

English Translation of Financial Statements Originally Issued in Chinese

PIXART IMAGING INC.

BALANCE SHEETS

September 30, 2011 and 2010

(Expressed in Thousand of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2011	2010	LIABILITIES AND SHAREHOLDERS' EQUITY	2011	2010
Current assets			Current liabilities		
Cash and cash equivalents	\$ 4,733,759	\$ 4,836,684	Accounts payable	\$ 220,537	\$ 203,794
Notes receivable(net)	113	191	Payables to related parties	71,411	120,856
Accounts receivable(net)	432,875	498,760	Income tax payable	59,269	66,325
Receivable from related parties,(net)	1,519	1,225	Accrued expenses	834,214	949,841
Other receivables	22,530	41,916	Other payables	1,063	323
Inventories(net)	262,011	401,307	Other current liabilities	19,204	10,784
Prepayments Expenses	10,159	19,425	Total current liabilities	1,205,698	1,351,923
Other current assets	22	1,730			
Deferred income tax assets-current	10,643	14,273	Other liabilities		
Held to maturity financial assets-current	100,231	327,833	Accrued pension liabilities	5,975	5,975
Total current assets	5,573,862	6,143,344	Deposits-in	370	-
			Deferred credits	170	682
Funds and Long-term Investments			Total other liabilities	6,515	6,657
Long-term investments at equity	454,653	263,718			
Financial asset in held-to-maturity - noncurrent	200,307	302,180	Total liabilities	1,212,213	1,358,580
Financial assets carried at cost - noncurrent	300,000	300,000			
Total funds and Long-term investments	954,960	865,898			
			Shareholders' equity		
Property, plant, and equipment			Capital		
Buildings and facilities	220,161	230,416	Common stock	1,313,659	1,307,869
Testing equipment	72,465	68,506	Capital stock to be registered	20	305
Miscellaneous equipment	82,489	80,508	Capital collected in advance	-	50
Total cost	375,115	379,430	Capital reserve		
Less : Accumulated depreciation	(138,631)	(119,986)	Additional paid-in capital	1,864,181	1,856,590
Add : Prepayments for equipment	8,700	2,200	Donated by shareholders	3,816	3,816
Property, plant, and equipment-net	245,184	261,644	Long-term investments	1,622	1,569
			Employee stock option	9,285	4,341
Intangible assets			Retained earnings		
Patent	727	4,457	Legal reserve	760,442	679,372
Computer software	61,034	71,252	Special reserve	857	238
Total intangible assets	61,761	75,709	Unappropriated earnings	1,927,269	2,441,733
			Other shareholders' equity adjustments		
Other assets			Cumulative translation adjustments	2,728	578
Leased assets(net)	9,217	-	Treasury stock	(202,582)	(280,834)
Refundable deposits	2,137	2,150	Total shareholders' equity	5,681,297	6,015,627
Deferred assets	12,612	9,978			
Deferred income tax assets-noncurrent	30,499	12,214	Total liabilities and shareholders' equity	\$ 6,893,510	\$ 7,374,207
Restricted deposits	3,278	3,270			
Total other assets	57,743	27,612			
Total assets	\$ 6,893,510	\$ 7,374,207			

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PIXART IMAGING INC.

STATEMENTS OF INCOME

For the nine-month periods ended September 30, 2011 and 2010

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

(Reviewed, Not Audited)

Description	2011	2010
Gross sales	\$ 2,315,011	\$ 3,246,503
Less: Sales returns	(584)	(5,904)
Sales allowances	(20)	(1,147)
Net Sales	2,314,407	3,239,452
Cost of goods sold	(1,455,216)	(1,778,953)
Gross profit	859,191	1,460,499
Less: Unrealized Gross Profit	(170)	(682)
Add: Realized Gross Profit	170	335
Realized Gross profit	859,191	1,460,152
Operating expenses		
Selling expenses	(76,287)	(83,453)
Administration expenses	(161,063)	(195,166)
Research and development expenses	(323,719)	(418,473)
Total operating expenses	(561,069)	(697,092)
Operating income	298,122	763,060
Non-operating income		
Interest revenue	29,092	14,998
Exchange gain	6,209	-
Rental income	962	114
Other income	2,904	7,300
Total non-operating income	39,167	22,412
Non-operating expenses		
Investment loss recognized under equity method	(39,204)	(17,826)
Exchange loss	-	(10,745)
Other losses	(611)	(308)
Total non-operating expenses	(39,815)	(28,879)
Income before income tax	297,474	756,593
Income tax expense	(24,839)	(31,500)
Net income	\$ 272,635	\$ 725,093
Earnings per share-basic (NTD)		
Income before income tax	\$ 2.29	\$ 5.82
Net income	\$ 2.10	\$ 5.57
Earnings per share-diluted (NTD)		
Income before income tax	\$ 2.26	\$ 5.69
Net income	\$ 2.07	\$ 5.45

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PIXART IMAGING INC.

STATEMENTS OF CASH FLOWS

For the nine-month periods ended September 30, 2011 and 2010

(Expressed in Thousand of New Taiwan Dollars)

(Reviewed, Not Audited)

Description	2011	2010
Cash flows from operating activities:		
Net income	\$ 272,635	\$ 725,093
Adjustments to reconcile net income to net cash provided by operating activities		
Realized Gross Profit	(170)	(335)
Unrealized Gross Profit	170	682
Depreciation (including leased assets)	17,540	18,152
Amortization	42,216	28,077
Employees' cash bonus	44,380	243,742
Amortization of financial assets discount or premium	2,909	8,174
Stock option expense	4,944	117
Loss on decline in market value and obsolescence of inventories (Reversal)	(52)	6,479
Investments loss recognized under equity method	39,204	17,826
Deferred income taxes	-	(2,758)
Changes in assets and liabilities		
Notes receivable	405	511
Accounts receivable	(79,260)	(116,301)
Receivable from related parties	14,903	12,335
Other receivables	3,069	(17,462)
Inventories	23,181	(133,045)
Prepayments	5,646	23,497
Other current assets	28	(765)
Accounts payable	67,465	16,156
Payables to related parties	30,223	5,864
Income tax payable	(31,613)	(18,192)
Accrued expenses	(96,388)	(28,758)
Other payables	927	323
Other current liabilities	6,897	(7,386)
Net cash provided by operating activities	369,259	782,026
Cash flows from investing activities:		
Increase in Long-term investments at equity	(222,748)	(11,518)
Increase in Financial asset in held-to-maturity	-	(200,561)
Proceeds from redemption of held-to-maturity financial assets	225,000	125,000
Purchase of property, plant and equipment	(15,229)	(9,577)
Increase in intangible assets	(20,843)	(45,431)
Decrease(increase) in refundable deposits	10	(57)
Increase in deferred assets	(10,144)	(8,388)
Increase in restricted deposits	(8)	(270)
Net cash used in investing activities	(43,962)	(150,802)
Cash flows from financing activities:		
Increase in deposits-in	370	-
Cash dividends	(602,406)	(644,110)
Exercise of employee stock options	420	83,564
Treasury stock repurchased	(190,191)	-
Treasury stock transferred to employees	68,457	-
Net cash (used in) provided by financing activities	(723,350)	(560,546)
Net increase in cash and cash equivalents	(398,053)	70,678
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	\$ 4,733,759	\$ 4,836,684
Supplemental disclosures of cash flow information		
Income tax paid during the periods	\$ 56,452	\$ 52,450
Non-cash activities:		
Stock dividends and employee bonus capitalized	\$ 15,035	\$ -