

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

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

SEPTEMBER 30, 2011 AND 2010

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.

Review Report of Independent Accountants Translated from Chinese

PWCR11000109

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

We have reviewed the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of income and of cash flows for the nine-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

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

As described in Note 1(2), the consolidated financial statements include unreviewed financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$1,713,363 thousand and \$1,261,343 thousand as of September 30, 2011 and 2010, respectively, and total operating revenues of \$3,799,298 thousand and \$1,068,681 thousand for the nine-month periods then ended, respectively. In addition, as explained in Note 4(7), the consolidated financial statements include long-term investments accounted for under the equity method amounting to \$5,647 thousand and \$4,367 thousand as of September 30, 2011 and 2010, respectively, and the related investment loss was \$4,156 thousand and \$5,390 thousand for the nine-month periods then ended, respectively. These amounts and the information disclosed in Note 11 were based on their respective financial statements which were not reviewed by independent accountants.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of these investee companies been reviewed by independent accountants as explained in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be 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

October 24, 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 review report of the independent accountants are not intended for use by those who are not informed about the accounting principles or review standards generally accepted in the Republic of China, and their applications in practice.

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

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2011	2010		2011	2010
ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash and cash equivalents (Note 4(1))	\$ 1,504,704	\$ 1,160,759	Short-term loans (Note 4(11))	\$ 102,548	\$ 183,195
Notes receivable – third parties – net (Note 4(2))	113,165	161,462	Notes payable – third parties	6,726	1,406
Accounts receivable – third parties – net (Note 4(3))	1,219,128	1,286,083	Accounts payable – third parties	491,980	246,062
Other receivables (Note 4(14))	33,403	32,863	Accounts payable – related parties (Note 5(2))	69,571	-
Inventories – net (Note 4(4))	118,020	40,324	Income tax payable (Note 4(14))	63,329	62,547
Prepaid expenses	94,026	81,139	Accrued expenses (Note 4(18))	446,310	406,792
Deferred income tax assets – current (Note 4(14))	1,637	12,095	Other payables	132,740	296,350
Other current assets	23,528	3,348	Unearned revenue collected in advance	393,917	381,004
	3,107,611	2,778,073	Current portion of long-term loans (Note 4(13))	25,962	35,300
<u>Long-term Investments</u>			Other current liabilities	29,867	12,661
Financial assets at fair value through profit or loss – non-current (Note 4(5))	2,850	2,850		1,762,950	1,625,317
Financial assets carried at cost – non-current (Note 4(6))	124,294	114,294	<u>Long-term Liabilities</u>		
Long-term investments – accounted for under the equity method (Note 4(7))	5,647	4,367	Financial liabilities at fair value through profit or loss – non-current		
	132,791	121,511	(Note 4(12))	3,426	2,805
<u>Property, Plant and Equipment – net (Notes 4(8) and 6)</u>			Long-term loans (Note 4(13))	11,136	34,822
Cost				14,562	37,627
Land	157,375	147,751	<u>Other Liabilities</u>		
Buildings	217,508	185,113	Accrued pension liabilities (Note 4(15))	10,307	10,240
Machinery and equipment	879,491	691,857	Guarantee deposits	6	6
Transportation equipment	-	1,002	Deferred income tax liabilities – non-current (Note 4(14))	2,001	-
Office equipment	203,311	173,617	Other liabilities – other	378	440
Leasehold improvements	73,616	46,920		12,692	10,686
Other equipment	21,426	13,838	<u>Total Liabilities</u>	1,790,204	1,673,630
Total Cost	1,552,727	1,260,098	<u>Stockholders' Equity</u>		
Less: Accumulated depreciation	(758,820)	(647,241)	Common stock		
Accumulated impairment	(4,150)	(4,390)	Common stock (Note 1)	1,564,011	1,656,376
Construction in progress and prepayments for equipment	14,405	44,402	Stock subscriptions received in advance (Note 4(21))	3,504	644
	804,162	652,869	Capital reserve (Note 4(16))		
<u>Intangible Assets</u>			Paid-in capital in excess of par	831,892	853,598
Trademark	4,715	-	Additional paid-in capital – treasury stock transactions	24,234	-
Goodwill	86,814	76,477	Gain on disposal of property, plant and equipment	221	221
Deferred pension cost (Note 4(15))	1,475	1,292	Retained earnings		
Other intangible assets – net (Note 4(9))	4,660	159	Legal reserve (Notes 4(17) and (18))	140,910	117,650
	97,664	77,928	Retained earnings (Notes 4(14) and (18))	203,436	335,536
<u>Other Assets</u>			Other adjustments to stockholders' equity		
Refundable deposits	54,949	53,552	Cumulative translation adjustments	40,600	36,265
Deferred charges – net (Notes 4(10) and 5(2))	392,988	607,389	Unrealized net loss	(1,126)	(565)
Deferred income tax assets – non-current (Note 4(14))	29,583	25,524	Treasury stock (Note 4(20))	-	(370,182)
Other asset – others (Notes 4(15))	9,151	8,440		2,807,682	2,629,543
	486,671	694,905	Minority interest	31,013	22,113
TOTAL ASSETS	\$ 4,628,899	\$ 4,325,286	<u>Total Stockholders' Equity</u>	2,838,695	2,651,656
			Commitments and Contingent Liabilities (Note 7)		
			TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,628,899	\$ 4,325,286

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

See review report of independent accountants dated October 24, 2011.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	<u>2011</u>	<u>2010</u>
Operating revenues		
Sales revenue	\$ 5,345,791	\$ 4,393,554
Sales returns	(6,527)	(89,140)
Sales allowances	(17,288)	(5,218)
Net sales revenue	5,321,976	4,299,196
Service revenue	37,727	71,028
Total operating revenues	<u>5,359,703</u>	<u>4,370,224</u>
Operating costs		
Cost of goods sold (Notes 4(22) and 5(2))	(3,104,805)	(2,231,050)
Gross profit	<u>2,254,898</u>	<u>2,139,174</u>
Operating expenses (Notes 4(22) and 5(2))		
Selling expenses	(510,618)	(633,285)
General and administrative expenses	(1,012,258)	(762,654)
Research and development expenses	(446,641)	(346,318)
Total operating expenses	<u>(1,969,517)</u>	<u>(1,742,257)</u>
Operating income	<u>285,381</u>	<u>396,917</u>
Non-operating income		
Interest income	2,617	1,359
Gain on disposal of property, plant and equipment	52	-
Foreign exchange gain	-	4,747
Rental income	14,097	1,648
Gain on adjustment of financial assets (Note 4(12))	602	549
Miscellaneous income	17,550	7,133
Total non-operating income	<u>34,918</u>	<u>15,436</u>
Non-operating expenses		
Interest expense	(1,818)	(3,829)
Investment loss accounted for under the equity method (Note 4(7))	(4,156)	(5,390)
Loss on disposal of property, plant and equipment	-	(5,462)
Foreign exchange loss	(6,497)	-
Miscellaneous losses	(31,123)	(77,742)
Total non-operating expenses	<u>(43,594)</u>	<u>(92,423)</u>
Income before income tax	276,705	319,930
Income tax expense (Note 4(14))	(101,961)	(150,562)
Consolidated net income	<u>\$ 174,744</u>	<u>\$ 169,368</u>
Attributable to:		
Equity holders of the Company	\$ 172,934	\$ 169,221
Minority interest	1,810	147
	<u>\$ 174,744</u>	<u>\$ 169,368</u>

	<u>2011</u>		<u>2010</u>	
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>
Basic earnings per share (in dollars) (Note 4(19))				
Profit attributable to equity holders of the Company	\$ 1.78	\$ 1.12	\$ 2.10	\$ 1.11
Minority interest income	0.01	0.01	-	-
Consolidated net income	<u>\$ 1.79</u>	<u>\$ 1.13</u>	<u>\$ 2.10</u>	<u>\$ 1.11</u>
Diluted earnings per share (in dollars) (Note 4(19))				
Profit attributable to equity holders of the Company	\$ 1.74	\$ 1.10	\$ 2.04	\$ 1.08
Minority interest income	0.01	0.01	-	-
Consolidated net income	<u>\$ 1.75</u>	<u>\$ 1.11</u>	<u>\$ 2.04</u>	<u>\$ 1.08</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated October 24, 2011.

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

	2011	2010
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 174,744	\$ 169,368
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on valuation of financial assets	(602)	(549)
(Reversal of allowance) provision for sales returns	(367)	3,227
Provision for doubtful accounts	9,058	14,707
Provision for decline in market value of inventories	1,083	8,171
Investment loss accounted for under the equity method	4,156	5,390
Depreciation and amortization	347,907	351,550
(Gain) loss on disposal of property, plant and equipment	(52)	5,462
Deferred charges charged to other loss	30,042	66,170
Deferred income tax assets	19,925	70,142
Compensation cost of treasury stock transactions	40,463	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Financial assets at fair value through profit or loss – current	755	503
Notes receivable – third parties	11,244	(48,459)
Accounts receivable – third parties	(33,130)	(181,565)
Other receivables – third parties	(4,091)	6,364
Inventories	(89,109)	12,089
Prepaid expenses	(41,783)	(46,546)
Other current assets	(19,219)	(702)
Increase (decrease) in:		
Notes payable – third parties	6,671	(8,650)
Accounts payable – third parties	254,722	29,331
Accounts payable – related parties	69,571	-
Income tax payable	24,875	49,965
Accrued expenses	9,299	20,289
Other payables – third parties	(186,211)	135,217
Unearned revenue collected in advance	76,536	15,931
Other current liabilities	19,699	(46,172)
Accrued pension liabilities	766	557
Net cash provided by operating activities	726,952	631,790

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

	<u>2011</u>	<u>2010</u>
<u>Cash flows from investing activities</u>		
Increase in financial assets carried at cost – non-current	(\$ 10,000)	\$ -
Increase in minority interest acquisition price	-	(38,337)
Decrease in other financial assets – current	-	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	(7,400)	(116)
Acquisition of property, plant and equipment	(218,525)	(211,221)
Increase in deferred charges	(74,514)	(285,460)
Proceeds from disposal of property, plant, and equipment and deferred charges	2,812	188
Increase in refundable deposits, net	(6,752)	(6,462)
Increase in Intangible assets	(2,342)	-
Increase in other assets – other	(25)	(15)
Increase in financial liabilities at fair value through profit or loss – non-current	-	2,850
Net cash used in investing activities	<u>(316,746)</u>	<u>(539,423)</u>
<u>Cash flows from financing activities</u>		
(Decrease) increase in short-term loans	(52,434)	37,642
(Decrease) increase in long-term loans	(21,611)	20,129
Decrease in guarantee deposits	-	(374)
Decrease in other liabilities – other	(374)	(13)
Employee stock options to be exercised	54,758	103,913
Payment of cash dividends	(186,035)	(197,999)
Treasury stock transactions	19,351	-
Changes in minority interest	(673)	1,919
Net cash used in financing activities	<u>(187,018)</u>	<u>(34,783)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>22,836</u>	<u>(1,836)</u>
Net increase in cash and cash equivalents	246,024	55,748
Cash and cash equivalents at beginning of period	<u>1,258,680</u>	<u>1,105,011</u>
Cash and cash equivalents at end of the period	<u>\$ 1,504,704</u>	<u>\$ 1,160,759</u>
 <u>Supplemental disclosures of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 1,834</u>	<u>\$ 3,664</u>
Income taxes	<u>\$ 57,161</u>	<u>\$ 24,029</u>
 <u>Cash paid for the acquisition of property, plant and equipment</u>		
Property, plant and equipment acquired	\$ 196,680	\$ 212,794
Payable at end of the period	(15,884)	(12,072)
Payable at beginning of the period	<u>37,729</u>	<u>10,499</u>
Cash paid	<u>\$ 218,525</u>	<u>\$ 211,221</u>

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated October 24, 2011.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

(1) Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of September 30, 2011, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 12 million shares of employee stock options), at a par value of \$10 (NT dollars) per share, and the issued and outstanding capital was \$1,564,011. The Company is engaged in software services. As of September 30, 2011, the Company and its consolidated subsidiaries had approximately 1,730 employees.

(2) Consolidated subsidiaries

A) Name of company	Relationship	Main activities	% of shares held as of September 30	
			2011	2010
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	98.56%	98.15%
Gamania Western Holdings Ltd.	Note 3	Investment holdings	100%	100%
Gamania Netherlands Holdings Cooperatief U.A.	Note 3	Investment holdings	100%	100%
Firedog Studio Company Ltd.	Note 3	Development of software, design and sales of software	100%	-
Gash Plus (Hong Kong) Company Ltd.	Note 3	Software and electronic information services and sales	100%	-
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note 4	Design and sales of software	98.56%	98.15%
Gamania Sino Holdings Co., Ltd.	Note 4	Investment holding	98.56%	98.15%
Gamania Digital Entertainment (Europe) B.V.	Note 5	Design and sales of software	100%	100%
Gamania Digital Entertainment (U.S.) Co., Ltd.	Note 6	Design and sales of software	100%	100%

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of September 30</u>	
			<u>2011</u>	<u>2010</u>
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note 7	Design and sales of software	98.56%	98.15%
Gameastor Digital Entertainment Co., Ltd. (Note 8)	Note 1	Software services	99.28%	99.28%
Gamania Asia Investments Co., Ltd.	Note 1	Investment holdings	100%	100%
Gamania Korea Co., Ltd.	Note 1	Design and sales of software	100%	100%
Fantasy Fish Digital Game Co., Ltd.	Note 1	Design and research of software	99.75%	99.58%
Foundation Digital Entertainment Co., Ltd.	Note 1	Sale 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 of software	100%	100%
Seedo Games Co., Ltd.	Note 1	Design and research of software	100%	100%
Playcoo Co.	Note 1	Design and research of software	75.25%	75.25%
Two Tigers Co., Ltd.	Note 1	Animation production	51%	-
Gash Plus Co., Ltd.	Note 1	Software and electronic information services and sales	100%	-
Tornado Studio Co., Ltd. (Note 9)	Note 3	Design and research of software	100%	-

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 Co., Ltd.

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

Note 9: Tornado Studio Co., Ltd., formerly Gama Games Co., Ltd., has completed its change of registration in August 2011.

- B) The consolidated financial statements include unreviewed financial statements of certain consolidated subsidiaries as of September 30, 2011 and 2010. The statements reflect total assets of \$1,713,363 and \$1,261,343 as of September 30, 2011 and 2010, respectively, and total operating revenues of \$3,799,298 and \$1,068,681 for the nine-month periods then ended, respectively.

(3) Changes in the consolidated subsidiaries:

No subsidiary was deconsolidated from the consolidated financial statements during the nine-month periods ended September 30, 2011. The following were 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 September 30</u>		<u>Note</u>
			<u>2011</u>	<u>2010</u>	
Two Tigers Co., Ltd.	Note 1	Animation production	51%	-	Note 5
Gash Plus Co., Ltd.	Note 1	Software and electronic information services and sales	100%	-	Note 4
Firedog Studio Company Ltd.	Note 2	Design and research of software	100%	-	Note 5
Gash Plus (Hong Kong) Company Ltd.	Note 2	Software and electronic information services and sales	100%	-	Note 4
Tornado Studio Co., Ltd.	Note 2	Design and research and development of software	100%	-	Note 3

Note 1: Majority-owned subsidiary.

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

Note 3: The company was established in the second quarter of 2011.

Note 4: The company was established in the first quarter of 2011.

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 are excluded from the consolidated statements of income effective the date on which the Company loses control over the subsidiary. For the initial year of adoption of SFAS No. 7, restatement of prior year's financial statements is not required.
- C) All significant intercompany balances and transactions are eliminated in the consolidation.

(2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of the foreign subsidiaries are translated into New Taiwan dollars using the exchange rate at the balance sheet date; equity accounts are translated at historical rates, except for beginning retained earnings which is transferred from prior year's ending retained earnings, and profit and loss accounts which are translated using 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 Group'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) Notes and accounts receivable and other receivables

- A) Receivables arising from the sale of goods or services to customers are recognized as notes and accounts receivable. Other receivables are those arising from transactions other than sale of goods or services.
- B) The Group measures notes and accounts receivable and other receivables based on the aging and collectibility of receivables and past experience of bad debts.
- C) The Group assesses whether objective evidence of impairment exists individually for financial assets at the balance sheet date since January 1, 2011. Once the objective evidence of impairment exists, an impairment loss is recognized.

(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. Retroactive adjustment of the amount of goodwill amortized in previous years is not required.
- B) Investment loss on the non-controlled entities over which the Company 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 Company continues to provide endorsements, guarantees or financial support for such investees, the investment loss is recognized continuously in proportion to the Company's equity interest in such investees.

In the case of controlled entities, the Company recognizes all the losses incurred by such entities that will not be covered by other stockholders. When the operations of such investees become profitable, the Company recognizes the profits until the amount of losses previously recognized by the Company 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 Company.
- 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 1 years using the straight-line method.

(13) Impairment of non-financial assets

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

(14) Share-based payment – employee compensation plan

- A) The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072, “Accounting for Employee Stock Options” as prescribed by the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share are prepared in accordance with the R.O.C. SFAS No. 39, “Accounting for Share-based Payment“.
- B) For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

(15) Employees’ bonuses and directors’ and supervisors’ remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration”, the costs of employees’ bonuses and directors’ and supervisors’ remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or

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

(16) Deferred income tax assets and income tax

- A) Income tax of the Company and its domestic subsidiaries are provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different and same periods for tax and financial reporting purposes. Over or under provision of prior years' income tax liabilities is included in current years' income tax expenses. 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).
- B) The 10% additional income tax on undistributed earnings is recorded as income tax expense in the period the stockholders approve a resolution to retain the earnings.
- C) The Company's overseas subsidiaries' income taxes are subject to their local regulations.

(17) Retirement plan

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

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

(18) Treasury stock

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

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

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

(19) Revenues, costs and expenses

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

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

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

D) Sales returns are estimated based on a percentage of sales.

E) Costs and expenses are recognized as incurred.

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

(20) Earnings per share

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

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

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

B) The potential dilutive shares are employee stock options and estimated shares of employees' bonuses when distributing stock. The Company adopted the

“treasury stock method” in computing the dilutive effect of the employee stock options and the employees’ bonuses.

(21) Use of estimates

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

(22) Operating segments

The Company discloses the segment information in accordance with the internal management report provided to the chief operating decision-maker. The Company’s chief operating decision-maker is the chief executive officer, who distributes resources and assesses performance.

Effective January 1, 2011, in accordance with the Statement of Financial Accounting Standards No. 41, “Operating Segments”, the Company discloses the segment information in the consolidated financial reports and not in the stand-alone financial statements.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Notes and accounts receivable, other receivables

Effective January 1, 2011, the Company and its domestic subsidiaries adopted the amended Statement of Financial Accounting Standards No. 34, “Financial Instruments: Recognition and Measurement”. Under the amended standard, if there is any objective evidence that the notes and accounts receivable, other receivables and other rights of credit are impaired, an impairment loss (or provision for doubtful accounts) is recognized immediately. The adoption of this regulation had no significant effect on the consolidated financial statements as of and for the nine-month period ended September 30, 2011.

(2) Operating segments

Effective January 1, 2011, the Company and its domestic subsidiaries adopted the newly issued Statement of Financial Accounting Standards No. 41, “Operating Segments” to replace Statement of Financial Accounting Standards No. 20, “Segment Reporting”. The Company has restated the segment information as of and for the nine-month period ended September 30, 2010 in accordance with the standard. The adoption of this regulation had no effect on the consolidated net

income and earnings per share for the nine-month period ended September 30, 2011 and 2010.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 1,096	\$ 19,152
Demand deposit and checking deposit	977,500	719,697
Time deposits	526,108	421,910
	<u>\$ 1,504,704</u>	<u>\$ 1,160,759</u>

(2) Notes receivable – net

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Notes receivable	\$ 113,181	\$ 161,478
Less: Allowance for doubtful accounts	(16)	(16)
	<u>\$ 113,165</u>	<u>\$ 161,462</u>

(3) Accounts receivable – net

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ 1,324,598	\$ 1,385,778
Less: Allowance for doubtful accounts	(101,336)	(91,492)
Allowance for sales returns	(4,134)	(8,203)
	<u>\$ 1,219,128</u>	<u>\$ 1,286,083</u>

(4) Inventories – net

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Inventories	\$ 122,508	\$ 47,717
Less: Allowance for obsolescence and market value decline	(4,488)	(7,393)
	<u>\$ 118,020</u>	<u>\$ 40,324</u>

Related loss recognized for the period:

For the nine-month periods ended September 30,

	<u>2011</u>	<u>2010</u>
Provision for decline in market value of inventories	\$ 1,083	\$ 8,171
Loss (gain) on physical count of inventories	<u>\$ 19</u>	<u>(\$ 3)</u>

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

<u>Items</u>	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Designated as at financial assets at fair value through profit or loss:		
Callable preferred stock	\$ 2,850	\$ 2,850
Adjustment of designated as at fair value through profit or loss	-	-
	<u>\$ 2,850</u>	<u>\$ 2,850</u>

For business operation purposes, the Company's domestic subsidiary, Gamania Asia Investment Co., Ltd., invested 285 thousand shares at a par value of \$10 (NT dollars) per share in the amount of \$2,850. Such investment is not entitled to a voting right, profit distribution right and the right to claim for remaining property. According to the investment contract, both parties agreed that during the thirty days from the repurchase base day, which is at the expiration of three years of settling date or other documents' appointment date, the investor can ask the 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 – non-current.

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

<u>Items</u>	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Unlisted stocks		
Nice Finance Co., Ltd.	\$ 91,453	\$ 91,453
NC Taiwan Co., Ltd.	22,841	22,841
Compass Systems Corp.	10,000	-
	<u>\$ 124,294</u>	<u>\$ 114,294</u>

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

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

A) List of long-term investments

<u>Name of investee</u>	<u>September 30, 2011</u>			<u>Investment loss for the nine-month period ended September 30, 2011</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Taiwan e-sports Co., Ltd.	<u>\$ 39,400</u>	39.40%	<u>\$ 5,647</u>	<u>(\$ 4,156)</u>
<u>Name of investee</u>	<u>September 30, 2010</u>			<u>Investment loss for the nine-month period ended September 30, 2010</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Taiwan e-sports Co., Ltd.	\$ 30,000	40.00%	\$ 4,251	(\$ 5,390)
EYOU Digital (Shanghai) Co., Ltd.	<u>116</u>	20.00%	<u>116</u>	<u>-</u>
	<u>\$ 30,116</u>		<u>\$ 4,367</u>	<u>(\$ 5,390)</u>

B) Long-term investments accounted for under the equity method, Taiwan e-sports Co., Ltd. and EYOU Digital (Shanghai) Co., Ltd., were based on the investees' financial statements as of and for the nine-month periods ended September 30, 2011 and 2010 which were not reviewed by independent accountants.

(8) Property, plant, and equipment

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>Cost</u>		
Land	\$ 157,375	\$ 147,751
Buildings	217,508	185,113
Machinery and equipment	879,491	691,857
Transportation equipment	-	1,002
Office equipment	203,311	173,617
Leasehold improvements	73,616	46,920
Other equipment	<u>21,426</u>	<u>13,838</u>
	<u>1,552,727</u>	<u>1,260,098</u>
<u>Accumulated depreciation</u>		
Buildings	(45,521)	(38,145)
Machinery and equipment	(564,175)	(443,150)
Transportation equipment	(-)	(206)
Office equipment	(116,821)	(123,123)
Leasehold improvements	(25,034)	(36,338)
Other equipment	<u>(7,269)</u>	<u>(6,279)</u>
	<u>(758,820)</u>	<u>(647,241)</u>
Construction in progress and prepayments for equipment	14,405	44,402
Less: Accumulated impairment	<u>(4,150)</u>	<u>(4,390)</u>
Book value	<u>\$ 804,162</u>	<u>\$ 652,869</u>

(9) Other intangible assets

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Franchises for sales of on-line games	\$ 4,188	\$ -
Franchises for game development	472	159
	<u>\$ 4,660</u>	<u>\$ 159</u>

(10) Deferred charges

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Royalty payments	\$ 194,892	\$ 488,932
Unamortized expense	198,096	118,457
	<u>\$ 392,988</u>	<u>\$ 607,389</u>

(11) Short-term loans

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Short-term bank loans	<u>\$ 102,548</u>	<u>\$ 183,195</u>
Annual interest rates	<u>1.30%~7.54%</u>	<u>1.48%~5.103%</u>
Credit lines	<u>\$ 2,413,313</u>	<u>\$ 2,082,339</u>

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

<u>Items</u>	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Designated as at financial liabilities at fair value through profit or loss:		
Callable preferred stock liability	\$ 2,850	\$ 2,850
Adjustment of designated as at fair value through profit or loss	576	(45)
	<u>\$ 3,426</u>	<u>\$ 2,805</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>September 30,</u>	
			<u>2011</u>	<u>2010</u>
Sumitomo Mitsui Banking Corporation	JPY 90,000 (Note 1)	09.24.2008 ~ 09.23.2011, equal quarterly installments (Note2)	\$ -	\$ 10,901
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note 1)	08.31.2009 ~ 08.31.2012, equal quarterly installments	13,236	24,877
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note 1)	09.01.2010 ~ 08.30.2013, equal quarterly installments	<u>23,862</u>	<u>34,344</u>
			37,098	70,122
Less: Current portion			(<u>25,962</u>)	(<u>35,300</u>)
			<u>\$ 11,136</u>	<u>\$ 34,822</u>

Note 1: In thousands of yen.

Note 2: The principal was repaid in April 2011.

(14) Income tax

A) Income tax payable and income tax expense for the nine-month periods ended September 30, 2011 and 2010 are reconciled as follows:

	For the nine-month periods ended September 30,	
	2011	2010
Current year income tax expense	\$ 99,631	\$ 138,183
Effect of changes in the deferred tax asset resulting from the change in tax rate	-	4,352
Additional 10% corporate income tax on undistributed earnings	<u>2,330</u>	<u>8,027</u>
	101,961	150,562
Add (Less): Net change in deferred income tax assets	(19,925)	(70,142)
Prepaid income tax	(14,952)	(99)
Under provision of prior year's income tax	(5,760)	(23,120)
Income tax payable of prior year	-	7,505
Withholding tax by the foreign government	-	(1,687)
Effect of exchange rate	<u>1,607</u>	<u>(523)</u>
Income tax payable	<u>\$ 62,931</u>	<u>\$ 62,496</u>
Income tax refundable recognized as "other receivables"	(\$ 398)	(\$ 51)
Income tax payable	<u>63,329</u>	<u>62,547</u>
	<u>\$ 62,931</u>	<u>\$ 62,496</u>

B) Deferred income tax assets are as follows:

	September 30,	
	2011	2010
Deferred income tax assets – current	\$ 33,084	\$ 12,932
Deferred income tax assets – non-current	228,568	237,320
Deferred income tax liabilities – non-current	<u>(2,001)</u>	<u>-</u>
	259,651	250,252
Less: Valuation allowance – current	(31,447)	(837)
Valuation allowance – non-current	<u>(198,985)</u>	<u>(211,796)</u>
	<u>\$ 29,219</u>	<u>\$ 37,619</u>

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

	September 30,			
	2011		2010	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Current items – assets:				
Allowance for decline in market value and inventory obsolescence	\$ 5,895	\$ 1,002	\$ 7,189	\$ 1,222
Allowance for sales returns	4,777	812	8,203	1,394
Loss carryforwards	72,703	12,360	-	-
Others	33	6	-	-
Investment tax credits		<u>18,904</u>		<u>10,316</u>
		33,084		12,932
Less: Valuation allowance		(<u>31,447</u>)		(<u>837</u>)
		<u>\$ 1,637</u>		<u>\$ 12,095</u>
Non-current items – assets:				
Investment loss on financial assets carried at cost – non-current	\$ 9,851	\$ 1,675	\$ 9,851	\$ 1,675
Loss carryforwards	789,771	134,261	686,873	116,768
Loss on foreign investments	218,685	37,176	180,043	30,607
Reserve for foreign investments	(17,915)	(3,046)	(31,529)	(5,360)
Depreciation allowance in excess of related depreciation	-	-	(15,359)	(2,534)
Retirement fund expense but not deposited with Bank of Taiwan	528	90	38	6
Investment tax credits		<u>58,412</u>		<u>96,158</u>
		228,568		237,320
Less: Valuation allowance		(<u>198,985</u>)		(<u>211,796</u>)
		<u>\$ 29,583</u>		<u>\$ 25,524</u>
Non-current items – liabilities:				
Depreciation allowances in excess of related depreciation	(\$ 12,130)	(<u>\$ 2,001</u>)	\$ -	(<u>\$ -</u>)

D) As of September 30, 2011 and 2010, the balance of shareholders account of deductible tax was as follows:

	September 30,	
	2011	2010
	<u>Amount</u>	<u>Amount</u>
a. Balance of shareholders account of deductible tax	<u>\$ 18,903</u>	<u>\$ 33,387</u>

	<u>2010 (Actual)</u>	<u>2009 (Actual)</u>
b. Creditable tax ratio	<u>9.96%</u>	<u>6.49%</u>

E) Undistributed retained earnings:

	<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>
On or after January 1, 1998		
a. Earnings not subjected to 10% income tax	\$ 172,934	\$ 169,221
b. Earnings subjected to 10% income tax	<u>30,502</u>	<u>166,315</u>
	<u>\$ 203,436</u>	<u>\$ 335,536</u>

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

- (a) As of September 30, 2011, the Company's income tax returns through 2008 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. In June 2011, the Tax Authority lowered the additional tax after the re-examination.

G) As of September 30, 2011, in accordance with "Income Tax Law" and the "Statute for Upgrading Industries", the Company and its domestic subsidiaries had investment tax credits in the amount of \$77,316 to offset against taxable income for the next three years. The details are as follows:

<u>Deductible items</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 76,913	\$ 76,913	2011~2013
Machinery and equipment	<u>403</u>	<u>403</u>	2011~2013
	<u>\$ 77,316</u>	<u>\$ 77,316</u>	

H) As of September 30, 2011, in accordance with the “Income Tax Law”, the Company’s domestic subsidiaries had loss carryforwards in the amount of \$146,621 to offset against taxable income for the next four to ten years. The details are as follows:

<u>Deductible item</u>	<u>Amount reported</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Loss carryforwards	\$ 901,561	\$ 146,621	\$ 146,621	2014~2020

(15) Accrued pension liability

- A) The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter up to a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company and its 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 \$49,255 and \$45,602 as of September 30, 2011 and 2010, respectively. For the nine-month periods ended September 30, 2011 and 2010, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to \$2,039 and \$1,543, respectively. The fund balances are not reflected in the consolidated financial statements. The accumulated contributions exceeded the net pension costs in the amount of \$8,912 and \$8,216 as of September 30, 2011 and 2010, 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., Firedog Studio Company Ltd. and Gamania Digital Entertainment (Europe) B.V. provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were \$3,007 and \$2,520 for the nine-month periods ended September 30, 2011 and 2010, 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 cost was \$6,308 and \$4,146 for the nine-month periods ended September 30, 2011 and 2010, respectively.

D) Effective July 1, 2005, the Company and its domestic subsidiaries, adopted a defined contribution pension plan (the “New Plan”). Under the New Plan, employees have the option to choose the New Plan. The Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts deposited with the Bureau of Labor Insurance. Benefits accrued under the New Plan are portable when the employees leave the company. The net pension costs recognized by the Company and its domestic subsidiaries under the defined contribution plan for the nine-month periods ended September 30, 2011 and 2010 amounted to \$29,346 and \$25,104, respectively.

E) Gamania Holdings Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment Labuan Holdings, Ltd., Gamania International Holdings Ltd., Gamania China Holdings Ltd., Gamania Sino Holdings Ltd., Gamania Western Holdings Ltd., Gamania Digital Entertainment (U.S.) Co., Ltd., Gamania Netherlands Holdings Cooperatief U.A., Gash Plus (Hong Kong) Company Limited and Tornado Studio Co., Ltd. do not have an employee retirement plan.

(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. Pay for taxes and duties.
- b. Covering prior years’ accumulated deficit, if any.
- c. After deducting items a and b, 10% of the remaining amount is appropriated as legal reserve.

- d. In addition to the amount appropriated for legal reserve, the Company may appropriate an amount equal to the negative items in the stockholders' equity from retained earnings as special reserve.
- e. Interest on capital.
- f. After deducting items a to e, 10%~15% of the remaining earnings is appropriated as employees' bonuses and up to 2% as remuneration to directors and supervisors.
- g. The remaining amount is to be distributed to stockholders in accordance with the resolution adopted at the stockholders' meeting.
- B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed 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 2010 and 2009 earnings had been approved at the stockholders' meeting on June 17, 2011 and June 9, 2010, respectively. Details are summarized below:

	2010 earnings		2009 earnings	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 23,260		\$ 30,919	
Cash dividends	186,035	\$ 1.20	197,999	\$ 1.30
Employee 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 \$38,200 and \$5,040, respectively.

Note 2: The amounts approved during the stockholders' meeting for employees' bonus and directors' and supervisors' remuneration are \$41,740 and \$5,565, respectively.

- (a) The amount approved during the stockholders' meeting for the distribution of 2010 earnings for cash dividends was the same with the amount approved by the Company's Board of Directors on April 22, 2011. As employee stock options were converted to common stock, the number of shares outstanding changed during the year. Accordingly, the appropriation of

dividend per share had been adjusted to \$1.19896483 during the board of directors' meeting on July 7, 2011.

- (b) The amount approved during the stockholders' meeting for the distribution of 2009 earnings for cash dividends was the same with the amount approved by the Company's Board of Directors on March 17, 2010.
- D) The estimated amounts of employees' bonuses are \$26,733 and \$32,626, and the estimated amounts of supervisors' remuneration are \$3,564 and \$4,350 for the nine-month periods ended September 30, 2011 and 2010, respectively. The amounts above, constituting 10%~15% and 2%, respectively, of net income after taking into account the legal reserve, are recognized as operating cost and expenses. If the actual distribution amounts are different from the estimated amounts, the difference will be adjusted in the income statement of the following year.
- E) The distribution of employees' bonus and directors' and supervisors' remuneration in 2010, as mentioned in C) above, was different from the employees' bonus of \$41,401 and directors' and supervisors' remuneration of \$5,520 recognized in the 2010 financial statements. The difference of \$3,201 and \$480, respectively, had been adjusted in the consolidated income statement for the nine-month period ended September 30, 2011. The distribution of the employees' bonus and the directors' and supervisors' remuneration in 2009, as mentioned in C) above, was different from the employees' bonus of \$42,596 and directors' and supervisors' remuneration of \$5,679 recognized in the 2009 financial statements. The difference of \$856 and \$114, respectively, had been adjusted in the consolidated income statement for the nine-month period ended September 30, 2010.
- F) For current status of the resolution, please visit the Taiwan Stock Exchange website.

(19) Earnings per share

	For the nine-month period ended September 30, 2011				
	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	\$ 274,895	\$ 172,934	154,770	\$ 1.78	\$ 1.12
Dilutive effect:					
Stock options	-	-	2,222		
Employees' bonus	-	-	862		
Diluted earnings per share:					
Net income	\$ 274,895	\$ 172,934	157,854	\$ 1.74	\$ 1.10

	For the nine-month period ended September 30, 2010				
	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	\$ 319,783	\$ 169,221	152,199	\$ 2.10	\$ 1.11
Dilutive effect:					
Stock options	-	-	4,095		
Employees' bonus	-	-	758		
Diluted earnings per share:					
Net income	\$ 319,783	\$ 169,221	157,052	\$ 2.04	\$ 1.08

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 nine-month periods ended September 30, 2011 and 2010 are set forth below (in thousands of shares):

A) Purpose	For the nine-month period ended September 30, 2011			
	Beginning	Additions	Disposals	Ending
Employee stock options	13,099	-	(13,099)	-

Purpose	For the nine-month period ended September 30, 2010			
	Beginning	Additions	Disposals	Ending
Employee stock options	13,099	-	-	13,099

B) The maximum and ending balances of treasury stock for the nine-month periods ended September 30, 2011 and 2010 are as follows:

September 30, 2011		September 30, 2010	
Maximum balance	Ending balance	Maximum balance	Ending balance
\$ 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 and treasury stocks for all other purposes shall be reissued within three years from the month of acquisition.

F) After the approval of the board of directors' meeting on April 22, 2011, the treasury stocks which were not reissued within three years from the month of acquisition have been retired totaling 11,840 thousand shares. The retirement resulted in the decrease in capital of \$118,400. The rate of capital reduction was 7.04%, and the effective date was April 23, 2011. After the approval of the board of directors during its meeting on July 7, 2011, the treasury stocks were transferred to employees at a price of \$15.37 per share. The total amount paid by the employees was \$19,351 and compensation cost was \$40,463. The effective date was July 7, 2011.

G) The fair value was estimated using “The Black Scholes model” as follows:

Transaction type	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected vesting period (year)	Expected dividend (in dollars)	Risk-free interest rate	Fair value (in dollars)
Treasury stock transactions	July 7, 2011	\$48.70	\$15.37	31.29%	0.057	\$1.20	0.87%	\$32.14

(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 17, 2007. The stock option has an exercise period of six years. Employees will be able to exercise these options after two years in accordance with the procedures of the employee stock option plan.

B) The units and weighted average exercise price of the stock options for the nine-month periods ended September 30, 2011 and 2010 were as follows:

Stock Options	For the nine-month periods ended September 30,			
	2011		2010	
	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)
Beginning balance	7,249	\$ 24.20	12,663	\$ 25.33
Number of options granted	-	-	-	-
Adjustment due to issuance of stock options	-	-	-	-
Exercised	(2,271)	-	(3,963)	-
Cancelled	(68)	-	(837)	-
Ending balance	<u>4,910</u>	23.60	<u>7,863</u>	24.20
Exercisable at the end of the period	<u>4,910</u>		<u>2,779</u>	
Authorized but unissued at the end of the period	<u>-</u>		<u>-</u>	

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

Note 2: As of September 30, 2011, 350 thousand shares had not been registered and were accounted for under stock subscriptions received in advance.

Note 3: As of September 30, 2011, 64 thousand shares had not been registered and were accounted for under stock subscriptions received in advance.

C) As of September 30, 2011 and 2010, the details of outstanding stock options are as follows:

<u>For the nine-month period ended September 30, 2011</u>					
<u>Outstanding stock options</u>			<u>Exercisable stock options</u>		
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)
\$ 23.60	4,910	2.167	\$ 23.60	4,910	\$ 23.60

<u>For the nine-month period ended September 30, 2010</u>					
<u>Outstanding stock options</u>			<u>Exercisable stock options</u>		
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	7,863	3.167	\$ 24.20	2,779	\$ 24.20

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

(a) Model: The Black-Scholes model

(b) Assumptions:

<u>For the nine-month period ended September 30, 2011</u>	
<u>Black-Scholes model assumptions</u>	
Dividend yield	0%
Volatility (Note 1)	43.58%
Risk-free interest rate	2.65%
Expected life of the options	4.3 years
Exercise price (Note 2)	\$ 23.60 (in dollars)
Amortization period	2~3 years

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

Note 2: Exercise price of the stock options mentioned above considered the effect of earnings distribution and was readjusted to \$23.60.

(c) Result of evaluation:

<u>For the nine-month period ended September 30, 2011</u>	
<u>Black-Scholes model assumptions</u>	
Weighted average fair value of options granted to employees	\$ 10.95 (in dollars)
Compensation cost under “fair value method”	\$ 10,639

(22) Personnel, depreciation and amortization expenses

	<u>For the nine-month period ended September 30, 2011</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 88,348	\$ 861,007	\$ 949,355
Labor and health insurances	8,799	64,916	73,715
Pension	3,043	37,657	40,700
Others	1,864	55,805	57,669
	<u>\$ 102,054</u>	<u>\$ 1,019,385</u>	<u>\$ 1,121,439</u>
Depreciation	<u>\$ 64,941</u>	<u>\$ 61,956</u>	<u>\$ 126,897</u>
Amortization	<u>\$ 151,037</u>	<u>\$ 69,973</u>	<u>\$ 221,010</u>

	<u>For the nine-month period ended September 30, 2010</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 64,654	\$ 715,706	\$ 780,360
Labor and health insurances	6,089	52,659	58,748
Pension	2,359	30,954	33,313
Others	2,365	42,534	44,899
	<u>\$ 75,467</u>	<u>\$ 841,853</u>	<u>\$ 917,320</u>
Depreciation	<u>\$ 46,857</u>	<u>\$ 45,474</u>	<u>\$ 92,331</u>
Amortization	<u>\$ 210,645</u>	<u>\$ 48,574</u>	<u>\$ 259,219</u>

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

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

Note: Nexon held more than 20% of the Company's voting shares which were accounted for under the equity method since March 2011. As Nexon has the ability to exercise significant influence on the Company's operational decisions and thus considered as the Company's related party, the relevant transaction information between the Company and Nexon are disclosed from then on.

(2) Significant transactions with related parties

A) License fees

	<u>For the nine-month periods ended September 30,</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of license fees</u>	<u>Amount</u>	<u>% of license fees</u>
Nexon	<u>\$ 617,226</u>	<u>29</u>	<u>\$ -</u>	<u>-</u>

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

B) Advertising expense

	<u>For the nine-month periods ended September 30,</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of advertising expense</u>	<u>Amount</u>	<u>% of advertising expense</u>
Taiwan e-sports	<u>\$ -</u>	<u>-</u>	<u>\$ 4,000</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

	<u>For the nine-month periods ended September 30,</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of donation</u>	<u>Amount</u>	<u>% of donation</u>
Gamania Cheer Up Foundation	<u>\$ 9,500</u>	<u>81</u>	<u>\$ 3,000</u>	<u>42</u>

D) Membership fee and annual fee

	<u>For the nine-month periods ended September 30,</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of membership fee and annual fee</u>	<u>Amount</u>	<u>% of membership fee and annual fee</u>
Taiwan e-sports	<u>\$ -</u>	<u>-</u>	<u>\$ 2,500</u>	<u>35</u>

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

E) Deferred charges

	September 30,			
	2011		2010	
	Amount	% of deferred charges	Amount	% of deferred charges
Nexon	\$ 65,551	17	\$ -	-
EYOU Digital (Shanghai)	-	-	27,133	4
	<u>\$ 65,551</u>	<u>17</u>	<u>\$ 27,133</u>	<u>4</u>

The above represents payment for on-line games license fees.

F) Accounts payable

	September 30,			
	2011		2010	
	Amount	% of accounts payable	Amount	% of accounts payable
Nexon	\$ 69,571	12	\$ -	-

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

Assets	September 30,		Purpose
	2011	2010	
Land	\$ -	\$ 90,254	Long-term and short-term loans / Credit lines
Buildings	-	74,721	"
	<u>\$ -</u>	<u>\$ 164,975</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

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

- A) As of September 30, 2011, 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 \$113,118.
- 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) The fair values of the financial instruments

	September 30, 2011			September 30, 2010		
	Fair value			Fair value		
	Book value	Quotations in an active market	Estimated value	Book 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	\$2,870,002	(Note A)	\$2,870,002	\$2,627,533	(Note A)	\$2,627,533
Financial assets at fair value through profit or loss	2,850	-	2,850	2,850	-	2,850
Financial assets carried at cost	124,294	-	-	114,294	-	-
Refundable deposits	54,949	-	54,949	53,552	-	53,552
Liabilities						
Financial liabilities with fair values equal to book values	\$1,305,704	(Note A)	\$1,305,704	\$1,181,766	(Note A)	\$1,181,766
Financial liabilities at fair value through profit or loss	3,426	-	3,426	2,805	-	2,805
Long-term loans	11,136	-	10,908	34,822	-	26,194
Guarantee deposits	6	-	6	6	-	6

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

- A) For short-term instruments, the book value is approximate to the fair value because of their short-term maturities. This applies to cash and cash equivalents, notes and accounts receivable, other receivables (excluding income tax refundable), notes and accounts payable, accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.
- B) Designated as financial assets at fair value through profit or loss are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

- C) The fair value of long-term loans is based on the present value of expected cash flow amount. The discount rate was another instrument which the Company could acquire similar terms at about 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>September 30,</u>	
	<u>2011</u>	<u>2010</u>
Guarantee for loans of subsidiaries	<u>\$ 538,060</u>	<u>\$ 398,080</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 September 30, 2011 and 2010, the fair values of the financial instruments with interest rate risk are \$526,108 and \$421,910, respectively.

(2) Procedure of financial risk control and hedge

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

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

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

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

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

(3) Information of financial risk

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

(A) Market risk

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

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

B) Receivables: Notes and accounts receivable and other receivables

(A) Market risk

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

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

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

(A) Market risk

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

(B) Credit risk

None.

(C) Liquidity risk

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

(D) Cash flow interest risk

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.

- (4) Some transactions of the Company and its domestic subsidiaries involve non-functional currency, resulting in foreign currency denominated assets and liabilities which are affected by exchange rate fluctuations. The significant foreign currency denominated assets and liabilities of the Company and its domestic subsidiaries as of September 30, 2011 and 2010 are summarized below:

	<u>September 30, 2011</u>			<u>September 30, 2010</u>		
	<u>Foreign Currency</u>	<u>Exchange</u>		<u>Foreign Currency</u>	<u>Exchange</u>	
	<u>Amount (Note)</u>	<u>Rate</u>		<u>Amount (Note)</u>	<u>Rate</u>	
<u>Financial Assets</u>						
USD : TWD	USD	1,501,751	30.5060	USD	1,672,648	31.2350
HKD : TWD	HKD	128,870	3.9514	HKD	3,856,804	4.0254
RMB : TWD	RMB	1,907,216	4.7710	RMB	1,380,508	4.6660
<u>Financial Liabilities</u>						
USD : TWD	USD	2,675,804	30.5060	USD	4,585,959	31.2350
HKD : TWD	HKD	166,193	3.9154	HKD	255,597	4.0254

Note: Foreign currency amount is expressed in dollars.

- (5) For the nine-month periods ended September 30, 2011 and 2010, the Group donated cash amounting to \$11,800 and \$7,170, respectively, to charities, and educational institutions that are accredited by the government, without significant appointed considerations.

11. DISCLOSURE INFORMATION

(1) Related information of significant transactions

- A) Financing activities to any company or person: None.
 B) Guarantee for any other company or person:

Unit: Thousands of New Taiwan Dollars / Thousands of shares

Company or investee companies		Parties being guaranteed		Limit of guarantee for each party (Note 4)	Maximum outstanding guarantee amount for the nine-month period ended September 30, 2011	Outstanding guarantee amount at September 30, 2011	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Maximum amount available for guarantee (Note 3)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Gash Plus Company Ltd.	2	\$ 469,203 (30% of the Company's capital)	\$ 180,000	\$ 180,000	None	6.41%	\$1,564,011
0	The Company	Gameastor Digital Entertainment Co., Ltd.	2	\$ 469,203 (30% of the Company's capital)	\$ 330,000	\$ 240,000	None	8.55%	\$1,564,011
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd.	3	\$ 469,203 (30% of the Company's capital)	\$ 66,000	\$ 66,000	None	2.35%	\$1,564,011
0	The Company	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	\$ 469,203 (30% of the Company's capital)	\$ 59,010	\$ 52,060	None	1.85%	\$1,564,011

Note 1: Number 0 represents the Company.

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

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

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

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

C) Marketable securities held at September 30, 2011:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note 1)	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	September 30, 2011				
					Number of shares	Book value	Percentage	Market value (Note 2)	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	28,406	\$ 750,620	100%	\$ 750,620	Note 3
"	"	Gamania Korea Co., Ltd.	"	"	224	9,125	100%	9,125	"
"	"	Fantasy Fish Digital Games Co., Ltd.	"	"	10,174	13,275	99.75%	11,384	"
"	"	Gameastor Digital Entertainment Co., Ltd.	"	"	3,863	82,310	72.08%	83,004	"
"	"	Gamania Asia Investment Co., Ltd.	"	"	13,945	148,756	100%	148,756	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	(227)	100%	(227)	"
"	"	Foundation Digital Entertainment Co., Ltd.	"	"	3,308	4,493	100%	4,493	"
"	"	Playcoo Co.	"	"	13,996	108,517	75.25%	62,389	"
"	"	Redgate Games Co., Ltd.	"	"	14,200	13,533	100%	13,533	"
"	"	Seedo Games Co., Ltd.	"	"	12,200	7,156	100%	7,156	"
"	"	Two Tigers Co., Ltd.	"	"	627	5,980	51%	5,980	"
"	"	Gash Plus Company Ltd.	"	"	5,000	69,340	100%	69,340	"
"	"	Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity method	"	3,940	5,647	39.40%	5,647	N/A
"	"	NC Taiwan Co., Ltd.	Investee company accounted for under financial assets carried at cost	Financial assets carried at cost-non current	2,100	22,841	15%	22,841	"

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

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

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

D) Marketable securities acquired or sold during the nine-month period ended September 30, 2011 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	-	\$ -	10,182	\$ 129,000	10,182	\$ 129,071	\$ 129,000	\$ 71	-	\$ -
"	Jih Sun Bond	"	"	-	-	9,511	135,000	9,511	135,056	135,000	56	-	-
"	Mega Bond	"	"	-	-	9,411	113,000	9,411	113,173	113,000	173	-	-
"	Pcafunds Bond	"	"	-	-	7,659	100,000	7,659	100,086	100,000	86	-	-
"	Gamania Holdings Ltd.	Long-term investments accounted for under the equity method	Gamania Holdings Ltd./ Investee company accounted for under the equity method	22,650	657,580 (Note 1)	5,756	93,040 (Note 2)	-	-	-	-	28,406	750,620 (Note 3)

Note 1: Amount of initial investment at inception.

Note 2: The Company invested \$167,556 and recognized investment loss, cumulative translation adjustments and effect of change in ownership percentage of investee company. The net increase amount was \$93,040.

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

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

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

G) Sales to or purchases from related parties in excess of \$100,000 or 20% of capital:

Purchaser /Seller	Name of transaction parties	Relationship	Transaction terms				Description of and reasons for difference in transaction terms compared to non-related party transactions		Accounts or notes receivable (payable)	
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit terms	Unit price	Credit period	Balance	Percentage of total accounts or notes receivable (payable)
Gamania Digital Entertainment Co., Ltd.	Gash Plus Co., Ltd.	Subsidiary	Sales	\$1,533,955	47%	Note 1	Note 1	Note 1	\$ 713,475	81% (Note 2)

Note 1: The above represents sales condition based on merchandise, competitive market and trading situation. The price and collection terms are similar to third parties.

Note 2: The investment has been eliminated in the consolidated financial statements.

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

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties (in thousands)	Turnover rate	Overdue receivables		Subsequent collections	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
Gamania Digital Entertainment Co., Ltd.	Gash Plus Co., Ltd.	Subsidiary	\$ 713,475 (Note 1)	5.73	\$ -	-	\$ -	\$ -

Note 1: The investment has been eliminated in the consolidated financial statements.

I) Information on derivative transaction: None.

(2) Information of investee companies

A) Information of investee companies:

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

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2011.9.30	2010.12.31	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	\$1,697,587	\$1,530,031	28,406	100%	\$ 750,620	(\$ 119,842)	(\$ 119,842)	Subsidiary (Note 3)
"	Gamania Korea Co., Ltd.	Seoul, Kang-Nan GU, Sam Sung Dong 75-6 Soodang B/D 302	Design and sales of software	267,952	249,615	224	100%	9,125	(20,482)	(20,482)	"
"	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	330,000	310,000	10,174	99.75%	13,275	(33,283)	(33,190) (Note 1)	"
"	Gameastor Digital Entertainment Co., Ltd.	"	Software services and sales	211,433	211,433	3,863	72.08%	82,310	47,421	33,910 (Note 2)	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	13,945	100%	148,756	12,960	12,960	"
"	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%	(227)	(67)	(67)	"

Note 1: The weighted-average ownership percentage is 99.72%.

Note 2: Including the amount of write-off of realized and unrealized upstream revenue (\$271).

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

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2011.9.30	2010.12.31	Number of shares	Percentage	Book value			
The Company	Fundation Digital Entertainment Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Sales and publishing of magazines and periodicals	\$ 150,000	\$ 120,000	3,308	100%	\$ 4,493	(\$ 28,589)	(\$ 28,589)	Subsidiary (Note 3)
"	Playcoo Co.	"	Design and research and development of software	152,554	152,554	13,996	75.25%	108,517	9,021	2,593 (Note 1)	"
"	Redgate Games Co., Ltd.	"	Design and research and development of software	142,000	82,000	14,200	100%	13,533	(45,427)	(45,427)	"
"	Seedo Games Co., Ltd.	"	Design and research and development of software	122,000	82,000	12,200	100%	7,156	(34,666)	(34,666)	"
"	Two Tigers Co. Ltd.	"	Animation production	6,269	6,269	627	51%	5,980	(519)	(265)	"
"	Gash Plus Co., Ltd.	"	Supply of software services and electronic information	50,000	-	5,000	100%	69,340	19,340	19,340	"
"	Taiwan e-sports Co., Ltd.	9F, No.176 Chung Hsiao East Rd. Section 4, Taipei City, Taiwan	Supply of software services and electronic information	39,400	32,000	3,940	39.4%	5,647	(10,984)	(4,156) (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	1,485	27.20%	31,322	47,421	12,899	"

Note 1: Including amortization of subsidiary's patent amounting to (\$4,195).

Note 2: The weighted-average ownership percentage is 37.84%.

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

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2011.9.30	2010.12.31	Number of shares	Percentage	Book value			
Gamania Holdings Ltd.	Gameastor International Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 51,795 thousand	USD 46,040 Thousand	51,795	100%	USD 24,762 thousand	(USD 4,100 thousand)	(USD 4,100 thousand)	Subsidiary (Note 2)
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 16,383 thousand	USD 14,298 thousand	5	100%	USD 8,818 thousand	USD 477 thousand	USD 477 thousand	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 33,384 thousand	USD 29,384 thousand	33,384	98.56%	USD 11,217 Thousand	(USD 928 thousand)	(USD 914 thousand)	(Note 1)
Gamania International Holdings Ltd.	Gamania Western Holdings Ltd.	P.O. Box 2804, Scotia, Centre, 4th, George Town, Grand Cayma KY1-1112, Cayman Islands	Investment holdings	USD 6,150 thousand	USD 4,850 thousand	6,150	100%	USD 2,580 thousand	(USD 1,384 thousand)	(USD 1,384 thousand)	"
Gamania International Holdings Ltd.	Gamania Netherlands Holdings Cooperatief U.A.	Prof J H Barincklaan 5,1183AT Amstelveen.	Investment holdings	EUR 1,500 thousand	EUR 500 thousand	1,500	100%	EUR 512 thousand	EUR 901 thousand	EUR 901 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 18,255 thousand	HKD 10,455 thousand	18,255	100%	HKD 7,115 thousand	(HKD 7,119 thousand)	(HKD 7,119 thousand)	"
Gamania International Holdings Ltd.	Gash Plus (Hong Kong) Company Ltd.	Unit 509 5/F., Conic Investment Building, No.13 Hok Yuen St., Hunghom, Kowloon, Hong Kong	Supply of software services and electronic information	HKD 750 thousand	-	750	100%	USD 102 thousand	USD 5 thousand	USD 5 thousand	"

Note 1: The weighted-average ownership percentage is 98.47%.

Note 2: The investment has been eliminated in the consolidated financial statements.

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2011.9.30	2010.12.31	Number of shares	Percentage	Book value			
Gamania International Holdings Ltd.	Tornado Studio Co., Ltd.	Seoul, Kang-Nan GU, Sam Sung Dong 75-6 Soodang B/D 302	Supply of software services and electronic information	USD 300 thousand	-	300	100%	USD 183 thousand	(USD 97 thousand)	(USD 97 thousand)	Subsidiary (Note)
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 30,920 thousand	USD 26,920 thousand	30,920	100%	USD 1,552 thousand	(USD 5,220 thousand)	(USD 5,220 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Software services and sales	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 8,544 thousand	USD 4,864 thousand	USD 4,864 thousand	"
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Rm. 811, 8F, Building A, GEM Techcenter, No. 9, 3rd street of Shangdi, Beijing 100085 China	Design and sales of software	USD 27,000 thousand	USD 23,000 thousand	N/A	100%	USD 1,521 thousand	(USD 5,046 thousand)	(USD 5,046 thousand)	"
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	Suite 806, 1220 N. Market Street, Wilmington, DE 19801, County of Hew Castle	Software services and sales	USD 6,130 thousand	USD 4,830 thousand	1	100%	USD 2,581 thousand	(USD 1,383 thousand)	(USD 1,383 thousand)	"
Gamania Netherlands Holdings Cooperatief U.A.	Gamania Digital Entertainment (Europe) B.V.	Naritaweg 165 Telestone 8, 1043BW Amsterdam	Software services and sales	EUR 1,500 thousand	EUR 500 thousand	1,500	100%	EUR 512 thousand	(EUR 901 thousand)	(EUR 901 thousand)	"

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

- B) Financing activities to any company or person: None.
C) Guarantee information: None.

D) Marketable securities held at September 30, 2011:

Issuer	Type of marketable securities (Note 1)	Name of marketable securities	Relationship with the security holders	General ledger account	September 30, 2011				
					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	51,795	USD 24,762 thousand	100%	USD 24,762 thousand	Note 4
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	5	USD 8,818 thousand	100%	USD 8,818 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	33,384	USD 11,217 thousand	98.56%	USD 11,217 thousand	"
Gamania International Holdings Ltd.	"	Gamania Western Holdings Ltd.	"	"	6,150	USD 2,580 thousand	100%	USD 2,580 thousand	"
Gamania International Holdings Ltd.	"	Gamania Netherlands Holdings Cooperatief U.A.	"	"	1,500	EUR 512 thousand	100%	EUR 512 thousand	"
Gamania International Holdings Ltd.	"	Firedog Studio Company Ltd.	"	"	18,255	HKD 7,115 thousand	100%	HKD 7,115 thousand	"
Gamania International Holdings Ltd.	"	Gash Plus (Hong Kong) Company Ltd.	"	"	750	USD 102 thousand	100%	USD 102 thousand	"
Gamania International Holdings Ltd.	"	Tornado Studio Co., Ltd	"	"	300	USD 183 thousand	100%	USD 183 thousand	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD 8,544 thousand	100%	USD 8,544 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	30,920	USD 1,552 thousand	100%	USD 1,552 thousand	"

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

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

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

Note 3: Unit: In thousand shares.

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

Issuer	Type of marketable securities (Note 1)	Name of marketable securities	Relationship with the security holders	General ledger account	September 30, 2011				
					Number of shares (Note 3)	Book value	Percentage	Market value (Note 2)	Note
Gamania Sino Holdings Ltd.	Common Stock	Gamania Digital Entertainment (Beijing) Co., Ltd.	Subsidiary	Long-term investments – accounted for under the equity method	N/A	USD 1,521 thousand	100%	USD 1,521 thousand	Note 4
Gamania Western Holdings Ltd.	"	Gamania Digital Entertainment (U.S.) Co., Ltd.	"	"	1	USD 2,581 thousand	100%	USD 2,581 thousand	"
Gamania Netherlands Holdings Cooperatief U.A.	"	Gamania Digital Entertainment (Europe) B.V.	"	"	1,500	EUR 512 thousand	100%	EUR 512 thousand	"
Gamania Asia Investment Co., Ltd.	"	Gameastor Digital Entertainment Co., Ltd.	Investee company accounted for under the equity method	"	1,458	31,322 thousand	27.20%	31,322 thousand	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd.	None	Financial assets carried at cost	9,383	91,453 thousand	14.60%	91,453 thousand	None
Gamania Asia Investment Co., Ltd.	"	Compass Systems Corp.	"	"	1,000	10,000 thousand	3.40%	10,000 thousand	"
Gamania Asia Investment Co., Ltd.	"	Iwan Interactive Entertainment Co., Ltd.	"	Financial assets at fair value through profit or loss	285	2,850 thousand	14.96%	2,850 thousand	"

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

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

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

Note 3: Unit: In thousand shares

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

E) Marketable securities acquired or sold during the nine-month period ended September 30, 2011 in excess of \$100,000 or 20% of capital: None.

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

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

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

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

J) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

A)

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment as of January 1, 2011	Remitted or received investment amount during the period		Accumulated investment as of September 30, 2011	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note 3)	Balance of investment at September 30, 2011	Accumulated investment income received as of September 30, 2011
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	(RMB 200,820 thousand) \$959,337	(Note 2)	(USD 20,870 thousand) \$636,660	\$ -	\$ -	(USD 20,870 thousand) \$636,660	98.56%	(USD 4,969 thousand) (\$151,584)	USD 1,499 thousand \$45,728	\$ -

Accumulated amount of investment in Mainland China as of September 30, 2011	Related investment amount approved by FIA	Upper limit of investment in Mainland China
\$ 636,660 (USD 20,870 thousand)	\$ 798,647 (Note 1)	\$ 1,684,609

Note 1: Related total investment amount approved by FIA is USD 26,180,000 or NTD 798,647 thousand based on 30.50600 exchange rate.

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

Note 3: Investment loss recognized in the period is calculated based on 98.47% of indirect ownership using the financial statements of the investee, which were unreviewed.

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

C) The investment has been eliminated in the consolidated financial statements.

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

For the nine-month period ended September 30, 2011

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Transaction terms			
				Subject	Amount	Transaction terms	Percentage of total combined revenue or total assets (Note 3)
0	Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	1	Service income	\$ 5,220	Note 4	-%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Advertising expense	37,988	Note 4	1%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Other receivables	8,882	Note 4	-%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Other payables	110,088	Note 4	2%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Accrued expenses	5,186	Note 4	-%
0	"	Gash Plus Co. Ltd.	1	Sales revenue	1,533,955	Note 4	29%
0	"	Gash Plus Co. Ltd.	1	Accounts receivable	713,475	Note 4	15%
0	"	Gash Plus Co. Ltd.	1	Other receivables	160,222	Note 4	3%
0	"	Gash Plus Co. Ltd.	1	Other payables	145,829	Note 4	3%
0	"	Playcoo Co.	1	License costs	13,914	Note 4	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	8,030	Note 4	-%
0	"	Gamania Digital Entertainment (Europe) B.V.	1	Other receivables	36,651	Note 4	1%
0	"	Gamania Holdings Ltd.	1	Other receivables	5,114	Note 4	-%
0	"	Gash Plus (Hong Kong) Company Ltd.	1	Other payables	57,460	Note 4	1%
1	Gameastor Digital Entertainment Co., Ltd.	Gash Plus Co. Ltd.	3	Sales revenue	176,340	Note 4	3%
1	"	Gash Plus Co. Ltd.	3	Accounts receivable	67,450	Note 4	1%
1	"	Playcoo Co.	3	License costs	7,225	Note 4	-%
1	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	License costs	10,020	Note 4	-%
1	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Royalties payments	15,649	Note 4	-%
2	Playcoo Co.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Accounts receivable	11,871	Note 4	-%
2	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	License revenue	60,299	Note 4	1%
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gash Plus Co. Ltd.	3	Accounts payable	16,466	Note 4	-%
3	"	Seedo Games Co., Ltd.	3	Prepayments	8,308	Note 4	-%
3	"	Gash Plus (Hong Kong) Company Ltd.	3	Accounts payable	9,068	Note 4	-%

For the nine-month period ended September 30, 2011 (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.	Gash Plus (Hong Kong) Company Ltd.	3	Prepayments	\$ 66,095	Note 4	1%
4	Gamania Digital Entertainment Labuan Holding, Ltd.	Gamania Digital Entertainment (Japan) Co. Ltd.	3	Accounts receivable	6,005	Note 4	-%
4	"	Gamania Digital Entertainment (Japan) Co. Ltd.	3	License revenue	60,225	Note 4	1%

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 nine-month period ended September 30, 2010

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Transaction terms			
				Subject	Amount	Transaction terms	Percentage of total combined revenue or total assets (Note 3)
0	Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	1	Purchases	\$ 7,078	Note 4	-%
0	"	Gameastor Digital Entertainment Co., Ltd..	1	Rent revenue	7,116	Note 4	-%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Advertising expense	34,487	Note 4	1%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Other receivables	5,030	Note 4	-%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Other payables	85,902	Note 4	2%
0	"	Gameastor Digital Entertainment Co., Ltd.	1	Accrued expenses	7,066	Note 4	-%
0	"	Foundation Digital Entertainment Co., Ltd.	1	Purchases	10,515	Note 4	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	5,586	Note 4	-%
0	"	Gamania Digital Entertainment (Europe) B.V.	1	Other receivables	22,765	Note 4	1%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	10,308	Note 4	-%
0	"	Gamania Holdings Ltd.	1	Other receivables	5,003	Note 4	-%
1	Gameastor Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	License costs	26,498	Note 4	1%
1	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Royalties payments	26,440	Note 4	1%
2	Playcoo Co.	Gamania Digital Entertainment Labuan Holding, Ltd.	3	License revenue	56,092	Note 4	1%
2	"	Gamania Digital Entertainment Labuan Holding, Ltd.	3	Accounts receivable	12,296	Note 4	-%
3	Gamania Digital Entertainment Labuan Holding, Ltd.	Gamania Digital Entertainment (Japan) Co. Ltd.	3	License revenue	62,977	Note 4	1%
3	"	Gamania Digital Entertainment (Japan) Co. Ltd.	3	Accounts receivable	7,020	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. OPERATING SEGMENT INFORMATION

(1) General information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker which are used to make strategic decisions.

(2) Assessment of segment information

The chief operating decision-maker assesses the performance of the operating segments based on net income or net loss of the reporting period.

(3) Information on segment profit (loss), assets and liabilities

The segment information on reportable segments provided to the chief operating decision-maker for the nine-month periods ended September 30, 2011 and 2010 are as follows:

For the nine-month period ended September 30, 2011	Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Gash Plus Co., Ltd.	Others	Total
Revenue from external customers	\$ 1,560,404	\$ 602,975	\$ 2,052,026	\$ 1,144,298	\$ 5,359,703
Inter-segment revenue	1,716,724	35,391	-	159,171	1,911,286
Segment profit (loss)	172,934	47,421	19,340	(64,951)	174,744
Depreciation and amortization	(204,967)	(50,599)	(288)	(92,053)	(347,907)
Income tax expense	(69,774)	(2,418)	(2,169)	(27,600)	(101,961)
Investment income (loss) accounted for under the equity method	(217,881)	-	-	213,725	(4,156) (Note)
Segment assets	-	-	-	-	-
For the nine-month period ended September 30, 2010	Gamania Digital Entertainment Co., Ltd.	Gameastor Digital Entertainment Co., Ltd.	Gash Plus Co., Ltd.	Others	Total
Revenue from external customers	\$ 3,135,158	\$ 414,325	\$ -	\$ 820,741	\$ 4,370,224
Inter-segment revenue	4,856	39,178	-	172,439	216,473
Segment profit (loss)	169,221	23,124	-	(22,977)	169,368
Depreciation and amortization	(222,041)	(64,909)	-	(64,600)	(351,550)
Income tax expense	(123,193)	(5,915)	-	(21,454)	(150,562)
Investment income (loss) accounted for under the equity method	(224,306)	-	-	218,916	(5,390) (Note)
Segment assets	-	-	-	-	-

Note: The inter-segment investment income or loss has been eliminated.

(4) Reconciliation information of segment profit (loss), assets and liabilities

The segment reports provided to the chief operating decision-maker are measured in a manner consistent with that used for the income statement. There is no difference between the presentation of segment report and income statement and accordingly, no reconciliation is required to be disclosed.