

PIXART IMAGING INC.

BALANCE SHEETS

June 30, 2009 and 2008

(Expressed in Thousand of New Taiwan Dollars)

ASSETS	2009	2008	LIABILITIES AND SHAREHOLDERS' EQUITY	2009	2008
Current assets			Current liabilities		
Cash and cash equivalents	\$ 5,148,954	\$ 4,515,583	Notes payable	\$ -	\$ 119,941
Accounts receivable(net)	346,529	633,828	Accounts payable	249,842	156,010
Other receivables	14,571	22,701	Payables to related parties	140,584	124,242
Inventories(net)	246,089	431,696	Income tax payable	43,259	23,945
Prepayments and other current assets	59,459	31,249	Accrued expenses	547,806	586,524
Deferred income tax assets-current	6,093	4,124	Other payables	737,420	1,033,164
Total current assets	<u>5,821,695</u>	<u>5,639,181</u>	Other current liabilities	6,945	3,006
			Total current liabilities	<u>1,725,856</u>	<u>2,046,832</u>
Funds and Long-term Investments			Other liabilities		
Long-term investments at equity	265,664	258,793	Accrued pension liabilities	5,975	5,704
Financial asset in held-to-maturity - noncurrent	50,825	-	Deposits-in	931	1,020
Financial assets carried at cost - noncurrent	300,000	300,000	Total other liabilities	<u>6,906</u>	<u>6,724</u>
Total funds and Long-term investments	<u>616,489</u>	<u>558,793</u>	Total liabilities	<u>1,732,762</u>	<u>2,053,556</u>
			Shareholders' equity		
Property, plant, and equipment			Capital		
Buildings and facilities	207,960	207,960	Common stock	1,248,146	1,172,310
Research and development equipment	61,665	54,330	Stock dividends to be distributed	35,118	73,492
Miscellaneous equipment	70,727	65,476	Capital reserve		
Total cost	340,352	327,766	Additional paid-in capital	1,101,824	1,094,772
Less : Accumulated depreciation	(94,955)	(83,815)	Donated by shareholders	3,816	3,816
Add : Prepayments for equipment	6,636	-	Long-term investments	106	-
Property, plant, and equipment-net	<u>252,033</u>	<u>243,951</u>	Employee stock option	12,620	16,031
			Other additional paid-in capital	388,612	-
Intangible assets			Retained earnings		
Patent	1,319	-	Legal reserve	594,552	458,582
Computer software	37,224	27,590	Unappropriated earnings	1,933,877	1,853,528
Total intangible assets	<u>38,543</u>	<u>27,590</u>	Other shareholders' equity adjustments		
			Cumulative translation adjustments	(387)	(660)
Other assets			Treasury stock	(280,834)	(199,986)
Leased assets(net)	20,769	21,209	Total shareholders' equity	<u>5,037,450</u>	<u>4,471,885</u>
Refundable deposits	1,963	340			
Deferred assets	6,193	6,607			
Deferred income tax assets-noncurrent	9,527	24,770			
Restricted deposits	3,000	3,000			
Total other assets	<u>41,452</u>	<u>55,926</u>			
Total assets	<u>\$ 6,770,212</u>	<u>\$ 6,525,441</u>	Total liabilities and shareholders' equity	<u>\$ 6,770,212</u>	<u>\$ 6,525,441</u>

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

STATEMENTS OF INCOME

For the six-month periods ended June 30, 2009 and 2008

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

Description	2009	2008
Gross sales	\$ 1,566,721	\$ 2,504,206
Less: Sales returns	(48)	(283)
Sales allowances	(104)	(1,604)
Net Sales	1,566,569	2,502,319
Cost of goods sold	(817,526)	(1,246,447)
Gross profit	749,043	1,255,872
Operating expenses		
Selling expenses	(44,343)	(57,732)
Administration expenses	(118,015)	(189,434)
Research and development expenses	(237,284)	(277,793)
Total operating expenses	(399,642)	(524,959)
Operating income	349,401	730,913
Non-operating income		
Interest revenue	10,067	38,286
Rental income	2,173	1,951
Other income	1,482	18
Total non-operating income	13,722	40,255
Non-operating expenses		
Investment loss recognized under equity method	(6,745)	(314)
Exchange loss	(1,746)	(24,087)
Other losses	(220)	(220)
Total non-operating expenses	(8,711)	(24,621)
Income before income tax	354,412	746,547
Income tax expense	(18,139)	(16,279)
Net income	\$ 336,273	\$ 730,268
Earnings per share-basic (NTD)		
Income before income tax	\$ 2.87	\$ 6.04
Net income	\$ 2.72	\$ 5.90
Earnings per share-diluted (NTD)		
Income before income tax	\$ 2.82	\$ 5.94
Net income	\$ 2.67	\$ 5.81

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month periods ended June 30, 2009 and 2008

(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	Long-term investments	Employee stock option	Other additional paid-in capital	Legal reserve	Unappropriated earnings			
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>\$ -</u>	<u>\$ 16,031</u>	<u>\$ -</u>	<u>\$ 458,582</u>	<u>\$ 1,853,528</u>	<u>\$ (660)</u>	<u>\$ (199,986)</u>	<u>\$ 4,471,885</u>
Balance as of January 1, 2009	\$ 1,245,803	\$ 1,552	\$ 100	\$ -	\$ 1,094,772	\$ 3,816	\$ 106	\$ 18,372	\$ -	\$ 458,582	\$ 2,482,957	\$ 72	\$ (280,834)	\$ 5,025,298
Appropriation and distribution of 2008 earnings:														
Legal reserve	-	-	-	-	-	-	-	-	-	135,970	(135,970)	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	(737,098)	-	-	(737,098)
Stock dividends	-	-	-	12,285	-	-	-	-	-	-	(12,285)	-	-	-
Exercise of employees stock options	2,343	(1,552)	(100)	-	7,052	-	-	(7,052)	-	-	-	-	-	691
Compensation cost of employee bonus	-	-	-	22,833	-	-	-	-	-	388,612	-	-	-	411,445
Stock option expense	-	-	-	-	-	-	-	1,300	-	-	-	-	-	1,300
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	(459)	-	(459)
Net income for the six-month ended June 30, 2009	-	-	-	-	-	-	-	-	-	-	336,273	-	-	336,273
Balance as of June 30, 2009	<u>\$ 1,248,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,118</u>	<u>\$ 1,101,824</u>	<u>\$ 3,816</u>	<u>\$ 106</u>	<u>\$ 12,620</u>	<u>\$ 388,612</u>	<u>\$ 594,552</u>	<u>\$ 1,933,877</u>	<u>\$ (387)</u>	<u>\$ (280,834)</u>	<u>\$ 5,037,450</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, 2009 and 2008

(Expressed in Thousand of New Taiwan Dollars)

Description	2009	2008
Cash flows from operating activities:		
Net income	\$ 336,273	\$ 730,268
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation (including leased assets)	9,422	9,906
Amortization	14,697	17,751
Amortization of financial assets discount or premium	54	-
Stock option expense	1,300	2,877
Loss on decline in market value and obsolescence of inventories (Reversal)	(34,375)	2,686
Investments loss recognized under equity method	6,745	314
Deferred income taxes	16,665	(4,432)
Changes in assets and liabilities		
Notes receivable	-	160
Accounts receivable	(18,445)	(233,129)
Other receivables	11,083	(6,539)
Inventories	87,718	84,962
Prepayments and other current assets	(25,709)	(22,824)
Notes payable	(135,383)	(40,635)
Accounts payable	129,493	(44,876)
Payables to related parties	37,311	(47,113)
Income tax payable	(10,872)	(725)
Accrued expenses	129,438	260,180
Other payables	322	-
Other current liabilities	78	542
Pension liabilities	-	272
Net cash provided by operating activities	555,815	709,645
Cash flows from investing activities:		
Increase in Long-term investments at equity	(13,900)	(250,000)
Increase in Financial asset in held-to-maturity	(50,879)	-
Purchase of property, plant and equipment	(13,495)	(5,099)
Increase in intangible assets	(8,130)	(8,290)
Decrease(increase) in refundable deposits	(1,075)	13
Increase in deferred assets	(1,040)	(2,564)
Net cash used in investing activities	(88,519)	(265,940)
Cash flows from financing activities:		
Exercise of employee stock options	691	1,533
Increase in treasury stock	-	(192,741)
Net cash (used in) provided by financing activities	691	(191,208)
Net increase in cash and cash equivalents	467,987	252,497
Cash and cash equivalents at the beginning of the year	4,680,967	4,263,086
Cash and cash equivalents at the end of the periods	\$ 5,148,954	\$ 4,515,583
Supplemental disclosures of cash flow information		
Income tax paid during the periods	\$ 12,346	\$ 21,435
Investing and financing activities partially affecting cash flows:		
Appropriation for cash dividends, employees' cash bonus, and directors' and supervisors' remuneration	\$ 737,098	\$ 1,033,164
Add: Payables at the beginning of the period	(737,098)	(1,033,164)
Cash paid	\$ -	\$ -
Non-cash activities:		
Stock dividends and employee bonus capitalized	\$ 35,118	\$ 73,492