

PIXART IMAGING INC.

BALANCE SHEETS

June 30, 2008 and 2007

(Expressed in Thousand of New Taiwan Dollars)

ASSETS	2008	2007	LIABILITIES AND SHAREHOLDERS' EQUITY	2008	2007
Current assets			Current liabilities		
Cash and cash equivalents	\$ 4,515,583	\$ 4,454,095	Notes payable	\$ 119,941	\$ 138,141
Notes receivable(net)	-	2,906	Accounts payable	156,010	157,866
Accounts receivable(net)	633,828	413,101	Payables to related parties	124,242	183,045
Other receivables	22,701	13,430	Income tax payable	23,945	24,343
Inventories(net)	431,696	401,132	Accrued expenses	586,524	298,806
Prepayments and other current assets	31,249	11,548	Other payables	1,033,164	865,803
Deferred income tax assets-current	4,124	9,947	Other current liabilities	3,006	6,891
Total current assets	5,639,181	5,306,159	Total current liabilities	2,046,832	1,674,895
Funds and Long-term Investments					
Long-term investments at equity	258,793	-			
Financial assets carried at cost - noncurrent	300,000	300,000	Other liabilities		
Total funds and Long-term investments	558,793	300,000	Accrued pension liabilities	5,704	5,163
			Deposits-in	1,020	1,020
Property, plant, and equipment			Total other liabilities	6,724	6,183
Buildings and facilities	207,960	207,960	Total liabilities	2,053,556	1,681,078
Research and development equipment	54,330	46,355			
Miscellaneous equipment	65,476	50,031	Shareholders' equity		
Total cost	327,766	304,346	Capital		
Less : Accumulated depreciation	(83,815)	(64,502)	Common stock	1,172,310	1,045,078
Add : Prepayments for equipment	-	10,958	Stock dividends to be distributed	73,492	119,452
Property, plant, and equipment-net	243,951	250,802	Capital reserve		
			Additional paid-in capital	1,094,772	1,080,100
Intangible assets			Donated by shareholders	3,816	3,816
Patent	-	15,840	Employee stock option	16,031	20,494
Computer software	27,590	17,464	Retained earnings		
Total intangible assets	27,590	33,304	Legal reserve	458,582	296,784
			Unappropriated earnings	1,853,528	1,702,983
Other assets			Other shareholders' equity adjustments		
Leased assets(net)	21,209	21,650	Cumulative translation adjustments	(660)	-
Refundable deposits	340	223	Treasury stock	(199,986)	-
Deferred assets	6,607	5,765	Total shareholders' equity	4,471,885	4,268,707
Deferred income tax assets-noncurrent	24,770	28,882			
Restricted deposits	3,000	3,000			
Total other assets	55,926	59,520			
Total assets	\$ 6,525,441	\$ 5,949,785	Total liabilities and shareholders' equity	\$ 6,525,441	\$ 5,949,785

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

STATEMENTS OF INCOME

For the six-month periods ended June 30, 2008 and 2007

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

Description	2008	2007
Gross sales	\$ 2,504,206	\$ 2,450,542
Less: Sales returns	(283)	(2,875)
Sales allowances	(1,604)	(1,723)
Net Sales	2,502,319	2,445,944
Cost of goods sold	(1,245,613)	(1,275,993)
Gross profit	1,256,706	1,169,951
Operating expenses		
Selling expenses	(57,732)	(28,497)
Administration expenses	(189,434)	(108,933)
Research and development expenses	(277,793)	(121,171)
Total operating expenses	(524,959)	(258,601)
Operating income	731,747	911,350
Non-operating income		
Interest revenue	38,286	27,330
Exchange gain	-	1,661
Rental income	1,951	2,097
Gain on recovery in market value and obsolescence of inventories	-	11,419
Other income	1,870	7,949
Total non-operating income	42,107	50,456
Non-operating expenses		
Investment loss recognized under equity method	(314)	-
Exchange loss	(24,087)	-
Loss on decline in market value and obsolescence of inventories	(2,686)	-
Loss on scrapped inventories	-	(14,012)
Other losses	(220)	(220)
Total non-operating expenses	(27,307)	(14,232)
Income before income tax	746,547	947,574
Income tax expense	(16,279)	(18,322)
Net income	\$ 730,268	\$ 929,252
Earnings per share-basic (NTD)		
Income before income tax	\$ 6.42	\$ 8.14
Net income	\$ 6.28	\$ 7.98
Earnings per share-diluted (NTD)		
Income before income tax	\$ 6.32	\$ 8.05
Net income	\$ 6.18	\$ 7.89

PIXART IMAGING INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month periods ended June 30, 2008 and 2007

(Expressed in Thousand of New Taiwan Dollars)

	Common stock	Stock to be registered	Capital collected in advance	Stock dividends to be distributed	Capital reserve			Retained earnings		Cumulative translation adjustment	Treasury stock	Total
					Additional paid-in capital	Donated by shareholders	Employee stock option	Legal reserve	Unappropriated earnings			
Balance as of January 1, 2007	\$ 1,030,845	\$ 13,669	\$ 236	\$ -	\$ 1,080,100	\$ 3,816	\$ 13,160	\$ 151,338	\$ 1,904,432	\$ -	\$ -	\$ 4,197,596
Appropriation and distribution of 2006 earnings:												
Legal reserve	-	-	-	-	-	-	-	145,446	(145,446)	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	-	-	-	-	(13,090)	-	-	(13,090)
Cash dividends and employees' cash bonus	-	-	-	-	-	-	-	-	(852,713)	-	-	(852,713)
Capitalization of employees' bonus	-	-	-	14,944	-	-	-	-	(14,944)	-	-	-
Stock dividends	-	-	-	104,508	-	-	-	-	(104,508)	-	-	-
Exercise of employee stock options	14,233	(13,669)	(236)	-	-	-	-	-	-	-	-	328
Stock option expense	-	-	-	-	-	-	7,334	-	-	-	-	7,334
Net income for the six-month ended June 30, 2007	-	-	-	-	-	-	-	-	929,252	-	-	929,252
Balance as of June 30, 2007	<u>\$ 1,045,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,452</u>	<u>\$ 1,080,100</u>	<u>\$ 3,816</u>	<u>\$ 20,494</u>	<u>\$ 296,784</u>	<u>\$ 1,702,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,268,707</u>
Balance as of January 1, 2008	\$ 1,170,655	\$ 185	\$ 105	\$ -	\$ 1,091,677	\$ 3,816	\$ 16,081	\$ 296,784	\$ 2,391,714	\$ -	\$ (7,245)	\$ 4,963,772
Appropriation and distribution of 2007 earnings:												
Legal reserve	-	-	-	-	-	-	-	161,798	(161,798)	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	-	-	-	-	(14,562)	-	-	(14,562)
Cash dividends and employees' cash bonus	-	-	-	-	-	-	-	-	(1,018,602)	-	-	(1,018,602)
Capitalization of employees' bonus	-	-	-	27,000	-	-	-	-	(27,000)	-	-	-
Stock dividends	-	-	-	46,492	-	-	-	-	(46,492)	-	-	-
Exercise of employees stock options	1,655	(185)	(105)	-	3,095	-	(2,927)	-	-	-	-	1,533
Stock option expense	-	-	-	-	-	-	2,877	-	-	-	-	2,877
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(192,741)	(192,741)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(660)	-	(660)
Net income for the six-month ended June 30, 2008	-	-	-	-	-	-	-	-	730,268	-	-	730,268
Balance as of June 30, 2008	<u>\$ 1,172,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,492</u>	<u>\$ 1,094,772</u>	<u>\$ 3,816</u>	<u>\$ 16,031</u>	<u>\$ 458,582</u>	<u>\$ 1,853,528</u>	<u>\$ (660)</u>	<u>\$ (199,986)</u>	<u>\$ 4,471,885</u>

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30, 2008 and 2007

(Expressed in Thousand of New Taiwan Dollars)

Description	2008	2007
Cash flows from operating activities:		
Net income	\$ 730,268	\$ 929,252
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation (including leased assets)	9,906	9,737
Amortization	17,751	17,983
Investments loss recognized under equity method	314	-
Stock option expense	2,877	7,334
Loss on decline in market value and obsolescence of inventories (Reversal)	2,686	(11,419)
Loss on scrapped inventories	-	14,012
Deferred income taxes	(4,432)	(7,123)
Changes in assets and liabilities		
Notes receivable	160	(109)
Accounts receivable	(233,129)	160,567
Other receivables	(6,539)	(8,656)
Inventories	84,962	(48,582)
Prepayments and other current assets	(22,824)	(6,108)
Notes payable	(40,635)	(46,939)
Accounts payable	(44,876)	3,698
Payables to related parties	(47,113)	(53,242)
Income tax payable	(725)	11,710
Accrued expenses	260,180	53,348
Other current liabilities	542	(4,677)
Pension liabilities	272	306
Net cash provided by operating activities	709,645	1,021,092
Cash flows from investing activities:		
Increase in Long-term investments at equity	(250,000)	-
Purchase of property, plant and equipment	(5,099)	(17,351)
Increase in intangible assets	(8,290)	(8,249)
Increase in refundable deposits	13	-
Increase in deferred assets	(2,564)	(4,048)
Net cash used in investing activities	(265,940)	(29,648)
Cash flows from financing activities:		
Exercise of employee stock options	1,533	328
Purchase of treasury stock	(192,741)	-
Net cash (used in) provided by financing activities	(191,208)	328
Net increase in cash and cash equivalents	252,497	991,772
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	\$ 4,515,583	\$ 4,454,095
Supplemental disclosures of cash flow information		
Income tax paid during the periods	\$ 20,499	\$ 13,735
Investing and financing activities partially affecting cash flows:		
Appropriation for cash dividends, employees' cash bonus, and directors' and supervisors' remuneration	\$ 1,033,164	\$ 865,803
Add: Payables at the beginning of the period	-	-
Less: Payables at the end of the period	(1,033,164)	(865,803)
Cash paid	\$ -	\$ -
Non-cash activities:		
Stock dividends and employee bonus capitalized	\$ 73,492	\$ 119,452