

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

BALANCE SHEETS

June 30, 2010 and 2009

(Expressed in Thousand of New Taiwan Dollars)

ASSETS	2010	2009	LIABILITIES AND SHAREHOLDERS' EQUITY	2010	2009
Current assets			Current liabilities		
Cash and cash equivalents	\$ 5,288,127	\$ 5,148,954	Accounts payable	\$ 260,546	\$ 249,842
Notes receivable(net)	525	-	Payables to related parties	170,024	140,584
Accounts receivable(net)	559,903	346,529	Income tax payable	52,825	43,259
Receivable from related parties, net	11,493	-	Accrued expenses	909,267	547,806
Other receivables	31,051	14,571	Other payables	644,455	737,420
Inventories(net)	326,022	246,089	Other current liabilities	11,227	6,945
Prepayments and other current assets	33,128	59,459	Total current liabilities	2,048,344	1,725,856
Deferred income tax assets-current	12,342	6,093			
Held to maturity financial assets-current	254,352	-	Other liabilities		
Total current assets	6,516,943	5,821,695	Accrued pension liabilities	5,975	5,975
			Deposits-in	-	931
Funds and Long-term Investments			Deferred credits	101	-
Long-term investments at equity	261,106	265,664	Total other liabilities	6,076	6,906
Financial asset in held-to-maturity - noncurrent	454,582	50,825			
Financial assets carried at cost - noncurrent	300,000	300,000	Total liabilities	2,054,420	1,732,762
Total funds and Long-term investments	1,015,688	616,489			
			Shareholders' equity		
Property, plant, and equipment			Capital		
Buildings and facilities	230,416	207,960	Common stock	1,307,869	1,248,146
Testing Equipment	68,399	61,665	Stock dividends to be distributed	-	35,118
Miscellaneous equipment	83,008	70,727	Capital reserve		
Total cost	381,823	340,352	Additional paid-in capital	1,856,590	1,101,824
Less : Accumulated depreciation	(117,367)	(94,955)	Donated by shareholders	3,816	3,816
Add : Prepayments for equipment	6,026	6,636	Long-term investments	106	106
Property, plant, and equipment-net	270,482	252,033	Employee stock option	4,341	12,620
			Other additional paid-in capital	-	388,612
Intangible assets			Retained earnings		
Patent	5,627	1,319	Legal reserve	679,372	594,552
Computer software	28,424	37,224	Special reserve	238	-
Total intangible assets	34,051	38,543	Unappropriated earnings	2,237,384	1,933,877
			Other shareholders' equity adjustments		
Other assets			Cumulative translation adjustments	227	(387)
Leased assets(net)	-	20,769	Treasury stock	(280,834)	(280,834)
Refundable deposits	2,138	1,963	Total shareholders' equity	5,809,109	5,037,450
Deferred assets	7,622	6,193			
Deferred income tax assets-noncurrent	13,335	9,527			
Restricted deposits	3,270	3,000			
Total other assets	26,365	41,452			
Total assets	\$ 7,863,529	\$ 6,770,212	Total liabilities and shareholders' equity	\$ 7,863,529	\$ 6,770,212

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PIXART IMAGING INC.

STATEMENTS OF INCOME

For the six-month periods ended June 30, 2010 and 2009

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

Description	2010	2009
Gross sales	\$ 2,270,289	\$ 1,566,721
Less: Sales returns	(5,762)	(48)
Sales allowances	(133)	(104)
Net Sales	2,264,394	1,566,569
Cost of goods sold	(1,250,970)	(817,526)
Gross profit	1,013,424	749,043
Less: Unrealized Gross Profit	(101)	-
Add: Realized Gross Profit	335	-
Realized Gross profit	1,013,658	749,043
Operating expenses		
Selling expenses	(57,659)	(44,343)
Administration expenses	(133,154)	(118,015)
Research and development expenses	(281,814)	(237,284)
Total operating expenses	(472,627)	(399,642)
Operating income	541,031	349,401
Non-operating income		
Interest revenue	10,148	10,067
Rental income	86	2,173
Other income	267	1,482
Total non-operating income	10,501	13,722
Non-operating expenses		
Investment loss recognized under equity method	(11,889)	(6,745)
Exchange loss	(590)	(1,746)
Other losses	(309)	(220)
Total non-operating expenses	(12,788)	(8,711)
Income before income tax	538,744	354,412
Income tax expense	(18,000)	(18,139)
Net income	\$ 520,744	\$ 336,273
Earnings per share-basic (NTD)		
Income before income tax	\$ 4.18	\$ 2.84
Net income	\$ 4.04	\$ 2.69
Earnings per share-diluted (NTD)		
Income before income tax	\$ 4.10	\$ 2.79
Net income	\$ 3.96	\$ 2.65

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PIXART IMAGING INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month periods ended June 30, 2010 and 2009

(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	Special reserve	Unappropriated earnings			
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	\$ 1,248,146	\$ -	\$ -	\$ 35,118	\$ 1,101,824	\$ 3,816	\$ 106	\$ 12,620	\$ 388,612	\$ 594,552	\$ -	\$ 1,933,877	\$ (387)	\$ (280,834)	\$ 5,037,450
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

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PIXART IMAGING INC.

STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30, 2010 and 2009

(Expressed in Thousand of New Taiwan Dollars)

Description	2010	2009
Cash flows from operating activities:		
Net income	\$ 520,744	\$ 336,273
Adjustments to reconcile net income to net cash provided by operating activities		
Realized Gross Profit	(335)	-
Unrealized Gross Profit	101	-
Depreciation (including leased assets)	11,987	9,422
Amortization	17,186	14,697
Employees' cash bonus	175,001	113,195
Amortization of financial assets discount or premium	4,253	54
Stock option expense	117	1,300
Loss on decline in market value and obsolescence of inventories (Reversal)	4,016	(34,375)
Investments loss recognized under equity method	11,889	6,745
Deferred income taxes	(1,948)	16,665
Changes in assets and liabilities		
Notes receivable	177	-
Accounts receivable	(177,444)	(18,445)
Receivable from related parties	2,067	-
Other receivables	(6,597)	11,083
Inventories	(55,297)	87,718
Prepayments and other current assets	11,598	(25,709)
Notes payable	-	(135,383)
Accounts payable	72,908	129,493
Payables to related parties	55,032	37,311
Income tax payable	(31,692)	(10,872)
Accrued expenses	(591)	16,243
Other payables	345	322
Other current liabilities	(6,943)	78
Net cash provided by operating activities	606,574	555,815
Cash flows from investing activities:		
Increase in Long-term investments at equity	(4,783)	(13,900)
Increase in Financial asset in held-to-maturity	(200,561)	(50,879)
Proceeds from redemption of held-to-maturity financial assets	50,000	-
Purchase of property, plant and equipment	(7,935)	(13,495)
Increase in intangible assets	(237)	(8,130)
Increase in refundable deposits	(45)	(1,075)
Increase in deferred assets	(3,831)	(1,040)
Increase in restricted deposits	(270)	-
Net cash used in investing activities	(167,662)	(88,519)
Cash flows from financing activities:		
Exercise of employee stock options	83,209	691
Net cash provided by financing activities	83,209	691
Net increase in cash and cash equivalents	522,121	467,987
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	\$ 5,288,127	\$ 5,148,954
Supplemental disclosures of cash flow information		
Income tax paid during the periods	\$ 51,640	\$ 12,346
Investing and financing activities partially affecting cash flows:		
Appropriation for cash dividends, employees' cash bonus, and directors' and supervisors' remuneration	\$ 644,110	\$ 737,098
Add: Payables at the beginning of the period	(644,110)	(737,098)
Cash paid	\$ -	\$ -
Non-cash activities:		
Stock dividends and employee bonus capitalized	\$ -	\$ 35,118