



Qisda Corporation 2015 Q3 Results

Nov 11, 2015

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Q3 DMS Business Financial Results

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Q3 DMS Business Income Statement: QoQ Analysis

Amount : NT\$ Billion

	2015 Q3		2015 Q2		QoQ
DMS Business: (1)					
Net Sales	24.96	100.0%	25.65	100.0%	-2.7%
COGS	(23.30)		(23.76)		
Gross Margin	1.66	6.7%	1.89	7.4%	-0.7 ppt
Opex	(1.24)	-5.0%	(1.32)	-5.2%	
Operating Income	0.43	1.7%	0.57	2.2%	-0.5 ppt
Net Non-op Items	0.25		0.31		
Consolidated: (2)					
Net Income	0.58	1.8%	0.79	2.4%	-0.6 ppt
Net Income, attributable to owners of Company	0.57	1.7%	0.72	2.2%	-0.5 ppt
EPS (NT\$)	0.29		0.37		
Net Worth / Share (NT\$)	13.65		12.87		

(1) Based on unaudited Taiwan IFRS results of the DMS(Design, Manufacturing and Service) business

(2) Based on audited Taiwan IFRS results of consolidated financials. The company's operating segments include DMS, brand marketing & distribution, materials science, medical service and others

(3) EPS was calculated based on total weighted-averaged outstanding shares (1,966 m shares)

(4) Net worth per share was calculated based on total outstanding shares (1,966 m shares)

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Q3 DMS Business Balance Sheet Highlights

Amount : NT\$ Billion

	2015 Q3		2015 Q2		QoQ
Cash & Equivalent	5.45	7.2%	6.83	9.2%	(1.38)
Accounts Receivable	23.44	31.2%	21.87	29.5%	1.58
Inventory	10.63	14.1%	10.47	14.1%	0.16
L-T Investments	25.09	33.4%	24.35	32.9%	0.74
Total Assets	75.24	100.0%	74.11	100.0%	1.14
Fin. Debt	23.50	31.2%	23.74	32.0%	(0.24)
Accounts Payable	20.03	26.6%	18.59	25.1%	1.44
Total Liabilities	48.39	64.3%	48.79	65.8%	(0.39)
Equity	26.85	35.7%	25.32	34.2%	1.53

* Based on unaudited Taiwan IFRS results of the DMS(Design, Manufacturing and Service) business

* Fin. debt included long term and short term financial debts

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Q3 DMS Business Key Financial Ratios

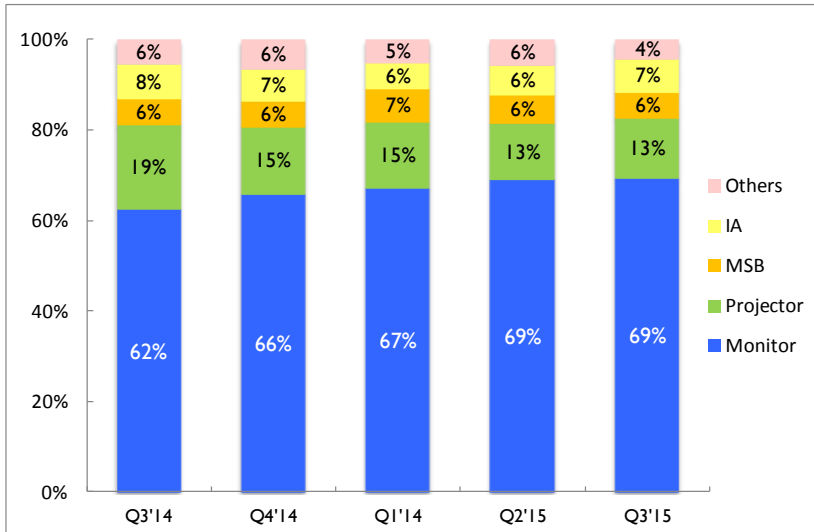
	<u>2015 Q3</u>	<u>2015 Q2</u>	<u>QoQ</u>
A/R Turnover	84 days	77 days	+7 days
Inventory Turnover	42 days	45 days	-3 days
A/P Turnover	84 days	77 days	+7 days
Cash Conversion Cycle	42 days	45 days	-3 days
ROA	0.8%	1.0%	-0.2 ppt
ROE	2.2%	2.8%	-0.6 ppt
Current ratio	106.1%	110.7%	-4.6 ppt
Fin. Debt / Total Assets	31.2%	32.0%	-0.8 ppt

* Based on unaudited Taiwan IFRS results of the DMS(Design, Manufacturing and Service) business

* ROA and ROE were calculated on a quarterly basis

Q3 DMS Business Summary

DMS Business Revenue Breakdown by Product Line



* Professional/industrial display and automobile electronics products, herein referred to as "MSB"

* Printer and scanner products, herein referred to as "IA"

* "Others" includes, mobile and other products

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2015 Q3 DMS Business Summary

- **Monitor :**

- Unit shipment increased by 3.2% QoQ to 4.4M sets

- **Projector :**

- Unit shipment decreased by 1.6% QoQ to 331K sets

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Value-Up Solutions

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Qisda Corporation.
Unaudited DMS Business Consolidated Balance Sheet
Sep ,30, 2015

UNIT : NT\$K

Assets			Liabilities and stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalents	\$ 4,714,694	6	Short- term borrowings	\$ 13,935,212	19
Current available-for-sale financial assets	71,525	0	Current financial liabilities at fair value through profit or loss	22,265	0
Notes and accounts receivable,net	14,902,811	20	N/P & A/P	18,465,250	25
N/R & A/R from related parties	8,537,982	11	N/P & A/P to related parties	1,566,130	2
Other receivables, net	477,728	1	Other payable	3,660,814	5
Other receivable from related parties	696,725	1	Other payable to related parties	9,141	0
Net inventories	10,634,168	14	Other current liabilities	447,445	1
Other current assets	689,629	1	Bonds payable due within one year	-	-
Other Finaancial assets-current	737,820	1	Long-term debt due within one year	1,030,464	1
Non-current assets classified as held for sale	-	-	Current provisions	40,758	0
Total current assets	41,564,544	55	Total current liabilities	39,177,479	52
Non current assets			Long term loan	8,532,827	11
Non-current available-for-sale financial assets	402,338	1	Leased Liabilities-non current	-	-
Investments accounted for using equity method	25,093,811	33	Provision Liabilities-non current	216,128	0
Property, plant and equipment	6,001,382	8	Deferred tax liabilities	40,981	0
Investment property	-	-	Other non-current liabilities, others	426,948	1
Intangible assets	32,393	0	Total non-current liabilities	9,216,885	12
Deferred tax assetsent	1,234,985	2	Total Liabilities	48,394,363	64
Other non-current assets	53,385	0	Attributable to owners of company		
Other non-current financial assets	43,063	0	Common stock	19,667,820	26
Long-term prepaid rents	814,819	1	Capital surplus	1,939,137	3
Total Non current assets	33,676,176	45	Retained Earnings	3,289,742	4
			Other equity interest	1,949,658	3
			Treasury Stock	-	-
			Total stockholders' equity	26,846,357	36
Total Assets	\$ 75,240,720	100	Total Liabilities and stockholders' equity	\$ 75,240,720	100

Qisda Corporation.
Unaudited DMS Business Consolidated Income Statement
Jan~Sep' 2015

UNIT : NT\$K

Net sales	\$ 74,753,139	100
Cost of goods sold	69,546,935	93
Gross profit	5,206,204	7
S & M	1,448,004	2
G & A	648,084	1
R & D	1,777,053	2
Operating expense	3,873,140	5
Operating income (loss)	1,333,064	2
Total non-operating income (loss)	908,575	1
Profit before tax	2,241,639	3
Income Tax Expense	328,384	0
Profit after tax	1,913,255	3
Other comprehensive income (Profit after tax)	(122,691)	(0)
Comprehensive income	\$ 1,790,564	2

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
September 30, 2015, December 31, 2014, and September 30, 2014
(Expressed in thousands of New Taiwan dollars)

	2015.9.30	2014.12.31	2014.9.30		2015.9.30	2014.12.31	2014.9.30
Assets	NT\$	(Restated) NT\$	(Restated) NT\$	Liabilities and Equity	NT\$	(Restated) NT\$	(Restated) NT\$
Current assets :				Current liabilities :			
Cash and cash equivalents	\$ 7,677,093	8,988,974	9,641,240	Short-term borrowings	\$ 18,049,412	14,138,414	15,599,560
Financial assets at fair value through profit or loss – current	610,333	477,624	536,776	Financial liabilities at fair value through profit or loss – current	203,745	120,653	143,670
Available-for-sale financial assets – current	231,851	534,674	515,674	Notes and accounts payable	23,974,167	26,167,639	26,843,213
Notes and accounts receivable, net	21,994,103	22,879,253	23,765,228	Accounts payable to related parties	1,972,414	2,672,799	2,237,503
Notes and accounts receivable from related parties	4,068,809	5,337,771	5,227,066	Other payables	8,583,353	9,631,495	9,820,957
Other receivables	703,394	688,988	319,728	Other payables to related parties	25,749	26,705	84,341
Other receivables from related parties	204,225	182,598	174,626	Other current liabilities	634,204	625,377	736,581
Inventories	17,747,470	17,772,185	16,873,524	Current portion of long-term debt	2,965,455	3,217,919	2,244,626
Other current assets	1,496,453	1,504,410	1,509,593	Provisions – current	455,153	500,283	488,644
Other financial assets – current	2,674,982	1,595,226	1,280,156	Total current liabilities	56,863,652	57,101,284	58,199,095
Non-current assets held for sale	-	54,065	-	Non-current liabilities :			
Total current assets	57,408,713	60,015,768	59,843,611	Long-term debt	12,654,955	14,943,270	14,380,590
Non-current assets :				Lease obligations payable – non-current	999,798	961,605	967,130
Available-for-sale financial assets – non-current	949,743	904,407	849,159	Provisions – non-current	880,089	800,880	830,579
Investments accounted for using equity method	16,479,993	15,581,079	15,005,733	Deferred income tax liabilities	115,357	147,213	92,177
Property, plant and equipment	19,707,276	19,892,498	19,686,197	Other non-current liabilities	609,302	531,415	395,916
Investment property	3,073,552	3,109,718	3,041,918	Total non-current liabilities	15,259,501	17,384,383	16,666,392
Intangible assets	216,499	208,428	168,652	Total liabilities	72,123,153	74,485,667	74,865,487
Deferred income tax assets	1,841,770	1,802,527	1,742,545	Equity attributable to shareholders of the Company:			
Other non-current assets	163,520	171,250	142,207	Common stock	19,667,820	19,667,820	19,667,820
Other financial assets – non-current	197,495	973,520	970,462	Capital surplus	1,939,137	1,990,292	2,013,524
Long-term prepaid rents	2,864,280	2,860,935	2,837,961	Retained earnings	3,289,742	2,556,556	1,808,616
Total non-current assets	45,494,128	45,504,362	44,444,834	Other equity	1,949,658	2,072,349	1,333,082
				Total equity attributable to shareholders of the Company	26,846,357	26,287,017	24,823,042
				Non-controlling interests	3,933,331	4,747,446	4,599,916
				Total equity	30,779,688	31,034,463	29,422,958
Total assets	\$ 102,902,841	105,520,130	104,288,445	Total liabilities and equity	\$ 102,902,841	105,520,130	104,288,445

Qisda Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

For the three-month periods ended September 30, 2015 and 2014, and for the nine-month periods ended September 30, 2015 and 2014
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	2015.7.1~9.30	2014.7.1~9.30	2015.1.1~9.30	2014.1.1~9.30
	NT\$	NT\$	NT\$	NT\$
Net sales	\$ 33,250,976	34,902,457	98,888,769	98,076,888
Cost of sales	(29,763,503)	(31,052,375)	(88,198,952)	(86,869,183)
Gross profit	<u>3,487,473</u>	<u>3,850,082</u>	<u>10,689,817</u>	<u>11,207,705</u>
Operating expenses:				
Selling expenses	(1,394,196)	(1,517,791)	(4,357,438)	(4,358,992)
Administrative expenses	(686,039)	(725,119)	(2,130,707)	(2,131,406)
Research and development expenses	(858,004)	(810,314)	(2,557,776)	(2,377,673)
Total operating expenses	<u>(2,938,239)</u>	<u>(3,053,224)</u>	<u>(9,045,921)</u>	<u>(8,868,071)</u>
Operating income	<u>549,234</u>	<u>796,858</u>	<u>1,643,896</u>	<u>2,339,634</u>
Non-operating income and loss:				
Other income	78,740	108,692	288,812	307,410
Other gains and losses – net	(87,396)	(37,794)	167,818	(555)
Finance costs	(199,956)	(204,033)	(586,734)	(682,632)
Share of profit of associates and joint ventures	362,136	515,105	1,009,433	776,357
Total non-operating income and loss	<u>153,524</u>	<u>381,970</u>	<u>879,329</u>	<u>400,580</u>
Income before income tax	702,758	1,178,828	2,523,225	2,740,214
Income tax expense	(119,675)	(83,766)	(476,116)	(267,135)
Net income for the period	<u>583,083</u>	<u>1,095,062</u>	<u>2,047,109</u>	<u>2,473,079</u>
Other comprehensive income:				
Components of other comprehensive income that may be reclassified to profit or loss:				
Exchange differences on translation of foreign operations	1,049,688	433,922	513,328	232,867
Change in fair value of available-for-sale financial assets	(223,156)	97,843	(721,394)	21,950
Share of other comprehensive income of associates and joint ventures	242,317	91,514	70,449	18,431
Income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	-	-	-
Other comprehensive income for the period, net of income tax	<u>1,068,849</u>	<u>623,279</u>	<u>(137,617)</u>	<u>273,248</u>
Total comprehensive income for the period	<u>\$ 1,651,932</u>	<u>1,718,341</u>	<u>1,909,492</u>	<u>2,746,327</u>
Net income attributable to:				
Shareholders of the Company	\$ 573,204	1,039,651	1,913,255	2,156,849
Non-controlling interests	9,879	55,411	133,854	316,230
	<u>\$ 583,083</u>	<u>1,095,062</u>	<u>2,047,109</u>	<u>2,473,079</u>
Total comprehensive income attributable to:				
Shareholders of the Company	\$ 1,530,758	1,524,809	1,790,564	2,337,209
Non-controlling interests	121,174	193,532	118,928	409,118
	<u>\$ 1,651,932</u>	<u>1,718,341</u>	<u>1,909,492</u>	<u>2,746,327</u>
Earnings per share (in New Taiwan dollars):				
Basic earnings per share	<u>\$ 0.29</u>	<u>0.53</u>	<u>0.97</u>	<u>1.10</u>
Diluted earnings per share	<u>\$ 0.29</u>	<u>0.52</u>	<u>0.95</u>	<u>1.09</u>

Qisda Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the nine-month periods ended September 30, 2015 and 2014
(Expressed in thousands of New Taiwan dollars)

	Attributable to shareholders of the Company												
	Common Stock	Capital surplus	Retained earnings			Other equity				Treasury stock	Total equity of the Company	Non-controlling interests	Total equity
			Legal reserve	Retained earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain(loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Total				
NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Balance at January 1, 2014	\$ 19,667,820	-	-	(447,263)	(447,263)	832,371	499,151	-	1,331,522	(213)	20,551,866	2,872,842	23,424,708
Effects of retrospective application and retrospective restatement	-	-	-	99,926	99,926	-	-	(99,926)	(99,926)	-	-	-	-
Restated balance at January 1, 2014	19,667,820	-	-	(347,337)	(347,337)	832,371	499,151	(99,926)	1,231,596	(213)	20,551,866	2,872,842	23,424,708
Changes in equity of associates and joint ventures accounted for using equity method	-	21,777	-	-	-	-	-	-	-	-	21,777	-	21,777
Change in treasury stock held by subsidiaries	-	-	-	(896)	(896)	-	-	-	-	213	(683)	-	(683)
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	263,355	-	-	-	-	-	-	-	-	263,355	18,179	281,534
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(61,039)	(61,039)
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	-	7,053	7,053
Capital injection from non-controlling interests	-	1,728,392	-	-	-	(78,874)	-	-	(78,874)	-	1,649,518	1,376,753	3,026,271
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(22,990)	(22,990)
Net income for the period	-	-	-	2,156,849	2,156,849	-	-	-	-	-	2,156,849	316,230	2,473,079
Other comprehensive income (loss) for the period	-	-	-	-	-	176,110	4,250	-	180,360	-	180,360	92,888	273,248
Total comprehensive income (loss) for the period	-	-	-	2,156,849	2,156,849	176,110	4,250	-	180,360	-	2,337,209	409,118	2,746,327
Restated balance at September 30, 2014	\$ 19,667,820	2,013,524	-	1,808,616	1,808,616	929,607	503,401	(99,926)	1,333,082	-	24,823,042	4,599,916	29,422,958
Balance at January 1, 2015	\$ 19,667,820	1,990,292	-	2,426,890	2,426,890	1,654,336	547,679	-	2,202,015	-	26,287,017	4,747,446	31,034,463
Effects of retrospective application and retrospective restatement	-	-	-	129,666	129,666	-	-	(129,666)	(129,666)	-	-	-	-
Restated balance at January 1, 2015	19,667,820	1,990,292	-	2,556,556	2,556,556	1,654,336	547,679	(129,666)	2,072,349	-	26,287,017	4,747,446	31,034,463
Appropriation of earnings:													
Legal reserve	-	-	242,689	(242,689)	-	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	(1,180,069)	(1,180,069)	-	-	-	-	-	(1,180,069)	-	(1,180,069)
Changes in equity of associates and joint ventures accounted for using equity method	-	118,810	-	-	-	-	-	-	-	-	118,810	-	118,810
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	(171,043)	-	-	-	-	-	-	-	-	(171,043)	(706,934)	(877,977)
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(247,319)	(247,319)
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	-	7,385	7,385
Capital injection from non-controlling interests	-	1,078	-	-	-	-	-	-	-	-	1,078	21,343	22,421
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(7,518)	(7,518)
Net income for the period	-	-	-	1,913,255	1,913,255	-	-	-	-	-	1,913,255	133,854	2,047,109
Other comprehensive income (loss) for the period	-	-	-	-	-	619,869	(742,560)	-	(122,691)	-	(122,691)	(14,926)	(137,617)
Total comprehensive income (loss) for the period	-	-	-	1,913,255	1,913,255	619,869	(742,560)	-	(122,691)	-	1,790,564	118,928	1,909,492
Balance at September 30, 2015	\$ 19,667,820	1,939,137	242,689	3,047,053	3,289,742	2,274,205	(194,881)	(129,666)	1,949,658	-	26,846,357	3,933,331	30,779,688

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2015 and 2014
(Expressed in thousands of New Taiwan dollars)

	2015.1.1~9.30	2014.1.1~9.30
	NT\$	NT\$
Cash flows from operating activities:		
Income before income tax	\$ 2,523,225	2,740,214
Adjustments for:		
Depreciation	1,531,161	1,495,074
Amortization	160,507	166,166
Provision for bad debt expense	3,412	10,941
Interest expense	586,734	682,632
Interest income	(132,476)	(228,211)
Dividend income	(42,223)	(40,229)
Share-based compensation cost	7,385	7,053
Share of profit of associates and joint ventures	(1,009,433)	(776,357)
Loss on disposal of property, plant and equipment, net	561	10,151
Gain on disposal of non-current assets held for sale	(112,180)	-
Gain on disposal of investments	(129,286)	(22,644)
Total non-cash profit and loss	<u>864,162</u>	<u>1,304,576</u>
Changes in operating assets and liabilities:		
Financial assets and liabilities at fair value through profit or loss	(48,885)	(199,578)
Notes and accounts receivable	923,879	(1,116,553)
Notes and accounts receivable from related parties	1,268,962	(2,417,884)
Other receivables	71,855	1,021,693
Other receivables from related parties	1,046	4,676
Inventories	27,108	(2,201,745)
Other current assets	6,811	773,185
Other non-current assets	20,641	(81,615)
Net changes in operating assets	<u>2,271,417</u>	<u>(14,217,821)</u>
Notes and accounts payable	(2,197,277)	4,204,325
Accounts payable to related parties	(700,385)	352,922
Other payables to related parties	(956)	21,970
Provisions	33,706	68,416
Other current liabilities	(845,327)	882,869
Other non-current liabilities	77,887	15,452
Net changes in operating liabilities	<u>(3,632,352)</u>	<u>5,545,954</u>
Total changes in operating assets and liabilities	<u>(1,360,935)</u>	<u>(8,671,867)</u>
Cash provided by (used in) operations	2,026,452	(4,627,077)
Interest received	138,752	212,867
Dividends received	445,293	192,451
Interest paid	(543,070)	(657,942)
Income taxes paid	(541,456)	(390,509)
Net cash provided by (used in) operating activities	<u>1,525,971</u>	<u>(5,270,210)</u>
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(612,664)	(333,981)
Proceeds from sale of available-for-sale financial assets	182,980	14,261
Purchase of investments accounted for using equity method	(115,120)	(253,784)
Proceeds from disposal of investments accounted for using equity method	-	2,460
Acquisition of a subsidiary, net of cash acquired	(75,548)	-
Proceeds from disposal of non-current assets held for sale	145,092	-
Additions to property, plant and equipment	(1,226,380)	(991,436)
Additions to investment property	(43,832)	(358,049)
Proceeds from disposal of property, plant and equipment	46,763	3,462
Increase in loan receivables from related parties	(22,673)	(26,232)
Additions to intangible assets	(69,080)	(84,255)
Decrease (increase) in other financial assets	(301,906)	295,620
Net cash outflow from deconsolidation of subsidiaries	-	(35,855)
Net cash used in investing activities	<u>(2,092,368)</u>	<u>(1,767,789)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	7,711,640	12,495,340
Decrease in short-term borrowings	(3,802,238)	(6,757,736)
Increase in long-term debt	3,724,800	8,885,250
Repayment of long-term debt	(6,437,651)	(12,768,725)
Decrease in lease obligations payable	(4,488)	(32,922)
Cash dividends distributed to shareholders	(1,180,069)	-
Acquisition of subsidiary's interests from non-controlling interests	(901,476)	(63,416)
Proceeds from disposal of subsidiary's interests (without losing control)	23,499	344,950
Capital injection from non-controlling interests	22,421	3,026,271
Cash dividends paid to non-controlling interests	(247,319)	(61,039)
Net cash provided by (used in) financing activities	<u>(1,090,881)</u>	<u>5,067,973</u>
Effects of foreign exchange rate changes	<u>345,397</u>	<u>131,376</u>
Net decrease in cash and cash equivalents	<u>(1,311,881)</u>	<u>(1,838,650)</u>
Cash and cash equivalents at beginning of period	<u>8,988,974</u>	<u>11,479,890</u>
Cash and cash equivalents at end of period	<u>\$ 7,677,093</u>	<u>9,641,240</u>