

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

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

DECEMBER 31, 2009 AND 2008

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

Report of Independent Accountants Translated from Chinese

PWCR09000348

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

We have audited the accompanying consolidated balance sheets of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As described in Note 1(2), we did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$1,111,903 thousand and \$899,044 thousand, constituting 27.81% and 26.68% of the related consolidated totals as of December 31, 2009 and 2008, respectively, and total operating revenues of \$1,288,986 thousand and \$895,165 thousand, constituting 24.97% and 23.75% of the related consolidated totals for the years 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. The related investment loss amounted to \$1,993 thousand, constituting 1% of the consolidated net income attributable to equity holders of the Company for the year ended December 31, 2008. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these investee companies and the information disclosed in Note 11(2) relative to these long-term investments, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gamania Digital Entertainment Co., Ltd. and its subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and generally accepted accounting principles in the Republic of China.

As described in Note 3, Gamania Digital Entertainment Co., Ltd. and its domestic subsidiaries adopted EITF 96-052, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration” issued by the Accounting Research and Development Foundation in Taiwan on January 1, 2008. The Company recognizes the expense and the related liability when the obligation can be measured reliably.

PricewaterhouseCoopers, Taiwan

March 2, 2010

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

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

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009	2008		2009	2008
ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
<u>Current Assets</u>			<u>Current Liabilities</u>		
Cash and cash equivalents (Note 4(1))	\$ 1,105,011	\$ 821,484	Short-term loans (Note 4(11))	\$ 145,553	\$ 115,000
Notes receivable – third parties – net (Note 4(2))	113,003	70,119	Notes payable – third parties	10,056	26,908
Accounts receivable – third parties – net (Note 4(3))	1,122,452	938,490	Accounts payable – third parties	216,731	139,407
Other receivables (Note 4(13))	39,227	17,470	Accounts payable – related party (Note 5(2))	-	35,699
Other financial asset – current (Note 6)	2,000	4,000	Income tax payable (Note 4(13))	12,582	59,777
Inventories – net (Note 4(4))	60,584	21,119	Accrued expenses (Note 4(17))	386,503	313,298
Prepaid expenses	33,107	46,011	Other payables	159,560	120,810
Deferred income tax assets – current (Note 4(13))	48,851	31,942	Unearned revenue collected in advance	365,073	145,214
Other current assets	2,646	2,427	Current portion of long-term loans (Note 4(12))	22,188	11,025
	<u>2,526,881</u>	<u>1,953,062</u>	Other current liabilities	58,833	29,863
				<u>1,377,079</u>	<u>997,001</u>
<u>Long-term Investments</u>			<u>Long-term Liability</u>		
Financial assets carried at cost – non-current (Note 4(5))	114,294	114,294	Long-term loans (Note 4(12))	27,805	18,858
Long-term investments – accounted for under the equity method (Note 4(6))	5,795	-			
Prepayment for long-term investment (Note 4(6))	-	5,000	<u>Other Liabilities</u>		
	<u>120,089</u>	<u>119,294</u>	Accrued pension liabilities (Note 4(14))	8,700	6,163
<u>Property, Plant and Equipment – net</u> (Notes 4(7) and 6)			Guarantee deposits	380	374
Cost			Other liabilities – other (Note 4(6))	453	4,356
Land	147,751	147,751		9,533	10,893
Buildings	165,947	163,721	Total Liabilities	<u>1,414,417</u>	<u>1,026,752</u>
Machinery and equipment	556,377	699,843			
Office equipment	204,922	78,816	<u>Stockholders' Equity</u>		
Leasehold improvements	39,383	38,207	Common stock		
Other equipment	<u>3,820</u>	<u>2,509</u>	Common stock (Note 1)	1,604,951	1,587,827
Total Cost	1,118,200	1,130,847	Stock subscriptions received in advance	12,437	-
Less: Accumulated depreciation	(586,223)	(589,822)	Capital reserve (Note 4(15))		
Accumulated impairment	(4,406)	(4,323)	Paid-in capital in excess of par	789,316	740,670
Construction in progress and prepayments for equipment	9,791	3,169	Gain on disposal of property, plant and equipment	221	221
	<u>537,362</u>	<u>539,871</u>	Retained earnings		
			Legal reserve (Note 4(16))	86,730	61,214
<u>Intangible assets</u>			Retained earnings (Notes 4(13) and 4(17))	395,413	257,544
Trademark	-	581	Other adjustments to stockholders' equity		
Goodwill	49,000	49,114	Cumulative translation adjustments	35,674	46,084
Deferred pension cost (Note 4(14))	1,367	840	Unrealized net loss	(565)	-
Other intangible assets – net (Note 4(8))	206	95	Treasury stock (Note 4(19))	(370,182)	(370,182)
	<u>50,573</u>	<u>50,630</u>		2,553,995	2,323,378
			Minority interest	30,335	19,637
<u>Other Assets</u>				<u>2,584,330</u>	<u>2,343,015</u>
Refundable deposits	47,090	38,409	Commitments and Contingent Liabilities (Note 7)		
Deferred charges – net (Notes 4(9) and 4(10))	650,475	487,333			
Deferred income tax assets – non-current (Note 4(13))	58,910	174,795	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,998,747	\$ 3,369,767
Other assets – other (Note 4(14))	<u>7,367</u>	<u>6,373</u>			
	763,842	706,910			
TOTAL ASSETS	\$ 3,998,747	\$ 3,369,767			

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 2, 2010.

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

	<u>2009</u>	<u>2008</u>
Operating revenues		
Sales revenue	\$ 5,210,267	\$ 3,884,581
Sales returns	(105,450)	(139,365)
Sales allowances	(14,085)	(30,531)
Net sales revenue	5,090,732	3,714,685
Service revenue	<u>71,563</u>	<u>53,978</u>
Operating revenues	5,162,295	3,768,663
Operating costs		
Cost of goods sold (Notes 4(21), 5(2) and 10)	(2,545,171)	(1,954,066)
Gross profit	2,617,124	1,814,597
Operating expenses (Notes 4(21), 5(2) and 10)		
Selling expenses	(882,989)	(611,968)
General and administrative expenses	(880,596)	(697,417)
Research and development expenses	(393,534)	(247,076)
Total operating expenses	(2,157,119)	(1,556,461)
Operating income	460,005	258,136
Non-operating income		
Interest income	1,570	11,501
Gain on adjustment of financial assets	454	3,340
Dividend income	-	2,746
Foreign exchange gain	3,797	-
Rental income	108	160
Gain on recovery of bad debts	-	7,000
Gain on recovery of impairment (Note 4(10))	-	18,033
Miscellaneous income (Note 5(2))	12,244	57,793
Total non-operating income	<u>18,173</u>	<u>100,573</u>
Non-operating expenses		
Interest expense	(3,173)	(2,077)
Investment loss accounted for under equity method (Note 4(6))	(7,910)	(7,286)
Other investment loss	-	(1)
Loss on disposal of property, plant and equipment	(984)	(286)
Loss on disposal of investment	(2)	-
Foreign exchange loss	-	(119)
Miscellaneous losses	(16,190)	(21,752)
Total non-operating expenses	(28,259)	(31,521)
Income before income tax	449,919	327,188
Income tax expense (Note 4(13))	(121,897)	(64,000)
Consolidated net income	<u>\$ 328,022</u>	<u>\$ 263,188</u>
Attributable to:		
Equity holders of the Company	\$ 318,808	\$ 260,049
Minority interest	<u>9,214</u>	<u>3,139</u>
	<u>\$ 328,022</u>	<u>\$ 263,188</u>

	2009		2008	
	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
Basic earnings per share (in dollars) (Note 4(18))				
Profit attributable to equity holders of the Company	\$ 3.01	\$ 2.18	\$ 2.12	\$ 1.70
Minority interest income	0.06	0.06	0.02	0.02
Consolidated net income	\$ 3.07	\$ 2.24	\$ 2.14	\$ 1.72
Diluted earnings per share (in dollars) (Note 4(18))				
Profit attributable to equity holders of the Company	\$ 2.89	\$ 2.09	\$ 2.10	\$ 1.69
Minority interest income	0.06	0.06	0.02	0.02
Consolidated net income	<u>\$ 2.95</u>	<u>\$ 2.15</u>	<u>\$ 2.12</u>	<u>\$ 1.71</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 2, 2010.

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

	Common Stock		Capital Reserve		Retained Earnings		Financial Instruments' Unrealized Gain	Cumulative Translation Adjustments	Unrealized Net Loss	Treasury Stock	Minority Interest	Total
	Common Stock	Stock Subscription Received in Advance	Paid-in Capital in Excess of Par	Capital Surplus from Gain on Disposal of Assets	Legal Reserve	Retained Earnings						
Balance at January 1, 2008	\$ 1,530,678	\$ -	\$ 740,670	\$ 221	\$ 24,132	\$ 371,621	\$ 92	\$ 24,282	\$ -	(\$ 200,788)	\$ 14,121	\$ 2,505,029
Distribution of 2007 earnings:												
Legal reserve	-	-	-	-	37,082	(37,082)	-	-	-	-	-	-
Capital increase from retained earnings	7,061	-	-	-	-	(7,061)	-	-	-	-	-	-
Capital increase from employees' bonuses	50,088	-	-	-	-	(50,088)	-	-	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	-	(6,678)	-	-	-	-	-	(6,678)
Cash dividends	-	-	-	-	-	(268,333)	-	-	-	-	-	(268,333)
Consolidated net income for the year	-	-	-	-	-	260,049	-	-	-	-	3,139	263,188
Acquisition of treasury stock	-	-	-	-	-	-	-	-	(169,394)	-	-	(169,394)
Cumulative translation adjustments	-	-	-	-	-	-	-	21,802	-	-	-	21,802
Effect of change in ownership percentage of investee company	-	-	-	-	-	(4,884)	-	-	-	-	-	(4,884)
Effect of investee's unrealized loss on financial instruments	-	-	-	-	-	-	(92)	-	-	-	-	(92)
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	2,377	2,377
Balance at December 31, 2008	<u>\$ 1,587,827</u>	<u>\$ -</u>	<u>\$ 740,670</u>	<u>\$ 221</u>	<u>\$ 61,214</u>	<u>\$ 257,544</u>	<u>\$ -</u>	<u>\$ 46,084</u>	<u>\$ -</u>	<u>(\$ 370,182)</u>	<u>\$ 19,637</u>	<u>\$ 2,343,015</u>
Balance at January 1, 2009	\$ 1,587,827	\$ -	\$ 740,670	\$ 221	\$ 61,214	\$ 257,544	\$ -	\$ 46,084	\$ -	(\$ 370,182)	\$ 19,637	\$ 2,343,015
Employee stock options to be exercised	17,124	12,437	48,646	-	-	-	-	-	-	-	-	78,207
Distribution of 2008 earnings (Note):												
Legal reserve	-	-	-	-	25,516	(25,516)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(145,807)	-	-	-	-	-	(145,807)
Consolidated net income for the year	-	-	-	-	-	318,808	-	-	-	-	9,214	328,022
Cumulative translation adjustments	-	-	-	-	-	-	-	(10,410)	-	-	-	(10,410)
Effect of change in ownership percentage of investee company	-	-	-	-	-	(9,616)	-	-	-	-	-	(9,616)
Effect of investee's unrecognized pension cost	-	-	-	-	-	-	-	-	(565)	-	-	(565)
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	1,484	1,484
Balance at December 31, 2009	<u>\$ 1,604,951</u>	<u>\$ 12,437</u>	<u>\$ 789,316</u>	<u>\$ 221</u>	<u>\$ 86,730</u>	<u>\$ 395,413</u>	<u>\$ -</u>	<u>\$ 35,674</u>	<u>(\$ 565)</u>	<u>(\$ 370,182)</u>	<u>\$ 30,335</u>	<u>\$ 2,584,330</u>

Note: The directors' and supervisors' remuneration and employees' bonuses amounting to \$4,600 and \$23,500 for 2008 had been deducted in the current income statement.

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

See report of independent accountants dated March 2, 2010.

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

	<u>2009</u>	<u>2008</u>
<u>Cash flows from operating activities</u>		
Consolidated net income	\$ 328,022	\$ 263,188
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on adjustment of financial assets	-	(3,340)
Reversal of allowance for sales returns	(2,488)	(5,595)
Provision (reversal of allowance) for doubtful accounts	8,624	(4,014)
Provision for decline in market value of inventories	6,951	20,463
Loss on disposal of investment	2	-
Investment loss accounted for under equity method	7,910	7,286
Other investment loss	-	1
Depreciation and amortization	432,195	307,045
Loss on disposal of property, plant and equipment	984	286
Deferred charges charged to other loss	33,479	14,523
Changes in assets and liabilities:	98,976	1,767
(Increase) decrease in:		
Financial assets at fair value through profit or loss	-	3,049
Notes receivable - third parties	(42,884)	18,887
Accounts receivable - third parties	(189,557)	(61,303)
Other receivables - third parties	(22,298)	(4,391)
Inventories	(46,416)	(26,473)
Prepaid expenses	7,897	(16,466)
Other current assets	(219)	1,285
Increase (decrease) in:		
Notes payable - third parties	(16,852)	(111,792)
Accounts payable - third parties	77,324	10,090
Accounts payable - related party	(35,699)	(4,867)
Income tax payable	(47,195)	50,047
Accrued expenses	73,205	109,377
Other payables - third parties	30,470	24,076
Unearned revenue collected in advance	219,859	35,975
Other current liabilities	28,970	139
Accrued pension liabilities	2,010	834
Net cash provided by operating activities	<u>953,270</u>	<u>630,077</u>

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

	<u>2009</u>	<u>2008</u>
<u>Cash flows from investing activities</u>		
Increase (decrease) in other financial assets - current	\$ 2,000	(\$ 4,000)
Acquisition of available-for-sale financial assets	-	(12,500)
Proceeds from disposal of available-for-sale financial assets	-	35,151
Proceeds from disposal of long-term investment	7	-
Increase in long-term investments - non-subsidiary	(20,000)	-
Increase in long-term investment - subsidiary acquisition	-	(75,545)
Prepaid long-term investment	-	(5,000)
Proceeds from disposal of property, plant and equipment and deferred charges	2,063	871
Acquisition of property, plant and equipment	(138,136)	(140,363)
Increase in trademark	(78)	(326)
Increase in other intangible assets	(247)	-
Increase in refundable deposits, net	(8,681)	(5,695)
Increase in deferred charges	(480,158)	(399,698)
Increase in other assets – other	(994)	(6,174)
Net cash used in investing activities	<u>(644,224)</u>	<u>(613,279)</u>
<u>Cash flows from financing activities</u>		
Increase in short-term loans	30,553	105,000
Increase in current portion of long-term liabilities	20,110	4,883
(Decrease) increase in other liabilities – other	(156)	313
Increase (decrease) in guarantee deposits	6	(907)
Acquisition of treasury stock	-	(169,394)
Payment of directors' and supervisors' remuneration	-	(6,678)
Exercise of employee stock options	78,207	-
Payment of cash dividends	(145,807)	(268,333)
Changes in minority interest	1,484	270
Net cash used in financing activities	<u>(15,603)</u>	<u>(334,846)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(9,916)</u>	<u>8,522</u>
Effect of changes in consolidated subsidiaries	-	1,334
Net increase (decrease) in cash and cash equivalents	283,527	(308,192)
Cash and cash equivalents at beginning of the year	821,484	1,129,676
Cash and cash equivalents at end of the year	<u>\$ 1,105,011</u>	<u>\$ 821,484</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for:		
Interest	<u>\$ 3,173</u>	<u>\$ 2,067</u>
Income taxes	<u>\$ 80,605</u>	<u>\$ 13,533</u>
<u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 146,416	\$ 112,579
Payable at end of the year	(10,499)	(2,219)
Payable at beginning of the year	2,219	30,003
Cash paid	<u>\$ 138,136</u>	<u>\$ 140,363</u>

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

	<u>2009</u>	<u>2008</u>
<u>Fair value of subsidiary acquired:</u>		
Current assets	\$ -	\$ 21,146
Other current assets	-	2,348
Long-term investments	-	10
Property, plant and equipment	-	793
Intangible assets and other assets	-	73,288
Accrued expenses	-	(6,436)
Other current liabilities and other liabilities	-	(7,503)
Minority interest	-	(3,409)
Less: Previous fiscal year long-term investment balance	-	(4,692)
Acquisition price	<u>\$</u>	<u>\$ 75,545</u>
 <u>Non-cash flows from financing activities:</u>		
Capital increment from retained earnings and employees' bonuses	<u>\$</u>	<u>\$ 57,129</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 2, 2010.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

(1) Gamania Digital Entertainment Co., Ltd. (the Company) was incorporated in June 1995 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. As of December 31, 2009, the total authorized capital was \$2,500,000, consisting of 250 million shares of common stock (including 22 million shares for employee stock options), at a par value of \$10 (NT dollars) per share, and the issued and outstanding capital was \$1,604,951. The Company is engaged in software services. As of December 31, 2009, the Company and its consolidated subsidiaries had approximately 1,300 employees.

(2) Consolidated subsidiaries

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>	
			<u>2009</u>	<u>2008</u>
Gamania Holdings Ltd.	Note A	Investment holding company	100%	100%
Gamania International Holdings, 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	94.25%	93.84%
Gamania Western Holdings Ltd.	Note C	Investment holdings	-	-
Gamania Digital Entertainment (H.K.) Co., Ltd.	Note D	Design and sales of software	94.25%	93.84%
Gamania Digital Entertainment Sino Holdings Co., Ltd.	Note D	Investment holdings	94.25%	93.84%
Gamania Digital Entertainment (U.S.) Co., Ltd.	Note F	Design and sales of software	-	-
Gamania Digital Entertainment (Beijing) Co., Ltd.	Note E	Design and sales of software	94.25%	93.84%
Taiwan Index Co., Ltd.	Note A	Software services	99.28%	99.28%
Gamania Asia Investments Co., Ltd.	Note A	Investment holdings	100%	100%
Gamania Korea Co., Ltd.	Note A	Design and sales of software	100%	100%

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>	
			<u>2009</u>	<u>2008</u>
Alibangbang Games Co., Ltd.	Note A	Design and research of software	99.43%	99.27%
Foundation Digital Entertainment Co., Ltd.	Note A	Publishing of magazines and periodicals	100%	100%
Gamania Digital Entertainment Labuan Holdings, Ltd.	Note A	Investment holdings	100%	100%
Redgate Games Co., Ltd.	Note A	Design and research of software	100%	-
Seedo Games Co., Ltd.	Note A	Design and research of software	100%	-
Playcoo Co.	Note A	Design and research of software	75.25%	75.25%
InnoJelly Corporation	Note G	Investment holdings	-	75.25%

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.

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

Note G: A majority-owned subsidiary of Playcoo Co.

B) The information on investee companies, Gamania Korea Co., Ltd., Taiwan Index Co., Ltd., Playcoo Co., Gamania Digital Entertainment (H.K.) Co., Ltd., Gamania Asia Investments Co., Ltd., Foundation Digital Entertainment Co., Ltd., Seedo Games Co. Ltd., and Gamania Digital Entertainment (Japan) Co., Ltd. were based on financial statements audited by other auditors. The statements reflect total assets of \$1,111,903 and \$899,044, constituting 27.81% and 26.68% of the related consolidated totals as of December 31, 2009 and 2008, respectively, and total operating revenues of \$1,288,986 and \$895,165, constituting 24.97 % and 23.75% of the related consolidated totals for the years then ended, respectively.

(3) Changes in the consolidated subsidiaries:

1. Majority-owned subsidiaries that were newly included in the consolidated financial statements

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>		<u>Note</u>
			<u>2009</u>	<u>2008</u>	
Redgate Games Co., Ltd.	Note A	Design and research of software	100%	-	Note D
Seedo Games Co., Ltd.	Note A	Design and research of software	100%	-	Note D
Gamania Western Holdings Ltd.	Note B	Investment holdings	-	-	Note D
Gamania Digital Entertainment (U.S.) Co., Ltd.	Note C	Software services and sale	-	-	Note D

Note A: Majority-owned subsidiary.

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

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

Note D: The company was established in 2009.

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 December 31,</u>		<u>Note</u>
			<u>2009</u>	<u>2008</u>	
InnoJelly Corporation	Note A	Investment holdings	-	75.25%	Note B

Note A: Majority-owned subsidiary.

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

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

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

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

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

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

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

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

- (11) Convertible bonds and new stocks are issued by the subsidiaries: None.
(12) Other consequential items to the consolidated financial statements: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Principles of consolidation

- A) All majority-owned subsidiaries or controlled entities, which meet the criteria of the amended Statement of Financial Accounting Standards No. 7 “Consolidated Financial Statements”, are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares quarterly consolidated financial statements.
- B) The results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition. Under the amended SFAS No. 7, the results of operations of such subsidiary is excluded from the consolidated statements of income effective the date on which the Company loses control over the subsidiary. For the initial year of adoption of SFAS No. 7, restatement of prior year’s financial statements is not required.
- C) All significant intercompany balances and transactions are eliminated in the consolidation.

(2) Translation of financial statements of foreign subsidiaries

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

(3) Foreign currency transactions

The accounts of the Company and its subsidiaries are maintained in New Taiwan dollars and functional currencies, respectively. Transactions arising in foreign currencies are translated into New Taiwan dollars and functional currencies at the exchange rates prevailing at the dates of the transactions. Monetary assets and

liabilities denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses are included in the current year's results of operations.

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

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

(5) Cash equivalents

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

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

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

- A) Financial assets at fair value through profit or loss are recognized as of the trade date at fair value for equity stocks. Financial assets at fair value through profit or loss are recognized as of the settlement date at fair value for bonds and beneficiary certificates.

- B) These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, closed-end mutual funds and depositary receipts is based on latest quoted fair prices of the accounting period. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date.

(7) Available-for-sale financial assets

- A) Available-for-sale financial assets are recognized and derecognized using trade date accounting and are initially stated at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B) The financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. The fair values of listed stocks, OTC stocks and closed-end mutual funds are based on latest quoted fair prices of the accounting period. The fair values of open-end and balanced mutual funds are based on the net asset value at the balance sheet date.
- C) If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be transferred from equity to profit or loss. When the fair value of an equity instrument subsequently increases, impairment losses recognized previously in profit or loss shall not be reversed. When the fair value of a debt instrument subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss recognized in profit or loss.

(8) 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.

(9) 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.

(10) 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. Effective January 1, 2009, the Company and its domestic subsidiaries adopted the amended Statement of Financial Accounting Standards No. 10, "Inventory". Under the amended standard, the ending balance of inventory is valued at the lower of cost or net realizable value based on specific identification. The net realizable value is determined based on the estimated selling price of an inventory item less the estimated costs of completion.

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

A) Long-term equity investments in which the Group holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method.

B) The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and net assets of the investee due to the disproportionate acquisition or decrease of shares in connection with the capital increase or decrease by the investee company. If the balance of capital reserve from long-term investment is not sufficient, then retained earnings is debited.

(12) Property, plant and equipment

A) Depreciation is provided on the straight-line method using the estimated useful lives of the assets plus one year as salvage value. The subsidiaries' property, plant and equipment are depreciated on a straight-line basis according to the estimated useful lives of the assets less the estimated salvage value, except for leasehold improvements, which is based on the contract period of the asset. The estimated useful lives are 3 to 55 years for buildings and 2 to 5 years for the other property, plant and equipment.

B) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income (expense).

- C) Major renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.

(13) Deferred charges

- A) Costs of software and copyrights are capitalized and amortized under the straight-line basis over the estimated useful lives.
- B) Royalty payments for operating online game software are capitalized and amortized based on the period of the contract or deducted based on actual units of play.

(14) Other intangible assets

Franchises for game development are recorded at acquisition cost and amortized using the straight-line method over the estimated service life. Franchises could be deducted from franchises payable amounting to 2% based on sales revenues.

(15) Impairment of non-financial assets

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

(16) Share-based payment-employee compensation plan

- A) The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072 "Accounting for Employee Stock Options" as prescribed by the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share are prepared in accordance with the R.O.C. SFAS No. 39, "Accounting for Share-based Payment".

B) For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

(17) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(18) Deferred income tax assets and income tax

A) Income tax of the Company and its domestic subsidiaries is provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes. Deferred income tax assets or liabilities are further classified into current and non-current items based on the classifications of the related assets or liabilities or on the expected reversal date of the temporary differences and are presented on the financial statements at net amount. Valuation allowance on deferred income tax assets is recognized to the extent that it is more likely than not that the tax benefits will not be realized.

B) Tax credits resulting from equipment purchases, technology acquisitions, research and development expenditures, training expenses and long-term equity

investments, etc. of the Company and its domestic subsidiaries are recognized as current income tax benefit when incurred.

- C) Over or under provision of prior years' income tax liabilities is included in the current year's income tax expense.
- D) The Company's overseas subsidiaries' income taxes are subject to their local regulations.
- E) In accordance with the Taiwan imputation tax system, any undistributed current earnings of a company derived on or after January 1, 1998 is subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional corporate income tax is recorded as income tax expense in the period the stockholders approve a resolution to retain the earnings.
- F) In accordance with the "Income Basic Tax Act", effective January 1, 2006, when income tax is lower than the basic tax, income tax due shall be equal to the basic tax.
- G) When a change in the tax laws is enacted, the deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, is reported as an adjustment to current income tax expense (benefit).

(19) Retirement plan

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

(20) 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.

(21) Revenues, costs and expenses

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

(22) Earnings per share

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

(23) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and

assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Inventory

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

(2) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, the Company and its domestic subsidiaries adopted EITF 96-052, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration" newly issued by the Accounting Research and Development Foundation in Taiwan. As a result of the adoption of this regulation, net income decreased by \$32,245 and basic earnings per share decreased by \$0.21 (in dollars) for the year ended December 31, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31,	
	2009	2008
Cash on hand	\$ 781	\$ 843
Cash in banks	900,809	492,909
Time deposits	203,421	307,732
Cash equivalents	-	20,000
	<u>\$ 1,105,011</u>	<u>\$ 821,484</u>

(2) Notes receivable - net

	December 31,	
	2009	2008
Notes receivable	\$ 113,019	\$ 70,135
Less: Allowance for doubtful accounts	(16)	(16)
	<u>\$ 113,003</u>	<u>\$ 70,119</u>

(3) Accounts receivable - net

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 1,204,213	\$ 1,014,656
Less: Allowance for doubtful accounts	(76,785)	(68,702)
Allowance for sales returns	(4,976)	(7,464)
	<u>\$ 1,122,452</u>	<u>\$ 938,490</u>

(4) Inventories - net

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Inventories	\$ 73,242	\$ 31,326
Less: Allowance for obsolescence and market value decline	(12,658)	(10,207)
	<u>\$ 62,584</u>	<u>\$ 21,119</u>

Related loss recognized for the period:

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Provision for decline in market value of inventories	\$ 6,951	\$ 20,463
Loss on physical count of inventories	3	503
	<u>\$ 6,954</u>	<u>\$ 20,966</u>

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

	<u>December 31,</u>	
<u>Items</u>	<u>2009</u>	<u>2008</u>
Unlisted stocks		
Nice Finance Co., Ltd.	\$ 91,453	\$ 91,453
NC Taiwan Co., Ltd.	22,841	22,841
	<u>\$ 114,294</u>	<u>\$ 114,294</u>

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

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

A) List of long-term investments

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

<u>Name of investee</u>	<u>December 31, 2008</u>			<u>Investment loss for</u>
	<u>Original cost</u>	<u>Ownership percentage</u>	<u>Balance</u>	<u>the year ended</u>
				<u>December 31, 2008</u>
Taiwan e-sports Co., Ltd.	\$ 5,000	20.00%	(\$ 3,747)	(\$ 5,293)
Playcoo Co. (Note)	<u>152,554</u>	75.25%	<u>-</u>	<u>(1,993)</u>
	157,554		(3,747)	<u>(\$ 7,286)</u>
Prepayment for long-term investment:				
Taiwan e-sports Co., Ltd.	<u>5,000</u>		<u>5,000</u>	
Total	<u>\$ 162,554</u>		<u>\$ 1,253</u>	

Note: The Company increased its ownership in Playcoo Co. to 73.32% by acquiring 6,295,000 shares of common stocks at \$12 per share from Wistron Corporation and Wisecap Ltd. in March 2008, and the Company has included Playcoo Co. in its consolidated financial statements from then on. Long-term investment in Playcoo Co. accounted for under the equity method was based on financial statements audited by other auditors. The related investment loss amounted to \$1,993 for the three-month period ended March 31, 2008.

- B) The related investment loss of \$7,910 and \$5,293 in Taiwan e-sports Co., Ltd. were based on its unaudited financial statements for the years ended December 31, 2009 and 2008, respectively, as its operating revenues was insignificant for the Company.

(7) Property, plant and equipment - net

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 147,751
Buildings	165,947	163,721
Machinery and equipment	556,377	699,843
Office equipment	204,922	78,816
Leasehold improvements	39,383	38,207
Other equipment	3,820	2,509
	<u>1,118,200</u>	<u>1,130,847</u>
<u>Accumulated depreciation</u>		
Buildings	(26,410)	(20,783)
Machinery and equipment	(392,291)	(508,396)
Office equipment	(132,655)	(40,187)
Leasehold improvements	(32,268)	(19,146)
Other equipment	(2,599)	(1,310)
	<u>(586,223)</u>	<u>(589,822)</u>
Construction in progress and prepayments for equipment	9,791	3,169
Accumulated impairment	(4,406)	(4,323)
	<u>\$ 537,362</u>	<u>\$ 539,871</u>

(8) Other intangible assets

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Prepayments for franchises	\$ 38,504	\$ 38,393
Less: Accumulated impairment	(38,298)	(38,298)
	<u>\$ 206</u>	<u>\$ 95</u>

(9) Deferred charges

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Royalties payments	\$ 702,167	\$ 563,154
Unamortized expense	253,688	229,732
	955,855	792,886
Less: Accumulated impairment	(305,380)	(305,553)
	<u>\$ 650,475</u>	<u>\$ 487,333</u>

(10) Asset impairment

A) Gain on recovery of impairment for the years ended December 31, 2009 and 2008 is set forth below:

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Gain on recovery of impairment- deferred charges	<u>\$ -</u>	<u>\$ 18,033</u>

B) The Company recognized gain on reversal of impairment loss for the year ended December 31, 2008 due to adjustments in the Company's market strategies. Further, the supplier agreed to return the proxy royalties that the Company had previously paid. Accordingly, the recoverable amount was higher than its carrying amount.

(11) Short-term loans

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Short-term bank loans	\$ 145,553	\$ 115,000
Annual interest rates	<u>1.67%~5.10%</u>	<u>2.10% ~ 3.94%</u>
Credit lines	<u>\$ 1,566,890</u>	<u>\$ 215,000</u>

(12) Long-term loans

<u>Bank</u>	<u>Total Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>December 31,</u>	
			<u>2009</u>	<u>2008</u>
Sumitomo Mitsui Banking Corporation	JPY 90,000 (Note)	09.24.2008 ~ 09.23.2011 equal quarterly installments	\$ 18,096	\$ 29,883
Sumitomo Mitsui Banking Corporation	JPY 100,000 (Note)	08.31.2009 ~ 08.31.2013 equal quarterly installments	<u>31,897</u>	<u>-</u>
			49,993	29,883
Less: Current portion			<u>(22,188)</u>	<u>(11,025)</u>
			<u>\$ 27,805</u>	<u>\$ 18,858</u>

Note: In thousands of yen

(13) Income tax payable

A) Income tax payable and income tax expense for the years ended December 31, 2009 and 2008 are reconciled as follows:

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Current year income tax expense	\$ 106,261	\$ 63,217
Effect in deterred income tax assets resulting from change in tax rate	7,252	-
Additional 10% corporate income tax on undistributed earnings	<u>8,384</u>	<u>783</u>
	121,897	64,000
Add (Less): Net change in deferred income tax assets	(98,976)	(1,767)
Prepaid income tax	(24,326)	(9,102)
Over provision of prior year's income tax	2,537	1,970
Income tax payable of prior year	4,050	4,050
Withholding tax by the foreign government	(2,919)	-
Effect of exchange rate	(<u>551</u>)	<u>626</u>
Income tax payable	<u>\$ 1,712</u>	<u>\$ 59,777</u>
Income tax payable	\$ 12,582	\$ 59,777
Income tax refundable (accounted in "other receivables")	(<u>10,870</u>)	<u>-</u>
	<u>\$ 1,712</u>	<u>\$ 59,777</u>

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

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Deferred income tax assets - current	\$ 65,838	\$ 44,368
Deferred income tax assets - non-current	<u>282,096</u>	<u>354,600</u>
	347,934	398,968
Less: Valuation allowance – current	(16,987)	(12,426)
Valuation allowance – non-current	(<u>223,186</u>)	(<u>179,805</u>)
	<u>\$ 107,761</u>	<u>\$ 206,737</u>

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

	December 31,			
	2009		2008	
	<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	\$ 12,166	\$ 2,433	\$ 20,001	\$ 5,000
Allowance for sales returns	4,836	967	7,463	1,866
Welfare expenses	-	-	67	17
Loss carryforwards	141,420	28,284	35,833	8,958
Investment tax credits		<u>34,154</u>		<u>28,527</u>
		65,838		44,368
Less: Valuation allowance		(<u>16,987</u>)		(<u>12,426</u>)
		<u>\$ 48,851</u>		<u>\$ 31,942</u>
Non-current items:				
Investment loss on financial assets carried at cost – non-current	\$ 9,851	\$ 1,970	\$ 9,851	\$ 2,463
Loss carryforwards	648,865	129,773	511,180	127,794
Loss on foreign investments	86,601	17,320	88,461	22,115
Reserve for foreign investments	(31,529)	(6,306)	(46,931)	(11,733)
Reduction in capital of subsidiaries to cover accumulated deficit	-	-	672,643	168,161
Depreciation allowance in excess of related depreciation	(17,730)	(2,925)	(16,102)	(2,657)
Retirement fund expense but not deposited with Bank of Taiwan	114	23	287	72
Investment tax credits		<u>142,241</u>		<u>48,385</u>
		282,096		354,600
Less: Valuation allowance		(<u>223,186</u>)		(<u>179,805</u>)
		<u>\$ 58,910</u>		<u>\$ 174,795</u>

D) As of December 31, 2009 and 2008, the balance of shareholders account of deductible tax was as follows:

	December 31,	
	<u>2009</u>	<u>2008</u>
a. Balance of shareholders account of deductible tax	<u>\$ 16,983</u>	<u>\$ 419</u>
b. Creditable tax ratio	<u>2009 (Estimated)</u> <u>5.34%</u>	<u>2008 (Actual)</u> <u>19.71%</u>

E) Undistributed retained earnings:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
On or after January 1, 1998		
a. Earnings not yet subjected to 10% income tax	\$ 318,808	\$ 260,049
b. Earnings subjected to 10% income tax	<u>76,605</u>	<u>(2,505)</u>
	<u>\$ 395,413</u>	<u>\$ 257,544</u>

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

- a) As of December 31, 2009, the Company's income tax returns through 2003 have been assessed and approved by the Tax Authority.
- b) The Tax Authority imposed additional tax amounting to \$127,204 on the Company's 2002 income tax return. The Company paid \$4,050 and contested the remaining balance imposed by the Tax Authority. The Company filed for re-examination in February 2006 which is still pending as of the report date.
- c) The Tax Authority imposed additional tax amounting to \$3,958 on the Company's 2003 income tax return. The Company filed for re-examination in June 2009 which is still pending as of the report date.

G) As of December 31, 2009, according to "Statute for Upgrading Industries," the Company and its domestic subsidiaries had investment tax credits in the amount of \$176,395 to offset against taxable income for the next four years. The details are as follows:

<u>Deductible item</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Research and development expenditures	\$ 193,994	\$ 169,020	2010~2013
Machinery and equipment	3,287	3,287	2011~2013
Employees training	<u>4,431</u>	<u>4,088</u>	2011~2013
	<u>\$ 201,712</u>	<u>\$ 176,395</u>	

H) As of December 31, 2009, in accordance with the "Income Tax Law", the Company and its domestic subsidiaries had loss carryforwards in the amount of \$158,057 to offset against taxable income for the next four to ten years. The details are as follows:

<u>Deductible item</u>	<u>Amount reported</u>	<u>Total credit</u>	<u>Unused balance</u>	<u>Year of expiration</u>
Loss carryforwards	<u>\$ 790,285</u>	<u>\$ 158,057</u>	<u>\$ 158,057</u>	2013~2019

(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 and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee.
- 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 \$2,966 and \$2,551 for the years ended December 31, 2009 and 2008, 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 \$2,520 and \$3,074 for the years ended December 31, 2009 and 2008, respectively.
- D) Effective July 1, 2005, the Company and its domestic subsidiaries adopted a defined contribution pension plan (the "New Plan"). Under the New Plan, employees have the option to choose the New Plan. The Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts deposited with the Bureau of Labor Insurance. Benefits accrued under the New Plan are portable when the employees leave the company. The net pension costs recognized by the Company and its domestic subsidiaries under the defined contribution plan for the years ended December 31, 2009 and 2008 amounted to \$30,833 and \$28,382, respectively.
- E) Gamania Holdings Ltd., Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment Labuan Holdings, Ltd., Gamania International Holdings Ltd., Gamania China Holdings Ltd., Gamania Western Holdings Ltd. and Gamania Digital Entertainment (U.S.) Co., Ltd. do not have an employee retirement plan.

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

	<u>2009</u>	<u>2008</u>
Discount rate	2.25%	2.50%~3.00%
Expected return rate on plan assets	2.25%~3.00%	1.50%~3.50%
Average ratio of salary increase	2.25%~3.50%	2.50%~3.50%

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

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Vested benefit obligation	(\$ 3,734)	(\$ 2,873)
Non-vested benefit obligation	(26,221)	(22,072)
Accumulated benefit obligation	(29,955)	(24,945)
Additional benefits based on future salary increases	(26,331)	(24,327)
Projected benefit obligation	(56,286)	(49,272)
Fair value of plan assets	42,322	37,820
Funded status	(13,964)	(11,452)
Unrecognized transition obligation	2,358	2,495
Unrecognized net loss	17,105	13,711
Additional pension liability	(2,118)	(840)
Prepaid pension (Accrued pension liability)	<u>\$ 3,381</u>	<u>\$ 3,914</u>
Accrued pension liability	(\$ 3,777)	(\$ 2,243)
Prepaid pension (Accrued pension liability)	<u>7,158</u>	<u>6,157</u>
	<u>\$ 3,381</u>	<u>\$ 3,914</u>
Accrued pension liability – new policy	<u>\$ 4,923</u>	<u>\$ 3,920</u>
Vested obligation	<u>\$ -</u>	<u>\$ -</u>

The components of net pension cost were as follows:

	<u>2009</u>	<u>2008</u>
Service cost	\$ 964	\$ 650
Interest cost	1,327	1,100
Expected return on plan assets	(609)	(894)
Unrecognized transition obligation	379	177
Amortization of pension loss	659	20
Net pension cost	<u>\$ 2,720</u>	<u>\$ 1,053</u>

(15) 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.

(16) Legal reserve

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

(17) Retained earnings

- A) As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:
- a. Paying all taxes and duties.
 - b. Covering prior years' accumulated deficit, if any.
 - c. After deducting items a and b, 10% of the remaining amount is appropriated as legal reserve.
 - d. In addition to the amount appropriated for legal reserve, the Company may appropriate an amount equal to the negative items in the stockholders' equity from retained earnings as special reserve.
 - e. Interest on capital.
 - f. After deducting items a to e, 10% ~ 15% of the remaining earnings is appropriated as employees' bonuses and up to 2% as remuneration to directors and supervisors.
 - g. The remaining amount is to be distributed to stockholders in accordance with the resolution adopted at the stockholders' meeting.
- B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed in the following year's shareholders' meeting. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by shareholders, including foreign

shareholders, against the withholding tax on dividends. In addition, the domestic shareholder can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.

- C) The Company's stockholders approved to distribute the 2008 and 2007 earnings on June 10, 2009 and June 13, 2008, respectively. Details are summarized below:

	<u>2008 earnings</u>		<u>2007 earnings</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve	\$ 25,516		\$ 37,082	
Stock dividends	-	\$ -	7,061	\$ 0.0499
Cash dividends	145,807	1.0	268,333	1.9
Directors' and supervisors' remuneration	4,600		6,678	
Employee stock bonuses	-		50,088	
Employee cash bonuses	23,500		-	
	<u>\$ 199,423</u>		<u>\$ 369,242</u>	

The dividends appropriation for 2008 as stated above was not in agreement with the amount proposed by the Board of Directors on March 23, 2009. The difference mainly resulted from the change in the number of the Company's outstanding shares for the employee stock options that were converted into common shares. As a result, additional dividends of \$123 were resolved to be distributed at the stockholders' meeting in 2009.

The appropriation for 2009 earnings had not been resolved at the directors' meeting as of the report date. For current status of the resolution, please visit the Taiwan Stock Exchange website.

- D) The estimated amounts of employees' bonuses and directors' and supervisors' remuneration are \$42,596 and \$5,679 for the year ended December 31, 2009, which constitute 15% and 2%, respectively, of net income after taking into account the legal reserve. For current status of the resolution, please visit the Taiwan Stock Exchange website. The actual distribution of 2008 earnings, as stated in the paragraph above, differed from the estimated amount of employees' bonuses of \$21,990, and directors' and supervisors' remuneration of \$4,398, by \$1,510 and \$202, respectively. The difference was recognized as loss in 2009.

(18) Earnings per share

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

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

Note: In New Taiwan Dollars.

	For the year ended December 31, 2008				
	Amount		Weighted average number of outstanding common shares (In thousands of shares)	Earnings per share (Note)	
	Before income tax	After income tax		Before income tax	After income tax
Basic earnings per share					
Net income	\$ 324,049	\$ 260,049	153,171	\$ 2.12	\$ 1.70
Dilutive effect:					
Employees' bonuses	-	-	1,004		
Diluted earnings per share:					
Net income	\$ 324,049	\$ 260,049	154,175	\$ 2.10	\$ 1.69

Note: In New Taiwan Dollars.

(19) Treasury stock

A) Changes in the treasury stock for the years ended December 31, 2009 and 2008 are set forth below (in thousands of shares):

A) Purpose	For the year ended December 31, 2009			
	Beginning shares	Additions	Disposals	Ending shares
Employee stock options	13,099	-	-	13,099

Purpose	For the year ended December 31, 2008			
	Beginning shares	Additions	Disposals	Ending shares
Employee stock options	6,887	6,212	-	13,099

B) The maximum and ending balances of treasury stock for the years ended December 31, 2009 and 2008 were as follows:

December 31, 2009		December 31, 2008	
Maximum balance	Ending balance	Maximum balance	Ending balance
\$ 370,182	\$ 370,182	\$ 370,182	\$ 370,182

C) According to the R.O.C. Securities and Exchange Act, the percentage of the number of shares of treasury stocks shall not exceed 10% of the total shares of common stocks issued by the Company and the total amount of treasury stock shall not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve.

D) According to the R.O.C Securities and Exchange Act, treasury stocks held by the Company shall not be pledged, and shall bear no right of shareholders until reissued. Treasury shares for the purpose of enhancing the Company's credit and shareholders' equity not reissued within six months shall be retired and treasury stocks for all other purposes shall be reissued within three years from the month of acquisition.

(20) Employee stock option plan

A) On December 25, 2003 and November 14, 2007, the board of directors approved the employee stock option plans which provide for the issuance of 10,000,000 units and 12,000,000 units of options, respectively, that can be converted to one share of common stock per unit. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The Company has issued the employee stock options on February 10, 2004 and December 31, 2007. The stock option has an exercise period of six years. Employees will be able to exercise these options after two years in accordance with the procedures of the employee stock option plan.

B) The board of directors approved the employee stock option plan which provide for the issuance of 5,000,000 units of options on December 24, 2008. The plan has been reported to the Financial Supervisory Commission (the Administration) on December 31, 2008 and became effective since January 12, 2009. The Company expects to issue all or part of the stock options depending on actual demand during the year. As of the report date, no unit of employee stock options has been issued by the Company.

C) The units and weighted average exercise price of the stock options for the years ended December 31, 2009 and 2008 are as follows:

Stock Options	For the years ended December 31,			
	2009		2008	
	Units (in thousands)	Weighted-average exercise price (in dollars) (Note 1)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note 1)
Beginning balance	16,297	\$ 26.16	16,718	\$ 29.21
Number of options granted		-	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised	(2,956)	-	-	-
Cancelled	(678)	-	(421)	-
Ending balance	<u>12,663</u>	\$ 25.33	<u>16,297</u>	\$ 26.16
Exercisable at the end of the year	<u>7,139</u>		<u>4,651</u>	
Authorized but unissued at the end of the year	<u>-</u>		<u>-</u>	

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

(Note 2) As of December 31, 2009, 1,244 thousand shares had not been registered and were accounted for under stock subscriptions received in advance.

D) As of December 31, 2009 and 2008, the details of outstanding stock options are as follows:

For the year ended December 31, 2009					
Outstanding stock options			Exercisable stock options		
Exercise price (in dollars)	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)
\$ 27.30	2,662	0.08	\$ 27.30	2,662	\$ 27.30
\$ 24.80	10,001	3.92	\$ 24.80	4,477	\$ 24.80

For the year ended December 31, 2008					
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)
\$ 28.30	4,651	1.08	\$ 28.30	4,651	\$ 28.30
\$ 25.30	11,646	4.92	\$ 25.30	-	\$ -

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

(a) Model: The Black-Scholes model

(b) Assumptions:

<u>Black-Scholes model assumptions</u>	<u>2007 stock options</u>	<u>2004 stock options</u>
Dividend yield	0%	0%
Volatility (Note 1)	43.58%	62.02%
Risk-free interest rate	2.65%	1.95%
Expected life of the options	4.3 years	6 years
Exercise price (Note 2)	\$ 24.8 (in dollars)	\$ 27.3 (in dollars)
Amortization period	2~3 years	2~3 years

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

Note 2: Exercise price of the stock options mentioned above considered the effect of earnings distribution and was readjusted to \$24.8 and \$27.3, respectively.

(c) Result of evaluation:

	<u>For the year ended December 31, 2009</u>	
	<u>2007 Stock Options</u>	<u>2004 Stock Options</u>
Weighted average fair value of options granted to employees	\$ 10.95 (in dollars)	\$ 17.4656 (in dollars)
Compensation cost under "fair value method"	46,335	-
	<u>For the year ended December 31, 2008</u>	
	<u>2007 Stock Options</u>	<u>2004 Stock Options</u>
Weighted average fair value of options granted to employees	\$ 10.95 (in dollars)	\$ 17.4656 (in dollars)
Compensation cost under "fair value method"	53,071	-

(d) Pro forma information:

		<u>For the year ended December 31, 2009</u>	<u>For the year ended December 31, 2008</u>
Net income	Net income	\$ 318,808	\$ 260,049
	Pro forma net income	272,473	206,978
Basic earnings per share (EPS)	EPS	2.18 (in dollars)	1.70 (in dollars)
	Pro forma EPS	1.86 (in dollars)	1.35 (in dollars)
Diluted earnings per share	EPS	2.09 (in dollars)	1.69 (in dollars)
	Pro forma EPS	1.79 (in dollars)	1.34 (in dollars)

(21) Personnel, depreciation and amortization expenses

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

	<u>For the year ended December 31, 2008</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 85,752	\$ 634,193	\$ 719,945
Labor and health insurances	3,702	49,172	52,874
Pension	952	34,108	35,060
Others	1,062	43,277	44,339
	<u>\$ 91,468</u>	<u>\$ 760,750</u>	<u>\$ 852,218</u>
Depreciation	<u>\$ 70,419</u>	<u>\$ 95,253</u>	<u>\$ 165,672</u>
Amortization	<u>\$ 111,936</u>	<u>\$ 29,437</u>	<u>\$ 141,373</u>

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Nexon Corporation (Nexon)	(Note 1)
Playcoo Co. (Playcoo)	A subsidiary of the Company (Note 2)
Taiwan e-sports Co. Ltd.	Investee company accounted for under the equity method
Gamania Cheer Up Foundation	Same Chairman

Note 1: Nexon held more than 20% of the Company's voting shares which were accounted for under the equity method from December 2008 to June 23, 2009. Thereafter, Nexon disposed some of the Company's shares, which resulted to the decrease in Nexon's equity interest in the Company to below 20%. As Nexon had no ability to exercise significant influence on the Company's operational decisions and is no longer considered as the Company's related party, the relevant transaction information between the Company and Nexon is disclosed until June 23, 2009.

Note 2: The Company's ownership in Playcoo Co. increased to 73.32% in March 2008, therefore it became the Company's subsidiary in 2008.

(2) Significant transactions and balances with related parties

A) License fees

	For the years ended December 31,			
	2009		2008	
	Amount	% of license fees	Amount	% of license fees
Nexon	\$ 436,792	24	\$ 685,586	55
Playcoo	-	-	1,395	-
	<u>\$ 436,792</u>	<u>24</u>	<u>\$ 686,981</u>	<u>55</u>

The above represents payments for license fees as agent of the on-line game.

The license fees are negotiated based on different factors.

B) Advertising expenses

	For the years ended December 31,			
	2009		2008	
	Amount	% of advertising expenses	Amount	% of advertising expenses
Taiwan e-sports	\$ 2,000	-	\$ -	-

Advertising expenses are paid to the related party for providing advertisements.

The terms and prices of advertising were negotiated based on different factors.

C) Donation

	For the years ended December 31,			
	2009		2008	
	Amount	% of donation	Amount	% of donation
Gamania Cheer Up Foundation	\$ 7,000	34	\$ 5,500	64

D) Other revenues

	For the years ended December 31,			
	2009		2008	
	Amount	% of net other revenues	Amount	% of net other revenues
Taiwan e-sports	\$ 714	6	\$ -	-

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

E) Deferred charges

	<u>December 31, 2009</u>		<u>December 31, 2008</u>	
	<u>Amount</u>	<u>% of deferred charges</u>	<u>Amount</u>	<u>% of deferred charges</u>
Nexon	<u>\$ -</u>	<u>-</u>	<u>\$ 72,783</u>	<u>15</u>

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

F) Accounts payable

	<u>December 31, 2009</u>		<u>December 31, 2008</u>	
	<u>Amount</u>	<u>% of accounts payable</u>	<u>Amount</u>	<u>% of accounts payable</u>
Nexon	<u>\$ -</u>	<u>-</u>	<u>\$ 35,699</u>	<u>20</u>

G) Directors' and supervisors' remuneration

	<u>2009</u>	<u>2008</u>
Salary (Note (1))	\$ 14,562	\$ 13,375
Bonus (Note (2))	-	-
Professional expense (Note (3))	350	1,338
Directors' and supervisors' remuneration (Note (4))	5,679	4,398
Employees' bonuses (Note (4))	13,516	8,329
	<u>\$ 34,107</u>	<u>\$ 27,440</u>

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

Note (2): Including financial incentives and performance bonus.

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

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

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>December 31,</u>		<u>Purpose</u>
	<u>2009</u>	<u>2008</u>	
Cash in bank (shown in other financial assets-current)	\$ -	\$ 2,000	Short-term loans / Credit loans
Time deposits (shown in other financial assets-current)	2,000	2,000	"
Land	147,751	57,497	Long-term loans / Credit lines
Buildings	134,833	40,990	"
	<u>\$ 284,584</u>	<u>\$ 102,487</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- A) As of December 31, 2009, the total future rental payments for the next 4 years under non-cancelable operating lease agreements for the lease of the Company's office building, transportation equipment, networking device and the lease of the server warehouse from Chunghwa Telecom Co., Ltd. was \$138,019.
- 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. The re-examination is still pending as of the report date.
- D) As stated in Note 4(13), the Tax Authority imposed additional tax amounting to \$3,958 on the Company's 2003 income tax return. The Company filed for re-examination in June 2009 to contest the balance of tax and penalties. The re-examination is still pending as of the report date.
- E) For the period from January 1, 2009 to December 31, 2009, First Commercial Bank has provided guarantee for merchandise transactions on behalf of the Company to Wisdom Distribution Service Corporation. The Company guarantees that if the amount of sales to Wisdom Distribution Service Corporation is lower than the amount of sales returns, the Company should pay the guarantee of \$4,000 to First Commercial Bank and Wisdom Distribution Service Corporation would get implicative guarantee from First Commercial Bank.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

(1) Financial statement presentation

Certain accounts in the 2008 consolidated financial statements were reclassified to conform with the 2009 consolidated financial statements presentation.

(2) The fair values of the financial instruments

	December 31, 2009			December 31, 2008		
	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	\$2,366,484	(Note A)	\$2,366,484	\$1,847,008	(Note A)	\$1,847,008
Financial assets carried at cost	114,294	-	-	114,294	-	-
Refundable deposits	47,090	-	47,090	38,409	-	38,045
Liabilities						
Financial liabilities with fair values equal to book values	\$ 999,424	(Note A)	\$ 999,424	\$ 792,010	(Note A)	\$ 792,010
Long-term loans	27,805	-	26,205	18,858	-	15,866
Guarantee deposits	380	-	380	374	-	374

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

- A) For short-term instruments, the book value is approximate to the fair value because of their short-term maturities. This applies to cash and cash equivalents, notes and accounts receivable, other receivables (excluding income tax refundable), other financial asset-current, short-term loans, notes and accounts payable (including related parties), accrued expenses, other payables, current portion of long-term liabilities and other current liabilities.
- B) 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 about 2.225%.
- C) The fair values of refundable deposits and guarantee deposits are the book value since the amounts are insignificant.

D) Off-balance sheet financial instruments with credit risk:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Guarantee for loans of subsidiaries	<u>\$ 212,100</u>	<u>\$ 40,000</u>

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

(3) Procedure of financial risk control and hedge

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

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

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

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

(4) Information of financial risk

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

(A) Market risk

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

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

B) Receivables: Notes and accounts receivable and other receivables

(A) Market risk

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

(B) Credit risk

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

(C) Liquidity risk

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

(D) Cash flow interest rate risk

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

C) Loans: Short-term loans 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.

- (5) For the years ended December 31, 2009 and 2008, the Group donated cash amounting to \$21,154 and \$8,550, respectively, to charities, and educational institutions that are accredited by the government, without significant appointed considerations.

(6) Intercompany transactions eliminated

	For the year ended December 31, 2009										
	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its Subsidiaries	Fundation Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	Alibangbang Digital Games Co., Ltd.	PlayCoo Co.	Redgate Games Co., Ltd.	Seedo Games Co., Ltd.
1. Long-term investments and stockholders' equity eliminated	(\$ 755,660)	\$ 397,915	\$ 4,480	\$ 52,288	\$ 117,314	\$ 13,648	\$ 109	\$ 12,875	\$ 116,687	\$ 20,693	\$ 19,651
2. Receivables and payables eliminated	(20,081)	(18,743)	(366)	45,832	52	1,349	7,811	(42)	(15,983)	421	(250)
3. Profit and loss accounts eliminated											
(1) Sale and purchase transactions	(81,243)	(3,437)	(598)	85,278	-	-	-	-	-	-	-
(2) Royalty income and publishing cost	(14,511)	(92,023)	-	-	-	(863)	(2,151)	524	103,636	-	5,388
(3) Other operating revenue and service expense	2,880	-	-	(2,880)	-	-	-	-	-	-	-
(4) Advertising expense and revenue	(24,978)	(179)	623	24,534	-	-	-	-	-	-	-
(5) Rent revenue and expense	8,613	-	(88)	(8,416)	(23)	-	-	(23)	(25)	(19)	(19)
(6) Other revenue and expense	3,662	-	(294)	(2,767)	-	-	-	(113)	(74)	(149)	(265)
(7) Unrealized gross profit on intercompany transactions	2,145	-	-	(2,145)	-	-	-	-	-	-	-

For the year ended December 31, 2008

	Gamania Digital Entertainment Co., Ltd.	Gamania Holdings Ltd. and its Subsidiaries	Fundation Digital Entertainment Co., Ltd.	Taiwan Index Co., Ltd.	Gamania Asia Investment Co., Ltd.	Gamania Korea Co., Ltd.	Gamania Digital Entertainment Labuan Holdings, Ltd.	Alibangbang Digital Games Co., Ltd.	PlayCoo Co.
1. Long-term investments and stockholders' equity eliminated	(\$ 692,725)	\$ 322,171	\$ 20,316	\$ 91,633	\$ 116,778	\$ 7,746	\$ 317	\$ 28,687	\$ 105,077
2. Receivables and payables eliminated	(19,658)	(10,622)	(1,218)	45,665	6	423	(2,804)	259	(12,051)
3. Profit and loss accounts eliminated									
(1) Sale and purchase transactions	(7,451)	(8,012)	58	15,405	-	-	-	-	-
(2) Royalty income and publishing cost	(350)	(32,549)	-	-	-	(383)	598	3,341	29,343
(3) Other operating revenue and service expense	2,640	-	-	(2,640)	-	-	-	-	-
(4) Advertising expense (and revenue)	(12,823)	-	(2,133)	14,956	-	-	-	-	-
(5) Rent revenue and expense	4,731	-	(89)	(4,619)	-	-	-	(23)	-
(6) Other revenue and expense	1,593	(8)	462	(1,974)	-	-	-	(73)	-
(7) Unrealized gross profit on intercompany transactions	230	-	-	(230)	-	-	-	-	-

11. DISCLOSURE INFORMATION

(1) Related information of significant transactions

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

B) Guarantee for any other company or person:

The Company or investee companies		Parties being guaranteed		Limit of guarantee for each party (Note 4)	Maximum outstanding guarantee amount for the year ended December 31, 2009	Outstanding guarantee amount at December 31, 2009	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Maximum amount available for guarantee (Note 3)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Taiwan Index Co., Ltd.	2	\$ 481,485	\$ 130,000	\$ 130,000	None	5.09%	\$ 1,604,951
0	The Company	Fundation Digital Entertainment Co., Ltd. (Fundation)	2	481,485	10,000	-	None	-	1,604,951
0	The Company	Gamania Digital Entertainment (Japan) Co., Ltd.	3	481,485	66,000	66,000	None	2.58%	1,604,951
0	The Company	Gamania Digital Entertainment (Beijing) Co., Ltd.	3	481,485	30,000	16,100	None	0.63%	1,604,951

Note 1: Number 0 represents the Company.

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

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

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

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

C) Marketable securities held at December 31, 2009:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Type of marketable securities (Note (1))	Name of marketable securities	Relationship of the issuers with the security holders	General ledger account	December 31, 2009				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	9,928	\$ 393,035	100%	\$ 393,035	None (3)
"	"	Gamania Holdings Ltd.	"	Prepayment for long-term investment	-	4,880	-	4,880	"
"	"	Gamania Korea Co., Ltd.	"	Long-term investment	802	13,648	100%	13,648	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	13,423	12,875	99.43%	10,984	"
"	"	Taiwan Index Co., Ltd.	"	"	8,044	37,567	72.08%	39,010	"
"	"	Gamania Asia Investment Co., Ltd.	"	"	13,945	132,035	100%	132,035	"
"	"	Gamania Digital Entertainment Labuan Holdings, Ltd.	"	"	10	109	100%	109	"
"	"	Fundation Digital Entertainment CO., Ltd.	"	"	9,000	4,480	100%	4,480	"
"	"	Playcoo Co.	"	"	13,996	116,687	75.25%	49,585	"
"	"	Redgate Games Co., Ltd.	"	"	5,000	20,693	100%	20,693	"
"	"	Seedo Games Co., Ltd.	"	"	5,000	19,651	100%	19,651	"
"	"	Taiwan e-sports Co., Ltd.	Investee company accounted for under the equity method	"	3,000	5,795	46.15%	5,795	"
"	"	NC Taiwan Co., Ltd.	Investee company accounted for under financial assets carried at cost	Financial assets carried at cost-non current	2,100	22,841	15%	22,841	"

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

Note (2): The market value of listed equity securities and closed-end mutual funds is determined based on closing price 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 year ended December 31, 2009 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	Mega Diamond Bond Fund	Financial asset held for trading-bond funds	Initial investment at inception/None	-	-	20,146	\$ 240,000	20,146	\$ 240,112	\$ 240,000	\$ 112	-	-
"	JIH SUN Bond Fund	"	"	-	-	11,353	160,000	11,353	160,064	160,000	64	-	-
"	ING Taiwan Bond Fund	"	"	-	-	10,243	120,000	10,243	120,035	120,000	35	-	-
"	En Trust Phoenix Bond Fund	"	"	-	-	9,639	150,000	9,639	150,026	150,000	26	-	-

Note: Original investment cost.

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

(2) Information of investee companies

A) Information of investee companies:

(The information on Gamania Digital Entertainment Labuan Holdings, Ltd. and Taiwan e-sports Co., Ltd. is based on unaudited financial statements because of their small scale. The information on Gamania Korea Co., Ltd., Taiwan Index Co., Ltd., Gamania Asia Investment Co., Ltd., Fundation Digital Entertainment Co., Ltd., Playcoo Co., Redgate Games Co., Ltd., Seedo Games Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd. and Gamania Digital Entertainment (Japan) Co., Ltd. were based on financial statements audited by other auditors. The others were audited by the Company's auditors.)

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2009.12.31	2008.12.31	Number of shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	\$ 1,131,301 (Note (1))	\$ 1,076,728	9,928 (Note (2))	100%	\$ 397,915 (Note (1))	\$ 35,134	\$ 35,134	Subsidiary (Note (4))
"	Gamania Korea Co., Ltd.	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sale of software	224,672	189,255	802	100%	13,648	(31,096)	(31,096)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	240,000	210,000	13,423	99.43%	12,875	(46,027)	(45,715)	"
"	Taiwan Index Co., Ltd.	"	Software services and sales	211,433	211,433	8,044	72.08%	37,567	(37,469)	(29,153) (Note (3))	"
"	Gamania Asia Investment Co., Ltd.	"	Investment holdings	190,000	190,000	13,945	100%	132,035	(9,656)	(9,656)	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 15(A), Main Office Tower, Financial Park Labuan, 87000 Labuan, Jalan Merdeka, 87000 Labuan, FT, Malaysia	Investment holdings	329	329	10	100%	109	(207)	(207)	"
"	Fundation Digital Entertainment Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Sales and publishing of magazines and periodicals	90,000	70,000	9,000	100%	4,480	(35,836)	(35,836)	"

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

Note (2): The capital was reduced by 23,390 shares this year.

Note (3): Including write-off of unrealized sales margin of \$2,145.

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

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2009.12.31	2008.12.31	Number of shares	Percentage	Book value			
The Company	Playcoo Co.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei County, Taiwan	Design and research and development of software	\$ 152,554	\$ 152,554	13,996	75.25%	\$ 116,687	\$ 38,477	\$ 12,175 (Note (1))	Subsidiary (Note (5))
"	Redgate Games Co., Ltd.	"	Design and research and development of software	50,000	-	5,000	100%	20,693	(29,307)	(29,307)	"
"	Seedo Games Co., Ltd.	"	Design and research and development of software	50,000	-	5,000	100%	19,651	(30,349)	(30,349)	"
"	Taiwan e-sports Co., Ltd.	9F, No.176 Chung Hsiao East Rd. Section 4, Taipei City, Taiwan	Supply of software services and electronic information	30,000	10,000 (Note (2))	3,000	46.15%	5,795	(27,707)	(7,910)	Investee company accounted for under equity method (Note (4))
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%	14,721	(37,469)	(10,192)	Investee company accounted for under equity method (Note (5))
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 33,468 thousand (Note (3))	USD 31,818 thousand	33,318	100%	USD 12,447 thousand (Note (3))	USD 1,088 thousand	USD 1,088 thousand	Subsidiary (Note (5))
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	3	100%	USD 5,164 thousand	USD 1,080 thousand	USD 1,080 thousand	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	P.O. Box 30592 SMB, Cayside, 2nd Floor, Harbour Drive, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 21,094 thousand	USD 19,594 thousand	21,094	94.25%	USD 7,272 thousand	USD 138 thousand	USD 130 thousand	"
Gamania International Holdings Ltd.	Gamania Western Holdings Ltd.	P.O. Box 2804 Scotia Centre, 4 th , George Town, Grand Cayman KY1-1112, Cayman Islands	Investment holdings	USD 150 thousand (Note (3))	-	-	-	USD 36 thousand (Note (3))	(USD 114 thousand)	(USD 114 thousand)	Prepayment for long-term investment (Note (5))

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

Note (2): Including prepayment of \$5,000 for long-term investment.

Note (3): Including prepayment of USD\$150 thousand for long-term investment.

Note (4): The weighted-average ratio is 25.55%

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

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			Income (loss) incurred by the investee	Investment income (loss) recognized by the Company	Note
				2009.12.31	2008.12.31	Number of shares	Percentage	Book value			
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	Fourth Floor, One Capital Place P.O. Box 874GT, Grand Cayman, Cayman Islands, British West Indies	Investment holdings	USD 19,720 thousand	USD 17,820 thousand	19,720	100%	(USD 168 thousand)	(USD 2,550 thousand)	(USD 2,550 thousand)	Subsidiary (Note (2))
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	Rm. 811, 8F, Building A, GEM Techcenter, No. 9, 3rd street of Shangdi, Beijing 100085 China	Design and sales of software	USD 15,800 thousand	USD 14,300 thousand	N/A	100%	(USD 504 thousand)	(USD 2,358 thousand)	(USD 2,358 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	Flat 504-507, 5F, Conic Investment Building, 13 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Design and sales of software	USD 3,009 thousand	USD 3,009 thousand	35,500	100%	USD 5,955 thousand	USD 2,696 thousand	USD 2,696 thousand	"
Gamania Western Holdings Ltd.	Gamania Digital Entertainment (U.S.) Co., Ltd.	Suite 806, 1220 N. Market Street, Wilmington, DE 19801, County of New Castle	Supply of software services and sales of software	USD 130 thousand (Note (1))	-	-	-	USD 25 thousand (Note(1))	(USD 105 thousand)	(USD 105 thousand)	Prepayment for long-term investment (Note (2))

Note (1): Including prepayment of USD\$130 thousand for long-term investment.

Note (2): The transaction has been eliminated in the consolidated financial statements.

B) Financing activities to any company or person: None

C) Guarantee information: None.

D) Marketable securities held at December 31, 2009:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	December 31, 2009				
					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	33,318	USD\$ 12,447 thousand (Note (4))	100%	USD\$ 12,447 thousand (Note (4))	Note (6)
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	3	USD 5,164 thousand	100%	USD 5,164 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	21,094	USD 7,272 thousand	94.25%	USD 7,272 thousand	"
Gamania International Holdings Ltd.	"	Gamania Western Holdings Ltd.	Prepayment for long-term investment	Prepayment for long-term investment	-	USD 36 thousand (Note (4))	-	USD 36 thousand (Note (4))	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	Subsidiary	Long-term investments – accounted for under the equity method	35,500	USD 5,955 thousand	100%	USD 5,955 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	19,720	(USD 168 thousand)	100%	(USD 199 thousand)	"
Gamania Sino Holdings Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	(USD 504 thousand)	100%	(USD 504 thousand)	"
Gamania Western Holdings Ltd.	"	Gamania Digital Entertainment (U.S.) Co., Ltd.	Prepayment for long-term investment	Prepayment for long-term investment	-	USD 25 thousand (Note (5))	-	USD 25 thousand (Note (5))	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under equity method	Long-term investments – accounted for under the equity method	3,036	14,721	27.20%	14,721	"
Gamania Asia Investment Co., Ltd.	"	Nice Finance Co., Ltd.	Investee company accounted under financial assets carried at cost	Financial assets carried at cost	9,383	91,453	14.60%	91,453	"

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

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

Note (3): Unit: In thousand Shares.

Note (4): Including prepayment of USD\$150 thousand for long-term investment.

Note (5): Including prepayment of USD\$130 thousand for long-term investment.

Note (6): The transaction has been eliminated in the consolidated financial statements.

E) Marketable securities acquired or sold during the year ended December 31, 2009 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% or capital: None.

J) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

A)

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment from Taiwan as of January 1, 2009	Remitted or received investment amount during the year		Accumulated investment from Taiwan as of December 31, 2009	Direct and indirect percentage of ownership	Investment loss recognized during the year (Note (3))	Balance of investment at December 31, 2009	Accumulated investment income received as of December 31, 2009
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sales of software	(RMB 126,313 thousand) \$595,302	(Note (2))	(USD 12,170 thousand) \$391,582	(USD 1,500 thousand) \$48,264	\$ -	(USD 13,670 thousand) \$439,846	94.25%	(USD 2,218 thousand) (\$ 73,319)	(USD 475 thousand) \$ 15,284	\$ -

Accumulated amount of investment in Mainland China as of December 31, 2009	Related investment amount approved by FIA	Upper limit of investment in Mainland China
\$ 439,846 (USD 13,670 thousand)	\$642,876 (Note (1))	\$ 1,550,598

Note (1): Related total investment amount approved by FIA is USD 19,980,000 or NTD 642,876 thousand based on 32.176 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 subsidiary 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 year ended December 31, 2009

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

For the year ended December 31, 2009 (Continued)

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

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

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

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

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

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

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

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

For the year ended December 31, 2008

Number (Note (1))	Name of counterparty	Name of transaction parties	Relationship (Note (2))	Transaction terms			Percentage of total combined revenue or total assets (Note (3))
				Subject	Amount	Transaction terms	
0	Gamania Digital Entertainment Co., Ltd.	Gamania Digital Entertainment Labuan Holding, Ltd.	1	License revenue	\$ 10,399	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Purchases	7,767	Note (4)	-%
0	"	Playcoo Co.	1	Operating costs	9,768	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Advertising expense	14,956	Note (4)	-%
0	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	1	Other receivables	5,764	Note (4)	-%
0	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	1	Other receivables	6,773	Note (4)	-%
0	"	Playcoo Co.	1	Other receivables	5,234	Note (4)	-%
0	"	Playcoo Co.	1	Deferred expenses	6,818	Note (4)	-%
0	"	Taiwan Index Co., Ltd.	1	Other payables	48,566	Note (4)	1%
1	Playcoo Co.	Gamania Digital Entertainment Co., Ltd.	2	Operating revenue	9,768	Note (4)	-%
1	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Operating revenue	17,671	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Receipts in advance	6,818	Note (4)	-%
1	"	Gamania Digital Entertainment (Japan) Co., Ltd.	3	Accounts receivable	15,234	Note (4)	-%
1	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	5,234	Note (4)	-%
2	Taiwan Index Co., Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	Operating revenue	7,638	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Operating revenue	22,723	Note (4)	-%
2	"	Gamania Digital Entertainment Co., Ltd.	2	Accounts receivable	52,495	Note (4)	1%
3	Gamania Digital Entertainment (H.K.) Co., Ltd.	Taiwan Index Co., Ltd.	3	Purchases	7,638	Note (4)	-%
3	"	Gamania Digital Entertainment Co., Ltd.	2	Other payables	5,764	Note (4)	-%
4	Gamania Digital Entertainment (Japan) Co., Ltd.	Playcoo Co.	3	Operating costs	17,671	Note (4)	-%
4	"	Playcoo Co.	3	Accounts payable	15,234	Note (4)	-%

For the year ended December 31, 2008 (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	
5	Gamania Digital Entertainment Labuan Holdings, Ltd.	Gamania Digital Entertainment Co., Ltd.	2	License costs	\$ 10,399	Note (4)	-%
6	Gamania Digital Entertainment (Beijing) Co., Ltd.	Gamania Digital Entertainment Co., Ltd.	2	Accounts payable	6,773	Note (4)	-%

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

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

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

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

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

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

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

12. SEGMENT FINANCIAL INFORMATION

(1) Financial information by industry segments

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

(2) Financial information by geographic areas

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

	2008			
	<u>Asia</u>	<u>Taiwan</u>	<u>Adjustments and Elimination</u>	<u>Consolidated</u>
Operating revenues from unaffiliated customers	\$ 638,779	\$ 3,129,884	\$ -	\$ 3,768,663
Operating revenues from the Company and its consolidated subsidiaries	<u>614</u>	<u>79,149</u>	<u>(79,763)</u>	<u>-</u>
Total operating revenues	<u>\$ 639,393</u>	<u>\$ 3,209,033</u>	<u>(\$ 79,763)</u>	<u>\$ 3,768,663</u>
Segment profits	<u>\$ 206,840</u>	<u>\$ 1,020,108</u>	<u>(\$ 16,355)</u>	\$ 1,210,593
Investment loss accounted for under the equity method				(7,286)
General expenses (including non-operating revenues and expenses)				(874,042)
Interest expense				<u>(2,077)</u>
Net loss before income tax and minority interest				<u>\$ 327,188</u>
Identifiable assets	<u>\$ 601,089</u>	<u>\$ 2,690,814</u>	<u>(\$ 90,544)</u>	\$ 3,201,359
Financial assets carried at cost - non-current				114,294
Long-term investments - accounted for under the equity method				5,000
General assets				<u>49,114</u>
Total Assets				<u>\$ 3,369,767</u>
Depreciation	<u>\$ 38,112</u>	<u>\$ 127,560</u>	<u>\$ -</u>	<u>\$ 165,672</u>
Capital expenditures	<u>\$ 30,495</u>	<u>\$ 82,084</u>	<u>\$ -</u>	<u>\$ 112,579</u>

(3) Information regarding export sales

The Company does not have export sales exceeding 10% of operating revenues in 2009 and 2008.

(4) Information regarding major customers

Year 2009

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

Year 2008

<u>Customer Name</u>	<u>Sales</u>	<u>% of net sales</u>
Customer A	\$ 1,262,110	29
Customer B	713,087	16
Customer C	<u>467,228</u>	<u>11</u>
	<u>\$ 2,442,425</u>	<u>56</u>