

Qisda Corporation Investor Conference : 2010 Q2 Results

August 27, 2010

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Qisda

Outline

- 2010 Q2 Financial Results
- 2010 Q2 Business Summary
- 2010 Q3 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 Q2 Financial Results

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2010 Q2 Financial Highlights

● 2010 Q2

- Revenue NT\$ 22.5 B, grew 13.9% QoQ
- Positive and improved operating income NT\$ 0.28 B due to higher revenue and better gross margin
- Net income NT\$ 0.9 B, EPS NT\$ 0.47

● 2010 1H

- Revenue NT\$ 42.3 B
- Operating income NT\$ 0.44 B
- Net income NT\$ 2.63 B, EPS NT\$ 1.37

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Q2 Income Statement: QoQ Analysis

Amount : NT\$ Billion

	2010 Q2		2010 Q1		QoQ
Net Sales	22.54	100.0%	19.80	100.0%	+13.9%
COGS ^(a)	(20.79)		(18.30)		
Gross Margin	1.76	7.8%	1.50	7.6%	+0.2 ppt
Opex ^(b)	(1.47)	(6.5%)	(1.34)	(6.8%)	
Operating Income	0.28	1.3%	0.16	0.8%	+0.5 ppt
Net Non-op Items	0.90		1.74		
Income before Tax	1.18		1.90		
Net Income	0.90	4.0%	1.73	8.7%	-4.7 ppt
EPS-Diluted (NT\$)	0.47		0.90		
Net Worth / Share (NT\$)	13.24		12.59		

(a) & (b) : Accrual of employee bonus of NT\$ 0.17 B included for 2010 Q2.

* 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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Q2 Balance Sheet Highlights

Amount: NT \$ Billion

	2010 Q2		2010 Q1		QoQ
Cash & Equivalent	4.28	5.7%	6.87	9.4%	(2.59)
Accounts Receivable	11.52	15.2%	9.31	12.7%	2.21
Inventory	10.23	13.5%	8.73	11.9%	1.50
L-T Investments	35.60	47.1%	34.36	47.0%	1.24
Total Assets	75.55	100.0%	73.07	100.0%	2.49
Fin. Debt	22.69	30.0%	22.74	31.1%	(0.05)
Accounts Payable	15.83	21.0%	15.37	21.0%	0.46
Total Liabilities	50.05	66.3%	48.81	66.8%	1.24
Equity	25.49	33.7%	24.25	33.2%	1.24

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

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Q2 Key Financial Ratios

	2010 Q2	2010 Q1	QoQ
A/R Turnover	44 days	39 days	+5 days
Inventory Turnover	47 days	45 days	+2 days
A/P Turnover	71 days	79 days	-8 days
Cash Conversion Cycle	20 days	5 days	+15 days
ROA	1.2%	2.5%	-1.3 ppt
ROE	3.6%	7.3%	-3.7 ppt
Current ratio	95.9%	99.4%	-3.5 ppt
Fin. Debt / Total Assets	30.0%	31.1%	-1.1 ppt

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

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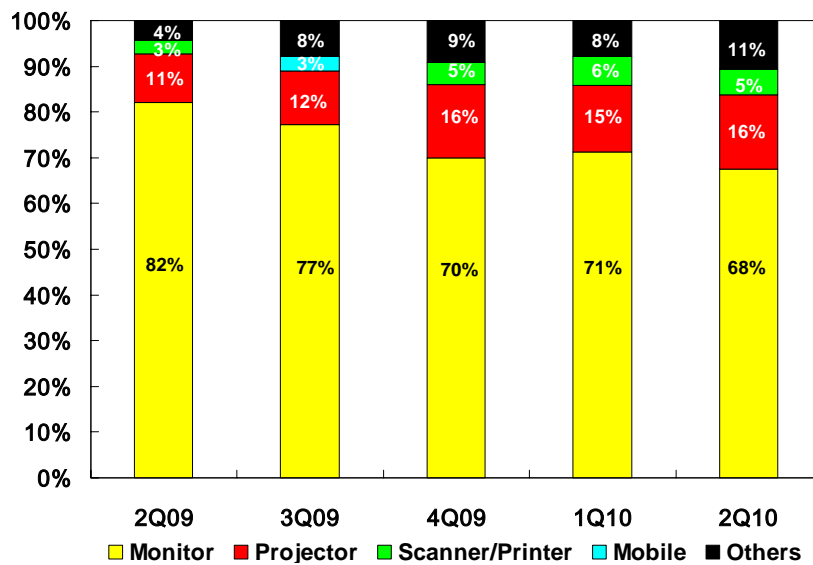
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2010 Q2 Business Summary



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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



2010 Q2 Business Summary

- **Monitor :**

- Unit shipment increased by 4.3% QoQ to 3.62M sets

- **Projector :**

- Unit shipment increased by 30% QoQ to 321K sets

- **Scanner/Printer :**

- Color laser printer (CLP) unit shipment increased by 260% QoQ

- **Others :**

- Delivered new mobile device in May

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Qisda Corporation.

Unaudited Core Business Consolidated Balance Sheet

Jun ,30, 2010

UNIT : NT\$K

Assets			Liabilities and stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalents	2,946,042	3.9%	Short- term borrowings	3,480,249	4.6%
Financial assets at fair value through profit or loss - current	0	0.0%	Financial liabilities at fair value through profit or loss - current	129,207	0.2%
Notes and accounts receivable,net	7,144,895	9.5%	N/P & A/P	14,396,344	19.1%
N/R & A/R from related parties	4,373,757	5.8%	N/P & A/P to related parties	1,430,810	1.9%
Other receivables, net	924,673	1.2%	Other payable to related parties	30,557	0.0%
Other receivable from related parties	392,524	0.5%	Bonds payable and long-term debt due within one year	1,479,626	2.0%
Other financial assets - current	1,334,621	1.8%	Accrued exp. & other current liab.	10,389,793	13.8%
Net inventories	10,227,925	13.5%	Total current liabilities	<u>31,336,584</u>	41.5%
Prepaid expenses and other current assets	2,423,851	3.2%	Long term loan	17,611,000	23.3%
Deferred income tax assets - current	270,934	0.4%	Bonds payable	114,479	0.2%
Total current assets	<u>30,039,221</u>	39.8%	Other liabilities	992,196	1.3%
Long-term investments	35,597,994	47.1%	Total liabilities	<u>50,054,260</u>	66.3%
Fixed assets :	15,107,100	20.0%	Stockholders' equity		
allowance for impairment	<u>(8,017,740)</u>	10.6%	Common stock	19,282,176	25.5%
Total fixed assets	<u>7,089,360</u>	9.4%	Capital surplus	3,431,336	4.5%
Other assets	2,819,382	3.7%	Legal reserve	0	0.0%
			Unrealized gain or loss on available-for-sale financial assets	<u>(209,449)</u>	-0.3%
			Retained earnings	2,021,840	2.7%
			Cumulative translation adjustment	1,047,123	1.4%
			Treasury stock	<u>(81,329)</u>	-0.1%
			Minority interest	0	0.0%
			Total stockholders' equity	<u>25,491,697</u>	33.7%
Total Assets	<u>\$ 75,545,957</u>	100.0%	Total Liabilities and stockholders' equity	<u>\$ 75,545,957</u>	100.0%

Qisda Corporation.

Unaudited Core Business Consolidated Income Statement

Jan~Jun' 2010

UNIT : NT\$K

Net sales	\$ 42,344,417	100.0%
Cost of goods sold	<u>(39,085,512)</u>	-92.3%
Gross profit	<u>3,258,906</u>	7.7%
Operating expense :		
S & M	<u>(995,262)</u>	-2.4%
G & A	<u>(490,455)</u>	-1.2%
R & D	<u>(1,330,220)</u>	-3.1%
Total Operating expense	<u>(2,815,937)</u>	-6.7%
Operating income (loss)	442,968	1.0%
Non-operating income (loss)	2,639,362	6.2%
Earning before income tax	3,082,331	7.3%
Income tax expense	<u>(449,474)</u>	-1.1%
Minority interest in net income (loss)		0.0%
Profit after tax	<u>\$2,632,856</u>	6.2%

Qisda Corporation
Non-consolidated Balance Sheets
June 30, 2009 and 2010
(expressed in thousands of New Taiwan dollars and US dollars)

Assets	2009.6.30	2010.6.30		Liabilities and Stockholders' Equity	2009.6.30	2010.6.30	
	NT\$	NT\$	US\$		NT\$	NT\$	US\$
Current assets:				Current liabilities:			
Cash and cash equivalents (note 4(a))	3,790,988	539,008	16,703	Short-term borrowings (note 4(g))	4,903,444	-	-
Financial assets at fair value through profit or loss— current (note 4(c))	7,635	9,729	301	Financial liabilities at fair value through profit or loss— current (note 4(b))	75,867	138,936	4,305
Notes and accounts receivable (note 4(c))	3,389,869	3,929,444	121,768	Accounts payable	2,004,414	1,645,058	50,978
Accounts receivable from related parties (notes 4(e) and 5)	6,682,096	6,497,036	201,334	Accounts payable to related parties (note 5)	2,171,829	2,508,716	77,742
Other receivables, net (notes 4(c) and 7(e))	1,096,236	1,314,356	40,730	Other payable to related parties (note 5)	81,622	60,519	1,875
Other receivable from related parties (note 5)	2,023,660	1,786,789	55,370	Income tax payable	-	132,365	4,102
Inventories (note 4(d))	1,142,865	1,683,221	52,161	Accrued expenses (notes 4(h)(m))	3,977,304	4,637,487	143,709
Prepaid expenses and other current assets	55,331	14,858	460	Advance receipts	207,553	553,959	17,166
Deferred income tax assets – current (note 4(l))	273,904	215,451	6,677	Other current liabilities (notes 4(f) and 7(j))	2,528,391	2,554,591	79,163
Total current assets	18,462,584	15,989,892	495,504	Bonds payable due within one year (note 4(i))	1,600,000	-	-
				Long-term debt due within one year (notes 4(j) and 6)	4,200,000	989,000	30,648
Long-term investments:				Deferred inter-company profits (note 5)	328,333	243,578	7,548
Equity method (notes 4(e), 5 and 6)	32,464,678	34,726,773	1,076,132	Total current liabilities	22,078,757	13,464,209	417,236
Available-for-sale financial assets— noncurrent (notes 4(b) and 6)	2,291,966	3,934,890	121,936				
Financial assets carried at cost— noncurrent (note 4(b))	75,824	39,083	1,211	Long-term liabilities			
	34,832,468	38,700,746	1,199,279	Financial liabilities at fair value through profit or loss— noncurrent (note 4(b))	15,584	5,933	184
				Bonds payable (note 4(i))	110,352	114,479	3,548
Property, plant and equipment (notes 4(f) and 6) :				Long-term debt (notes 4(j) and 6)	12,800,000	17,611,000	545,739
Land	686,717	624,587	19,355	Total long-term liabilities	12,925,936	17,731,412	549,471
Buildings	1,576,537	1,465,083	45,401				
Machinery and equipment	921,282	852,509	26,418	Other liabilities :			
Furniture and fixtures	115,624	117,783	3,650	Refundable deposits	-	2,530	79
Miscellaneous equipment	46,900	48,506	1,503	Deferred profits on sale-leaseback transaction (note 4(f))	773,334	664,157	20,581
Prepayments for plant and equipment	-	3,619	112	Other liabilities (note 4(e))	382,336	389,213	12,061
	3,347,060	3,112,087	96,439	Total other liabilities	1,155,670	1,055,900	32,721
Less: accumulated depreciation	(1,478,317)	(1,524,008)	(47,227)	Total liabilities	36,160,363	32,251,521	999,428
Net property, plant and equipment	1,868,743	1,588,079	49,212				
Intangible assets	52,401	25,537	791	Stockholders' equity (notes 4(b)(m)):			
Other assets:				Common stock	19,282,176	19,282,176	597,526
Assets for lease (notes 4(f) and 6)	36,745	170,908	5,296	Capital surplus:			
Idle assets (note 4(f))	104,324	104,324	3,233	Additional paid-in-capital in excess of the common stock's par value	1,196,757	-	-
Refundable deposits	92,380	94,285	2,922	Capital surplus from long-term equity investments	3,745,783	3,431,337	106,332
Deferred expenses	112,215	137,867	4,272		4,942,540	3,431,337	106,332
Deferred income tax assets – noncurrent (note 4(l))	904,345	819,876	25,407	Retained earnings (accumulated deficit)	(2,586,770)	2,021,839	62,654
Prepaid pension cost (note 4(k))	105,918	111,704	3,462	Cumulative translation adjustment	978,796	1,047,123	32,449
Total other assets	1,355,927	1,438,964	44,592	Unrealized loss on available-for-sale financial assets	(2,127,322)	(209,449)	(6,491)
				Treasury stock	(77,660)	(81,329)	(2,520)
				Total stockholders' equity	20,411,760	25,491,697	789,950
Total assets	56,572,123	57,743,218	1,789,378	Commitments and contingencies (notes 4(b)(c)(g)(j), 5 and 7)			
				Total liabilities and stockholders' equity	56,572,123	57,743,218	1,789,378

(Note: Translation of New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the moon buying rate of the Federal Reserve Bank in New York on June 30, 2010, of NT\$32.27 to US\$1 uniformly for all the financial statements accounts.)

Qisda Corporation
Non-consolidated Statements of Income
For the six-month periods ended June 30, 2009 and 2010
(expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2009 Q2	2010 Q2	
	NT\$	NT\$	US\$
Net sales (note 5)	22,907,996	29,301,633	908,015
Cost of goods sold (notes 4(d)(k)(m), 5 and 10)	(20,854,604)	(27,245,490)	(844,298)
Gross profit	<u>2,053,392</u>	<u>2,056,143</u>	<u>63,717</u>
Change in unrealized inter-company profits (note 5)	(25,233)	(83,288)	(2,581)
Realized gross profit	<u>2,028,159</u>	<u>1,972,855</u>	<u>61,136</u>
Operating expenses (notes 4(f)(k)(m), 5 and 10):			
Selling	(391,157)	(521,205)	(16,151)
Administrative	(260,798)	(248,992)	(7,716)
Research and development	(847,177)	(1,207,905)	(37,431)
	<u>(1,499,132)</u>	<u>(1,978,102)</u>	<u>(61,298)</u>
Operating income (loss)	<u>529,027</u>	<u>(5,247)</u>	<u>(162)</u>
Non-operating income:			
Interest income (note 5)	14,609	16,376	507
Investment income recorded under the equity method, net (note 4(e))	-	2,097,365	64,994
Dividend income	117,125	163,673	5,072
Gain on disposal of investments, net (notes 4(b)(e))	23	1,101,533	34,135
Foreign currency exchange gain, net	-	66,220	2,052
Others (note 5)	45,850	33,633	1,042
	<u>177,607</u>	<u>3,478,800</u>	<u>107,802</u>
Non-operating expenses:			
Interest expense	(320,065)	(285,609)	(8,851)
Investment loss recorded under the equity method, net (note 4(e))	(2,771,030)	-	-
Other investment loss (note 4(b))	(82,684)	(4,546)	(141)
Foreign currency exchange loss, net	(12,267)	-	-
Evaluation loss on financial instruments, net (notes 4(b)(n))	(65,261)	(127,352)	(3,946)
Others (notes 4(i) and 7(e))	(14,564)	(111,936)	(3,469)
	<u>(3,265,871)</u>	<u>(529,443)</u>	<u>(16,407)</u>
Income (loss) before income tax	<u>(2,559,237)</u>	<u>2,944,110</u>	<u>91,233</u>
Income tax expense (note 4(l))	(27,533)	(311,254)	(9,645)
Net income (loss)	<u>(2,586,770)</u>	<u>2,632,856</u>	<u>81,588</u>
Earnings per share (expressed in New Taiwan Dollars)(note 4(n)) :			
Basic earnings per share	<u>(1.34)</u>	<u>1.37</u>	<u>0.0425</u>
Diluted earnings per share	<u>(1.34)</u>	<u>1.35</u>	<u>0.0418</u>

Qisda Corporation

Non-consolidated Statements of changes in Stockholders' Equity

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

(Expressed in thousands of New Taiwan dollars)

	Common Stock NT\$	Capital Surplus NT\$	Legal Reserve NT\$	Special Reserve NT\$	Retained Earnings (Accumulated Deficit) NT\$	Unrealized Loss on Available-for- sale Financial Assets NT\$	Cumulative Translation Adjustment NT\$	Treasury Stocks NT\$	Total NT\$
Balance as of January. 1, 2009	19,282,176	6,781,394	344,527	175,173	(2,061,523)	(2,870,090)	1,052,316	(77,698)	22,626,275
Net loss for the six-month period ended June 30, 2009	-	-	-	-	(2,586,770)	-	-	-	(2,586,770)
Appropriation of earnings (note 4(m)):									
Decrease in capital surplus to offset accumulated deficit	-	(1,541,823)	-	-	1,541,823	-	-	-	-
Decrease in legal reserve to offset accumulated deficit	-	-	(344,527)	-	344,527	-	-	-	-
Decrease in special reserve to offset accumulated deficit	-	-	-	(175,173)	175,173	-	-	-	-
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	38	38
Adjustments of net equity of investee companies	-	(297,031)	-	-	-	-	-	-	(297,031)
Change in unrealized gain (loss) on available-for-sale financial	-	-	-	-	-	671,249	-	-	671,249
Change in cumulative translation adjustment	-	-	-	-	-	-	(73,520)	-	(73,520)
Change in unrealized gain (loss) on available-for-sale financial assets held by equity method investees	-	-	-	-	-	71,519	-	-	71,519
Balance at June 30, 2009	19,282,176	4,942,540	-	-	(2,586,770)	(2,127,322)	978,796	(77,660)	20,411,760
Balance as of January. 1, 2010	19,282,176	4,880,966	-	-	(1,807,773)	(273,084)	812,471	(81,123)	22,813,633
Net gain for the six-month period ended June 30, 2010	-	-	-	-	2,632,856	-	-	-	2,632,856
Appropriation of earnings (note 4(m)):									
Decrease in capital surplus and legal reserve to offset accumulated deficit	-	(1,196,756)	-	-	1,196,756	-	-	-	-
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	(206)	(206)
Adjustments of net equity of investee companies	-	(252,873)	-	-	-	-	-	-	(252,873)
Change in unrealized gain (loss) on available-for-sale financial	-	-	-	-	-	125,498	-	-	125,498
Change in cumulative translation adjustment	-	-	-	-	-	-	234,652	-	234,652
Change in unrealized gain (loss) on available-for-sale financial assets held by equity method investees	-	-	-	-	-	(61,863)	-	-	(61,863)
Balance at June 30, 2010	19,282,176	3,431,337	-	-	2,021,839	(209,449)	1,047,123	(81,329)	25,491,697

Qisda Corporation

Non-consolidated Statements of Cash Flows
For the six-month periods ended June 30, 2009 and 2010
(expressed in thousands of New Taiwan dollars and US Dollars)

	2009 Q2	2010 Q2	
	NT\$	NT\$	US\$
Cash flows from operating activities:			
Net income (loss)	(2,586,770)	2,632,856	81,588
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation	70,771	58,543	1,814
Amortization	35,113	24,778	768
Amortization of bond discount and bond issuance costs	15,965	21,592	669
Change in allowance for bad debt and sales discount	(11,756)	64,759	2,007
Change in provision for inventory obsolescence	(7,194)	(4,898)	(152)
Investment loss (income) recorded under the equity method, net	2,771,030	(2,097,365)	(64,994)
Cash dividends received from investments recognized under equity method	-	93,283	2,891
Gain on disposal of long-term investments accounted for by equity method	(23)	(1,101,533)	(34,135)
Loss on redemption of bonds	10,511	-	-
Impairment loss on financial assets carried at cost	82,684	-	-
Gain on disposal of property, plant and equipment, net	(1,031)	(433)	(13)
Amortization of deferred profits on sale-leaseback transaction	(54,589)	(54,588)	(1,692)
Other Investment loss	-	4,546	141
Differences in accounts in the accompanying balance sheets:			
Financial assets and liabilities at fair value through profit or loss	65,261	127,352	3,946
Notes and accounts receivable	1,191,141	(1,777,509)	(55,083)
Receivables from related parties	624,288	(768,965)	(23,829)
Other receivables	(32,571)	389	12
Other receivables from related parties	(195,464)	(51,356)	(1,591)
Inventories	298,335	(373,402)	(11,571)
Other financial assets	492,900	-	-
Prepaid expenses and other current assets	53,754	28,978	898
Deferred income tax assets	27,533	142,921	4,429
Prepaid pension cost	(5,351)	(5,756)	(178)
Accounts payable	856,792	(211,376)	(6,550)
Payables to related parties	866,959	(341,936)	(10,596)
Deferred inter-company profit	25,233	83,288	2,581
Accrued expenses and other current liabilities	2,563,017	154,807	4,797
Other payables to related parties	-	26,292	814
Other liabilities	(9,553)	(2,070)	(64)
Net cash provided by (used in) operating activities	<u>7,146,985</u>	<u>(3,326,803)</u>	<u>(103,093)</u>
Cash flows from investing activities:			
Addition to long-term equity investments	(34,100)	(194,914)	(6,040)
Proceeds from disposal of investments	-	2,247,234	69,638
Proceeds from investees' capital reduction	623	273,200	8,466
Additions to property, plant and equipment	(66,645)	(13,022)	(404)
Proceeds from disposal of idle assets	742	-	-
Proceeds from disposal of property, plant and equipment	13,089	572	18
Increase in refundable deposits and deferred assets	(102,700)	(38,578)	(1,195)
Increase (decrease) in loan receivable from related parties	(1,418,390)	39,645	1,229
Net cash (used in) provided by investing activities	<u>(1,607,381)</u>	<u>2,314,137</u>	<u>71,712</u>
Cash flows from financing activities:			
Decrease in short-term borrowings	(4,050,096)	(1,024,960)	(31,762)
Redemption of bonds	(3,622,400)	(1,600,000)	(49,582)
Increase in long-term debt	-	9,000,000	278,897
Decrease in long-term debt	(2,000,000)	(5,600,000)	(173,536)
Increase in refundable deposits	-	2,530	79
Net cash (used in) provided by financing activities	<u>(9,672,496)</u>	<u>777,570</u>	<u>24,096</u>
Net decrease in cash and cash equivalents	(4,132,892)	(235,096)	(7,285)
Cash and cash equivalents at beginning of period	7,923,880	774,104	23,988
Cash and cash equivalents at end of period	<u>3,790,988</u>	<u>539,008</u>	<u>16,703</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$371,437</u>	<u>\$306,986</u>	<u>\$9,513</u>
Income taxes	<u>\$8,807</u>	<u>\$491</u>	<u>\$15</u>
Supplemental disclosure of non-cash investing and financial activities:			
Increase (decrease) in cumulative translation adjustment	<u>(\$73,520)</u>	<u>\$234,652</u>	<u>\$7,272</u>
Adjustments of net equity of investee companies	<u>(\$297,031)</u>	<u>(\$252,873)</u>	<u>(\$7,836)</u>
Changes in unrealized loss on available-for-sale financial assets	<u>\$671,249</u>	<u>\$125,498</u>	<u>\$3,889</u>