

PIXART IMAGING INC.

BALANCE SHEETS

June 30, 2011 and 2010

(Expressed in Thousand of New Taiwan Dollars)

ASSETS	2011	2010	LIABILITIES AND SHAREHOLDERS' EQUITY	2011	2010
Current assets			Current liabilities		
Cash and cash equivalents	\$ 5,260,797	\$ 5,288,127	Accounts payable	\$ 256,227	\$ 260,546
Notes receivable(net)	-	525	Payables to related parties	108,870	170,024
Accounts receivable(net)	472,685	559,903	Income tax payable	50,912	52,825
Receivable from related parties, net	1,155	11,493	Accrued expenses	909,197	909,267
Other receivables	17,820	31,051	Other payables	602,544	644,455
Inventories(net)	239,479	326,022	Other current liabilities	19,152	11,227
Prepayments	7,583	31,550	Total current liabilities	1,946,902	2,048,344
Other current assets	85	1,578			
Deferred income tax assets-current	12,304	12,342			
Held to maturity financial assets-current	175,768	254,352	Other liabilities		
Total current assets	6,187,676	6,516,943	Accrued pension liabilities	5,975	5,975
			Deposits-in	370	-
Funds and Long-term Investments			Deferred credits from affiliates	170	101
Long-term investments at equity	462,245	261,106	Total other liabilities	6,515	6,076
Financial asset in held-to-maturity - noncurrent	200,356	454,582			
Financial assets carried at cost - noncurrent	300,000	300,000	Total liabilities	1,953,417	2,054,420
Total funds and Long-term investments	962,601	1,015,688			
			Shareholders' equity		
Property, plant, and equipment			Capital		
Buildings and facilities	209,905	230,416	Common stock	1,298,624	1,307,869
Testing Equipment	71,378	68,399	Stock dividends to be distributed	15,035	-
Miscellaneous equipment	80,916	83,008	Capital reserve		
Total cost	362,199	381,823	Additional paid-in capital	1,864,181	1,856,590
Less : Accumulated depreciation	(132,222)	(117,367)	Donated by shareholders	3,816	3,816
Add : Prepayments for equipment	7,637	6,026	Long-term investments	1,622	106
Property, plant, and equipment-net	237,614	270,482	Employee stock option	5,612	4,341
			Retained earnings		
Intangible assets			Legal reserve	760,442	679,372
Patent	947	5,627	Special reserve	857	238
Computer software	63,373	28,424	Unappropriated earnings	1,814,069	2,237,384
Total intangible assets	64,320	34,051	Other shareholders' equity adjustments		
			Cumulative translation adjustments	(269)	227
Other assets			Treasury stock	(201,317)	(280,834)
Leased assets(net)	18,668	-	Total shareholders' equity	5,562,672	5,809,109
Refundable deposits	2,168	2,138			
Deferred assets	10,925	7,622	Total liabilities and shareholders' equity	\$ 7,516,089	\$ 7,863,529
Deferred income tax assets-noncurrent	28,839	13,335			
Restricted deposits	3,278	3,270			
Total other assets	63,878	26,365			
Total assets	\$ 7,516,089	\$ 7,863,529			

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

STATEMENTS OF INCOME

For the six-month periods ended June 30, 2011 and 2010

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

Description	2011	2010
Gross sales	\$ 1,501,704	\$ 2,270,289
Less: Sales returns	(584)	(5,762)
Sales allowances	(20)	(133)
Net Sales	1,501,100	2,264,394
Cost of goods sold	(964,559)	(1,250,970)
Gross profit	536,541	1,013,424
Less: Unrealized Gross Profit from affiliates	(170)	(101)
Add: Realized Gross Profit from affiliates	170	335
Realized Gross profit	536,541	1,013,658
Operating expenses		
Selling expenses	(51,754)	(57,659)
Administration expenses	(103,429)	(133,154)
Research and development expenses	(202,203)	(281,814)
Total operating expenses	(357,386)	(472,627)
Operating income	179,155	541,031
Non-operating income		
Interest revenue	18,126	10,148
Rental income	456	86
Other income	2,838	267
Total non-operating income	21,420	10,501
Non-operating expenses		
Investment loss recognized under equity method	(18,792)	(11,889)
Exchange loss	(6,529)	(590)
Other losses	(514)	(309)
Total non-operating expenses	(25,835)	(12,788)
Income before income tax	174,740	538,744
Income tax expense	(15,305)	(18,000)
Net income	\$ 159,435	\$ 520,744
Earnings per share-basic (NTD)		
Income before income tax	\$ 1.36	\$ 4.18
Net income	\$ 1.24	\$ 4.04
Earnings per share-diluted (NTD)		
Income before income tax	\$ 1.33	\$ 4.10
Net income	\$ 1.22	\$ 3.96

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, 2011 and 2010

(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	Legal reserve	Special reserve	Unappropriated earnings			
Balance as of January 1, 2010	\$ 1,298,589	\$ 50	\$ 79,117	\$ -	\$ 1,699,702	\$ 3,816	\$ 106	\$ 8,016	\$ 594,552	\$ -	\$ 2,455,808	\$ (238)	\$ (280,834)	\$ 5,858,684
Appropriation and distribution of 2009 earnings:														
Legal reserve	-	-	-	-	-	-	-	-	84,820	-	(84,820)	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	238	(238)	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	(644,110)	-	-	(644,110)
Exercise of employees stock options	9,280	(50)	(79,117)	-	156,888	-	-	(3,792)	-	-	-	-	-	83,209
Stock option expense	-	-	-	-	-	-	-	117	-	-	-	-	-	117
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	465	-	465
Net income for the six-month ended June 30, 2010	-	-	-	-	-	-	-	-	-	-	520,744	-	-	520,744
Balance as of June 30, 2010	\$ 1,307,869	\$ -	\$ -	\$ -	\$ 1,856,590	\$ 3,816	\$ 106	\$ 4,341	\$ 679,372	\$ 238	\$ 2,247,384	\$ 227	\$ (280,834)	\$ 5,819,109
Balance as of January 1, 2011	\$ 1,308,224	\$ -	\$ -	\$ -	\$ 1,856,590	\$ 3,816	\$ 1,622	\$ 4,341	\$ 679,372	\$ 238	\$ 2,527,341	\$ (857)	\$ (280,834)	\$ 6,099,853
Appropriation and distribution of 2010 earnings:														
Legal reserve	-	-	-	-	-	-	-	-	81,070	-	(81,070)	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	619	(619)	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	(602,406)	-	-	(602,406)
Stock dividends	-	-	-	12,817	-	-	-	-	-	-	(12,817)	-	-	-
Exercise of employees stock options	400	-	-	-	-	-	-	-	-	-	-	-	-	400
Capitalization of employees' bonuses	-	-	-	2,218	21,782	-	-	-	-	-	-	-	-	24,000
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	-	-	-	(190,191)	(190,191)
Treasury stock retired	(10,000)	-	-	-	(14,191)	-	-	-	-	-	(175,795)	-	199,986	-
Treasury stock transferred to employees	-	-	-	-	-	-	-	1,271	-	-	-	-	69,722	70,993
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	588	-	588
Net income for the six-month ended June 30, 2011	-	-	-	-	-	-	-	-	-	-	159,435	-	-	159,435
Balance as of June 30, 2011	\$ 1,298,624	\$ -	\$ -	\$ 15,035	\$ 1,864,181	\$ 3,816	\$ 1,622	\$ 5,612	\$ 760,442	\$ 857	\$ 1,814,069	\$ (269)	\$ (201,317)	\$ 5,562,672

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30, 2011 and 2010

(Expressed in Thousand of New Taiwan Dollars)

Description	2011	2010
Cash flows from operating activities:		
Net income	\$ 159,435	\$ 520,744
Adjustments to reconcile net income to net cash provided by operating activities		
Realized Gross Profit	(170)	(335)
Unrealized Gross Profit	170	101
Depreciation (including leased assets)	11,936	11,987
Amortization	28,718	17,186
Employees' cash bonus	26,075	175,001
Amortization of financial assets discount or premium	2,323	4,253
Stock option expense	1,271	117
Loss on decline in market value and obsolescence of inventories (Reversal)	(52)	4,016
Investments loss recognized under equity method	18,792	11,889
Deferred income taxes	(1)	(1,948)
Changes in assets and liabilities		
Notes receivable	518	177
Accounts receivable	(119,070)	(177,444)
Receivable from related parties	15,267	2,067
Other receivables	7,779	(6,597)
Inventories	45,713	(55,297)
Prepayments	8,839	12,211
Other current assets	(35)	(613)
Accounts payable	103,155	72,908
Payables to related parties	67,682	55,032
Income tax payable	(39,970)	(31,692)
Accrued expenses	(3,100)	(591)
Other payables	2	345
Other current liabilities	6,845	(6,943)
Net cash provided by operating activities	342,122	606,574
Cash flows from investing activities:		
Increase in Long-term investments at equity	(212,925)	(4,783)
Increase in Financial asset in held-to-maturity	-	(200,561)
Proceeds from redemption of held-to-maturity financial assets	150,000	50,000
Purchase of property, plant and equipment	(9,569)	(7,935)
Increase in intangible assets	(15,335)	(237)
Increase in refundable deposits	(21)	(45)
Increase in deferred assets	(5,580)	(3,831)
Increase in restricted deposits	(8)	(270)
Net cash used in investing activities	(93,438)	(167,662)
Cash flows from financing activities:		
Increase in deposits-in	370	-
Exercise of employee stock options	400	83,209
Treasury stock repurchased	(190,191)	-
Treasury stock transferred to employees	69,722	-
Net cash provided by financing activities	(119,699)	83,209
Net increase in cash and cash equivalents	128,985	522,121
Cash and cash equivalents at the beginning of the year	5,131,812	4,766,006
Cash and cash equivalents at the end of the periods	\$ 5,260,797	\$ 5,288,127
Supplemental disclosures of cash flow information		
Income tax paid during the periods	\$ 55,275	\$ 51,640
Investing and financing activities partially affecting cash flows:		
Appropriation for cash dividends, employees' cash bonus, and directors' and supervisors' remuneration	\$ 602,406	\$ 644,110
Add: Payables at the beginning of the period	(602,406)	(644,110)
Cash paid	\$ -	\$ -
Non-cash activities:		
Stock dividends and employee bonus capitalized	\$ 15,035	\$ -