

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS**

December 31, 2004 AND 2003

These English financial statements were translated from the financial statements originally prepared in Chinese.

Report of Independent Accountants

(05) R.F014.7620

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

We have audited the accompanying balance sheet of Gamania Digital Entertainment Co., Ltd. as of December 31, 2004 and 2003, and the related statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2004 and 2003 financial statements of certain investee companies, accounted for under the equity method, which statements reflect total investment balance of \$571,394,000 and \$425,533,000 as of December 31, 2004 and 2003, respectively, and the related investment loss of \$168,160,000 and \$336,098,000 for the years then ended, respectively. These financial statements were audited by other auditors whose reports thereon were furnished to us, and our opinion, insofar as it relates to the amounts included for these investee companies and the information disclosed in Note 11 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 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Gamania Digital Entertainment Co., Ltd. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with the “Rules Governing Preparation of Financial Statement of Securities Issuer” and generally accepted accounting principles in the Republic of China.

As disclosed in Notes 3 and 4(10), the Company adopted R.O.C. Statement of Financial Accounting Standards No. 35,” Accounting for Impairment of Assets” at the beginning of the fourth quarter, 2004. As a result of the change in accounting principle, as of December 31, 2004, the total assets and the 2004 income were decreased by \$321,770,000, respectively. The 2004 earnings per share were decreased by \$2.11 (in dollars).

We have also audited the consolidated financial statements of Gamania Digital Entertainment Co., Ltd. and subsidiaries for the years ended December 31, 2004 and 2003. Our report on these consolidated financial statements which was based on our audits and the reports of the other auditors expressed an unqualified opinion thereon.

April 27, 2005

The accompanying 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 financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of the independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.
BALANCE SHEET
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2004		2003			2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Assets					Current Liabilities				
Cash (Note 4(1))	\$ 757,625	25	\$ 852,970	26	Short-term loans (Note 4(11))	\$ -	-	\$ 100,000	3
Notes receivable - net (Note 4(2))	70,631	2	132,200	4	Notes payable	45,231	2	54,715	2
Accounts receivable - net – third parties (Note 4(3))	523,880	17	497,309	15	Accounts payable	86,395	3	66,872	2
Accounts receivable - net – related parties (Note 5(2))	1,842	-	-	-	Income tax payable (Note 4(18))	18,585	1	5,019	-
Other receivables - third parties (Note 4(4))	119,207	4	4,375	-	Accrued expenses	100,794	3	73,494	2
Other receivables - related parties (Note 5(2))	37,547	1	9,561	-	Other payable-related parties (Note 5 (2))	168,578	5	1,485	-
Other current assets(Note 6)	-	-	15,000	1	Other payables	7,631	-	23,793	1
Inventories (Note 4(5))	9,372	-	7,430	-	Unearned revenue collected in advance	94,841	3	48,188	1
Prepaid expenses (Note 4 (14))	12,920	1	23,769	1	Current portion of long-term liabilities (Note 4(12))	56,230	2	56,318	2
Deferred tax assets-current (Note 4(18))	36,250	1	43,175	2	Other current liabilities	7,746	-	8,305	-
	<u>1,569,274</u>	<u>51</u>	<u>1,585,789</u>	<u>49</u>		<u>585,971</u>	<u>19</u>	<u>438,189</u>	<u>13</u>
Long-term Investments (Note 4(6))					Long-term Liability				
Long-term investments – equity method	642,890	21	449,119	14	Long-term loans (Note 4 (12))	189,818	6	181,673	6
Long-term investment - cost method	26,846	1	94,941	3	Long-term notes payable (Note 4 (13))	-	-	10,687	-
Prepayment for long-term investments	13,114	-	-	-		<u>189,818</u>	<u>6</u>	<u>192,360</u>	<u>6</u>
	<u>682,850</u>	<u>22</u>	<u>544,060</u>	<u>17</u>	Other Liability				
Property, Plant and Equipment (Notes 4(7) and 6)					Accrued pension liability (Note 4(14))	3,245	-	-	-
Cost					Guarantee deposits	34	-	528	-
Land	147,751	5	117,270	4	Deferred tax liabilities-non current	-	-	29,140	1
Buildings	144,548	5	122,977	4		<u>3,279</u>	<u>-</u>	<u>29,668</u>	<u>1</u>
Machinery and equipment	523,831	17	504,879	15	Total Liabilities	<u>779,068</u>	<u>25</u>	<u>660,217</u>	<u>20</u>
Transportation equipment	1,700	-	5,238	-	Stockholders' Equity				
Computer and communication equipment	93,925	3	97,640	3	Common stock (Note 1)	1,539,897	50	1,587,997	49
Leasehold improvements	81,861	2	84,456	3	Capital reserve (Note 4 (15))	-	-	-	-
Other equipment	5,349	-	5,349	-	Paid-in capital in excess of par	1,348,505	43	1,390,640	43
Total Cost	998,965	32	937,809	29	Treasury stock transaction (Note 4(20))	17,111	1	-	-
Less: Accumulated depreciation	(365,509)	(12)	(247,526)	(8)	Gain on disposal of property, plant and equipment	221	-	221	-
	<u>633,456</u>	<u>20</u>	<u>690,283</u>	<u>21</u>	Retained earnings				
Intangible assets (Notes 4(8) and 4(10))	-	-	38,298	-	Legal reserve (Note 4 (16))	103,066	3	103,066	3
					Accumulated deficit (Note 4 (17))	(394,267)	(13)	(216,514)	(7)
Other Asset					Cumulative translation adjustments	21,810	1	24,123	1
Refundable deposits	8,730	-	13,308	-	Treasury stock (Note 4(20))	(319,214)	(10)	(302,140)	(9)
Deferred charges (Notes 4 (9) and 4(10))	112,491	4	375,872	12	Total Stockholders' Equity	<u>2,317,129</u>	<u>75</u>	<u>2,587,393</u>	<u>80</u>
Deferred tax assets-current (Note 4(18))	89,396	3	-	-	Commitments and Contingent Liabilities (Note 7)				
	<u>210,617</u>	<u>7</u>	<u>389,180</u>	<u>12</u>	Subsequent Events (Note 9)				
TOTAL ASSETS	\$ 3,096,197	100	\$ 3,247,610	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,096,197	100	\$ 3,247,610	100

The accompanying notes are an integral part of the financial statements.

See report of independent accountants dated April 27, 2005.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

STATEMENT OF INCOME

YEARS ENDED DECEMBER 31,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT EARNINGS PER SHARE DATA)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating revenues				
Sales revenue	\$ 1,895,340	98	\$ 2,076,393	109
Sales returns (Note 5(2))	(37,331)	(2)	(164,655)	(9)
Sales allowances (Note 5(2))	(37,502)	(2)	(8,154)	-
Net sales revenue	1,820,507	94	1,903,584	100
Service Revenue (Note 5(2))	120,644	6	-	-
Operating revenue	1,941,151	100	1,903,584	100
Operating costs				
Cost of goods sold (Note 4(22))	(935,659)	(48)	(1,010,865)	(53)
Gross profit	1,005,492	52	892,719	47
Realized intercompany profit	-	-	903	-
Net gross profit	1,005,492	52	893,622	47
Operating expenses (Note 4(22))				
Selling expenses	(162,653)	(9)	(223,997)	(12)
General and administrative expenses	(392,925)	(20)	(390,855)	(20)
Research and development expenses	(73,673)	(4)	(75,609)	(4)
Total operating expenses	(629,251)	(33)	(690,461)	(36)
Operating income	376,241	19	203,161	11
Non-operating income				
Interest income	376	-	810	-
Gains on sale of investments	8,577	-	11,892	1
Foreign exchange gain	-	-	1,413	-
Rental income (Note 5(2))	9,676	1	127	-
Miscellaneous income	10,809	1	6,536	-
Total non-operating income	29,438	2	20,778	1
Non-operating expenses				
Interest expense	(6,838)	-	(8,379)	-
Investment loss accounted for under equity method (Note 4(6))	(264,180)	(14)	(416,188)	(22)
Permanent impairment loss on investment accounted for under cost method (Note 4(6))	(68,095)	(3)	(13,000)	(1)
Loss on disposal of property, plant and equipment	(149)	-	(510)	-
Loss on decline in market value and on obsolete inventories	-	-	(895)	-
Impairment losses (Note 4(10))	(321,770)	(17)	-	-
Miscellaneous losses	(2,431)	-	(58,249)	(3)
Total non-operating expenses	(663,463)	(34)	(497,221)	(26)
Loss before income tax	(257,784)	(13)	(273,282)	(14)
Income tax benefit (Note 4(18))	90,040	4	27,722	1
Net loss	(\$ 167,744)	(9)	(\$ 245,560)	(13)

	<u>2004</u>		<u>2003</u>	
	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
Basic loss per share (Note 4(19))	(NT\$ 1.69)	(NT\$ 1.10)	(NT\$ 1.78)	(NT\$ 1.60)
Net loss	(NT\$ 167,744)	(NT\$ 167,744)	(NT\$ 245,560)	(NT\$ 245,560)

The accompanying notes are an integral part of the financial statements.
See report of independent accountants dated April 27, 2005.

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

	Retained Earnings								
	Capital Reserve				Retained Earnings		Other Adjustment Items		
	Common Stock	Paid-in Capital in Excess of Par	Treasury Stock Transaction	Capital Surplus from Gain on Disposal of Assets	Legal Reserve	Accumulated (Deficit) Retained Earnings	Cumulative Translation Adjustments	Treasury stock	Total
<u>2003</u>									
Balance at January 1, 2003	\$ 1,080,270	\$ 1,390,640	\$ -	\$ 221	\$ 37,609	\$ 656,031	\$ 11,841	(\$ 225,226)	\$ 2,951,386
Appropriations of 2002 net income:									
Legal reserve	-	-	-	-	65,457	(65,457)	-	-	-
Issuance of stock dividends	410,503	-	-	-	-	(410,503)	-	-	-
Employees' bonus	97,224	-	-	-	-	(97,224)	-	-	-
Director's and supervisors remuneration	-	-	-	-	-	(10,802)	-	-	(10,802)
Cash dividends	-	-	-	-	-	(21,605)	-	-	(21,605)
Net loss for 2003	-	-	-	-	-	(245,560)	-	-	(245,560)
Acquisition treasury stock	-	-	-	-	-	-	-	(76,914)	(76,914)
Cumulative translation adjustments	-	-	-	-	-	-	12,282	-	12,282
Effect of change in ownership percentage of investee company	-	-	-	-	-	(21,394)	-	-	(21,394)
Balance at December 31, 2003	<u>\$ 1,587,997</u>	<u>\$ 1,390,640</u>	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ 103,066</u>	<u>(\$ 216,514)</u>	<u>\$ 24,123</u>	<u>(\$ 302,140)</u>	<u>\$ 2,587,393</u>
<u>2004</u>									
Balance at January 1, 2004	\$ 1,587,997	\$ 1,390,640	\$ -	\$ 221	\$ 103,066	(\$ 216,514)	\$ 24,123	(\$ 302,140)	\$ 2,587,393
Net loss for 2004	-	-	-	-	-	(167,744)	-	-	(167,744)
Acquisition treasury stock	-	-	-	-	-	-	-	(90,198)	(90,198)
Retirement of treasury stock	(48,100)	(42,135)	17,111	-	-	-	-	73,124	-
Cumulative translation adjustments	-	-	-	-	-	-	(2,313)	-	(2,313)
Effect of change in ownership percentage of investee company	-	-	-	-	-	(10,009)	-	-	(10,009)
Balance at December 31, 2004	<u>\$ 1,539,897</u>	<u>\$ 1,348,505</u>	<u>\$ 17,111</u>	<u>\$ 221</u>	<u>\$ 103,066</u>	<u>(\$ 394,267)</u>	<u>\$ 21,810</u>	<u>(\$ 319,214)</u>	<u>\$ 2,317,129</u>

The accompanying notes are an integral part of the financial statements.

See report of independent accountants dated April 27, 2005.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2004</u>	<u>2003</u>
<u>Cash flows from operating activities</u>		
Net loss	(\$ 167,744)	(\$ 245,560)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain on disposal of investments	(8,577)	(11,892)
Reversal of provision for bad debts expense and sales returns	(15,008)	(23,656)
(Recovery of) provision for decline in market value and obsolescence on inventories	(4,040)	895
Investment loss accounted for under equity method	264,180	416,188
Permanent impairment loss of investment accounted for under cost method	68,095	13,000
Depreciation	131,065	113,355
Loss on disposal of property plant and equipment	149	907
Amortization	46,633	40,308
Loss on disposal of deferred charges	283,472	46,908
Loss on disposal of other intangible assets	38,298	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Notes receivable	61,569	128,221
Accounts receivable – third parties	(2,172)	(59,415)
Accounts receivable – related parties	(1,842)	-
Other receivables – third parties	(124,223)	9,332
Other receivables – related parties	(27,986)	(4,498)
Inventories	2,098	11,806
Prepaid expenses	10,849	(9,619)
Deferred income tax assets	(111,611)	(6,254)
Increase (decrease) in:		
Notes payable	(9,484)	3,477
Accounts payable	19,523	(53,529)
Income tax payable	13,566	(24,091)
Accrued expenses	27,300	7,472
Other payables	(20,681)	2,929
Other payable-related parties	167,033	1,485
Unearned revenue collected in advance	46,653	16,741
Other current liabilities	(559)	11,159
Accrued pension liabilities	3,245	-
Net cash provided by operating activities	<u>689,801</u>	<u>385,669</u>

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.
STATEMENT OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2004</u>	<u>2003</u>
<u>Cash flows from investing activities</u>		
Increase in short-term investments	(\$ 3,123,813)	(\$ 2,531,000)
Proceeds from disposal of short - term investments	3,132,390	2,542,892
Decrease (increase) in pledged assets, net	15,000	(15,000)
Increase in long-term investments	-	(52,095)
Increase in subsidiary capital infusion	(278,256)	(295,215)
Increase in acquisition of subsidiaries	(221,292)	-
Proceeds from disposal of long-term investments	12,116	-
Return for liquidation of subsidiaries	4,045	-
Acquisition of property, plant and equipment	(73,221)	(167,739)
Proceeds from disposal of property, plant and equipment	3,353	4,734
Increase in deferred charges	(103,731)	(96,371)
Increase in other intangible assets	-	(38,298)
Recovery from prepayment of agency fee	37,007	-
Decrease (increase) in refundable deposits, net	4,578	(2,847)
Net cash used in investing activities	<u>(591,824)</u>	<u>(650,939)</u>
<u>Cash flows from financing activities</u>		
Decrease in short-term loans, net	(100,000)	(120,000)
Increase in long-term loans	8,057	55,353
Decrease in other notes payable, net	-	(900)
Decrease in long-term notes payable, net	(10,687)	(11,670)
(Decrease) increase in guarantee deposits	(494)	528
Purchase of treasury stock	(90,198)	(120,045)
Net cash used in financing activities	<u>(193,322)</u>	<u>(196,734)</u>
Net decrease in cash and cash equivalents	(95,345)	(462,004)
Cash and cash equivalents at beginning of year	852,970	1,314,974
Cash and cash equivalents at end of year	<u>\$ 757,625</u>	<u>\$ 852,970</u>
<u>Supplemental disclosure of cash flow information</u>		
Cash paid during the year for:		
Interest	\$ 6,949	\$ 8,367
Income taxes	<u>\$ 5,574</u>	<u>\$ 2,623</u>
<u>Cash paid for the acquisition of property, plant and equipment:</u>		
Property, plant and equipment acquired	\$ 77,740	\$ 154,291
Less: Payable-ending	(4,884)	(365)
Add: Payable-beginning	365	13,813
Cash paid	<u>\$ 73,221</u>	<u>\$ 167,739</u>
<u>Cash paid for purchase of treasury stock:</u>		
Acquisition of treasury stock	\$ 90,198	\$ 76,914
Less: Payable-ending	-	-
Add: Payable-beginning	-	43,131
Cash paid	<u>\$ 90,198</u>	<u>\$ 120,045</u>
<u>The related fair market values of assets and liabilities of the subsidiary acquired are as follows</u>		
Cash and bank deposits	\$ 93,096	\$ -
Securities	15,581	-
Other current assets	170,020	-
Property, plant and equipment	49,455	-
Other assets	14,967	-
Goodwill	59,901	-
Current liabilities	(128,874)	-
Long-term liabilities	(13,480)	-
Minority interest	(40,374)	-
Cash paid for the purchase of subsidiary	<u>\$ 221,292</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.
See report of independent accountants dated April 27, 2005.

GAMANIA DIGITAL ENTERTAINMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,

EXCEPT AS INDICATED OTHERWISE

1. HISTORY AND ORGANIZATION

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, 2004, the total authorized shares of common stock was \$2,500,000 consisted of 250 million shares of common stock (including 15 million shares of employee stock options), at par value NT\$10 (dollars) per share and issued and outstanding capital was \$1,539,897. The Company engages in software services, TV programming and magazine publications. As of December 31, 2004, the Company had 519 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying non-consolidated financial statements were prepared in conformity with the “Rules Governing Preparation of the Financial Statements of Securities Issuers” and generally accepted accounting principles in the Republic of China. Significant accounting policies are summarized as follows:

(1) Foreign currency transactions

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

(2) Short-term investments

Short-term investments are stated at the lower of cost or market value; cost is determined using the weighted average method. The market value of listed equity securities and closed-end mutual funds are determined based on average closing prices of the last month before the balance sheet date. The market value of open-end mutual funds is determined based on the net asset value as of the balance sheet date.

(3) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on an evaluation of the collectibility of ending balances of notes receivable, accounts receivable and other receivables (including balances from related parties), taking into account the aging analysis of receivables.

(4) Inventories

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.

(5) Long-term investments

A) Long-term investments are stated at the lower of cost or market value for listed companies and at cost for unlisted companies, if the ratio of the Company's voting rights in the investee company is below 20% or if the Company has no ability to exercise significant influence in the management of the investee company. The market value is determined using the average closing price of the last month of the accounting period. Valuation allowance for unrealized loss under this method is shown under stockholders' equity. When it becomes evidently clear that there has been a permanent impairment in value, and the probability of recovery is unlikely, loss is recognized in the current year's operating results.

- B) Long-term investments in which the or Company owns at least 20% of the investee company's voting rights, or has the ability to exercise significant influence on the investee company, are accounted for under the equity method.
- C) In accordance with the regulations of the Securities and Futures Commission (SFC) and generally accepted accounting principles in the R.O.C., the Company prepares annual financial statements on both a non-consolidated basis and consolidated basis, which includes the accounts of majority-owned subsidiaries whose total assets and operating revenues constituting at least 10% of the respective non-consolidated totals. Irrespective of the above test, when the total combined assets or operating revenues of all such subsidiaries not meeting the above criteria constitute more than 30% of the Company's non-consolidated total assets or operating revenues, then each individual subsidiary with total assets or operating revenues constituting greater than 3% of the Company's respective non-consolidated total assets or operating revenues is included in the consolidation.
- D) Majority owned investments are accounted for under the equity method based on the unaudited financial statements if the investee companies' capital is less than \$30,000 and operating revenue is less than \$50,000 or constitute less than 10% of the Company's operating revenue.
- E) Long-term investments in foreign investee companies accounted for under the equity method and denominated in foreign currency are translated into New Taiwan dollars at the exchange rate prevailing at the balance sheet date. The unrealized exchange loss resulting from translation is deferred in the cumulative translation adjustment account in the stockholders' equity.
- F) 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 are debited.

G) When the accumulated investment losses of an investee accounted for under the equity method exceeds the Company's original investment cost, the Company recognizes its investment losses up to the original investment cost. However, if the Company intends to continue supporting the investee or considers the losses of the investee as temporary, based on sufficient evidence that the investee will turn profitable in the near future, the Company continues to recognize investment loss in excess of its investment cost. The negative investment balance is presented as a liability in the balance sheet.

(6) 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, except for leasehold improvements, which are based on contract period or the life for the asset, whichever is shorter. The estimated useful lives are 55 years for buildings and 3 to 5 years for the other fixed assets.
- 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) Significant renewals or betterments are capitalized. Maintenance and repairs are charged to expense as incurred.

(7) Other intangible assets

Other intangible assets consist primarily of prepayments for developing game software are stated at cost. The accounts are used to offset against future agency fee that is based on 2% of net sales.

(8) Deferred charges

- A) Cost of software and copyrights are capitalized and amortized under the straight-line basis over the estimated useful lives.
- B) Agency fee consists of prepayment for royalties for online game software and is stated at cost. The agency fee is amortized based on a percentage of sales.

(9) Impairment of assets

Impairments loss is recognized when recoverable amount is below the book value due to changes of environment or occurrences of some events. Recoverable amounts is the higher of fair value less cost to sell or value in use of an asset. Fair value less cost to sell is the selling price of an asset in an arm's length transaction between knowledgeable and willing parties, less the cost of disposal. Value in use is present value of the future cash flow expected to be derived from an asset.

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

(10) Employee stock option plan

The compensation cost of employee stock option plan is determined using the "intrinsic value method". In addition, the Company discloses the pro forma net income and earnings per share as if the under "fair-value-based method" has been adopted.

(11) Deferred Income tax assets and income tax

A) Income tax 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 as net balance. Valuation allowance for deferred income tax assets is recognized if it is more likely than not that the tax benefits will not be realized.

- B) Tax credits resulting from equipment purchase, technology acquisition, research and development expenditure, training expense and long-term equity investment, etc. are recognized as current income tax benefit when it incurred.
- C) Over or under provision of prior years' income tax liabilities is included in the current year's income tax expense.
- D) According to the Taiwan imputation tax system, and 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 approved a resolution to retain the earnings.

(12) Retirement plan

The Company has a non-contributory and funded defined benefit retirement plan (the Plan) covering all regular employees. The Company recognizes minimum pension liability for the excess of accumulated benefit obligation over the fair value of plan assets and pension costs based on actuarial valuation. Pension cost components include service cost, interest cost, expected return on plan assets and amortization of net obligation at transition. The unrecognized net transition obligation is amortized equally over 15 years.

(13) Treasury Stock

- A) Treasury stocks acquired are stated at cost using the weighted average method. 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.
- B) Starting January 1, 2003, all subsidiaries holding the Company’s stocks are treated as treasury stocks.

(14) Revenue, costs and expenses

- A) Revenue from prepaid cards for on-line game is deferred and is recognized based on points consumed.
- B) Revenue from software and other merchandise is recognized upon sale and delivery of goods to retailers.
- C) Sales return is estimated based on percentage of sales.
- D) Costs and expenses are recognized as incurred.

(15) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect 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 revenue, cost of revenue and expenses reported during the period. Actual results could differ from those estimates.

(16) 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 were assumed to have been converted to common stock at the beginning of the period and net income was adjusted by the amount associated with the conversion.

- B) The potential dilutive shares are employee stock options. The Company adopted the “treasury stock method” in computing the dilative affect of the employee stock options.

3. CHANGES IN ACCOUNTING PRINCIPLES

- (1) In accordance with the newly issued accounting standard for employee stock option by Accounting Research Foundation, the Company adopted the “intrinsic value method” to account for the stock options after January 1, 2004. The adoption of newly issued accounting principle had no significant impact on the 2004 financial statements.
- (2) Effective in the fourth quarter of 2004, the Company adopted the newly issued R.O.C. Statement of Financial Accounting Standards No. 35, “Accounting for Impairment of Assets”. As a result of this change in accounting principle, the net income and total assets was decreased by \$321,770 in 2004, respectively, and the earning per share was decreased by \$2.11, per share.

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Cash on hand	\$ 275	\$ 333
Cash in banks	<u>757,350</u>	<u>852,637</u>
	<u>\$ 757,625</u>	<u>\$ 852,970</u>

(2) Notes receivable - net

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Notes receivable	\$ 70,647	\$ 132,216
Less: Allowance for doubtful accounts	(<u>16</u>)	(<u>16</u>)
	<u>\$ 70,631</u>	<u>\$ 132,200</u>

(3) Accounts receivables - net

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Accounts receivables	\$ 568,805	\$ 566,633
Less: Allowance for doubtful accounts	(42,390)	(51,781)
Allowance for sales returns	(2,535)	(17,543)
	<u>\$ 523,880</u>	<u>\$ 497,309</u>

(4) Other receivables

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Commissions receivable (Note)	\$ 127,325	\$ -
Others	1,273	4,375
Less: Allowance for doubtful account	(9,391)	-
	<u>\$ 119,207</u>	<u>\$ 4,375</u>

(Note) Commissions receivable is generated from sales of subsidiary's on-line games and peripheral products.

(5) Inventories

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Inventories	\$ 29,821	\$ 31,919
Less: Reserve for loss on decline in market value and obsolescence	(20,449)	(24,489)
	<u>\$ 9,372</u>	<u>\$ 7,430</u>

(6) Long-term investments

A) List of long-term investments

<u>Name of investee</u>	<u>December 31, 2004</u>			<u>2004</u> <u>Investment (loss) gain</u>
	<u>Original cost</u>	<u>Ownership</u> <u>Percentage</u>	<u>Balance</u>	
Accounted for under the equity method:				
Gamania Holdings Ltd.	\$ 815,442	100%	\$ 189,324	(\$ 173,131)
Gamania Korea Co., Ltd.	80,189	100%	127,765	(20,369)
Mogamer Interactive Co., Ltd.	32,625	89.90%	-	(697)
Clicklit Interactive Co., Ltd.	90,452	68.85%	-	(621)
Alibangbang Digital Games Co., Ltd.	50,000	92%	11,063	(22,790)
NC Taiwan Co., Ltd.	71,400	51%	68,472	6,884
Taiwan Index Col., Ltd.	208,200	69.40%	166,540	(42,635)
Gamania Asia investment Co., Ltd.	90,000	100%	79,625	(10,375)
Gamania Digital Entertainment Labuan Holdings, Ltd.	<u>67</u>	100%	<u>101</u>	<u>40</u>
	<u>1,438,375</u>		<u>642,890</u>	<u>(263,694)</u>
Accounted for under the cost method:				
Buybooks Digital Technology Corp. Ltd.	2,995	3.74%	2,995	-
ECD Interactive Corporation	34,200	18.55%	5,200	(16,000)
Joyon Entertainment Co., Ltd.	9,851	17.86%	9,851	-
RAVA Ideologie Inc.	8,800	8.69%	8,800	-
Zona Inc.	<u>52,095</u>	10.34%	<u>-</u>	<u>(52,095)</u>
	<u>107,941</u>		<u>26,846</u>	<u>(68,095)</u>
Prepayment for long-term investments:				
Soga Interactive Co., Ltd.	<u>13,600</u>		<u>13,114</u>	<u>(486)</u>
Total	<u>\$ 1,559,916</u>		<u>\$ 682,850</u>	<u>(\$ 332,275)</u>

<u>Name of investee</u>	<u>December 31, 2003</u>			<u>2003</u> <u>Investment loss</u>
	<u>Original cost</u>	<u>Ownership</u> <u>Percentage</u>	<u>Balance</u>	
Accounted for under the equity method:				
Gamania Holdings Ltd.	\$ 670,851	100%	\$ 235,277	(\$ 321,972)
Gamania Korea Co., Ltd.	80,189	100%	140,122	(12,823)
Mogamer Interactive Co., Ltd.	35,960	89.90%	4,032	(14,318)
Clicklit Interactive Co., Ltd.	91,163	68.85%	1,331	(34,126)
POPcode Digital Entertainment Co., Ltd.	18,000	70%	-	(11,867)
Alibangbang Digital Games Co., Ltd.	20,000	80%	6,768	(11,271)
NC Taiwan Co., Ltd.	<u>71,400</u>	51%	<u>61,589</u>	<u>(9,811)</u>
	<u>987,563</u>		<u>449,119</u>	<u>(416,188)</u>
Accounted for under the cost method:				
Buybooks Digital Technology Corp. Ltd.	2,995	3.74%	2,995	-
ECD Interactive Corporation	34,200	18.55%	21,200	(13,000)
Joyon Entertainment Co., Ltd.	9,851	17.86%	9,851	-
Game Factory Co., Ltd.	8,800	19.25%	8,800	-
Zona Inc.	<u>52,095</u>	10.34%	<u>52,095</u>	<u>-</u>
	<u>107,941</u>		<u>94,941</u>	<u>(13,000)</u>
Total	<u>\$ 1,095,504</u>		<u>\$ 544,060</u>	<u>(\$ 429,188)</u>

- B) Long-term investments in Gamania Korea Co., Ltd., NC Taiwan Co., Ltd. Taiwan Index Co., Ltd. Gamania Asia Investment Co., Ltd., Gamania Digital Entertainment (H.K.) Co., Ltd. and Gamania Digital Entertainment (Japan) Co., Ltd., accounted for under the equity method, were based on financial statements audited by other auditors in 2004.
- C) Long-term investments in Gamania Korea Co., Ltd., NC Taiwan Co., Ltd., Gamania China Holdings Ltd. and Gamania Digital Entertainment (Japan) Co., Ltd., accounted for under the equity method, were based on financial statements audited by other auditors in 2003.
- D) The related investment loss based on financial statements audited by other auditors amounts to \$168,160 and \$336,098 for 2004 and 2003, respectively. As of December 31, 2004 and 2003, the balance of these investments was \$571,394 and \$425,533, respectively.
- E) The related investment loss in Gamania Digital Entertainment Labuan Holdings, Ltd. and Soga Interactive Co., Ltd. were based on their unaudited financial statements in 2004.
- F) POPcode Digital Entertainment Co., Ltd., Clicklit Interactive Co., Ltd. and Mogamer Interactive Co., Ltd., long-term investments accounted for under the equity method, were liquidated in July 2004.
- G) The Company recognized a permanent impairment loss in Zona Inc. and ECD Interactive Corporation, investments accounted for under the cost method, in the amounts of \$52,095 and \$16,000 in 2004, respectively.
- H) In 2004, Game Factory Co., Ltd was renamed as RAVA Indeologie Inc.

(7) Property, plant, and equipment

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>Cost</u>		
Land	\$ 147,751	\$ 117,270
Buildings	144,548	122,977
Machinery and equipment	523,831	504,879
Transportation equipment	1,700	5,238
Computer and communication equipment	93,925	97,640
Leasehold improvements	81,861	84,456
Other equipment	<u>5,349</u>	<u>5,349</u>
	<u>998,965</u>	<u>937,809</u>
<u>Accumulated depreciation</u>		
Buildings	(5,660)	(3,241)
Machinery and equipment	(238,627)	(153,982)
Transportation equipment	(803)	(2,780)
Computer and communication equipment	(58,819)	(44,126)
Leasehold improvements	(58,073)	(41,145)
Other equipment	<u>(3,527)</u>	<u>(2,252)</u>
	<u>(365,509)</u>	<u>(247,526)</u>
	<u>\$ 633,456</u>	<u>\$ 690,283</u>

(8) Other intangible assets

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Prepayments for developing game software	\$ 38,298	\$ 38,298
Less: Accumulated impairment	<u>(38,298)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 38,298</u>

(9) Deferred charges

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Agency fees	\$ 354,172	\$ 323,068
Unamortized expense	<u>41,791</u>	<u>52,804</u>
	395,963	375,872
Less: Accumulated impairment	(<u>283,472</u>)	<u>-</u>
	<u>\$ 112,491</u>	<u>\$ 375,872</u>

(10) Assets impairment

A) The Company adopted the FAS No. 35 “Accounting for Impairment of Assets” at the beginning of the fourth quarter, 2004. The details are as follows:

	<u>Recognized in</u> <u>statement of income</u>	<u>Recognized in</u> <u>stockholders’ equity</u>
Impairment loss-other assets -deferred charges	\$ 283,472	\$ -
Impairment loss-others intangible assets	<u>38,298</u>	<u>-</u>
	<u>\$ 321,770</u>	<u>\$ -</u>

B) The Company operates in one single industry only, the related impairment loss related to general assets.

(11) Short-term loans

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Short-term bank loans	<u>\$ -</u>	<u>\$ 100,000</u>
Annual interest rates	<u>-</u>	<u>1.45%~2.1%</u>
Credit lines	<u>\$ 458,000</u>	<u>\$ 620,800</u>

(12) Long-term Loans

<u>Financial Bank</u>	<u>Total Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>December 31,</u>	
			<u>2004</u>	<u>2003</u>
International Bank of Taipei	\$ 49,000	03.28.2002 ~ 03.28.2017 Two year grace period, equal quarterly installments starting from year 3	\$ 46,173	\$ 49,000
International Bank of Taipei	51,000	08.20.2002 ~ 08.20.2017 Two year grace period, equal quarterly installments starting from year 3	49,875	51,000
FuBon Bank	37,600	05.09.2002 ~ 05.09.2007 20 equal quarterly installments	-	26,321
Chiao Tung Bank	50,000	08.30.2004 ~ 08.30.2007 Full payment at maturity	50,000	-
Chiao Tung Bank	200,000	12.30.2004 ~ 12.30.2007 Full payment at maturity	100,000	-
Chang Hwa Bank	100,000	08.11.2003 ~ 08.11.2006 6 equal semi-annual installments	-	100,000
Less: Portion due within one year			246,048	226,321
			(56,230)	(44,648)
			<u>\$189,818</u>	<u>\$181,673</u>

(Note) The long-term loans from Taishin Bank, Chang Hwa Bank and FuBon Bank were repaid in advance on April 30, 2004 September 2, 2004 and December 30, 2004, respectively.

(13) Long-term notes payable

<u>Financial Bank</u>	<u>Total Credit Lines</u>	<u>Period/Terms of Repayment</u>	<u>December 31,</u>	
			<u>2004</u>	<u>2003</u>
Shanghai Commercial & Savings Bank	\$ 35,000	11.11.2002 ~ 11.11.2005 36 equal monthly installments	\$ -	\$ 22,357
Less: portion due within one year			-	(11,670)
			<u>\$ -</u>	<u>\$ 10,687</u>

(14) Retirement plan

A) Under the terms of the Company's retirement plan, the pension benefits payable to employees are determined retirement as follows:

- a. Two months of average monthly salary will be paid for each year of service for the first fifteen years.
- b. For the service period over 15 years, one month of average monthly salary will be paid per year.
- c. The maximum number of months accumulable is 45 months.
- d. Average monthly salary is determined based on the retiree's salary six months prior to their retirement.

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

	<u>2004</u>	<u>2003</u>
Discount rate	3.75%	3.50%
Expected return rate on plan assets	2.75%	2.75%
The average ratio of salary increase	3.00%	3.00%

C) The reconciliation of the funded status to accrued pension liability are summarized as follows:

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	(<u>12,078</u>)	(<u>7,689</u>)
Accumulated benefit obligation	(12,078)	(7,689)
Additional benefits based on future salary increases	(<u>12,182</u>)	(<u>8,178</u>)
Projected benefit obligation	(24,260)	(15,867)
Fair value of plan assets	<u>14,407</u>	<u>10,428</u>
Funded status	(9,853)	(5,439)
Unrecognized transition obligation	310	341
Unrecognized net gain or loss	<u>6,298</u>	<u>5,463</u>
(Accrued pension liability) Pension prepayment	(<u>\$ 3,245</u>)	<u>\$ 365</u>
Vested obligation	<u>\$ -</u>	<u>\$ -</u>

The components of net pension cost were as follows:

	<u>2004</u>	<u>2003</u>
Service cost	\$ 6,821	\$ 4,715
Interest cost	555	374
Expected return on plan assets	(287)	(194)
Unrecognized transition obligation	31	31
Unrecognized net gain or loss	<u>353</u>	<u>273</u>
Net pension cost	<u>\$ 7,473</u>	<u>\$ 5,199</u>

(15) Capital reserve

Share premiums from the issuance of new shares for cash and donation income 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) Undistributed earnings/special reserve

- A) As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:
- a. Pay for taxes and duties.
 - b. Covering prior years' accumulated deficit, if any.
 - c. After deducting items a and b, 10% of the remaining amount is appropriated as legal reserve.
 - d. In addition to the amount appropriated for legal reserve, the Company may appropriate an amount equal to the negative items in the stockholders equity from retained earnings as special reserve.
 - e. Interest on capital.
 - f. After deducting items a to e, 10% ~ 15% of the remaining earnings is appropriated as employees' bonuses and up to 2% as remuneration to directors and supervisors.

- g. The remaining amount is to be distributed to stockholders in accordance with the resolution adopted at the stockholders' meeting.
- B) The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional corporate income tax if the earnings are not distributed before a specific time. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholder can claim a proportionate share in the company's corporate income tax as tax credit against its individual income tax liability effective 1998.
- C) As of December 31, 2004, the Company is in an accumulated loss position and the loss has been recognized in the shareholder's meeting on April 29, 2004. For current status of the resolution, please visit the Taiwan Stock Exchange website.
- D) Due to net loss in 2003, there were no earnings distribution in 2004.

(18) Income tax payable

A) Income tax payable and income tax benefit are reconciled as follows:

	<u>2004</u>	<u>2003</u>
Current year income tax benefit	(\$ 101,232)	(\$ 38,902)
Additional 10% corporate income tax on undistributed earnings	<u>11,192</u>	<u>11,180</u>
	(90,040)	(27,722)
Add (Less): Net change in deferred income tax assets	111,611	6,254
Prepaid income tax	(42)	(571)
(Under) over provision of prior year's income tax	<u>(2,944)</u>	<u>27,058</u>
Income tax payable	<u>\$ 18,585</u>	<u>\$ 5,019</u>

B) Deferred income tax assets are as follows:

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Deferred income tax assets - current	\$ 36,250	\$ 43,175
Deferred income tax assets (liabilities) - non-current	<u>89,396</u>	<u>(29,140)</u>
	<u>\$ 125,646</u>	<u>\$ 14,035</u>

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

	<u>December 31,</u>			
	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Current items:				
Over provision of allowance for bad debts	\$ 43,988	\$ 10,997	\$ 41,701	\$ 10,425
Allowance for loss on decline in market value and inventories obsolescence	20,449	5,112	24,489	6,122
Allowance for sales returns	2,535	634	17,543	4,386
Welfare expenses	3,515	879	535	134
Income tax credit		<u>18,628</u>		<u>22,108</u>
		<u>\$ 36,250</u>		<u>\$ 43,175</u>
Non-current items:				
Welfare expenses	\$ 83	\$ 21	\$ 680	\$ 170
Impairment losses	321,770	80,443	-	-
Reserve for foreign investment	(163,608)	(40,902)	(117,242)	(29,310)
Income tax credit		<u>49,834</u>		<u>-</u>
		<u>\$ 89,396</u>		<u>(\$ 29,140)</u>

D) As of December 31, 2004 and 2003, the balance of shareholders account of deductible tax were as follows:

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
The balance of shareholders account of deductible tax	<u>\$ 7,387</u>	<u>\$ 2,298</u>
2003 Estimated creditable tax ratio		<u>-</u>
2002 Actual creditable tax ratio		<u>-</u>

E) As of December 31, 2004 and 2003, the information regarding the undistributed earning is as follows:

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
On or after January 1, 1998	(\$ 167,744)	(\$ 245,560)
a. Earnings not subjected to 10% income tax	(<u>226,523</u>)	<u>29,046</u>
b. Earnings subjected to 10% income tax	(<u>\$ 394,267</u>)	(<u>\$ 216,514</u>)

F) As of December 31, 2004, the Company's income tax returns for the years through 2000 have been assessed and approved by the Tax Authority. The Company was assessed \$963 in additional tax for the year 1999, and in 2002 and 2003, the Company filed an appeal to contest the assessment. The court has rendered an unfavorable judgment and the Company had prepaid all of the additional income tax (stated under other receivables) as well as filed a second appeal to the higher court in March 2005.

G) The incremental income associated with the Company's investments in the development of its PC-based and internet-based computer games is exempt from income tax for five years (2001 to 2006).

H) As of December 31, 2004, according to “Income Tax Law” and “Statute for Upgrading Industries”, the Company had income tax credits in the amount of \$68,462 to offset taxable income for the next four years. The details are as follows:

<u>Qualified expenditures</u>	<u>Total credits</u>	<u>Unused balance</u>	<u>Year of expiry</u>
Research and development expense	\$ 15,279	\$ 15,073	2007
Research and development expense	12,532	12,532	2008
Machinery and equipment	23,469	23,469	2007
Machinery and equipment	<u>17,388</u>	<u>17,388</u>	2008
	<u>\$ 68,668</u>	<u>\$ 68,462</u>	

(19) Loss per share

	2004				
	<u>Amount</u>		Weighted average outstanding common shares	<u>Loss per share (Note)</u>	
	<u>Before income tax</u>	<u>After income tax</u>		<u>Before income tax</u>	<u>After income tax</u>
Loss per share:					
Net loss	(\$ <u>257,784</u>)	(\$ <u>167,744</u>)	<u>152,286</u>	(\$ <u>1.69</u>)	(\$ <u>1.10</u>)

As of December 31, 2004, the outstanding employee stock option has no dilution effect.

2003					
	Amount		Weighted average outstanding common shares	Loss per share (Note)	
	<u>Before income tax</u>	<u>After income tax</u>		<u>Before income tax</u>	<u>After income tax</u>
Loss per share:					
Net loss	(\$ 273,282)	(\$ 245,560)	153,823	(\$ 1.78)	(\$ 1.60)

(Note): In New Taiwan Dollars.

(20) Treasury Stock

2004				
A) Purpose	<u>Beginning shares (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares</u>
Employees stock options	5,000	-	-	5,000
To enhance Company's credit and shareholders' equity	-	5,882	(4,810)	1,072
	<u>5,000</u>	<u>5,882</u>	<u>(4,810)</u>	<u>6,072</u>
				2003
Purpose	<u>Beginning shares (Note)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending shares</u>
Employees stock options	<u>3,776</u>	<u>1,224</u>	<u>-</u>	<u>5,000</u>

(Note) Amount in thousands of shares.

B) The maximum and ending balances of treasury stock for 2004 and 2003 are as follows:

2004		2003	
<u>Maximum balance</u>	<u>Ending balance</u>	<u>Maximum balance</u>	<u>Ending balance</u>
\$ 392,338	\$ 319,214	\$ 302,140	\$ 302,140

- C) Treasury stocks purchased on October 26, 2004 were retired. As a result, the additional paid in capital-treasury stock transaction was increased by \$17,111 and the additional paid-in capital-in excess of par was decreased by \$42,135.
- D) According to the R.O.C Security Exchange Act, the percentage of the number of shares of treasury stock may not exceed 10% of the total shares of common stock issued by the Company and the total amount of treasury stock may not exceed the total amount of retained earnings, paid-in capital in excess of par value, and realized capital reserve.
- E) According to the R.O.C Security Exchange Act, treasury stock held by the Company may not be pledged, and shall bear no rights of shareholders until reissued.
- F) According to the R.O.C. Security Exchange Act. The shares bought back by the Company, except for the purpose of maintaining Company credit and shareholder's equity which amendment of the registration shall be filed within six months from date of repurchase, must be transferred within three years from the date of repurchase. Shares not transferred within the fine limit shall be deemed as unissued and application for amendment of the registration shall be filed.

(21) Employee Stock Option Plan

- A) On December 25, 2003, the board of directors approved an employee stock option plan. The program involves the issuance of 10,000 units of option with one unit equal to one thousand shares of common stock. When the contributed capital changes as a result of the issuance of new shares of common stock, the option price will be adjusted based on a predetermined formula. The stock options has a exercise period of six years. Employees will be able to exercise these options after two years under the policy in accordance with the procedures of the employee stock option plan.

B) The units and weighted average exercise price of the stock options for 2004 and 2003 are as follows:

	2004		2003	
	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)	Units (in thousands)	Weighted-average exercise price (in dollars) (Note)
Stock Options				
Beginning outstanding balance (Note)	-	\$ -	-	\$ -
Number of options granted	10,000	32.80	-	-
Adjustment due to issuance of stock dividends	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-	-	-
Ending outstanding balance (Note)	<u>10,000</u>	<u>32.80</u>	<u>-</u>	<u>-</u>
Exercisable at the period of the year	<u>-</u>		<u>-</u>	
Authorized but unissued at the period of the year	<u>-</u>		<u>-</u>	

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

C) As of December 31, 2004, the detail of outstanding stock options are as follows:

Exercise price (in dollars)	Outstanding stock options			Exercisable stock options		
	Units (in thousands)	Weighted-average remaining life (year)	Weighted-average exercise price (in dollars)	Units (in thousands)	Weighted-average exercise price (in dollars)	
\$ 32.80	10,000	5.08	\$ 32.80	-	\$ -	

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

(1) Model: The Black-Scholes model.

(2) Assumptions:

<u>Black-Scholes model assumptions</u>	<u>2004</u>
Dividend yield	0%
Volatility	62.02%
Risk-free interest rate	1.95%
Expected life of the option	6 years
Exercise price	\$ 32.8 (in dollars)
Amortization period	2~3 years

(3) Result of evaluation:

	<u>2004</u>
Weighted average fair value of options granted to employees	\$ 17.4656 (in dollars)
The compensation cost for 2004 under "fair value method"	57,170

(4) Pro forma information:

		<u>2004</u>
Net loss	Net loss	(\$ 167,744)
	Pro forma net loss	(224,914)
Basic loss per share	EPS	(1.10) (in dollars)
	Pro forma EPS	(1.48) (in dollars)
Diluted loss per share	EPS	(1.10) (in dollars)
	Pro forma EPS	(1.48) (in dollars)

(22) Personnel, Depreciation and Amortization Expenses

	<u>2004</u>	<u>2003</u>
Personnel expenses		
Salaries	\$ 261,944	\$ 261,568
Labor and health insurances	20,565	25,948
Pension	7,473	5,199
Other	<u>17,098</u>	<u>12,527</u>
	<u>\$ 307,080</u>	<u>\$ 305,242</u>
Depreciation expense	\$ 131,065	\$ 113,355
Amortization expense	<u>46,633</u>	<u>40,308</u>
	<u>\$ 177,698</u>	<u>\$ 153,663</u>

5. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Gamania Digital Entertainment (Japan) Co., Ltd. (Gamania Japan))	A subsidiary of the Company
Gamania China Holdings Ltd.	"
Gamania Digital Entertainment (H.K.) Co., Ltd. (Gamania (H.K.))	"
Gamania Korea Co., Ltd. (Gamania (Korea))	"
Gamania Holdings Ltd.	"
Gamania International Holdings Ltd.	"
Gamania Sino Holdings Ltd.	"
NC Taiwan Co., Ltd. (NC Taiwan)	"
Alibangbang Digital Games Co., Ltd. (Alibangbang)	"
Gamania Digital Entertainment (Beijing) Co., Ltd. (Gamania (Beijing))	"
Taiwan Index Co., Ltd. (Taiwan Index)	"

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Gamania Asia investment Co., Ltd. (Gamania Asia)	"
Gamania Digital Entertainment Labuan Holdings, Ltd.	"
Soga Interactive Co., Ltd. (Soga)	Accounted for under the equity method

(2) Significant transactions with related parties

A) Sales returns

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of net</u>	<u>Amount</u>	<u>% of net</u>
		<u>sales returns</u>		<u>sales returns</u>
Gamania (H.K.)	\$ -	-	\$ 4,040	2

B) Service revenue

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of net</u>	<u>Amount</u>	<u>% of net</u>
		<u>service revenue</u>		<u>service revenue</u>
NC Taiwan	\$ 88,906	74	\$ -	-
Taiwan Index	31,738	26	-	-
	<u>\$ 120,644</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>

The terms and prices of sales were negotiated in consideration of different factors including products, cost and competitors.

C) Rent revenue

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of net</u>	<u>Amount</u>	<u>% of net</u>
		<u>rent revenue</u>		<u>rent revenue</u>
NC Taiwan	\$ 5,863	61	\$ -	-
Taiwan Index	1,951	20	-	-
Others	36	-	-	-
	<u>\$ 7,850</u>	<u>81</u>	<u>\$ -</u>	<u>-</u>

D) Sales revenue

	2004		2003	
	<u>Amount</u>	% of net	<u>Amount</u>	% of net
		<u>sales revenue</u>		<u>sales revenue</u>
Gamania (H.K.)	\$ 4,157	100	\$ -	-

E) Accounts receivable

	December 31,			
	2004		2003	
	<u>Amount</u>	% of net	<u>Amount</u>	% of net
		<u>accounts receivable</u>		<u>accounts receivable</u>
Gamania (H.K.)	\$ 1,017	-	\$ -	-
NC Taiwan	397	-	-	-
Others	428	-	-	-
	<u>\$ 1,842</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

F) Other receivables

	December 31,			
	2004		2003	
	<u>Amount</u>	% of net	<u>Amount</u>	% of net
		<u>other receivables</u>		<u>other receivables</u>
Gamania (H.K.)	\$ 14,917	10	\$ -	-
NC Taiwan	4,282	3	4,680	34
Soga	11,210	7	-	-
Gamania (Japan)	2,743	2	3,152	23
Gamania (Beijing)	1,437	1	-	-
Others	2,958	2	1,729	12
	<u>\$ 37,547</u>	<u>25</u>	<u>\$ 9,561</u>	<u>69</u>

Other receivables consist of payments for the purchase of materials, miscellaneous expenses, machinery and equipment on behalf of related parties and refunds on prepaid investments.

G) Other payables

	December 31,			
	2004		2003	
	Amount	% of net other payables	Amount	% of net other payables
NC Taiwan	\$ 135,963	77	\$ -	-
Taiwan Index	29,678	17	-	-
Gamania (Japan)	1,312	1	-	-
Gamania (Beijing)	1,123	1	-	-
Gamania (H.K.)	409	-	1,485	6
Others	33	-	-	-
	<u>\$ 168,518</u>	<u>96</u>	<u>\$ 1,485</u>	<u>6</u>

Other payable consists of sales of products, expenses incurred on behalf of the subsidiaries and payments of goods returned.

H) The Company sold 1,091,000 shares common stocks of Taiwan Index Co., Ltd to Gamania Asia Investment Co., Ltd., at the net book value of \$11.106 per share. Accordingly, no gain or loss was recognized in 2004.

I) Commitments

The Company provided guarantees for bank loans of its related party as follows:

	December 31,	
	2004	2003
NC Taiwan	\$ 30,000	\$ -
Gamania (H.K.)		HK 3,000
	-	<u>Thousand</u>
		\$HK 3,000
	<u>\$ 30,000</u>	<u>Thousand</u>

6. DETAILS OF PLEDGED OR RESTRICTED ASSETS

<u>Assets</u>	<u>December 31,</u>		<u>Purpose</u>
	<u>2004</u>	<u>2003</u>	
Time deposits (shown in other financial assets-current)	\$ -	\$ 15,000	Short-term loans / Credit lines
Land	141,717	117,270	Long-term loans / Credit lines
Buildings	48,345	98,276	"
Machinery equipment	<u>36,517</u>	<u>26,619</u>	Long-term loans / Short term loans
	<u>\$ 226,579</u>	<u>\$ 257,165</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2004, the total future rental payments for the next 3 years under non-cancelable operating lease agreements for the Company's office building was \$26,215.

(2) The Company has contracted the use of cable lines, T1 and T3, with rental charges based on utilization. In addition, the Company has contracted with several on-line game vendors, and will pay royalty based on actual consumer usage.

(3) As of December 31, 2004, the Company had contracted for accounting software and related consulting services totaling \$30,860, of which \$27,086 has been paid.

(4) As described in Note 4 (18), the Tax Authority assessed the Company with additional income tax of \$963 for 1999, and in 2003 the Company filed an appeal to contest the assessment.

The Tax Authority rejected the appeal. The Company disagrees with the result and has paid all of the additional income tax, as well as filed a second appeal to a higher court.

(5) For the period from June 6, 2003 to December 31, 2004, First Commercial Bank provided guarantee on behalf of the Company to a customer.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

- (1) As of December 31, 2004, the Company's income tax returns for the years through 2001 have been assessed and approved by the Tax Authority. For 2001, the Tax Authority assessed additional tax of \$26,293 for understatement of revenue and lack of official receipts. The Company has acknowledged the deficiency of \$244. The Company plans to file an appeal in April 2005. As the additional assessment is not significant to the financial statement, accordingly no provision is made in the 2004 financial statements.
- (2) Based on a resolution adopted by the Board of Directors on May 18, 2005, the Company will reduce its share capital on May 18, 2005 by retiring 1,072,000 shares of treasury stock. After the retirement of treasury stock, the additional paid-in capital- in excess of par value would be decreased by \$9,388 and the additional paid-in capital-treasury stock transaction would be increased by \$3,033.

10. OTHERS

(1) Information on derivative transactions

None.

(2) Non-derivative financial instruments

	December 31, 2004	
	Book value	Fair value
<u>Assets</u>		
Financial assets with book value approximating their fair value	\$ 1,510,732	\$ 1,510,732
Long-term investments	682,850	609,551
Refundable deposits	8,730	8,674
<u>Liabilities</u>		
Financial liabilities with book value approximating their fair value	\$ 434,900	\$ 434,900
Current portion of long-term liabilities	56,230	56,230
Accrued pension liability	3,245	9,853
Long-term loans	189,818	189,818
Guarantee deposits	34	34

	<u>December 31, 2003</u>	
	<u>Book value</u>	<u>Fair value</u>
<u>Assets</u>		
Financial assets with book value approximating their fair value	\$ 1,511,415	\$ 1,511,415
Long-term investments	544,060	540,354
Refundable deposits	13,308	13,308
<u>Liabilities</u>		
Financial liabilities with book value approximating their fair value	342,806	342,806
Current portion of long-term liabilities	56,318	56,318
Accrued pension liability	-	5,439
Long-term notes payable	192,360	192,360
Guarantee deposits	528	528

The method and assumptions to estimate the fair values of the financial instruments are summarized as follows:

- A) Financial assets and liabilities with book value approximating fair value. The carrying amounts of short-term non-derivative financial assets and liabilities, which include cash and cash equivalents, notes and accounts receivable (included related parties), other receivables (included related parties), other financial assets-current short-term loans, notes payable, accounts payable, current portion of long-term notes payable, income tax payable, accrued expenses, other payable (included related parties) current portion of long-term liabilities and other current liabilities, approximate their fair value because of their short-term maturates.
- B) The fair values of marketable securities and long-term investments are their market values or the equity in the net assets and/or their financial information, if market value is not available.
- C) The fair value of refundable deposits is estimated using discounted future cash flows with a discount rate based on the one-year time deposit interest rate at year-end.
- D) The fair value of long-term notes payable are the present value of expected future flows.

- E) The fair value of accrued pension liabilities is based on the actuarial pension report, the measurement date of which was December 31, 2004 and 2003, respectively.
- F) The fair value of guarantee deposits is the book value since the amount is in significant.
- G) Off-balance sheet financial instruments with credit risk:

December 31,	
2004	2003

Guarantee provided to secure related parties loans	\$ <u>30,000</u> <u>HK3,000Thousand</u>
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Guarantees made by the Company are in compliance with the Company’s “Procedures to Provide Guarantees” and are provided only to related parties which the Company owns more than 50% of and has ability to exercise significant influence on. Because the Company is able to control the credit status of these related parties, no collateral was asked to be provided. In the event that the related parties fail to comply with the loan agreement, the maximum loss is the total amount of the guarantee.

(3) For the year ended December 31, 2004 and 2003, the Company donated inventories, magazines, etc. amounting to \$20,021 and \$28,484 respectively, to political parties, charities, and educational institutes that are accredited by the government, without considerations.

11. DISCLOSURE INFORMATION

(1) Related Information of significant transactions

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

Unit: Thousands of New Taiwan Dollars

The Company or investee companies		Parties being guaranteed		Maximum guarantee for such party (Note 4)	Maximum outstanding guarantee amount for the year ended December 31, 2004	Outstanding guarantee amount at December 31, 2004	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Ceiling of the outstanding guarantee to the respective party (Note 3)
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)						
0	The Company	Gamania Digital Entertainment (H.K.) Co., Ltd.	3	\$ 30,000	\$ 12,240 (HK 3,000 thousand)	\$ -	None	-	\$ 461,969 (30% of the Company's net assets)
"	"	NC Taiwan Co., Ltd.	"	\$ 30,000	\$ 30,000	\$ 30,000	"	1.29%	\$ 461,969

Note 1: Number 0 represents the Company.

Note 2: Number 3 means the Company directly or indirectly owns over 50% of the shares of the subsidiary.

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

Note 4: \$30,000 and should not exceed the guaranteed company's capital.

C) Marketable securities held at December 31, 2004:

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, 2004				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	Gamania Holdings Ltd.	Subsidiary	Long-term investment	23,791	\$ 189,324	100%	\$ 189,324	None
"	"	Gamania Korea Co., Ltd.	"	"	394	127,765	100%	127,765	"
"	"	Alibangbang Digital Games Co., Ltd.	"	"	4,600	11,063	92.00%	8,264	"
"	"	NC Taiwan Co., Ltd.	"	"	7,140	68,472	51.00%	68,472	"
"	"	Taiwan Index Co., Ltd.	"	"	17,350	166,540	69.40%	119,107	"
"	"	Gamonia Asia Investmet Co., Ltd.	"	"	9,000	79,625	100%	56,558	"
"	"	Gamonia Digital Entertainment Labuan Holdings, Ltd.	"	"	2	101	100%	101	"
"	"	Buybooks Digital Technology Co., Ltd.	Investee company accounted for under the cost method	"	300	2,995	3.74%	2,995	"
"	"	ECD Interactive Corporation	"	"	2,040	5,200	18.55%	5,200	"
"	"	Joyon Entertainment Co., Ltd.	"	"	700	9,851	17.86%	9,851	"

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, 2004				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
The Company	Common Stock	RAVA Ideologie Inc.	Investee company accounted for under the cost method	Long-term investment	880	8,800	8.69%	8,800	"
"	"	Zona Inc.	"	"	1,000	-	10.34%	-	"
"	"	Sogo Interactive Co., Ltd.	Investee company accounted for under equity method	Prepayment for long-term investments	N/A	13,114	40.00%	13,114	"

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

Note (2): The market value of listed equity securities and closed-end mutual funds is determined based on average closing price of the last month before periods-end date. The market value of open-end mutual funds is determined based on the net assets par value as of balance sheet date.

D) Marketable securities acquired or sold during the period ended December 31, 2004 in excess of \$100,000 or 20% of capital:

Investor	Type and name of marketable securities	General ledger account	Name and relationship of counter-party	Beginning balance (Note)		Addition		Disposal			Disposal gain (loss)	Ending balance (Note)	
				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Cost		Number of shares	Amount
The Company	Taiwan Index Co., Ltd.	Long-term investment	TFN Investment Co., Ltd and individuals/ None	-	-	18,441	\$ 221,292	\$ 1,091	\$ 12,117	\$ 13,092	\$ -	17,350	\$ 208,200
"	Fund 1	Short-term investment	Initial Investment at inception/ None	-	-	7,986	100,000	7,986	100,115	100,000	115	-	-
"	Fund 2	"	"	-	-	10,916	110,000	10,916	110,410	110,000	410	-	-
"	Fund 3	"	"	-	-	7,369	101,000	7,369	101,306	101,000	306	-	-
"	Fund 4	"	"	-	-	9,170	110,000	9,170	110,463	110,000	463	-	-
"	Fund 5	"	"	-	-	10,406	113,000	10,406	113,267	113,000	267	-	-
"	Fund 6	"	"	-	-	7,398	100,000	7,398	100,528	100,000	528	-	-
"	Fund 7	"	"	-	-	10,596	110,046	10,596	110,162	110,046	116	-	-
"	Fund 8	"	"	-	-	8,892	105,000	8,892	105,486	105,000	486	-	-
"	Fund 9	"	"	-	-	9,105	100,000	9,105	100,287	100,000	287	-	-
"	Fund 10	"	"	-	-	14,322	168,000	14,322	168,363	168,000	363	-	-
"	Fund 11	"	"	-	-	7,390	118,000	7,390	118,336	118,000	336	-	-
"	Fund 12	"	"	-	-	7,260	103,000	7,260	103,161	103,000	161	-	-
"	Fund 13	"	"	-	-	12,220	174,500	12,220	175,443	174,500	943	-	-

Note: Original investment cost.

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

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

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

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

I) Information on derivative transaction: None.

(2) Information of investee companies

A) Information of investee companies:

Unit: Thousands of New Taiwan Dollars / Thousands of Shares

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss) Gain incurred by the Investee	Investment (loss) gain recognized by the Company	Note
				2004.12.31	2003.12.31	Number of Shares	Percentage	Book value			
The Company	Gamania Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holding company	\$ 815,442	\$670,851	23,791	100%	\$189,324	(\$173,131)	(\$173,131)	Subsidiary
"	Gamania Korea Co., Ltd	3F, NO.75-6 Soodang B/D, Samsung-Dong Kang Nam-Gu, Seoul Korea	Design and sale of software	80,189	80,189	394	100%	127,765	(20,369)	(20,369)	"
"	Mogamer Interactive Co., Ltd.	6F, No. 112 Yian Rd., Chung-Ho City, Taipei Country, Taiwan	Software tradings	32,625	35,960	3,596	89.90%	-	(775)	(697)	"
"	Clicklit Interactive Co., Ltd.	"	On-line reading technology development	90,452	91,163	8,950	68.85%	-	(911)	(621)	"
"	Alibangbang Digital Games Co., Ltd.	18F, No. 736 Chang-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Design and research and development of software	50,000	20,000	4,600	92%	11,063	(24,844)	(22,790)	"
"	NC Taiwan Co., Ltd.	"	Design and sale of software	71,400	71,400	7,140	51%	68,472	14,167	6,884	"
"	Taiwan Index Co., Ltd.	"	Software service	208,200	-	17,350	69.40%	166,540	(56,934)	(42,635)	"
"	Gamania Asia Investment Co., Ltd.	"	Investment	90,000	-	9,000	100%	79,625	(10,375)	(10,375)	"
"	Gamania Digital Entertainment Labuan Holdings, Ltd.	Level 7E, Main Office Tower, Financial Park, 87000 Labuan FT Labuan, Malaysia	Investment Holding Company	67	-	2	100%	101	40	40	"

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss)gain incurred by the Investee	Investment(loss) gain recognized by the Company	Note
				2004.12.31	2003.12.31	Number of Shares	Percentage	Book value			
The Company	Soga Interactive Co., Ltd.	18F, No.736 Chang-Cheng Rd., Chung-Ho City, Taipei Country, Taiwan	Design and research of software	13,600	-	N/A	40%	13,114	(1,214)	(486)	Investee company accounted for under equity method
Gamania Asia Investment Co., Ltd	Taiwan Index Co., Ltd.	"	Design and sale of software	80,625	-	6,800	27.20%	70,319	(56,934)	(10,306)	"
Gamania Holdings Ltd.	Gamania International Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holding company	USD23,791 thousand	USD19,485 thousand	23,791	100%	USD5,995 thousand	(USD 5,177 thousand)	(USD 5,177 thousand)	Subsidiary
Gamania International Holdings Ltd.	Gamania Digital Entertainment (Japan.) Co., Ltd.	Ebisu East Bldg. 2F 1-13-7 Hiroo, Shibuya-KuKu, Tokyo 150-0012 Japan	Design and sale of software; Sale of hardware	USD12,240 thousand	USD10,879 thousand	17	100%	USD3,649 thousand	(USD 3,042 thousand)	(USD 3,042 thousand)	"
Gamania International Holdings Ltd.	Gamania China Holdings Ltd.	3F, Harbour Center, Box 1348, George Town, Grand Cayman, Cayman Islands, British West Indies	Investment holding company	USD14,350 thousand	USD11,405 thousand	13,624	91.37%	USD2,353 thousand	(USD 3,488 thousand)	(USD 3,162 thousand)	"
Gamania International Holdings Ltd.	NC Gamania Co., Limited (Note (1))	45F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	-	-	9,800	49%	-	HKD16,419 thousand	USD1,029 thousand	Investee company accounted for under equity method

Company	Name of investee	Location	Main operating activities	Original investment cost		Held by the Company			(Loss)gain incurred by the Investee	Investment(loss) gain recognized by the Company	Note
				2004.12.31	2003.12.31	Number of Shares	Percentage	Book value			
Gamania China Holdings Ltd.	Gamania Sino Holdings Ltd.	4F, One Capital Place, P.O. box 847 gt, Grand Cayman, Cayman Islands, British West Indies	General Investment	USD11,850 thousand	USD9,290 thousand	N/A	100%	USD2,116 thousand	(USD3,453 thousand)	(USD3,483 thousand)	Subsidiary
Gamania Sino Holdings Ltd.	Gamania Digital Entertainment (Beijing) Co., Ltd.	21JIU XIAN QIAO Road, Chaoyang District, Beijing, 100022 China	Design and sale of software	USD9,480 thousand	USD7,500 thousand	N/A	100%	USD1,932 Thousand	(USD 2,883 thousand)	(USD 2,883 thousand)	"
Gamania China Holdings Ltd.	Gamania Digital Entertainment (H.K.) Co., Ltd.	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	USD3,009 thousand	USD2,625 thousand	35,500	100%	USD459 thousand	-	-	"
Gamania China Holdings Ltd.	Gamania Alliance, Co., Limited	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	Note (3)	-	N/A	100%	(USD8 thousand)	(USD2 thousand)	(USD2 thousand)	"
Gamania Alliance Co., Ltd.	Gamania Advertising Co., Limited	50F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	Design and sale of software	Note (3)	-	N/A	100%	(HK16 thousand)	(HK3 thousand)	(HK 3 thousand)	"

Note (1): NC Gamania Co., Limited, originally an investee company of Gamania Digital Entertainment (H.K) Co, Ltd., was transferred to Gamania International Holdings Ltd. on May 12, 2003 due to corporate restructuring, and is expected to liquidate in 2004.

Note (2): See item 5 of Note 4(6).

Note (3):The original investment cost is \$HK2.

B) Financing activities to any company or person:

Number (Note 1)	Company providing financing	Company receiving financing	General ledger account	Maximum balance during period	Balance at December 31, 2004	Interest rate	Type of financing activity	Amount for business transaction	Reason for short-term financing	Allowance for doubtful accounts	Pledged assets		Limit amount of financing to each company or person	Total limit amount of financing activities
											Item	Value		
1	Gamania Digital Entertainment (H.K.) Co., Ltd.	NC Gamania Company Limited	Intercompany receivable	HK 3,000 thousand (Note 2)	\$ - (Note 2)	4%	Short-term financing	N/A	For operation use	\$ -	-	-	\$ 347,569 (15% of the Company's net asset)	\$ 695,139 (30% of the Company's net assets)

Note 1: Number 0 represents the Company.

Represents the Company's subsidiaries starting with number 1.

Note 2: NC Gamania Company Limited has started the liquidation process and has no assets to be claimed. However, Gamania Digital Entertainment (H.K.) Co., Ltd. has already lend out HK 3,000 thousand in 2003 and provided for 100% of allowance for doubtful accounts. In addition, they have also agreed to give up obligations and has written off this accounts receivable in 2004 receivables.

C) Guarantee information: None.

D) Marketable securities held at December 31, 2004:

Issuer	Type of marketable securities (Note (1))	Name of marketable securities	Relationship with the security holders	General ledger account	December 31, 2004				
					Number of shares	Book value	Percentage	Market value (Note (2))	Note
Gamania Holdings Ltd.	Common Stock	Gamanina International Holdings Ltd.	Subsidiary	Long-term investments	23,791	\$USD5,995 thousand	100%	\$USD5,995 thousand	None
Gamania International Holdings Ltd.	"	Gamania Digital Entertainment (Japan) Co., Ltd.	"	"	17	USD3,649 thousand	100%	USD3,649 thousand	"
Gamania International Holdings Ltd.	"	Gamania China Holdings Ltd.	"	"	13,624	USD2,353 thousand	91.37%	USD2,353 thousand	"
Gamania China Holdings Ltd.	"	Gamania Alliance, Co., Limited	"	"	2(Note(3))	(USD8 thousand)	100%	(USD8 thousand)	"
Gamania Alliance Co., Limited	"	Gamania Advertising Co., Limited	"	"	2(Note(3))	(HK16 thousand)	100%	(HK16 thousand)	"
Gamania China Holdings Ltd.	"	Gamania Digital Entertainment (H.K.) Co., Ltd.	"	"	35,500	USD459 thousand	100%	USD459 thousand	"
Gamania China Holdings Ltd.	"	Gamania Sino Holdings Ltd.	"	"	N/A	USD2,116 thousand	100%	USD2,116 thousand	"
Gamania Sino Holdings Co., Ltd.	"	Gamania Digital Entertainment (Beijing) Co., Ltd.	"	"	N/A	USD1,932 thousand	100%	USD1,932 thousand	"
Gamania Asia Investment Co., Ltd.	"	Taiwan Index Co., Ltd.	Investee company accounted for under the equity method	"	6,800	\$70,319	27.20%	\$47,252	"

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

Note (2): The market value of listed equity securities and closed-end mutual funds is determined based on average closing price of the last month before period-end date. The market value of open-end mutual funds is determined based on the net asset value as of the balance sheet date.

Note (3): Unit:Share.

- E) Marketable securities acquired or sold during the period ended December 31, 2003 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) Sale to or purchases from related parties in excess of \$100,000 or 20% of capital: None
- I) Receivable from related parties in excess of \$100,000 or 20% of capital:

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties	Turnover rate	Overdue receivable		Subsequent Collections	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
NC Taiwan Co., Ltd.	The Company	Parent Company	\$ 135,963	N/A	\$ -	N/A	\$ 135,683	\$ -

- J) Information on derivative transactions: None.

(3) DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA

Name of investee in Mainland China	Main activities	Capital	Investment method	Accumulated investment as of Dec 31, 2003	Remitted or received investment amount during the period		Accumulated investment as of December 31, 2004	Direct and indirect percentage of ownership	Investment loss recognized during the period (Note (3))	Balance of investment at December 31, 2004	Accumulated investment income received as of December 31, 2004
					Remitted	Received					
Gamania Digital Entertainment (Beijing) Co., Ltd.	Design and sale of software	(RMB 78,363 thousand) \$300,234	(Note (2))	(USD5,370) thousand \$170,283	(USD1,980) thousand \$62,786	\$ -	(USD7,350) thousand \$233,069	91.37%	(USD2,613 thousand) \$87,337	(USD1,765 thousand) \$55,969	\$ -

Accumulated amount of investment in Mainland China as of December 31, 2004	Related investment amount approved by FIA	The upper limit of investment in Mainland China
\$ 233,069(USD7,350thousand)	\$300,611 (Note (1))	\$ 926,852

Note (1): Related total investment amount approved by FIA is USD9,480,000 or NTD 300,611 thousand based on 31.71exchange rate.

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

Note (3): Investment loss recognized in the period is calculated based on the percentage of indirect ownership using the financial statements of the investee, which was audited by other auditor.

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

12. SEGMENTAL FINANCIAL INFORMATION

(1) Financial information by industry segments

The Company operates in one single industry – the software service and trade. Accordingly, no different industry information is presented.

(2) Financial information by geographic areas

The Company does not have overseas division, therefore no geographic area information is presented in 2004 and 2003.

(3) Information regarding export sales

The Company does not export sales in 2004 and 2003.

(4) Information regarding major customers

Year 2004

<u>Customer Name</u>	<u>Sales</u>	<u>The % of net sales</u>
Customer A	\$ 749,792	32
Customer B	551,024	23
Customer C	262,748	11
	<u>\$ 1,563,564</u>	<u>66</u>

Year 2003

<u>Customer Name</u>	<u>Sales</u>	<u>The % of net sales</u>
Customer A	\$ 546,371	29
Customer B	309,479	16
Customer C	227,075	12
	<u>\$ 1,082,925</u>	<u>57</u>