

Qisda Corporation Investor Conference 2008 Q3 Results

October 23, 2008

Qisda

Outline

- 2008 Q3 Financial Results
- 2008 Q3 Business Summary
- 2008 Q4 Guidance

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.

2008 Q3 Financial Results

2008 Q3 Financial Highlights

● Q3

- ◆ Revenue NT\$ 27.00 billion
- ◆ Net income NT\$ - 1.86 billion
- ◆ EPS NT\$ - 1.02

● YTD

- ◆ Revenue NT\$ 86.68 billion
- ◆ Net income NT\$ 0.46 billion
- ◆ EPS NT\$ 0.25

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Q3 Income Statement QoQ Analysis

Amount : NT\$ Billion

	2008 Q3		2008 Q2		QoQ
Net Sales	27.00	100.0%	30.45	100.0%	(11.3%)
COGS	(25.98)		(29.43)		
Gross Margin	1.01	3.8%	1.02	3.4%	+0.4 ppt
Opex	(1.39)	(5.1%)	(1.71)	(5.6%)	
Operating Income	(0.37)	(1.4%)	(0.69)	(2.3%)	+0.9 ppt
Net Non-op Items	(1.29)		1.50		
Income before Tax	(1.66)		0.81		
Net Income	(1.86)	(6.9%)	0.57	1.9%	-8.8 ppt
EPS-Diluted (NT\$) ^(a)	(1.02)		0.31		
Net Worth / Share (NT\$) ^(a)	13.88		15.34		

- Core business unaudited consolidated results.

(a) EPS-Diluted was calculated based on the total diluted weighted average outstanding shares (1,834m shares).

(b) Net Worth per share was calculated based on the total outstanding shares (1,926m shares).

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Q3 Balance Sheet Highlights

Amount: NT \$ Billion

	Q3 2008		Q2 2008		QoQ
Cash & Equivalent	7.39	8.0%	6.96	7.6%	0.43
Accounts Receivable	17.95	19.4%	16.46	17.9%	1.49
Inventory	13.12	14.1%	12.61	13.7%	0.50
L-T Investments	39.06	42.1%	40.79	44.4%	(1.73)
Total Assets	92.77	100.0%	91.77	100.0%	1.00
Fin. Debt	36.21	39.0%	35.26	38.4%	0.95
Accounts Payable	21.46	23.1%	18.99	20.7%	2.47
Total Liabilities	66.05	71.2%	62.24	67.8%	3.81
Equity	26.72	28.8%	29.54	32.2%	(2.81)

- Core business unaudited consolidated results.

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Q3 Key Financial Ratios

	2008 Q3	2008 Q2	QoQ
A/R Turnover	60 days	46 days	14 days
Inventory Turnover	48 days	43 days	5 days
A/P Turnover	79 days	62 days	17 days
Cash Conversion Cycle	29 days	27 days	2 days
ROA ^(a)	(2.0%)	0.6%	-2.6 ppt
ROE ^(a)	(6.6%)	2.1%	-8.7 ppt
Current ratio	96.8%	100.3%	-3.5 ppt
Fin. Debt / Total Assets	39.0%	38.4%	+0.6 ppt

- Core business unaudited consolidated results.

(a) ROA and ROE were calculated on a quarterly basis.

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2008 Q3 Business Summary

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2008 Q3 Revenue

- QoQ : -11.3 %
- QoQ change by Product Line

Product Line	Trend	Remark
Monitor		ASP reduction
LCD TV		-
Projector		seasonality/new projects
SPC ^(a)		project phase out
Mobile		new projects
Infotainment		seasonality/new projects

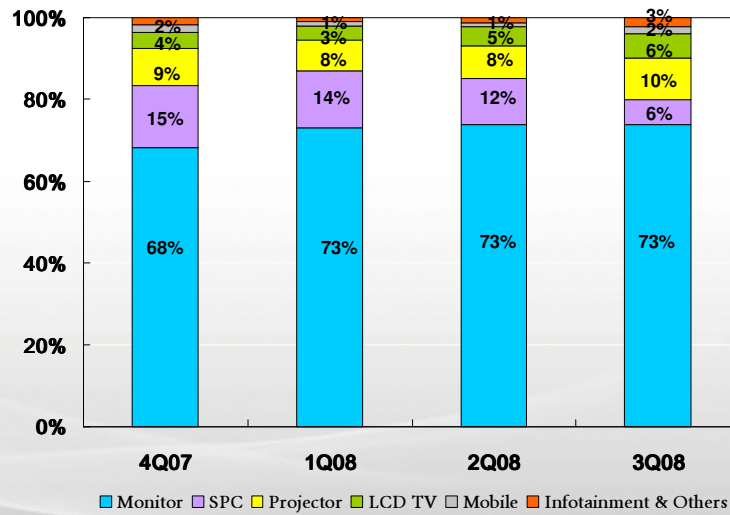
(a) SPC includes scanner, printer and copier.

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Revenue Breakdown by Product Line



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Quality
Innovation
Speed

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Qisda Corporation.
Unaudited Core Business Consolidated Balance Sheet
JUN ,30, 2008

UNIT : NT\$K

Assets			Liabilities & stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalent	7,386,955	8.0%	Short term borrowings	10,886,565	11.7%
Net notes and accounts receivable	11,258,874	12.1%	N/P & A/P	17,523,849	18.9%
N/R & A/R from related parties	6,693,524	7.2%	N/P & A/P to related partie	3,940,655	4.2%
Net inventories	13,115,331	14.1%	Bond payable	3,490,066	3.8%
Prepaid expenses & other current assets	<u>3,287,419</u>	3.5%	Accrued exp. & other current liab.	<u>7,295,774</u>	7.9%
Total current assets	41,742,103	45.0%	Total current liabilities	43,136,909	46.5%
Long term investments	39,059,107	42.1%	Long term loan	20,231,650	21.8%
Fixed assets :	16,817,142	18.1%	Bond payable	1,600,000	1.7%
Less : Accumulated depreciation	<u>(6,634,507)</u>	7.2%	Other liabilities	<u>1,079,929</u>	1.2%
Total fixed assets	10,182,634	11.0%	Total liabilities	66,048,488	71.2%
Other assets	1,788,843	1.9%	Stockholder' equities		
			Common stock	19,282,176	20.8%
			Capital surplus	6,962,087	7.5%
			Legal reserve	344,528	0.4%
			Unrealized gain or loss on financial product	<u>(2,154,347)</u>	-2.3%
			Retained earnings	1,545,798	1.7%
			Translation adjustment	820,999	0.9%
			Treasury stock	<u>(77,042)</u>	-0.1%
			Total stockholder' equities	26,724,198	28.8%
 Total Assets	 <u>\$ 92,772,687</u>	 100.0%	 Total Liabilities & stockholders' equity	 <u>\$ 92,772,687</u>	 100.0%

Qisda Corporation.
Unaudited Core Business Consolidated Income Statement
JAN~JUN' 2008

UNIT : NT\$K

Net sales	\$ 86,677,371	100.0%
Cost of goods sold	<u>(83,398,412)</u>	-96.2%
Gross profit	<u>3,278,959</u>	3.8%
Operating expense :		
S & M	(1,904,184)	-2.2%
G & A	(952,639)	-1.1%
R & D	<u>(2,019,976)</u>	-2.3%
Total Operating expense	<u>(4,876,800)</u>	-5.6%
Operating income (loss)	<u>(1,597,841)</u>	-1.8%
Non-operating in net income(loss)	<u>2,513,163</u>	2.9%
Earning Before income tax	915,322	1.1%
Income tax	<u>(457,860)</u>	-0.5%
Minority interest in net income (loss)		0.0%
Profit after tax	<u><u>\$457,462</u></u>	0.5%

Qisda Corporation
Reviewed Non-consolidated Balance Sheets (Parent Company Only)
September 30, 2007 and 2008
(expressed in thousands of New Taiwan dollars and US dollars)

Assets	2007.9.30	2008.9.30		Liabilities and Stockholders' Equity	2007.9.30	2008.9.30	
	NT\$	NT\$	US\$		NT\$	NT\$	US\$
Current assets:				Current liabilities:			
Cash and cash equivalents	\$ 3,196,499	\$ 1,191,525	37,085	Short-term borrowings	\$ 8,031,046	\$ 2,995,009	93,215
Financial assets at fair value through profit or loss — current	92,454	11,397	355	Financial liabilities at fair value through profit or loss — current	-	596,782	18,574
Notes and accounts receivable, net	6,662,961	8,008,858	249,264	Notes and accounts payable	3,613,381	2,436,799	75,841
Accounts receivables from related parties	20,276,005	8,418,728	262,021	Accounts payable to related parties	11,921,259	3,176,109	98,852
Other receivables, net	1,977,766	1,210,863	37,686	Other payable to related parties	411,421	80,584	2,508
Other receivable from related parties	1,375,541	303,721	9,453	Accrued expenses	5,158,456	4,182,528	130,175
Other financial assets – current	506,447	522,779	16,271	Advance receipts and other current liabilities	363,421	470,669	14,649
Inventories	3,088,341	1,880,759	58,536	Bonds payable	2,200,000	3,490,066	108,623
Prepaid expenses and other current assets	90,200	111,597	3,473	Deferred inter-company profits	334,817	152,006	4,731
Long-term equity investment held for sale	205,733	-	-	Total current liabilities	32,033,801	17,580,552	547,168
Deferred income tax assets – current	274,253	50,622	1,576				
Total current assets	37,746,200	21,710,849	675,720	Financial liabilities at fair value through profit or loss-non current	1,069,707	-	-
				Bonds payable	6,213,445	1,600,000	49,798
Long-term investments:				Long-term debt	19,000,000	19,000,000	591,348
Equity method	35,613,925	38,227,139	1,189,765	Other liabilities			
Available-for-sale financial assets — noncurrent	3,380,270	2,223,691	69,209	Deferred profits on sale-leaseback transaction	1,073,569	855,216	26,618
Financial assets carried at cost — noncurrent	183,593	170,594	5,309	Other liabilities	457,221	153,629	4,781
	39,177,788	40,621,424	1,264,283	Total other liabilities	1,530,790	1,008,845	31,399
				Total liabilities	59,847,743	39,189,397	1,219,713
Property, plant and equipment:				Stockholders' equity:			
Land	663,248	652,697	20,314	Common stock	15,389,280	19,282,176	600,130
Buildings	1,511,472	1,480,374	46,075	Capital surplus:			
Machinery and equipment	1,276,865	891,464	27,746	Additional paid-in-capital in excess of the common stock's par value	-	2,738,580	85,234
Furniture and fixtures	114,117	115,858	3,605	Capital surplus from long-term equity investments	4,785,052	4,048,334	125,999
Miscellaneous equipment	54,991	51,533	1,604		4,785,052	6,786,914	211,233
Prepayments for plant and equipment	2,037	35,467	1,104				
	3,622,730	3,227,393	100,448				
Less: accumulated depreciation	(1,641,376)	(1,385,789)	(43,131)	Legal reserve	-	344,528	10,723
Net property, plant and equipment	1,981,354	1,841,604	57,317	Retained earnings (accumulated deficit)	-	175,173	5,452
Intangible assets	604,108	127,512	3,969	Special reserve	314,284	1,545,798	48,111
Other assets :				Cumulative translation adjustment	686,552	820,999	25,553
Assets for lease	102,221	126,401	3,934	Unrealized loss on available-for-sale financial assets	(124,228)	(2,154,347)	(67,051)
Idle Assets	104,324	104,324	3,247	Treasury stock	(77,530)	(77,042)	(2,398)
Refundable deposits	87,429	95,228	2,964	Total stockholders' equity	20,973,410	26,724,199	831,753
Deferred expenses	47,421	34,062	1,060				
Deferred income tax assets – noncurrent	865,087	1,155,160	35,952	Commitments and contingencies			
Prepaid pension cost	105,221	97,032	3,020				
Total other assets	1,311,703	1,612,207	50,177				
Total assets	\$ 80,821,153	\$ 65,913,596	2,051,466	Total liabilities and stockholders' equity	\$ 80,821,153	\$ 65,913,596	2,051,466

(Note: Translation of the September 30, 2008, 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 September 30, 2008, of NT\$32.130 to US\$1 uniformly for all the financial statements accounts.)

Qisda Corporation

Reviewed Non-consolidated Statements of Income (Parent Company Only)

For the three-month periods ended September 30, 2007 and 2008

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

	2007 Q3		2008 Q3	
	NT\$	NT\$	US\$	
Net sales	\$ 92,073,592	\$ 60,504,245	1,883,108	
Cost of goods sold	(90,576,706)	(59,119,962)	(1,840,024)	
Gross profit	<u>1,496,886</u>	<u>1,384,283</u>	<u>43,084</u>	
Change in unrealized inter-company profits	(152,836)	180,959	5,632	
Realized gross profit	<u>1,344,050</u>	<u>1,565,242</u>	<u>48,716</u>	
Operating expenses:				
Selling	(2,043,334)	(951,724)	(29,621)	
Administrative	(812,344)	(491,578)	(15,300)	
Research and development	(2,560,364)	(1,804,712)	(56,169)	
	<u>(5,416,042)</u>	<u>(3,248,014)</u>	<u>(101,090)</u>	
Operating loss	<u>(4,071,992)</u>	<u>(1,682,772)</u>	<u>(52,374)</u>	
Non-operating income:				
Interest income	64,484	21,100	656	
Investment income recorded under the equity method, net	2,724,180	2,607,019	81,140	
Dividend income	19,311	189,770	5,906	
Evaluation gain on financial instruments, net	-	240,128	7,474	
Gain on disposal of property, plant and equipment	1,256,976	2,828	88	
Gain on disposal of investments, net	3,544,568	647	20	
Others	101,240	137,649	4,284	
	<u>7,710,759</u>	<u>3,199,141</u>	<u>99,568</u>	
Non-operating expenses:				
Interest expense	(1,181,367)	(860,830)	(26,792)	
Foreign currency exchange loss, net	(416,922)	(179,684)	(5,592)	
Impairment loss on idle assets	(112,711)	-	-	
Evaluation loss on financial assets, net	(232,330)	-	-	
Others	(24,158)	(18,394)	(572)	
	<u>(1,967,488)</u>	<u>(1,058,908)</u>	<u>(32,956)</u>	
Income (loss) before income tax	<u>1,671,279</u>	<u>457,461</u>	<u>14,238</u>	
Income tax expense	(30,648)	-	-	
Net income (loss)	<u>\$1,640,631</u>	<u>\$457,461</u>	<u>\$14,238</u>	
Earnings (loss) per share:	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
Basic earnings per share-retroactively adjusted	<u>1.00</u>	<u>0.98</u>	<u>0.25</u>	<u>0.25</u>
Diluted earnings per common share			<u>0.25</u>	<u>0.25</u>

Qisda Corporation

Reviewed Non-consolidated Statements of Cash Flows (Parent Company Only)
For the three-month periods ended September 30, 2007 and 2008
(expressed in thousands of New Taiwan dollars and US Dollars)

	2007 Q3	2008 Q3	
	NT\$	NT\$	US\$
Cash flows from operating activities:			
Net income (loss)	1,640,631	457,461	\$14,238
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	231,604	132,431	4,122
Amortization	378,293	272,543	8,483
Amortization of exchangeable bond discount	102,206	66,076	2,057
Change in provision for bad debt	(12,748)	-	-
Change in provision for inventory obsolescence	(319,616)	-	-
Investment income on long-term equity investments accounted for by equity method, net	(2,724,180)	(2,607,019)	(81,140)
Cash dividends received from investments recognized under equity method	309,999	1,974,757	61,461
Gain on disposal of financial assets at fair value through profit or loss	(4,546)	-	-
Gain on disposal of long-term equity investments held for sale	(19,671)	-	-
Loss on disposal of financial assets carried at cost	779	-	-
Gain on disposal of long-term equity investments accounted for by equity method	(3,521,130)	(647)	(20)
Loss on disposal of property, plant and equipment, net	(1,256,976)	(2,828)	(88)
Amortization of deferred profits on sale-leaseback transaction	(18,196)	(81,882)	(2,548)
Amortization of bond issuance costs	8,430	10,131	315
Impairment loss on idle assets	112,711	-	-
Change in accounts in the accompanying balance sheets:			
Financial assets and liabilities at fair value through profit or loss	256,719	(240,128)	(7,474)
Notes and accounts receivable	(3,099,894)	(2,114,677)	(65,816)
Receivables from related parties	(5,629,231)	8,907,913	277,246
Other receivables	1,440,604	758,973	23,622
Inventories	230,793	1,854,387	57,715
Other financial assets – current	(490,299)	(19,728)	(614)
Prepaid expenses and other current assets	174,993	8,484	264
Prepaid pension	9,952	(10,942)	(341)
Notes and accounts payable	293,037	(305,834)	(9,519)
Payables to related parties	(2,442,689)	(4,698,084)	(146,221)
Deferred inter-company profit	152,837	(180,959)	(5,632)
Accrued expenses and other current liabilities	(1,927,163)	(865,769)	(26,946)
Deferred credit	(14,328)	(14,329)	(446)
Other liabilities	13,310	-	-
Net cash used in operating activities	<u>(16,123,769)</u>	<u>3,300,330</u>	<u>102,718</u>
Cash flows from investing activities:			
Addition to long-term equity investments	(36,944)	(307,270)	(9,563)
Additions to property, plant and equipment	(101,008)	(82,802)	(2,577)
Proceeds from disposal of long-term equity investments	7,009,070	-	-
Proceeds from disposal of property, plant and equipment	5,561,902	34,067	1,060
Increase in refundable deposits and deferred assets	(230,331)	(71,034)	(2,211)
Proceeds from investees' capital reduction	3,821	6,773	211
Net cash provided by (used in) investing activities	<u>12,206,510</u>	<u>(420,266)</u>	<u>(13,080)</u>
Cash flows from financing activities:			
Decrease in short-term borrowings	(5,656,223)	(5,699,715)	(177,395)
Increase in long-term debt	7,000,000	-	-
Redemption of bonds	(2,050,000)	(2,200,000)	(68,472)
Issuance of exchangeable bonds	4,500,000	-	-
Issuance of common stock	-	5,000,000	155,618
Net cash provided by financing activities	<u>3,793,777</u>	<u>(2,899,715)</u>	<u>(90,249)</u>
Net increase (decrease) in cash and cash equivalents	<u>(123,482)</u>	<u>(19,651)</u>	<u>(611)</u>
Cash and cash equivalents at beginning of period	<u>3,319,981</u>	<u>1,211,176</u>	<u>37,696</u>
Cash and cash equivalents at end of period	<u>\$3,196,499</u>	<u>\$1,191,525</u>	<u>\$37,085</u>
Additional disclosure of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$1,078,750</u>	<u>\$916,776</u>	<u>\$28,533</u>
Income taxes	<u>\$27,872</u>	<u>\$5,554</u>	<u>\$173</u>
Supplemental disclosure of non-cash investing and financial activities:			
Changes in unrealized gain (loss) on available-for-sale financial assets	<u>(\$60,452)</u>	<u>(\$1,036,446)</u>	<u>(\$32,258)</u>
Adjustments of net equity of investee companies	<u>(\$182,751)</u>	<u>(\$1,317,750)</u>	<u>(\$41,013)</u>
Increase (decrease) in cumulative translation adjustment	<u>\$4,299</u>	<u>\$133,229</u>	<u>\$4,147</u>
Cancellation of treasury stock	<u>\$1,759,157</u>	<u>-</u>	<u>-</u>