



**Fourth-Quarter and Full-Year 2010
Financial Results
CONFERENCE CALL SCRIPT
MAY 4, 2011 AT 9:30 P.M. (EST)**

Yichin: Thank you all for joining us.

First of all, let me say that the results we announced today for Q4 and Full-Year 2010 were very disappointing, as our results were hurt by significant write-downs. We completely wrote-down our investment in one of our China operations - T2CN, and we also wrote-down a big part of our investments in our Southeast Asia operation - IAHGames.

I am not pleased with these results, but on the other hand, I clearly see that we have ridden through the absolute bottom, and that our ensuing programs and new momentum we have built up will SO grow our business and strengthen our shareholders' value – that we shall initiate a stock buyback immediately. Our net cash at the end of December was approximately \$67 million; and we are evaluating potential divestitures to help realize some very significant investment gains. We are financially very strong.

Other than this unusually strong balance sheet, GigaMedia has in place very strong foundations and solid assets: We have strategic partnerships with many of the world's leading game studios; we have a strong pipeline of great games that we uniquely know how to fit into our markets; we have local publishing and distribution networks that reach to the very deep end of these hard-to-reach regions, and, we have a

team that led the company to rise from the ashes before and will do it again.

We will have a renewed focus on **operations**: especially on cost-cutting and more hands-on investment management. We will implement a series of *core process reviews* designed to reduce our company's operational complexities. We will devote significant resources into building an *operational platform* that we can bring to all our subsidiaries, old and new ones, and help create synergies that we can touch and feel and count.

We are determined to better understand and engage our customers, and to provide the best services that actually matter to them.

We also need to make sure going forward that we build better communications with our shareholders and investors. We need to continue delivering timely financial reports, and communicate more proactively. For example, we plan to attend an investor conference in NYC in early June – an act that we plan to do frequently from now on - and visit key financial markets later in the year.

While we are still early on this process, initial results in early 2011 have been very encouraging - with a pick-up in *A.V.A*, a new 3-D first person shooting game, and promising regional up-take of *FIFA Online 2*. We expect such new games will drive growth for both our Greater China and Southeast Asia operations this year. It will be on this kind of solid foundation that we will build momentum and accelerate delivery of all values to shareholders.

We look forward to sharing more details with you as we go forward. Thank you.

I will now turn the call over to Thomas, our President and COO.

Thomas: Thanks Yichin and thank you all for joining us.

Today I will review 2010 fourth-quarter operational initiatives and focus on current 2011 operations and future plans. I will then turn the call over to Quincy for a look at financial details.

First, let's focus on our online game operations in Taiwan and Hong Kong. In the fourth quarter of 2010, we expanded our game offerings beyond the traditional board and chess, casual segment by successfully launching A.V.A. Our new 3D first-person shooter MMO game, A.V.A., performed well in Taiwan and Hong Kong. We began commercial operations of A.V.A. in December and since then we have continued to see strong user acceptance and growing revenues from the game. PCCUs for A.V.A. have hit just over 12,000, making it one of the most popular games in its genre in Taiwan. Looking ahead, we expect continued significant contributions from A.V.A.

With regard to casual games, our key product focus remains our leading MahJong offering, which faced strong competition in 2010 from an explosion of online games offered on social network platforms. We responded by launching our leading MahJong offering on a web-based technology with no download required. This was an important step, simplifying user sign-in procedures and enabling tighter integration with social network platform, for example, allowing users to easily log into our game directly via their Facebook accounts. We also recently launched a single person variation of our MahJong product on the iPad platform as a way of further broadening our platform reach. Looking ahead in 2011, we will continue to invest in our MahJong product to increase our customer reach in Taiwan and Hong Kong which is now broadened by the advancement of various technology and social network platforms.

Next, let's look at Southeast Asia. During 2010 we began to work with our strategic partner Blizzard to create the region's premier online

gaming destination. We began distributing in Southeast Asia many of Blizzard's top titles and in the fourth quarter we launched a subscription model in the region for Blizzard's hit game *StarCraft II*.

Results of these first initiatives did not meet our expectations, resulting in write-downs recorded in Q4 associated with the Blizzard products. We are currently in active discussions with Blizzard to overcome challenges faced and improve the future performance of these products.

Looking ahead, we are pushing to achieve operating profitability in Southeast Asia this year. This will be driven by focusing resources on proven and already profitable games in markets that offer the highest potentials. Vietnam, Thailand and Indonesia will be key markets for us in 2011. Our first initiative of 2011 is now underway – launch of a fully localized *FIFA Online 2* offering in Indonesia. We expect this to build on *FIFA Online*'s great success in other Southeast Asian countries, where it is a major hit and a top 3 game. The game is now in beta testing, with commercial launch targeted for June. This will be followed by additional new game launches later this year. We look forward to sharing more with you on that as we move into 2011.

Finally, a few words with regard to our gaming software business.

Results in 2010 were negatively affected by several factors. First, strong competition. U.S.-facing sites such as PokerStars continued to pose strong challenges. Second, market conditions in France have been unfavorable, with high taxes and limitations on international play pressuring margins and lowering the appeal of online poker.

Recently, there have been a number of significant developments in online poker space, which are changing the industry landscape in 2011.

In the U.S., the Department of Justice indicted the founders of PokerStars and Full Tilt Poker.

In France, there are discussions ongoing of possible changes to reduce costs for online operators and open up international play.

Elsewhere in Europe, several countries are expected to regulate in 2011.

Looking ahead, the Mangas Everest business is well positioned for growth. Mangas Everest has already established a strategic position in the French market and is contemplating launches in new European markets. In addition, the U.S. market potential is enormous. Should the US market open up, Mangas Everest's clean record is an important asset in positioning the business to take advantage of any future opportunities in this large market.

As a result, we continue to see significant financial upside potential from the true-up mechanism for the 60 percent stake we already sold and the put-call agreement for the remaining 40 percent we retain in Mangas Everest.

Thank you. That concludes my remarks and I will now turn the call over to Quincy for a review of our financial performance.

Quincy: Thanks Thomas.

Today I would like to provide some quick insight into the financial results, focusing on trends as much as possible.

First, on the revenue side, 4Q revenues in our Asian online games business increased 14 percent Q-o-Q to \$8.9 million from \$7.8 million, the result of strong game box sales in Southeast Asia.

Looking at the breakdown of revenues, we generated approximately 62 percent of our revenues from our FunTown game operations in Taiwan and HK with the remaining 38 percent from IAHGames in Southeast Asia.

In Taiwan and HK, FunTown revenues decreased year-over-year but were stable quarter-over-quarter. The decrease was mainly caused by declines in contributions from FunTown's leading MahJong offering, which was the result of strong competition from casual games on Facebook in 2010. While the trend was down Y-o-Y, our player numbers in Taiwan and HK were steady Q-o-Q and we achieved a 5 percent increase in ARPU Q-o-Q through successful game promotions.

In Southeast Asia, IAHGames revenues increased sharply Q-o-Q, up 32 percent. This was the result of online game box sales. Breaking revenues down, revenues from box sales represented 53 percent of IAHGames 4Q revenues. Online game revenues were 41 percent of IAHGames 4Q revenues. The largest contributions in online game operations came from *FIFA Online 2*, *Dragonica Online*, and *Granado Espada*. As mentioned, IAHGames is launching in Indonesia a new fully-localized version of *FIFA Online 2*, and as a result we expect contributions from this game to grow in 2011.

Gross profit decreased to \$2.8 million in Q4, and was all from the Asian online games business. Asian online games gross profit margin in Q4 decreased to 32 percent from 60 percent in 2009 and 54 percent in the third quarter. The gross margin declines were due to a Q4 loss in IAHGames.

On the operating expense side, results were impacted by a number of write-downs that together totaled \$27.7 million. This consisted of a complete write-down of our investment in and receivables from T2CN. Also included were write-downs of goodwill and prepaid game costs in IAHGames. Excluding these items, Q4 consolidated operating

expenses were approximately \$9.8 million, trending up slightly from \$9.2 million in Q3.

In our Asian online games business, excluding the non-cash items, operating expenses were \$5.5 million, trending up from \$4.8 million last quarter. The quarterly sequential variation mainly reflected 4Q promotions for FunTown's new game *A.V.A.*

Corporate operating expenses were relatively steady Q-o-Q at \$4.1 million in Q4 versus \$3.8 million in Q3. Fourth-quarter results do not reflect the impact of new cost cutting initiatives; management expects to achieve reductions in general and administrative costs beginning in early 2011 from controlling legal and other costs.

Consolidated loss from operations was \$34.7 million in Q4. Results were impacted by the certain write-downs I mentioned totaling \$27.7 million. Excluding these write-downs, Q4 consolidated loss from operations was \$7.0, compared to a loss of \$4.9 million in Q3.

Looking ahead, we are closely focused on controlling costs and driving improved operational efficiencies.

Consolidated non-operating income during the fourth quarter of 2010 was impacted by a number of non-cash items including the following related to IAHGames: 1) an impairment loss of \$13.2 million recorded in equity method investments related to IAHGames online game initiatives with Blizzard partially offset by 2) a gain of \$2.6 million related to a warrant issued in connection with IAHGames initiatives with Blizzard. Results also included the following related to Everest Gaming: 1) an equity loss of \$3.4 million reflecting GigaMedia's remaining interest in the business, which more than offset 2) a favorable adjustment to the purchase price, net of transaction costs, of \$3.3 million related to the sale of the gambling software business.

As a result of the above items, we recorded a net loss of \$41.3 million in Q4. Excluding all non-cash and one-time items, we recorded a net loss of \$8.8 million in Q4.

Finally, let's close with a look at our balance sheet and what is ahead. Our net cash position decreased by \$12.3 million to about \$67 million. The decrease reflected major cash outflow items including payments of \$7.8 million related to pre-paid game licensing and royalty costs and a one-time tax payment of \$2.5 million related to the sale of the gambling software business.

Marketable securities – noncurrent plus investments, consisting of GigaMedia's strategic holdings in game studios, developers and other related entities and the company's remaining 40 percent interest in Everest Gaming, were \$100.2 million in the fourth quarter.

Management is evaluating the potential disposal of certain game studio investments to realize gains and crystallize value on the company's balance sheet.

Management is also evaluating using excess cash to buy back stock.

Looking ahead, we remain focused on managing our cost structure while building new initiatives to drive revenue and profitability. We are well positioned for growth and expansion and have sufficient financial resources to fund our business initiatives.

Thank you.