

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

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

JUNE 30, 2007 AND 2006

These English financial statements and report of independent accountants were translated from the financial statements and report of independent accountants originally prepared in Chinese.

Report of Independent Accountants

(07) R.F014.07000096

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

We have audited the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. (the “Company”) and its subsidiaries as of June 30, 2007 and 2006, and the related consolidated statements of operations, of changes in stockholders’ equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain investee companies, which statements reflect total assets of \$443,713 thousand and \$665,749 thousand, constituting 13.6% and 21% of the related consolidated totals as of June 30, 2007 and 2006, respectively, and total operating revenues of \$153,877 thousand and \$530,579 thousand, constituting 9.4% and 29% of the related consolidated totals for the six-month periods then ended, respectively. In addition, as explained in Note 4(6), we did not audit the financial statements of an investee accounted for under the equity method. This long-term investment amounted to \$40,456 thousand and \$35,191 thousand, constituting 1.24% and 1.11% of the consolidated total assets as of June 30, 2007 and 2006, respectively, and the related investment loss amounted to \$4,413 thousand and \$4,260 thousand, constituting 2.88% and 3.11% of the consolidated net income attributable to equity holders of the Company for the six-month periods then ended, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these investee companies and the information disclosed in Note 11(2) relative to this long-term investment, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of June 30, 2007 and 2006, and the results of their operations and their cash flows for the six-month periods then ended, in conformity with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China.

August 23, 2007

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

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

	2007	2006		2007	2006
ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash and cash equivalents (Note 4(1))	\$ 1,146,064	\$ 914,584	Short-term loans (Note 4(10))	\$ -	\$ 60,622
Notes receivable – third parties – net (Note 4(2))	149,163	39,559	Notes payable – third parties	179,663	90,722
Accounts receivable – third parties – net (Note 4(3))	748,518	912,211	Accounts payable – third parties	135,026	140,081
Other receivables	10,339	2,262	Accounts payable – related party (Note 5(2))	-	17,117
Other receivables – related parties (Note 5(2))	-	557	Income tax payable (Note 4(13))	37,763	30,711
Other financial assets – current (Note 6)	-	30,043	Accrued expenses	134,929	123,041
Inventories – net (Note 4(4))	25,065	34,298	Other payables (Note 4(18))	225,188	35,263
Prepaid expenses	18,400	40,058	Unearned revenue collected in advance	85,463	178,946
Deferred income tax assets – current (Note 4(13))	16,908	47,869	Current portion of long-term liabilities (Notes 4(11) and 4(12))	120,000	54,278
Other current assets	1,874	2,461	Other current liabilities	31,548	24,089
	<u>2,116,331</u>	<u>2,023,902</u>		<u>949,580</u>	<u>754,870</u>
<u>Long-term Investments</u>			<u>Long-term Liabilities</u>		
Financial assets carried at cost – non-current (Note 4(5))	114,294	112,550	Long-term loans (Note 4(11))	-	286,750
Long-term investments – accounted for under the equity method (Note 4(6))	40,456	55,650			
	<u>154,750</u>	<u>168,200</u>	<u>Other Liabilities</u>		
<u>Property, Plant and Equipment – net</u> (Notes 4(7) and 6)			Accrued pension liabilities (Note 4(14))	3,888	6,938
Cost			Guarantee deposits	1,031	1,319
Land	147,751	147,751	Other liabilities – other	586	330
Buildings	155,834	156,059		<u>5,505</u>	<u>8,587</u>
Machinery and equipment	683,977	924,435	Total Liabilities	<u>955,085</u>	<u>1,050,207</u>
Transportation equipment	-	1,700	<u>Stockholders' Equity</u>		
Office equipment	68,259	109,425	Common stock (Notes 1 and 4(15))	1,468,787	1,468,787
Leased assets	4,424	1,526	Stock dividends to be distributed (Note 4(18))	59,908	-
Leasehold improvements	28,887	68,609	Capital reserve (Note 4(16))	-	-
Other equipment	1,357	14,329	Paid-in capital in excess of par	736,166	736,166
Total Cost	<u>1,090,489</u>	<u>1,423,834</u>	Gain on disposal of property, plant and equipment	221	221
Less: Accumulated depreciation	(506,203)	(677,626)	Retained earnings		
Accumulated impairment	(19,342)	-	Legal reserve (Notes 4(17) and 4(18))	24,132	-
Construction in progress and prepayments for equipment	223	-	Retained earnings (accumulated deficit) (Notes 4(13) and 4(18))	141,500	(56,322)
	<u>565,167</u>	<u>746,208</u>	Financial instruments' unrealized gain	38	-
			Cumulative translation adjustments	18,582	22,175
<u>Intangible Assets</u>			Treasury stock (Note 4(20))	(155,765)	(155,765)
Trademark	261	319		<u>2,293,569</u>	<u>2,015,262</u>
Goodwill	2,893	2,878	Minority interest	13,425	96,598
Deferred pension cost	423	466	Total Stockholders' Equity	<u>2,306,994</u>	<u>2,111,860</u>
Other intangible assets – net (Notes 4(8))	618	916			
	<u>4,195</u>	<u>4,579</u>	<u>Commitments and Contingent Liabilities</u> (Note 7)		
<u>Other Assets</u>					
Refundable deposits	32,255	31,132			
Deferred charges – net (Notes 4(9))	186,878	141,166			
Deferred income tax assets – non-current (Note 4(13))	202,319	46,880			
Other assets – other	184	-			
	<u>421,636</u>	<u>219,178</u>			
TOTAL ASSETS	\$ 3,262,079	\$ 3,162,067	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,262,079	\$ 3,162,067

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated August 23, 2007.

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

	2007	2006		
Operating revenues				
Sales revenue	\$ 1,678,530	\$ 1,859,968		
Sales returns	(47,157)	(35,881)		
Sales allowances	(28,957)	(22,718)		
Net sales revenue	1,602,416	1,801,369		
Service revenue	43,094	8,644		
Operating revenues	1,645,510	1,810,013		
Operating costs				
Cost of goods sold (Notes 4(22) and 5)	(829,618)	(995,828)		
Gross profit	815,892	814,185		
Operating expenses (Notes 4(22) and 10)				
Selling expenses	(174,123)	(196,139)		
General and administrative expenses	(356,394)	(357,303)		
Research and development expenses	(58,086)	(55,564)		
Total operating expenses	(588,603)	(609,006)		
Operating income	227,289	205,179		
Non-operating income				
Interest income	2,841	2,200		
Gain on adjustment of financial assets	5,022	2,281		
Gain on disposal of property, plant and equipment	-	687		
Gain on sale of investments (Note 4(5))	20,681	-		
Foreign exchange gain	-	1,845		
Rental income	195	130		
Gain on price recovery of inventories	-	890		
Miscellaneous income	3,324	1,509		
Total non-operating income	32,063	9,542		
Non-operating expenses				
Interest expense	(1,939)	(7,103)		
Investment loss accounted for under the equity method (Note 4(6))	(4,413)	(7,305)		
Loss on disposal of property, plant and equipment	(1,995)	(7,032)		
Foreign exchange loss	(1,279)	-		
Loss on decline in market value of obsolete inventories	(12,825)	-		
Miscellaneous losses	(7,382)	(13,910)		
Total non-operating expenses	(29,833)	(35,350)		
Income before income tax	229,519	179,371		
Income tax expense (Notes 4(13))	(77,531)	(62,516)		
Consolidated net income (loss)	\$ 151,988	\$ 116,855		
Attributable to:				
Equity holders of the Company	\$ 153,271	\$ 137,073		
Minority interest	(1,283)	(20,218)		
	\$ 151,988	\$ 116,855		
	2007	2006		
Basic earnings per share (in dollars) (Note 4(19))	<u>Before</u> <u>income tax</u>	<u>After</u> <u>income tax</u>	<u>Before</u> <u>income tax</u>	<u>After</u> <u>income tax</u>
Profit attributable to equity holders of the Company	\$ 1.62	\$ 1.07	\$ 1.35	\$ 0.92
Minority interest loss	(0.01)	(0.01)	(0.14)	(0.14)
Consolidated net income	\$ 1.61	\$ 1.06	\$ 1.21	\$ 0.78
Diluted earnings per share (in dollars) (Note 4(19))	<u>Before</u> <u>income tax</u>	<u>After</u> <u>income tax</u>	<u>Before</u> <u>income tax</u>	<u>After</u> <u>income tax</u>
Profit attributable to equity holders of the Company	\$ 1.61	\$ 1.07	\$ 1.35	\$ 0.92
Minority interest loss	(0.01)	(0.01)	(0.14)	(0.14)
Consolidated net income	\$ 1.60	\$ 1.06	\$ 1.21	\$ 0.78

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated August 23, 2007.

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

	Common Stock		Capital Reserve			Retained Earnings		Other Adjustment Items				
	Common Stock	Stock Dividends to be Distributed	Paid-in Capital in Excess of Par	Treasury Stock Transaction	Capital Surplus from Gain on Disposal of Assets	Legal Reserve	(Accumulated Deficit) Retained Earnings	Financial Instruments' Unrealized Gain	Cumulative Translation Adjustments	Treasury Stock	Minority interest	Total
Balance at January 1, 2006	\$ 1,518,787	\$ -	\$ 1,307,644	\$ 27,162	\$ 221	\$ -	(\$ 267,318)	\$ -	\$ 21,208	(\$ 302,140)	\$ 114,434	\$ 2,149,998
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	(155,765)	-	(155,765)
Retirement of treasury stock	(50,000)	-	(34,160)	(27,162)	-	-	(190,818)	-	-	302,140	-	-
Paid-in capital and legal reserve compensation for accumulated deficit	-	-	(267,318)	-	-	-	267,318	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	-	-	967	-	-	967
Effect of change in ownership percentage of investee company	-	-	-	-	-	-	(2,577)	-	-	-	-	(2,577)
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	2,382	2,382
Consolidated net income for the period	-	-	-	-	-	-	137,073	-	-	-	(20,218)	116,855
Balance at June 30, 2006	<u>\$ 1,468,787</u>	<u>\$ -</u>	<u>\$ 736,166</u>	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>(\$ 56,322)</u>	<u>\$ -</u>	<u>\$ 22,175</u>	<u>(\$ 155,765)</u>	<u>\$ 96,598</u>	<u>\$ 2,111,860</u>
Balance at January 1, 2007	\$ 1,468,787	\$ -	\$ 736,166	\$ -	\$ 221	\$ -	\$ 241,323	\$ 65	\$ 20,561	(\$ 155,765)	\$ 84,448	\$ 2,395,806
Distributions of 2006 earnings:												
Appropriation of legal reserve	-	-	-	-	-	24,132	(24,132)	-	-	-	-	-
Capital increment from employees' bonuses remuneration	-	21,719	-	-	-	-	(21,719)	-	-	-	-	-
Directors and supervisors' remuneration	-	-	-	-	-	-	(4,340)	-	-	-	-	(4,340)
Cash dividends	-	-	-	-	-	-	(152,754)	-	-	-	-	(152,754)
Capital increment from retained earnings	-	38,189	-	-	-	-	(38,189)	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	-	-	(1,979)	-	-	(1,979)
Effect of change in ownership percentage of investee company	-	-	-	-	-	-	(11,960)	-	-	-	-	(11,960)
Effect of investee's unrealized gain or loss on financial instruments	-	-	-	-	-	-	-	(27)	-	-	-	(27)
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	(69,740)	(69,740)
Consolidated net income for the period	-	-	-	-	-	-	153,271	-	-	-	(1,283)	151,988
Balance at June 30, 2007	<u>\$ 1,468,787</u>	<u>\$ 59,908</u>	<u>\$ 736,166</u>	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ 24,132</u>	<u>\$ 141,500</u>	<u>\$ 38</u>	<u>\$ 18,582</u>	<u>(\$ 155,765)</u>	<u>\$ 13,425</u>	<u>\$ 2,306,994</u>

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

See report of independent accountants dated August 23, 2007.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2007	2006
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 151,988	\$ 116,855
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on sale of long-term investments	(20,681)	-
Gain on adjustment of financial assets	(5,022)	(2,281)
Provision for (reversal of allowance for) bad debts and sales returns	7,094	(2,396)
Provision for (reversal of allowance for) decline in market value and obsolescence of inventories and inventories written - off	5,209	(8,191)
Investment loss accounted for under the equity method	4,413	7,305
Depreciation and amortization	114,378	143,077
Amortization of trademark	21	22
Loss on disposal of property, plant and equipment and other intangible assets	1,995	6,345
Amortization of other intangible assets	167	201
Deferred charges charged to cost	442	22,864
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable - third parties	(36,469)	45,319
Accounts receivable - third parties	115,601	(86,369)
Other receivables - third parties	(6,569)	1,936
Other receivables - related parties	-	(37)
Inventories	(7,604)	(10,171)
Prepaid expenses	(1,633)	(10,100)
Deferred income tax assets	30,507	34,460
Other current assets	28	3,853
Increase (decrease) in:		
Notes payable - third parties	109,342	(14,950)
Accounts payable - third parties	36,406	60,927
Accounts payable - related party	(26,168)	(29,361)
Income tax payable	(7,178)	10,071
Accrued expenses	(43,065)	(81,791)
Other payables - third parties	17,986	(2,177)
Unearned revenue collected in advance	(61,339)	(137)
Other current liabilities	22,516	(3,431)
Accrued pension liabilities	(1,348)	(609)
Net cash provided by operating activities	401,017	201,234

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

	<u>2007</u>	<u>2006</u>
<u>Cash flows from investing activities</u>		
Increase in financial assets held for trading - bond funds	(\$ 2,116,000)	(\$ 1,343,000)
Proceeds from disposal of financial assets held for trading - bond funds	2,121,022	1,345,281
Increase in long-term investment – subsidiary	(23,151)	-
Proceeds from disposal of long-term investment	75,499	-
Proceeds from disposal of property, plant and equipment and deferred charges	3,174	3,256
Acquisition of property, plant and equipment	(61,071)	(79,936)
Increase in deferred charges	(40,266)	(22,063)
(Increase) decrease in refundable deposits, net	(6,456)	6,953
Increase in other financial assets – current	-	(43)
Decrease in other financial assets – non-current	-	2,327
(Increase) decrease in other assets – other	(184)	1,067
Net cash used in investing activities	<u>(47,433)</u>	<u>(86,158)</u>
<u>Cash flows from financing activities</u>		
Decrease in short-term loans	-	(23,754)
Decrease in long-term loans	(25,128)	(4,037)
(Decrease) increase in other liabilities - other	(364)	266
Increase (decrease) in guarantee deposits	681	(19)
Decrease in capital lease obligation – non-current	-	(129)
Purchase of treasury stock	-	(155,765)
Changes in minority interest	4,659	2,382
Net cash used in financing activities	<u>(20,152)</u>	<u>(181,056)</u>
Effect of exchange rate changes on cash and cash equivalents	(3,154)	(4,484)
Effect of changes in consolidated subsidiaries	(215,394)	-
Net increase (decrease) in cash and cash equivalents	114,884	(70,464)
Cash and cash equivalents at beginning of the period	1,031,180	985,048
Cash and cash equivalents at end of the period	<u>\$ 1,146,064</u>	<u>\$ 914,584</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the period for:		
Interest	<u>\$ 1,965</u>	<u>\$ 7,132</u>
Income taxes	<u>\$ 54,888</u>	<u>\$ 17,739</u>
<u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 63,173	\$ 60,198
Payable at end of the period	(4,193)	(387)
Payable at beginning of the period	2,091	20,125
Cash paid	<u>\$ 61,071</u>	<u>\$ 79,936</u>

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

	<u>2007</u>	<u>2006</u>
<u>Information on disposal of majority-owned subsidiary:</u>		
Cash and bank deposits	\$ 70,863	\$ -
Other current assets	151,777	-
Property, plant and equipment	78,373	-
Other assets	23,526	-
Current liabilities	(171,811)	-
Other liabilities	(669)	-
Total majority-owned subsidiary's equity	152,059	-
Gain on disposal of majority-owned subsidiary	20,681	-
Minority interest	(74,400)	-
Book value of long-term investments which were not disposed	(22,841)	-
Proceeds from disposal of majority-owned subsidiary	<u>\$ 75,499</u>	<u>\$ -</u>
<u>Non-cash flows from financing activities</u>		
Directors' and supervisors' remuneration	<u>\$ 4,340</u>	<u>\$ -</u>
Cash dividends	<u>\$ 152,754</u>	<u>\$ -</u>
Capital increment from employees' bonuses remuneration	<u>\$ 21,719</u>	<u>\$ -</u>
Capital increment from retained earnings	<u>\$ 38,189</u>	<u>\$ -</u>

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

See report of independent accountants dated August 23, 2007.

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

1. HISTORY AND ORGANIZATION

(1) Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of June 30, 2007, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 15 million shares of employee stock options), at a par value of \$10 (NT dollars) per share, and issued and outstanding capital was \$1,468,787. The Company is engaged in software services, TV programming and magazine publications. As of June 30, 2007, the Company and its consolidated subsidiaries had 870 employees.

(2) Consolidated subsidiaries

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of June 30</u>	
			<u>2007</u>	<u>2006</u>
Gamania Holdings Ltd.	Note A	Investment holdings	100%	100%
Taiwan Index Co., Ltd.	Note A	Software services	96.60%	96.60%
Gamania Asia Investments Co., Ltd.	Note A	Investment holdings	100%	100%
Gamania Korea Co., Ltd.	Note A	Design and sales of software	100%	100%
Alibangbang Games Co., Ltd.	Note A	Design and research of software	96.92%	96.36%
Foundation Digital Entertainment Co., Ltd.	Note A	Publishing of magazines and periodicals	100%	-
Gamania Digital Entertainment Labuan Holdings, Ltd.	Note A	Investment holdings	100%	100%
Gamania International Holding Ltd.	Note B	Investment holdings	100%	100%
Gamania Digital Entertainment (Japan) Co., Ltd.	Note C	Design and sales of software; sales of hardware	100%	100%
Gamania China Holdings Ltd.	Note C	Investment holdings	93.55%	92.92%
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note D	Design and sales of software	93.55%	92.92%
G. A. Co., Limited	Note D	Design and sales of software	93.55%	92.92%
Gamania Digital Entertainment Sino Holdings Co., Ltd.	Note D	General investment	93.55%	92.92%
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note E	Design and sales of software	93.55%	92.92%

Note A: Majority-owned subsidiary

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

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

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

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

(3) Changes in the consolidated subsidiaries:

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

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

Note A: Majority-owned subsidiary.

Note B: The company was established in 2007.

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

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

Note A: Majority-owned subsidiary.

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Principles of consolidation

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

(2) Translation of financial statements of foreign subsidiaries

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

(3) Foreign currency transactions

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

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

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

(5) Cash equivalents

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

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

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

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

(7) Financial assets carried at cost

- A) Investments in unlisted equity instruments are recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

- B) If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss cannot be reversed.
- (8) Allowance for doubtful accounts
Allowance for doubtful accounts is provided based on a review of the collectibility of receivables. The Group determines the amount for doubtful accounts by examining the collectibility of ending balances of notes, accounts and other receivables (including balances from related parties), and the aging analysis of receivables.
- (9) Inventories
The Group uses the perpetual inventory system and the original cost is the cost to obtain the assets. Inventories are stated at the lower of cost or market value based on the aggregate value method. Market value is determined using the net realizable value. Cost is determined using the weighted-average method. Allowance for loss is provided on obsolete inventories, when necessary.
- (10) Long-term equity investments accounted for under the equity method
A) Long-term equity investments in which the Group holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized and carries on tests of impairment every year, effective January 1, 2006. Retroactive adjustment of the amount of goodwill amortized in previous years is not required.
B) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease by the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.
C) The accounting policy on impairment of long-term investments accounted for under the equity method is described in Note 2(14).
- (11) Property, plant and equipment
A) Depreciation is provided on the straight-line method using the estimated useful lives of the assets plus one year as salvage value. The subsidiaries' property, plant and equipment are depreciated on a straight-line basis according to the estimated useful lives of the assets less the estimated salvage value. Except for leasehold improvements, which are based on the shorter of the contract period or the life of the asset, the estimated useful lives are 55 years for buildings and 3 to 8 years for the other property, plant and equipment.

- B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).
- C) Major renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
- D) Rents paid for capital leases are capitalized and liabilities on lease obligations are recognized accordingly.
- E) The accounting policy on impairment of property, plant and equipment is described in Note 2(14).

(12) Deferred charges

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

(13) Other intangible assets

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

(14) Impairment of non-financial assets

- A) Impairment loss is recognized when the recoverable amount is less than the book value due to changes of 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.

(15) Employee stock option plan

The Company adopted Regulation No. 72 "Accounting for Employee Stock Option Plan" issued by the Accounting Research and Development Foundation in Taiwan on March 17, 2003 for grant date of employee stock option or amended date of employee stock option plan, effective January 1, 2004. The cost of employee stock option plan is determined using the "intrinsic value method". In addition, the Company discloses

the pro forma net income and earnings per share as if the “fair-value-based method” has been adopted.

(16) Deferred income tax assets and income tax

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

(17) Retirement plan

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

(18) Treasury Stock

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

(19) Revenues, costs and expenses

- A) Costs from development of software for sale are recognized as research expense before establishing technical feasibility.
- B) Revenue from prepaid cards for on-line games is deferred and is recognized based on points consumed.
- C) Revenue from software and other merchandise is recognized when the earning process is substantially completed and the revenue is realized or realizable.
- D) Sales returns are estimated based on a percentage of sales. Costs and expenses are recognized as incurred.
- E) Commissions received on prepaid cards from the on-line game providers is deferred and recognized as revenue when services are rendered.

(20) Earnings per share

- A) The computation of earnings per share is as follows:
 - Basic earnings per share: net income divided by the weighted-average number of shares outstanding during the period.
 - Diluted earnings per share: the computation is the same as basic earnings per share, except that the potential dilutive shares are assumed to have been converted to common stock at the beginning of the period and net income is adjusted by the amount associated with the conversion.
- B) The potential dilutive shares are employee stock options. The Company adopted the "treasury stock method" in computing the dilutive effect of the employee stock options.

(21) Use of estimates

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

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Goodwill

Effective January 1, 2006, the Group adopted the amended R.O.C. SFAS No. 1, No. 5, No. 7, No. 25 and No. 35 which discontinued the amortization of goodwill. As a result of the adoption of these SFAS, net income increased by \$3,541 and earnings per share increased by \$0.0249 for the six-month period ended June 30, 2006.

(2) Financial instruments

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

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash on hand	\$ 3,750	\$ 1,580
Cash in banks	1,053,158	858,143
Time deposits	69,029	33,797
Cash equivalents	20,127	21,064
	<u>\$ 1,146,064</u>	<u>\$ 914,584</u>

(2) Notes receivable

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Notes receivable	\$ 149,179	\$ 39,575
Less: Allowance for doubtful accounts	(16)	(16)
	<u>\$ 149,163</u>	<u>\$ 39,559</u>

(3) Accounts receivable

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ 836,331	\$ 979,071
Less: Allowance for doubtful accounts	(73,009)	(52,808)
Allowance for sales returns	(14,804)	(14,052)
	<u>\$ 748,518</u>	<u>\$ 912,211</u>

(4) Inventories

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Inventories	\$ 53,397	\$ 50,166
Less: Allowance for obsolescence and market value decline	(28,332)	(15,868)
	<u>\$ 25,065</u>	<u>\$ 34,298</u>

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

	<u>June 30,</u>	
<u>Items</u>	<u>2007</u>	<u>2006</u>
Unlisted stocks		
Buybooks Digital Technology Corp. Ltd.	\$ -	\$ -
ECD Interactive Corporation	-	2,700
Joyon Entertainment Co., Ltd.	-	9,851
RAVA Ideologie Inc.	-	-
Nice Finance Co., Ltd.	91,453	99,999
NC Taiwan Co., Ltd.	22,841	-
	<u>\$ 114,294</u>	<u>\$ 112,550</u>

- A) The investments were measured at cost since their fair value cannot be measured reliably.
- B) In the first quarter of 2006, the board of directors approved to dispose the Company's investment in Joyon Entertainment Co., Ltd., which was initially classified as "Financial assets carried at cost-current". In the second quarter, however, the disposal was put on hold. Accordingly, the investment was reclassified to "Financial assets carried at cost – non-current".
- C) The Company recognized other investment loss in ECD Interactive Corporation and Joyon Entertainment Co., Ltd. in the amount of \$12,551 for the year ended December 31, 2006 because the Company has assessed that its investments had no value.

D) In January 2007, the Company sold 5,040,000 common shares of NC Taiwan Co., Ltd. to NCSOFT Corporation at a cost of \$14.98 per share and recognized a gain on disposal of \$20,681. After the disposal, the Company's ownership in NC Taiwan Co., Ltd. decreased from 51% to 15%. Accordingly, the said investment was classified as "Financial asset carried at cost – non-current" instead of "Long-term investment accounted for under the equity method".

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

A) List of long-term investments

<u>Name of investee</u>	<u>June 30, 2007</u>			<u>Investment loss for the six-month period ended June 30, 2007</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Playcoo Co.	\$ 63,151	36.72%	\$ 40,456	(\$ 4,413)

<u>Name of investee</u>	<u>June 30, 2006</u>			<u>Investment loss for the six-month period ended June 30, 2006</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	
Soga Interactive Co., Ltd.				
(Note)	\$ 28,000	40%	\$ 20,459	(\$ 3,045)
Playcoo Co.	40,000	30.30%	35,191	(4,260)
	<u>\$ 68,000</u>		<u>\$ 55,650</u>	<u>(\$ 7,305)</u>

Note: Sold in December 2006.

B) Long-term investment in Playcoo Co. accounted for under the equity method was based on financial statements audited by other auditors as of and for the six-month period ended June 30, 2007 and 2006.

C) The related investment loss based on financial statements audited by other auditors amounted to \$4,413 and \$4,260 for the six-month periods ended June 30, 2007 and 2006, respectively. As of June 30, 2007 and 2006, the balance of this investment was \$40,456 and \$35,191, respectively.

(7) Property, plant, and equipment

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	155,834	156,059
Machinery and equipment	683,977	924,435
Transportation equipment	-	1,700
Office equipment	68,259	109,425
Leased assets	4,424	1,526
Leasehold improvements	28,887	68,609
Other equipment	<u>1,357</u>	<u>14,329</u>
	<u>1,090,489</u>	<u>1,423,834</u>
 <u>Accumulated depreciation</u>		
Buildings	(14,468)	(10,550)
Machinery and equipment	(447,364)	(540,470)
Transportation equipment	-	(1,228)
Office equipment	(37,563)	(68,878)
Leased assets	(2,586)	(509)
Leasehold improvements	(3,505)	(48,981)
Other equipment	<u>(717)</u>	<u>(7,010)</u>
	<u>(506,203)</u>	<u>(677,626)</u>
Construction in progress and prepayments for equipment	223	-
Less: Accumulated impairment	<u>(19,342)</u>	<u>-</u>
	<u>\$ 565,167</u>	<u>\$ 746,208</u>

(8) Other intangible assets

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Prepayments for franchises	\$ 38,916	\$ 41,530
Less: Accumulated impairment	<u>(38,298)</u>	<u>(40,614)</u>
	<u>\$ 618</u>	<u>\$ 916</u>

(9) Deferred charges

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Royalty payments	\$ 405,111	\$ 366,756
Unamortized expense	<u>107,705</u>	<u>100,192</u>
	512,816	466,948
Less: Accumulated impairment	<u>(325,938)</u>	<u>(325,782)</u>
	<u>\$ 186,878</u>	<u>\$ 141,166</u>

(10) Short-term loans

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Short-term bank loans	\$ -	\$ 60,622
Annual interest rates	-	2.5%~7.75%
Credit lines	\$ -	\$ 600,434

(11) Long-term loans

<u>Bank</u>	<u>Total Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>June 30,</u>	
			<u>2007</u>	<u>2006</u>
Bank SinoPac	\$ 49,000	03.28.2002 ~ 03.28.2017 Two year grace period, 52 equal quarterly installments starting from year 3 (Note 1)	\$ -	\$ 40,519
Mega International Commercial Bank	150,000	08.30.2004 ~ 07.20.2007 Principal due on maturity	50,000	50,000
Mega International Commercial Bank	150,000	12.31.2004 ~ 07.20.2007 Principal due on maturity (Note 2)	20,000	100,000
Chang Hwa Bank	150,000	02.14.2005 ~ 02.14.2008 First year grace period, 12 equal semi-annual installments starting from year 2 (Note 2)	50,000	150,000
			120,000	340,519
Less: Current portion			(120,000)	(53,769)
			<u>\$ -</u>	<u>\$286,750</u>

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

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

(12) Long-term liabilities on lease obligations

	<u>Period/Terms of Repayment</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
ORIX Asia Ltd.	03.24.2006 ~ 04.24.2007 12 equal monthly installments	\$ -	\$ 509
		-	509
Less: current portion		-	(509)
		<u>\$ -</u>	<u>\$ -</u>

(13) Income tax payable

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

	<u>For the six-month periods ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Current year income tax expense	\$ 77,512	\$ 58,991
Additional 10% corporate income tax on undistributed earnings	<u>19</u>	<u>3,525</u>
	77,531	62,516
Add (Less): Net change in deferred income tax assets	(30,507)	(34,460)
Prepaid income tax	(140)	(1,338)
Under provision of prior year's income tax	(16,474)	(75)
Income tax payable of prior year	7,377	4,050
Effect of exchange rate	<u>(24)</u>	<u>18</u>
Income tax payable	<u>\$ 37,763</u>	<u>\$ 30,711</u>

B) Deferred income tax assets are as follows:

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Deferred income tax assets - current	\$ 21,529	\$ 52,365
Deferred income tax assets - non-current	<u>271,711</u>	<u>93,983</u>
	293,240	146,348
Less: Valuation allowance - current	(4,621)	(4,496)
Valuation allowance - non-current	<u>(69,392)</u>	<u>(47,103)</u>
	<u>\$ 219,227</u>	<u>\$ 94,749</u>

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

	June 30,			
	2007		2006	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Current items:				
Allowance for decline in market value and inventory obsolescence	\$ 38,752	\$ 9,688	\$ 18,418	\$ 4,605
Allowance for sales returns	6,711	1,678	14,052	3,513
Over provision of allowance for bad debts	9,538	2,385	45,464	11,366
Welfare expenses	600	150	1,100	275
Loss carryforwards	-	-	25,632	6,408
Others	14	4	549	138
Investment tax credits		<u>7,624</u>		<u>26,060</u>
		21,529		52,365
Less: Valuation allowance		(<u>4,621</u>)		(<u>4,496</u>)
		<u>\$ 16,908</u>		<u>\$ 47,869</u>
Non-current items:				
Welfare expenses	\$ 117	\$ 28		
Investment loss on financial assets carried at cost – non-current	9,851	2,463		
Impairment loss on deferred charges and intangible assets	73,599	18,400	\$ 194,169	\$ 48,542
Loss carryforwards	250,594	62,649	256,822	64,205
Reserve for foreign investments	(124,480)	(31,120)	(219,236)	(54,809)
Reduction in capital of subsidiaries to cover accumulated deficit	785,541	196,385	-	-
Others	-	-	1,553	389
Investment tax credits		<u>22,906</u>		<u>35,656</u>
		271,711		93,983
Less: Valuation allowance		(<u>69,392</u>)		(<u>47,103</u>)
		<u>\$ 202,319</u>		<u>\$ 46,880</u>

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

	June 30,	
	<u>2007</u>	<u>2006</u>
Balance of shareholders account of deductible tax	<u>\$ 91,495</u>	<u>\$ 38,592</u>
2006 Actual creditable tax ratio		<u>21.45%</u>
2005 Actual creditable tax ratio		<u>-</u>

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

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
On or after January 1, 1998		
a. Earnings not subjected to 10% income tax	\$ 153,271	\$ 137,073
b. Earnings subjected to 10% income tax	(11,771)	(193,395)
	<u>(\$ 141,500)</u>	<u>(\$ 56,322)</u>

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

- (a) As of June 30, 2007, the Company's income tax returns through 2002 have been assessed and approved by the Tax Authority.
- (b) The Tax Authority imposed additional tax and interests amounting to \$3,327 on the Company's re-examination of 2001 income tax return. The Company had temporarily recognized the assessment in the financial statements and filed an appeal in April, 2007. As of August, 2007, the Ministry of Finance rendered to maintain the re-examination judgements due to the Company did not acquire legitimate certificate for its investment loss.
- (c) The Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company paid \$4,050 and contested the remaining balance imposed by the Tax Authority. The Company filed for re-examination in February 2006.

G) The incremental income associated with the Company's investments in the development of its internet-based computer games conforms with the Regulation No. 8-1 of "Statute for Upgrading Industries", and its non-taxable income are exempt from income tax for five years (2002 to 2006). The tax exempt income amounted to \$28,706 for the six-month period ended June 30, 2006.

H) As of June 30, 2007, according to "Income Tax Law" and "Statute for Upgrading Industries," the Company and its domestic subsidiaries had investment tax credits and loss carryforwards in the amount of \$93,179 to offset against taxable income for the next four to five years. The details are as follows:

<u>Deductible item</u>	<u>Total Credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 27,450	\$ 23,347	2008~2011
Machinery and equipment	5,120	5,120	2007~2009
Employees training	2,063	2,063	2009
Loss carryforwards	62,662	62,649	2007~2012
	<u>\$ 97,295</u>	<u>\$ 93,179</u>	

(14) 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 with a maximum of 45 units. Retirement benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Central Trust of China under the name of the independent retirement fund committee. For the six-month periods ended June 30, 2007 and 2006, net pension costs recognized by the Company and its domestic subsidiaries under the defined benefit plan amounted to \$34 and \$484, respectively. The balance of the retirement fund deposited with Central Trust of China was \$26,793 and \$22,972 as of June 30, 2007 and 2006, respectively. The fund balances are not reflected in the consolidated financial statements.
- B) Gamania Digital Entertainment (Japan) Co., Ltd., Gamania Korea Co., Ltd. and Gamania Digital Entertainment (H.K.) Co., Ltd. provide pension reserves annually for their employees in accordance with the local regulations. The net pension costs were \$788 and \$1,020 for the six-month periods ended June 30, 2007 and 2006, respectively.
- C) Gamania Digital Entertainment (Beijing) Co., Ltd. provides an old-age pension and insurance monthly based on 20% of the employees' salaries and wages in accordance with the local regulations. The net pension and insurance cost was \$775 and \$994 for the six-month periods ended June 30, 2007 and 2006, respectively.
- D) Effective July 1, 2005, the Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd., Alibangbang Digital Games Co., Ltd. and Foundation Digital Entertainment Co., Ltd. (established in February 8, 2007) adopted a defined contribution pension plan (the "New Plan"). Under the New Plan, employees have the option to choose the New Plan. The Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd., Alibangbang Digital Games Co., Ltd. and Foundation Digital Entertainment Co., Ltd. contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts deposited with the Bureau of Labor Insurance. Benefits accrued under the New Plan are portable when the employees leave the company. The net pension costs recognized by the Company and its

subsidiaries, Taiwan Index Co., Ltd., Alibangbang Digital Games Co., Ltd. and Foundation Digital Entertainment Co., Ltd. under the defined contribution plan for the six-month period ended June 30, 2007 amounted to \$10,653. The net pension costs recognized by the Company and its subsidiaries, Taiwan Index Co., Ltd., NC Taiwan Co., Ltd. and Alibangbang Digital Games Co., Ltd. under the defined contribution plan for the six-month period ended June 30, 2006 amounted to \$12,178.

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

(15) Common stock

On March 18, 2005, August 30, 2005 and February 15, 2006, the Company's Board of Directors adopted the resolutions to reduce its paid-in capital to \$1,468,787 by retiring 1,072,000 shares, 1,039,000 shares and 5,000,000 shares of treasury stocks on March 18, 2005, September 1, 2005 and February 16, 2006, respectively.

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

(18) Retained earnings (Accumulated deficit)

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 next year's shareholders' meeting. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholder can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.
- C) As of June 13, 2007, the Company's stockholders approved to distribute earnings of 2006, which included the legal reserve of \$24,132, employee bonuses of \$21,719, cash dividends of \$152,754, stock dividends of \$38,189 and directors' and supervisors' remuneration of \$4,340. For current status of the resolution, please visit the Taiwan Stock Exchange website.
- D) As of December 31, 2005, the Company had an accumulated deficit of \$267,318. The Company's stockholders approved not to distribute dividends, employee bonus, and directors' and supervisors' remuneration. In addition, the stockholders during their meeting adopted a resolution to use \$267,318 of capital reserve to cover the accumulated deficit.

(19) Earnings per share

	For the six-month period ended June 30, 2007				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 1)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share:					
Net income	\$ 230,802	\$ 153,271	142,870	\$ <u>1.62</u>	\$ <u>1.07</u>
Diluted effect:					
Stock options	-	-	316		
Diluted earnings per share:					
Net income	\$ <u>230,802</u>	\$ <u>153,271</u>	<u>143,186</u>	\$ <u>1.61</u>	\$ <u>1.07</u>

For the six-month period ended June 30, 2006					
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note 1)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share before retroactive adjustment:					
Net income	\$ 199,589	\$ 137,073	142,283	\$ 1.40	\$ 0.96
Diluted effect:					
Stock options (Note 2)	-	-	-		
Diluted earnings per share:					
Net income	\$ 199,589	\$ 137,073	142,283	\$ 1.40	\$ 0.96
Basic earnings per share after retroactive adjustment:					
Net income	\$ 199,589	\$ 137,073	148,274	\$ 1.35	\$ 0.92
Diluted effect:					
Stock options (Note 2)	-	-	-		
Diluted earnings per share:					
Net income	\$ 199,589	\$ 137,073	148,274	\$ 1.35	\$ 0.92

Note 1: In New Taiwan Dollars.

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

(20) Treasury stock

A) Changes in the treasury stock for the six-month periods ended June 30, 2007 and 2006 are set forth below:

For the six-month period ended June 30, 2007				
Reason for reacquisition	Beginning shares (Note)	Additions	Disposals	Ending shares (Note)
Employees stock options	10,000	-	-	10,000

For the six-month period ended June 30, 2006				
Reason for reacquisition	Beginning shares (Note)	Additions	Disposals	Ending shares (Note)
Employees stock options	5,000	10,000	(5,000)	5,000

Note: Amount in thousands of shares.

- B) The maximum and ending balances of treasury stock for the six-month periods ended June 30, 2007 and 2006 are as follows:

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

- C) The procedure for the write-off of treasury stocks purchased on February 16, 2006 had been completed. As a result, the additional paid in capital-in excess of par decreased by \$34,160, additional paid in capital-treasury stock transaction decreased by \$27,162 and accumulated deficit increased by \$190,818. In addition, 10,000,000 shares were purchased continually since March 20, 2006.
- D) According to the R.O.C Securities and Exchange Act, the percentage of the number of shares of treasury stocks shall not exceed 10% of the total shares of common stocks issued by the Company and the total amount of treasury stock shall not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve.
- E) According to the R.O.C Securities and Exchange Act, treasury stocks held by the Company shall not be pledged, and shall bear no right of shareholders until reissued.
- F) According to the R.O.C. Securities and Exchange Act, treasury shares for the purpose of enhancing the Company's credit standing and shareholders' equity shall be retired within six months; treasury stocks for all other purposes shall be reissued within three years from the month of acquisition; treasury stocks not reissued within the said periods shall be retired.
- (21) Employee stock option plan
- A) On December 25, 2003, the board of directors approved an employee stock option plan. The program involves the issuance of 10,000,000 units of options that can be converted to one share of common stock per unit. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The stock 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 six-month periods ended June 30, 2007 and 2006 were as follows:

Stock Options	For the six-month periods ended June 30,			
	2007		2006	
	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)
Beginning balance	5,210	\$ 32.80	10,000	\$ 32.80
Number of options granted	-	-	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised	-	-	-	-
Cancelled	(353)	-	-	-
Ending balance	<u>4,857</u>	\$ 32.80	<u>10,000</u>	\$ 32.80
Exercisable at the end of the year	<u>4,857</u>		<u>5,358</u>	
Authorized but unissued at the end of the year	<u>-</u>		<u>-</u>	

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

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

June 30, 2007					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
\$ 32.80	4,857	2.58	\$ 32.80	4,857	\$ 32.80

June 30, 2006					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
\$ 32.80	10,000	3.58	\$ 32.80	5,358	\$ 32.80

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

(a) Model: The Black-Scholes model.

(b) Assumptions:

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

Note: 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 had considered the effect of earnings distribution every year.

(c) Result of evaluation:

	<u>For the six-month period ended June 30, 2007</u>	<u>For the six-month period ended June 30, 2006</u>
Weighted average fair value of options granted to employees	\$ 17.4656 (in dollars)	\$ 17.4656 (in dollars)
Compensation cost under "fair value method"	6,982	811

(d) Pro forma information:

	<u>For the six-month period ended June 30, 2007</u>	<u>For the six-month period ended June 30, 2006</u>
Net income	\$ 153,271	\$ 137,073
Net income Pro forma net income	146,289	136,262
Basic earnings per share (EPS)	1.07 (in dollars)	0.92 (in dollars)
	Pro forma EPS	0.92 (in dollars)
Diluted earnings per share	1.07 (in dollars)	0.92 (in dollars)
	Pro forma EPS	0.92 (in dollars)

(22) Personnel, depreciation and amortization expenses

	<u>For the six-month period ended June 30, 2007</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 39,100	\$ 218,907	\$ 258,007
Labor and health insurances	301	20,392	20,693
Pension	163	12,019	12,182
Others	1,434	16,453	17,887
	<u>\$ 40,998</u>	<u>\$ 267,771</u>	<u>\$ 308,769</u>
Depreciation	<u>\$ 39,821</u>	<u>\$ 31,914</u>	<u>\$ 71,735</u>
Amortization	<u>36,171</u>	<u>10,291</u>	<u>46,462</u>
	<u>\$ 75,992</u>	<u>\$ 42,205</u>	<u>\$ 118,197</u>

	<u>For the six-month period ended June 30, 2006</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 76,207	\$ 220,630	\$ 296,837
Labor and health insurances	3,192	18,181	21,373
Pension	2,083	12,593	14,676
Others	2,417	13,220	15,637
	<u>\$ 83,899</u>	<u>\$ 264,624</u>	<u>\$ 348,523</u>
Depreciation	<u>\$ 85,476</u>	<u>\$ 24,984</u>	<u>\$ 110,460</u>
Amortization	<u>19,813</u>	<u>13,027</u>	<u>32,840</u>
	<u>\$ 105,289</u>	<u>\$ 38,011</u>	<u>\$ 143,300</u>

(23) Preparation of financial statements

The Company, in accordance with Article 12 of “Statute for Upgrading Industries”, may set aside 20% of overseas investments as allowance for investment losses for income tax purposes. The balance amounted to \$124,480 as of June 30, 2007.

However, to comply with generally accepted accounting principles in Republic of China, the allowance had been reversed in the financial statements as of June 30, 2007.

The allowance for investment losses is as follows:

<u>Amount as of January 1, 2007</u>	<u>Additions</u>	<u>Recovery</u>	<u>Amount as of June 30, 2007</u>
<u>\$ 237,303</u>	<u>\$ 11,728</u>	<u>(\$ 124,551)</u>	<u>\$ 124,480</u>

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

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

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

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

(2) Significant transactions with related parties

A) Other receivables

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	% of net		% of net	
	<u>Amount</u>	<u>other receivables</u>	<u>Amount</u>	<u>other receivables</u>
NCSOFT	\$ -	-	\$ 514	18
Soga	-	-	43	2
	<u>\$ -</u>	<u>-</u>	<u>\$ 557</u>	<u>20</u>

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

B) Accounts payable

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	% of net		% of net	
	<u>Amount</u>	<u>accounts payable</u>	<u>Amount</u>	<u>accounts payable</u>
NCSOFT	\$ -	-	\$ 17,117	11

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

C) Others

- The Company and its subsidiary, NC Taiwan Co., Ltd., have been engaged to sell the on-line games developed by NCsoft and are required to pay NCsoft royalties based on the negotiated proportion of the amount of the games consumed. For the six-month period ended June 30, 2006, the royalties paid to NCsoft amounted to \$332,434, which was included in "operating costs".
- For the six-month period ended June 30, 2006, a subsidiary, NC Taiwan Co., Ltd., paid \$1,092 to NCsoft for the security service fee for on-line games, which was included in "operating costs".

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>June 30,</u>		<u>Purpose</u>
	<u>2007</u>	<u>2006</u>	
Time deposits (shown in other financial assets - current)	\$ -	\$ 30,000	Short-term loans / Credit lines
Land	141,717	141,717	Long-term loans / Credit lines
Buildings	103,151	105,161	"
Machinery and equipment	16,855	24,157	"
	<u>\$ 261,723</u>	<u>\$ 301,035</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- A) As of June 30, 2007, the total future rental payments for the next 3 years under non-cancelable operating lease agreements for the lease of the Group's office building and server warehouse from Chunghwa Telecom Co., Ltd. was \$118,275.
- 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.
- C) As stated in Note 4(13), the Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company reassessed the 2002 income tax return and deemed its additional liability to be \$4,050. The Company filed for re-examination in February 2006 to contest the balance of tax and penalties.
- D) For the period from January 1, 2007 to December 31, 2007, First Commercial Bank provided guarantee for merchandise transactions on behalf of the Company to Wisdom Distribution Service Corporation. The Company guarantees that if the amount of sales to Wisdom Distribution Service Corporation is lower than the amount of sales returns, the Company should pay the guarantee of \$4,000 to First Commercial Bank and Wisdom Distribution Service Corporation would get implicative guarantee from First Commercial Bank.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

(1) The fair values of the financial instruments

	June 30, 2007			June 30, 2006		
	Book value	Fair value		Book value	Fair value	
		Quotations in an active market	Estimated value		Quotations in an active market	Estimated value
<u>Financial instruments</u>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$2,055,958	(Note A)	\$2,055,958	\$1,901,677	(NoteA)	\$1,901,677
Financial assets carried at cost	114,294	-	-	112,550	-	-
Refundable deposits	32,255	-	32,002	31,132	-	30,641
Liabilities						
Financial liabilities with fair values equal to book values	\$ 864,117	(Note A)	\$ 864,117	\$ 575,924	(Note A)	\$ 575,924
Long-term loans	-	-	-	286,750	-	271,912
Guarantee deposits	1,031	-	1,031	1,319	-	1,319

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 (including related parties), other receivables (including related parties), other financial assets-current, other current assets, short-term loans, notes and accounts payable (including related parties), income tax payable, accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.
- B) The fair value of refundable deposits is based on the present value of expected cash flow amounts. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank.
- C) The fair value of long-term loans is based on the present value of expected cash flow amounts. The discount rate was another instrument which the Company could acquire similar terms ranging from 2.445% to 3.47%.
- D) The fair value of guarantee deposits is the book value since the amount is insignificant.

E) Off-balance sheet financial instruments with credit risk: None.

(2) Procedure of financial risk control and hedge

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

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

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

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

(3) Information of financial risk

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

(A) Market risk

The Group's trading of financial assets has no market price, however the Group expects no significant market risk because the Group has set a stop loss limit.

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

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

(A) Market risk

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

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

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

(A) Market risk

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

(B) Credit risk

None.

(C) Liquidity risk

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

(D) Cash flow interest risk

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

- (4) For the six-month periods ended June 30, 2007 and 2006, the Company donated cash and magazines amounting to \$700 and \$15,201, respectively, to political parties, charities and educational institutions that are accredited by the government, without significant appointed considerations.

(5) Intercompany transactions eliminated

	For the six-month period ended June 30, 2007							
	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	Fundation Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	Alibangbang Digital Games Co., Ltd.
1. Long-term investments and stockholders' equity eliminated	(\$ 510,385)	\$ 214,063	\$ 36,077	\$ 115,290	\$ 109,120	\$ 26,418	\$ 25	\$ 9,392
2. Receivables and payables eliminated	(53,218)	(15,456)	(5,127)	73,446	6	575	(220)	(6)
3. Profit and loss accounts eliminated								
(1) Sale and purchase transactions	34,110	-	(27,863)	(6,247)	-	-	-	-
(2) Royalty income and publishing cost	(985)	985	-	-	-	-	-	-
(3) Other operating revenue and service expense	(1,017)	-	57	960	-	-	-	-
(4) Advertising expense and revenue	4,606	-	(11)	(4,595)	-	-	-	-
(5) Rent revenue and expense	(117)	-	40	77	-	-	-	-
(6) Other revenue and expense	(579)	71	57	451	-	-	-	-
(7) Realized (unrealized) gross profit on intercompany transactions	(1,213)	(32)	-	1,245	-	-	-	-

For the six-month period ended June 30, 2006

	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its subsidiaries	NC Taiwan Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings Ltd.	Alibangbang Digital Games Co., Ltd.
1. Long-term investments and stockholders' equity eliminated	(\$ 501,151)	\$ 136,177	\$ 91,271	\$ 90,785	\$ 109,172	\$ 50,328	\$ 95	\$ 23,323
2. Receivables and payables eliminated	(165,404)	(24,140)	153,223	42,238	6	(5,809)	(71)	(43)
3. Profit and loss accounts eliminated								
(1) Sale and purchase transactions	76,951	3,737	(76,088)	(4,600)	-	-	-	-
(2) Royalty income and publishing expense	(1,289)	1,289	-	-	-	-	-	-
(3) Other operating revenue and service expense	(1,317)	-	-	1,317	-	-	-	-
(4) Publishing expense and royalty income	982	-	(982)	-	-	-	-	-
(5) Advertising expense and revenue	3,528	-	-	(3,528)	-	-	-	-
(6) Rent revenue and expense	(11,933)	2,937	137	6,604	-	2,255	-	-
(7) Other revenue and expense	(939)	-	575	364	-	-	-	-
(8) Realized (unrealized) gross profit on intercompany transactions	551	(51)	(1,055)	555	-	-	-	-

11. DISCLOSURE INFORMATION

(1) Related information of significant transactions

A) Financing activities to any company or person: None

B) Guarantee information: None

C) Marketable securities held at June 30, 2007:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	June 30, 2007				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	30,878	\$ 214,063	100%	\$ 214,063	Note (3)
"	"	Gamania Korea Co., Ltd.	"	"	732	26,418	100%	26,418	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	12,600	9,392	96.92%	9,392	"
"	"	Taiwan Index Co., Ltd.	"	"	7,745	82,782	69.40%	82,782	"
"	"	Gamania Asia Investmet Co., Ltd.	"	"	19,000	141,628	100%	141,628	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	25	100%	25	"
"	"	Fundation Digital Entertainment Co., Ltd.	"	"	4,000	36,077	100%	36,077	"
"	"	Playcoo Co.	Investee company accounted for under the equity method	"	6,315	40,456	36.72%	40,456	None
"	"	Buybooks Digital Technology Corp., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost-non-current	300	-	3.74%	-	"
"	"	ECD Interactive Corporation	"	"	2,040	-	18.55%	-	"
"	"	Joyon Entertainment Co., Ltd.	"	"	697	-	11.47%	-	"
"	"	RAVA Ideologie Inc.	"	"	880	-	8.69%	-	"
"	"	NC Taiwan Co., Ltd.	"	"	2,100	22,841	15.00%	22,841	"

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

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

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

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

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Investor	Type and name of marketable securities	General ledger account	Name and relationship of counterparty	Beginning balance (Note)		Addition		Disposal			Disposal gain	Ending balance (Note)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	TIIM High Yield Fund	Financial asset held for trading-bond funds	Initial investment at inception/None	-	-	12,044	\$ 150,000	12,044	\$ 150,349	\$ 150,000	\$ 349	-	-
"	FGIT Wan-tai Bond Fund	"	"	-	-	7,144	100,000	7,144	100,278	100,000	278	-	-
"	HSBC Taiwan Dragon Fund	"	"	-	-	6,474	100,000	6,474	100,284	100,000	284	-	-
"	Polaries De-Bao Fund	"	"	-	-	9,006	100,000	9,006	100,311	100,000	311	-	-
"	Fuban Ju-I III Fund	"	"	-	-	8,159	100,000	8,159	100,359	100,000	359	-	-
"	CITC Safe Income Fund	"	"	-	-	6,701	100,000	6,701	100,347	100,000	347	-	-
"	NITC Tawan Bond Fund	"	"	-	-	7,081	100,000	7,081	100,208	100,000	208	-	-
"	NITC Bond Fund	"	"	-	-	631	104,000	631	104,180	104,000	180	-	-
"	Fuh-Hwa Yuli Bond Fund	"	"	-	-	8,025	100,000	8,025	100,133	100,000	133	-	-
"	JF Taiwan First Bond Fund	"	"	-	-	9,515	134,000	9,515	134,215	134,000	215	-	-
"	JF (Taiwan) Bond Fund	"	"	-	-	6,540	100,000	6,540	100,170	100,000	170	-	-
"	Prudential Financial Bond Fund	"	"	-	-	9,624	141,000	9,624	141,248	141,000	248	-	-
"	MEGA Diamond Bond Fund	"	"	-	-	8,675	100,000	8,675	100,361	100,000	361	-	-

Note: Original investment cost.

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

(2) Information of investee companies

A) Information of investee companies:

(The information on investee companies, Gamania Korea Co., Ltd., Taiwan Index Co., Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd., Playcoo Co. and Foundation Digital Entertainment Co., Ltd. were based on financial statements audited by other auditors. The information on Gamania Entertainment Labuan Holdings Ltd. and G.A. Co., Limited were based on unaudited financial statements. The others were audited by us.)

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) income incurred by the investee	Investment (loss) income recognized by the Company	Note
				2007.6.30	2006.12.31	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	\$1,045,789	\$ 987,151	30,878	100%	\$214,063	(\$ 10,028)	(\$ 10,028)	Subsidiary (Note 3)
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sales of software	137,352	137,352	732	100%	26,418	(11,003)	(11,003)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	130,000	110,000	12,600	96.92%	9,392	(17,237)	(16,650)	"
"	Taiwan Index Co., Ltd.	"	Software service	208,200	208,200	7,745	69.40%	82,782	7,946	6,759	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	19,000	100%	141,628	2,182	2,182	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 9F, Main Office Tower, Financial Park, 87000 Labuan FT Labuan, Malaysia	Investment holdings	329	329	10	100%	25	(37)	(37)	"

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) income incurred by the investee	Investment (loss) income recognized by the Company	Note
				2007.6.30	2006.12.31	Number of shares	Percentage	Book value			
The Company	Foundation Digital Entertainment Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Sales and publishing of magazines and periodicals	\$ 40,000	\$ -	4,000	100%	\$ 36,077	(\$ 3,923)	(\$ 3,923)	Subsidiary (Note 3)
"	Playcoo Co.	4F-4, No.215, SEC 2 Cheng-de Rd., Taipei City, Taiwan	Supply software service and electronic information	63,151	40,000	6,315	36.72%	40,456	(13,312)	(4,413)	Investee company accounted for under equity method
Gamania Asia Investment Co., Ltd.	Taiwan Index Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and sales of software	80,625	80,625	3,036	27.20%	32,508	7,946	2,161	Investee company accounted for under equity method (Note 3)
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 30,878 thousand	USD 29,108 thousand	30,878	100%	USD 6,554 thousand	(USD 292 thousand)	(USD 292 thousand)	Subsidiary (Note 3)
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan) Co., Ltd.	Sumitomo Ooimachi Bldg (North) 4F, 1-20-6 Ooi, Shinagawa-Ku, Tokyo, Japan 140-0014	Design and sales of software; sales of hardware	USD 14,298 thousand	USD 14,298 thousand	19	100%	USD 2,555 thousand	(USD 233 thousand)	(USD 233 thousand)	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 18,654 thousand	USD 16,884 thousand	18,654	93.55%	USD 4,012 thousand	(USD 60 thousand)	(USD 55 thousand)	"
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	4F, One Capital Place, P.O. Box 847 gt, Grand Cayman, Cayman Islands, British West Indies	General investment	USD 16,880 thousand	USD 15,110 thousand	16,880	100%	USD 1,147 thousand	(USD 388 thousand)	(USD 388 thousand)	"

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) income incurred by the investee	Investment (loss) income recognized by the Company	Note
				2007.6.30	2006.12.31	Number of shares	Percentage	Book value			
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Rm 2106, Bldg No.5 Soho New Town, No.88, Jian Guo Re Beijing, 1000022 China	Design and sales of software	USD\$13,500 thousand	USD\$11,980 thousand	N/A	100%	USD\$ 932 thousand	(USD\$ 299 thousand)	(USD\$ 299 thousand)	Subsidiary (Note 3)
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Design and sales of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 3,111 thousand	USD 329 thousand	USD 329 thousand	"
Gamania China Holdings Ltd.	G.A. Co., Limited	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Design and sales of software	Note 1	Note 1	N/A	100%	Note 2	-	-	"

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

Note 2: Under liquidation since December 2006.

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

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

C) Guarantee information: None.

D) Marketable securities held at June 30, 2007:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	December 31, 2006				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
Gamania Holdings Ltd.	Common Stock	Gamania International Holdings Ltd.	Subsidiary	Long-term investments – accounted for under the equity method	30,878	USD\$ 6,544 thousand	100%	USD\$ 6,544 thousand	Note (4)
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	19	USD 2,555 thousand	100%	USD 2,555 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	18,654	USD 4,012 thousand	93.55%	USD 4,012 thousand	"
Gamania China Holdings Ltd.	"	G.A. Co., Limited	"	"	N/A	-	100%	-	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD 3,111 thousand	100%	USD 3,111 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	16,880	USD 1,147 thousand	100%	USD 1,147 thousand	"
Gamania Sino Holdings Co., Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	USD 932 thousand	100%	USD 932 thousand	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under the equity method	"	3,036	32,508	27.20%	32,508	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost	8,718	91,453	14.60%	91,453	None

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

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

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

Note (3): Unit: In thousand shares.

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

- E) Marketable securities acquired or sold during the six-month period ended June 30, 2007 in excess of \$100,000 or 20% of capital: None.
- F) Acquired real estate in excess of \$100,000 or 20% of capital: None.
- G) Disposal of real estate in excess of \$100,000 or 20% of capital: None.
- H) 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, 2007	Remitted or received investment amount during the year		Accumulated investment as of June 30, 2007	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at June 30, 2007	Accumulated investment income received as of June 30, 2007
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	(RMB110,567 thousand) \$477,228	(Note (2))	(USD 9,850 thousand) \$323,671	(USD 1,520 thousand) \$49,947	\$ -	(USD 11,370 thousand) \$373,618	93.55%	(USD 279 thousand) (\$9,212)	USD 872 thousand \$28,654	\$ -

Accumulated amount of investment in Mainland China as of June 30, 2007	Related investment amount approved by FIA	The upper limit of investment in Mainland China
\$ 373,618 (USD 11,370 thousand)	\$459,383 (Note (1))	\$ 917,428

Note (1): Related total investment amount approved by FIA is USD 13,980,000 or NTD 459,383 thousand based on 32.86 exchange rate.

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

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

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

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

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

For the six-month period ended June 30, 2007

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms		Transaction terms	Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount		
0	Gamania Digital Entertainment Co., Ltd.	Fundation Digital Entertainment Co., Ltd.	1	Purchases	\$ 27,863	Note (4)	2%
0	"	Taiwan Index Co., Ltd.	1	Purchases	6,247	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	4,595	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	7,355	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	6,237	Note (4)	-%
0	"	Fundation Digital Entertainment Co., Ltd.	1	Other receivables	4,172	Note (4)	-%
0	"	Gamania Holdings Ltd.	1	Other receivables	1,354	Note (4)	-%
0	"	Gamania International Holdings Ltd.	1	Other receivables	1,079	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	74,464	Note (4)	2%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other payables	1,421	Note (4)	-%
1	Fundation Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	27,863	Note (4)	2%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	4,172	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	6,247	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Advertising revenue	4,595	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	74,464	Note (4)	2%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	1,485	Note (4)	-%
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	4,816	Note (4)	-%
3	"	Gamania Korea Co., Ltd.	3	Other receivables	3,445	Note (4)	-%
3	"	Taiwan Index Co., Ltd.	3	Accounts payable	1,485	Note (4)	-%

For the six-month period ended June 30, 2007 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
4	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	\$ 7,355	Note (4)	-%
5	Gamania Holdings Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,354	Note (4)	-%
6	Gamania International Holdings Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	1,079	Note (4)	-%
7	Gamania Korea Co., Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts payable	3,445	Note (4)	-%

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

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

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

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

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

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

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

For the six-month period ended June 30, 2006

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
0	Gamania Digital Entertainment Co., Ltd.	NC Taiwan Co., Ltd.	1	Service revenue	\$ 4,586	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Service revenue	3,876	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Royalty income	1,289	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other operating revenue	1,317	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Purchases	74,524	Note (4)	4%
0	"	Taiwan Index Co., Ltd.	1	Purchases	2,427	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	3,528	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Rent revenue	6,604	Note (4)	-%
0	"	Gamania Korea Co., Ltd.	1	Rent revenue	2,255	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Rent revenue	2,205	Note (4)	-%
0	"	Taiwan Index Co.	1	Notes receivable	7,928	Note (4)	-%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other receivables	17,787	Note (4)	1%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	9,802	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	7,185	Note (4)	-%
0	"	Gamania Korea Co., Ltd.	1	Other receivables	6,670	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Other receivables	2,446	Note (4)	-%
0	"	NC Taiwan Co., Ltd.	1	Notes payable	115,214	Note (4)	4%
0	"	Taiwan Index Co., Ltd.	1	Accounts payable	2,193	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	40,238	Note (4)	1%
0	"	NC Taiwan Co., Ltd.	1	Other payables	40,148	Note (4)	1%
0	"	Gamania Digital Entertainment (Japan) Co., Ltd.	1	Other payables	4,436	Note (4)	-%

For the six-month period ended June 30, 2006 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
1	NC Taiwan Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	\$ 4,586	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	74,524	Note (4)	4%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	2,446	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Notes receivable	115,214	Note (4)	4%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	40,148	Note (4)	1%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	6,330	Note (4)	-%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other receivables	1,548	Note (4)	-%
1	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Sales revenue	1,564	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	3,876	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Service expense	1,317	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Sales revenue	2,427	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating revenue	3,528	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	6,604	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Notes payable	7,928	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	2,193	Note (4)	-%

For the six-month period ended June 30, 2006 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	\$ 40,238	Note (4)	1%
2	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Accounts receivable	1,077	Note (4)	-%
3	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Rent expense	2,255	Note (4)	-%
3	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	6,670	Note (4)	-%
3	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Other payables	8,788	Note (4)	-%
4	Gamania Digital Entertainment (H.K.) Co., Ltd.	NC Taiwan Co., Ltd.	3	Operating costs	1,564	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	1,289	Note (4)	-%
4	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	9,802	Note (4)	-%
4	"	NC Taiwan Co., Ltd.	3	Other payables	6,330	Note (4)	-%
4	"	NC Taiwan Co., Ltd.	3	Other payables	1,548	Note (4)	-%
4	"	Taiwan Index Co., Ltd.	3	Other payables	1,077	Note (4)	-%
4	"	Gamania Korea Co., Ltd.	3	Other receivables	8,788	Note (4)	-%
4	"	Gamania Sino Holdings Ltd.	3	Other receivables	5,927	Note (4)	-%
5	Gamania Digital Entertainment (Japan) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	17,787	Note (4)	1%
5	"	Gamania Digital Entertainment Co., Ltd.	2	Other receivables	4,436	Note (4)	-%
6	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Operating costs	2,205	Note (4)	-%
6	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Other payables	7,185	Note (4)	-%
6	"	Gamania Sino Holdings Ltd.	3	Other payables	6,652	Note (4)	-%

For the six-month period ended June 30, 2006 (Continued)

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			The percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction Terms	
7	Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (H.K) Co., Ltd.	3	Other payables	\$ 5,927	Note (4)	-%
7	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	Other receivables	6,652	Note (4)	-%

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

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

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

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

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

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

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

