

PIXART IMAGING INC.

BALANCE SHEETS

March 31, 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	\$ 5,326,411	\$ 5,115,838	Accounts payable	194,992	235,233
Notes receivable, net	-	296	Accounts payable—related parties	49,233	165,968
Accounts receivable, net	388,145	508,147	Income tax payable	72,902	77,731
Receivable from related parties, net	6,459	23,941	Accrued expenses	950,620	817,387
Other receivables	17,797	32,090	Other payable	11,209	165
Inventories, net	231,748	291,351	Other current liabilities	12,903	15,379
Prepayments	7,642	38,945	Total current liabilities	1,291,859	1,311,863
Other current assets	74	1,032			
Deferred income tax assets-current	21,618	8,950	Other liabilities		
Held-to-maturity financial assets-current	326,769	101,005	Accrued pension liabilities	5,975	5,975
Total current assets	6,326,663	6,121,595	Deferred credits	170	118
Funds and investments			Deposits-in	-	-
Investments accounted for under the equity method	270,207	266,221	Total other liabilities	6,145	6,093
Held-to-maturity financial assets-noncurrent	200,404	459,515	Total liabilities	1,298,004	1,317,956
Financial assets carried at cost - noncurrent	300,000	300,000			
Total funds and Long-term investments	770,611	1,025,736	Shareholders' equity		
Property, plant, and equipment			Capital		
Buildings and facilities	230,416	230,416	Common stock	1,298,624	1,298,589
Research and development equipment	70,722	66,882	Capital stock to be registered	-	9,280
Miscellaneous equipment	78,214	81,886	Capital reserve		
Total cost	379,352	379,184	Additional paid-in capital	1,842,399	1,856,590
Less : Accumulated depreciation	(128,780)	(113,726)	Donated by shareholders	3,816	3,816
Add : Prepayments for equipment	2,606	4,931	Long-term investment transaction	1,622	106
Property, plant, and equipment-net	253,178	270,389	Employee stock options	4,341	4,317
Intangible assets			Retained earnings		
Patent	2,117	6,796	Legal reserve	679,372	594,552
Software	73,579	33,496	Special reserve	238	-
Total intangible assets	75,696	40,292	Unappropriated earnings	2,421,572	2,681,314
Other assets			Other adjustments		
Refundable deposits	2,182	2,138	Cumulative translation adjustments	(27)	(478)
Deferred assets	8,531	7,278	Treasury stock	(90,299)	(280,834)
Deferred income tax assets-noncurrent	19,524	14,780	Total shareholders' equity	6,161,658	6,167,252
Restricted deposits	3,277	3,000			
Total other assets	33,514	27,196			
Total assets	<u>\$ 7,459,662</u>	<u>\$ 7,485,208</u>	Total liabilities and shareholders' equity	<u>\$ 7,459,662</u>	<u>\$ 7,485,208</u>

English Translation of Financial Statements Originally Issued in Chinese
PIXART IMAGING INC.
STATEMENTS OF INCOME
For the three-month periods ended March 31, 2011 and 2010
(Expressed in Thousand of New Taiwan Dollars, Except Earnings per Share)

Description	2011	2010
Gross sales	\$ 677,989	\$ 1,085,273
Less: Sales returns	-	(5,707)
Sales allowances	(17)	-
Net Sales	677,972	1,079,566
Cost of goods sold	(435,986)	(605,879)
Gross profits	241,986	473,687
Less : Unrealized gross margin from affiliates	(170)	(118)
Add : Realized gross margin from affiliates	170	335
Realized gross margin	241,986	473,904
Operating expenses		
Selling expenses	(22,478)	(26,548)
Administration expenses	(47,078)	(64,503)
Research and development expenses	(97,590)	(132,769)
Total operating expenses	(167,146)	(223,820)
Operating income	74,840	250,084
Non-operating income and gains		
Interest revenue	8,434	4,011
Rental income	43	43
Others	3,496	9
Total non-operating income and gains	11,973	4,063
Non-operating expenses and losses		
Loss on equity investments, net	(8,322)	(6,069)
Foreign exchange loss, net	(559)	(3,571)
Others	(247)	-
Total non-operating expenses and losses	(9,128)	(9,640)
Income from continuing operations before income tax	77,685	244,507
Income tax expense	(7,659)	(9,000)
Net income	<u>\$ 70,026</u>	<u>\$ 235,507</u>
Earnings per share-basic (NTD)		
Income before income tax	<u>\$ 0.60</u>	<u>\$ 1.90</u>
Net income	<u>\$ 0.54</u>	<u>\$ 1.83</u>
Earnings per share-diluted (NTD)		
Income before income tax	<u>\$ 0.59</u>	<u>\$ 1.87</u>
Net income	<u>\$ 0.53</u>	<u>\$ 1.80</u>

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31, 2011 and 2010

(Expressed in Thousand of New Taiwan Dollars)

Description	2011	2010
Cash flows from operating activities:		
Net income	\$ 70,026	\$ 235,507
Adjustments to reconcile net income to net cash provided by operating activities		
Realized gross margin from affiliates	(170)	(335)
Unrealized gross margin from affiliates	170	118
Depreciation	6,015	5,918
Amortization	13,783	8,783
Cost of employee share-based awards	-	92
Employee bonuses	11,396	79,189
Amortization of financial assets discount or premium	1,274	2,106
Provision of allowance for loss on decline in market value and obsolescence of inventories	5,737	136
Net loss on equity investments	8,322	6,069
Deferred income taxes	-	(1)
Changes in assets and liabilities		
Notes receivable	518	406
Accounts receivable	(34,530)	(125,688)
Receivable from related parties	9,963	(10,381)
Other receivables	7,802	(7,636)
Inventories	47,655	(16,746)
Prepayments	9,951	5,086
Other current assets	(24)	(337)
Accounts payable	41,920	47,595
Accounts payable—related parties	8,045	50,976
Income tax payable	(17,980)	(6,786)
Accrued expenses	29,002	3,341
Other payable	1,622	21
Other current liabilities	(86)	(2,647)
Net cash provided by operating activities	<u>220,411</u>	<u>274,786</u>
Cash flows from investing activities:		
Increase in Long-term investments at equity	(10,175)	(4,783)
Purchase of property, plant and equipment	(544)	(1,773)
Increase in intangible assets	(14,653)	-
Increase in refundable deposits	(35)	(45)
Increase in restricted deposits	(7)	-
Increase in deferred assets	(798)	(1,562)
Net cash used in investing activities	<u>(26,212)</u>	<u>(8,163)</u>
Cash flows from financing activities:		
Exercise of employee stock options	400	83,209
Net cash provided by financing activities	<u>400</u>	<u>83,209</u>
Net increase in cash and cash equivalents	194,599	349,832
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	<u>\$ 5,326,411</u>	<u>\$ 5,115,838</u>
Supplemental disclosures of cash flow information		
Income tax paid during the periods	<u>\$ 25,639</u>	<u>\$ 15,787</u>
Investing and financing activities partially affecting cash flows:		
Treasury stock repurchased	\$ 9,451	\$ -
Less: Payables at the end of the period	(9,451)	-
Cash paid	<u>\$ -</u>	<u>\$ -</u>
Increase in intangible assets	\$ 15,335	\$ -
Less: Payables at the end of the period	(682)	-
Cash paid	<u>\$ 14,653</u>	<u>\$ -</u>