdings Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	Prepayment for long-term investment	-	USD 3,000 thousand	-	USD 3,000 thousand	"
Gamania Western Holdings Ltd.	"	Gamania Digital Entertainment (U.S.) Co., Ltd.	"	Long-term investments – accounted for under the equity method	1	USD 762 thousand	100%	USD 762 thousand	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under equity method	Long-term investments – accounted for under the equity method	1,458	19,358	27.20%	19,358	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost	9,383	91,453	14.60%	91,453	N/A

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 and net asset value of funds, respectively, at the balance sheet date.

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

Note 3: Unit: In thousand shares.

Note 4: The investment has been eliminated in the consolidated financial statements.

E) Marketable securities acquired or sold during the six-month period ended June 30, 2010 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		Addition		Disposal				Ending balance	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	Gain	Number of shares	Amount
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	Long-term investments – accounted for under the equity method	Gamania International Holdings Ltd./ Long-term investments – accounted for under the equity method	33,318	USD12,447 thousand (Note 1)	5,250	USD 5,061 thousand (Note 2)	-	-	-	-	38,568	USD 17,508 thousand (Note 7)
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	Long-term investments – accounted for under the equity method	Gamania China Holdings Ltd./ Long-term investments – accounted for under the equity method	21,094	USD 7,272 thousand	1,700	USD 4,014 thousand (Notes 3 and 4)	-	-	-	-	22,794	USD 11,286 thousand (Notes 3 and 7)
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Long-term investments – accounted for under the equity method	Gamania Sino Holdings Ltd./ Long-term investments – accounted for under the equity method	19,720	(USD 168 thousand)	1,700	USD 3,440 thousand (Notes 3 and 5)	-	-	-	-	21,420	USD 3,272 thousand (Notes 3 and 7)
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Long-term investments – accounted for under the equity method	Gamania Digital Entertainment (Beijing) Co., Ltd./ Long-term investments – accounted for under the equity method	None	(USD 504 thousand)	None	USD 3,526 thousand (Notes 3 and 6)	-	-	-	-	None	USD 3,022 thousand (Notes 3 and 7)

Note 1: Including prepayment of USD\$150 thousand for long-term investment.

Note 2: Gamania Holdings Ltd. invested USD\$5,100 thousand and recognized investment loss, cumulative translation adjustments and effect of change in ownership percentage of investee company in the amount of (USD\$39 thousand). The net increase amount was USD\$5,061 thousand.

Note 3: Including prepayment of USD\$3 million for long-term investment.

Note 4: Gamania International Holdings Ltd. invested USD\$5,100 thousand (including prepayment of USD\$3 million for long-term investment) and recognized investment income, cumulative translation adjustments, effect of change in ownership percentage of investee company and received the dividend in the amount of (USD\$1,086 thousand). The net increase amount was USD\$4,014 thousand.

Note 5: Gamania China Holdings Ltd. invested USD\$4,700 thousand (including prepayment of USD\$3 million for long-term investment) and recognized investment loss and cumulative translation adjustments in the amount of (USD\$1,260 thousand). The net increase amount was USD\$3,440 thousand.

Note 6: Gamania Sino Holdings Ltd. invested USD\$4,700 thousand (including prepayment of USD\$3 million for long-term investment) and recognized investment loss and cumulative translation adjustments in the amount of (USD\$1,174 thousand). The net increase amount was USD\$3,526 thousand.

Note 7: The investment has been eliminated in the consolidated financial statements.

- F) Acquisition of 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) Sales 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% or 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, 2010	Remitted or received investment amount during the year		Accumulated investment as of June 30, 2010	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note 2)	Balance of investment at June 30, 2010	Accumulated investment income received as of June 30, 2010
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	(RMB158,288 thousand) \$750,511 (Note 3)	(Note 2)	(USD13,670 thousand) \$440,297	(USD 3,900 thousand) \$125,615	\$ -	(USD 17,570 thousand) \$565,912	97.91%	(USD 1,127 thousand) (\$ 35,999)	USD 2,959 thousand \$ 95,306	\$ -

Accumulated amount of investment in Mainland China as of June 30, 2010	Related investment amount approved by FIA	Upper limit of investment in Mainland China
\$ 565,912 (USD 17,570 thousand)	\$682,187 (Note 1)	\$ 1,587,329

Note 1: Related total investment amount approved by FIA is USD 21,180,000 or NTD 682,187 thousand based on 32.2090 exchange rate.

Note 2: Investment loss recognized in the period is calculated based on the percentage of indirect ownership using the audited financial statements of the investee.

Note 3: Including capital collected in advance in the amount of RMB 20,370 thousand.

- B) The Company has no significant transactions with the holding company or its subsidiary in Mainland China and the related transactions have been disclosed in Note 5.  
 C) The transaction has been eliminated in the consolidated financial statements.

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

For the six-month period ended June 30, 2010

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.	Fundation Digital Entertainment Co., Ltd.	1	Purchases	\$ 6,018	Note 4	-%
0	"	Taiwan Index Co., Ltd.	1	Purchases	5,092	Note 4	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	24,054	Note 4	1%
0	"	Taiwan Index Co., Ltd.	1	Rent revenue	5,412	Note 4	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	10,649	Note 4	-%
0	"	Taiwan Index Co., Ltd.	1	Other receivables	7,238	Note 4	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	5,711	Note 4	-%
0	"	Taiwan Index Co., Ltd.	1	Accrued expenses	8,109	Note 4	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	97,664	Note 4	2%
1	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	5,092	Note 4	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Advertising revenue	24,054	Note 4	1%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	5,412	Note 4	-%
1	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License costs	25,343	Note 4	1%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	100,122	Note 4	2%
1	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Royalties payments	29,681	Note 4	1%
1	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts payable	9,962	Note 4	-%
2	Fundation Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	6,018	Note 4	-%
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	10,649	Note 4	-%
3	"	Gamania Digital Entertainment (U.S.) Co., Ltd.	3	Other receivables	5,269	Note 4	-%
4	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	5,711	Note 4	-%

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	
5	Gamania Digital Entertainment (U.S.) Co., Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	\$ 5,269	Note 4	-%
6	Playcoo Co.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License revenue	37,963	Note 4	1%
6	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts receivable	11,796	Note 4	-%
7	Gamania Digital Entertainment Labuan Holdings, Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	License revenue	43,795	Note 4	1%
7	"	Taiwan Index Co., Ltd.	3	License revenue	25,343	Note 4	1%
7	"	Playcoo Co.	3	License cost	37,963	Note 4	1%
7	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	5,698	Note 4	-%
7	"	Taiwan Index Co., Ltd.	3	Accounts receivable	9,962	Note 4	-%
7	"	Playcoo Co.	3	Accounts payable	11,796	Note 4	-%
7	"	Taiwan Index Co., Ltd.	3	Unearned revenue collected in advance	29,681	Note 4	1%
8	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	License cost	43,795	Note 4	1%
8	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts payable	5,698	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 \$5,000 for the transaction amount.

For the six-month period ended June 30, 2009

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Subject	Transaction terms		Percentage of total combined revenue or total assets (Note 3)
					Amount	Transaction terms	
0	Gamania Digital Entertainment Co., Ltd.	Playcoo Co.	1	License costs	\$ 10,778	Note 4	-%
0	"	Taiwan Index Co., Ltd.	1	Purchases	46,230	Note 4	2%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	14,203	Note 4	1%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	9,541	Note 4	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	5,710	Note 4	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	50,402	Note 4	1%
1	Playcoo Co.	Gamania Digital Entertainment Co., Ltd.	2	License revenue	10,778	Note 4	-%
1	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	License revenue	43,511	Note 4	2%
1	"	Gamania Digital Entertainment Labuan Holdings Ltd.	3	Accounts receivable	14,497	Note 4	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	46,230	Note 4	2%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Advertising revenue	14,203	Note 4	1%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	50,402	Note 4	1%
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	9,541	Note 4	-%
4	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	5,710	Note 4	-%
5	Gamania Digital Entertainment (Japan) Co., Ltd.	Playcoo Co.	3	License costs	43,511	Note 4	2%
5	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	3	Accounts payable	8,972	Note 4	-%
6	Gamania Digital Entertainment Labuan Holdings, Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	8,972	Note 4	-%
6	"	Playcoo Co.	3	Accounts payable	14,497	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 \$5,000 for the transaction amount.

## 12. SEGMENT INFORMATION

According to Statement of Financial Accounting Standards No. 23 "Interim Financial Report", the Group is not required to disclose segment financial information in the interim financial report.