

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

BALANCE SHEETS

September 30, 2010 and 2009

(Expressed in Thousand of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2010	2009	LIABILITIES AND SHAREHOLDERS' EQUITY	2010	2008
Current assets			Current liabilities		
Cash and cash equivalents	\$ 4,836,684	\$ 4,475,451	Accounts payable	\$ 203,794	\$ 273,444
Notes receivable(net)	191	336	Payables to related parties	120,856	189,947
Accounts receivable(net)	498,760	524,659	Income tax payable	66,325	75,518
Receivable from related parties,(net)	1,225	-	Accrued expenses	949,841	662,785
Other receivables	41,916	26,252	Other payables	323	85
Inventories(net)	401,307	306,327	Other current liabilities	10,784	21,733
Prepayments Expenses	19,425	58,087	Total current liabilities	1,351,923	1,223,512
Other current assets	1,730	2,087			
Deferred income tax assets-current	14,273	4,888	Other liabilities		
Held to maturity financial assets-current	327,833	-	Accrued pension liabilities	5,975	5,975
Total current assets	6,143,344	5,398,087	Deferred credits	682	-
Funds and Long-term Investments			Total other liabilities	6,657	5,975
Long-term investments at equity	263,718	261,950			
Financial asset in held-to-maturity - noncurrent	302,180	461,656	Total liabilities	1,358,580	1,229,487
Financial assets carried at cost - noncurrent	300,000	300,000			
Total funds and Long-term investments	865,898	1,023,606	Shareholders' equity		
Property, plant, and equipment			Capital		
Buildings and facilities	230,416	228,728	Common stock	1,307,869	1,298,264
Testing equipment	68,506	63,966	Capital stock to be registered	305	175
Miscellaneous equipment	80,508	77,944	Capital collected in advance	50	-
Total cost	379,430	370,638	Capital reserve		
Less : Accumulated depreciation	(119,986)	(100,384)	Additional paid-in capital	1,856,590	1,695,397
Add : Prepayments for equipment	2,200	1,754	Donated by shareholders	3,816	3,816
Property, plant, and equipment-net	261,644	272,008	Long-term investments	1,569	106
Intangible assets			Other additional paid-in capital	-	-
Patent	4,457	7,068	Retained earnings		
Total intangible assets	75,709	49,708	Legal reserve	679,372	594,552
Other assets			Special reserve	238	-
Leased assets(net)	-	-	Unappropriated earnings	2,441,733	2,220,396
Refundable deposits	2,150	2,092	Other shareholders' equity adjustments		
Deferred assets	9,978	6,672	Cumulative translation adjustments	578	6
Deferred income tax assets-noncurrent	12,214	18,238	Treasury stock	(280,834)	(280,834)
Restricted deposits	3,270	3,000	Total shareholders' equity	6,015,627	5,543,924
Total other assets	27,612	30,002			
Total assets	\$ 7,374,207	\$ 6,773,411	Total liabilities and shareholders' equity	\$ 7,374,207	\$ 6,773,411

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PIXART IMAGING INC.

STATEMENTS OF INCOME

For the nine-month periods ended September 30, 2010 and 2009

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

(Reviewed, Not Audited)

Description	2010	2009
Gross sales	\$ 3,246,503	\$ 2,721,774
Less:Sales returns	(5,904)	(1,249)
Sales allowances	(1,147)	(128)
Net Sales	3,239,452	2,720,397
Cost of goods sold	(1,778,953)	(1,421,522)
Gross profit	1,460,499	1,298,875
Less:Unrealized Gross Profit	(682)	-
Add:Realized Gross Profit	335	-
Realized Gross profit	1,460,152	1,298,875
Operating expenses		
Selling expenses	(83,453)	(71,142)
Administration expenses	(195,166)	(191,148)
Research and development expenses	(418,473)	(363,817)
Total operating expenses	(697,092)	(626,107)
Operating income	763,060	672,768
Non-operating income		
Interest revenue	14,998	12,849
Rental income	114	2,215
Other income	7,300	1,505
Total non-operating income	22,412	16,569
Non-operating expenses		
Investment loss recognized under equity method	(17,826)	(10,853)
Exchange loss	(10,745)	(12,273)
Other losses	(308)	(220)
Total non-operating expenses	(28,879)	(23,346)
Income before income tax	756,593	665,991
Income tax expense	(31,500)	(43,199)
Net income	\$ 725,093	\$ 622,792
Earnings per share-basic (NTD)		
Income before income tax	\$ 5.88	\$ 5.30
Net income	\$ 5.63	\$ 4.95
Earnings per share-diluted (NTD)		
Income before income tax	\$ 5.74	\$ 5.21
Net income	\$ 5.50	\$ 4.87

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PIXART IMAGING INC.

STATEMENTS OF CASH FLOWS

For the nine-month periods ended September 30, 2010 and 2009

(Expressed in Thousand of New Taiwan Dollars)

(Reviewed, Not Audited)

Description	2010	2009
Cash flows from operating activities:		
Net income	\$ 725,093	\$ 622,792
Adjustments to reconcile net income to net cash provided by operating activities		
Realized Gross Profit	(335)	-
Unrealized Gross Profit	682	-
Depreciation (including leased assets)	18,152	14,868
Amortization	28,077	23,018
Employees' cash bonus	243,742	209,693
Amortization of financial assets discount or premium	8,174	1,132
Stock option expense	117	1,656
Loss on decline in market value and obsolescence of inventories (Reversal)	6,479	(51,645)
Investments loss recognized under equity method	17,826	10,853
Deferred income taxes	(2,758)	9,159
Changes in assets and liabilities		
Notes receivable	511	(336)
Accounts receivable	(116,301)	(196,575)
Receivable from related parties	12,335	-
Other receivables	(17,462)	(598)
Inventories	(133,045)	44,750
Prepayments and other current assets	22,732	(26,424)
Notes payable	-	(135,383)
Accounts payable	16,156	153,095
Payables to related parties	5,864	86,674
Income tax payable	(18,192)	21,387
Accrued expenses	(28,758)	34,724
Other payables	323	85
Other current liabilities	(7,386)	14,866
Net cash provided by operating activities	782,026	837,791
Cash flows from investing activities:		
Increase in Long-term investments at equity	(11,518)	(13,900)
Increase in Financial asset in held-to-maturity	(200,561)	(462,788)
Proceeds from redemption of held-to-maturity financial assets	125,000	-
Purchase of property, plant and equipment	(9,577)	(18,170)
Proceeds from disposal of property, plant and equipment	-	23
Increase in intangible assets	(45,431)	(25,814)
Increase in refundable deposits	(57)	(1,204)
Increase in deferred assets	(8,388)	(3,321)
Decrease in restricted deposits	(270)	-
Net cash used in investing activities	(150,802)	(525,174)
Cash flows from financing activities:		
Decrease in deposits-in	-	(931)
Cash dividends	(644,110)	(737,098)
Issuance of common stock for cash	-	219,030
Exercise of employee stock options	83,564	866
Net cash (used in) provided by financing activities	(560,546)	(518,133)
Net increase in cash and cash equivalents	70,678	(205,516)
Cash and cash equivalents at the beginning of the year	4,766,006	4,680,967
Cash and cash equivalents at the end of the periods	\$ 4,836,684	\$ 4,475,451
Supplemental disclosures of cash flow information		
Income tax paid during the periods	\$ 52,450	\$ 12,654
Non-cash activities:		
Stock dividends and employee bonus capitalized	\$ 35,118	\$ 35,118