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QISDA 2010 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.

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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 2010 consolidated revenue from its core business reached NT \$89.4 billion, while the Taiwan parent company achieved revenue of NT \$61.3 billion. Net income after tax was NT \$3.74 billion, and after tax earning per share was NT \$1.94.

Qisda has been carrying out various business transformation projects for the past three years; as a result, the company's core business has been rendering profits since the 4th quarter of 2008 despite the global financial crisis. Qisda has improved its cash flow by refining the working capital management and increasing profitability. Consequently, the company reduced NT \$20 billion in financial debt within three years. During the same period, with the support from its employees, Qisda has raised its competitiveness in terms of sustainable development by taking the following actions: unifying global manufacture and supply chain, establishing in-house vertical-integration system (parts stamping, forming, mold development; printed circuit board Surface-mount Technology; LCD panel backlight module assembly), consolidating IT system platforms, and developing corporate software systems for R&D, production, raw material, and supply chain management. In addition, actions were also taken to substantially increase the productivity and to establish a highly-efficient and customized production model that is capable of producing small quantity and diverse products. In recent years, Qisda has been improving itself by engaging in spontaneous corporate-wide improvement programs like CIP (Continuous Improvement Process) and Lean programs. In 2010, Qisda has also successfully introduced the CSD (Continuing Sustainable Development) standards to fulfill the company's social responsibilities.

Moreover, all material legal proceedings related to closing of BenQ-Siemens in Sep, 2006 came to an end in 2010 with no negative financial impact to Qisda, which allows the management to focus on improving Qisda's core business in the future.

The LCD monitor business, which has been one of Qisda's key business areas for a long period of time, maintained a steady growth in total shipment in 2010. However, its revenue contribution has decreased to 66% of the total revenue. Remarkably, the revenue share excluding that from Qisda's two main product lines (LCD monitors and projectors) achieved a 7% growth compared to the result of the previous year. This is a solid proof that Qisda's newly developed and promising product lines like tablet devices, smart phones, e-readers and tele-healthcare devices have achieved fruitful results in year 2010 and are gradually become a fresh source for future revenue growth and profitability. As of today, Qisda is featuring a brand new and versatile product line-up. Besides, accompanying the new product lines comes more emphasis beyond hardware. The focus on software and human interface design helps further increase the products' add-on values.

For the past five years, Qisda has invested an average of 3% of its total revenue each year on research and development. Accordingly, the company has accumulated approximately 1,500 patents around the world. In 2010 alone, Qisda scored 20 international industrial design awards including iF (Germany), red dot (Germany) and G-mark (Japan), topping all other competitors in the ODM industry. With outstanding product design and development capabilities, Qisda is bound to remain firm and sustainable in terms of elevating the company's core competitiveness.

Loaded with strength and capabilities accumulated during the past years, Qisda is expected to achieve growth in both revenue and profit in 2011, and to transform itself from a hardware manufacturing service provider into a complete hardware and software solution provider. In the future, Qisda's vision is to become a commonly acknowledged and innovative leader in product design and corporate management. Let us witness Qisda's success and booming development in the next three years to come!

We are extremely grateful to each and every shareholder for their long-term support and encouragement. 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 maintain its position as one of the top 5 manufacturers in the world through advanced product designs.

Business Scope

Overview of Operations

LCD monitor is a mature product with declining ASPs. The LCD Monitor Business Unit focuses on establishing strong relationships with brand customers, developing new product features and engaging in value-added vertical integration activities, such as panel module assembly and in-house mechanical parts manufacture.

In 2010, Qisda sold over 15 million sets of LCD monitors and both multifunction monitor and all-in-one PC launched mass production and began delivery. The LED backlight monitor sales took 30% of the total volume and went above average industry level.

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"/21.5" all-in-one PC

Industry Overview

Current Status and Trends in Development

As global economy gradually recovered, the 2010 global LCD monitor market slightly increased to 173 million units according to DisplaySearch. For 2011, the global market is estimated to reach 181 million units, but the annual growth rate will stay below 5% for the coming few years.

In 2011, the supply and demand for LCD panels will continue to remain imbalanced. The fluctuation in global raw material price and China wage hike will form a stern challenge for system assembling plants, such as Qisda, in maintaining current cost level. In such environment, Qisda will aim to maintain its competitiveness through developing new product features, enhancing product values, optimizing supply chain/vertical integration, and increasing economies of scale.

In a mature market like the LCD monitor market, in addition to increasing cost competitiveness and offering flexible delivery, Qisda will work closely with brand customers to develop low power consumption and eco-friendly LED backlight displays, 3D application and net display products to fulfill diverse demand from the market.

Research & Development

Technologies in Deployment

- 3D/120Hz technology products
- Complete lineup of LED monitors
- Professional precision color LCD monitors
- Super slim ID monitors
- Complete lineup of LED backlight modules

Ongoing Efforts

- 3D/ HDMI 1.4 technology products
- Net displays
- USB3.0 application products
- Other professional/specialty monitors
- Differentiation/low cost LED backlight modules

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 Qisda is believed to have distinct advantage.
- Increase add-on value in value chains through vertical integration, such as panel module assembly, backlight module design, in-house stamping and in-house plastic injection.
- Increase multifunction monitor/all-in-one PC product mix and expand scale.
- Continue cooperating with AU Optronics Corp. to develop high quality LCD monitors and cultivate partnerships with tier-one panel vendors to ensure smooth supply.
- Enhance product customization capabilities through synchronization of panel backlight module with monitor design and integration of production process.

Market Analysis

Major Sales Markets

Worldwide

Market Share

In 2010, Qisda's LCD display sales reached 15 million sets, which kept the company in the top 5 leading position worldwide.

Positive Factors, Negative Factors, and Strategies

Positive Factors

- As the industry consolidates, big players are likely to remain large.

Negative Factors

- Commodity market; severe price competition
- The fluctuation of global raw material price and China wage hike increases material and labor cost

Strategies

- Sustain a leading industry position through vertical integration and expanding economies of scale to lower costs.
- Improve production process by reducing labor usage while increasing cell production lines to achieve better flexibility.
- Maximize the benefits from economies of scale and increase market share by:
 - Provide all sizes of solutions and promote larger-sized, high-performance models where Qisda is believed to have 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.
 - Increase add-on value in value chains through vertical integration, such as panel module assembly, backlight module/monitor integration, 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 2011 goals for Qisda's projector ODM business are to achieve higher growth in shipments and to maintain the top 3 position worldwide. At the same time, the Projector Business Unit aims to reduce costs and improve quality to provide better customer service and boost growth rates.

Business Scope

Overview of Operations

Qisda's projector ODM business captured 15% of the global market share and maintained the top 3 position worldwide in 2010. Moreover, except for DLP projectors, Qisda is the only manufacturer in Taiwan that is experienced in LCD projector mass production.

Product Offerings

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

Product Features

The MX880UST projector, with a new generation ultra-short-throw projection lens developed by Qisda, resolves the shadow issue in educational applications. In addition, advanced networking interface and two 10W speakers deliver best connectivity and audio experience in this category.

The IN3916 projector, with cutting edge PointBlank technology developed by Qisda, enables the friendly interactive feature for educational applications. In addition, advanced networking interface and two 10W speakers provide best connectivity and audio experience in this category

Industry Overview

Current Status and Trends in Development

According to industry analysis reports, 2010 worldwide projector shipment was 7.3 million units and the forecast for 2011 is 8.0 million units.

The market is expected to continue growing in the next few years due to the development of technologies that realize more applications and lower prices.

Research & Development

Technologies in Deployment

- The ultra-short-throw projection technology on the MX880UST projector resolves the shadow issue in educational applications.
- The IN3916 projector, with cutting edge PointBlank technology developed by Qisda, enables the friendly interactive feature for educational applications.

On-going Efforts

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

Short and Long-Term Business Plans

- Short-Term: develop new DLP and LCD projector technologies and extend them to future ODM/OEM business
- Long-Term: enhance product applications for home, office, and educational markets

Market Analysis

Major Sales Markets

Worldwide

Market Share

In 2010, Qisda was one of the top 3 projector manufacturers worldwide.

Positive Factors, Negative Factors, and Strategies

Positive Factors

- Qisda's projector shipment increased 56% between 2009 and 2010, much higher than the average of 24% growth in shipment worldwide. Economies of scale is the critical factor for key component sourcing and manufacturing operations.
- In addition to the benefit from the economies of scale, leading technologies allow Qisda to remain competitive even in the face of price erosion that is expected to continue over the next few years.

Negative Factors

- Shorter product lifecycles and market price disruption caused by growing number of competitors and similar products

Strategies

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

Scanner/Printer/Care (SPC) Business Unit

Operational Guidelines

Intensive competition within the industry has led to a significant drop in consumer and IT product prices. In response to the challenge, the SPC Business Unit has redirected our business focus from high-volume but low-profit consumer segments to business segments. In addition, we are working closely with customers in business printer and medical solution industries to strengthen our product design.

Business Scope

Overview of Operations

In 2011, we will be putting emphasis on mini-photo scanners, optical touch modules and continuing to invest in the medical solution product line. For business printers, we have provided high add-on value through design cooperation, vertical integration and project control efficiency for ODM customers. As a result of our efforts, we have developed long-term business relationships with our customers.

Product Offering

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

Industry Overview

Current Status and Trends in Development

According to marketing surveys, revenues and operating margins for traditional consumer printer/scanners have dropped substantially in recent years. Consequently, Qisda is redirecting its focus on business segments, including color laser printers, color laser MFP and high speed inkjet printers.

Additionally, by utilizing our capabilities in communication technologies, we are extending our operation into the medical electronics industry, which is growing stably compared to the IT industry but may take time to build the required infrastructure from channels to supply chains.

With Qisda's technological advantages in communication, image processing, and data management technologies as well as channel development knowledge, we are focusing on three developmental objectives:

- 1) For scanning technology applications, we will focus on the specialized mini-photo scanners and extend these efforts to optical touch modules.
- 2) For printers, we will continue to cooperate with different partners to increase our market share in business printers.
- 3) For medical electronics, we will provide diverse devices and 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
- High-speed ink delivery and maintenance system
- Standalone 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 health care industry

Short and Long-Term Business Plans

- The color laser printer product line has been maintaining a strong growth since 2010. We will focus on reducing cost and improving quality to continue the growth trend in 2011.
- Continue to cooperate with strategic partners on high-speed printers and explore opportunities to introduce the printers to the market.
- Continue to develop new products and solutions for the medical electronics product line, which began shipping in 2009.
- The CMOS-based touch panel module started shipping in 2010 and will increase shipment by cooperating with leading IT brand and system companies.

Market Analysis

Major Sales Markets

Worldwide

Market Share

In 2010, as a result of the partnership with a leading brand customer, market share for color laser printers reached 3% of the worldwide market. In 2011, mini-photo scanners are expected to occupy more than 50% worldwide market share in the segment. Optical touch modules are projected to reach 10% worldwide market share in 2011.

Positive Factors, Negative Factors, and Strategies

Positive Factors

- The optical touch modules and medical electronics businesses are growing and Qisda has a significant technological lead comparing to the industry.
- Qisda has strong partnerships with top-tier color laser printer players.
- Receiving positive feedbacks on our affordable high speed inkjet printers from the market and starting shipments to customers.

Negative Factors

- Profits will likely be affected by material and labor cost increases in China.
- Decline in revenue and margins of photo scanner segments due to competition.

Strategies

- For niche segments, Qisda is consolidating product applications and solutions to maximize revenue and profit.
- For business segments, Qisda is enhancing strategic cooperation with customers to increase economies of scale.
- For medical electronics, Qisda is continuing to develop products with exceptional quality to maintain our leading position in the market.

Infotainment Solutions Business Unit

Operational Guidelines

The Infotainment Solutions Business Unit mainly focuses on small and medium to large-sized TFT-LCD panel applications for both standard and customized system designs, including industrial infotainment and consumer infotainment solutions. The industrial infotainment solutions mainly consist of industrial display systems and automotive related products, while the consumer infotainment solutions specialize in trendy consumer electronic devices like eBook readers, tablet devices, multimedia routers and digital photo frames. Backed up by the powerful strength of vertical integration from the Group, Qisda is aggressively exploring new possibilities outside the realm of IT products.

Business Scope

Overview of Operations

The Consumer Infotainment Solutions Department

In 2010, the Consumer Infotainment Solutions Department dedicated its resources to eBook reader development taking advantage of the group's investments in e-paper production. Consequently, the sales revenue of eBook readers grew substantially in the second half of the year, making up for the flat demand of digital photo frames during the same period. In general, the overall performance YoY was 40%.

The Industrial Infotainment Solutions Department

The sales of the Industrial Infotainment Solutions Department doubled from a year ago and has been yielding steady performance due to the contribution from new digital signage customers and continuous growth of customers' demand for professional graphics monitors, automotive infotainment systems and displays.

Product Offerings

The Consumer Infotainment Solutions Department

A full range of multimedia and infotainment devices along with Internet services through Wi-Fi and 3G networks including eBook readers, tablet devices, multimedia routers and digital photo frames.

The Industrial Infotainment Solutions Department

- Car Infotainment systems including front and rear seat infotainment displays and platforms
- Infotainment systems that integrate information and entertainment functions
- Digital signage solutions including 32" ~ 65" public information displays with embedded media players and content management software
- Pen & touch monitors for professional graphic designers and educational purposes
- E-boards that feature large touch displays for both meeting room and classroom applications as a total solution for commercial purposes
- Open frame monitors that are compatible with different types of gaming cabinets
- Security monitors ranging from 8" to 42" for CCTV systems

Product Features

- The tablet devices, multimedia routers and digital photo frames by the Consumer Infotainment Solutions Department embody cutting-edge software and hardware features into stylish looks seamlessly, while the eBook readers employ e-paper technology and further integrate wireless communication capabilities for various multimedia applications.
- The Industrial Infotainment Solutions Department offers highly customized products featuring excellent compatibility with other systems or devices for various applications. The digital displays, security monitors and professional graphic displays deliver outstanding performance in color temperature accuracy and uniformity among units. Essential considerations like durability, friendliness in installation and maintenance are also given when designing and manufacturing these products.
- The main objective in designing automotive electronics products is placed on developing new generation infotainment solutions to meet customer requirements in the 3 to 5 years to come. User-friendliness, style, affordability, durability and quality are the key design elements.

Industry Overview

Current Status and Trends in Development

The industrial display market is reaching the stage of diversified development and stable growth in market size. The demand for 26" (and above) public information displays (PID) is estimated to achieve a 30% growth in 2011. Due to the increasing variety in product types and customization requests, it is essential to invest resources only in appropriate fields of application. In addition to PID and professional graphics displays, security monitoring systems and gaming consoles are new fields of application that are now being explored.

The automotive electronics industry is now facing the growing trend of computerization. Moreover, integrated audio/video entertainment and navigation systems are gradually becoming standard equipment in cars instead of customer options. Consequently, first-tier automotive electronics product suppliers alone are experiencing difficulties in fulfilling increasing demand from carmakers, which triggers the trend of outsourcing and co-development. Nevertheless, the barrier that lies in front of the original equipment market is still very high as compared to that of the retail market.

The popularity of smart phones and tablet devices has stimulated rapid changes in the market in recent years. So much so that even some of the sought-after products, such as PND, portable DVD players and digital photo frames, have been integrated in or replaced by other electronic devices. On the other hand, eBook readers with color displays are gradually becoming a trend in the market. In addition, due to the increasing popularity of high-speed, high-frequency and wireless communication networks, Internet connection and accessibility will surely become the "must-have" features in future consumer electronics products.

Research & Development

Technologies in Deployment

- Bluetooth hands-free and A2DP applications
- Hole-less IR control technology
- 6" and 9" EPD with touch panels
- 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 applications
- Partial zooming from frame buffer for multi-display control

On-going Efforts

- WinCE integration capabilities
- Development of cloud computing devices
- Wireless LAN and DLNA technologies
- Satellite and IP radio functions
- Enhancement of Android/WinCE design capabilities
- Efficient power / battery saving mode
- 3D displays
- Displays with high brightness
- Displays with LED backlight
- Total solutions for digital signage
- Displays for graphics users with both pen & multi-touch input options

Short and Long-Term Business Plans

The Consumer Infotainment Solutions Department

- Consolidate existing market share and actively cultivate positive connections with customers to facilitate potential business opportunities
- Integrate various multimedia features with network connectivity and develop new portable consumer electronic devices

The Industrial Infotainment Solutions Department

- Seek business opportunities with global first-tier customers and promote pure display systems
- Expand extension models based on current co-development platforms to fulfill customers' requirements for lower cost and higher value and complete their product lineup
- Integrate industrial TFT-LCD panels with specific application systems to develop products for public display, industrial display and various specialized display applications and to provide total solutions to customers

Market Analysis

Major Sales Markets

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

Market Share

Nowadays consumers are willing to spend more on personal electronic devices than ever. Therefore, the market demand for eBook readers, tablet devices, multimedia routers and digital photo frames is likely to grow accordingly. Qisda has successfully developed digital photo frames that occupied 8% of the global market share in the past, and the target for 2011 is 10% of the global market share. Meanwhile, the introduction of new tablet devices is expected to further increase product sales. In all, Qisda's goal in 2011 is to become one of the largest manufacturers of car displays, audio/video and navigation devices, graphic monitors and public information displays in Taiwan.

Positive Factors, Negative Factors, and Strategies

Positive Factors

The Consumer Infotainment Solutions Department

- Consumer information devices rely heavily on EPD technology and employment of TFT-LCD panels. With the group's vertical integration capabilities, coupled with strong acquisition power, Qisda is in a comparably competitive position in the industry.

The Industrial Infotainment Solutions Department

- Signage display shipment and product span are expected to increase annually, which forms a solid base for niche monitor development.
- Industrial infotainment products have longer product life cycle as compare to that of consumer IT products. This is a favorable factor in product design and development.
- The high entrance barrier of the automotive industry helps to keep out potential competitors.

Negative Factors

The Consumer Infotainment Solutions Department

- Although demand for consumer infotainment products remains strong and constant, the product development time and life cycle is relatively shorter than conventional IT products. Due to rapid evolution of operating systems and hardware/software platforms, massive R&D resources are required for product development.

The Industrial Infotainment Solutions Department

- Long product development time
- Declining ASP

Strategies

The Consumer Infotainment Solutions Department

- Accelerate the development of new eBook reader products and break into the supply chains of global first-tier brand customers.
- Enhance design and integration capabilities of operating systems for tablet devices in order to catch up with the rapid evolution of operating systems.
- Increase production flexibility and market sensitivity
- Adjust production volume timely to instantly reflect market situation
- Reduce cost and optimize efficiency

The Industrial Infotainment Solutions Department

- Work closely with major customers to develop high-quality and value products.
- Fully utilize the benefit of vertical integration in panel supply and maximize competitive edge

Mobile Communications Business Unit

Operational Guidelines

Qisda is a seasoned global mobile phone manufacturer and has accumulated a high level of proficiency which facilitates efficient design, manufacture and service. The Mobile Communication Business Unit's core competitiveness lies in its product innovation and design capabilities.

Business Scope

Overview of Operations

Qisda re-entered the mobile phone market as a pure ODM supplier four years ago, and actual progress of business duly met its original expectation – Qisda began shipping 3G/3.5G phones to one of the top-five brand customers since the third quarter of 2008. With abundant experience in mobile phone and wireless communication module development, Qisda spared no effort on seeking business cooperation with major mobile phone brand customers and increasing customer base.

Product Offerings

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

Product Features

Qisda strives to provide diverse products while continuing its dedication to product design and consumer satisfaction. Meanwhile, enhancing user experience by integrating leading mobile communication technologies, such as 3G/3.5G technology, with powerful multimedia features is also a key point in product design. Over the past few years, the focus was placed on developing tablet devices by integrating wireless communications and touch control interfaces with new Internet applications. In addition to 3G phones, Qisda has also fulfilled demand for 3.5G WLAN cards and USB dongles from Asian and European telecommunications customers.

Industry Overview

Industry Trends

The 2011 global mobile phone shipment forecast points toward 12% growth over that of 2010. In Smartphone market, the growth is expected to reach 50% in 2011. In tablet device market, the forecast for 2011 is estimated to show a dramatic growth of 300% ~ 400%.

Growing popularity of mobile devices in developed countries over Europe, North America, and East Asia, along with smartphone and tablet device booms led by iPhone, iPad and Google Android, fueled a strong demand of new mobile communication products. In addition, the replacement market and first-time demand in developing countries such as Brazil, Russia, Indian, and China (BRIC) is expected to further accelerate market growth. Furthermore, consumers are likely to prefer affordable devices that provide better entertainment value with integrated features and services like touch control functions found on smartphones and tablet devices.

Current Status and Trends in Development

WCDMA/HSPA capable mobile devices are expected to occupy 50% of Qisda's total mobile phone shipment. In 2011, primary attention is placed on smartphone and tablet device markets and investment in 4G LTE/WiMax technology development to fulfill consumer needs and provide richer user experience.

Research & Development

Technologies in Deployment

- GSM/GPRS/EDGE feature phones and Windows Mobile smartphones
- WCDMA/HSDPA feature phones
- WCDMA/HSDPA/HSUPA Windows Mobile smartphones and tablet devices
- 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 products (Smartphone and tablet devices)
- Open operating system (Android /Windows Mobile) platform development
- Touch-screen user interface
- Fixed mobile convergence
- GPS and location based service
- WiMAX/mobile network multi-mode mobile application
- Near field communication

Short and Long-Term Business Plans

- Strengthen business relationships with top 5 brand ODM customers and strive to become the first choice of smartphone and tablet device OEM/ODM partner.
- Reclaim market share by improving price competitiveness through closer cooperation with customers and suppliers.
- Grab the strong growth of smartphone/tablet device market, enlarge customer base and become one of the industry leaders.
- Assist customers in expanding their business scopes by offering diverse and customized products. Increase add-on values by stepping out from the realm of consumer electronics to commercial and medical industries.

Market Analysis

Major Sales Markets

- Qisda began shipping 3G phones to top 5 brand ODM customers in Europe, LATAM and Asia since the third quarter of 2008.
- Qisda's 3.5G wireless modules are mainly shipped to Taiwanese laptop computer and IT equipment manufacturers for integration into their products that are sold in Europe, United States and the Asia-Pacific region.

Strategies

- Strengthen 3G/3.5G R&D capabilities and operator compliance to gain more competitive advantages and compensate for the relatively smaller economic scale
- Gain access to cutting-edge technologies and realize cost benefits by fully utilizing in-house and intra-group resources through vertical integration.
- Employ Qisda's award-winning industrial design capabilities to develop products that combine elegant looks with powerful features and user friendliness.

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 26, 2011

Title	Name	Education & Experience	Current Positions
Chairman	K.Y. Lee	MBA, Switzerland IMD B.S., Electrical Engineering, National Taiwan University Vice President, Acer PC Product Marketing	Chairman: Qisda Corp., AU Optronics Corp., BenQ Corp. Director: Darfon Electronics Corp., BenQ Materials Corporation
Director	Stan Shih	Honorary Doctor of International Law, Thunderbird, American Graduate School of International Management Honorary Fellowship, University of Wales, Cardiff Honorary Doctor of Technology, The Hong Kong Polytechnic University Honorary EE Ph.D., MSEE, BSEE, National Chiao Tung University Co-Founder, Chairman Emeritus of the Acer Group	Chairman: iD SoftCapital Group Director: Qisda Corp., acer Inc., Wistron Corp. Independent Director: Taiwan Semiconductor Manufacturing Company
Director	Sheaffer Lee	EMBA, National Cheng Chi University B.S., Electrical Engineering, National Cheng Kung University Associate Vice President, Acer America President, Qisda Corp.	Chairman: Darfon Electronics Corp., Dazzo Technology Corp., Darshin Microelectronics Inc. Director: Qisda Corp., BenQ Corp., Lite-On IT Corp., AUO Crystal Corp.
Director	Darly Venture Corp.- Hui Hsiung	Ph.D., Physics, University of California-Berkeley B.S., Physics, National Taiwan University EVP, AU Optronics Corp.	Chairman: Qisda Electronics Corp., Qisda Solutions Inc., SiPix Technology Inc. Director: AU Optronics Corp. Director and President: Qisda Corp.
Director	AU Optronics Corp.- Kuo-Hsin Tsai	EMBA, National Chiao Tung University B.A., Business Administration, National Cheng Kung University AVP, Procurement Division and Senior AVP of Information Technology Display Manufacturing, AU Optronics Corp.	Director: Qisda Corp. 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.	Chairman: Grand Cathay Securities Corporation Director: China Development Financial Holding Corporation
Independent Director	Kane K.Wang	Ph.D., The Structure of Technology, Demand, and Market of US Automobile Industry, MIT M.S., Transportation Planning and B.S., Civil Engineering, National Taiwan University Director and Professor, Graduate Institution of Industrial Economics, National Central University	Chief Professor: China University of Technology Independent Director: Formosa Advanced Technologies Co., Ltd, Formosa Chemical Co., Ltd. Director: Boston Life Science Venture Co. Supervisor: Platinum Optics Technology Inc.
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	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	Approval Events
2010/01/18	<ul style="list-style-type: none"> ◆ Approved to invest the Private Placement Stocks of Lextar Electronics Corporation ◆ Approved to dispose the common stocks of Darfon Electronics Corporation ◆ Approved to dispose the common stocks of Gallant Precision Machining Co.,Ltd
2010/03/05	<ul style="list-style-type: none"> ◆ Accepted Qisda's 2009 business report and financial statements ◆ Accepted the proposal for 2009 deficit compensation by capital reserve ◆ Approved the proposal for releasing for directors from non-competition ◆ Approved to convene 2010 Qisda Annual Meeting of Shareholders ◆ Approved to loan funds of USD 15M to Qisda (L) Corp. ◆ Approved to loan funds of EUR 20M to Qisda (L) Corp.
2010/04/28	<ul style="list-style-type: none"> ◆ Accepted Qisda's 2010 Q1 financial statements
2010/08/27	<ul style="list-style-type: none"> ◆ Accepted Qisda's 2010 H1 financial statements ◆ Approved to increase guarantees for Qisda (L) Corp. ◆ Approved to make guarantees for Qisda (L) Corp. ◆ Approved to loan funds to Qisda Electronics Corp.
2010/10/28	<ul style="list-style-type: none"> ◆ Accepted Qisda's 2010 Q3 financial statements
2011/03/03	<ul style="list-style-type: none"> ◆ Accepted Qisda's 2010 business report and financial statements ◆ Accepted the proposal for the distribution of 2010 profits ◆ Approved a new share issue through capitalization of earnings ◆ To elect nine directors (include three independent directors) ◆ Approved the proposal for releasing newly-elected Directors from non-competition restrictions ◆ Approved to convene 2011 Qisda Annual Meeting of Shareholders ◆ Approved the supplemental public issuance and listing of Private Placements Stocks ◆ Approved to loan funds of USD 24M to Qisda Czech s.r.o. ◆ Approved to loan funds of USD 15M and EUR 20M to Qisda (L) Corp. ◆ Approved to make guarantees of USD 80M for Qisda (L) Corp.

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

Qisda's board 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

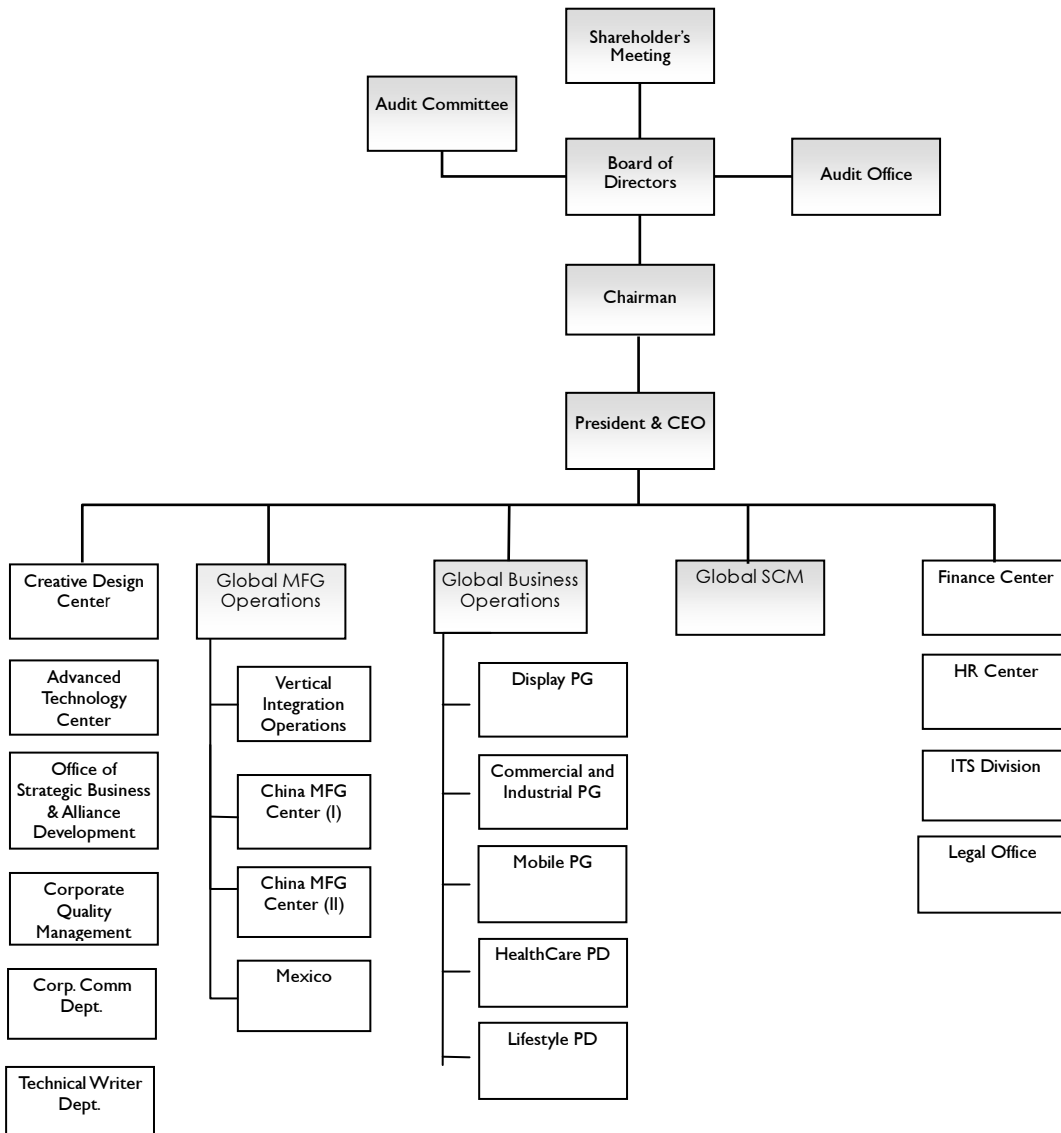
Date: April 26, 2011

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, AU Optronics Corp.	Chairman: Qisda Electronics Corp., Qisda Solutions Inc., SiPix Technology Inc. Director: AU Optronics Corp. Director and President: Qisda Corp.
Executive Vice President, Global Business Operations	Hermit Huang	EMBA, National Taiwan University Electronics Engineering, National Taipei Institute of Technology	Director: Qisda Electronics Corp., Qisda Solutions Inc.
Senior Vice President, Global SCM	C.M.Wu	EMBA, Pacific Western University B.S., Electronics Engineering, Chung Yuan Christian University	-
Vice President & GM, Display PG	Joe Huang	EMBA, Tsinghua University in Beijing MBA, University of Greenwich	-
Vice President & GM, Commercial and Industrial PG	April Huang	B.S., Economics, National Taiwan University Alpha Publishing Inc., Tokyo, Japan Marketing Manager, Daxon Technology Inc.	-
Vice President & CDO, Creative Design Center and Lifestyle products PD	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, Office of Strategic Business & Alliance Development	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 & GM, Global MFG Operations	Mark Hsiao	B.S., Chemical Engineering, Tamkang University AVP, AU Optronics Corp.	-
Vice President, Global MFG Operations	James T.Wang	Ph.D., Mechanical Engineering, Ohio State University B.S., Mechanical Engineering, National Taiwan University	-
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.
Vice President, Corporate Quality Management	Spark Huang	EMBA, National Cheng Chi University B.S., Physics, Tamkang University	-
Senior 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 Electronics Corp.

Group Organization

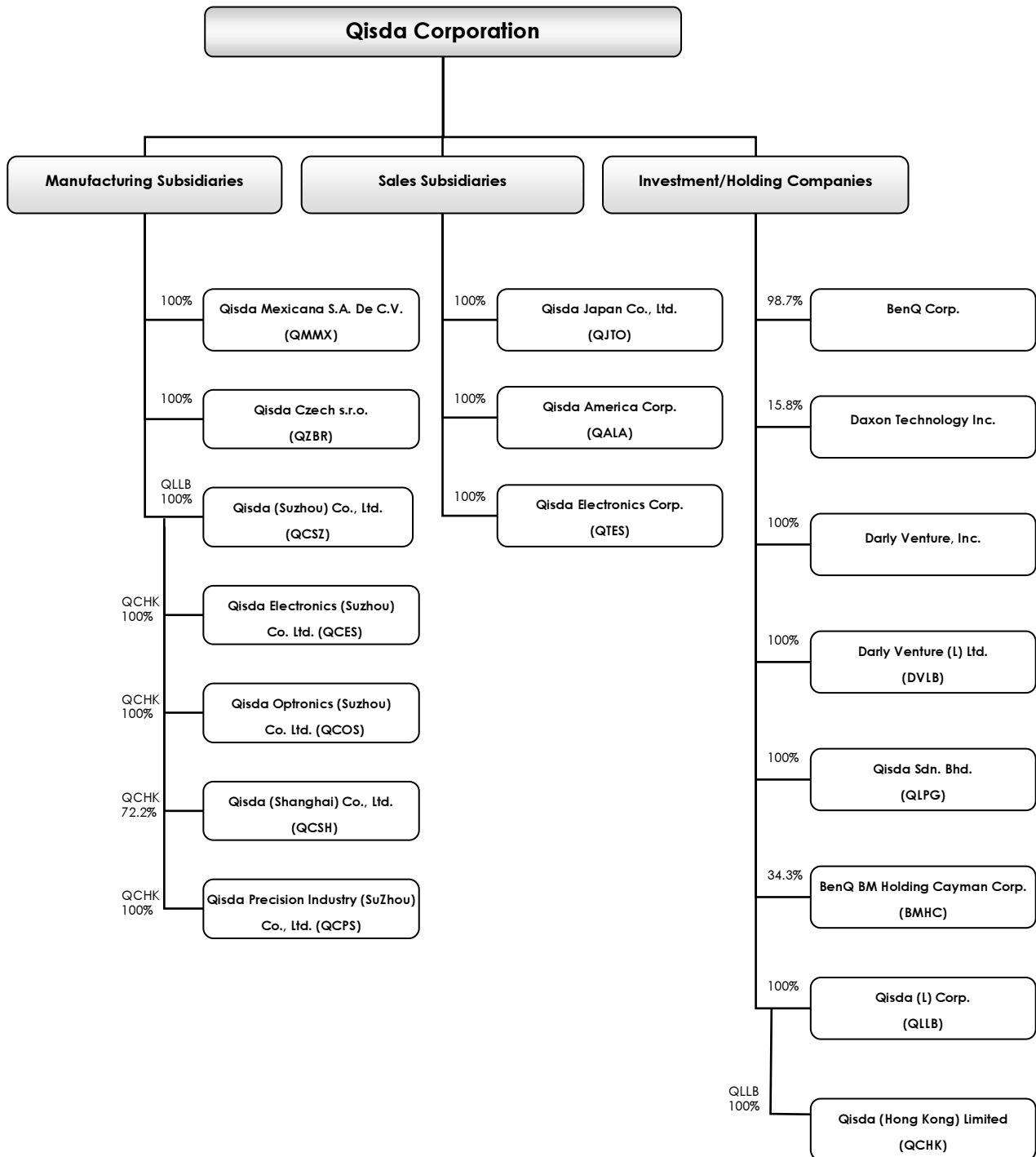
Company Organization Chart

Date: April 26, 2011



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 26, 2011		
	Number of shareholders	Number of shares held	% of shares held
Domestic Individuals	146,736	1,134,901,366	58.86%
Other Domestic Corporations	212	295,656,789	15.33%
Foreign Institutions and Individuals	395	332,538,368	17.25%
Domestic Financial Institutions	72	165,057,609	8.56%
Government Agencies	6	63,474	0.00%
Total	147,421	1,928,217,606	100.00%

Market and Sales Status

Sales by Business Unit

Unit: NT\$1,000

Main Products	Sales of 2010	Sales %
Monitor Business Unit	37,905,198	62
Projector Business Unit	10,210,919	17
SPC Business Unit	4,434,936	7
Infotainment Solutions Business Unit	4,364,299	7
Mobile Communications Business Unit	4,075,123	6
Others	342,904	1
Total	61,333,379	100

Sales Areas

Unit: NT\$1,000

Areas	2010		2009	
	Sales	%	Sales	%
Domestic	2,744,673	4	2,914,380	6
America	12,919,643	21	9,281,949	18
Europe	19,964,365	33	16,117,990	33
Asia	23,116,383	38	18,700,781	38
Others	2,588,315	4	2,580,839	5
Total	61,333,379	100	49,595,939	100

Production Status in the Last Two Years

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

Main Products	2010			2009		
	Production Capacity	Production Quantity	Production Amount	Production Capacity	Production Quantity	Production Amount
Monitor Business Unit	29	26	103,985	25	22	88,274
Projector Business Unit	0	0	10,284	10	9	111,859
SPC Business Unit	0	0	27	0	0	312
Infotainment Solutions Business Unit	139	126	290,941	15	14	95,027
Mobile Communications Business Unit	0	0	7,050	0	0	778
Others	3	3	17,629	30	27	181,804
Total	171	155	429,916	80	72	478,054

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	2010				2009			
	Domestic Sales		Exports Sales		Domestic Sales		Exports Sales	
	Quality	Value	Quality	Value	Quality	Value	Quality	Value
Monitor Business Unit	291	1,109,294	10,199	36,795,904	188	754,959	8,966	34,096,647
Projector Business Unit	24	263,814	837	9,947,105	48	278,711	530	7,211,570
SPC Business Unit	3	125,087	553	4,309,849	2	2,570	310	2,284,674
Infotainment Solutions Business Unit	119	128,978	995	4,235,321	14	17,222	700	1,631,434
Mobile Communications Business Unit	23	948,230	597	3,126,893	103	348,899	609	1,130,139
Others	0	169,270	1	173,634	27	1,511,436	51	327,095
Total	460	2,744,673	13,182	58,588,706	382	2,914,380	11,166	46,681,559

Net Worth, Earning, Dividends and Market Price Per Share

Unit: NT\$; Per 1,000 Share

		Mar. 31, 2011	2010	2009
Market Price Per Share	Highest Market Price	22.25	22.45	21.20
	Lowest Market Price	15.20	14.10	5.51
	Average Market Price	19.22	19.18	14.73
Net Worth Per Share (Note 1)	Before Distribution	12.49	13.30	11.85
	After Distribution	-	12.80	-
Earnings Per Share (EPS)	Weighted Average Shares	1,925,668	1,943,758	1,925,668
	EPS	(0.61)	1.94	(0.94)
	EPS-adjusted (Note 2)	-	1.92	-
Dividends Per Share	Cash dividends	-	0.5	-
	Stock dividends- Earnings	-	0.2	-
	Stock dividends- Capital Surplus	-	-	-
	Accumulated Undistributed Dividend	-	-	-
Return On Investment	Price/Earning Ratio (Note 3)	-	9.89	-
	Price/Dividend Ratio (Note 4)	-	38.36	-
	Cash Dividend Yield Rate (Note 5)	-	2.6%	-

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. 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.

In the event that the employee bonus provided in Item 1 of the preceding paragraph is share bonus, the employees of domestic or foreign affiliates of the Company are entitled to receive such share bonuses. The Board of Directors or any other person authorized by the Board of Directors is authorized to determine the qualifications and distribution method for distributing the share bonuses.

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 dividend surplus as its dividend policy. Therefore, the Company could keep growing and operating ever. If the Company has surplus 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				
		2010	2009	2008	2007	2006
Financial ratios	Total liabilities to total assets (%)	55	58	65	69	76
	Financial capital to fixed assets (%)	2762	2214	2288	2516	642
Liquidity ratios	Current ratios (%)	123	81	105	116	85
	Quick ratios (%)	108	74	98	102	78
	Time interest earned	704	-	-	4	-
Operating performance analysis	A/R turnover (times)	6.80	5.11	4.36	5.09	4.60
	A/R turnover days	54	71	84	72	79
	Inventory turnover (times)	37.54	33.97	28.29	35.22	29.24
	A/P turnover (times)	12.19	13.13	11.61	8.53	6.49
	Inventory turnover days	10	11	13	10	12
	Fixed assets turnover (times)	39.34	29.88	42.3	64.13	22.91
	Total assets turnover (times)	1.08	0.91	1.18	1.58	1.62
Profitability ratios	Return on assets (%)	8	(2)	(3)	8	(32)
	Return on equity (%)	15	(8)	(14)	22	(86)
	Operating income to paid-in-capital (%)	1	0	(8)	(31)	(17)
	PBT to paid-in-capital (%)	21	(9)	(16)	31	(105)
	Net income ratio (%)	6	(4)	(4)	4	(21)
	EPS (NT\$)	1.94	(0.94)	(1.7)	3.11	(17.97)
Cash Flow	Cash flow ratio (%)	(27)	57	24	-	-
	Cash flow adequacy (%)	-	-	-	-	4
	Cash reinvestment ratio (%)	(9)	24	12	-	-
Leverage	Operating leverage	269	575	-	-	-
	Financial Leverage	-	-	-	-	-

Attachment 2 : Independent Auditor's Report & Audited Financial Statements**Independent Auditors' Report**

The Board of Directors
Qisda Corporation:

We have audited the non-consolidated balance sheets of Qisda Corporation (the "Company") as of December 31, 2009 and 2010, and the related non-consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Qisda Corporation as of December 31, 2009 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and accounting principles generally accepted in the Republic of China.

The accompanying non-consolidated financial statements as of and for the year ended December 31, 2010, have been translated into United States dollars solely for the convenience of the readers. We have audited the translation, and in our opinion, the non-consolidated financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(c) of the notes to the non-consolidated financial statements.

KPMG Certified Public Accountants
Taipei, Taiwan (the Republic of China)
March 1, 2011

Notice to Readers

The accompanying non-consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

Assets	2009 NT\$	2010 NT\$	US\$
Current assets:			
Cash and cash equivalents	774,104	465,513	15,975
Financial assets at fair value through profit or loss – current	57,718	399,962	13,726
Notes and accounts receivable, net	2,216,694	4,251,202	145,889
Accounts receivables from related parties	5,773,245	5,798,778	198,997
Other receivables, net	1,314,745	595,414	20,433
Other receivables from related parties	1,872,013	1,989,355	68,269
Inventories	1,304,921	1,759,280	60,373
Prepaid expenses and other current assets	43,837	47,138	1,618
Deferred income tax assets – current	<u>277,889</u>	<u>106,133</u>	<u>3,642</u>
Total current assets	<u>13,635,166</u>	<u>15,412,775</u>	<u>528,922</u>
Long-term investments:			
Equity method	33,782,324	34,065,902	1,169,043
Available-for-sale financial assets – non-current	4,014,859	3,757,396	128,943
Financial assets carried at cost – non-current	<u>59,157</u>	<u>225,050</u>	<u>7,723</u>
	<u>37,856,340</u>	<u>38,048,348</u>	<u>1,305,709</u>
Property, plant and equipment			
Land	644,490	624,587	21,434
Buildings	1,484,575	1,465,019	50,275
Machinery and equipment	852,923	868,237	29,796
Furniture and fixtures	115,396	118,370	4,062
Miscellaneous equipment	46,900	50,506	1,733
Prepayments for plant and equipment	<u>-</u>	<u>3,858</u>	<u>132</u>
	3,144,284	3,130,577	107,432
Less: accumulated depreciation	<u>(1,484,549)</u>	<u>(1,571,345)</u>	<u>(53,924)</u>
Net property, plant and equipment	<u>1,659,735</u>	<u>1,559,232</u>	<u>53,508</u>
Intangible assets	<u>45,961</u>	<u>60,662</u>	<u>2,082</u>
Other assets :			
Assets for lease	144,912	168,333	5,777
Idle Assets	104,324	104,324	3,580
Refundable deposits	92,459	94,285	3,235
Deferred expenses	124,997	124,552	4,274
Deferred income tax assets – non-current	900,359	922,836	31,669
Prepaid pension cost	<u>105,948</u>	<u>119,087</u>	<u>4,087</u>
Total other assets	<u>1,472,999</u>	<u>1,533,417</u>	<u>52,622</u>
Total assets	<u><u>54,670,201</u></u>	<u><u>56,614,434</u></u>	<u><u>1,942,843</u></u>

Qisda Corporation
Non-consolidated Balance Sheets (continued)
December 31, 2009 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars)

Liabilities and Stockholders' Equity	2009	2010	
	NT\$	NT\$	US\$
Current liabilities:			
Short-term borrowings	1,024,960	-	-
Financial liabilities at fair value through profit or loss – current	40,770	58,329	2,002
Notes and accounts payable	1,856,434	1,829,928	62,798
Accounts payable to related parties	2,850,652	2,899,941	99,518
Other payable to related parties	49,729	32,652	1,121
Income tax payable	-	132,075	4,532
Accrued expenses	4,525,536	5,097,498	174,931
Advance receipts	652,240	531,403	18,236
Bonds payable due within one year	1,600,000	-	-
Current installments of long-term debt	1,400,000	1,728,000	59,300
Other current liabilities	2,545,818	164,382	5,641
Deferred inter-company profits	160,290	88,906	3,051
Total current liabilities	<u>16,706,429</u>	<u>12,563,114</u>	<u>431,130</u>
Long-term liabilities:			
Financial liabilities at fair value through profit or loss – non-current	24,736	4,846	166
Bonds payable	112,415	116,543	3,999
Long-term debt	13,800,000	17,328,500	594,664
Total long-term liabilities	<u>13,937,151</u>	<u>17,449,889</u>	<u>598,829</u>
Other liabilities			
Deferred gain on sale-and-leaseback transaction – non-current	718,745	609,569	20,919
Other liabilities	494,243	374,892	12,865
Total other liabilities	<u>1,212,988</u>	<u>984,461</u>	<u>33,784</u>
Total liabilities	<u>31,856,568</u>	<u>30,997,464</u>	<u>1,063,743</u>
Stockholders' equity			
Common stock	19,282,176	19,282,176	661,708
Capital surplus:			
Additional paid-in-capital in excess of the common stock's par value	1,196,756	-	-
Capital surplus from long-term equity investments	3,684,210	3,571,497	122,563
Retained earnings (accumulated deficit)	(1,807,773)	3,128,697	107,368
Cumulative translation adjustment	812,471	101,959	3,499
Unrealized loss on available-for-sale financial assets	(273,084)	(388,874)	(13,345)
Treasury stock	(81,123)	(78,485)	(2,693)
Total stockholders' equity	<u>22,813,633</u>	<u>25,616,970</u>	<u>879,100</u>
Commitments and contingencies			
Total liabilities and stockholders' equity	<u>54,670,201</u>	<u>56,614,434</u>	<u>1,942,843</u>

(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, 2010, of NT\$29.14 to US\$1 uniformly for all the financial statements accounts.)

Qisda Corporation
Non-consolidated Statements of Operations
For the years ended December 31, 2009 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars except earnings per share)

	2009	2010	
	NT\$	NT\$	US\$
Net sales	49,595,939	61,333,379	2,104,783
Cost of goods sold	<u>(46,518,811)</u>	<u>(57,517,993)</u>	<u>(1,973,850)</u>
Gross profit	3,077,128	3,815,386	130,933
Change in unrealized inter-company profits	<u>142,810</u>	<u>71,384</u>	<u>2,450</u>
Realized gross profit	<u>3,219,938</u>	<u>3,886,770</u>	<u>133,383</u>
Operating expenses :			
Selling	(827,090)	(1,063,455)	(36,495)
Administrative	(511,023)	(347,822)	(11,936)
Research and development	<u>(1,796,157)</u>	<u>(2,249,113)</u>	<u>(77,183)</u>
	<u>(3,134,270)</u>	<u>(3,660,390)</u>	<u>(125,614)</u>
Operating income	<u>85,668</u>	<u>226,380</u>	<u>7,769</u>
Non-operating income:			
Interest income	31,972	36,257	1,244
Investment gain recorded under equity method, net	-	2,357,950	80,918
Dividend income	117,125	163,641	5,615
Evaluation gain on financial instruments, net	10,767	344,575	11,825
Gain on disposal of investments, net	23	1,101,533	37,801
Others	<u>132,789</u>	<u>799,825</u>	<u>27,448</u>
	<u>292,676</u>	<u>4,803,781</u>	<u>164,851</u>
Non-operating expenses:			
Interest expense	(544,277)	(555,349)	(19,058)
Investment loss recorded under equity method, net	(1,370,767)	-	-
Other Investment loss	(86,097)	(11,547)	(396)
Foreign currency exchange loss, net	(127,379)	(334,855)	(11,491)
Others	<u>(30,063)</u>	<u>(786)</u>	<u>(27)</u>
	<u>(2,158,583)</u>	<u>(902,537)</u>	<u>(30,972)</u>
Income (loss) before income tax	(1,780,239)	4,127,624	141,648
Income tax expense	<u>(27,534)</u>	<u>(387,910)</u>	<u>(13,312)</u>
Net income (loss)	<u>(1,807,773)</u>	<u>3,739,714</u>	<u>128,336</u>
Earnings per share (expressed in dollars) :			
Basic earnings per share	<u>(0.94)</u>	<u>1.94</u>	<u>0.067</u>
Diluted earnings per share	<u>(0.94)</u>	<u>1.92</u>	<u>0.066</u>

Qisda Corporation
Non-consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 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\$	Cumulative Translation Adjustment NT\$	Unrealized Loss on Available-for- sale Financial Assets NT\$	Treasury Stocks NT\$	Total NT\$
Balance at of January 1, 2009	19,282,176	6,781,394	344,527	175,173	(2,061,523)	1,052,316	(2,870,090)	(77,698)	22,626,275
Net loss for 2009	-	-	-	-	(1,807,773)	-	-	-	(1,807,773)
Appropriation of earnings									
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	-	-	-	-	-	-	2,394,142	-	2,394,142
Change in unrealized gain on financial instruments resulting from long-term equity investments	-	-	-	-	-	-	202,864	-	202,864
Balance at of December 31, 2009	<u>19,282,176</u>	<u>4,880,966</u>	<u>-</u>	<u>-</u>	<u>(1,807,773)</u>	<u>812,471</u>	<u>(273,084)</u>	<u>(81,123)</u>	<u>22,813,633</u>
Net income for 2010	-	-	-	-	3,739,714	-	-	-	3,739,714
Appropriation of earnings									
Decrease in capital surplus to offset accumulated deficit	-	(1,196,756)	-	-	1,196,756	-	-	-	-
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	2,638	2,638
Adjustments of net equity of investee companies	-	(112,713)	-	-	-	-	-	-	(112,713)
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(51,996)	-	(51,996)
Change in cumulative translation adjustment	-	-	-	-	-	(710,512)	-	-	(710,512)
Change in unrealized loss on financial instruments resulting from long-term equity investments	-	-	-	-	-	-	(63,794)	-	(63,794)
Balance at December 31, 2010	<u><u>19,282,176</u></u>	<u><u>3,571,497</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,128,697</u></u>	<u><u>101,959</u></u>	<u><u>(388,874)</u></u>	<u><u>(78,485)</u></u>	<u><u>25,616,970</u></u>

Qisda Corporation
Non-consolidated Statements of Cash Flows
For the years ended December 31, 2009 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars)

	2009 NT\$	2010 NT\$	US\$
Cash flows from operating activities:			
Net income (loss)	(1,807,773)	3,739,714	128,336
Adjustments to reconcile income (loss) to net cash provided by (used in) operating activities:			
Depreciation	136,614	114,915	3,944
Amortization	65,478	46,678	1,602
Change in allowance for bad debt and sales discounts	(18,544)	27,878	957
Amortization of bond issuance cost and discount on convertible bond	9,921	37,118	1,274
Change in provision for inventory obsolescence	(18,448)	(11,102)	(381)
Investment loss (income) recorded under equity method, net	1,370,767	(2,357,950)	(80,918)
Cash dividends received from investments accounted for by equity method	404,260	93,283	3,201
Gain on disposal of property, plant and equipment, net	(1,999)	(471)	(16)
Gain on disposal of investments, net	(23)	(1,101,533)	(37,801)
Loss on impairment of financial assets carried at cost	86,097	11,547	396
Evaluation gain on financial instruments, net	(10,767)	(344,575)	(11,825)
Loss on redemption of bonds	10,511	-	-
Amortization of deferred profits on sale-and-leaseback transaction	(109,178)	(109,176)	(3,747)
Differences in accounts in the accompanying balance sheets:			
Notes and accounts receivable	2,371,104	(2,062,386)	(70,775)
Receivables from related parties	1,221,316	(25,533)	(876)
Other receivables	(251,080)	719,331	24,685
Other receivables from related parties	158,587	60,600	2,080
Inventories	147,533	(443,257)	(15,211)
Prepaid expenses and other current assets	65,247	(3,301)	(113)
Deferred income tax assets	27,534	149,279	5,123
Prepaid pension	(5,381)	(13,139)	(451)
Notes and accounts payable	708,812	(26,506)	(910)
Payables to related parties	1,620,282	49,289	1,691
Income tax payable	-	132,075	4,532
Accrued expenses and other current liabilities	3,573,363	(1,930,311)	(66,243)
Other payables to related parties	(106,393)	(17,077)	(586)
Deferred inter-company profit	(142,810)	(71,384)	(2,450)
Other liabilities	(7,482)	-	-
Net cash provided by (used in) operating activities	<u>9,497,548</u>	<u>(3,335,994)</u>	<u>(114,482)</u>
Cash flows from investing activities:			
Decrease in other financial assets-current	492,900	-	-
Addition to long-term equity investments	(34,100)	(194,914)	(6,689)
Proceeds from disposal of investments	-	2,247,235	77,119
Proceeds from investees' capital reduction	13,877	287,508	9,866
Additions to property, plant and equipment	(71,495)	(38,021)	(1,305)
Proceeds from disposal of property, plant and equipment	53,905	659	23
Proceeds from disposal of idle assets	742	-	-
Increase in intangible assets, refundable deposits and deferred assets	(131,378)	(95,750)	(3,286)
Increase in loan receivables from related parties	(1,620,795)	(411,313)	(14,115)
Net cash provided by (used in) investing activities	<u>(1,296,344)</u>	<u>1,795,404</u>	<u>61,613</u>
Cash flows from financing activities:			
Decrease in short-term borrowings	(7,928,580)	(1,024,960)	(35,174)
Decrease in bonds	-	(1,600,000)	(54,907)
Redemption of bonds	(3,622,400)	-	-
Increase in long-term debt	-	10,456,500	358,837
Decrease in long-term debt	(3,800,000)	(6,600,000)	(226,493)
Increase in guarantee deposits	-	459	16
Net cash provided by (used in) financing activities	<u>(15,350,980)</u>	<u>1,231,999</u>	<u>42,279</u>
Net decrease in cash and cash equivalents	<u>(7,149,776)</u>	<u>(308,591)</u>	<u>(10,590)</u>
Cash and cash equivalents at beginning of year	<u>7,923,880</u>	<u>774,104</u>	<u>26,565</u>
Cash and cash equivalents at end of year	<u>774,104</u>	<u>465,513</u>	<u>15,975</u>
Additional disclosure of cash flow information:			
Cash paid during the year for:			
Interest	<u>594,391</u>	<u>572,962</u>	<u>19,662</u>
Income taxes	<u>1,878</u>	<u>329</u>	<u>11</u>
Supplemental disclosure of non-cash investing and financing activities:			
Decrease in cumulative translation adjustment	<u>(239,845)</u>	<u>(710,512)</u>	<u>(24,383)</u>
Adjustments of net equity of investee companies	<u>(358,605)</u>	<u>(112,713)</u>	<u>(3,868)</u>
Changes in unrealized loss on available-for-sale financial assets	<u>2,394,142</u>	<u>(51,996)</u>	<u>(1,784)</u>

Independent Auditors' Report

The Board of Directors
Qisda Corporation:

We have audited the consolidated balance sheets of Qisda Corporation (the "Company") and subsidiaries as of December 31, 2009 and 2010, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Qisda Corporation and subsidiaries as of December 31, 2009 and 2010, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

The accompanying consolidated financial statements as of and for the year ended December 31, 2009, have been translated into United States dollars solely for the convenience of the readers. We have audited the translation, and in our opinion, the consolidated financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(d) of the notes to the consolidated financial statements.

KPMG Certified Public Accountants
Taipei, Taiwan (the Republic of China)
March 1, 2011

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

Qisda Corporation
Consolidated Balance Sheets
December 31, 2009 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars)

Assets	2009 NT\$	2010 NT\$	US\$
Current assets:			
Cash and cash equivalents	9,850,766	10,961,154	376,155
Financial assets at fair value through profit or loss—current	1,118,201	806,185	27,666
Available-for-sale financial assets—current	1,066	8,962	308
Notes and accounts receivable, net	17,463,506	10,656,875	365,713
Notes and accounts receivable from related parties	1,258,944	1,364,645	46,831
Other receivables, net	3,151,402	3,310,420	113,604
Other receivables from related parties	14,424	24,816	852
Other financial assets – current	1,855,568	1,628,367	55,881
Inventories	15,129,466	16,443,770	564,302
Prepaid expenses and other current assets	1,500,736	845,044	28,999
Deferred income tax assets – current	570,302	443,668	15,225
Total current assets	<u>51,914,381</u>	<u>46,493,906</u>	<u>1,595,536</u>
Long-term investments:			
Equity method	20,619,971	23,177,133	795,372
Available-for-sale financial assets—noncurrent	4,094,155	3,816,412	130,968
Financial assets carried at cost—noncurrent	268,815	1,052,430	36,116
	<u>24,982,941</u>	<u>28,045,975</u>	<u>962,456</u>
Property, plant and equipment:			
Land	1,928,767	1,504,653	51,635
Buildings	18,171,658	13,930,861	478,067
Machinery and equipment	21,203,522	13,255,993	454,907
Furniture and fixtures	918,007	585,509	20,093
Leased assets	956,641	931,229	31,957
Miscellaneous equipment	1,543,744	1,083,133	37,170
Leasehold improvement	1,022,432	977,550	33,547
Prepayments for plant and equipment	2,514,252	1,929,992	66,232
	<u>48,259,023</u>	<u>34,198,920</u>	<u>1,173,608</u>
Less: allowance for impairment of fixed assets	(1,062,639)	(896,984)	(30,782)
Less: accumulated depreciation	(18,824,841)	(13,288,502)	(456,023)
Net property, plant and equipment	<u>28,371,543</u>	<u>20,013,434</u>	<u>686,803</u>
Intangible assets	<u>3,266,878</u>	<u>2,936,291</u>	<u>100,765</u>
Other assets :			
Pledged cash and cash equivalents	193,000	-	-
Refundable deposits	232,411	245,043	8,409
Deferred expenses and other assets	1,017,265	766,244	26,295
Deferred income tax assets – noncurrent	1,190,518	1,071,144	36,759
Total other assets	<u>2,633,194</u>	<u>2,082,431</u>	<u>71,463</u>
Total assets	<u><u>111,168,937</u></u>	<u><u>99,572,037</u></u>	<u><u>3,417,023</u></u>

Qisda Corporation
Consolidated Balance Sheets (continued)
December 31, 2009 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars)

Liabilities and Stockholders' Equity	2009	2010	
	NT\$	NT\$	US\$
Current liabilities:			
Short-term borrowings	7,022,224	3,020,325	103,649
Financial liabilities at fair value through profit or loss – current	119,099	127,238	4,366
Notes and accounts payable	26,007,636	21,916,973	752,127
Accounts payable to related parties	2,384,179	2,177,423	74,723
Other payables to related parties	34,792	14,255	489
Accrued expenses and other current liabilities	16,422,046	13,956,612	478,950
Bonds payable due within one year	1,600,000	-	-
Long-term debt due within one year	2,989,723	2,087,204	71,627
Total current liabilities	56,579,699	43,300,030	1,485,931
Long-term liabilities:			
Financial liabilities at fair value through profit or loss – noncurrent	24,736	4,846	167
Long-term debt	20,993,896	25,122,188	862,120
Bonds payable	112,415	116,543	3,999
Total long-term liabilities	21,131,047	25,243,577	866,286
Other liabilities:			
Liability under capital lease	980,185	965,128	33,120
Deferred gain on sale-leaseback transaction –noncurrent	718,745	609,569	20,919
Deferred income tax liabilities – noncurrent	-	89,387	3,068
Other liabilities	625,391	439,277	15,075
Total other liabilities	2,324,321	2,103,361	72,182
Total liabilities	80,035,067	70,646,968	2,424,399
Stockholders' equity:			
Common stock	19,282,176	19,282,176	661,708
Capital surplus:			
Additional paid-in-capital in excess of the common stock's par value	1,196,756	-	-
Capital surplus from long-term equity investments	3,684,210	3,571,497	122,563
Retained earnings (accumulated deficit)	(1,807,773)	3,128,697	107,368
Cumulative translation adjustment	812,471	101,959	3,499
Unrealized loss on available-for-sale financial assets	(273,084)	(388,874)	(13,345)
Treasury stock	(81,123)	(78,485)	(2,693)
	22,813,633	25,616,970	879,100
Minority interest	8,320,237	3,308,099	113,524
Total stockholders' equity	31,133,870	28,925,069	992,624
Commitments and contingencies			
Total liabilities and stockholders' equity	111,168,937	99,572,037	3,417,023

(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, 2010, of NT\$29.14 to US\$1 uniformly for all the financial statements accounts.)

Qisda Corporation
Consolidated Statements of Operations
For the years ended December 31, 2009 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2009 NT\$	2010 NT\$	US\$
Net sales	150,144,170	137,061,946	4,703,567
Cost of goods sold	(134,115,531)	(121,685,090)	(4,175,878)
Gross profit	<u>16,028,639</u>	<u>15,376,856</u>	<u>527,689</u>
Operating expenses			
Selling	(7,088,480)	(6,591,477)	(226,201)
Administrative	(3,987,917)	(3,531,517)	(121,191)
Research and development	(3,479,331)	(3,552,569)	(121,914)
	<u>(14,555,728)</u>	<u>(13,675,563)</u>	<u>(469,306)</u>
Operating income	<u>1,472,911</u>	<u>1,701,293</u>	<u>58,383</u>
Non-operating income:			
Interest income	170,289	128,458	4,408
Investment income recorded under the equity method, net	-	592,638	20,338
Evaluation gain on financial instruments, net	156,379	369,779	12,690
Foreign currency exchange gain, net	14,264	-	-
Dividend income	122,093	165,611	5,683
Gain on disposal of investments, net	438,273	1,372,044	47,085
Gain on disposal of property, plant and equipment	64,042	211,891	7,271
Others	603,660	1,393,947	47,836
	<u>1,569,000</u>	<u>4,234,368</u>	<u>145,311</u>
Non-operating expenses:			
Interest expense	(1,219,899)	(954,085)	(32,741)
Investment loss recorded under the equity method, net	(1,918,168)	-	-
Other investment loss	(86,097)	(11,547)	(396)
Loss on disposal of property, plant and equipment	(110,636)	(51,509)	(1,768)
Foreign currency exchange loss, net	-	(36,193)	(1,242)
Impairment loss	(281,573)	(11,437)	(392)
Others	(179,461)	(376,017)	(12,904)
	<u>(3,795,834)</u>	<u>(1,440,788)</u>	<u>(49,443)</u>
Income (loss) before income tax	<u>(753,923)</u>	<u>4,494,873</u>	<u>154,251</u>
Income tax expense	<u>(505,504)</u>	<u>(675,428)</u>	<u>(23,179)</u>
Net income (loss)	<u>(1,259,427)</u>	<u>3,819,445</u>	<u>131,072</u>
Attributable to:			
Shareholders of the parent	(1,807,773)	3,739,714	128,336
Minority interest	548,346	79,731	2,736
Net income (loss)	<u>(1,259,427)</u>	<u>3,819,445</u>	<u>131,072</u>
Earnings per share (expressed in dollars)			
Basic earnings per share	<u>(0.94)</u>	<u>1.94</u>	<u>0.067</u>
Diluted earnings per share	<u>(0.94)</u>	<u>1.92</u>	<u>0.066</u>

Qisda Corporation
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 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\$	Cumulative Translation Adjustment NT\$	Unrealized Loss on Available-for-sale Financial Assets NT\$	Treasury Stock NT\$	Minority Interest NT\$	Total NT\$
Balance as of January 1, 2009	19,282,176	6,781,394	344,527	175,173	(2,061,523)	1,052,316	(2,870,090)	(77,698)	7,693,820	30,320,095
Net loss for 2009	-	-	-	-	(1,807,773)	-	-	-	548,346	(1,259,427)
Appropriation of earnings and capital surplus										
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	-	-	-	-	-	-	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
Balance as of December 31, 2009	19,282,176	4,880,966	-	-	(1,807,773)	812,471	(273,084)	(81,123)	8,320,237	31,133,870
Net income for 2010	-	-	-	-	3,739,714	-	-	-	79,731	3,819,445
Appropriation of earnings and capital surplus										
Decrease in capital surplus and to offset accumulated deficit	-	(1,196,756)	-	-	1,196,756	-	-	-	-	-
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	2,638	-	2,638
Adjustments of net equity of investee companies	-	(112,713)	-	-	-	-	-	-	(43,654)	(156,367)
Changes in minority interest	-	-	-	-	-	-	-	-	(4,906,317)	(4,906,317)
Change in cumulative translation adjustment	-	-	-	-	-	(710,512)	-	-	(141,850)	(852,362)
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(51,996)	-	-	(51,996)
Change in unrealized loss on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	(63,794)	-	(48)	(63,842)
Balance as of December 31, 2010	19,282,176	3,571,497	-	-	3,128,697	101,959	(388,874)	(78,485)	3,308,099	28,925,069

Qisda Corporation
Consolidated Statements of Cash Flows
For the years ended December 31, 2009 and 2010
(Expressed in thousands of New Taiwan dollars and US dollars)

	2009 NT\$	2010 NT\$	US\$
Cash flows from operating activities:			
Net income (loss)	(1,259,427)	3,819,445	131,072
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	3,732,994	2,388,891	81,980
Amortization	450,652	300,967	10,328
Impairment loss	281,573	11,437	392
Other investment loss	86,097	11,547	396
Evaluation gain on financial instruments	(156,379)	(369,779)	(12,690)
Loss (gain) on disposal of property, plant and equipment, net	46,594	(160,382)	(5,503)
Amortization of deferred profits on sale-leaseback transaction	(109,178)	(109,176)	(3,747)
Loss on redemption of bonds	10,511	-	
Deferred assets charged to expenses	7,136	-	
Long-term equity investments charged to expenses	-	1,088	38
Fixed assets charged to expenses	30	169	6
Gain on disposal of investments	(438,273)	(1,372,044)	(47,085)
Investment loss (income) recorded under the equity method, net	1,918,168	(592,638)	(20,338)
Cash dividends received from investments recorded under equity method	231,277	157,326	5,399
Amortization of bonds issuance costs and discount on convertible bond	9,921	37,118	1,274
Differences in accounts in the accompanying balance sheets:			
Financial assets at fair value through profit or loss	306,786	162,114	5,563
Notes and accounts receivable	1,411,661	(321,813)	(11,044)
Receivables from related parties	1,466,123	(404,254)	(13,873)
Inventories	2,569,424	(4,315,296)	(148,088)
Other receivables	181,440	(155,238)	(5,327)
Prepaid expenses and other current assets	(39,490)	209,052	7,174
Deferred income tax assets	(71,212)	246,030	8,443
Prepaid pension	(3,587)	(14,804)	(508)
Notes and accounts payable	2,856,993	3,329,388	114,255
Payables to related parties	650,875	(188,655)	(6,474)
Accrued expenses and other current liabilities	2,207,311	(928,820)	(31,874)
Other liabilities	29,131	(115,412)	(3,961)
Net cash provided by operating activities	<u>16,377,151</u>	<u>1,626,261</u>	<u>55,808</u>
Cash flows from investing activities:			
Decrease (increase) in pledged cash and cash equivalents	1,437,858	(51,084)	(1,753)
Proceeds from disposal of property, plant and equipment	224,489	445,099	15,274
Additions to property, plant and equipment	(3,330,293)	(3,156,741)	(108,330)
Increase in other assets	(857,029)	(271,036)	(9,301)
Proceeds from disposal of long-term equity investments	612,814	2,833,889	97,251
Additions to long-term equity investments	(5,504)	(835,911)	(28,686)
Proceeds from investees' capital reduction	13,254	33,768	1,159
Decrease (increase) in available-for-sale financial assets	3,929	(7,406)	(254)
Acquisition of subsidiaries, net of cash acquired	-	(192,260)	(6,598)
Net cash used in investing activities	<u>(1,900,482)</u>	<u>(1,201,682)</u>	<u>(41,238)</u>
Cash flows from financing activities:			
Decrease in short-term borrowings	(18,218,880)	(1,473,102)	(50,553)
Decrease in long-term debt	(5,763,771)	(11,372,651)	(390,276)
Increase in long-term debt	3,268,295	15,556,636	533,858
Redemption of bonds	(3,622,400)	-	-
Decrease in bonds	-	(1,600,000)	(54,907)
Increase (decrease) in minority interest	(79,753)	738,251	25,335
Net cash provided by (use in) financing activities	<u>(24,416,509)</u>	<u>1,849,134</u>	<u>63,457</u>
Effect of exchange rate changes	163,413	(34,743)	(1,192)
Effect of new consolidated subsidiaries	-	(1,128,582)	(38,730)
Net increase (decrease) in cash and cash equivalents	<u>(9,776,427)</u>	<u>1,110,388</u>	<u>38,105</u>
Cash and cash equivalents at beginning of period	<u>19,627,193</u>	<u>9,850,766</u>	<u>338,050</u>
Cash and cash equivalents at end of period	<u><u>9,850,766</u></u>	<u><u>10,961,154</u></u>	<u><u>376,155</u></u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	<u>1,384,640</u>	<u>976,109</u>	<u>33,497</u>
Income taxes	<u>186,195</u>	<u>15,577</u>	<u>535</u>
Supplemental disclosure of non-cash investing and financial activities:			
Changes in unrealized loss on available-for-sale financial assets	<u><u>2,394,142</u></u>	<u><u>(51,996)</u></u>	<u><u>(1,784)</u></u>

Qisda Fact Sheet

Founded	April 21, 1984
Total Capital	USD 578.7 million
Revenue	Consolidated Revenue of NT\$21.95 billion (Q1 2011)
Chairman	K.Y. Lee
President & CEO	Hui Hsiung
Group Company	AU Optronics Corporation, BenQ Corporation, Darfon Electronics Corporation, BenQ Materials, BenQ Guru Software Co., BenQ Hospital, Darwin Precisions, Ltd, Raydium Semiconductor Corporation, Cando Corporation, Wellypower Co., Ltd, and Daxin Material Corporation
Product Portfolio	<ul style="list-style-type: none"> ● Displays <ul style="list-style-type: none"> Multifunction Monitors Traditional Monitors (4:3): 17", 19", 20" Wide screen Monitors: 15.6"W、18.5"W、19"W、20"W、21.5"W、22"W、23"W、24"W、27"W Professional Monitors/ Medical and Broadcasting Devices Industrial Solutions: Professional Displays for Security, Graphics, Education, Medical and Gaming applications, Digital, Signage Displays and Open Frame, Pen/ Touch LCD Displays and Modules ● Projectors <ul style="list-style-type: none"> Data Projectors, Video Projectors, Short throw Projectors ● All-in-One PCs : 18.5" ,21.5" ● Imaging Devices <ul style="list-style-type: none"> Color Inkjet Printers, Color Inkjet Multifunctional Printers Color Laser Printers (CLP), Color Laser Multifunctional Printers (MFP) High-speed inkjet printers, High-speed Multifunctional Printers Image Scanners, Auto Document Feeders Mini Photo Scanners, Portable Scanners ● Mobile Communication Devices <ul style="list-style-type: none"> 3G/4G Smartphones MID (Mobile Internet Devices) Mobile Tablets Dual-Mode Phones: WiFi + Cellular Wireless Modules: GSM/ GPRS/ WCDMA/ HSDPA/HSUPA USB Modem Cards: HSDPA/HSUPA ● Automobile Infotainment Electronics: TSI 6949 Certified <ul style="list-style-type: none"> A/V/N (Audio/Video/Navigation) Systems Automotive TFT-LCD Displays Vehicle Rear Seat Entertainment Systems Automotive Telematics Systems Navigation Modules ● Consumer Electronics: <ul style="list-style-type: none"> eBook Readers, ePad Tablets, Digital Photo Frames, Multimedia Routers ● Healthcare Electronics ● Lifestyle Products: LED lighting
Global R&D & Manufacturing	R&D Center <ul style="list-style-type: none"> ● Taiwan: Taipei, Taoyuan, Hsinchu China: Suzhou

	Global Manufacturing Mexicali, Mexico <ul style="list-style-type: none"> ● LCD Monitors 	
	Taoyuan, Taiwan <ul style="list-style-type: none"> ● LCD Monitors ● Automobile Infotainment Electronics (TS16949 Certified) ● Industrial Solutions (Excluding Pen/ Touch LCD Displays) ● Lifestyle Products 	
	Suzhou, China <ul style="list-style-type: none"> ● Multifunction Monitors ● LCD Monitors ● Professional Monitors ● Projectors ● Industrial Solutions ● All-in-One PCs ● Imaging Devices ● Automobile infotainment Electronics (TS16949 Certified) ● Consumer Electronics ● Healthcare Electronics ● Mobile Communication Devices 	
	Shanghai, China <ul style="list-style-type: none"> ● Mobile Communication devices 	
Number of Employee	10,700 people	
Global Operations	Taiwan(Taipei,Taoyuan, Hsinchu), China (Suzhou, Shanghai), Czech Republic, Mexico, Japan, United States	
Industry Achievement	2010	<ul style="list-style-type: none"> ♦ Scored 10 iF awards and 8 Red Dot design awards, topped all competitors from Taiwan. QCM-330 Smartphone, one of the iF 2010 awarded products, earned the iF gold award ♦ The LCD Monitor Business Unit earned the world's first certificate of carbon footprint verification statement for its TFT-LCD monitors. ♦ The Healthcare Electronics Business Unit acquired the ISO 13485 certificate of design and manufacture of radio-frequency physiological signal transmitters and data receiver boxes for medical device in Suzhou, China and Taoyuan, Taiwan ♦ Won 4 iF China awards for LED lighting devices, top of the lighting category ♦ The Projector Business Unit acquired the Sony Green Parts Partner certificate for professional monitor in Suzhou, China and Taoyuan, Taiwan ♦ Piano Lighting won iF China Gold award and bio design award, two remarkable design awards in Asia and Europe
	2011	<ul style="list-style-type: none"> ♦ Won 7 iF awards, including two Gold Design Awards (only one product per category can be crowned with the honor) for QPT-231 Mini Projector and QTD-402 LED monitor. The 2 top honors in the same year, a rare achievement, not only made Qisda the top in Taiwan but set the record in the contemporary Chinese design history. ♦ Won 13 red dot awards, including two "best of the best" for QPT-231 Mini Projector and Coral Reef LED Floor lamp. Several records have been set with the accomplishment: the first Chinese company to ever win 2 top honors in the same year; the world's number one in the entertainment technology category; the top Asian company in terms of total numbers of awards.

Qisda

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