



**GIGAMEDIA**  
**FunTown Acquisition**  
**CONFERENCE CALL SCRIPT**  
**DECEMBER 19, 2005 AT 10:30 A.M. (EST)**

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**Operator:** Good day ladies and gentlemen and thank you for standing by. Welcome to the GIGAMEDIA LIMITED (“GigaMedia” or the “Company”) conference call to discuss GigaMedia Limited’s acquisition of FunTown. At this time, all participants are in a listen only mode. Following the formal presentation, instructions will be given for the question and answer session. If anyone needs assistance at any time during the conference, please press the “\*” followed by the “0” for operator assistance. As a reminder this conference is being recorded today, the 19th of December 2005. I would now like to turn the conference over to Mr. Brad Miller. Please go ahead Mr. Miller.

**Brad:** Thank You. This is Brad Miller, investor relations director of GigaMedia. Welcome everyone and thanks for joining us today to discuss our acquisition of FunTown. Here to speak with you and answer your questions today are Arthur Wang, our CEO, and Thomas Hui, our CFO.

Before I turn it over to today's speakers, I would like to remind you that a number of forward-looking statements will be made during this conference call. Forward-looking statements are any statements that are not historical facts. These forward-looking statements are based on the current expectations of GigaMedia and there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties, GigaMedia's actual results could differ materially from these statements. Information about factors that could cause, and in some cases have caused, such differences can be found in GigaMedia's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission in June 2005.

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The agenda for today's call includes first a strategic overview of the acquisition, a brief look at FunTown's operations and a summary of the deal, by Arthur Wang. Thomas Hui will then follow with details on the transaction and its financial impact on GigaMedia. After the speaker presentations, we will go into a question and answer session. With that, I would like to turn the call over to Arthur, our CEO.

**Arthur:** Thanks Brad and thank you all for joining us.

Today our CFO Thomas Hui and I will speak to you about a major step we have taken today to build GigaMedia into a world-class online entertainment company. I am very pleased to announce that earlier today GigaMedia has entered into a definitive agreement to purchase the FunTown gaming portal from the software division of Acer Computers.

This is a watershed transaction for GigaMedia – at once both highly strategic and highly accretive – positioning Giga as a market leader in a fast growing sector of a fast growing market.

FunTown operates the world's largest online mahjong site, in revenue terms. Mahjong, for those unfamiliar, is a hugely popular Asian table game commonly played in Chinese and Japanese households. On the basis of various reports, we estimate there are over 1 billion native players of mahjong.

The truly amazing and important thing to note about FunTown is that – at present -- no real money play is allowed. Every dollar of FunTown's revenue comes from Play for Fun – not Play for Money. We think this fact is amazing because management expects FunTown to deliver a

net profit for the full year 2005 of over US\$5 million – all based on the Play for Fun model.

We think this fact is important because it highlights the enormous opportunity now available to GigaMedia: to offer real money mahjong software. Simply put, the market potential is enormous. Mahjong is often called the poker of Asia, and we intend to be the Party Gaming of mahjong.

FunTown's portal currently targets only the Chinese language markets of China, Taiwan and Hong Kong. We believe there are major opportunities to take FunTown's number one mahjong game to the 120 million people in Japan and to the 40 million overseas Chinese around the world.

We also believe there are major opportunities to capitalize on FunTown's offering of 40 other games by taking them to the international markets currently served by GigaMedia's Cambridge Entertainment Software subsidiary. Likewise, Cambridge Entertainment's games will also find a comfortable home on the FunTown portal. Needless to say, we believe this acquisition will greatly enhance our offering of fun and exciting games to all our players. With the FunTown acquisition, we join East and West: the Asian market leader now combined with our growing strength in Europe with our Everest Poker product and other table games.

It is important to remember, however, that even without further geographic expansion, FunTown is already a market leader in a fast growing casual game sector of a fast growing market: the Asia Pacific region. As note in our press release today, the various market research reports all forecast dramatic growth of the online game market in Asia. While the actual growth will certainly vary, it is entirely clear that this sector is getting very, very big, very fast.

Naturally we will seek to capitalize on our market leadership: offering more and better products, providing more and better value to our customers.

Casual games address a giant marketplace with games for all ages and interests, not requiring high levels of game skill or experience to play.

Casual game portals often form part of full range gaming offerings: play for fun, play for points, play for prizes, play for money. We therefore see much potential for combinations with our Cambridge Entertainment for-money gaming software, and for driving traffic and up-selling players to high value, high monetization games.

In conclusion, today's acquisition is a major milestone in the transformation of GigaMedia into a leading provider of online

entertainment. We are very excited about our prospects and look forward to growing shareholder value with your continued support.

Thank you very much. Let me now turn the call over to Thomas Hui, our CFO.

**Thomas:** Thanks Arthur.

Let me now share with you the financial details for the acquisition. I will go over, in order, the following:

1. valuation and deal structure;
2. the financial impact of the transaction; and
3. the key areas of synergies

First, the valuation and financing structure of the acquisition.

The transaction has a very attractive valuation. We believe the valuation is at a discount to that of other comparable on-line game companies in Greater China. As stated in our press release announcing the acquisition, total consideration is \$45 million. This is equivalent to approximately 8.9 times FunTown's 2005 expected net income before synergies, and 7.9 - 8.5 times after synergies. Given the strategic value and growth potential of FunTown's business, we believe this is a very attractive valuation.

In addition to the attractive valuation, we have incorporated two key features in the financing structure:

1. we have maintained the strength of our balance sheet through the use of a 0% coupon, 0% yield convertible bond as part of the considerations. As a result, post deal, we will still have over \$25 million in cash, cash equivalents and current marketable securities; We also have the right to call back the Note within the first 12 months, giving us great flexibility in managing our capital structure in 2006; and
2. the deal structure includes an earn-out, incentive payment of up to \$5 million, which will help ensure that FunTown makes a smooth transition which is critical to achieving growth targets in 2006.

As noted in our press release, GigaMedia is paying cash consideration totaling \$30 million and an additional \$15 million in a 0% coupon, 0% yield convertible note. Key terms of the note include the following:

- the note is convertible into GigaMedia common shares;
- 50% matures in two years; 50% matures in three years;
- the note has a 0% coupon and a 0% yield; and
- the conversion premium on the note is 25% above the volume-weighted 90 day average share price of GigaMedia
- Right to call the note within the first 12 months

Finally, the agreement provides for incentive payments of up to an additional \$5 million if the pre-tax net income of FunTown grows by 30% or more in 2006.

Let me now turn to the financial impact of the acquisition. For the first 10 months, on an unaudited management account basis, FunTown generated approximately \$13.1 million in revenue. Over the same period, on the same basis, FunTown recorded approximately \$4.4 million in net income. For the full year 2005, FunTown is expected to generate net income of approximately \$5.1 million. Furthermore, we anticipate FunTown's business to grow 20 to 30 percent in 2006.

The amount of EPS accretion can only be accurately determined after the purchase price allocation process through which we will identify the amount of intangible assets and the associated amortization expenses in accordance with US GAAP purchase accounting principles. We have begun the process after today's signing and expect to finish by early next year. However, we expect this transaction to be highly accretive to our EPS.

As outlined in our press release, we also expect to enjoy certain synergies from the deal. We anticipate immediately realizable cost synergies, which could reach \$250-\$650 thousand per annum in the first two years. The synergies may be derived from:

- a) the reduction of FunTown's bandwidth costs by channeling certain traffic through our own infrastructure,
- b) the integration of certain back-office functions between FunTown and GigaMedia, and
- c) the reduction of certain product distribution costs

In addition, the transaction enables GigaMedia to take advantage of our significant tax loss carryforwards. GigaMedia has tax loss carryforwards of approximately \$37 million which will expire between 2006 and 2008. This amount can be applied to offset income taxes on FunTown's profits. We expect minimal income tax on FunTown's operations in the next 3 years.

To conclude, the acquisition is at a very attractive valuation and post-acquisition we will still maintain a strong cash and cash equivalent position. The deal is expected to be immediately and highly EPS accretive and result in immediately realizable synergies. We are stronger and larger, with one of the leading Asian online game portals as part of our global platform for growth. We are now on our way to building a world-class online entertainment company with outstanding prospects for shareholder value creation.

Thank you.

**Brad:** Thanks Thomas.

We will now move into a question and answer session. Operator, at this point, we would like to open the call up to questions.

**- Q&A Session -**

**Brad:** Thank you again for joining us today. For further information about GigaMedia or if you have questions and would like to contact the Company, please see our new Web site at <http://www.gigamedia.com.tw>.