



TSE: 2352

# **QISDA 2009 ANNUAL REPORT**

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### QISDA ON THE INTERNET

Qisda's Investor Relations home page on the worldwide website offers a wealth of corporate information, including the latest annual report and financial results.

Website: [Qisda.com/ir.htm](http://Qisda.com/ir.htm)

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### DOMESTIC STOCK EXCHANGE LISTING

#### Qisda Common shares

Taiwan Stock Exchange Corporation

<http://www.tse.com.tw/en/>

#### Qisda Exchangeable Bonds

GreTai Securities Market

ISIN: 235201

<http://www.otc.org.tw/en/>

### OVERSEAS SECURITY EXCHANGE LISTING

For further information, visit Qisda worldwide website and Login at Investor Relations

#### Qisda Global Depositary Shares

Luxemburg Stock Exchange

ISIN: US0823012010

<http://www.bourse.lu>

# Message to our Shareholders

Dear esteemed Qisda shareholders,

Qisda's 2009 core consolidated revenues reached NT \$79.67 billion, while the Taiwan parent company recorded revenues of NT \$49.6 billion. After-tax losses of NT \$1.81 billion resulted in an after-tax loss per share of NT \$0.94.

Over the past 2 years, Qisda has carried out business transformation projects including reorganization, revitalization of corporate culture, production and operational modifications, IT system globalization, improvements to in-house vertical integration capabilities, and much more. Thanks to the unified efforts of the company's employees, preliminary results have begun to show up on Qisda's financials over the past few quarters. Since the fourth quarter of 2008—when the core business went from loss to profit—until the end of 2009, Qisda witnessed 5 successive quarters of profitability. In 2009, we saw a thirty-percent increase in production efficiency while losses attributed to customer complaints over quality issues decreased by eighty-percent. In ODM supplier assessments by several global branded customers, Qisda has sustained its overall position as one of the top rated companies. Meanwhile, the company has successfully controlled manpower, capital requirements, and inventory levels, which has led to an increase in cash flow and a reduced debt position. During the period of global financial crisis and economic decline, Qisda remained strong and emerged from the worldwide crisis unscathed.

At the same time, Qisda also reengineered its product lines. Because of this, the company's mainstream LCD display and projector product lines—both of which have economies of scale and are profitable—have been able to sustain a firm position within the industry and increase market share. New product line development was classified into two market segments: "future mainstream" and "niche". Future mainstream products like eBook Readers, mobile internet devices, and multimedia routers have the potential to become a new spark in the company's revenue growth. Niche products include higher added-value, higher profit product lines like professional displays, high-end LED lighting, and remote health care devices. In 2009, new product line development progressed smoothly and established a solid foundation for revenue and profit growth in 2010.

Over the past 5 years, Qisda has put an average of 3 percent of the company's turnover toward research and development every year and has accumulated over 2,000 patents around the world. In 2009, Qisda continued to receive international awards and acclaim, including 10 red dot, 5 iF, and 3 G-Mark design awards—the only company in the design contract manufacturing industry to receive such high honors. We strongly believe that outstanding product design and R&D capabilities are Qisda's core competitive strengths.

Looking to 2010, the global economy is expected to make a protracted recovery. In addition to continuing its organizational transformation and improvements to the company's financial structure, Qisda will also apply equal effort in promoting new product markets, expanding market share, and seeking dual growth in revenue and profits. In 2010, Qisda will also establish a Corporate Sustainability System that will include green operations, green products, green supply chains, a carbon emissions management platform, and a social responsibility component.

We are extremely grateful to each and every shareholder for their long-term support and encouragement. We anticipate 2010 to be a year that sees Qisda surge forward. The management team will continue to work unceasingly to deliver the greatest benefit to both the company and to shareholders.

Sincerely,

K.Y. Lee  
Chairman



Hui Hsiung  
CEO & President



# Review of Operations and Product Strategy

## Monitor Business Unit

### Operational Guidelines

The primary objective of the monitor business unit is to sustain its position as one of the top 5 manufacturers in the world through its leading R&D programs.

### Business Scope

#### Overview of Operations

Because the LCD monitor is a mature product, ASPs dropped due to market competition. To confront this type of challenge, Qisda established strong relationships with brand customers and invested in vertical integration activities such as panel module assembly and in-house mechanical parts to increase the value-added proposition. New product areas such as multifunction monitors and all-in-one PCs are also focal points for the monitor business.

#### Product Offering

- 17"/19"/20.1" consumer and commercial LCD monitors
- 15.6"/18.5"/19"/20"/21.5"/22"/23"/24"/27" wide screen and professional LCD monitors
- 21.5"/24"/27" multifunction monitors
- 18.5" all-in-one PC

### Industry Overview

#### Current Status and Trends in Development

Despite the global economy gradually recovering from recession, in 2009 the global LCD monitor market slightly declined to 163 million units according to DisplaySearch. For 2010, estimated total output will reach 167 million units for emerging market growth and PC substitution. The annual growth rate will be near 5% for the next few years. In 2010, LCD panels will see a continued imbalance in supply and demand. The challenge for system integrators will be more difficult because the LCD monitor market is mature and both upstream & downstream companies are growing. In such an environment, companies with core competences like enhancement of value added, in-house vertical integration, access to key components and economies of scale will have a competitive advantage.

The LCD monitor market is mature, with a penetration rate of over 90%. In addition to cost competition and upstream/downstream relationships, Qisda will strategically work with brand customers to develop low power eco-friendly LED backlight solutions or differentiation through multifunction LCD monitors to fulfill the market demand.

## Research & Development

### Current Status

- Touch screen LCD monitors
- Multifunction monitors
- All-in-one PCs
- Precision color industrial monitors

### Ongoing Efforts

- High contrast and 3D/120Hz technology products
- HDMI1.4/Displayport1.2 multimedia monitors
- H.264 multifunction monitors
- Green products and full series LED monitors

## Short and Long-Term Business Plans

As a professional ODM/OEM manufacturer, Qisda applies the following strategies to maintain its position as one of the top 5 manufacturers in the world:

- Provide all sizes of LCD displays and promote larger-sized, high-performance models where we believe Qisda has distinct advantage
- Continue cooperating with AU Optronics Corp. to develop high quality LCD monitors and cultivate partnerships with tier-one panel vendors to ensure smooth supply
- Increase value-added in value chains through vertical integration, such as panel module assembly, in-house stamping, and in-house plastic injection
- Increase multifunction monitor/all-in-one PC product mix and expand scale

# Market Analysis

## Major Sales Markets

Worldwide

## Market Share

In 2009, Qisda increased sales and market share despite a slight decline in the global LCD monitor market. The company maintains worldwide top 5 leading position.

## Positive Factors, Negative Factors, and Strategies

### Positive Factors

- Industry consolidation; big players getting bigger

### Negative Factors

- Commodity market; severe price competition
- Short supply in China's labor market, which makes labor cost higher and tightens material supply chains

### Strategies

- Sustain a leading industry position through vertical integration and expanding economies of scale to lower costs
- Enhance design productivity to reduce labor usage while increasing cell production lines to achieve better flexibility
- Maximize the benefits expanded economies of scale and increased market share by:
  - Provide all sizes of solutions and promote larger-sized, high-performance models where we believe Qisda has distinct advantage
  - Continue cooperating with AU Optronics Corp. to develop high quality LCD monitors while cultivating partnerships with tier-one panel vendors to ensure smooth supply
  - Extend the value-added in value chains through vertical integration, such as panel module assembly, in-house stamping and in-campus plastic injection
  - Increase multifunction monitor/all-in-one PC product mix to enlarge product portfolio and increase ASP

# Projector Business Unit

## Operational Guidelines

The 2010 goals for the projector ODM business are to achieve higher growth in shipments and maintain a top 3 position worldwide. At the same time, we aim to reduce costs and improve quality to provide better customer service to boost growth rates.

## Business Scope

### Overview of Operations

Qisda's ODM business captured 13% global market share and maintained a top 3 position in 2009. Moreover, except DLP projector, we are the only manufacturer in Taiwan that has LCD projector mass production experience.

### Product Offerings

A wide range of projectors with home, office and educational applications

### Project Features

The MP515ST projector, with a new generation, short-throw projection lens developed by Qisda, resolves the setup issues in conference rooms, classrooms, and in home entertainment applications. In addition, High Definition Multimedia Interface (HDMI) and 10W speakers provide the best audio/video experience in this category.

The SP920p projector, with new generation dual lamp optical engine developed by Qisda and two high-efficiency 280w mercury lamps, achieves brightness up to 6000 lumens.

## Industry Overview

### Current Status and Trends in Development

According to industry reports, 2009 worldwide projector shipments were 5.6 million units and the forecast for 2010 is 6.2 million units.

The market is expected to continue growing in the next few years due to the development of technologies for more applications and lower prices. Only manufacturers with sufficient economic scale will survive the severe competition coming in the next few years.

## Research & Development

### Technologies in Deployment

- The MP515ST features a short-throw projection lens and HDMI interface that could fulfill various user applications and provide optimum video performance
- The SP920p achieves brightness up to 6000 lumens through a new generation dual lamp optical engine

### On-going Efforts

- Improving color management and resolution
- Developing short-throw ratio, wide-screen, and high brightness projectors to satisfy educational and commercial markets

### Short and Long-Term Business Plans

- Develop new DLP and LCD projector technologies and extend them to our ODM/OEM business
- Enhance product applications for home, office, and educational markets

## Market Analysis

### Major Sales Markets

Worldwide

### Market Share

In 2009, Qisda was one of the top 3 projector manufacturers

### Positive Factors, Negative Factors, and Strategies

#### Positive Factors

- Qisda's projector shipments dropped 5% between 2008 and 2009, which was better than a 10% drop in shipments worldwide. Having large economies of scale is the critical factor for key component sourcing and manufacturing operations.
- Both economic scale and leading technology allow us to be competitive in the face of continuous price erosion that will occur in the next few years

#### Negative Factors

- Shorter product lifecycles, more competitors, and an abundance of different models have disrupted market prices

#### Strategies

- Increase operational efficiency to control inventory and fulfill customer needs
- Develop new DLP and LCD projector technologies and extend them to our ODM/OEM business
- Enhance product applications for home, office, and educational markets



# Scanner/Printer/Care (SPC) Business Unit

## Operational Guidelines

Current competition within the industry has led to consumer and IT product prices to drop significantly. Qisda SPC BU has modified its business orientation from high volume, low margin segments to higher value, niche market segments to pursue more profitable margins.

## Business Scope

### Overview of Operations

In 2009, we launched a mini-photo scanner product line and health care gateway product and received positive market feedback. In 2010, these niche product lines are forecast to see significant growth. For traditional printer product lines, Qisda has provided added-value through vertical integration and greater project control efficiency for ODM customers. As a result, Qisda added another high-volume project and expects to see significant growth in 2010.

### Product Offering

- Mini-photo scanners
- High speed inkjet printers
- Color laser printers
- ADF modules
- Medical electronics
- Optical touch modules

## Industry Overview

### Current Status and Trends in Development

According to several marketing surveys, consumer printer/scanner revenues and operating margins have dropped significantly. Therefore, Qisda is focusing on business segments and niche applications that offer higher margins. In order to pursue special segments in the market, it is critical to find new segments, define specifications, and seek out suitable channels to promote niche segments.

Additionally, we are migrating into the medical electronics industry using Qisda's core values and capabilities. This industry is in a growth period and is a more stable industry compared to IT. However, it will take time to build the required infrastructure for everything from channels to supply chains.

Qisda owns communication, imaging processing, and data management technologies as well as channel development knowledge. Therefore, we will focus on three developmental objectives:

- 1) Increase scanning technology applications by focusing on the specialized mini-photo scanners and extending these efforts to optical touch module applications
- 2) For printers, we will continue to cooperate with partners to seek higher value segments
- 3) In medical electronics, we will provide total solutions, including medical meters, gateways and institution-site servers.

## Research & Development

### Technologies in Deployment

- Paper pick up in high-speed printers and duplex printing controls
- High-speed automatic document feeder
- Stand alone photo/film scanning technology
- CMOS-based touch panel technology
- Embedded SOC system for WinCE, mobile modules, and medical sensors
- Server software applications, platforms, and infrastructure for the healthy care industry

### Short and Long-Term Business Plans

- Color laser printers and mini photo scanners are both forecast to see strong growth in 2010. Qisda will enhance product functions, increase cost competitiveness and boost operation efficiency to maintain its leading position
- Continue cooperating with strategic partners on high-speed printers and have a successful market launch
- Medical devices began shipping in 2009 and will continue with even more products and solutions
- Deliver CMOS-based touch panel module in 2010

## Market Analysis

### Major Sales Markets

Worldwide

### Market Share

Color laser printers will own nearly 3% of the worldwide market with a leading brand partnership in 2010. Mini photo scanners are expected to have more than 70% worldwide market share in the A6 scanner segment in 2010.

## Positive Factors, Negative Factors, and Strategies

### Positive Factors

- The niche segment in mini photo scanners and medical electronics is growing and Qisda is demonstrating leading capabilities compared to other competitors
- Qisda has strong partnership with top tier color laser printer player

### Negative Factors

- Profits will be affected by material and labor cost increases in China

### Strategies

- For niche segments, Qisda is creating more product applications and solutions to increase revenue and profit
- For commodity segments, Qisda will enhance strategic cooperation with customers to increase economies of scale

# Infotainment Solutions Business Unit

## Operational Guidelines

The Infotainment Solutions business unit is focusing on small and medium to large-sized TFT-LCD panel applications for both standard and customized system designs. These applications include automotive solutions, consumer infotainment solutions, and industrial solutions. Emphasis on trendy consumer electronic devices includes products like eBook Readers, Tablets, multimedia routers, digital photo frames and power gateways. Behind the panel supply strength of the Group, we've positioned ourselves at more advanced level vis-à-vis our competitors in the IT industry.

## Business Scope

### Overview of Operations

#### Automotive Solutions

Automotive Solutions focuses on providing ODM/OEM services for automotive infotainment systems, including audio, video, and navigation systems that combine Bluetooth and Telematics in accordance with customer requirements.

#### Consumer Infotainment Solutions

Consumer Infotainment solutions focus on developing trendy consumer infotainment products, including eBook Readers, Tablets, multimedia routers (integrated wireless network technology with multimedia functionality) digital photo frames and power gateways.

#### Industrial Solutions

Industrial solutions cover 7" to 65" displays for industrial applications. This market covers professional graphic display solutions with hand-writing input, graphic solutions with multi-touch or dual-hand-writing input, as well as surveillance and medical applications.

## Product Offerings

#### Automotive Solutions

- Infotainment systems including front and rear seat infotainment
- Integrating information and entertainment into infotainment systems

#### Consumer Infotainment Solutions

- eBook Readers, Tablets, multimedia routers, digital photo frames and power gateways
- A full range of multimedia and infotainment devices along with internet services through Wi-Fi and 3G networks

## Industrial Solutions

- Display solutions for special applications like professional graphics, education, surveillance, outdoor media, gaming, digital signage, etc.

## Product Features

- Automotive Solutions works on developing new generation infotainment solutions that could meet customer requirements in 3 to 5 years. Platform development focuses on user-friendliness, style, affordability, durability, and quality
- Consumer Infotainment Solutions products focus on developing new information and entertainment devices for branded companies. By integrating Wi-Fi and 3.5G wireless capabilities into a consumer device, users can access the internet anywhere, anytime
- Industrial Solutions products are extremely reliable, durable, and come with an extended warranty. We also work with leading industrial PC makers, touch solution makers and 3D display sources to provide customers integrated solutions for their applications

# Industry Overview

## Current Status and Trends in Development

While mature auto markets have become saturated, other emerging markets are strengthening their competitiveness. In order to fulfill the various requirements of different regions, Automotive Solutions products are moving toward lower cost production & materials and the combination of multiple applications to increase value.

The application of small to medium-sized panels (3"-10") with integrated internet connectivity and multimedia functionality has grown dramatically in recent years. The most popular products include eBook Readers, Tablets, multimedia routers and digital photo frames. Together with the standardization of digitalized content and their accelerated promotion by local governments, we believe that multimedia applications for portable consumer electronics devices will continue to grow in the near future.

The market for industrial display solutions is still in a premature stage but it is growing fast. The market size for larger than 26" public displays is projected to be over 2 million units in 2010. The business characteristics of industrial solutions are: 1) many models with small quantities 2) tender cases—therefore the support of key component vendors is critical to business success.

# Research & Development

## Technologies in Deployment

- Bluetooth hand-free and A2DP application
- Hole-less IR control technology
- 6" and 9" EPD with touch panel
- Resistive, capacitive, optical and magnetic LCD touch panels
- Display diagnostic & monitoring software development
- Embedded Wi-Fi connection; integration with 3.5 G connection
- 3D display implements
- Partial zooming from frame buffer for multi-display control

## On-going Efforts

- Build up WinCE capability
- Cloud Computing Devices
- Wireless LAN, and DLNA technology
- Satellite and IP radio function
- Various digital TV standards (ISDB, DMB-TH, DVB-H, ATSC)
- Enhance Android/WinCE design capability
- Efficient power / battery saving mode
- 3D Displays
- Displays with high brightness
- Displays with LED backlight
- Total solutions for digital signage
- Display for graphics users with both pen input & multi-touch

## Short and Long-Term Business Plans

### Automotive Solutions

- Establish relationships with global tier-1 customers and sell pure display systems in the short-term
- In the long-term, expand extension models based on current co-development platforms to fulfill customers' lower cost and higher value requirements to complete their roadmap

### Consumer Electronic Solutions

- Consolidate the existing market share and actively cultivate a positive connection with customers to facilitate potential business opportunities
- Integration of various multimedia features together with network connectivity and expansion of the new portable consumer electronic device sector in 2010

### Industrial Solutions

- Integrate industrial TFT-LCD panels with specific application systems to develop products for public display, industrial display, and various special display applications

## Market Analysis

### Major sales markets

- Automotive solutions products: Europe, Japan, and China
- Consumer infotainment devices: North America, Europe, and Asia
- Industrial solution products: Europe, Asia, and the Americas

## Market Share

Observing consumer behavior in recent years has shown that people are now more willing to spending more when purchasing new personal electronic devices. In short, it is foreseeable that the market demand for eBook Readers, Tablets, multimedia routers and digital photo frames will continue to increase in future. In the past, we successfully developed digital photo frames that captured 8% of the global market. In 2010, we are targeting 10% of the worldwide market share.

## Positive Factors, Negative Factors, and Strategies

### Positive Factors

- Automotive Solutions will take up as much as 40% of the cost of a car. This has become the major growth area among all automobile components. New IT applications are considered a key driving force in automotive solutions. It is a niche market for IT companies to enter the field of automobile applications
- Consumer information devices mainly emphasize EPD technology and TFT-LCD panels applications. With the Group's vertical integration capabilities coupled with great procurement power, we are in a comparably competitive position in the industry
- Signage display shipment quantities are expected to increase 45% annually—a solid support for niche monitor development

### Negative Factors

- The conservative and closed off automobile industry supply chain is the greatest challenge for IT companies. A long history and sustainable supply to auto market is required to be recognized as a qualified supplier to car makers and tier-1 suppliers
- The consumer infotainment solutions market is considered a more challenging industry to enter due to diverse customer specification requirements, price sensitivity and fluctuation of sales forecasts. As a result, it is difficult to make product lifecycle projections and material preparations. Therefore, we must pay attention to market trends and continuously incorporate new technologies into the product line
- The Industrial Solution business division will leverage corporate power & resources to ensure the supply of special-purpose LCD panels and allocate key components to other business divisions to overcome the challenges of small volume procurement

### Strategies

- Engage key customers in joint-development projects
- Take advantage of strong panel and EPD supply from the Group and increase corporate strength in multimedia image tuning, networking compatibility, high-end SoC development experience, ID design capability, and software integration skills
- Utilize the Group integration capabilities effectively to allow us to be in a more advantageous position in the panel supply chain

# Mobile Communications Business Unit

## Operational Guidelines

Qisda has a wealth of experience in global mobile phone ODM business that allows us to efficiently utilize our design, manufacturing, & service resources. The Mobile Communication business unit's core competitiveness lies in our product innovation and design capabilities.

## Business Scope

### Overview of Operations

Since Qisda re-entered mobile phone market as a pure ODM supplier three years ago, we have worked closely with brand customers, telecoms, and technology partners. Currently, progress in the business line is in line with expectations. Qisda successfully shipped 3G phones to top-five branded customer beginning in the third quarter of 2008. The company continues to expand business through the commercialization of products to ensure economies of scale and capital investment in the development of high value-added product lines. We have spent years on the development of mobile phones and wireless communications modules while delivering products to top five mobile phone brand customers. With extensive experience in mobile phone and wireless communication module development, Qisda efficiently utilizes its valuable resources to develop leading products for our customers.

### Product Offerings

- WCDMA/HSDPA mobile phones
- EDGE/WCDMA/HSPA smartphone & tablet devices
- GSM/GPRS/WCDMA/HSPA wireless modules
- HSPA (3.5G) Wireless LAN cards

### Product Features

Qisda maintains a consistent versatility while continuing our devotion to aesthetics and consumer lifestyle needs. With leading mobile communication technology—like 3G/3.5G mobile technology and powerful multimedia features—consumers can enjoy a pleasurable experience with innovative technology. Over the past few years, we focused on the development of tablet devices by integrating wireless communications and touch control interfaces with new internet applications. In addition to 3G phones, Qisda has successfully shipped 3.5G WLAN cards & USB dongles to the Asian & European telecommunications customers.



# Industry Overview

## Industry Trends

The 2010 global mobile phone shipment forecast points toward 12% growth over 2009 shipments. The shipment of smartphones, which offer wider range of internet services, increased 29% compared to 2008.

A high rate of penetration in developed countries in Europe, North America, and East Asia, along with the trend toward smartphone/internet applications led by the iPhone & Google Android, new mobile phone demand would come mainly from the replacement market and first-time demand in developing countries like Brazil, Russia, Indian, and China (BRIC). We anticipate a strong demand from China, India, and Brazil. However, we believe that the consumers would not compromise their demands for personal entertainment. Customer preference is to focus on affordably priced devices that provide more integrated features & services like touch control functions found in smartphones and tablet devices.

## Current Status and Trends in Development

We expect WCDMA/HSPA capable mobile devices to reach 37% of total mobile phone volume. We consider this to be a major opportunity in the next 3-5 years. Over the past 4 years, heavy investment in Qisda's core competence in 3G/3.5G technology has positioned the company to capitalize on this trend while continuing to develop 3G/3.5G smartphones and mobile internet devices.

# Research & Development

## Technologies in Deployment

- GSM/GPRS/EDGE feature phones & Windows Mobile smartphones
- WCDMA/HSDPA feature phones
- WCDMA/HSDPA/HSUPA Windows Mobile smartphones
- GSM/TD-SCDMA Dual-Mode feature phones
- UMA/SIP Dual-Mode Windows Mobile smartphones
- GSM/GPRS/WCDMA/HSPA wireless communication modules
- HSPA wireless LAN cards
- WIMAX Dual-mode smartphone platforms

## On-going Efforts

- HSPA and & LTE Platform and Products (Smartphone, & Tablet devices)
- Open operating system (Android /Windows Mobile ) platform development
- Touch Screen User Interface
- Fixed Mobile Convergence
- GPS & Location Based Service
- WiMAX /Mobile network Multi-Mode Mobile Application
- Near Field Communication

## Short and Long-Term Business Plans

- Maintain and develop business relationships with top 5 brand ODM customers
- The 3G market will continue to grow; with strong 3G development experience and operator customization capabilities, Qisda will strengthen our 3G/3.5G R&D capabilities to build up ODM business and enhance our customer portfolio

## Market Analysis

### Major Sales Markets

- Working with the top 5 branded ODM customers, our 3G phones have been shipping to Europe, LATAM, and Asia since the third-quarter of 2008
- 3.5G wireless modules are mainly sold to the notebook computer and IT customers in Taiwan. These customers then integrate our wireless modules into their products and sell them in Europe and the US. USB dongles are sold mainly to mobile telecoms in Asia-Pacific

### Strategies

- Strengthen 3G/3.5G R&D capability and operator compliance to gain more competitive advantages to offset our smaller economical scale
- Leverage in-house and intra-group vertical integration to gain access to the latest technologies and realize cost benefits
- Take advantage of our highly regarded industrial design capabilities to develop elegant products with user-friendly interface

# Corporate Governance

## Corporate Governance Structure

Qisda complies with Company Law, the Securities and Exchange Act, and other relevant laws and regulations of the Republic of China to formulate and implement the company's corporate governance structure. Qisda's corporate governance structure model is made up of two units, the board of directors and the audit committee. The audit committee is made up of members independent of the board of directors. Members of the board of directors (including independent directors) are selected based on shareholder votes. In principal, the responsibilities of the board of directors are carried out in accordance with relevant laws, company regulations, and shareholder resolutions. The board of directors is also responsible for supervision of company management and overall operational status. The audit committee's responsibilities include accurate financial reporting, selection and performance of independent accountants, effective implementation of internal controls in accordance with relevant laws and regulations, and management of existing and/or potential risk.

Qisda has always believed that upholding shareholder rights and interests is a primary task. In addition to having a professional management team rich in experience, the board of directors also possesses the necessary executive knowledge, technological know-how, professional accomplishments, and devotion to the maximizing shareholder rights and interests. The board of directors has 9 members (including 3 independent directors). The chairman is elected by the board. Board members all have 5 or more years experience in business administration, legal, finance, accounting, or other professional experience required by the company.

## Primary Roles of Governance Entities

Qisda's board of directors considers company and shareholder interests as top priorities in performing operational evaluations and passing significant resolutions. The audit committee fulfills a supervisory role through prudent and careful oversight of the operations of the company and the board of directors.

### Board of Directors

According to the Securities and Exchange Act Article 26, Paragraph 3, Subparagraph 8 regulations, Qisda created the "Regulations Governing Procedure for Board of Directors Meetings". Official board of director business, operational procedures, records of official business, and announcements on company and other related matters are carried out according to these regulations. Qisda's board of directors shall convene at least once per quarter. The guiding policy of the board members shall be to maximize shareholder rights and interests through upright management, faithful obligation, the highest degree of personal oversight, and prudent application of the authority of their positions.

### Audit Committee

In 2008, the company installed independent directors and an audit committee in accordance with the Securities and Exchange Act and shareholder resolutions. Through the "Audit Committee Charter" as defined by the board of directors, the audit committee preserves and strengthens the organization's strategic policies and works to increase operational efficiency through practical

application of corporate governance. Qisda's audit committee must convene at least once per quarter and request the attendance of accountants, internal auditors, risk management, legal, and finance department representatives. By providing information on audit committee reports and inquiries into recent financial reporting status, the results of internal audits, significant litigation, and financial operating status, the audit committee can assist investors in ensuring that company governance is transparent and shareholder rights and interests are safeguarded.

## Board of Directors

### Board Members

Date: April 20, 2010

Title	Name	Education & Experience	Current Positions
Chairman	K.Y. Lee	MBA, Switzerland IMD B.S., Electrical Engineering, National Taiwan University Vice President of Acer PC Product Marketing	Chairman: BenQ Corp., AU Optronics Corp. Director: Daxon Technology Inc., Darfon Electronics Corp., SiPix Technology Inc., Lextar Electronics Corp.
Director	Stan Shih	M.S., Electronic Engineering, National Chiao Tung University Chairman of Acer Group	Chief Consultant: iD SoftCapital Inc. Director: Acer Inc., Taiwan Semiconductor Manufacturing Company, Wistron Corp.
Director	Sheaffer Lee	EMBA, National Cheng Chi University B.S., Electrical Engineering, National Cheng Kung University Associate Vice President, Acer America President, BenQ Corp.	Chairman: Darfon Electronics Corp., Dazao Technology Corp., Darshin Microelectronics Inc. Director: BenQ Corp., Lite-On IT Corp.
Director	Darly Venture Inc. : Hui Hsiung	Ph.D., Physics, University of California-Berkeley B.S., Physics, National Taiwan University EVP of AU Optronics Corp.	Chairman, Qisda Electronics Corp., Qisda Solutions Inc., SiPix Technology Inc. Director: AU Optronics Corp. President, Qisda Corp.
Director	AU Optronics Corp. : Kuo-Hsin Tsai	B.A., Business Administration, National Cheng Kung University	VP & GM, Information Technology Display Business Group, AU Optronics Corp.
Director	China Development Industrial Bank : Daw-Yi, Hsu	MBA, The Ohio State University GM, Wealth Management Group & President, Taiwan Securities, Taishin Financial Holding Co., Ltd.	MD, China Development Financial Holding Corporation Chairman, Grand Cathay Securities Corporation
Independent Director	Ching-Yang Su	EMBA, National Cheng Chi University B.S., Mechanical Engineering, National Cheng Kung University Vice CEO, Yulon Group Director, China Motor Corp., Yulon Motor Corp. Chairman, Fortune Motors Co., Ltd.	Chairman, Joy Technology (Shenzhen) Co., Ltd. President, CMI Holdings Ltd.
Independent Director	Kane K. Wang	Ph.D., The Structure of Technology, Demand, and Market of US Automobile Industry, MIT M.S., Transportation Engineering, National Taiwan University Chair Professor, Graduate Institution of Industrial Economics, National Central University	Director and Professor, China University of Technology Independent Director, Formosa Advanced Technologies Co., Ltd Director, Boston Life Science Venture Co., Global Strategic Investment Management Inc. Supervisor, Platinum Optics Technology Inc.
Independent Director	Min-Tsung Lan	Ph.D., Computer Architecture, UCLA B.S. Electrical Engineering, National Taiwan University Consultant, TransAsia Telecom GM, NxNet Systems, Inc. Sr. VP, Vista Incubation Tech Corp CEO, Acer Internet Services GM, Greater China Region, Cirrus Logic VP and Deputy Country Manager, AT&T China Member of Technical Staff (D-MTS) , AT&T Bell Labs	Consultant, Voxbone S.A.

## Material Resolutions Approved by Board Meetings

Date	No.	Approval Events
2009/03/17	1st Board Meeting	<ul style="list-style-type: none"> <li>◆ Accepted Qisda's 2008 business report and financial statements</li> <li>◆ Accepted the proposal for 2009 deficit compensation by capital reserve</li> <li>◆ Election of a new independent director</li> <li>◆ Approved the proposal for releasing for directors from non-competition</li> <li>◆ Approved to convene 2009 Qisda Annual meeting of shareholders</li> <li>◆ Approved to invest US\$1 million in Yawhan (Suzhou) Co., Ltd. via Qisda (L) Corp. and adjust the investment structures in Mainland China.</li> <li>◆ Approved to remove the non-competition restrictions on Qisda managers who have been appointed to act as the directors of the enterprise invested by Qisda in the Mainland China</li> </ul>
2009/04/28	2nd Board Meeting	<ul style="list-style-type: none"> <li>◆ Accepted Qisda's 2009 Q1 financial statements</li> </ul>
2009/08/27	3rd Board Meeting	<ul style="list-style-type: none"> <li>◆ Accepted Qisda's 2009 H1 financial statements</li> <li>◆ Approved the fund lending to the subsidiary of Qisda Czech s.r.o.</li> </ul>
2009/10/20	4th Board Meeting	<ul style="list-style-type: none"> <li>◆ Accepted Qisda's 2009 Q3 financial statements</li> </ul>

### ***Creating Value for Shareholders and Giving Back to the Community is an Integral Part of Qisda Value***

Qisda's board of directors aims to continue acting in the best interest of our shareholders, in accordance with commonly accepted corporate governance principles. It's with the highest standard that our board members work closely with a dedicated team of audit committee and certificate public accountants in carrying out its supervisor duty.

The board members shall benchmark Qisda against best-in-class corporate governance practices in safeguarding shareholders' interests and making recommendations that will enhance return-on-investment to our shareholders.

*by K.Y. Lee, Chairman*

## Corporate Executive Officers

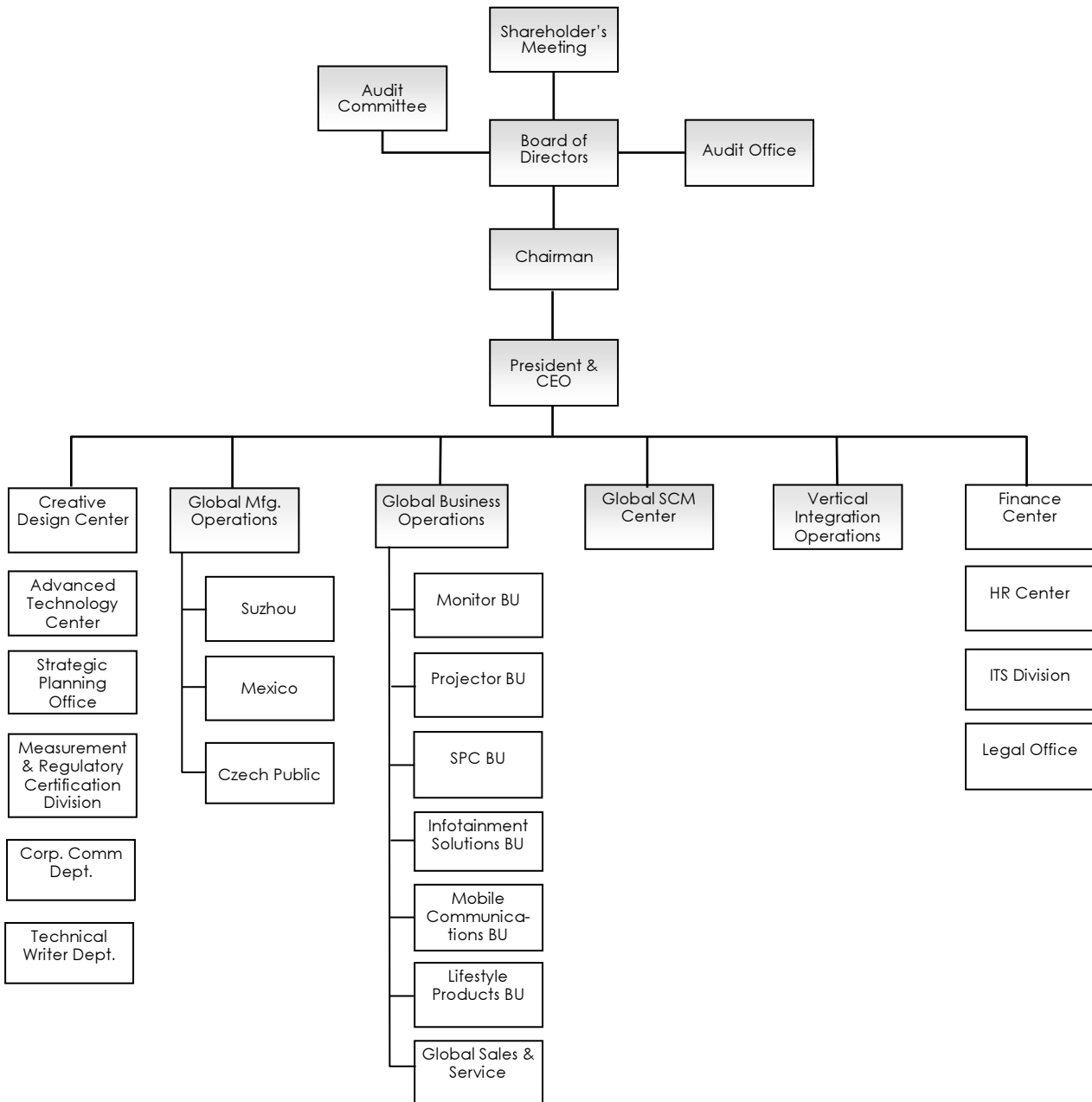
Date: April 20, 2010

Title	Name	Personnel Education & Experience	Other Current Positions
President and CEO	Hui Hsiung	Ph.D., Physics, University of California-Berkeley B.S., Physics, National Taiwan University EVP of AU Optronics Corp.	Chairman, Qisda Electronics Corp., Qisda Solutions Inc., SiPix Technology, Inc. Director: AU Optronics Corp. President, Qisda Corp.
Executive Vice President	Hermit Huang	EMBA, National Taiwan University Electronics Engineering, National Taipei Institute of Technology	Director: Qisda Electronics Corp., Qisda Solutions Inc.
Vice President & CTO, Advanced Technology Center	Kelvin Lee	Ph.D., Electrical Engineering, National Taiwan University M.S., Electrical Engineering, National Cheng Kung University	Director: Qisda Electronics Corp., Qisda Solutions Inc.
Senior Vice President, Global Manufacturing Operations	C.M. Wu	EMBA, Pacific Western University B.S., Electronics Engineering, Chung Yuan Christian University	-
Vice President & GM, Monitor BU	Spark Huang	EMBA, National Cheng Chi University B.S., Physics, Tamkang University	-
Vice President & GM, Projector BU	April Huang	B.S., Economics, National Taiwan University Alpha Publishing Inc. Tokyo, Japan Marketing Manager of Daxon Technology Inc.	-
Vice President & GM, Infotainment Solutions BU	Alpha Tsai	EMBA, National Cheng Chi University M.S., Electrical Engineering, State University of New York B.S., Electrical Engineering, National Taiwan University.	-
Vice President, Global SCM Center	Joe Huang	EMBA, Tsinghua University in Beijing MBA, University of Greenwich	-
Vice President, Global Manufacturing Operations	Mark Hsiao	B.S., Chemical Engineering, Tamkang University Associate Vice President of AU Optronics Corp.	-
Vice President, Vertical Integration Operations	James T. Wang	Ph. D., Mechanical Engineering, Ohio State University B.S., Mechanical Engineering, National Taiwan University	-
Vice President & CDO, Creative Design Center	Manfred Wang	M.S., Industrial Design, The State Academy of Fine Arts and Design in Stuttgart B.S., Applied Arts, Fu Jen Catholic University	Supervisor, Taiwan Design Center
Vice President & CFO, Finance Center	David Wang	M.S., University of Massachusetts B.S., Finance, National Chung Hsing University CEO of Yageo, Ferroxcube CFO of Yageo, Europe	Director: Lite-On IT Corp. Supervisor: Qisda Electronics Corp., Qisda Solutions Inc., Briview Technology Corp.

# Group Organization

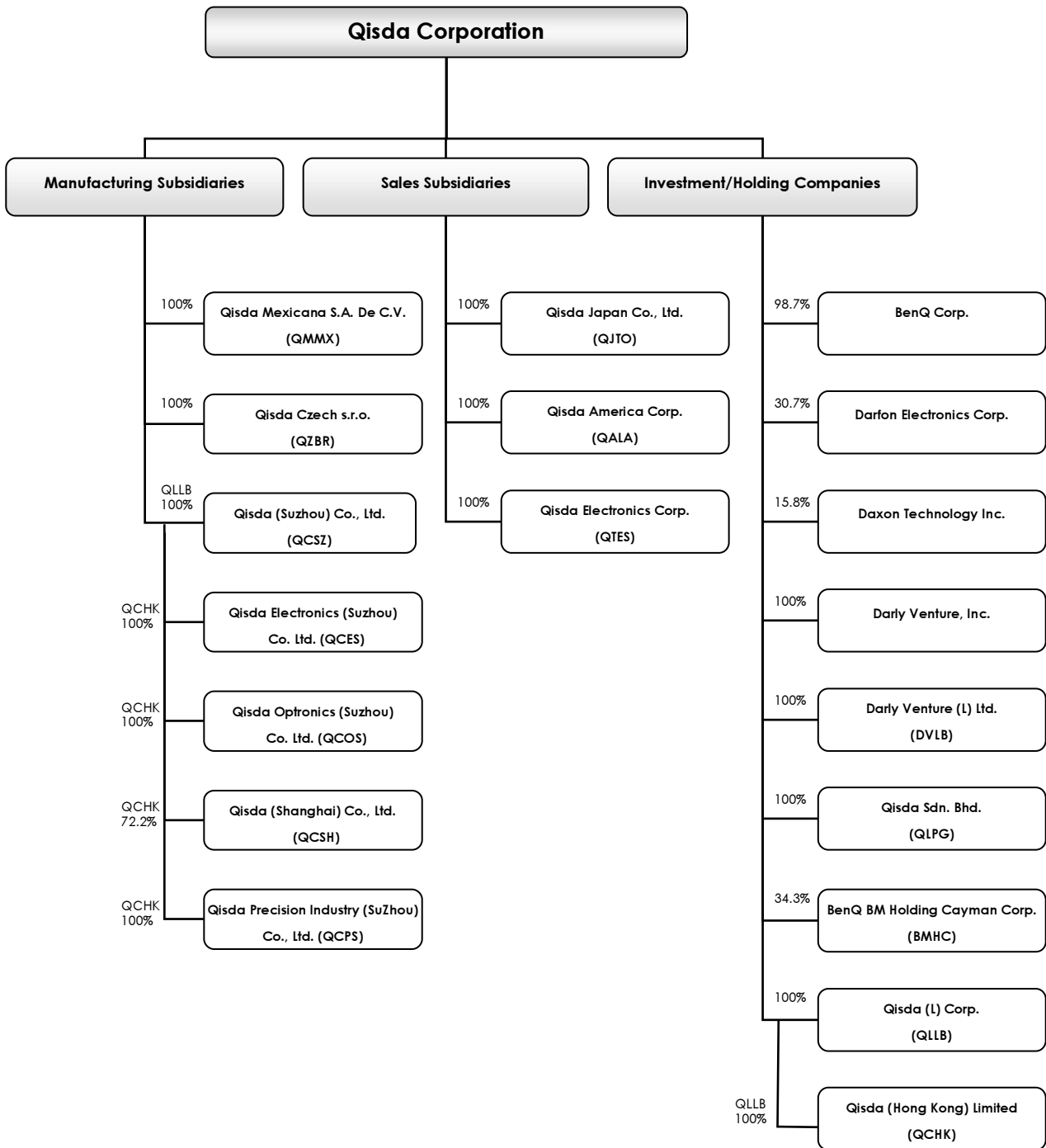
## Company Organization Chart

Date: April 20, 2010



# Affiliated Companies

Date: December 31, 2010





# Company Financials

## Capital and Shares

### Shares Type and Shares Outstanding

Shares Type	Authorized Shares			Notes
	Outstanding shares	Un-issued shares	Total shares	
Common Shares	1,928,217,606	3,071,782,394	5,000,000,000	Listed Shares and Private Placement Shares

### Ownership and Distribution of Shares

	As of April 17, 2010		
	Number of shareholders	Number of shares held	% of shares held
Domestic Individuals	165,331	1,159,460,261	60.13%
Other Domestic Corporations	212	298,770,235	15.49%
Foreign Institutions and Individuals	394	298,788,866	15.50%
Domestic Financial Institutions	62	171,179,999	8.88%
Government Agencies	8	18,245	0.00%
Total	166,007	1,928,217,606	100.00%

## Market and Sales Status

### Sales by Business Unit

Unit: NT\$1,000

Main Products	Sales of 2009	Sales %
Monitor Business Unit	34,851,606	70
Projector Business Unit	7,490,864	15
SPC Business Unit	2,287,244	5
Infotainment Solutions Business Unit	1,648,656	3
Mobile Communications Business Unit	1,479,038	3
Others	1,838,531	4
Total	49,595,939	100

## Sales Areas

Unit: NT\$1,000

Areas	2009		2008	
	Sales	%	Sales	%
Domestic	2,914,380	6	5,205,108	7
America	9,281,949	18	14,355,792	19
Europe	16,117,990	33	33,033,608	44
Asia	18,700,781	38	19,956,603	26
Others	2,580,839	5	2,927,051	4
Total	49,595,939	100	75,478,162	100

## Production Status in the Last Two Years

Unit: Set 1,000; NT\$1,000

Main Products	2009			2008		
	Production Capacity	Production Quantity	Production Amount	Production Capacity	Production Quantity	Production Amount
Monitor Business Unit	25	22	88,274	19	18	83,519
Projector Business Unit	10	9	111,859	0	0	37,009
SPC Business Unit	0	0	312	2	1	44,314
Infotainment Solutions Business Unit	15	14	95,027	0	0	14,084
Mobile Communications Business Unit	0	0	778	0	0	1,043
Others	30	27	181,804	147	134	1,483,732
Total	80	72	478,054	168	153	1,663,701

Note: The figures of production quantity and amount were based on Taiwan entity; overseas entities were excluded.

## Sales Status in the Last Two Years

Unit: Set 1,000; NT\$1,000

Main Products	2009				2008			
	Domestic Sales		Exports Sales		Domestic Sales		Exports Sales	
	Quality	Value	Quality	Value	Quality	Value	Quality	Value
Monitor Business Unit	188	754,959	8,966	34,096,647	311	1,852,590	8,810	45,887,990
Projector Business Unit	48	278,711	530	7,211,570	26	337,516	602	8,241,745
SPC Business Unit	2	2,570	310	2,284,674	54	183,823	2,190	8,990,016
Infotainment Solutions Business Unit	14	17,222	700	1,631,434	9	14,270	743	1,505,060
Mobile Communications Business Unit	103	348,899	609	1,130,139	94	283,486	685	1,183,880
Others	27	1,511,436	51	327,095	116	1,564,501	442	5,433,285
Total	382	2,914,380	11,166	46,681,559	610	4,236,186	13,472	71,241,976

## Net Worth, Earning, Dividends and Market Price Per Share

Unit: NT\$; Per 1,000 Share

		Mar. 31, 2010	2009	2008
Market Price Per Share	Highest Market Price	20.9	21.20	35.75
	Lowest Market Price	14.1	5.51	4.81
	Average Market Price	18.33	14.73	21.03
Net Worth Per Share (Note 1)	Before Distribution	12.58	11.83	11.73
	After Distribution	-	-	-
Earnings Per Share (EPS)	Weighted Average Shares	1,925,668	1,925,668	1,856,809
	EPS	0.90	(0.94)	(1.7)
	EPS-adjusted (Note 2)	-	-	-
Dividends Per Share	Cash dividends	-	-	-
	Stock dividends- Earnings	-	-	-
	Stock dividends- Capital Surplus	-	-	-
	Accumulated Undistributed Dividend	-	-	-
Return On Investment	Price/Earning Ratio (Note 3)	-	-	-
	Price/Dividend Ratio (Note 4)	-	-	-
	Cash Dividend Yield Rate (Note 5)	-	-	-

Note 1: Subject to change after shareholders' meeting resolution

Note 2: Retroactive adjustment for capitalization of bonus

Note 3: Price/Earning ratio = Average market price/Earnings per share

Note 4: Price/Dividend ratio = Average market price/Cash dividends per share

Note 5: Cash dividend yield rate = Cash dividends per share/ Average market price

### Dividend Policy

According to Qisda's Article of Incorporation, the company's dividend policy is as follows:

After making the final settlement of account, the Company shall allocate the net profit, if any, according to the following sequences: paying the taxes, making up loss for preceding years, setting aside 10% thereof for legal reserve, setting aside special reserve in accordance with the regulations of the competent authorities, and distributing cash dividends to Series A Preferred Stock for the given year and the preceding years during which the dividends have been accumulated but not paid. If there is any residual amount after deducting the amounts stated above, the Company shall distribute the residual amount in accordance with the following orders:

1. 5%~20% of the residual amount to employees as bonus;
2. No more than 1% of residual amount for remuneration of directors;
3. All or part of the remaining residual amount to the shareholders as dividend and bonus.

The Company is belonged to technological and capital capacity high tech industry and is in the growing period. In order to execute long-term capital planning and satisfy the shareholders with cash flow demand, the Company adopts residual dividend policy as its dividend policy. Therefore, the Company could keep growing and operating ever. If the Company has residual profit at the end of the fiscal year, when distributing dividend, the Company should consider the future expanding and cash flow demand and distribute dividend by stock mainly and cash partially. Principally, the ratio of cash dividend to total dividend should not lower than Ten percent of total dividend.

## Most Recent 5-year Financial Analysis

Item		Year				
		2009	2008	2007	2006	2005
Financial ratios	Total liabilities to total assets (%)	58	65	69	76	51
	Financial capital to fixed assets (%)	2214	2288	2516	642	978
Liquidity ratios	Current ratios (%)	81	105	116	85	144
	Quick ratios (%)	74	98	102	78	121
	Time interest earned	-	-	4	-	-
Operating performance analysis	A/R turnover (times)	5.11	4.36	5.09	4.60	4.25
	A/R turnover days	71	84	72	79	86
	Inventory turnover (times)	33.97	28.29	35.22	29.24	25.02
	A/P turnover (times)	13.13	11.61	8.53	6.49	5.86
	Inventory turnover days	11	13	10	12	15
	Fixed assets turnover (times)	29.88	42.3	64.13	22.91	20.98
	Total assets turnover (times)	0.91	1.18	1.58	1.62	1.49
Profitability ratios	Return on assets (%)	(2)	(3)	8	(32)	(6)
	Return on equity (%)	(8)	(14)	22	(86)	(11)
	Operating income to paid-in-capital (%)	0	(8)	(31)	(17)	(3)
	PBT to paid-in-capital (%)	(9)	(16)	31	(105)	(20)
	Net income ratio (%)	(4)	(4)	4	(21)	(4)
	EPS (NT\$)	(0.94)	(1.7)	3.11	(17.97)	(2.12)
Cash Flow	Cash flow ratio (%)	57	24	-	-	-
	Cash flow adequacy (%)	-	-	-	4	55
	Cash reinvestment ratio (%)	25	12	-	-	-
Leverage	Operating leverage	575	-	-	-	-
	Financial Leverage	-	-	-	-	-

**Qisda Corporation**  
**Non-consolidated Balance Sheets**  
December 31, 2008 and 2009  
(Expressed in thousands of New Taiwan dollars and US dollars)

Assets	2008			2009			Liabilities and Stockholders' Equity	2008			2009		
	NT\$	NT\$	US\$	NT\$	NT\$	US\$		NT\$	NT\$	US\$	NT\$	NT\$	US\$
<b>Current assets:</b>							<b>Current liabilities:</b>						
Cash and cash equivalents (note 4(a))	7,923,880	774,104	24,229				Short-term borrowings (note 4(g))	8,953,540	1,024,960	32,080			
Financial assets at fair value through profit or loss – current (note 4(b))	53,913	57,718	1,806				Financial liabilities at fair value through profit or loss – current (note 4(b))	309,379	40,770	1,276			
Notes and accounts receivable, net (note 4(c))	4,569,254	2,216,694	69,380				Accounts payable	1,147,622	1,856,434	58,104			
Accounts receivables from related parties (notes 4(e) and 5)	6,844,522	5,773,245	180,696				Accounts payable to related parties (note 5)	1,230,370	2,850,652	89,222			
Other receivables, net (notes 4(c) and 7(e))	1,063,665	1,314,745	41,150				Other payable to related parties (note 5)	156,122	49,729	1,556			
Other receivable from related parties (note 5))	409,805	1,872,013	58,592				Accrued expenses (note 4(h))	3,635,451	4,525,536	141,645			
Other financial assets – current (note 6)	492,900	-	-				Advance receipts	316,305	652,240	20,414			
Inventories (note 4(d))	1,434,006	1,304,921	40,843				Bonds payable due within one year (note 4(i))	3,478,672	1,600,000	50,078			
Prepaid expenses and other current assets	109,084	43,837	1,372				Long-term debt due within one year (notes 4(j) and 6)	2,400,000	1,400,000	43,818			
Fixed assets held for sale (note 4(f))	12,777	-	-				Deferred inter-company profits (note 5)	303,100	160,290	5,017			
Deferred income tax assets – current (note 4(l))	225,467	277,889	8,698				Other current liabilities (notes 4(f) and 7(k))	198,475	2,545,818	79,682			
<b>Total current assets</b>	<b>23,139,273</b>	<b>13,635,166</b>	<b>426,766</b>				<b>Total current liabilities</b>	<b>22,129,036</b>	<b>16,706,429</b>	<b>522,892</b>			
<b>Long-term investments:</b>							<b>Long-term liabilities:</b>						
Equity method (notes 4(e), 5 and 6)	35,580,730	33,782,324	1,057,350				Financial liabilities at fair value through profit or loss-noncurrent (note4(b))	-	24,736	774			
Available-for-sale financial assets – noncurrent (notes 4(b) and 6)	1,620,717	4,014,859	125,661				Bonds payable (note4(i))	1,600,000	112,415	3,518			
Financial assets carried at cost – noncurrent (note 4(b))	158,508	59,157	1,851				Long-term debt (notes 4(j) and 6)	16,600,000	13,800,000	431,925			
	37,359,955	37,856,340	1,184,862				<b>Total long-term liabilities</b>	<b>18,200,000</b>	<b>13,937,151</b>	<b>436,217</b>			
<b>Property, plant and equipment (notes 4(f), 5 and 6):</b>							<b>Other liabilities</b>						
Land	652,697	644,490	20,172				Deferred profits on sale-leaseback transaction (note 4(f))	827,923	718,745	22,496			
Buildings	1,481,470	1,484,575	46,465				Other liabilities (note 4(c))	9,553	494,243	15,470			
Machinery and equipment	844,142	852,923	26,695				<b>Total other liabilities</b>	<b>837,476</b>	<b>1,212,988</b>	<b>37,966</b>			
Furniture and fixtures	115,803	115,396	3,612				<b>Total liabilities</b>	<b>41,166,512</b>	<b>31,856,568</b>	<b>997,075</b>			
Miscellaneous equipment	48,768	46,900	1,468				<b>Stockholders' equity: (note 4(b)(m))</b>						
Prepayments for plant and equipment	15,014	-	-				Common stock	19,282,176	19,282,176	603,511			
	3,157,894	3,144,284	98,412				Capital surplus:						
Less: accumulated depreciation	(1,373,640)	(1,484,549)	(46,465)				Additional paid-in-capital in excess of the common stock's par value	2,738,580	1,196,756	37,457			
<b>Net property, plant and equipment</b>	<b>1,784,254</b>	<b>1,659,735</b>	<b>51,947</b>				Capital surplus from long-term equity investments	4,042,814	3,684,210	115,312			
								6,781,394	4,880,966	152,769			
<b>Intangible assets</b>	<b>72,877</b>	<b>45,961</b>	<b>1,439</b>				Legal reserve	344,527	-	-			
							Special reserve	175,173	-	-			
<b>Other assets :</b>							Accumulated deficit	(2,061,523)	(1,807,773)	(56,581)			
Assets for lease (notes 4(f) and 6)	125,383	144,912	4,536				Cumulative translation adjustment	1,052,316	812,471	25,429			
Idle Assets (note 4(f))	104,324	104,324	3,265				Unrealized loss on available-for-sale financial assets	(2,870,090)	(273,084)	(8,547)			
Refundable deposits	95,210	92,459	2,894				Treasury stock	(77,698)	(81,123)	(2,539)			
Deferred expenses	30,629	124,997	3,912				<b>Total stockholders' equity</b>	<b>22,626,275</b>	<b>22,813,633</b>	<b>714,042</b>			
Deferred income tax assets – noncurrent (note 4(l))	980,315	900,359	28,180				<b>Commitments and contingencies (notes 4(b)(c)(g)(j), 5 and 7)</b>						
Prepaid pension cost (note 4(k))	100,567	105,948	3,316				<b>Total liabilities and stockholders' equity</b>	<b>63,792,787</b>	<b>54,670,201</b>	<b>1,711,117</b>			
<b>Total other assets</b>	<b>1,436,428</b>	<b>1,472,999</b>	<b>46,103</b>										
<b>Total assets</b>	<b>63,792,787</b>	<b>54,670,201</b>	<b>1,711,117</b>										

(Note: Translation of New Taiwan dollar amounts into U.S. dollar amounts is included in the non-consolidated financial statements solely for the convenience of the readers, using the noon buying rate of the Federal Reserve Bank in New York on December 31, 2009, of NT\$31.95 to US\$1 uniformly for all the financial statements accounts.)

Qisda Corporation  
Non-consolidated Statements of Operations  
For the years ended December 31, 2008 and 2009  
(Expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2008	2009	
	NT\$	NT\$	US\$
Net sales (note 5)	75,478,162	49,595,939	1,552,299
Cost of goods sold (notes 4(d)(k), 5 and 10)	(73,115,507)	(46,518,811)	(1,455,988)
Gross profit	<u>2,362,655</u>	<u>3,077,128</u>	<u>96,311</u>
Change in unrealized inter-company profits (note 5)	29,865	142,810	4,470
Realized gross profit	<u>2,392,520</u>	<u>3,219,938</u>	<u>100,781</u>
Operating expenses: (notes 4(f)(k), 5 and 10)			
Selling	(1,193,341)	(827,090)	(25,887)
Administrative	(650,825)	(511,023)	(15,994)
Research and development	(2,163,700)	(1,796,157)	(56,218)
	<u>(4,007,866)</u>	<u>(3,134,270)</u>	<u>(98,099)</u>
Operating income (loss)	<u>(1,615,346)</u>	<u>85,668</u>	<u>2,682</u>
Non-operating income:			
Interest income (note 5)	28,908	31,972	1,001
Dividend income	205,158	117,125	3,666
Evaluation gain on financial instruments, net (notes 4(b)(o))	566,489	10,767	337
Gain on disposal of property, plant and equipment (note 5)	79,136	2,487	78
Gain on disposal of investments, net (note 4(e))	647	23	1
Others (note 5)	203,009	130,302	4,078
	<u>1,083,347</u>	<u>292,676</u>	<u>9,161</u>
Non-operating expenses:			
Interest expense	(1,094,378)	(544,277)	(17,035)
Investment loss recorded under the equity method, net (note 4(e))	(899,204)	(1,370,767)	(42,904)
Other investment loss (note 4(b))	-	(86,097)	(2,695)
Loss on disposal of property, plant and equipment (note 5)	(14,546)	(488)	(15)
Foreign currency exchange loss, net	(588,633)	(127,379)	(3,987)
Others (note 4(i))	(21,100)	(29,575)	(926)
	<u>(2,617,861)</u>	<u>(2,158,583)</u>	<u>(67,562)</u>
Loss before income tax	<u>(3,149,860)</u>	<u>(1,780,239)</u>	<u>(55,719)</u>
Income tax expense (note 4(l))	-	(27,534)	(862)
Net loss	<u>(3,149,860)</u>	<u>(1,807,773)</u>	<u>(56,581)</u>
Earnings per share	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>
(expressed in New Taiwan dollars and US dollars):(note 4(n))			<u>After tax</u>
Basic earnings per share	<u>(1.70)</u>	<u>(1.70)</u>	<u>(0.92)</u>
			<u>(0.94)</u>

Qisda Corporation  
Statements of Changes in Stockholders' Equity  
For the years ended December 31, 2008 and 2009  
(Expressed in thousands of New Taiwan dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings (Accumulated Deficit)	Unrealized Loss on Available-for-sale Financial Assets	Cumulative Translation Adjustment	Treasury Stock	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<b>Balance as of January 1, 2008</b>	15,389,280	5,366,084	-	-	3,445,276	(862,944)	687,770	(83,102)	23,942,364
Net loss for 2008	-	-	-	-	(3,149,860)	-	-	-	(3,149,860)
Issuance of common stock for cash (note 4(m))	2,261,420	2,738,580	-	-	-	-	-	-	5,000,000
Appropriation of earnings and capital surplus (note 4(m)):									
Appropriation of legal reserve and special reserve	-	-	344,527	175,173	(519,700)	-	-	-	-
Stock dividends to shareholders	1,412,056	-	-	-	(1,412,056)	-	-	-	-
Bonus to employees - in stock	219,420	-	-	-	(219,420)	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(176,507)	-	-	-	(176,507)
Directors remuneration	-	-	-	-	(29,256)	-	-	-	(29,256)
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	5,404	5,404
Adjustments of net equity of investee companies	-	(1,323,270)	-	-	-	-	-	-	(1,323,270)
Change in cumulative translation adjustment	-	-	-	-	-	-	364,546	-	364,546
Change in unrealized loss on available-for-sale financial assets (note 4(b))	-	-	-	-	-	(1,639,420)	-	-	(1,639,420)
Change in unrealized loss on available-for-sale financial assets held by equity method investees	-	-	-	-	-	(367,726)	-	-	(367,726)
<b>Balance as of December 31, 2008</b>	<b>19,282,176</b>	<b>6,781,394</b>	<b>344,527</b>	<b>175,173</b>	<b>(2,061,523)</b>	<b>(2,870,090)</b>	<b>1,052,316</b>	<b>(77,698)</b>	<b>22,626,275</b>
Net loss for 2009	-	-	-	-	(1,807,773)	-	-	-	(1,807,773)
Appropriation of earnings and capital surplus: (note 4(m))									
Decrease in capital surplus and legal reserve to offset accumulated deficit	-	(1,541,823)	(344,527)	(175,173)	2,061,523	-	-	-	-
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	(3,425)	(3,425)
Adjustments of net equity of investee companies	-	(358,605)	-	-	-	-	-	-	(358,605)
Change in cumulative translation adjustment	-	-	-	-	-	-	(239,845)	-	(239,845)
Change in unrealized loss on available-for-sale financial assets (note 4(b))	-	-	-	-	-	2,394,142	-	-	2,394,142
Change in unrealized gain on available-for-sale financial assets held by equity method investees	-	-	-	-	-	202,864	-	-	202,864
<b>Balance as of December 31, 2009</b>	<b>19,282,176</b>	<b>4,880,966</b>	<b>-</b>	<b>-</b>	<b>(1,807,773)</b>	<b>(273,084)</b>	<b>812,471</b>	<b>(81,123)</b>	<b>22,813,633</b>

**Qisda Corporation**  
**Non-consolidated Statements of Cash Flows**  
**For the years ended December 31, 2008 and 2009**  
**(Expressed in thousands of New Taiwan dollars and US Dollars)**

	2008	2009	
	NT\$	NT\$	US\$
<b>Cash flows from operating activities:</b>			
Net loss	(3,149,860)	(1,807,773)	(56,581)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	169,153	136,614	4,276
Amortization	355,625	65,478	2,049
Amortization of discount on convertible bond	87,996	8,721	273
Change in provision for bad debt	(16,901)	(18,544)	(580)
Change in provision for inventory obsolescence	9,410	(18,448)	(577)
Investment loss on long-term equity investments, net	899,204	1,370,767	42,904
Cash dividends received from investments recognized under equity method	1,974,756	404,260	12,653
Gain on disposal of investments	(647)	(23)	(1)
Loss (gain) on redemption of bonds	(126)	10,511 #	329
Impairment loss on financial assets carried at cost	-	86,097	2,695
Gain on disposal of property, plant and equipment, net	(64,590)	(1,999)	(63)
Amortization of deferred profits on sale-leaseback transaction	(109,176)	(109,178)	(3,417)
Amortization of bond issuance costs	1,400	1,200	37
Deferred income tax assets	-	27,534	862
Differences in accounts in the accompanying balance sheets:			
Financial assets/ liabilities at fair value through profit or loss	(566,489)	(10,767)	(337)
Notes and accounts receivable	1,368,329	2,371,104	74,213
Receivables from related parties	10,485,219	1,221,316	38,226
Other receivables	903,082	(92,493)	(2,895)
Inventories	2,291,730	147,533	4,617
Prepaid expenses and other current assets	(18,683)	65,247	2,042
Prepaid pension	(14,477)	(5,381)	(168)
Accounts payable	(1,595,011)	708,812	22,185
Payables to related parties	(6,568,284)	1,513,889	47,383
Deferred inter-company profit	(29,865)	(142,810)	(4,470)
Accrued expenses and other current liabilities	(1,162,967)	3,573,363	111,842
Other liabilities	(19,105)	(7,482)	(234)
<b>Net cash provided by operating activities</b>	<b>5,229,723</b>	<b>9,497,548</b>	<b>297,263</b>
<b>Cash flows from investing activities:</b>			
Increase in receivables from related parties	-	(1,620,795)	(50,729)
Addition to long-term equity investments	(1,306,767)	(34,100)	(1,067)
Other financial assets – current	10,151	492,900	15,427
Additions to property, plant and equipment	(68,935)	(71,495)	(2,237)
Proceeds from disposal of idle assets	65,774	742	23
Proceeds from disposal of property, plant and equipment	31,322	53,905	1,687
Increase in intangible assets, refundable deposits and deferred assets	(87,301)	(131,378)	(4,112)
Proceeds from investees' capital reduction	22,429	13,877	434
<b>Net cash used in investing activities</b>	<b>(1,333,327)</b>	<b>(1,296,344)</b>	<b>(40,574)</b>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings	258,816	(7,928,580)	(248,156)
Decrease in long-term debt	-	(3,800,000)	(118,936)
Redemption of bonds	(2,236,745)	(3,622,400)	(113,377)
Distribution of cash dividends, and directors' remuneration	(205,763)	-	-
Issuance of common stock for cash	5,000,000	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>2,816,308</b>	<b>(15,350,980)</b>	<b>(480,469)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,712,704</b>	<b>(7,149,776)</b>	<b>(223,780)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,211,176</b>	<b>7,923,880</b>	<b>248,009</b>
<b>Cash and cash equivalents at end of period</b>	<b>7,923,880</b>	<b>774,104</b>	<b>24,229</b>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the period for:			
Interest	1,102,684	594,391	18,604
Income taxes	6,803	1,878	59
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Changes in unrealized loss on available-for-sale financial assets	(1,639,420)	(2,394,142)	(74,934)
Adjustments of net equity of investee companies	(1,323,270)	(358,605)	(11,224)
Increase (decrease) in cumulative translation adjustment	364,546	(239,845)	(7,507)



Qisda Corporation and subsidiaries  
Consolidated Balance Sheets  
December 31, 2008 and 2009  
(expressed in thousands of New Taiwan dollars and US dollars)

Assets	2008.12.31	2009.12.31		Liabilities and Stockholders' Equity	2008.12.31	2009.12.31	
	NT\$	NT\$	US\$		NT\$	NT\$	US\$
<b>Current assets:</b>				<b>Current liabilities:</b>			
Cash and cash equivalents (note 4(a))	19,627,193	9,850,766	308,318	Short-term borrowings (notes 4(i) and 6)	25,241,104	7,022,224	219,788
Financial assets at fair value through profit or loss — current (note 4(b))	1,392,532	1,118,201	34,998	Financial liabilities at fair value through profit or loss — current (note 4(b))	505,672	119,099	3,728
Available-for-sale financial assets — current (note 4(b))	4,904	1,066	33	Notes and accounts payable	23,150,643	26,007,636	814,011
Notes and accounts receivable, net (note 4(c))	18,875,167	17,463,506	546,589	Accounts payable to related parties (note 5)	1,747,301	2,384,179	74,622
Notes and accounts receivable from related parties (note 5)	2,650,670	1,258,944	39,404	Other payables to related parties (note 5)	20,795	34,792	1,089
Other receivables, net (notes 4(c), 5 and 7(l))	3,332,842	3,151,402	98,635	Accrued expenses and other current liabilities (notes 4(f) and 7(k))	14,210,858	16,408,608	513,571
Other receivables from related parties (note 5)	88,821	14,424	451	Bonds payable due within one year (note 4(j))	3,478,672	1,600,000	50,078
Other financial assets — current (note 6)	3,486,426	1,855,568	58,077	Long-term debt due within one year (notes 4(k) and 6)	4,818,170	2,989,723	93,575
Inventories (note 4(d))	17,698,890	15,129,466	473,536	<b>Total current liabilities</b>	<b>73,173,215</b>	<b>56,566,261</b>	<b>1,770,462</b>
Prepaid expenses and other current assets	1,461,246	1,500,736	46,971				
Fixed assets held for sale (note 4(f))	12,777	-	-	<b>Long-term liabilities:</b>			
Deferred income tax assets — current (note 4(n))	544,254	570,302	17,850	Financial liabilities at fair value through profit or loss — noncurrent (note 4(b))	-	24,736	774
<b>Total current assets</b>	<b>69,175,722</b>	<b>51,914,381</b>	<b>1,624,862</b>	Long-term debt (notes 4(k) and 6)	21,691,373	20,993,896	657,086
				Bonds payable (note 4(j))	1,600,000	112,415	3,519
<b>Long-term investments:</b>				<b>Total long-term liabilities</b>	<b>23,291,373</b>	<b>21,131,047</b>	<b>661,379</b>
Equity method (notes 4(e) and 6)	22,950,366	20,619,971	645,382	<b>Other liabilities:</b>			
Available-for-sale financial assets — noncurrent (notes 4(b) and 6)	1,657,977	4,094,155	128,143	Liability under capital lease (note 4(l))	963,246	993,623	31,099
Financial assets carried at cost — noncurrent (note 4(b))	450,666	268,815	8,414	Deferred profits on sale-leaseback transaction (note 4(f))	827,923	718,745	22,496
	<b>25,059,009</b>	<b>24,982,941</b>	<b>781,939</b>	Other liabilities	626,637	625,391	19,574
<b>Property, plant and equipment: (notes 4(f)(l) and 6)</b>				<b>Total other liabilities</b>	<b>2,417,806</b>	<b>2,337,759</b>	<b>73,169</b>
Land	1,947,729	1,928,767	60,368	<b>Total liabilities</b>	<b>98,882,394</b>	<b>80,035,067</b>	<b>2,505,010</b>
Buildings	16,919,228	18,171,658	568,753				
Machinery and equipment	20,217,025	21,203,522	663,647	<b>Stockholders' equity: (note 4 (o))</b>			
Furniture and fixtures	1,108,792	918,007	28,733	Common stock	19,282,176	19,282,176	603,511
Leased assets	956,548	956,641	29,942	Capital surplus:			
Miscellaneous equipment	1,332,148	1,543,744	48,317	Additional paid-in-capital in excess of the common stock's par value	2,738,580	1,196,756	37,457
Leasehold improvement	196,275	1,022,432	32,001	Capital surplus from long-term equity investments	4,042,814	3,684,210	115,312
Prepayments for plant and equipment	4,287,405	2,514,252	78,693		6,781,394	4,880,966	152,769
	<b>46,965,150</b>	<b>48,259,023</b>	<b>1,510,454</b>	Legal reserve	344,527	-	-
Less: allowance for impairment of fixed assets	(811,547)	(1,062,639)	(33,259)	Special reserve	175,173	-	-
Less: accumulated depreciation	(16,521,934)	(18,824,841)	(589,197)	Accumulated deficit	(2,061,523)	(1,807,773)	(56,581)
<b>Net property, plant and equipment</b>	<b>29,631,669</b>	<b>28,371,543</b>	<b>887,998</b>	Cumulative translation adjustment	1,052,316	812,471	25,429
<b>Intangible assets(note 4(g))</b>	<b>3,164,724</b>	<b>3,266,878</b>	<b>102,250</b>	Unrealized loss on available-for-sale financial assets	(2,870,090)	(273,084)	(8,547)
<b>Other assets :</b>				Treasury stock	(77,698)	(81,123)	(2,539)
Pledged cash and cash equivalents (note 6)	-	193,000	6,041		<b>22,626,275</b>	<b>22,813,633</b>	<b>714,042</b>
Refundable deposits (note 4(l))	157,483	232,411	7,274	Minority interest	7,693,820	8,320,237	260,414
Deferred expenses and other assets (notes 4(f)(h)(m))	868,528	1,017,265	31,840	<b>Total stockholders' equity</b>	<b>30,320,095</b>	<b>31,133,870</b>	<b>974,456</b>
Deferred income tax assets — noncurrent (note 4(n))	1,145,354	1,190,518	37,262	<b>Commitments and contingencies (notes 4(b)(k), and 7 )</b>			
<b>Total other assets</b>	<b>2,171,365</b>	<b>2,633,194</b>	<b>82,417</b>	<b>Total liabilities and stockholders' equity</b>	<b>129,202,489</b>	<b>111,168,937</b>	<b>3,479,466</b>
<b>Total assets</b>	<b>129,202,489</b>	<b>111,168,937</b>	<b>3,479,466</b>				

(Note: Translation of New Taiwan dollar amounts into U.S. dollar amounts is included in the consolidated financial statements solely for the convenience of the readers, using the noon buying rate of the Federal Reserve Bank in New York on December 31, 2009, of NT\$31.95 to US\$1 uniformly for all the financial statements accounts.)

**Qisda Corporation and subsidiaries**  
**Consolidated Statements of Operations**  
**For the years ended December 31, 2008 and 2009**  
**(expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)**

	2008	2009	
	NT\$	NT\$	US\$
Net sales (note 5)	169,507,542	150,144,170	4,699,348
Cost of goods sold (notes 4(d) (m) (o), 5 and 10(a))	(156,623,352)	(134,115,531)	(4,197,669)
Gross profit	<u>12,884,190</u>	<u>16,028,639</u>	<u>501,679</u>
Operating expenses (notes 4(f) (m) (o) and 10(a)):			
Selling	(9,109,250)	(7,602,882)	(237,962)
Administrative	(3,218,019)	(3,473,515)	(108,717)
Research and development	(3,658,412)	(3,479,331)	(108,899)
	<u>(15,985,681)</u>	<u>(14,555,728)</u>	<u>(455,578)</u>
Operating income (loss)	<u>(3,101,491)</u>	<u>1,472,911</u>	<u>46,101</u>
Non-operating income:			
Interest income	381,375	170,289	5,330
Investment income recorded under the equity method, net (note 4(e))	1,752,544	-	-
Evaluation gain on financial instruments, net (notes 4(b)(q))	427,567	156,379	4,894
Foreign currency exchange gain, net	-	14,264	447
Dividend income	221,546	122,093	3,821
Gain on disposal of investments, net (note 4(b)(e))	745,443	438,273	13,718
Gain on disposal of property, plant and equipment	244,195	64,042	2,004
Others	834,680	603,660 #	18,894
	<u>4,607,350</u>	<u>1,569,000</u>	<u>49,108</u>
Non-operating expenses:			
Interest expense (note 4(f))	(2,188,441)	(1,219,899)	(38,182)
Investment loss recorded under the equity method, net (note 4(e))	-	(1,918,168)	(60,037)
Other investment loss (note 4(b))	(142,103)	(86,097)	(2,695)
Loss on disposal of property, plant and equipment	(180,655)	(110,636)	(3,463)
Foreign currency exchange loss, net	(855,308)	-	-
Impairment Loss (note 4(f)(g))	(416,462)	(281,573)	(8,813)
Others (note 4(j))	(306,813)	(179,461)	(5,616)
	<u>(4,089,782)</u>	<u>(3,795,834)</u>	<u>(118,806)</u>
Loss before income tax	<u>(2,583,923)</u>	<u>(753,923)</u>	<u>(23,597)</u>
Income tax expense(note 4(n))	(941,184)	(505,504)	(15,822)
Net loss	<u>(3,525,107)</u>	<u>(1,259,427)</u>	<u>(39,419)</u>
Attributable to:			
Shareholders of the parent	(3,149,860)	(1,807,773)	(56,581)
Minority interest	(375,247)	548,346	17,162
Net loss	<u>(3,525,107)</u>	<u>(1,259,427)</u>	<u>(39,419)</u>
Earnings per share (expressed in New Taiwan dollars)(note 4(p)):			
Basic earnings per share	<u>(1.70)</u>	<u>(0.94)</u>	

Qisda Corporation and subsidiaries  
Consolidated Statements of Changes in Stockholder's Equity  
For the years ended December 31, 2008 and 2009  
(Expressed in thousands of New Taiwan dollars)

	Common Stock NT\$	Capital Surplus NT\$	Legal Reserve NT\$	Special Reserve NT\$	Retained Earnings (Accumulated Deficit) NT\$	Cumulative Translation Adjustment NT\$	Unrealized Loss on Available-for-sale Financial Assets NT\$	Treasury Stock NT\$	Minority Interest NT\$	Total NT\$
<b>Balance as of January 1, 2008</b>	15,389,280	5,366,084	-	-	3,445,276	687,770	(862,944)	(83,102)	3,748,369	27,690,733
Net loss for 2008	-	-	-	-	(3,149,860)	-	-	-	(375,247)	(3,525,107)
Issuance of common stock for cash	2,261,420	2,738,580	-	-	-	-	-	-	-	5,000,000
Appropriation of earnings and capital surplus (note 4(o)):										
Appropriation of legal reserve and special reserve	-	-	344,527	175,173	(519,700)	-	-	-	-	-
Stock dividends to shareholders	1,412,056	-	-	-	(1,412,056)	-	-	-	-	-
Bonus to employees - in stock	219,420	-	-	-	(219,420)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(176,507)	-	-	-	-	(176,507)
Directors remuneration	-	-	-	-	(29,256)	-	-	-	-	(29,256)
Changes in minority interest	-	-	-	-	-	-	-	-	4,320,698	4,320,698
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	5,404	-	5,404
Adjustments of net equity of investee companies	-	(1,323,270)	-	-	-	-	-	-	-	(1,323,270)
Change in cumulative translation adjustment	-	-	-	-	-	364,546	-	-	-	364,546
Change in unrealized loss on available-for-sale financial assets (note 4(b))	-	-	-	-	-	-	(1,639,420)	-	-	(1,639,420)
Change in unrealized loss on available-for-sale financial assets held by equity method investees (note 4(b))	-	-	-	-	-	-	(367,726)	-	-	(367,726)
<b>Balance as of December 31, 2008</b>	<u>19,282,176</u>	<u>6,781,394</u>	<u>344,527</u>	<u>175,173</u>	<u>(2,061,523)</u>	<u>1,052,316</u>	<u>(2,870,090)</u>	<u>(77,698)</u>	<u>7,693,820</u>	<u>30,320,095</u>
Net loss for 2009	-	-	-	-	(1,807,773)	-	-	-	548,346	(1,259,427)
Appropriation of earnings and capital surplus (note 4(o)):										
Decrease in capital surplus and legal reserve to offset accumulated deficit	-	(1,541,823)	(344,527)	(175,173)	2,061,523	-	-	-	-	-
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	(3,425)	-	(3,425)
Adjustments of net equity of investee companies	-	(358,605)	-	-	-	-	-	-	-	(358,605)
Changes in minority interest	-	-	-	-	-	-	-	-	78,071	78,071
Change in cumulative translation adjustment	-	-	-	-	-	(239,845)	-	-	-	(239,845)
Change in unrealized loss on available-for-sale financial assets (note 4(b))	-	-	-	-	-	-	2,394,142	-	-	2,394,142
Change in unrealized loss on available-for-sale financial assets held by equity method investees (note 4(b))	-	-	-	-	-	-	202,864	-	-	202,864
<b>Balance as of December 31, 2009</b>	<u><u>19,282,176</u></u>	<u><u>4,880,966</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(1,807,773)</u></u>	<u><u>812,471</u></u>	<u><u>(273,084)</u></u>	<u><u>(81,123)</u></u>	<u><u>8,320,237</u></u>	<u><u>31,133,870</u></u>

**Qisda Corporation and subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2008 and 2009**  
**(expressed in thousands of New Taiwan dollars and US Dollars)**

	2,008	2009	
	NT\$	NT\$	US\$
<b>Cash flows from operating activities:</b>			
Net loss	(3,525,107)	(1,259,427)	(39,419)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	3,583,732	3,732,994	116,839
Amortization	743,784	450,652	14,105
Impairment loss	416,462	281,573	8,813
Other investment loss	142,103	86,097	2,695
Evaluation gain on financial instruments	(427,567)	(156,379)	(4,894)
Loss (gain) on disposal of property, plant and equipment, net	(63,540)	46,594	1,459
Amortization of deferred profits on sale-leaseback transaction	(109,176)	(109,178)	(3,417)
Loss (gain) on redemption of bonds	(126)	10,511	329
Deferred assets charged to expenses	1,275	7,136	223
Fixed assets charged to expenses	8,970	30	1
Gain on disposal of investments	(745,443)	(438,273)	(13,718)
Investment loss (income) recorded under the equity method, net	(1,752,544)	1,918,168	60,037
Cash dividends received from investments recorded under equity method	1,585,358	231,277	7,239
Amortization of bond issuance costs	0	0	0
Amortization of discount on convertible bond	89,396	9,921	311
Deferred income tax assets	112,795	(71,212)	(2,229)
Differences in accounts in the accompanying balance sheets:			
Financial assets at fair value through profit or loss	1,065,325	306,786	9,602
Notes and accounts receivable	5,111,616	1,411,661	44,183
Receivables from related parties	(1,403,358)	1,466,123	45,888
Inventories	11,216,542	2,569,424	80,420
Other receivables	845,196	181,440	5,679
Other financial assets – current	32,383	48,665	1,523
Prepaid expenses and other current assets	4,822	(39,490)	(1,236)
Prepaid pension	(14,477)	(3,587)	(112)
Notes and accounts payable	(6,286,435)	2,856,993	89,421
Payables to related parties	(3,963,821)	650,875	20,372
Accrued expenses and other current liabilities	(1,289,797)	2,207,311	69,086
Other liabilities	875,818	29,131	912
<b>Net cash provided by operating activities</b>	<u>6,254,186</u>	<u>16,425,816</u>	<u>514,112</u>
<b>Cash flows from investing activities:</b>			
Decrease in pledged cash and cash equivalents	-	1,389,193	43,480
Proceeds from disposal of property, plant and equipment	499,577	224,489	7,026
Additions to property, plant and equipment	(7,446,330)	(3,330,293)	(104,234)
Increase in other assets	(916,986)	(857,029)	(26,824)
Proceeds from disposal of long-term equity investments	894,923	612,814	19,180
Additions to long-term equity investments	(59,500)	(5,504)	(172)
Proceeds from investees' capital reduction	20,576	13,254	415
Decrease (increase) in available-for-sale financial assets	(1,254)	3,929	123
<b>Net cash used in investing activities</b>	<u>(7,008,994)</u>	<u>(1,949,147)</u>	<u>(61,006)</u>
<b>Cash flows from financing activities:</b>			
Issuance of common stock for cash	5,000,000	-	-
Increase (decrease) in short-term borrowings	9,410,214	(18,218,880)	(570,231)
Decrease in long-term debt	(931,442)	(5,763,771)	(180,400)
Increase in long-term debt	1,642,576	3,268,295	102,294
Redemption of bonds	(2,236,745)	(3,622,400)	(113,377)
Cash dividend, directors' remuneration and employees' bonuses	(205,763)	-	-
Decrease in minority interest	(705,448)	(79,753)	(2,496)
<b>Net cash provided by (use in) financing activities</b>	<u>11,973,392</u>	<u>(24,416,509)</u>	<u>(764,210)</u>
Effect of exchange rate changes	(768,425)	163,413	5,114
Effect of new consolidated subsidiaries	1,065,393	-	-
<b>Net increase(decrease) in cash and cash equivalents</b>	<u>11,515,552</u>	<u>(9,776,427)</u>	<u>(305,990)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>8,111,641</u>	<u>19,627,193</u>	<u>614,309</u>
<b>Cash and cash equivalents at end of period</b>	<u>19,627,193</u>	<u>9,850,766</u>	<u>308,319</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the period for:			
Interest	2,150,115	1,384,640	429,793
Income taxes	440,004	186,195	(113,549)
<b>Supplemental disclosure of non-cash investing and financial activities:</b>			
Changes in unrealized loss on available-for-sale financial assets	(1,639,420)	(2,394,142)	(74,934)
Adjustments of net equity of investee companies	(1,323,270)	(358,605)	(11,224)
Increase (decrease) in cumulative translation adjustment	364,546	(239,845)	(7,507)

# Qisda Fact Sheet

<b>Founded</b>	April 21, 1984
<b>Market Cap.</b>	US\$ 1.09 Billion (Mar. 31, 2010)
<b>Revenue</b>	US\$ 2.49 Billion (Year 2009)
<b>Chairman</b>	K.Y. Lee
<b>President &amp; CEO</b>	Hui Hsiung
<b>Group Company</b>	AU Optronics Corporation, BenQ Corporation, Darfon Electronics Corporation, Daxon Technology Inc., BenQ Guru Software Co., BenQ Hospital, Darwin Precisions, Ltd, Raydium Semiconductor Corporation, Cando Corporation, Wellypower Co., Ltd, and Daxin Material Corporation
<b>Product Portfolio</b>	<ul style="list-style-type: none"> <li>● <b>Displays</b> <ul style="list-style-type: none"> <li>◆ Multifunction Monitors</li> <li>◆ Traditional MNT (4:3): 17", 19", 20"</li> <li>◆ Wide screen MNT: 15.6"W、18.5"W、19"W、20"W、21.5"W、22"W、23"W、24"W、27"W</li> <li>◆ Professional Monitor/ Medical and Broadcasting</li> <li>◆ Industrial Solutions: Professional Display for Security, Graphics, Education, Medical and Gaming applications</li> <li>◆ Digital Signage Display and Open Frame</li> <li>◆ Pen/ Touch LCD Display and Module</li> </ul> </li> <li>● <b>Projectors</b> <ul style="list-style-type: none"> <li>◆ Data Projector, Video Projector, Short throw Projector</li> </ul> </li> <li>● <b>All-in-One PC</b> : 18.5" ,21.5"</li> <li>● <b>Imaging Devices</b> <ul style="list-style-type: none"> <li>◆ Color Inkjet Printer, Color Inkjet Multifunctional Printer</li> <li>◆ Color Laser Printer(CLP), Color Laser Multifunctional Printer(MFP)</li> <li>◆ High-speed inkjet printer, High-speed Multifunctional Printer</li> <li>◆ Image Scanner, Auto Document Feeder</li> <li>◆ Mini Photo Scanner, Portable Scanner</li> </ul> </li> <li>● <b>Mobile Communication Devices</b> <ul style="list-style-type: none"> <li>◆ WCDMA, Smartphone</li> <li>◆ MID (Mobile Internet Device)</li> <li>◆ Mobile Tablet</li> <li>◆ Dual-Mode Phone: WiMax + Cellular</li> <li>◆ Wireless Module: GSM/ GPRS/ WCDMA/ HSDPA/HSUPA</li> <li>◆ USB Modem Card: HSDPA/HSUPA</li> </ul> </li> <li>● <b>Automobile Infotainment Electronics: TS16949 Certified</b> <ul style="list-style-type: none"> <li>◆ A/V/N (Audio/Video/Navigation) Systems</li> <li>◆ Automotive TFT-LCD Display</li> <li>◆ Vehicle Rear Seat Entertainment System</li> <li>◆ Automotive Telematics</li> <li>◆ Navigation Modules</li> </ul> </li> <li>● <b>Consumer Electronics:</b> <ul style="list-style-type: none"> <li>◆ eBook Reader, Tablet, Digital Photo Frame</li> <li>◆ Multimedia Router</li> </ul> </li> <li>● <b>Healthcare Electronics</b></li> <li>● <b>Lifestyle Products:</b> LED lighting device</li> </ul>

<b>Global R&amp;D Center &amp; Manufacturing</b>	<p><b><u>R&amp;D Center:</u></b></p> <ul style="list-style-type: none"> <li>● Taiwan: Taipei, Taoyuan, Hsinchu</li> <li>● China: Suzhou</li> </ul> <hr/> <p><b><u>Global Manufacturing:</u></b></p> <p>Brno, Czech Republic</p> <ul style="list-style-type: none"> <li>● LCD Monitor</li> </ul> <p>Mexicali, Mexico</p> <ul style="list-style-type: none"> <li>● LCD Monitor</li> </ul> <p>Taoyuan, Taiwan</p> <ul style="list-style-type: none"> <li>● LCD Monitor</li> <li>● Automobile Infotainment Electronics TS16949 Certified</li> <li>● Industrial Solutions (exclude Pen/ Touch LCD Display)</li> <li>● Lifestyle Products</li> </ul> <p>Suzhou, China</p> <ul style="list-style-type: none"> <li>● Multifunction Monitors</li> <li>● LCD Monitor</li> <li>● Professional Monitor</li> <li>● Projectors</li> <li>● Industrial Solutions</li> <li>● All-in-One PC</li> <li>● Imaging Devices</li> <li>● Automobile infotainment Electronics TS16949 Certified</li> <li>● Consumer Electronics</li> <li>● Healthcare Electronics</li> <li>● Mobile Communication Devices</li> </ul> <p>Shanghai, China</p> <ul style="list-style-type: none"> <li>● Mobile Communication devices</li> </ul>
<b>Number of Employee</b>	7,100 people (Mar. 21, 2010)
<b>Global Operations</b>	Taiwan(Taipei, Taoyuan, Hsinchu),China( Suzhou, Shanghai), Czech Republic, Mexico, Japan, America
<b>Industry Achievement</b>	<ul style="list-style-type: none"> <li>● 1994 * Formed Taiwan 1<sup>st</sup> wireless communications and mobile phone development</li> <li>● 1996 * Invested in Acer Display Technology (now AU Optonics-- world's top 3 manufacturer of large-size TFT-LCD panels )</li> <li>● 1997 * Launched Taiwan 1<sup>st</sup> GSM mobile phone</li> <li>● 2000 * Launched WW 1<sup>st</sup> smart phone</li> <li>● 2000-2005 * WW 1<sup>st</sup> scanner manufacturer</li> <li>● 2001 * Introduced BenQ brand</li> <li>● 2004 * Launched WW 1<sup>st</sup> 12ms response time LCD monitor</li> <li>● 2005 * Launched WW 1<sup>st</sup> 2ms gray to gray response time LCD monitor</li> <li>● * Launched Taiwan 1<sup>st</sup> OLED panel phone</li> <li>● * Launched Taiwan 1<sup>st</sup> 3G phone</li> <li>● 2006 * Launched WW 1<sup>st</sup> LCD monitor with HDMI interface</li> <li>● * Obtained Microsoft Windows Vista Certificate for LCD monitor</li> <li>● * Launched 3.5G phone (Taiwan First)</li> <li>● * WW #4 projector manufacturer</li> <li>● 2006,2007 * WW top 5 LCD monitor manufacturer;</li> <li>● * 2006 WW 1<sup>st</sup> in 20" above LCD monitor market</li> <li>● 2007 * WW Top 5 SPC-MFP manufacturer</li> <li>● * Company re-named Qisda corp. BenQ brand business spun off and company positioned as professional ODM/ EMS Provider. The spin-off effective on Sep. 1</li> <li>● * Projector business ranked WW#3</li> <li>● * Scanner/ Printer/ Copier business ranked WW# 5</li> <li>● * LCD monitor business ranked WW#6</li> <li>● 2008 * Positioned as a ODM/OEM manufacturer, Qisda receives 5 Red Dot design award and 4 Good Design Awards, the highest among participants from Taiwan</li> <li>● 2009 * Received 5 iF awards, 10 red dot design awards and 3 G-Mark awards. Recorded as the top winner among all Taiwanese companies for a second consecutive year.</li> <li>● 2010 * Received 10 iF awards, topped all competitors from Taiwan. QCM-330 Smartphone, one of iF 2010 awarded products, earned iF gold award.</li> <li>● * LCD monitor business unit earned the world's first certificate of carbon footprint verification statement opinion for its TFT-LCD monitors.</li> <li>● * Received 8 red dot awards.</li> </ul>

**Qisda**

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