

# **Qisda Corporation**

(Formerly BenQ Corporation)

## **Q2 2007 Investor Briefing**

**August 23, 2007**

**Qisda**

### **Meeting Overview**

- **Q2 Financial Highlights**
- **Q2 Business Update**
- **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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## Q2 Financial Highlights



## Q2 2007 Income Statement – QoQ Analysis

Amount : NT\$ Billion Except  
EPS Data

	Q1 2007		Q2 2007		QoQ Change%
	Value	%	Value	%	
<b>Net Sales</b>	29.45	100.0%	32.37	100.0%	10%
Cost of Goods Sold	(26.76)	(90.9%)	(30.49)	(94.2%)	14%
<b>Gross Profit</b>	2.69	9.1%	1.88	5.8%	-30%
Operating Expenses	(3.77)	(12.8%)	(3.79)	(11.7%)	1%
<b>Operating Income</b>	(1.08)	(3.7%)	(1.91)	(5.9%)	77%
Net Non-op Items	(0.68)	(2.3%)	2.52	7.8%	-474%
<b>Income before Tax</b>	(1.76)	(6.0%)	0.61	1.9%	-135%
Income Tax	(0.00)	(0.0%)	(0.04)	(0.1%)	-
<b>Net Income</b>	(1.76)	(6.0%)	0.57	1.8%	-132%
Fully Diluted EPS (NT\$)	(0.69)		0.22		
Net Worth per Share (NT\$)	6.83		6.91		

- Sales growth was mainly contributed by Multi-function Printer and LCD Monitor.
- Operating loss was due to cleaning mobile inventory.
- Non-op items mainly due to gain of selling AU Optronics shares.

Core business unaudited consolidated results.  
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## Key Financial Ratios

	Q1 2007	Q2 2007
<b>A/R Turnover</b>	43 days	44 days
<b>Inventory Turnover</b>	52 days	50 days
<b>A/P Turnover</b>	71 days	78 days
<b>ROA</b>	-1.8%	0.6%
<b>ROE</b>	-9.5%	3.2%
<b>Current ratio</b>	92.7%	102.7%
<b>Debt / Total Assets</b>	50.9%	44.5%

- Cash conversion cycle was further improved to under 20 days.
- Current ratio and debt ratio were improved as planned.

Core business unaudited consolidated results.  
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## Q2 2007 Balance Sheet Highlights

Amount: NT \$ Billion

	Q1 2007		Q2 2007		QoQ Change
	Value	%	Value	%	
Cash & Equivalent	11.30	11.6%	9.04	9.2%	-2.25
Accounts Receivable	14.63	15.0%	16.84	17.2%	2.21
Inventories	14.58	15.0%	19.24	19.6%	4.66
L-T Investments	33.79	34.7%	31.22	31.8%	-2.56
<b>Total Assets</b>	<b>97.39</b>	<b>100.0%</b>	<b>98.03</b>	<b>100.0%</b>	<b>0.64</b>
<b>Debt</b>	<b>49.53</b>	<b>50.9%</b>	<b>43.62</b>	<b>44.5%</b>	<b>-5.91</b>
Accounts Payable	19.22	19.7%	25.49	26.0%	6.27
<b>Total Liabilities</b>	<b>79.90</b>	<b>82.0%</b>	<b>80.34</b>	<b>82.0%</b>	<b>0.44</b>
<b>Equities</b>	<b>17.48</b>	<b>18.0%</b>	<b>17.69</b>	<b>18.0%</b>	<b>0.20</b>

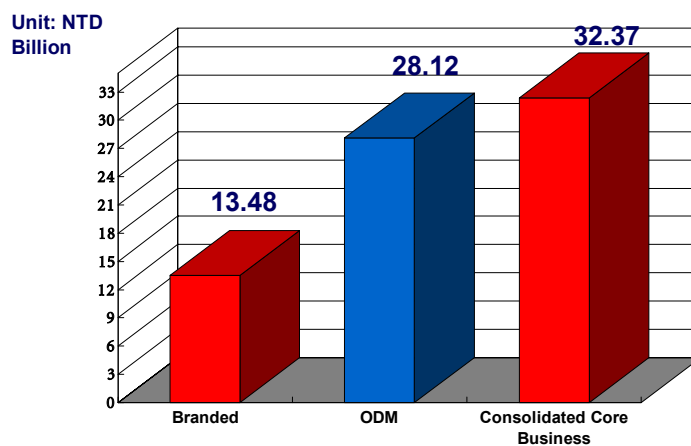
▪ Debt was reduced from 52.6 billion (Jan.2007) to 49.53 billion (Q1) and further to 43.62 billion (Q2).

Core business unaudited consolidated results.

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## Q2 Sales Breakdown by Business



▪ Branded business down slightly.  
 ▪ ODM business grew about 20%.

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# Business Update

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## Q2 Business Update

### ODM Business ( Qisda Core Business )

- LCD Monitor had mild growth.
- Multi-function Printer performed very well due to new project phased in.
- Sold the DSC division to Abico.

### Branded Business (New BenQ)

- Overall revenue was decreased because of low season.
- LCD TV, Joybook and DSC still maintained growth.

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# Q3 Guidance

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## Q3 Guidance

- **Branded business and ODM business will be spun-off effective on September 1st.**
- **Q3 revenue is expected to grow because of high season.**

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**Unaudited Core Business Consolidated Balance Sheet**  
**JUN. 30, 2007**

UNIT : NT\$K

<b>Assets</b>			<b>Liabilities &amp; stockholders' equity</b>		
<b>Current assets :</b>			<b>Liabilities</b>		
Cash & cash equivalent	9,014,401	9.2%	Short term borrowings	11,796,873	12.0%
Assigned financial asset measured at fair value - current	27,187	0.0%	N/P & A/P	17,886,576	18.2%
Net notes and accounts receivable	14,963,244	15.3%	N/P & A/P to related partie	7,605,843	7.8%
N/R & A/R from related parties	1,881,279	1.9%	Bond payable	3,250,000	3.3%
Net inventories	19,241,829	19.6%	Acurred exp. & other current liab.	<u>10,874,274</u>	11.1%
Prepaid expenses & other current assets	<u>7,651,029</u>	7.8%	<b>Total current liabilities</b>	<u>51,413,566</u>	52.4%
<b>Total current assets</b>	<u>52,778,969</u>	53.8%	Long term loan	20,505,810	20.9%
Long term investments	31,222,515	31.8%	Bond payable	8,065,790	8.2%
<b>Fixed assets :</b>	19,009,599	19.4%	Other liabilities	<u>358,873</u>	0.4%
Less : Accumulated depreciation	<u>(7,648,332)</u>	7.8%	<b>Total liabilities</b>	<u>80,344,040</u>	82.0%
<b>Total fixed assets</b>	<u>11,361,267</u>	11.6%	<b>Stockholder' equities</b>		
Other assets	2,668,320	2.7%	Common stock	25,648,800	26.2%
			Capital surplus	3,974,317	4.1%
			Legal reserve	0	0.0%
			Unrealized gain or loss on financial product	269,651	0.3%
			Retained earnings	<u>(12,771,300)</u>	-13.0%
			Translation adjustment	643,624	0.7%
			Treasury stock	<u>(78,060)</u>	-0.1%
			<b>Total stockholder' equities</b>	<u>17,687,032</u>	18.0%
<b>Total Assets</b>	<u>\$ 98,031,071</u>	100.0%	<b>Total Liabilities &amp; stockholders' equity</b>	<u>\$ 98,031,071</u>	100.0%

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**Unaudited Core Business Consolidated Income Statement**  
**JAN~JUN' 2007**

UNIT : NT\$K

**Revenue detail (JAN~JUN'2007)**

<b>Net sales</b>	\$ 61,822,982	100.0%		<b>Amount</b>	<b>%</b>
Cost of goods sold	<u>(57,252,840)</u>	-92.6%			
<b>Gross profit</b>	<u>4,570,142</u>	7.4%	Computing Products BG:	\$ 47,777,012	77%
<b>Operating expense :</b>			Digital Media BG :	10,118,183	16%
S & M	<u>(4,514,844)</u>	-7.3%	Mobile BG	2,788,695	5%
G & A	<u>(1,275,896)</u>	-2.1%	other	<u>1,139,092</u>	2%
R & D	<u>(1,768,946)</u>	-2.9%	<b>Total</b>	<u>\$ 61,822,982</u>	100%
<b>Total Operating expense</b>	<u>(7,559,686)</u>	-12.2%			
<b>Operating income (loss)</b>	<u>(2,989,545)</u>	-4.8%			
<b>Non-operating In net income(loss)</b>	<u>1,848,216</u>	3.0%			
<b>Earning Before income tax</b>	<u>(1,141,329)</u>	-1.8%			
<b>Income tax</b>	<u>(44,104)</u>	-0.1%			
<b>Minority interest in net income (loss)</b>		0.0%			
<b>Profit after tax</b>	<u>(\$1,185,433)</u>	-1.9%			

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**Nonconsolidated Balance Sheets**

**June 30, 2006 and 2007**  
(Expressed in thousands of New Taiwan dollars and US dollars)

	2006. 6. 30		2007. 6. 30		US\$
	NT\$	NT\$	NT\$	NT\$	
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	631,363	4,448,060	135,488	-	
Financial assets at fair value through profit or loss - current	19,983	93,501	2,848	-	
Notes and accounts receivable, net	4,341,828	5,530,612	168,462	-	
Notes and accounts receivable - related parties	23,896,539	23,054,408	702,236	-	
Other receivables, net	5,435,944	2,332,403	71,045	-	
Other receivables - related parties	204,898	917,082	27,934	-	
Other financial assets-current	25,602	16,148	492	-	
Inventories, net	4,970,298	2,783,295	84,779	-	
Prepaid expenses and other current assets	805,732	94,981	2,893	-	
Long-term equity investments to be sold	-	207,555	6,322	-	
Fixed assets to be sold	39,229	3,186,557	97,062	-	
Deferred income tax assets - current	799,870	255,962	7,797	-	
<b>Total current assets</b>	<u>41,171,286</u>	<u>42,920,564</u>	<u>1,307,358</u>	<u>-</u>	
<b>Long-term equity investments :</b>					
Long-term equity investments under equity method	31,829,784	28,484,134	867,625	-	
Available for-sale financial assets - noncurrent	3,703,756	3,763,933	114,649	-	
Financial assets carried at cost - noncurrent	1,405,406	187,413	5,709	-	
<b>Total long-term equity investments</b>	<u>36,938,946</u>	<u>32,435,480</u>	<u>987,983</u>	<u>-</u>	
<b>Property, plant and equipment:</b>					
Land	2,135,410	701,161	21,357	-	
Buildings	3,555,611	1,647,452	50,181	-	
Machinery and equipment	2,375,563	1,960,870	59,728	-	
Furniture and fixtures	155,694	170,272	5,186	-	
Miscellaneous equipment	70,203	80,265	2,445	-	
Prepayments for plant and equipment	410,205	43,756	1,333	-	
Less: accumulated depreciation	(8,702,686)	(4,603,776)	(140,230)	-	
	(2,985,417)	(2,365,836)	(72,063)	-	
<b>Net property, plant and equipment</b>	<u>5,717,269</u>	<u>2,237,940</u>	<u>68,167</u>	<u>-</u>	
<b>Other assets:</b>					
Assets for lease	987,952	-	-	-	
Idle assets	-	217,034	6,611	-	
Refundable deposits	9,875	44,423	1,353	-	
Deferred expense	1,093,858	756,119	23,031	-	
Deferred income tax assets - noncurrent	1,121,693	1,180,392	36,955	-	
<b>Total other assets</b>	<u>3,213,378</u>	<u>2,197,968</u>	<u>66,950</u>	<u>-</u>	
<b>Total assets</b>	<u>87,040,879</u>	<u>79,791,952</u>	<u>2,430,458</u>	<u>-</u>	
<b>Liabilities and Stockholders' Equity</b>					
<b>Current liabilities:</b>					
Short-term borrowings	16,963,058	9,155,737	278,883	-	
Financial liabilities at fair value through profit or loss - current	311,553	-	-	-	
Accounts payable	5,129,575	5,404,888	164,633	-	
Accounts payable - related parties	13,436,104	8,243,698	251,102	-	
Other payables - related parties	346,057	361,294	11,005	-	
Income tax payable	484,364	29,407	896	-	
Expense payable	3,765,311	5,744,794	174,986	-	
Accrued expenses and other current liabilities	626,923	240,242	7,318	-	
Bonds payable	1,000,000	3,250,000	98,995	-	
Deferred inter-company profits	126,215	363,917	11,085	-	
<b>Total current liabilities</b>	<u>42,189,160</u>	<u>32,793,977</u>	<u>998,903</u>	<u>-</u>	
<b>Financial liabilities at fair value through profit or loss - noncurrent</b>	<u>-</u>	<u>886,489</u>	<u>27,002</u>	<u>-</u>	
<b>Bonds payable</b>	<u>7,050,000</u>	<u>7,179,302</u>	<u>218,681</u>	<u>-</u>	
<b>Long-term borrowings</b>	<u>-</u>	<u>19,000,000</u>	<u>578,739</u>	<u>-</u>	
<b>Other liabilities</b>	<u>1,759,179</u>	<u>2,245,152</u>	<u>68,387</u>	<u>-</u>	
<b>Total liabilities</b>	<u>50,998,339</u>	<u>62,104,920</u>	<u>1,891,712</u>	<u>-</u>	
<b>Stockholders' equity:</b>					
Common stock	26,248,800	25,648,800	781,261	-	
Capital surplus:					
Additional paid-in-capital in excess of the common stock's par value	8,295,561	-	-	-	
Convertible bonds converted in excess of the common stock's par value	7,248,957	-	-	-	
Capital surplus from treasury stock transactions	12,432	-	-	-	
Capital surplus from long-term equity investments	2,214,063	3,974,317	121,057	-	
Legal reserve	1,059,698	3,974,317	121,057	-	
Retained earnings	(6,958,237)	-	-	-	
Cumulative translation adjustment	88,697	(12,771,300)	(389,013)	-	
Unrealized gain (loss) on financial products	(330,510)	269,651	8,214	-	
Treasury stock	(1,836,921)	(78,060)	(2,378)	-	
<b>Total stockholders' equity</b>	<u>36,042,540</u>	<u>17,687,032</u>	<u>538,746</u>	<u>-</u>	
<b>Commitments and contingencies</b>					
<b>Total liabilities and stockholders' equity</b>	<u>87,040,879</u>	<u>79,791,952</u>	<u>2,430,458</u>	<u>-</u>	

## Qisda Corporation

### Nonconsolidated Statements of Operations

For the six-month periods ended June 30, 2006 and 2007

(Expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2006	2007		
	NT\$	NT\$	US\$	
<b>Revenues</b>	70,113,607	56,875,672	1,732,430	
Less: sales returns and allowances	<u>(275,449)</u>	<u>(61,122)</u>	<u>(1,862)</u>	
<b>Net revenues</b>	69,838,158	56,814,550	1,730,568	
<b>Cost of goods sold</b>	<u>(67,852,398)</u>	<u>(56,232,562)</u>	<u>(1,712,841)</u>	
<b>Gross profit</b>	1,985,760	581,988	17,727	
<b>Change in unrealized inter-company profits</b>	<u>206,487</u>	<u>(181,936)</u>	<u>(5,541)</u>	
<b>Realized gross profit</b>	<u>2,192,247</u>	<u>400,052</u>	<u>12,186</u>	
<b>Operating expenses:</b>				
Selling	(2,095,999)	(1,296,474)	(39,491)	
Administrative	(574,333)	(412,247)	(12,557)	
Research and development	<u>(1,925,478)</u>	<u>(1,506,112)</u>	<u>(45,876)</u>	
	<u>(4,595,810)</u>	<u>(3,214,833)</u>	<u>(97,924)</u>	
<b>Operating loss</b>	<u>(2,403,563)</u>	<u>(2,814,781)</u>	<u>(85,738)</u>	
<b>Nonoperating income and gains:</b>				
Interest income	8,342	43,239	1,317	
Investment income recognized under equity method, net	-	136,150	4,147	
Gain on disposal of property, plant and equipment	2,619	53,286	1,623	
Gain on disposal of investments, net	978,709	2,588,547	78,847	
Foreign currency exchange gain, net	349,528	-	-	
Others	<u>5,439,744</u>	<u>72,100</u>	<u>2,196</u>	
	<u>6,778,942</u>	<u>2,893,322</u>	<u>88,130</u>	
<b>Nonoperating expenses and losses:</b>				
Interest expense	(441,515)	(769,652)	(23,444)	
Investment loss recognized under equity method, net	(11,145,066)	-	-	
Loss on disposal of property, plant and equipment	(203)	(501)	(15)	
Foreign currency exchange loss, net	-	(376,729)	(11,475)	
Financial products revaluation loss, net	(295,806)	(81,651)	(2,487)	
Others	<u>(1,320)</u>	<u>(4,839)</u>	<u>(147)</u>	
	<u>(11,883,910)</u>	<u>(1,233,372)</u>	<u>(37,568)</u>	
<b>Net loss before income taxes</b>	<u>(7,508,531)</u>	<u>(1,154,831)</u>	<u>(35,176)</u>	
<b>Income tax expense</b>	<u>(60)</u>	<u>(30,602)</u>	<u>(932)</u>	
<b>Net loss</b>	<u>(7,508,591)</u>	<u>(1,185,433)</u>	<u>(36,108)</u>	
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>
	NT\$	NT\$	NT\$	US\$
<b>Earnings per share:</b>				
Basic earnings per share	<u>(2.93)</u>	<u>(2.93)</u>	<u>(0.45)</u>	<u>(0.01)</u>
	<u>(0.46)</u>	<u>(0.01)</u>	<u>(0.46)</u>	<u>(0.01)</u>

**Qisda Corporation**

**Nonconsolidated Statements of Cash Flows**

**For the six-month periods ended June 30, 2006 and 2007**  
(Expressed in thousands of New Taiwan dollars and US dollars)

	2006	2007	
	NT\$	NT\$	US\$
<b>Cash flows from operating activities:</b>			
Net loss	(7,508,591)	(1,185,433)	(36,108)
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation	229,324	174,913	5,328
Amortization	291,223	234,562	7,145
Amortization of exchangeable bond discount	-	68,063	2,073
Change in provision for bad debt and sales allowance	(24,684)	3,315	101
Change in provision for inventory obsolescence	71,817	(298,404)	(9,089)
Investment (gain) loss on long-term equity investments, net	11,145,066	(136,150)	(4,147)
Disposal gain on long-term investments	-	(17,727)	(540)
Cash dividends received from investments recognized under equity method	279,037	-	-
Gain on disposal of financial assets at fair value through profit or loss, net	(528)	(4,546)	(138)
Loss on disposal of financial assets carried at cost	90	2,286	69
Gain on disposal of long-term equity investments recognized under equity method, net	(978,271)	(2,568,560)	(78,238)
Other income	(4,275,531)	-	-
Gain on disposal of property, plant and equipment, net	(2,415)	(52,785)	(1,608)
Unrealized foreign exchange gain on overseas convertible bonds	(2,431)	-	-
Reversal for interest reimbursements of overseas convertible bonds	(250)	-	-
Amortization of bond issuance costs	1,133	5,620	171
Deferred income tax benefit	(485,209)	-	-
Changes in operating assets and liabilities:			
Notes and accounts receivable	2,181,642	(1,958,117)	(59,644)
Receivables from related parties	1,538,668	(1,466,154)	(44,659)
Other receivables	-	1,060,476	32,302
Inventories	539,240	601,428	18,319
Other financial assets-current	2,087,360	-	-
Prepaid expenses and other current assets	66,127	170,212	5,184
Notes and accounts payable	423,531	2,084,544	63,495
Payables to related parties	(7,401,028)	(6,467,391)	(196,996)
Financial assets and liabilities at fair value through profit or loss	85,117	106,039	3,230
Deferred inter-company unrealized sales profit	(206,487)	181,937	5,542
Accrued expenses and other current liabilities	1,345,279	(2,013,585)	(61,334)
Income tax payable	484,364	29,406	896
Other liabilities	(13,521)	14,297	435
<b>Net cash used in operating activities</b>	<u>(129,928)</u>	<u>(11,431,754)</u>	<u>(348,211)</u>
<b>Cash flows from investing activities:</b>			
Increase in long-term equity investments	(14,349,398)	-	-
Additions to property, plant and equipment	(184,458)	(83,204)	(2,534)
Proceeds from disposal of long-term equity investments	1,154,374	5,773,416	175,858
Proceeds from disposal of property, plant and equipment	2,506	32,058	976
Increase in refundable deposits and deferred assets	(344,973)	(130,905)	(3,987)
<b>Net cash provided by (used in) investing activities</b>	<u>(13,721,949)</u>	<u>5,591,365</u>	<u>170,313</u>
<b>Cash flows from financing activities:</b>			
Increase in long-term borrowings	-	7,000,000	213,220
Increase (decrease) in short-term borrowings	14,327,921	(4,531,532)	(138,030)
Redemption of convertible bonds	(6,470)	-	-
Issuance of exchangeable bonds	-	4,500,000	137,070
<b>Net cash provided by financing activities</b>	<u>14,321,451</u>	<u>6,968,468</u>	<u>212,260</u>
<b>Net increase in cash and cash equivalents</b>	469,574	1,128,079	34,362
<b>Cash and cash equivalents at beginning of period</b>	<u>161,789</u>	<u>3,319,981</u>	<u>101,126</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>631,363</b></u>	<u><b>4,448,060</b></u>	<u><b>135,488</b></u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the period for:			
Interest, excluding capitalized interest	<u>410,406</u>	<u>700,712</u>	<u>21,344</u>
Income taxes	<u>1,534</u>	<u>5,548</u>	<u>169</u>
<b>Supplemental information disclosure of non-cash investing and financing activities:</b>			
Increase (decrease) in cumulative translation adjustment	<u>(346,063)</u>	<u>52,275</u>	<u>1,592</u>
Convertible bonds converted to common stock and capital surplus at par value	<u>129,510</u>	<u>-</u>	<u>-</u>
Cancellation of treasury stock	<u>-</u>	<u>1,759,157</u>	<u>53,584</u>

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