

Qisda Corporation Investor Conference : 2010 Q1 Results

April 28, 2010

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Qisda

Outline

- 2010 Q1 Financial Results
- 2010 Q1 Business Summary
- 2010 Q2 Guidance

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Safe Harbor Notice

We have made forward-looking statements in the presentation. Our forward-looking statements contain information regarding, among other things, our financial conditions, future expansion plans and business strategies. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties, and assumptions about us.

We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events in the conference might not occur and our actual results could differ materially from those anticipated in these forward-looking statements.

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2010 Q1 Financial Results

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2010 Q1 Financial Highlights

- Revenue NT\$ 19.8 B; 1.2% QoQ growth, 9.9% YoY growth
- Net income NT\$ 1.73 B, EPS NT\$ 0.90
- Positive operating & non-operating income; accrual of employee bonus reduced operating income by NT\$ 0.2 B
- Disposal of long-term investment by NT\$ 2.3 B and a refinance syndication loan of NT\$ 9 B have improved current ratio from 76% to 99%

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Q1 Income Statement: QoQ Analysis

Amount : NT\$ Billion

	2010 Q1		2009 Q4		QoQ
Net Sales	19.80	100.0%	19.57	100.0%	+1.2%
COGS ^(a)	(18.30)		(18.05)		
Gross Margin	1.50	7.6%	1.52	7.8%	-0.2 ppt
Opex ^(b)	(1.34)	(6.8%)	(1.20)	(6.1%)	
Operating Income	0.16	0.8%	0.32	1.6%	-0.8 ppt
Net Non-op Items ^(c)	1.74		(0.34)		
Income before Tax	1.90		(0.02)		
Net Income	1.73	8.7%	(0.06)	(0.3%)	+9.0 ppt
EPS-Diluted (NT\$)	0.90		(0.03)		
Net Worth / Share (NT\$)	12.59		11.85		

(a) & (b) : Accrual of employee bonus of NT\$ 0.2 B included

(c) : Non-op income mainly contributed from disposal of Darfon shares

* Unaudited results of consolidated core business

* EPS-diluted was calculated based on total diluted, weighted-averaged outstanding shares (1,926 m shares)

* Net worth per share was calculated based on total outstanding shares (1,926 m shares)

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Q1 Balance Sheet Highlights

Amount: NT \$ Billion

	2010 Q1		2009 Q4		QoQ
Cash & Equivalent	6.87	9.4%	3.77	5.5%	3.10
Accounts Receivable	9.31	12.7%	8.52	12.5%	0.79
Inventory	8.73	11.9%	6.86	10.1%	1.87
L-T Investments	34.36	47.0%	34.93	51.4%	(0.57)
Total Assets	73.07	100.0%	68.00	100.0%	5.07
Fin. Debt	22.74	31.1%	21.18	31.2%	1.56
Accounts Payable	15.37	21.0%	13.10	19.3%	2.27
Total Liabilities	48.81	66.8%	45.18	66.4%	3.63
Equity	24.25	33.2%	22.81	33.6%	1.44

* Unaudited results of consolidated core business
* Fin. debt included long term and short term financial debts

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Q1 Key Financial Ratios

	2010 Q1	2009 Q4	QoQ
A/R Turnover	39 days	36 days	+3 days
Inventory Turnover	45 days	35 days	+10 days
A/P Turnover	79 days	68 days	+11 days
Cash Conversion Cycle	5 days	3 days	+2 days
ROA	2.5%	(0.1%)	+2.6 ppt
ROE	7.3%	(0.3%)	+7.6 ppt
Current ratio ^(a)	99.4%	76.2%	+23.2 ppt
Fin. Debt / Total Assets	31.1%	31.2%	-0.1 ppt

(a) Current ratio improved due to a refinance syndication loan and disposal of long-term investments

* Unaudited results of consolidated core business
* ROA and ROE were calculated on a quarterly basis

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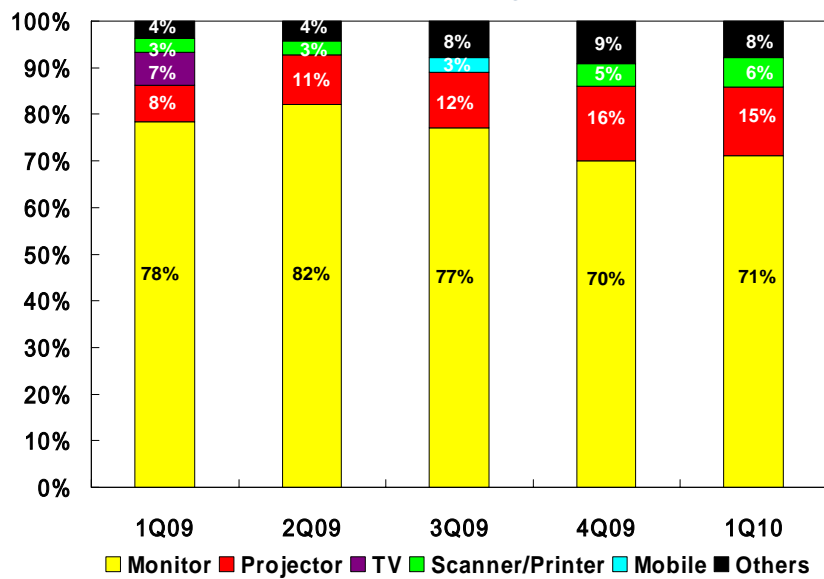
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2010 Q1 Business Summary

Qisda

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Revenue Breakdown by Product Line



Note : "Others" includes products with a revenue share below 3%, such as professional & industrial displays, mobile devices, digital photo frame, handheld infotainment devices, automobile electronics, and others

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2010 Q1 Business Summary

- **Monitor :**
 - Unit shipment increased by 10.5% QoQ to 3.47M sets
- **Projector :**
 - Unit shipment decreased by 3.8% QoQ to 244K sets
- **Scanner/Printer :**
 - Shipment of an industrial scanner (tender case) completed in Q1

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Qisda Corporation.
Unaudited Core Business Consolidated Balance Sheet
Mar ,31, 2010

UNIT : NT\$K

Assets			Liabilities and stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalents	5,475,052	7.5%	Short- term borrowings	1,701,990	2.3%
Financial assets at fair value through profit or loss - current	31,996	0.0%	Financial liabilities at fair value through profit or loss - current	33,078	0.0%
Notes and accounts receivable,net	5,441,566	7.4%	N/P & A/P	13,850,792	19.0%
N/R & A/R from related parties	3,870,755	5.3%	N/P & A/P to related parties	1,518,471	2.1%
Other receivables, net	1,007,609	1.4%	Other payable to related parties	30,429	0.0%
Other receivable from related parties	307,649	0.4%	Bonds payable and long-term debt due within one year	2,090,013	2.9%
Other financial assets - current	1,392,006	1.9%	Accrued exp. & other current liab.	9,620,620	13.2%
Net inventories	8,725,579	11.9%	Total current liabilities	<u>28,845,392</u>	39.5%
Prepaid expenses and other current assets	2,140,149	2.9%	Long term loan	18,838,643	25.8%
Deferred income tax assets - current	278,536	0.4%	Bonds payable	113,448	0.2%
Total current assets	<u>28,670,896</u>	39.2%	Other liabilities	1,016,894	1.4%
Long-term investments	34,357,597	47.0%	Total liabilities	<u>48,814,376</u>	66.8%
Fixed assets :	14,869,884	20.4%	Stockholders' equity		
allowance for impairment	<u>(7,717,242)</u>	10.6%	Common stock	19,282,176	26.4%
Total fixed assets	7,152,643	9.8%	Capital surplus	4,611,337	6.3%
Other assets	2,886,846	4.0%	Legal reserve	0	0.0%
			Unrealized gain or loss on available-for-sale financial assets	(246,958)	-0.3%
			Retained earnings	(79,509)	-0.1%
			Cumulative translation adjustment	767,494	1.1%
			Treasury stock	(80,934)	-0.1%
			Minority interest	0	0.0%
			Total stockholders' equity	<u>24,253,606</u>	33.2%
Total Assets	<u>\$ 73,067,983</u>	100.0%	Total Liabilities and stockholders' equity	<u>\$ 73,067,983</u>	100.0%

Qisda Corporation.
Unaudited Core Business Consolidated Income Statement
Jan~Mar' 2010

UNIT : NT\$K

Net sales	\$ 19,800,529	100.0%
Cost of goods sold	<u>(18,300,016)</u>	-92.4%
Gross profit	<u>1,500,513</u>	7.6%
Operating expense :		
S & M	(432,591)	-2.2%
G & A	(246,093)	-1.2%
R & D	(663,608)	-3.4%
Total Operating expense	<u>(1,342,292)</u>	-6.8%
Operating income (loss)	158,221	0.8%
Non-operating income (loss)	1,739,970	8.8%
Earning before income tax	1,898,190	9.6%
Income tax expense	<u>(169,926)</u>	-0.9%
Profit after tax	<u>\$1,728,264</u>	8.7%

Qisda Corporation
Reviewed Non-consolidated Balance Sheets
March 31, 2009 and 2010
(expressed in thousands of New Taiwan dollars and US dollars)

Assets	2009.3.31			2010.3.31			Liabilities and Stockholders' Equity	2009.3.31			2010.3.31		
	NTS	NTS	US\$	NTS	NTS	US\$		NTS	NTS	US\$	NTS	NTS	US\$
Current assets:							Current liabilities:						
Cash and cash equivalents (note 4(a))	2,554,488	2,360,060	74,171				Short-term borrowings (note 4(g))	169,585	-	-			
Financial assets at fair value through profit or loss— current (note 4(b))	15,967	36,512	1,148				Financial liabilities at fair value through profit or loss— current (note 4(b))	81,038	37,595	1,182			
Notes and accounts receivable, net (note 4(c))	3,225,593	2,752,977	86,520				Accounts payable	1,541,370	1,748,812	54,961			
Accounts receivable from related parties (notes 4(e) and 5)	5,969,827	6,706,337	210,765				Accounts payable to related parties (note 5)	1,747,222	1,935,058	60,815			
Other receivables, net (notes 4(c) and 7(e))	937,749	1,239,700	38,961				Income tax payable (note 4(b))	-	98,550	3,097			
Other receivable from related parties (note 5)	1,166,289	1,951,754	61,339				Other payables to related parties (note 5)	78,879	88,668	2,787			
Other financial assets – current (note 6)	508,755	-	-				Accrued expenses (notes 4(h) (m))	4,178,462	4,500,240	141,432			
Inventories (note 4(d))	1,065,613	1,342,393	42,188				Advance receipts	122,382	422,341	13,273			
Prepaid expenses and other current assets	102,816	47,230	1,484				Other current liabilities (notes 4(f) and 7(j))	2,918,940	2,547,720	80,069			
Deferred income tax assets – current (note 4(l))	207,682	262,570	8,252				Bonds payable due within one year (note 4(i))	1,200,000	1,600,000	50,284			
Total current assets	15,754,779	16,699,533	524,828				Long-term debt due within one year (notes 4(j) and 6)	6,200,000	-	-			
							Deferred inter-company profits (note 5)	172,761	236,558	7,434			
							Total current liabilities	18,410,639	13,215,542	415,334			
Long-term investments:							Long-term liabilities:						
Equity method (notes 4(e), 5 and 6)	33,924,328	33,595,017	1,055,816				Financial liabilities at fair value through profit or loss-noncurrent (note 4(b))	11,220	18,486	581			
Available-for-sale financial assets— noncurrent (notes 4(b) and 6)	1,880,337	3,850,811	121,022				Bonds payable (note 4(i))	1,709,320	113,448	3,565			
Financial assets carried at cost— noncurrent (note 4(b))	158,508	49,546	1,557				Long-term debt (notes 4(j) and 6)	12,800,000	18,600,000	584,556			
	35,963,173	37,495,374	1,178,395				Total long-term liabilities	14,520,540	18,731,934	588,702			
Property, plant and equipment: (notes 4(f) and 6)							Other liabilities						
Land	685,197	644,490	20,255				Deferred profits on sale-leaseback transaction (note 4(f))	800,628	691,451	21,731			
Buildings	1,572,288	1,483,907	46,636				Other liabilities (note 4(e))	287,162	481,381	15,129			
Machinery and equipment	843,903	853,224	26,815				Total other liabilities	1,087,790	1,172,832	36,860			
Furniture and fixtures	115,624	115,253	3,622				Total liabilities	34,018,969	33,120,308	1,040,896			
Miscellaneous equipment	46,900	46,482	1,461										
Prepayments for plant and equipment	27,422	1,989	63										
	3,291,334	3,145,345	98,852				Stockholders' equity: (notes 4 (b) (m))						
Less: accumulated depreciation	(1,442,189)	(1,511,390)	(47,500)				Common stock	19,282,176	19,282,176	605,996			
Net property, plant and equipment	1,849,145	1,633,955	51,352				Capital surplus:						
							Additional paid-in-capital in excess of the common stock's par value	2,738,580	1,196,757	37,611			
Intangible assets	53,804	34,677	1,090				Capital surplus from long-term equity investments	4,048,086	3,414,581	107,313			
								6,786,666	4,611,338	144,924			
Other assets :							Legal reserve	344,528	-	-			
Assets for lease (notes 4(f) and 6)	40,952	143,572	4,512				Special reserve	175,173	-	-			
Idle assets (note 4(f))	104,324	104,324	3,279				Accumulated deficit	(4,207,232)	(79,509)	(2,499)			
Refundable deposits	95,073	94,090	2,957				Cumulative translation adjustment	1,318,384	767,494	24,121			
Deferred expenses	118,348	144,609	4,545				Unrealized loss on available-for-sale financial assets	(2,557,676)	(246,958)	(7,761)			
Deferred income tax assets – noncurrent (note 4(l))	998,099	915,681	28,778				Treasury stock	(78,646)	(80,934)	(2,544)			
Prepaid pension cost (note 4(k))	104,645	108,100	3,397				Total stockholders' equity	21,063,373	24,253,607	762,237			
Total other assets	1,461,441	1,510,376	47,468				Commitments and contingencies (notes 4(b) (c) (j), 5 and 7)						
Total assets	55,082,342	57,373,915	1,803,133				Total liabilities and stockholders' equity	55,082,342	57,373,915	1,803,133			

(Note: Translation of the March 31, 2010, New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the spot rate of the Bank of Taiwan on March 31, 2010, of NTS31.918 to US\$1 uniformly for all the financial statements accounts.)

Qisda Corporation
Reviewed Non-consolidated Statements of Income
For the three-month periods ended March 31, 2009 and 2010
(expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2009 Q1			2010 Q1	
	NTS	NTS	US\$	NTS	US\$
Net sales (note 5)	10,565,981	14,195,941	446,147		
Cost of goods sold (notes 4(d)(k)(m), 5 and 10)	(9,720,011)	(13,287,373)	(417,592)		
Gross profit	<u>845,970</u>	<u>908,568</u>	<u>28,555</u>		
Change in unrealized inter-company profits	130,338	(76,268)	(2,397)		
Realized gross profit (note 5)	<u>976,308</u>	<u>832,300</u>	<u>26,158</u>		
Operating expenses (notes 4(f)(k)(m), 5 and 10):					
Selling	(194,983)	(237,624)	(7,468)		
Administrative	(136,344)	(126,032)	(3,961)		
Research and development	(402,694)	(606,065)	(19,047)		
	<u>(734,021)</u>	<u>(969,721)</u>	<u>(30,476)</u>		
Operating income (loss)	<u>242,287</u>	<u>(137,421)</u>	<u>(4,318)</u>		
Non-operating income:					
Interest income (note 5)	5,253	8,175	257		
Investment income recorded under the equity method, net (note 4(e))	-	976,095	30,676		
Gain on disposal of investments, net (notes 4(b)(e))	23	1,101,533	34,619		
Foreign currency exchange gain, net	-	28,428	893		
Others (note 5)	9,952	14,680	461		
	<u>15,228</u>	<u>2,128,911</u>	<u>66,906</u>		
Non-operating expenses:					
Interest expense	(181,310)	(142,333)	(4,473)		
Investment loss recorded under the equity method, net (note 4(e))	(2,141,099)	-	-		
Other investment loss (note 4(b))	-	(2,224)	(70)		
Foreign currency exchange loss, net	(10,520)	-	-		
Evaluation loss on financial assets, net (note 4(b)(o))	(57,736)	(11,780)	(370)		
Others (note 4(i))	(12,558)	(22)	(1)		
	<u>(2,403,223)</u>	<u>(156,359)</u>	<u>(4,914)</u>		
Income (loss) before income tax	<u>(2,145,708)</u>	<u>1,835,131</u>	<u>57,674</u>		
Income tax expense (note 4(i))	-	(106,867)	(3,359)		
Net income (loss)	<u>(2,145,708)</u>	<u>1,728,264</u>	<u>54,315</u>		
Earnings per share	Before tax	Before tax	Before tax	After tax	
(expressed in New Taiwan dollars and US dollars):(note 4(n))					
Basic earnings per share-retroactively adjusted	<u>(1.11)</u>	<u>(1.11)</u>	<u>0.95</u>	<u>0.90</u>	
Diluted earnings per share	<u>(1.11)</u>	<u>(1.11)</u>	<u>0.95</u>	<u>0.89</u>	

Qisda Corporation

Reviewed Non-consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2009 and 2010
(expressed in thousands of New Taiwan dollars and US Dollars)

	2009 Q1	2010 Q1	
	NT\$	NT\$	US\$
Cash flows from operating activities:			
Net income (loss)	(2,145,708)	1,728,264	54,315
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation	35,233	29,709	934
Amortization	19,163	12,864	404
Amortization of discount on convertible bond	8,890	13,630	428
Change in provision for bad debt	(17,460)	25,316	796
Change in provision for inventory obsolescence	1,472	(5,146)	(162)
Investment loss (income) on long-term equity investments, net	2,141,099	(976,095)	(30,676)
Loss on redemption of bonds	10,511	-	-
Loss on disposal of investments	(23)	(1,101,533)	(34,619)
Loss (gain) on disposal of property, plant and equipment, net	(289)	22	1
Amortization of deferred profits on sale-leaseback transaction	(27,295)	(27,294)	(858)
Other investment loss	-	2,224	70
Differences in accounts in the accompanying balance sheets:			
Financial assets and liabilities at fair value through profit or loss	57,736	11,780	370
Notes and accounts receivable	1,361,121	(561,599)	(17,650)
Receivables from related parties	1,137,284	(950,832)	(29,883)
Other receivables	-	75,045	2,358
Other receivables from related parties	-	(70,361)	(2,211)
Inventories	366,921	(32,326)	(1,016)
Prepaid expenses and other current assets	2,191	(6,291)	(198)
Accounts payable	396,628	(107,622)	(3,382)
Accounts payable to related parties	516,852	(915,594)	(28,774)
Other payable to related parties	(77,243)	38,939	1,224
Deferred inter-company profit	(130,338)	76,268	2,397
Accrued expenses and other current liabilities	3,069,553	(154,743)	(4,863)
Other liabilities	(4,776)	-	-
Net cash provided by (used in) operating activities	<u>6,721,522</u>	<u>(2,895,375)</u>	<u>(90,995)</u>
Cash flows from investing activities:			
Additions to long-term equity investments	-	(140,000)	(4,400)
Proceeds from disposal of investments	-	2,247,234	70,626
Increase in advance to related parties	(898,800)	(9,380)	(295)
Additions to property, plant and equipment	(18,572)	(2,612)	(82)
Proceeds from investees' capital reduction	623	45,725	1,437
Proceeds from disposal of property, plant and equipment	13,066	-	-
Increase in refundable deposits and deferred assets	(90,937)	(34,676)	(1,090)
Increase in pledged cash and cash equivalents	(15,855)	-	-
Net cash provided by (used in) investing activities	<u>(1,010,475)</u>	<u>2,106,291</u>	<u>66,196</u>
Cash flows from financing activities:			
Decrease in short-term borrowings	(8,783,955)	(1,024,960)	(32,212)
Redemption of bonds	(2,422,400)	-	-
Increase in long-term debt	-	3,400,000	106,854
Net cash provided by (used in) financing activities	<u>(11,206,355)</u>	<u>2,375,040</u>	<u>74,642</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,495,308)</u>	<u>1,585,956</u>	<u>49,843</u>
Cash and cash equivalents at beginning of period	<u>7,923,880</u>	<u>774,104</u>	<u>24,328</u>
Cash and cash equivalents at end of period	<u>2,428,572</u>	<u>2,360,060</u>	<u>74,171</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	<u>169,594</u>	<u>136,718</u>	<u>4,297</u>
Income taxes	<u>-</u>	<u>37</u>	<u>-</u>
Supplemental disclosure of non-cash investing and financial activities:			
Changes in unrealized loss on available-for-sale financial assets	<u>312,414</u>	<u>252,236</u>	<u>7,927</u>
Adjustments of net equity of investee companies	<u>5,272</u>	<u>(269,629)</u>	<u>(8,474)</u>
Increase (decrease) in cumulative translation adjustment	<u>266,068</u>	<u>(44,977)</u>	<u>(1,414)</u>