

## PIXART IMAGING INC.

## BALANCE SHEETS

March 31, 2008 and 2007

(Expressed in Thousand of New Taiwan Dollars)

ASSETS	2008	2007	LIABILITIES AND SHAREHOLDERS' EQUITY	2008	2007
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and cash equivalents	\$ 4,249,603	\$ 3,993,254	Notes payable	\$ 121,795	\$ 150,641
Notes receivable(net)	80	5,081	Accounts payable	139,517	126,214
Accounts receivable(net)	528,377	366,447	Payables to related parties	168,867	192,574
Other receivables	10,313	7,999	Income tax payable	23,137	29,064
Inventories(net)	523,239	435,937	Accrued expenses	430,812	269,934
Prepayments and other current assets	57,738	21,775	Other current liabilities	2,556	1,814
Deferred income tax assets-current	5,354	7,556	Total current liabilities	886,684	770,241
Total current assets	5,374,704	4,838,049			
<b>Funds and Long-term Investments</b>			<b>Other liabilities</b>		
Long-term investments at equity	9,767	-	Accrued pension liabilities	5,556	4,992
Financial assets carried at cost - noncurrent	300,000	300,000	Deposits-in	1,020	1,020
Total funds and Long-term investments	309,767	300,000	Total other liabilities	6,576	6,012
<b>Property, plant, and equipment</b>			Total liabilities	893,260	776,253
Buildings and facilities	207,960	207,960	<b>Shareholders' equity</b>		
Research and development equipment	52,551	45,240	Capital		
Miscellaneous equipment	63,332	48,286	Common stock	1,172,160	1,030,845
Total cost	323,843	301,486	Common stock to be registered	50	13,945
Less : Accumulated depreciation	(78,991)	(60,770)	Capital reserve		
Add : Prepayments for equipment	1,446	6,243	Additional paid-in capital	1,094,762	1,080,100
Property, plant, and equipment-net	246,298	246,959	Donated by shareholders	3,816	3,816
<b>Intangible assets</b>			Employee stock option	14,508	16,827
Patent	3,960	19,801	Retained earnings		
Computer software	23,429	18,411	Legal reserve	296,784	151,338
Total intangible assets	27,389	38,212	Unappropriated earnings	2,728,076	2,412,843
<b>Other assets</b>			Treasury stock	(199,986)	-
Leased assets(net)	21,319	21,760	Total shareholders' equity	5,110,170	4,709,714
Refundable deposits	354	223			
Deferred assets	6,761	6,430			
Deferred income tax assets-noncurrent	13,838	31,334			
Restricted deposits	3,000	3,000			
Total other assets	45,272	62,747			
<b>Total assets</b>	<b>\$ 6,003,430</b>	<b>\$ 5,485,967</b>	<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,003,430</b>	<b>\$ 5,485,967</b>

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

STATEMENTS OF INCOME

For the three-month periods ended March 31, 2008 and 2007

(Expressed in Thousand of New Taiwan Dollars, Except Earnings per Share)

Description	2008	2007
<b>Gross sales</b>	\$ 1,189,892	\$ 1,244,906
Less: Sales returns and allowances	(1,859)	-
Net Sales	1,188,033	1,244,906
<b>Cost of goods sold</b>	(582,197)	(618,380)
<b>Gross profit</b>	605,836	626,526
<b>Operating expenses</b>		
Selling expenses	(26,082)	(12,404)
Administration expenses	(91,373)	(55,727)
Research and development expenses	(136,804)	(64,365)
Total operating expenses	(254,259)	(132,496)
<b>Operating income</b>	351,577	494,030
<b>Non-operating income</b>		
Interest revenue	19,004	11,857
Exchange gain	-	2,399
Rental income	988	1,048
Gain on recovery in market value and obsolescence of inventories	-	6,595
Other income	9	7,939
Total non-operating income	20,001	29,838
<b>Non-operating expenses</b>		
Exchange loss	(25,222)	-
Loss on decline in market value and obsolescence of inventories	(2,686)	-
Loss on scrapped inventories	-	(4,941)
Other losses	(110)	(110)
Total non-operating expenses	(28,018)	(5,051)
<b>Income before income tax</b>	343,560	518,817
<b>Income tax expense</b>	(7,198)	(10,406)
<b>Net income</b>	\$ 336,362	\$ 508,411
<b>Earnings per share-basic (NTD)</b>		
Income before income tax	\$ 2.95	\$ 4.46
Net income	\$ 2.89	\$ 4.37
<b>Earnings per share-diluted (NTD)</b>		
Income before income tax	\$ 2.94	\$ 4.41
Net income	\$ 2.88	\$ 4.32

## English Translation of Financial Statements Originally Issued in Chinese

## PIXART IMAGING INC.

## STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31, 2008 and 2007

(Expressed in Thousand of New Taiwan Dollars)

Description	2008	2007
<b>Cash flows from operating activities:</b>		
Net income	\$ 336,362	\$ 508,411
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation (including leased assets)	4,972	4,816
Amortization	9,138	9,772
Stock option expense	1,355	3,667
Loss on decline in market value and obsolescence of inventories (Reversal)	2,686	(6,595)
Loss on scrapped inventories	-	4,941
Deferred income taxes	5,270	(7,184)
Changes in assets and liabilities		
Notes receivable	80	(2,284)
Accounts receivable	(127,678)	207,221
Other receivables	5,849	(3,225)
Inventories	(6,581)	(79,140)
Prepayments and other current assets	(49,313)	(16,335)
Notes payable	(38,781)	(34,439)
Accounts payable	(61,369)	(27,954)
Payables to related parties	(2,488)	(43,713)
Income tax payable	(1,533)	16,431
Accrued expenses	104,468	24,476
Other current liabilities	92	(9,754)
Pension liabilities	124	135
Net cash provided by operating activities	182,653	549,247
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(2,622)	(8,697)
Increase in intangible assets	(950)	(6,921)
Increase in refundable deposits	(1)	-
Increase in deferred assets	(1,244)	(2,738)
Net cash used in investing activities	(4,817)	(18,356)
<b>Cash flows from financing activities:</b>		
Exercise of employee stock options	1,422	40
Purchase of treasury stock	(192,741)	-
Net cash (used in) provided by financing activities	(191,319)	40
Net increase (decrease) in cash and cash equivalents	(13,483)	530,931
Cash and cash equivalents at the beginning of the year	4,263,086	3,462,323
Cash and cash equivalents at the end of the periods	\$ 4,249,603	\$ 3,993,254
Supplemental disclosures of cash flow information		
Income tax paid during the periods	\$ 3,461	\$ 1,159