

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

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

DECEMBER 31, 2010 AND 2009

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

PWCR10000315

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 December 31, 2010 and 2009, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years 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 \$1,024,071 thousand and \$1,111,903 thousand, constituting 23.80% and 27.81% of the related consolidated totals as of December 31, 2010 and 2009, respectively, and total operating revenues of \$1,894,963 thousand and \$1,288,986 thousand, constituting 32.37% and 24.97% of the related consolidated totals for the years 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 subsidiaries and the information disclosed in Note 11(2) relative to these subsidiaries, 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 December 31, 2010 and 2009, and the results of their operations and their cash flows for the years 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

March 14, 2011

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
DECEMBER 31,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2010	2009		2010	2009
ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash and cash equivalents (Note 4(1))	\$ 1,258,680	\$ 1,105,011	Short-term loans (Note 4(11))	\$ 154,982	\$ 145,553
Notes receivable – third parties – net (Note 4(2))	124,409	113,003	Notes payable – third parties	55	10,056
Accounts receivable – third parties – net (Note 4(3))	1,194,913	1,122,452	Accounts payable – third parties	237,258	216,730
Other receivables (Note 4(14))	29,312	39,227	Income tax payable (Note 4(14))	38,454	12,582
Other financial assets – current (Note 6)	-	2,000	Accrued expenses (Note 4(18))	437,011	386,503
Inventories – net (Note 4(4))	29,994	60,584	Other payables – third parties (Note 10)	340,796	213,348
Prepaid expenses (Note 10)	56,024	33,107	Unearned revenue collected in advance	317,381	365,073
Deferred income tax assets – current (Note 4(14))	22,785	48,851	Current portion of long-term loans (Note 4(13))	31,149	22,188
Other current assets	4,309	2,646	Other current liabilities	10,168	5,046
	<u>2,720,426</u>	<u>2,526,881</u>		<u>1,567,254</u>	<u>1,377,079</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(12))	3,273	-
Financial assets carried at cost – non-current (Note 4(6))	114,294	114,294	Long-term loans (Note 4(13))	27,560	27,805
Long-term investment – accounted for under the equity method (Note 4(7))	6,745	5,795		<u>30,833</u>	<u>27,805</u>
	<u>123,889</u>	<u>120,089</u>	<u>Other Liabilities</u>		
<u>Property, Plant and Equipment – net</u> (Notes 4(8) and 6)			Accrued pension liabilities (Note 4(15))	9,270	8,700
Cost			Guarantee deposits	6	380
Land	156,941	147,751	Other liabilities – other	752	453
Buildings	212,259	165,947		<u>10,028</u>	<u>9,533</u>
Machinery and equipment	725,309	612,015	Total Liabilities	<u>1,608,115</u>	<u>1,414,417</u>
Transportation equipment	934	-	<u>Stockholders' Equity</u>		
Office equipment	174,981	149,284	Common stock		
Leasehold improvements	57,836	42,352	Common stock (Note 1)	1,657,020	1,604,951
Other equipment	14,998	3,820	Stock subscriptions received in advance (Note 4(21))	6,186	12,437
Total Cost	1,343,258	1,121,169	Capital reserve (Note 4(16))		
Less: Accumulated depreciation	(677,418)	(587,909)	Paid-in capital in excess of par	862,382	789,316
Accumulated impairment	(4,262)	(4,406)	Gain on disposal of property, plant and equipment	221	221
Construction in progress and prepayments for equipment	62,872	9,790	Retained earnings		
	<u>724,450</u>	<u>538,644</u>	Legal reserve (Notes 4(17) and (18))	117,649	86,730
<u>Intangible assets</u>			Retained earnings (Notes 4(14) and (18))	399,094	395,413
Goodwill	89,603	49,000	Other adjustments to stockholders' equity		
Deferred pension cost (Note 4(15))	1,527	1,367	Cumulative translation adjustments	(5,731)	35,674
Other intangible assets – net (Note 4(9))	7,528	206	Unrealized net loss	(1,126)	(565)
	<u>98,658</u>	<u>50,573</u>	Treasury stock (Note 4(20))	(370,182)	(370,182)
<u>Other Assets</u>				2,665,513	2,553,995
Refundable deposits	48,197	47,090	Minority interest	29,876	30,335
Deferred charges – net (Notes 4(10), 5(2) and 10)	552,722	649,193	Total Stockholders' Equity	<u>2,695,389</u>	<u>2,584,330</u>
Deferred income tax assets – non-current (Note 4(14))	26,359	58,910	Commitments and Contingent Liabilities (Note 7)		
Other assets – other (Note 4(15))	8,803	7,367			
	<u>636,081</u>	<u>762,560</u>			
TOTAL ASSETS	\$ 4,303,504	\$ 3,998,747	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,303,504	\$ 3,998,747

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 14, 2011.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2010</u>	<u>2009</u>
Operating revenues		
Sales revenue	\$ 5,876,710	\$ 5,210,267
Sales returns	(102,225)	(105,450)
Sales allowances	(15,045)	(14,085)
Net sales revenue	5,759,440	5,090,732
Service revenue	94,508	71,563
Operating revenues	<u>5,853,948</u>	<u>5,162,295</u>
Operating costs		
Cost of goods sold (Notes 4(4), 4(22) and 5(2))	(2,996,701)	(2,545,171)
Gross profit	<u>2,857,247</u>	<u>2,617,124</u>
Operating expenses (Notes 4(22) and 5(2))		
Selling expenses	(845,036)	(882,989)
General and administrative expenses	(1,044,649)	(880,596)
Research and development expenses	(484,941)	(393,534)
Total operating expenses	<u>(2,374,626)</u>	<u>(2,157,119)</u>
Operating income	<u>482,621</u>	<u>460,005</u>
Non-operating income		
Interest income	2,129	1,570
Gain on disposal of property, plant and equipment	636	-
Foreign exchange gain	8,799	3,797
Rental income	2,954	108
Gain on recovery of bad debts	3,147	-
Gain on adjustment of financial assets (Note 4(12))	593	454
Miscellaneous income (Note 5(2))	22,390	12,244
Total non-operating income	<u>40,648</u>	<u>18,173</u>
Non-operating expenses		
Interest expense	(4,122)	(3,173)
Investment loss accounted for under the equity method (Note 4(7))	(6,415)	(7,910)
Loss on disposal of property, plant and equipment	(5,459)	(984)
Loss on disposal of investments	-	(2)
Loss on adjustment of financial assets	(423)	-
Miscellaneous losses	(130,996)	(16,190)
Total non-operating expenses	<u>(147,415)</u>	<u>(28,259)</u>
Income before income tax	375,854	449,919
Income tax expense (Note 4(14))	(142,567)	(121,897)
Consolidated net income	<u>\$ 233,287</u>	<u>\$ 328,022</u>
Attributable to:		
Equity holders of the Company	\$ 231,523	\$ 318,808
Minority interest	1,764	9,214
	<u>\$ 233,287</u>	<u>\$ 328,022</u>

	<u>2010</u>		<u>2009</u>	
Earnings per share (in dollars) (Note 4(19))	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
Basic earnings per share (in dollars)				
Profit attributable to equity holders of the Company	\$ 2.46	\$ 1.52	\$ 3.01	\$ 2.18
Minority interest income	0.01	0.01	0.06	0.06
Consolidated net income	<u>\$ 2.47</u>	<u>\$ 1.53</u>	<u>\$ 3.07</u>	<u>\$ 2.24</u>
Diluted earnings per share (in dollars)				
Profit attributable to equity holders of the Company	\$ 2.38	\$ 1.48	\$ 2.89	\$ 2.09
Minority interest income	0.01	0.01	0.06	0.06
Consolidated net income	<u>\$ 2.39</u>	<u>\$ 1.49</u>	<u>\$ 2.95</u>	<u>\$ 2.15</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 14, 2011.

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	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	17,124	12,437	48,646	-	-	-	-	-	-	-	78,207
Distribution of 2008 earnings (Note 1):											
Legal reserve	-	-	-	-	25,516	(25,516)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(145,807)	-	-	-	(145,807)	
Consolidated net income for the year	-	-	-	-	-	318,808	-	-	-	9,214	328,022
Cumulative translation adjustments	-	-	-	-	-	-	(10,410)	-	-	-	(10,410)
Effect of change in ownership percentage of investee company	-	-	-	-	-	(9,616)	-	-	-	-	(9,616)
Effect of investee's unrecognized pension cost	-	-	-	-	-	-	-	(565)	-	-	(565)
Changes in minority interest	-	-	-	-	-	-	-	-	-	1,484	1,484
Balance at December 31, 2009	<u>\$ 1,604,951</u>	<u>\$ 12,437</u>	<u>\$ 789,316</u>	<u>\$ 221</u>	<u>\$ 86,730</u>	<u>\$ 395,413</u>	<u>\$ 35,674</u>	<u>(\$ 565)</u>	<u>(\$ 370,182)</u>	<u>\$ 30,335</u>	<u>\$ 2,584,330</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	39,632	6,186	73,066	-	-	-	-	-	-	-	118,884
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 year	-	-	-	-	-	231,523	-	-	-	1,764	233,287
Cumulative translation adjustments	-	-	-	-	-	-	(41,405)	-	-	-	(41,405)
Effect of change in ownership percentage of investee company	-	-	-	-	-	1,076	-	-	-	-	1,076
Effect of investee's unrecognized pension cost	-	-	-	-	-	-	-	(561)	-	-	(561)
Changes in minority interest	-	-	-	-	-	-	-	-	-	(2,223)	(2,223)
Balance at December 31, 2010	<u>\$ 1,657,020</u>	<u>\$ 6,186</u>	<u>\$ 862,382</u>	<u>\$ 221</u>	<u>\$ 117,649</u>	<u>\$ 399,094</u>	<u>(\$ 5,731)</u>	<u>(\$ 1,126)</u>	<u>(\$ 370,182)</u>	<u>\$ 29,876</u>	<u>\$ 2,695,389</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 year ended December 31, 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 year ended December 31, 2010.

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

See report of independent accountants dated March 14, 2011.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2010</u>	<u>2009</u>
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 233,287	\$ 328,022
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Reversal of allowance for sales returns	(475)	(2,488)
Provision for doubtful accounts	15,269	8,624
Provision for decline in market value of inventories	5,841	6,951
Investment loss accounted for under the equity method	6,415	7,910
Loss on disposal of investment	-	2
Loss on valuation of financial assets	423	-
Depreciation and amortization	484,025	432,195
Loss on disposal of property, plant and equipment	5,459	984
Deferred charges transferred to cost of goods sold and other loss	116,031	33,479
Deferred income tax assets	58,618	98,976
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable – third parties	(11,406)	(42,884)
Accounts receivable – third parties	(87,255)	(189,557)
Other receivables – third parties	9,915	(22,298)
Inventories	24,749	(46,416)
Prepaid expenses	(22,917)	7,897
Other current assets	(1,663)	(219)
Other assets – other	(1,436)	(994)
Increase (decrease) in:		
Notes payable – third parties	(10,001)	(16,852)
Accounts payable – third parties	20,528	77,324
Accounts payable – related party	-	(35,699)
Income tax payable	25,872	(47,195)
Accrued expenses	50,508	73,204
Other payables – third parties	100,218	84,258
Unearned revenue collected in advance	(47,692)	219,859
Other current liabilities	5,122	(24,817)
Accrued pension liabilities	410	2,010
Net cash provided by operating activities	<u>979,845</u>	<u>952,276</u>

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GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31,
(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 in other financial assets – current	2,000	2,000
Increase in financial assets at fair value through profit or loss – non-current	(2,850)	-
Increase in long-term investments – subsidiary acquisition price	(2,000)	(20,000)
Proceeds from disposal of long-term investments	-	7
Acquisition of property, plant and equipment	(266,189)	(139,418)
Increase in deferred charges	(364,761)	(478,876)
Proceeds from disposal of property, plant and equipment and deferred charges	3,391	2,063
Increase in trademark	-	(78)
Increase in other intangible assets	(7,322)	(247)
Increase in refundable deposits, net	(1,107)	(8,681)
Increase in financial liabilities at fair value through profit or loss – non-current	2,850	-
Net cash used in investing activities	<u>(674,325)</u>	<u>(643,230)</u>
<u>Cash flows from financing activities</u>		
Increase in short-term loans	9,429	30,553
Increase in long-term loans (including current portion)	8,716	20,110
(Decrease) increase in guarantee deposits	(374)	6
Decrease in other liabilities – other	(299)	(156)
Exercise of employee stock options	118,884	78,207
Payment of cash dividends	(197,999)	(145,807)
Changes in minority interest	(2,223)	1,484
Net cash used in financing activities	<u>(63,866)</u>	<u>(15,603)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(87,985)</u>	<u>(9,916)</u>
Net increase in cash and cash equivalents	153,669	283,527
Cash and cash equivalents at beginning of the year	1,105,011	821,484
Cash and cash equivalents at end of the year	<u>\$ 1,258,680</u>	<u>\$ 1,105,011</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for:		
Interest	<u>\$ 5,337</u>	<u>\$ 3,173</u>
Income tax	<u>\$ 52,588</u>	<u>\$ 80,605</u>
<u>Cash paid for acquisition of property, plant and equipment</u>		
Property, plant and equipment acquired	\$ 293,419	\$ 147,698
Payable at end of the year	(37,729)	(10,499)
Payable at beginning of the year	10,499	2,219
Cash paid	<u>\$ 266,189</u>	<u>\$ 139,418</u>

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

See report of independent accountants dated March 14, 2011.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 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 December 31, 2010, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 22 million shares for employee stock options), at a par value of \$10 (NT dollars) per share, and the issued and outstanding capital was \$1,657,020. The Company is engaged in software services. As of December 31, 2010, the Company and its consolidated subsidiaries had approximately 1,600 employees.

(2) Consolidated subsidiaries
A)

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>	
			<u>2010</u>	<u>2009</u>
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	98.37%	94.25%
Gamania Western Holdings Ltd.	Note 3	Investment holdings	100%	-
Gamania Netherlands Holdings Cooperatief U.A.	Note 3	Investment holdings	100%	-
Firedog Studio Company Ltd.	Note 3	Design and research and development of software	100%	-
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note 4	Design and sales of software	98.37%	94.25%
Gamania Sino Holdings Ltd.	Note 4	Investment holdings	98.37%	94.25%
Gamania Digital Entertainment (Europe) B.V.	Note 5	Design and sales of software	100%	-
Gamania Digital Entertainment (U.S.) Co., Ltd.	Note 6	Design and sales of software	100%	-

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>	
			<u>2010</u>	<u>2009</u>
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note 7	Design and sales of software	98.37%	94.25%
Gameastor Digital Entertainment Co., Ltd. (Note 8)	Note 1	Software services and sales	99.28%	99.28%
Gamania Asia Investment Co., Ltd.	Note 1	Investment holdings	100%	100%
Gamania Korea Co., Ltd.	Note 1	Design and sales of software	100%	100%
Fantasy Fish Digital Games Co., Ltd.	Note 1	Design and research and development of software	99.69%	99.43%
Foundation Digital Entertainment Co., Ltd.	Note 1	Sales and 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 and development of software	100%	100%
Seedo Games Co., Ltd.	Note 1	Design and research and development of software	100%	100%
Playcoo Co.	Note 1	Design and research and development of software	75.25%	75.25%
Two Tigers Co., Ltd.	Note 1	Animation production	51%	-

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 Netherlands Holdings Cooperatief U.A.

Note 6: A majority-owned subsidiary of Gamania Western Holdings Ltd.

Note 7: A majority-owned subsidiary of Gamania Sino Holdings Ltd.

Note 8: Gameastor Digital Entertainment Co., Ltd., formerly Taiwan Index Co., Ltd., has completed its change of registration in September 2010.

B) The information on investee companies, Gameastor Digital Entertainment Co., Ltd., Gamania Asia Investment Co., Ltd., Gamania Korea Co., Ltd., Foundation Digital Entertainment Co., Ltd., Redgate Games Co., Ltd., Seedo Games Co. Ltd., Gamania Digital Entertainment (Japan) Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd., were based on financial statements audited by each investee company's auditors. The financial statements reflect total assets of \$1,024,071 and \$1,111,903, constituting 23.80% and 27.81% of the related consolidated totals as of December 31, 2010 and 2009,

respectively, and total operating revenues of \$1,894,963 and \$1,288,986, constituting 32.37 % and 24.97% of the related consolidated totals for the years then ended, respectively.

(3) Changes in the consolidated subsidiaries:

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 December 31,</u>		<u>Note</u>
			<u>2010</u>	<u>2009</u>	
Two Tigers Co., Ltd.	Note 1	Animation production	51%	-	Note 5
Gamania Netherlands Holdings Cooperatief U.A.	Note 2	Investment holdings	100%	-	Note 4
Firedog Studio Company Ltd.	Note 2	Design and research of software	100%	-	Note 5
Gamania Digital Entertainment (Europe) B.V.	Note 3	Software services and sale	100%	-	Note 4

Note 1: Majority-owned subsidiary.

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

Note 3: A majority-owned subsidiary of Gamania Netherlands Holdings Cooperatief U.A.

Note 4: The Company was established in the third quarter of 2010.

Note 5: The Company was established in the fourth quarter of 2010.

- (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 results of operations of such subsidiary is excluded from the consolidated statements of income effective the date on which the Company loses control over the subsidiary. For the initial year of adoption of SFAS No. 7, restatement of prior year’s financial statements is not required.
- 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 are translated using the weighted-average rate. Exchange differences are recorded as cumulative translation adjustments and are included as a component of stockholders' equity.

(3) Foreign currency transactions

The accounts of the 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 year's results of operations.

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

- A) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
 - b) Assets held mainly for trading purposes;
 - c) Assets that are expected to be realized within 12 months from the balance sheet date; and
 - d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged and used to pay off liabilities more than 12 months after the balance sheet date.
- B) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - a) Liabilities arising from operating activities that are expected to be paid within the normal operating cycle;
 - b) Liabilities arising mainly from trading activities;
 - c) Liabilities that are to be paid within 12 months from the balance sheet date; and
 - d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date.

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

- A) Financial assets at fair value through profit or loss are recognized as of the trade date at fair value for equity stocks. Financial assets at fair value through profit or loss are recognized as of the settlement date at fair value for bonds 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:
 - a) The instrument is a hybrid instrument.
 - b) 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.

- c) 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. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized and carries on tests of impairment every year. Retrospective adjustment of the amount of goodwill amortized in previous years is not required.
- B) Investment loss on the non-controlled entities over which the Group has the ability to exercise significant influence is recognized to the extent that the amount of long-term investments in such investees is written down to zero. However, if the Group continues to provide endorsements, guarantees or financial support for such

investees, the investment loss is recognized continuously in proportion to the Group's equity interest in such investees. In the case of controlled entities, the Group recognizes all losses incurred by such entities that will not be covered by other stockholders. When the operations of such investees become profitable, the Group recognizes the profits until the amount of losses previously recognized by the Group is fully recovered.

- C) Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "cumulative translation adjustments" under stockholder's equity, and recognized in proportion to the percentage of shares held by the Group.
- D) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease by the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.

(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

- A) Franchises for game development are recorded at acquisition cost and amortized using the straight-line method over the estimated service life. Franchises could be deducted from franchises payable amounting to 2% based on sales revenues.
- B) Franchises for sales of on-line games are recorded at acquisition cost and amortized over the estimated life of 3 years using the straight-line method.
- C) Comic copyright is recorded at acquisition cost and amortized over the estimated life of 1 year using the straight-line method.

(13) Impairment of non-financial assets

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.

If there is an indication that an asset has recovered its value of the impairment loss recognized in the prior period, a gain is recognized to the extent of the impairment loss recognized. No recovery of impairment loss is recognized for goodwill.

(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 is provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes. Deferred income tax assets or liabilities are further classified into current and non-current items based on the classifications of the related assets or liabilities or on the expected reversal date of the temporary differences and are presented on the financial statements 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 research and development expenditures 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.
- B) Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(18) Treasury stock

- A) Treasury stocks acquired are stated at cost using the weighted-average method and reported as a deduction from stockholders’ equity in the balance sheet.
- B) Upon disposal, the related gain is credited to “capital reserve-treasury stock transaction” and any loss is offset against this capital reserve account. However, when the balance of this capital reserve account is insufficient to offset the loss, then the remaining amount is charged against retained earnings.
- C) Upon registration of cancellation, except for the book value sum of “common stock” and “capital reserve-additional paid-in”, which is in proportion to shareholding, the related gain is credited to “capital reserve-treasury stock transaction” and any loss is offset against this capital reserve account. However, when the balance of this capital reserve account is insufficient to offset the loss,

then the remaining amount is charged against retained earnings.

(19) Revenues, costs and expenses

- A) Costs from the development of software for sale are recognized as research expense before establishing technical feasibility.
- B) Revenue from prepaid cards for on-line games is deferred and is recognized based on points consumed.
- C) Revenue from software and other merchandise is recognized when they are delivered.
- 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 year.
 - Diluted earnings per share: the computation is the same as basic earnings per share, except that the potential dilutive shares are assumed to have been converted to common stock at the beginning of the year and net income is adjusted by the amount associated with the conversion.
- B) The potential dilutive shares are employee stock options 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 year. Actual results could differ from those estimates.

3. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2009, the Company and its domestic subsidiaries adopted the amended Statement of Financial Accounting Standards No. 10, "Accounting for Inventory". The adoption of this regulation had no significant effect on the consolidated financial statements as of and for the year ended December 31, 2009.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 931	\$ 781
Cash in banks	854,522	900,809
Time deposits	403,227	203,421
	<u>\$ 1,258,680</u>	<u>\$ 1,105,011</u>

(2) Notes receivable - net

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Notes receivable	\$ 124,425	\$ 113,019
Less: Allowance for doubtful accounts	(16)	(16)
	<u>\$ 124,409</u>	<u>\$ 113,003</u>

(3) Accounts receivable - net

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Accounts receivable	\$ 1,291,468	\$ 1,204,213
Less: Allowance for doubtful accounts	(92,054)	(76,785)
Allowance for sales returns	(4,501)	(4,976)
	<u>\$ 1,194,913</u>	<u>\$ 1,122,452</u>

(4) Inventories - net

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Inventories	\$ 36,662	\$ 73,242
Less: Allowance for obsolescence and market value decline	(6,668)	(12,658)
	<u>\$ 29,994</u>	<u>\$ 60,584</u>

Related loss recognized for the period:

	<u>For the years ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Provision for decline in market value of inventories	<u>\$ 5,841</u>	<u>\$ 6,951</u>
(Gain) loss on physical count of inventories	<u>(\$ 4)</u>	<u>\$ 3</u>

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

	<u>December 31,</u>	
<u>Items</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., 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 settlement date or other documents' appointment date, the investor can ask the issuer 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 issuer will have to repurchase based on the issue price. In accordance with 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 – non-current

<u>Items</u>	<u>December 31,</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 investment accounted for under the equity method

A) List of long-term investment

<u>Name of investee</u>	<u>Original cost</u>	<u>December 31, 2010</u>		<u>Investment loss for the year ended December 31, 2010</u>
		<u>Ownership percentage</u>	<u>Balance</u>	
Accounted for under the equity method:				
Taiwan e-sports Co., Ltd.	<u>\$ 32,000</u>	37.65%	<u>\$ 6,745</u>	<u>(\$ 6,415)</u>

<u>Name of investee</u>	<u>Original cost</u>	<u>December 31, 2009</u>		<u>Investment loss for the year ended December 31, 2009</u>
		<u>Ownership percentage</u>	<u>Balance</u>	
Accounted for under the equity method:				
Taiwan e-sports Co., Ltd.	<u>\$ 30,000</u>	46.15%	<u>\$ 5,795</u>	<u>(\$ 7,910)</u>

B) Long-term investment accounted for under the equity method in Taiwan e-sports Co., Ltd. was based on the investee's financial statements as of and for the years ended December 31, 2010 and 2009 which were not audited by independent accountants since their net loss amount had no significant effect to the Group.

(8) Property, plant and equipment

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
<u>Cost</u>		
Land	\$ 156,941	\$ 147,751
Buildings	212,259	165,947
Machinery and equipment	725,309	612,015
Transportation equipment	934	-
Office equipment	174,981	149,284
Leasehold improvements	57,836	42,352
Other equipment	14,998	3,820
	<u>1,343,258</u>	<u>1,121,169</u>
<u>Accumulated depreciation</u>		
Buildings	(40,093)	(26,410)
Machinery and equipment	(467,886)	(423,345)
Transportation equipment	(238)	-
Office equipment	(121,823)	(101,601)
Leasehold improvements	(40,466)	(33,954)
Other equipment	(6,912)	(2,599)
	<u>(677,418)</u>	<u>(587,909)</u>
Add: Construction in progress and prepayments for equipment	62,872	9,790
Less: Accumulated impairment	(4,262)	(4,406)
Book value	<u>\$ 724,450</u>	<u>\$ 538,644</u>

(9) Other intangible assets

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Franchises for sales of on-line games	\$ 5,515	\$ -
Comic copyright	1,873	-
Prepayments for franchise	140	38,504
Less: Accumulated impairment	-	(38,298)
	<u>\$ 7,528</u>	<u>\$ 206</u>

(10) Deferred charges

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Royalties payments	\$ 306,516	\$ 702,167
Unamortized expense	246,206	252,406
	552,722	954,573
Less: Accumulated impairment	-	(305,380)
	<u>\$ 552,722</u>	<u>\$ 649,193</u>

(11) Short-term loans

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Short-term bank loans	\$ 154,982	\$ 145,553
Annual interest rate	1.475%~5.618%	1.670%~5.103%
Credit lines	\$ 488,721	\$ 1,566,890

(12) Financial liabilities at fair value through profit or loss – non-current

<u>Items</u>	<u>December 31,</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	423	-
	<u>\$ 3,273</u>	<u>\$ -</u>

For business operation purposes, the Company's domestic subsidiary, Gameastor Digital Entertainment Co., Ltd., formerly 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, Gameastor Digital Entertainment Co., Ltd. can request 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", Gameastor Digital Entertainment Co., Ltd. accounted for the preferred stock in "Financial liabilities at fair value through profit or loss".

(13) Long-term loans

<u>Bank</u>	<u>Total Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>December 31,</u>	
			<u>2010</u>	<u>2009</u>
Sumitomo Mitsui Banking Corporation	JPY 90,000 (Note)	09.24.2008 ~ 09.23.2011 equal quarterly installments	\$ 7,737	\$ 18,096
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note)	08.31.2009 ~ 08.31.2012 equal quarterly installments	20,883	31,897
Sumitomo Mitsui Banking Corporation	JPY 60,000 (Note)	09.01.2010 ~ 08.30.2013 equal quarterly installments	<u>30,089</u>	<u>-</u>
			58,709	49,993
Less: Current portion			(<u>31,149</u>)	(<u>22,188</u>)
			<u>\$ 27,560</u>	<u>\$ 27,805</u>

Note: In thousands of yen

(14) Income tax payable

A) Income tax payable and income tax expense for the years ended December 31, 2010 and 2009 are reconciled as follows:

	<u>For the years ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Current year income tax expense	\$ 130,188	\$ 106,261
Effect in deferred income tax assets resulting from change in tax rate	4,352	7,252
Additional 10% corporate income tax on undistributed earnings	<u>8,027</u>	<u>8,384</u>
	142,567	121,897
Add (Less): Net change in deferred income tax assets	(58,618)	(98,976)
Prepaid income tax	(16,683)	(24,326)
(Under) over provision of prior year's income tax	(27,468)	2,537
Income tax payable of prior year	-	4,050
Withholding tax by the foreign government	(124)	(2,919)
Effect of exchange rate	(<u>1,285</u>)	(<u>551</u>)
	<u>\$ 38,389</u>	<u>\$ 1,712</u>
Income tax payable	\$ 38,454	\$ 12,582
Income tax refundable (recognized as "other receivables")	(<u>65</u>)	(<u>10,870</u>)
	<u>\$ 38,389</u>	<u>\$ 1,712</u>

B) Deferred income tax assets and liabilities are as follows:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Deferred income tax assets – current	\$ 36,844	\$ 65,838
Deferred income tax assets – non-current	<u>241,143</u>	<u>282,096</u>
	277,987	347,934
Less: Valuation allowance – current	(14,059)	(16,987)
Valuation allowance – non-current	<u>(214,784)</u>	<u>(223,186)</u>
	<u>\$ 49,144</u>	<u>\$ 107,761</u>

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

	<u>December 31,</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	\$ 5,096	\$ 867	\$ 12,166	\$ 2,433
Allowance for sales returns	7,194	1,224	4,836	967
Loss carryforwards	72,703	12,360	141,420	28,284
Investment tax credits		21,545		34,154
Others	4,990	<u>848</u>	-	<u>-</u>
		36,844		65,838
Less: Valuation allowance		<u>(14,059)</u>		<u>(16,987)</u>
		<u>\$ 22,785</u>		<u>\$ 48,851</u>
Non-current items:				
Investment loss on financial assets carried at cost – non-current	\$ 9,851	\$ 1,675	\$ 9,851	\$ 1,970
Loss on foreign investments	163,460	27,788	86,601	17,320
Reserve for foreign investments	(10,832)	(1,842)	(31,529)	(6,306)
Loss carryforwards	798,360	135,721	648,865	129,773
Depreciation allowance in excess of related depreciation	(9,862)	(1,627)	(17,730)	(2,925)
Investment tax credits		77,316		142,241
Others	12,418	<u>2,112</u>	114	<u>23</u>
		241,143		282,096
Less: Valuation allowance		<u>(214,784)</u>		<u>(223,186)</u>
		<u>\$ 26,359</u>		<u>\$ 58,910</u>

D) As of December 31, 2010 and 2009, the balance of shareholders account of deductible tax was as follows:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
a. Balance of shareholders account of deductible tax	<u>\$ 14,895</u>	<u>\$ 25,367</u>
b. Creditable tax ratio	<u>10.27%</u>	<u>6.49%</u>

E) Undistributed retained earnings:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
On or after January 1, 1998		
a. Earnings not yet subjected to 10% income tax	\$ 231,523	\$ 318,808
b. Earnings subjected to 10% income tax	<u>167,571</u>	<u>76,605</u>
	<u>\$ 399,094</u>	<u>\$ 395,413</u>

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

- a) As of December 31, 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 \$23,481 on the Company's 2002 income tax return after the re-examination. The Company filed a petition in January 2011, 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 after the re-examination. The Company filed a petition in November 2010, which is still pending as of the report date.

G) As of December 31, 2010, according to the "Statute for Upgrading Industries," the Company's domestic subsidiaries had investment tax credits in the amount of \$98,861 to offset against taxable income for the next four 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	\$ 116,925	\$ 94,357	2011~2014
Machinery and equipment	3,287	3,287	2011~2013
Employees' training	<u>2,117</u>	<u>1,217</u>	2012~2013
	<u>\$ 122,329</u>	<u>\$ 98,861</u>	

H) As of December 31, 2010, in accordance with the “Income Tax Law”, the Company’s domestic subsidiaries had loss carryforwards in the amount of \$148,081 to offset against taxable income for the next three 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	\$ 871,063	\$ 148,081	\$ 148,081	2013~2020

(15) Accrued pension liability

- A) The Company and its domestic subsidiaries have 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 with a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its domestic 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. The balance of the retirement fund deposited with Bank of Taiwan was \$46,452 and \$42,334 as of December 31, 2010 and 2009, respectively. For the years ended December 31, 2010 and 2009, net pension costs recognized by the Company under the defined benefit plan amounted to \$2,143 and \$2,721, respectively. The fund balances are not reflected in the consolidated financial statements. The accumulated contributions exceeded the net pension costs in the amount of \$8,589 and \$7,158 as of December 31, 2010 and 2009, respectively, which was accounted for in other assets – other.
- B) Gamania Digital Entertainment (Japan) Co., Ltd., Gamania Korea Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd. and Firedog Studio Company Ltd. provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were \$3,653 and \$2,966 for the years ended December 31, 2010 and 2009, respectively.
- C) Gamania Digital Entertainment (Beijing) Co., Ltd. provides an old-age pension and insurance monthly based on 20%~22% of the employees’ salaries and wages in accordance with the local regulations. The net pension and insurance costs were \$5,740 and \$2,520 for the years ended December 31, 2010 and 2009, respectively.

D) Effective July 1, 2005, in accordance with the Labor Pension Act, 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 and 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 amounted to \$34,436 and \$30,833 for the years ended December 31, 2010 and 2009, respectively.

E) Gamania Holdings Ltd., Gamania Asia Investment Co., Ltd., Two Tigers Co., Ltd., Gamania Digital Entertainment Labuan Holdings, Ltd., Gamania International Holdings Ltd., Gamania China Holdings Ltd., Gamania Western Holdings Ltd., Gamania Netherlands Holdings Cooperatief U.A., Gamania Digital Entertainment (U.S.) Co., Ltd. and Gamania Digital Entertainment (Europe) B.V. do not have an employee retirement plan.

F) The related assumptions used to calculate the periodic pension cost were as follows:

	<u>2010</u>	<u>2009</u>
Discount rate	1.75%~2.00%	2.25%
Expected return rate on plan assets	1.75%~2.00%	2.25%~3.00%
Average ratio of salary increase	2.50%~3.50%	2.25%~3.50%

G) The reconciliation of the funded status to accrued pension liability is summarized as follows:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Vested benefit obligation	(\$ 4,438)	(\$ 3,734)
Non-vested benefit obligation	(33,258)	(26,221)
Accumulated benefit obligation	(37,696)	(29,955)
Additional benefits based on future salary increases	(31,503)	(26,331)
Projected benefit obligation	(69,199)	(56,286)
Fair value of plan assets	<u>46,452</u>	<u>42,322</u>
Funded status	(22,747)	(13,964)
Unrecognized transition obligation	2,221	2,358
Unrecognized net loss	26,537	17,105
Additional pension liability	(3,025)	(2,118)
Accrued pension liability	<u>\$ 2,986</u>	<u>\$ 3,381</u>
Accrued pension liability	(\$ 5,603)	(\$ 3,777)
Prepaid pension (recognized as other assets – other)	<u>8,589</u>	<u>7,158</u>
	<u>\$ 2,986</u>	<u>\$ 3,381</u>
Accrued pension liability – new policy	<u>\$ 3,667</u>	<u>\$ 4,923</u>

The components of net pension cost were as follows:

	<u>2010</u>	<u>2009</u>
Service cost	\$ 744	\$ 964
Interest cost	1,216	1,327
Expected return on plan assets	(949)	(609)
Amortization of unrecognized transition obligation	137	379
Amortization of unrecognized net loss	<u>995</u>	<u>659</u>
Net pension cost	<u>\$ 2,143</u>	<u>\$ 2,720</u>

(16) 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.

(17) Legal reserve

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

(18) 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 the following year's shareholders' meeting. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholder can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.

C) The appropriation of 2009 and 2008 earnings had been approved at the stockholders' 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
Employees' cash bonuses	Note 1		Note 2	
Directors' and supervisors' remuneration	"		"	

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 amounts 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.

(c) The appropriation for 2010 earnings has not been resolved at the directors' meeting as of the report date.

D) The estimated amounts of employees' bonuses are \$41,401 and \$42,596, and the estimated amounts for directors' and supervisors' remuneration are \$5,520 and \$5,679 for the years ended December 31, 2010 and 2009, respectively. The above amounts constitute 10%~15% and 2%, respectively, of the 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 the 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 differences of \$856 and \$114, respectively, had been adjusted in the income statement for the year ended December 31, 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 of \$4,398 recognized in the 2008 financial statements. The differences of (\$1,510) and (\$202), respectively, had been adjusted in the income statement for the year ended December 31, 2009.
- F) For current status of the resolution, please visit the Taiwan Stock Exchange website.

(19) Earnings per share

	For the year ended December 31, 2010				
	<u>Amount</u>		Weighted average number of outstanding common shares (In thousands of shares)	<u>Earnings per share (in dollars)</u>	
	<u>Before income tax</u>	<u>After income tax</u>		<u>Before income tax</u>	<u>After income tax</u>
Basic earnings per share:					
Net income	\$ 374,090	\$ 231,523	152,333	<u>\$ 2.46</u>	<u>\$ 1.52</u>
Dilutive effect:					
Stock options	-	-	3,658		
Employees' bonuses	-	-	<u>908</u>		
Diluted earnings per share:					
Net income	<u>\$ 374,090</u>	<u>\$ 231,523</u>	<u>156,899</u>	<u>\$ 2.38</u>	<u>\$ 1.48</u>

For the year ended December 31, 2009					
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share					
Net income	\$ 440,705	\$ 318,808	146,515	\$ <u>3.01</u>	\$ <u>2.18</u>
Dilutive effect:					
Stock options	-	-	5,277		
Employees' bonuses	-	-	<u>779</u>		
Diluted earnings per share:					
Net income	<u>\$ 440,705</u>	<u>\$ 318,808</u>	<u>152,571</u>	<u>\$ 2.89</u>	<u>\$ 2.09</u>

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.

(20) Treasury stock

Changes in the treasury stock for the years ended December 31, 2010 and 2009 are set forth below (in thousands of shares):

For the year ended December 31, 2010				
A) Purpose	Beginning	Additions	Disposals	Ending
Employee stock options	<u>13,099</u>	<u>-</u>	<u>-</u>	<u>13,099</u>

For the year ended December 31, 2009				
Purpose	Beginning	Additions	Disposals	Ending
Employee stock options	<u>13,099</u>	<u>-</u>	<u>-</u>	<u>13,099</u>

B) The maximum and ending balances of treasury stock for the years ended December 31, 2010 and 2009 are as follows:

December 31, 2010		December 31, 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.

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

(21) 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 31, 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 years ended December 31, 2010 and 2009 are as follows:

Stock Options	For the years ended December 31,			
	2010		2009	
	Units (in thousands)	Weighted-average exercise price (in dollars) (Note 1)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note 1)
Beginning balance	12,663	\$ 25.33	16,297	\$ 26.16
Number of options granted	-	-	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised (Notes 2 and 3)	(4,572)	-	(2,956)	-
Cancelled	(842)	-	(678)	-
Ending balance	<u>7,249</u>	24.20	<u>12,663</u>	25.33
Exercisable at the end of the year	<u>7,249</u>		<u>7,139</u>	
Authorized but unissued at the end of the year	<u>-</u>		<u>-</u>	

Note 1: The exercise price has been adjusted in accordance with the terms of the plan.

Note 2: As of December 31, 2010, 619 thousand shares had not been registered and were accounted for under stock subscriptions received in advance.

Note 3: As of December 31, 2009, 1,244 thousand shares had not been registered and were accounted for under stock subscriptions received in advance.

D) As of December 31, 2010 and 2009, the details of outstanding stock options are as follows:

For the year ended December 31, 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	7,249	2.92	\$ 24.20	7,249	\$ 24.20
For the year ended December 31, 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	2,662	0.08	\$ 27.30	2,662	\$ 27.30
\$ 24.80	10,001	3.92	\$ 24.80	4,477	\$ 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 prices 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:

	<u>For the year ended December 31, 2010</u>	
	<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”	\$ 14,476	\$ -
	<u>For the year ended December 31, 2009</u>	
	<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”	\$ 46,335	\$ -

(d) Pro forma information:

		<u>For the year ended December 31, 2010</u>		<u>For the year ended December 31, 2009</u>	
Net income	Net income	\$ 231,523		\$ 318,808	
	Pro forma net income	217,047		272,473	
Basic earnings per share (EPS)	EPS	1.52	(in dollars)	2.18	(in dollars)
	Pro forma EPS	1.42	(in dollars)	1.86	(in dollars)
Diluted earnings per share	EPS	1.48	(in dollars)	2.09	(in dollars)
	Pro forma EPS	1.38	(in dollars)	1.79	(in dollars)

(22) Personnel, depreciation and amortization expenses

	<u>For the year ended December 31, 2010</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 81,887	\$ 958,695	\$ 1,040,582
Labor and health insurances	6,562	74,404	80,966
Pension	1,873	44,099	45,972
Others	1,161	66,348	67,509
	<u>\$ 91,483</u>	<u>\$ 1,143,546</u>	<u>\$ 1,235,029</u>
Depreciation	<u>\$ 66,039</u>	<u>\$ 64,198</u>	<u>\$ 130,237</u>
Amortization	<u>\$ 286,502</u>	<u>\$ 67,286</u>	<u>\$ 353,788</u>

	<u>For the year ended December 31, 2009</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 99,773	\$ 823,797	\$ 923,570
Labor and health insurances	5,410	61,591	67,001
Pension	1,211	37,828	39,039
Others	1,364	52,735	54,099
	<u>\$ 107,758</u>	<u>\$ 975,951</u>	<u>\$ 1,083,709</u>
Depreciation	<u>\$ 65,698</u>	<u>\$ 78,938</u>	<u>\$ 144,636</u>
Amortization	<u>\$ 205,019</u>	<u>\$ 82,540</u>	<u>\$ 287,559</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 method
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 years ended December 31,</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% of</u>	<u>Amount</u>	<u>% of</u>
		<u>license fees</u>		<u>license fees</u>
Nexon	<u>\$ -</u>	<u>-</u>	<u>\$ 436,792</u>	<u>24</u>

The above represents payments for license fees as agent of the on-line games. The license fees are negotiated based on different factors.

B) Advertising expenses

	<u>For the years ended December 31,</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% of advertising</u>	<u>Amount</u>	<u>% of advertising</u>
		<u>expenses</u>		<u>expenses</u>
Taiwan e-sports	<u>\$ 4,000</u>	<u>-</u>	<u>\$ 2,000</u>	<u>-</u>

Advertising expenses are paid to the related party for providing advertisements. The terms and prices of advertising were negotiated based on different factors.

C) Donation

	For the years ended December 31,			
	2010		2009	
	Amount	% of donation	Amount	% of donation
Gamania Cheer Up Foundation	\$ 4,000	31	\$ 7,000	34

D) Membership fee and annual fee

	For the years ended December 31,			
	2010		2009	
	Amount	% of membership fee and annual fee	Amount	% of membership fee and annual fee
Taiwan e-sports	\$ 2,500	45	\$ -	-

The above represents payment for membership and annual fee in joining the occupational e-sports game league.

E) Other revenues

	For the years ended December 31,			
	2010		2009	
	Amount	% of net other revenues	Amount	% of net other revenues
Taiwan e-sports	\$ -	-	\$ 714	6

The above represents other income from the related party for participating in electronic games held.

F) Remuneration information of directors, supervisors, managers and assistant managers

	2010	2009
Salary (Note 1)	\$ 15,024	\$ 14,562
Bonus (Note 2)	-	-
Professional expense (Note 3)	280	350
Directors' and supervisors' remuneration (Note 4)	5,520	5,679
Employees' bonuses (Note 4)	13,158	13,516
	<u>\$ 33,982</u>	<u>\$ 34,107</u>

Note 1: Including wages, duty allowance and retirement pension.

Note 2: Including financial incentives and performance bonus.

Note 3: Including travel expenses, special expenses, allowances and allowance for dormitories and cars.

Note 4: The Company's estimated directors' and supervisors' remuneration and employees' bonus for the year.

For more information, please refer to the Company's annual report.

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>December 31,</u>		<u>Purpose</u>
	<u>2010</u>	<u>2009</u>	
Time deposits (shown in other financial assets – current)	\$ -	\$ 2,000	Short-term loans guarantee
Land	90,254	147,751	Short-term and Long-term loans / Credit lines
Buildings	<u>73,837</u>	<u>134,833</u>	"
	<u>\$ 164,091</u>	<u>\$ 284,584</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

In addition to Note 4(14), others are as follows:

- A) As of December 31, 2010, the total future rental payments for the next 3 years under non-cancelable operating lease agreements for the lease of the Group's office building, transportation equipment and networking device was \$180,536.
- B) 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.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

(1) Financial statement presentation

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

(2) Fair values of the financial instruments

	December 31, 2010			December 31, 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	\$2,591,446	(Note A)	\$2,591,446	\$2,366,484	(Note A)	\$2,366,484
Financial assets carried at cost	114,294		-	114,294		-
Refundable deposits	48,197		48,197	47,090		47,090
Liabilities						
Financial liabilities with fair values equal to book values	\$1,211,419	(Note A)	\$1,211,419	\$ 999,424	(Note A)	\$ 999,424
Long-term loans	27,560		26,886	27,805		26,205
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, notes and accounts receivable, other receivables (excluding income tax refundable), other financial asset-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 financial instruments 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.
- C) The fair value of long-term loans is based on the present value of expected cash

flow amounts. The discount rate was another instrument which the Group could acquire similar terms at about 1.775%~2.225%.

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:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Guarantee for loans of subsidiaries	<u>\$ 446,410</u>	<u>\$ 212,100</u>

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

F) As of December 31, 2010 and 2009, the fair values of the financial instruments with interest rate risk were \$403,227 and \$203,421, respectively.

(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

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

(B) Credit risk

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

(C) Liquidity risk

There is no active market for financial assets carried at cost 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 and long-term loans (including current portion of long-term loans)

(A) Market risk

As interest rates for most of the loans for working capital are 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

Fixed and floating interests for loans are adopted by the Group. There will be no cash flow interest risk for loans with fixed interest, but for loans with floating interest, effective interest will vary with fluctuations in market interest and it will change future cash flows.

D) Some transactions of the Company involve non-functional currency, resulting in foreign currency denominated assets and liabilities which are affected by exchange rate fluctuations. The Company's significant foreign currency denominated assets and liabilities as of December 31, 2010 and 2009 are summarized below:

	<u>December 31, 2010</u>		<u>December 31, 2009</u>			
	<u>Foreign Currency</u>	<u>Exchange</u>	<u>Foreign Currency</u>	<u>Exchange</u>		
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>		
<u>Financial Assets</u>						
USD:TWD	USD	93,590	29.1366	USD	36,506	32.1760
HKD:TWD	HKD	1,636,200	3.7480	HKD	447	4.1490
<u>Financial Liabilities</u>						
USD:TWD	USD	3,709,925	29.1366	USD	2,794,709	32.1760

Note: Foreign currency amount is expressed in dollars.

(5) For the years ended December 31, 2010 and 2009, the Group donated cash amounting to \$12,864 and \$21,154, respectively, to political parties, charities, and educational institutions that are accredited by the government, without significant appointed considerations.

(6) Intercompany transactions eliminated

	For the year ended December 31, 2010								
	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	Fundation Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd. (Note)	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	Fantasy Fish Digital Games Co., Ltd.	Play
1. Long-term investments and stockholders' equity eliminated	(\$ 1,035,669)	\$ 657,580	\$ 3,083	\$ 66,823	\$ 117,372	\$ 11,499	(\$ 150)	\$ 26,510	\$
2. Receivables and payables eliminated	(4,298)	(53,810)	(895)	45,017	29	2,718	29,001	1,191	(
3. Profit and loss accounts eliminated									
(1) Sale and purchase transactions	(12,740)	(249)	10,755	1,985	-	-	-	249	
(2) Royalty income and publishing cost	(2,551)	(100,414)	-	(42,393)	-	(141)	52,239	-	
(3) Other operating revenue and service expense	2,880	-	-	(2,880)	-	-	-	-	
(4) Advertising expense and revenue	(42,105)	-	-	42,105	-	-	-	-	
(5) Rent revenue and expense	9,329	-	(587)	(8,627)	(23)	-	-	(23)	(
(6) Other revenue and expense	1,304	-	(168)	(482)	-	-	-	(81)	(
(7) Unrealized gross profit on intercompany transactions	(1,020)	-	-	1,020	-	-	-	-	

Note: Gameastor Digital Entertainment Co., Ltd., formerly Taiwan Index Co., Ltd., has completed its change of registration in September 2010.

For the year ended December 31, 2009

	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	Fundation Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	Alibangbang Digital Games Co., Ltd.	PlayCoo Co.	Redgate Games Co., Ltd.	Seedo Games Co., Ltd.
1. Long-term investments and stockholders' equity eliminated	(\$ 755,660)	\$ 397,915	\$ 4,480	\$ 52,288	\$ 117,314	\$ 13,648	\$ 109	\$ 12,875	\$ 116,687	\$ 20,693	\$ 19,651
2. Receivables and payables eliminated	(20,081)	(18,743)	(366)	45,832	52	1,349	7,811	(42)	(15,983)	421	(250)
3. Profit and loss accounts eliminated											
(1) Sale and purchase transactions	(81,243)	(3,437)	(598)	85,278	-	-	-	-	-	-	-
(2) Royalty income and publishing cost	(14,511)	(92,023)	-	-	-	(863)	(2,151)	524	103,636	-	5,388
(3) Other operating revenue and service expense	2,880	-	-	(2,880)	-	-	-	-	-	-	-
(4) Advertising expense and revenue	(24,978)	(179)	623	24,534	-	-	-	-	-	-	-
(5) Rent revenue and expense	8,613	-	(88)	(8,416)	(23)	-	-	(23)	(25)	(19)	(19)
(6) Other revenue and expense	3,662	-	(294)	(2,767)	-	-	-	(113)	(74)	(149)	(265)
(7) Unrealized gross profit on intercompany transactions	2,145	-	-	(2,145)	-	-	-	-	-	-	-

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 year ended December 31, 2010	Outstanding guarantee amount at December 31, 2010	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Maximum amount available for guarantee (Notes 3 and 4)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Gameastor Digital Entertainment Co., Ltd.	2	\$ 497,106 (30% of the Company's capital)	\$ 350,000	\$ 350,000	None	13.13%	\$ 1,657,020
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd.	3	\$ 497,106 (30% of the Company's capital)	\$ 66,000	\$ 66,000	None	2.48%	\$ 1,657,020
0	The Company	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	\$ 497,106 (30% of the Company's capital)	\$ 63,788	\$ 30,410	None	1.14%	\$ 1,657,020

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: The calculation method of maximum amount available for guarantee, the maximum outstanding guarantee amount and the recognized contingent loss, if any, should be stated in the financial statements.

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 December 31, 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	December 31, 2010				
					Number of shares	Book value	Percentage	Market value (Note 2)	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	22,650	\$ 657,580	100%	\$ 657,580	Note 4
"	"	Gamania Korea Co., Ltd.	"	"	278	11,499	100%	11,499	"
"	"	Fantasy Fish Digital Games Co., Ltd.	"	"	8,174	26,510	99.69%	24,619	"
"	"	Gameastor Digital Entertainment Co., Ltd.	"	"	3,863	48,399	72.08%	48,823	"
"	"	Gamania Asia Investment Co., Ltd.	"	"	13,945	135,796	100%	135,796	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	(150)	100%	(150)	"
"	"	Foundation Digital Entertainment Co., Ltd.	"	"	3,448	3,083	100%	3,083	"
"	"	Playcoo Co.	"	"	13,996	105,924	75.25%	55,601	"
"	"	Redgate Games Co., Ltd.	"	"	8,200	18,960 (Note 3)	100%	18,960 (Note 3)	"
"	"	Seedo Games Co., Ltd.	"	"	8,200	21,823 (Note 3)	100%	21,823 (Note 3)	"
"	"	Two Tigers Co., Ltd.	"	"	627	6,245	51%	6,245	"
"	"	Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity method	"	3,200	6,745	37.65%	6,745	None
"	"	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: Including prepayment of \$20,000 for long-term investment.

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

D) Marketable securities acquired or sold during the year ended December 31, 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 (Note 1)		Addition		Disposal			Disposal gain	Ending balance (Note 1)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	Bond Fund	Financial asset held for trading-bond funds	Initial investment at inception/None	-	\$ -	14,255	\$ 180,000	14,255	\$ 180,129	\$ 180,000	\$ 129	-	\$ -
"	Jih Sun Bond Fund	"	"	-	-	4,957	100,000	4,957	100,066	100,000	66	-	-
"	Taishin Lucky Fund	"	"	-	-	12,217	130,000	12,217	130,055	130,000	55	-	-
"	Mega Diamond Money Market Fund	"	"	-	-	9,203	110,000	9,203	110,088	110,000	88	-	-
"	IBT Ta-Chong Money Market Fund	"	"	-	-	9,582	130,000	9,582	130,064	130,000	64	-	-
"	IBT 1699 Money Market Fund	"	"	-	-	9,294	120,000	9,294	120,050	120,000	50	-	-
"	Gamania Holdings Ltd.	Long-term investment—accounted for under the equity method	Gamania Holdings Ltd./Investee company accounted for under the equity method	9,928	397,915 (Note 2)	12,722	259,665 (Note 3)	-	-	-	-	22,650	657,580 (Note 4)

Note 1: Original investment cost.

Note 2: Including prepayment of \$4,880 for long-term investment.

Note 3: The Company invested \$398,730 and recognized investment loss, cumulative translation adjustments and effect of change in ownership percentage of investee company in the amount of \$139,065. The net increase amount was \$259,665.

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

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

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

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

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

I) Information on derivative transaction: None.

(2) Information of investee companies

A) Information of investee companies:

The information on Gamania Digital Entertainment Labuan Holdings, Ltd., Taiwan e-sports Co., Ltd., Two Tigers Co., Ltd. and Firedog Studio Company Ltd. was based on unaudited financial statements because of their small scale. The information on Gamania Korea Co., Ltd., Gameastor Digital Entertainment Co., Ltd., Gamania Asia Investment Co., Ltd., Foundation Digital Entertainment Co., Ltd., Redgate Games Co. Ltd., Seedo Games Co. Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd. and Gamania Digital Entertainment (Japan) Co., Ltd. was based on financial statements audited by each investee company's 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
				2010.12.31	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	\$ 1,530,031	\$ 1,131,301 (Note 1)	22,650	100%	\$ 657,580	(\$ 94,488)	(\$ 94,488)	Subsidiary (Note 4)
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sales of software	249,615	224,672	278	100%	11,499	(26,250)	(26,250)	"
"	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	310,000	240,000	8,174	99.69%	26,510	(56,351)	(56,080) (Note 2)	"
"	Gameastor Digital Entertainment Co., Ltd.	"	Software services and sales	211,433	211,433	3,863	72.08%	48,399	13,613	10,832 (Note 3)	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	13,945	100%	135,796	3,761	3,761	"
"	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%	(150)	(269)	(269)	"
"	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%	3,083	(31,398)	(31,398)	"

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

Note 2: The weighted-average ownership percentage is 99.52%

Note 3: Including write-off of unrealized sales margin of \$1,020.

Note 4: The transaction 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
				2010.12.31	2009.12.31	Number of shares	Percentage	Book value			
The Company	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%	\$ 105,924	\$ 8,740	(\$ 10,202) (Note 1)	Subsidiary (Note 5)
"	Redgate Games Co. Ltd.	"	Design and research and development of software	82,000	50,000	8,200	100%	18,960 (Note 4)	(53,733)	(53,733)	"
"	Seedo Games Co. Ltd.	"	Design and research and development of software	82,000	50,000	8,200	100%	21,823 (Note 4)	(49,828)	(49,828)	"
"	Two Tigers Co. Ltd.	"	Animation production	6,269	-	627	51%	6,245	(47)	(24)	"
"	Taiwan e-sports Co., Ltd.	9F, No.176 Chung Hsiao East Rd. Section 4, Taipei City, Taiwan	Supply of software services and electronic information	32,000	30,000	3,200	37.65%	6,745	(14,640)	(6,415) (Note 2)	Investee company accounted for under the equity method
Gamania Asia Investment Co., Ltd.	Gameastor Digital Entertainment 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%	18,424	13,613	3,703	" (Note 5)
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 46,040 thousand	USD 33,468 thousand (Note 3)	46,040	100%	USD 22,727 thousand	(USD 2,927 thousand)	(USD 2,927 thousand)	Subsidiary (Note 5)
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 5,876 thousand	USD 5 thousand	USD 5 thousand	"

Note 1: Including amortization of subsidiary's patent amounting to (\$16,779).

Note 2: The weighted-average ownership percentage is 43.82%

Note 3: Including prepayment of USD150 thousand for long-term investment.

Note 4: Including prepayment of \$20,000 thousand for long-term investment.

Note 5: The transaction 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
				2010.12.31	2009.12.31	Number of shares	Percentage	Book value			
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 29,784 thousand	USD 21,094 thousand	29,384	98.37%	USD 12,788 thousand	(USD 228 thousand)	(USD 221 thousand) (Note 1)	Subsidiary (Note 4)
Gamania International Holdings Ltd.	Gamania Western Holdings Ltd.	P.O. Box 2804 Scotia Centre, 4th, George Town, Grand Cayman KY1-1112, Cayman Islands	Investment holdings	USD 4,850 thousand	USD 150 thousand (Note 2)	4,850	100%	USD 2,664 thousand	(USD 2,072 thousand)	(USD 2,072 thousand)	"
Gamania International Holdings Ltd.	Gamania Netherlands Holdings Cooperatief U.A.	Prof J H Barincklaan 5, 1183AT Amstelveen	Investment holdings	EUR 500 thousand	-	500	100%	EUR 413 thousand	(EUR 87 thousand)	(EUR 87 thousand)	"
Gamania International Holdings Ltd.	Firedog Studio Company Ltd.	Unit 509 5/F., Conic Investment Building, No.13 Hok Yuen St., Hunghom, Kowloon, Hong Kong	Design and research and development of software	HKD 10,455 thousand	-	10,455	100%	HKD 12,354 thousand	(HKD 4,022 thousand)	(HKD 4,022 thousand)	"
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Fourth Floor, One Capital Place P.O. Box 874GT, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 26,920 thousand	USD 19,720 thousand	26,920	100%	USD 2,720 thousand	(USD 4,362 thousand)	(USD 4,362 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen St., Hunghom, Kowloon, Hong Kong	Design and sales of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 7,255 thousand	USD 4,467 thousand	USD 4,467 thousand	"
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Building B 3F, No.329, Tian Yao Qiao Rd., Xuhui Dist., Shanghai City, China	Design and sales of software	USD 23,000 thousand	USD 15,800 thousand	N/A	100%	USD 2,514 thousand	(USD 4,232 thousand)	(USD 4,232 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 4,830 thousand	USD 130 thousand (Note 3)	1	100%	USD 2,664 thousand	(USD 2,061 thousand)	(USD 2,061 thousand)	"
Gamani Netherlands Holdings Cooperatief U.A.	Gamania Digital Entertainment (Europe) B.V.	Naritaweg 165, Telestone 8, 1043 BW, Amsterdam	Design and sales of software	EUR 500 thousand	-	500	100%	EUR 413 thousand	(EUR 87 thousand)	(EUR 87 thousand)	"

Note 1: The weighted-average ownership percentage is 97.16%

Note 2: Including prepayment of USD150 thousand for long-term investment.

Note 3: Including prepayment of USD130 thousand for long-term investment.

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

B) Financing activities to any company or person: None

C) Guarantee information: None.

D) Marketable securities held at December 31, 2010:

Issuer	Type of marketable securities (Note 1)	Name of marketable securities	Relationship with the security holders	General ledger account	December 31, 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	46,040	USD 22,727 thousand	100%	USD 22,727 thousand	Note 4
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	3	USD 5,867 thousand	100%	USD 5,867 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	29,384	USD 12,788 thousand	98.37%	USD 11,895 thousand	"
Gamania International Holdings Ltd.	"	Gamania Western Holdings Ltd.	"	"	4,850	USD 2,664 thousand	100%	USD 2,664 thousand	"
Gamania International Holdings Ltd.	"	Gamania Netherlands Holdings Cooperatief U.A.	"	"	500	EUR 413 thousand	100%	EUR 413 thousand	"
Gamania International Holdings Ltd.	"	Firedog Studio Company Ltd.	"	"	10,455	HKD 12,354 thousand	100%	HKD 12,354 thousand	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD 7,255 thousand	100%	USD 7,255 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	26,920	USD 2,720 thousand	100%	USD 2,720 thousand	"
Gamania Sino Holdings Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	USD 2,514 thousand	100%	USD 2,514 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 transaction 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	December 31, 2010				
					Number of shares (Note 3)	Book value	Percentage	Market value (Note 2)	Note
Gamania Western Holdings Ltd.	Common Stock	Gamania Digital Entertainment (U.S.) Co., Ltd.	Subsidiary	Long-term investments – accounted for under the equity method	1	USD 2,664 thousand	100%	USD 2,664 thousand	Note 4
Gamania Netherlands Holdings Cooperatief U.A.	"	Gamania Digital Entertainment (Europe) B.V.	"	"	500	EUR 413 thousand	100%	EUR 413 thousand	"
Gamania Asia Investment Co., Ltd.	"	Gameastor Digital Entertainment Co., Ltd.	Investee company accounted for under the equity method	"	1,458	18,424	27.20%	18,424	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd.	None	Financial assets carried at cost	9,383	91,453	14.60%	91,453	None
Gamania Asia Investment Co., Ltd.	"	Iwan Interactive Entertainment Co., Ltd.	"	"	285	2,850	14.96%	2,850	"

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 transaction has been eliminated in the consolidated financial statements.

E) Marketable securities acquired or sold during the year ended December 31, 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 (Loss)	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	USD 12,447 thousand (Note 1)	12,722	USD 10,280 thousand (Note 2)	-	-	-	-	46,040	USD 22,727 thousand (Note 5)
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	"	Gamania China Holdings Ltd. / Long-term investments – accounted for under the equity method	21,094	USD 7,272 thousand	8,290	USD 5,516 thousand (Note 3)	-	-	-	-	29,384	USD 12,788 thousand (Note 5)
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	"	Gamania Sino Holdings Ltd. / Long-term investments – accounted for under the equity method	19,720	(USD 168 thousand)	7,200	USD 2,888 thousand (Note 4)	-	-	-	-	26,920	USD 2,720 thousand (Note 5)

Note 1: Including prepayment of USD150 thousand for long-term investment.

Note 2: Gamania Holdings Ltd. invested USD12,572 thousand and recognized investment loss, cumulative translation adjustments and effect of change in ownership percentage of investee company. The net increase amount was USD10,280 thousand.

Note 3: Gamania International Holdings Ltd. invested USD8,690 thousand and recognized investment loss, cumulative translation adjustments, effect of change in ownership percentage of investee company and received the dividend. The net increase amount was USD5,516 thousand.

Note 4: Gamania China Holdings Ltd. invested USD7,200 thousand and recognized investment loss and cumulative translation adjustments. The net increase amount was USD2,888 thousand.

Note 5: The transaction has been eliminated in the consolidated financial statements.

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 (Note)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost	Gain (Loss)	Number of shares	Amount
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	N/A	(USD 504 thousand)	N/A	USD 3,018 thousand (Note 1)	-	-	-	-	N/A	USD 2,514 thousand (Note 4)
Gamania Western Holdings, Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	"	Gamania Digital Entertainment (U.S.) Co., Ltd. / Long-term investments – accounted for under the equity method	-	USD 25 thousand (Note 2)	1	USD 2,639 thousand (Note 3)	-	-	-	-	1	USD 2,664 thousand (Note 4)

Note 1: Gamania Sino Holdings Ltd. invested USD7,200 thousand and recognized investment loss and cumulative translation adjustments. The net increase amount was USD3,018 thousand.

Note 2: Including prepayment of USD130 thousand for long-term investment.

Note 3: Gamania Western Holdings, Ltd. invested USD12,572 thousand and recognized investment loss, cumulative translation adjustments and effect of change in ownership percentage of investee company. The net increase amount was USD10,280 thousand.

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

- F) Acquired real estate in excess of \$100,000 or 20% of capital: None.
- G) Disposal of real estate in excess of \$100,000 or 20% of capital: None.
- H) Sales to or purchases from related parties in excess of \$100,000 or 20% of capital: None.
- D) 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 from Taiwan as of January 1, 2010	Remitted or received investment amount during the year		Accumulated investment from Taiwan as of December 31, 2010	Direct and indirect percentage of ownership	Investment loss recognized during the year (Note 3)	Balance of investment at December 31, 2010	Accumulated investment income received as of December 31, 2010
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	(RMB 174,799 thousand) \$776,195	(Note 2)	(USD 13,670 thousand) \$398,207	(USD 7,200 thousand) \$209,736	\$ -	(USD 20,870 thousand) \$607,943	98.37%	(USD 4,112 thousand) (\$ 119,783)	(USD 2,474 thousand) \$ 72,068	\$ -

Accumulated amount of investment in Mainland China as of December 31, 2010	Related investment amount approved by FIA	Upper limit of investment in Mainland China
\$ 607,943 (USD 20,870 thousand)	\$762,623 (Note 1)	\$ 1,617,233

Note 1: Related total investment amount approved by FIA is USD 26,180,000 or NTD 762,623 thousand based on 29.13 exchange rate.

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

Note 3: Investment loss recognized in the year is calculated based on the percentage 97.16% of indirect ownership using the audited financial statements of the investee.

B) All related transactions between the holding company or its subsidiary in Mainland China and the Company 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 year ended December 31, 2010

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	
0	Gamania Digital Entertainment Co., Ltd.	Foundation Digital Entertainment Co., Ltd.	1	Purchases	\$ 11,863	Note 4 -%
0	"	Gameastor Digital Entertainment Co., Ltd	1	Rent revenue	8,627	Note 4 -%
0	"	Gameastor Digital Entertainment Co., Ltd	1	Advertising expense	42,105	Note 4 1%
0	"	Gamania Digital Entertainment (Europe) B.V.	1	Other receivables	31,989	Note 4 1%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	11,917	Note 4 -%
0	"	Gameastor Digital Entertainment Co., Ltd	1	Other receivables	5,343	Note 4 -%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	9,104	Note 4 -%
0	"	Gamania Holdings Ltd.	1	Other receivables	5,114	Note 4 -%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Accrued expenses	5,007	Note 4 -%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Other payables	66,868	Note 4 2%
1	Gameastor Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Advertising revenue	42,105	Note 4 1%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Rent expenses	8,627	Note 4 -%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	71,875	Note 4 2%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Other accrued expenses	5,343	Note 4 -%
1	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	License costs	38,274	Note 4 1%
1	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Deferred charges	28,120	Note 4 1%
2	Foundation Digital Entertainment Co.,Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	11,863	Note 4 -%
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	11,917	Note 4 -%

For the year ended December 31, 2010 (Continued)

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Transaction terms			Percentage of total combined revenue or total assets (Note 3)
				Subject	Amount	Transaction terms	
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Firedog Studio Company Ltd.	3	Other receivables	\$ 5,380	Note 4	-%
4	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	9,104	Note 4	-%
5	Gamania Digital Entertainment (Europe) B.V.	Gamania Digital Entertainment Co., Ltd.	2	Other accrued expenses	31,989	Note 4	1%
6	Gamania Holdings Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other accrued expenses	5,114	Note 4	-%
7	Firedog Studio Company Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts payable	5,380	Note 4	-%
8	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	License costs	96,215	Note 4	2%
8	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Accounts payable	9,705	Note 4	-%
9	Gamania Digital Entertainment Labuan Holdings, Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	License revenue	96,215	Note 4	2%
9	"	Gameastor Digital Entertainment Co., Ltd.	3	License revenue	38,274	Note 4	1%
9	"	Playcoo Co.	3	License costs	84,356	Note 4	1%
9	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	9,705	Note 4	-%
9	"	Playcoo Co.	3	Accounts payable	19,113	Note 4	-%
9	"	Gameastor Digital Entertainment Co., Ltd.	3	Unearned revenue collected in advance	28,120	Note 4	1%
10	Playcoo Co.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	License revenue	84,356	Note 4	1%
10	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Accounts receivable	19,113	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 year ended December 31, 2009

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Transaction terms			Percentage of total combined revenue or total assets (Note 3)
				Subject	Amount	Transaction terms	
0	Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	1	Rent revenue	\$ 8,416	Note 4	-%
0	"	Playcoo Co.	1	License costs	16,693	Note 4	-%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Purchases	82,364	Note 4	2%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Advertising expense	24,720	Note 4	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	13,409	Note 4	-%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Other receivables	8,197	Note 4	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	5,672	Note 4	-%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Other payables	51,122	Note 4	1%
1	Gameastor Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	82,364	Note 4	2%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Advertising revenue	24,720	Note 4	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Rent expenses	8,416	Note 4	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	51,122	Note 4	1%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	8,197	Note 4	-%
2	Playcoo Co.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	License revenue	84,771	Note 4	2%
2	"	Gamania Digital Entertainment Co., Ltd.	2	License revenue	16,693	Note 4	-%
2	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Accounts receivable	14,561	Note 4	-%
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	13,409	Note 4	-%

For the year ended December 31, 2009 (Continued)

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Transaction terms			Percentage of total combined revenue or total assets (Note 3)
				Subject	Amount	Transaction terms	
4	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	\$ 5,672	Note 4	-%
5	Gamania Digital Entertainment (Japan) Co., Ltd.	Playcoo Co.	3	License costs	84,771	Note 4	2%
5	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Accounts payable	8,936	Note 4	-%
6	Gamania Digital Entertainment Labuan Holdings, Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	8,936	Note 4	-%
6	"	Playcoo Co.	3	Accounts payable	14,561	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 FINANCIAL INFORMATION

(1) Financial information by industry segments

The Group is engaged mainly in one single industry – the software services and trading. Accordingly, no industry information by segment is presented.

(2) Financial information by geographic areas

	2010				Adjustments and Elimination	Consolidated
	America	Europe	Asia	Taiwan		
Operating revenue from unaffiliated customers	\$ -	\$ -	\$ 1,124,256	\$ 4,729,692	\$ -	\$ 5,853,948
Operating revenue from the Company and its consolidated subsidiaries	-	-	-	203,473	(203,473)	-
Total operating revenue	\$ -	\$ -	\$ 1,124,256	\$ 4,933,165	(\$ 203,473)	\$ 5,853,948
Segment profits	\$ -	\$ -	\$ 543,222	\$ 1,506,564	(\$ 37,575)	\$ 2,012,211
Investment loss accounted for under the equity method						(8,551)
General expenses (including non-operating revenue and expenses)						(1,623,684)
Interest expenses						(4,122)
Net loss before income tax and minority interest						\$ 375,854
Identifiable assets	\$ 79,602	\$ 25,997	\$ 915,140	\$ 3,252,196	(\$ 173,328)	\$ 4,099,607
Financial assets carried at cost						114,294
— non-current						
Prepayment for long-term investment						-
General assets						89,603
Total Assets						\$ 4,303,504
Depreciation	\$ 2,841	\$ -	\$ 33,027	\$ 94,369	\$ -	\$ 130,237
Capital expenditures	\$ 57,196	\$ -	\$ 91,826	\$ 144,397	\$ -	\$ 293,419

	2009				
	<u>America</u>	<u>Asia</u>	<u>Taiwan</u>	<u>Adjustments and Elimination</u>	<u>Consolidated</u>
Operating revenue from unaffiliated customers	\$ -	\$ 1,100,839	\$ 4,061,456	\$ -	\$ 5,162,295
Operating revenue from the Company and its consolidated subsidiaries	-	-	224,235	(224,235)	-
Total operating revenue	<u>\$ -</u>	<u>\$ 1,100,839</u>	<u>\$ 4,285,691</u>	<u>(\$ 224,235)</u>	<u>\$ 5,162,295</u>
Segment profits	<u>\$ -</u>	<u>\$ 558,829</u>	<u>\$ 1,197,960</u>	<u>(\$ 22,654)</u>	\$ 1,734,135
Investment loss accounted for under the equity method					(7,910)
General expenses (including non-operating revenue and expenses)					(1,273,133)
Interest expenses					(3,173)
Net loss before income tax and minority interest					<u>\$ 449,919</u>
Identifiable assets	<u>\$ 3,489</u>	<u>\$ 701,190</u>	<u>\$ 3,248,651</u>	<u>(\$ 117,877)</u>	\$ 3,835,453
Financial assets carried at cost — non-current					114,294
Prepayment for long-term investment					-
General assets					49,000
Total Assets					<u>\$ 3,998,747</u>
Depreciation	<u>\$ 87</u>	<u>\$ 22,873</u>	<u>\$ 121,676</u>	<u>\$ -</u>	<u>\$ 144,636</u>
Capital expenditures	<u>\$ 1,722</u>	<u>\$ 34,298</u>	<u>\$ 110,396</u>	<u>\$ -</u>	<u>\$ 146,416</u>

(3) Information regarding export sales

The Company does not have export sales exceeding 10% of operating revenues in 2010 and 2009.

(4) Information regarding major customers

Year 2010

<u>Customer Name</u>	<u>Sales (Note)</u>	<u>% of net sales</u>
Customer A	\$ 2,253,533	32
Customer B	1,226,522	17
Customer C	<u>753,671</u>	<u>11</u>
	<u>\$ 4,233,726</u>	<u>60</u>

Year 2009

<u>Customer Name</u>	<u>Sales (Note)</u>	<u>% of net sales</u>
Customer A	\$ 1,741,357	29
Customer B	978,336	16
Customer C	<u>744,241</u>	<u>12</u>
	<u>\$ 3,463,934</u>	<u>57</u>

Note : Since consumers can choose on-line games launched by other companies via virtual prepaid cards sold by the Company, part of the sales amount will be reclassified into collections and payments transfer accounts. Accordingly, the Group is unable to calculate actual sales for each individual customer. As a result, the Group discloses the individual distribution percentage of net distributions instead.