

C-MEDIA ELECTRONICS INC.
BALANCE SHEETS
December 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 938,377	\$ 1,032,463
Financial assets at fair value through profit or loss	30,104	231,094
Notes receivable ,net	4,685	4,716
Accounts receivable, net	44,016	77,953
Accounts receivable - related party	53,029	48,303
Other receivables	8,168	1,717
Inventories, net	54,604	58,764
Prepayments	9,042	13,785
Deferred income tax assets - current	5,304	490
	<u>1,147,329</u>	<u>1,469,285</u>
<u>FUNDS AND INVESTMENTS</u>		
Financial assets carried at cost-non-current	186,313	285,313
Long-term investments accounted for under the equity method	<u>92,521</u>	<u>-</u>
	<u>278,834</u>	<u>285,313</u>
<u>PROPERTY, PLANT AND EQUIPMENT, NET</u>		
Cost		
Land	121,039	121,039
Building	61,332	66,127
Machinery and equipment	65,748	65,785
Office equipment	<u>7,082</u>	<u>7,500</u>
	255,201	260,451
Less: Accumulated depreciation	(85,807)	(87,921)
Construction in progress and prepayments for equipment	<u>-</u>	<u>-</u>
	<u>169,394</u>	<u>172,530</u>
<u>INTANGIBLE ASSETS</u>		
Other intangible assets	<u>7,446</u>	<u>7,375</u>
	<u>7,446</u>	<u>7,375</u>
<u>OTHER ASSETS</u>		
Rental assets	210,454	114,146
Idle assets	-	96,552
Deposits out	1,313	1,961
Deferred assets	5,989	6,236
Deferred income tax assets - non-current	<u>14,659</u>	<u>3,240</u>
	<u>232,415</u>	<u>222,135</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,835,418</u>	<u>\$ 2,156,638</u>

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C-MEDIA ELECTRONICS INC.
BALANCE SHEETS - (Continued)
December 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2008</u>	<u>2007</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Financial liabilities at fair value through profit or loss - current	\$ 12,046	\$ 42,800
Notes payable	11,515	11,557
Accounts payable	2,534	3,819
Accounts payable - related party	8,172	22,360
Income tax payable	25,253	57,317
Accrued expenses	61,614	34,147
Other payables	34	1,715
Collections in advance	2,010	22
Other current liabilities	1,113	686
	<u>124,291</u>	<u>174,423</u>
<u>LONG-TERM LIABILITIES</u>		
Bonds payable	<u>567,489</u>	<u>667,953</u>
<u>OTHER LIABILITIES</u>		
Accrued pension cost	1,760	1,953
Deposits received	1,005	-
	<u>2,765</u>	<u>1,953</u>
Total Liabilities	<u>694,545</u>	<u>844,329</u>
<u>STOCKHOLDERS' EQUITY</u>		
Capital stock		
Common stock	627,109	584,767
Capital reserve		
Paid-in capital in excess of par value	4,397	18,868
Additional paid-in capital - treasury stock transactions	27,498	-
Capital reserve from employee stock warrants	11,617	11,617
Stock option	121,339	132,850
Retained earnings		
Legal reserve	214,844	180,697
Special reserve	-	-
Undistributed earnings	202,407	444,150
Cumulative translation adjustments	5,751	-
Treasury stock	(74,089)	(60,640)
STOCKHOLDERS' EQUITY	<u>1,140,873</u>	<u>1,312,309</u>
Commitments and Contingent Liabilities		
Significant Subsequent Event		
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>\$ 1,835,418</u>	<u>\$ 2,156,638</u>

C-MEDIA ELECTRONICS INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT FOR EARNINGS PER SHARE)

	<u>2008</u>	<u>2007</u>		
Operating revenues				
Sales	\$ 386,172	\$ 463,523		
Sales returns	(165)	-		
Sales discounts	(19)	-		
Net sales	385,988	463,523		
Other service revenues	318,717	374,085		
Total revenues	704,705	837,608		
Operating costs				
Cost of goods sold	(139,085)	(135,335)		
Gross profit	565,620	702,273		
Operating expenses				
Selling expenses	(95,002)	(59,656)		
Administrative and general expenses	(53,819)	(48,772)		
Research and development expenses	(160,415)	(109,944)		
Total operating expenses	(309,236)	(218,372)		
Operating income	256,384	483,901		
Non-operating income				
Interest income	19,377	14,939		
Gain on valuation of financial assets	-	974		
Gain valuation of financial liabilities	10,442	-		
Investment gain accounted for under the equity method	656	-		
Gain on disposal of investments	3,812	465		
Exchange gain - net	3,316	-		
Rental income	5,473	7,666		
Other income	1,236	3,127		
Total non-operating income	44,312	27,171		
Non-operating expenses				
Interest expense	(27,437)	(8,605)		
Loss on valuation of financial assets	(990)	-		
Loss on valuation of financial liabilities	-	(40,008)		
Investment loss accounted for under the equity method	-	(5,692)		
Loss on disposal of property, plant and equipment	(398)	-		
Foreign exchange loss	-	(1,802)		
Provision for slow-moving inventory	(9,113)	(1,282)		
Impairment loss	(99,000)	-		
Other expenses	(19,299)	(6,285)		
Total non-operating expenses	(156,237)	(63,674)		
Income before income tax	144,459	447,398		
Income tax expense	(46,634)	(105,928)		
Net income	\$ 97,825	\$ 341,470		
	<u>Before tax</u>	<u>Before tax</u>	<u>After tax</u>	<u>After tax</u>
Basic earnings per share (In dollars)				
Net income	\$ 2.33	\$ 1.58	\$ 7.16	\$ 5.46
Diluted earnings per share (In dollars)				
Net income	\$ 2.32	\$ 1.57	\$ 7.15	\$ 5.45

C-MEDIA ELECTRONICS INC.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Capital Reserve					Retained Earnings					
	Common Stock	Paid-in Capital in Excess	Additional paid-in capital - treasury stock	Capital Reserve from		Legal Reserve	Special Reserve	Unappropriated	Cumulative translation	Treasury stock	Total
		of Par Value	transactions	Employee Stock Warrants	Stock Options			Earnings	adjustments		
Balance at January 1, 2007	\$ 540,986	\$ 32,515	\$ -	\$ 10,943	\$ -	\$ 141,285	\$ 1,374	\$ 453,852	\$ -	\$ -	\$ 1,180,955
Appropriations of 2007 income:											-
Legal reserve	-	-	-	-	-	39,412	- (	39,412)	-	-	-
Employees' bonus	9,000	-	-	-	-	-	- (	23,000)	-	- (	14,000)
Reverse of special reserve	-	-	-	-	-	- (	1,374)	1,374	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	- (	3,547)	-	- (	3,547)
Cash dividends	-	-	-	-	-	-	- (	272,940)	-	- (	272,940)
Stock dividends	13,647	-	-	-	-	-	- (	13,647)	-	-	-
Employee stock options exercised	7,487	-	-	674	-	-	-	-	-	-	8,161
Capital reserve converted to capital stock	13,647 (	13,647)	-	-	-	-	-	-	-	-	-
Issuance of convertible bonds stock option	-	-	-	-	132,850	-	-	-	-	-	132,850
Acquisition of treasury stocks	-	-	-	-	-	-	-	-	- (	60,640)	(60,640)
Net income for 2007	-	-	-	-	-	-	-	341,470	-	-	341,470
Balance at December 31, 2007	<u>\$ 584,767</u>	<u>\$ 18,868</u>	<u>\$ -</u>	<u>\$ 11,617</u>	<u>\$ 132,850</u>	<u>\$ 180,697</u>	<u>\$ -</u>	<u>\$ 444,150</u>	<u>\$ -</u>	<u>(\$ 60,640)</u>	<u>\$ 1,312,309</u>

Balance at January 1, 2008	\$	584,767	\$	18,868	\$	-	\$	11,617	\$	132,850	\$	180,697	\$	-	\$	444,150	\$	-	(\$	60,640)	\$	1,312,309
Appropriations of 2008 income:																						-
Legal reserve		-		-		-		-		-		34,147		-	(	34,147)		-		-		-
Employees' bonus		13,400		-		-		-		-		-		-	(	27,400)		-		-	(	14,000)
Remuneration to directors and supervisors		-		-		-		-		-		-		-	(	3,073)		-		-	(	3,073)
Cash dividends		-		-		-		-		-		-		-	(	260,477)		-		-	(	260,477)
Stock dividends		14,471		-		-		-		-		-		-	(	14,471)		-		-		-
Capital reserve converted to capital stock		14,471	(	14,471)		-		-		-		-		-		-		-		-		-
Redemption of convertible bonds		-		-		27,498		-	(	27,498)		-		-		-		-		-		-
Reset of conversion price		-		-		-		-		15,987		-		-		-		-		-		15,987
Cumulative translation adjustments		-		-		-		-		-		-		-		-		5,751		-		5,751
Acquisition of treasury stocks		-		-		-		-		-		-		-		-		-	(	13,449)	(	13,449)
Net income for 2008		-		-		-		-		-		-		-		97,825		-		-		97,825
Balance at December 31, 2008	\$	<u>627,109</u>	\$	<u>4,397</u>	\$	<u>27,498</u>	\$	<u>11,617</u>	\$	<u>121,339</u>	\$	<u>214,844</u>	\$	<u>-</u>	\$	<u>202,407</u>	\$	<u>5,751</u>	(\$	<u>74,089</u>)	\$	<u>1,140,873</u>

C-MEDIA ELECTRONICS INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31.
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2008</u>	<u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income	\$ 97,825	\$ 341,470
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for bad debts	4,756	-
Loss on disposal of fixed assets	398	-
Depreciation (Including rental and idle assets)	7,756	8,461
Amortization	10,954	4,229
Accounts receivable allowance turn into revenue	(977)	(1,344)
Loss (gain) on valuation of financial liabilities	(10,442)	40,008
Loss on inventory obsolescence and market price decline	9,113	1,282
Income on long-term investments accounted for under the equity method	(656)	5,692
Impairment loss on financial assets carried at cost	99,000	-
Amortization of discount of cost of convertible bonds	27,425	8,595
Loss on redeem of convertible bonds	4,354	-
Changes in assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	200,990	(200,974)
Notes receivable	31	229
Accounts receivable	34,915	60,302
Accounts receivable - related party	(4,727)	(10,773)
Other receivables	(11,207)	(1,035)
Inventories	(4,953)	3,551
Prepayments	4,743	11,633
Deferred income tax assets	(16,233)	2,048
Notes payable	(42)	(6,591)
Accounts payable	(1,285)	(2,724)
Accounts payable - related party	(14,188)	14,993
Income tax payable	(32,064)	(12,224)
Accrued expenses	27,467	8,996

Other payables	(1,681)	(138)
Collections in advance	1,988	(1,218)
Other current liabilities	427	(387)
Accrued pension cost	<u>(193)</u>	<u>(178)</u>
Net cash provided by operating activities	<u>433,494</u>	<u>273,903</u>

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C-MEDIA ELECTRONICS INC.
STATEMENTS OF CASH FLOWS - (Continued)
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2008</u>	<u>2007</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in long-term investments-subsiidiary company	(\$ 86,114)	\$ -
Increase in financial assets carried at cost	-	(195,540)
Acquisition of property, plant and equipment (Including rental assets)	(4,776)	(5,140)
Proceeds from disposal of property, plant and equipment	2	-
Increase in deferred assets Increase in deferred assets	(7,282)	(7,375)
Decrease (increase) in refundable deposits	(3,496)	2,679
Decrease in deposits-out	<u>648</u>	<u>294</u>
Net cash used in investing activities	<u>(101,018)</u>	<u>(205,082)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net amount of issuance of convertible bonds	-	795,000
Increase (decrease) in deposits-in	1,005	(739)
Employees' bonus	(14,000)	(14,000)
Remuneration to directors and supervisors	(3,073)	(3,547)
Cash dividend	(260,477)	(272,940)
Proceeds from redemption of convertible bonds	(136,568)	-
Proceeds from exercise of employee stock options	-	8,161
The purchase of treasury stock	<u>(13,449)</u>	<u>(60,640)</u>
Net cash used in financing activities	<u>(426,562)</u>	<u>451,295</u>
Net increase in cash	(94,086)	520,116
Beginning balance of cash	<u>1,032,463</u>	<u>512,347</u>
Ending balance of cash	<u>\$ 938,377</u>	<u>\$ 1,032,463</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 9</u>
Cash paid for income tax	<u>\$ 94,931</u>	<u>\$ 116,104</u>
<u>PARTIAL CASH DISBURSEMENT - INVESTING ACTIVITY</u>		
Acquisition of property, plant and equipment (Including rental assets)	\$ -	\$ 5,140

Less: Book value of exchanged asset	<u>-</u>	<u>-</u>
Cash paid	<u>\$ -</u>	<u>\$ 5,140</u>
<u>INVESTING ACTIVITIES HAVING NO EFFECT ON CASH FLOWS</u>		
Acquisition of financial assets carried at cost- non current	\$ -	\$ 285,313
Disposal of long-term equity investments-non-subsiidiaries in stock swap	<u>-</u>	<u>(89,773)</u>
Cash paid for acquisition of financial assets carried at cost- non current	<u>\$ -</u>	<u>\$ 195,540</u>