

PIXART IMAGING INC.

BALANCE SHEETS

September 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	\$ 4,383,848	\$ 3,987,767	Notes payable	\$ 191,098	\$ 110,131
Notes receivable(net)	1,305	9,745	Accounts payable	141,414	182,957
Accounts receivable(net)	508,062	381,881	Payables to related parties	159,790	191,129
Other receivables	26,435	6,583	Income tax payable	28,131	24,798
Inventories(net)	378,646	434,431	Accrued expenses	731,251	314,533
Prepayments and other current assets	15,468	10,909	Other payables	112,000	-
Deferred income tax assets-current	7,607	8,405	Other current liabilities	1,586	9,695
Total current assets	5,321,371	4,839,721	Total current liabilities	1,365,270	833,243
Funds and Long-term Investments					
Long-term investments at equity	258,468	-			
Financial assets carried at cost - noncurrent	300,000	300,000	Other liabilities		
Total funds and Long-term investments	558,468	300,000	Accrued pension liabilities	5,835	5,290
			Deposits-in	931	1,020
Property, plant, and equipment			Total other liabilities	6,766	6,310
Buildings and facilities	207,960	207,960	Total liabilities	1,372,036	839,553
Research and development equipment	56,129	49,029			
Miscellaneous equipment	66,294	59,168	Shareholders' equity		
Total cost	330,383	316,157	Capital		
Less : Accumulated depreciation	(88,523)	(69,144)	Common stock	1,245,803	1,164,530
Add : Prepayments for equipment	5,664	3,727	Stock to be issued	945	646
Property, plant, and equipment-net	247,524	250,740	Capital reserve		
			Additional paid-in capital	1,094,772	1,080,100
Intangible assets			Donated by shareholders	3,816	3,816
Patent	1,742	11,881	Long-term investments	106	-
Computer software	38,694	16,777	Employee stock option	17,261	24,161
Total intangible assets	40,436	28,658	Retained earnings		
			Legal reserve	458,582	296,784
Other assets			Unappropriated earnings	2,229,255	2,064,516
Leased assets(net)	21,099	21,540	Other shareholders' equity adjustments		
Refundable deposits	340	223	Cumulative translation adjustments	(131)	-
Deferred assets	7,090	6,889	Treasury stock	(199,986)	-
Deferred income tax assets-noncurrent	23,131	23,335	Total shareholders' equity	4,850,423	4,634,553
Restricted deposits	3,000	3,000			
Total other assets	54,660	54,987			
			Total liabilities and shareholders' equity	\$ 6,222,459	\$ 5,474,106
Total assets	\$ 6,222,459	\$ 5,474,106			

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

STATEMENTS OF INCOME

For the nine-month periods ended September 30, 2008 and 2007

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

Description	2008	2007
Gross sales	\$ 3,776,576	\$ 3,622,553
Less: Sales returns	(474)	(3,917)
Sales allowances	(3,498)	(1,891)
Net Sales	3,772,604	3,616,745
Cost of goods sold	(1,882,853)	(1,945,046)
Gross profit	<u>1,889,751</u>	<u>1,671,699</u>
Operating expenses		
Selling expenses	(91,485)	(47,325)
Administration expenses	(286,949)	(167,313)
Research and development expenses	(427,284)	(189,052)
Total operating expenses	<u>(805,718)</u>	<u>(403,690)</u>
Operating income	<u>1,084,033</u>	<u>1,268,009</u>
Non-operating income		
Interest revenue	60,449	44,646
Exchange gain	13,733	956
Rental income	3,037	3,136
Gain on recovery in market value and obsolescence of inventories	-	2,160
Other income	3,216	13,542
Total non-operating income	<u>80,435</u>	<u>64,440</u>
Non-operating expenses		
Investment loss recognized under equity method	(1,273)	-
Loss on decline in market value and obsolescence of inventories	(36,169)	-
Loss on scrapped inventories	-	(14,012)
Other losses	(330)	(330)
Total non-operating expenses	<u>(37,772)</u>	<u>(14,342)</u>
Income before income tax	<u>1,126,696</u>	<u>1,318,107</u>
Income tax expense	<u>(20,701)</u>	<u>(27,322)</u>
Net income	<u>\$ 1,105,995</u>	<u>\$ 1,290,785</u>
Earnings per share-basic (NTD)		
Income before income tax	<u>\$ 9.11</u>	<u>\$ 10.65</u>
Net income	<u>\$ 8.94</u>	<u>\$ 10.43</u>
Earnings per share-diluted (NTD)		
Income before income tax	<u>\$ 8.84</u>	<u>\$ 10.54</u>
Net income	<u>\$ 8.68</u>	<u>\$ 10.32</u>

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

STATEMENTS OF CASH FLOWS

For the nine-month periods ended September 30, 2008 and 2007

(Expressed in Thousand of New Taiwan Dollars)

Description	2008	2007
Cash flows from operating activities:		
Net income	\$ 1,105,995	\$ 1,290,785
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation (including leased assets)	14,724	14,749
Amortization	23,915	25,552
Stock option expense	4,108	11,001
Loss on decline in market value and obsolescence of inventories (Reversal)	26,273	(2,160)
Loss on scrapped inventories	-	14,012
Investments loss recognized under equity method	1,273	-
Deferred income taxes	(6,276)	(34)
Changes in assets and liabilities		
Notes receivable	(1,145)	(6,948)
Accounts receivable	(107,363)	191,787
Other receivables	(10,273)	(1,809)
Inventories	114,425	(91,140)
Prepayments and other current assets	(7,042)	(5,468)
Notes payable	30,522	(74,949)
Accounts payable	(59,472)	28,789
Payables to related parties	(11,565)	(45,158)
Income tax payable	3,461	12,165
Accrued expenses	404,907	69,075
Other current liabilities	(878)	(1,873)
Pension liabilities	403	433
Net cash provided by operating activities	1,525,992	1,428,809
Cash flows from investing activities:		
Increase in Long-term investments at equity	(250,000)	-
Purchase of property, plant and equipment	(13,380)	(22,191)
Increase in intangible assets	(25,724)	(9,978)
Decrease in refundable deposits	13	-
Increase in deferred assets	(4,623)	(6,367)
Net cash used in investing activities	(293,714)	(38,536)
Cash flows from financing activities:		
Decrease in deposits-in	(89)	-
Directors' and supervisors' remuneration	(14,562)	(13,090)
Cash bonus paid to employees	-	(121,159)
Cash dividends	(906,602)	(731,554)
Exercise of employee stock options	2,478	974
Purchase of treasury stock	(192,741)	-
Net cash (used in) provided by financing activities	(1,111,516)	(864,829)
Net increase in cash and cash equivalents	120,762	525,444
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	\$ 4,383,848	\$ 3,987,767
Supplemental disclosures of cash flow information		
Income tax paid during the periods	\$ 23,516	\$ 15,191
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	(112,000)	-
Cash paid	\$ 921,164	\$ 865,803
Non-cash activities:		
Stock dividends and employee bonus capitalized	\$ 73,492	\$ 119,452