



Press Release

FOR IMMEDIATE RELEASE

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GigaMedia Sells ADSL Business; One-Time Gain Expected

New Giga Sharpens Focus on High-Margin Online Entertainment Business

TAIPEI, Taiwan, May 16, 2006 – GigaMedia Limited (“GigaMedia” or the “Company”) (NASDAQ: GIGM) announced today the sale of its legacy ADSL Internet service provider (“ISP”) business as part of its ongoing restructuring to focus on the high-margin, high-growth online entertainment sector.

Webs-TV Digital International Corporation, a Taiwan digital content provider (“Webs-TV”) purchased the ADSL business from GigaMedia in an all cash transaction with total value of US\$17.9 million, including approximately \$9.7 million for the ADSL ISP unit and approximately \$8.2 million in fees for bandwidth, consulting and other support services payable over a defined transition period.

The sale has immediate effect. GigaMedia expects to record a significant one-time gain in the second quarter as a result of the transaction.

“The ADSL business was a non-core legacy of the old Giga,” explained GigaMedia CEO Arthur Wang. “Today we reaffirm our commitment to build the leading Asian online entertainment company.”

Webs-TV’s purchase includes GigaMedia’s approximate 62,000 ADSL subscribers, certain fixed assets and the rights to use Giga’s ADSL brand for a limited period of time.

GigaMedia will provide bandwidth, consulting and other support services to Webs-TV to facilitate the transition of the operations of the ADSL ISP business.

Through the end of 2006, the Company expects that revenues generated from the provision of such services will largely offset the decline in broadband ISP revenues resulting from this sale.

Today's sale does not affect Giga's consumer cable modem and corporate ISP businesses.

About GigaMedia

GigaMedia Limited (Singapore registration number: 199905474H) is a major provider of online entertainment software and services. Through its subsidiary Cambridge Entertainment Software Limited, GigaMedia develops software for online entertainment services, including the global online gaming market. GigaMedia's FunTown game portal is a leading Asian casual game portal and the world's largest online MahJong game site in terms of revenue. GigaMedia also operates a broadband ISP providing Internet access services to consumer and corporate subscribers in Taiwan. More information on GigaMedia can be obtained at www.gigamedia.com.tw

The statements included above and elsewhere in this press release that are not historical in nature are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. GigaMedia cautions readers that forward-looking statements are based on the Company's current expectations and involve a number of risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements. Information as to certain factors that could cause actual results to vary can be found in GigaMedia's Annual Report on Form 20-F filed with the United States Securities and Exchange Commission in June 2005.

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