



Qisda Corporation 2013 Q2 Results

August 6, 2013

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Qisda

Outline

- Q2 DMS Business Financial Results
- Q2 DMS Business Summary

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Safe Harbor Notice

We have made forward-looking statements in the presentation. Our forward-looking statements contain information regarding, among other things, our financial conditions, future expansion plans and business strategies. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties, and assumptions about us.

We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events might not occur and our actual results could differ materially from those anticipated in these forward-looking statements.

Disclaimer

These financial information in this presentation are based on unaudited Taiwan IFRS results of the DMS(Design, Manufacturing and Service) business (formerly named Consolidated core business), and based on audited Taiwan IFRS results of consolidated financials.

Q2 DMS Business Financial Results

Q2 DMS Business Income Statement: QoQ Analysis

Amount : NT\$ Billion

	2013 Q2		2013 Q1		QoQ
DMS Business: (1)					
Net Sales	20.28	100.0%	18.06	100.0%	12.3%
COGS	(18.90)		(16.93)		
Gross Margin	1.38	6.8%	1.14	6.3%	+0.5 ppt
Opex	(1.17)	-5.8%	(1.11)	-6.1%	
Operating Income	0.22	1.1%	0.03	0.2%	+0.9 ppt
Net Non-op Items	0.44		(0.81)		
Consolidated: (2)					
Net Income	0.80	3.9%	(0.77)	-4.3%	+8.2 ppt
Net Income, attributable to owners of Company	0.57	2.8%	(0.84)	-4.7%	+7.5 ppt
EPS (NT\$)	0.29		(0.43)		
Net Worth / Share (NT\$)	9.82		9.59		

(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)

Q2 DMS Business Balance Sheet Highlights

Amount: NT\$ Billion

	2013 Q2		2013 Q1		QoQ
Cash & Equivalent	7.76	12.5%	7.74	12.7%	0.02
Accounts Receivable	14.39	23.2%	14.04	23.0%	0.35
Inventory	7.71	12.4%	6.93	11.4%	0.78
L-T Investments	20.56	33.1%	20.58	33.8%	(0.02)
Total Assets	62.12	100.0%	60.93	100.0%	1.19
Fin. Debt	22.33	35.9%	23.60	38.7%	(1.27)
Accounts Payable	15.84	25.5%	13.94	22.9%	1.90
Total Liabilities	42.80	68.9%	42.07	69.0%	0.73
Equity	19.32	31.1%	18.86	31.0%	0.46

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

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

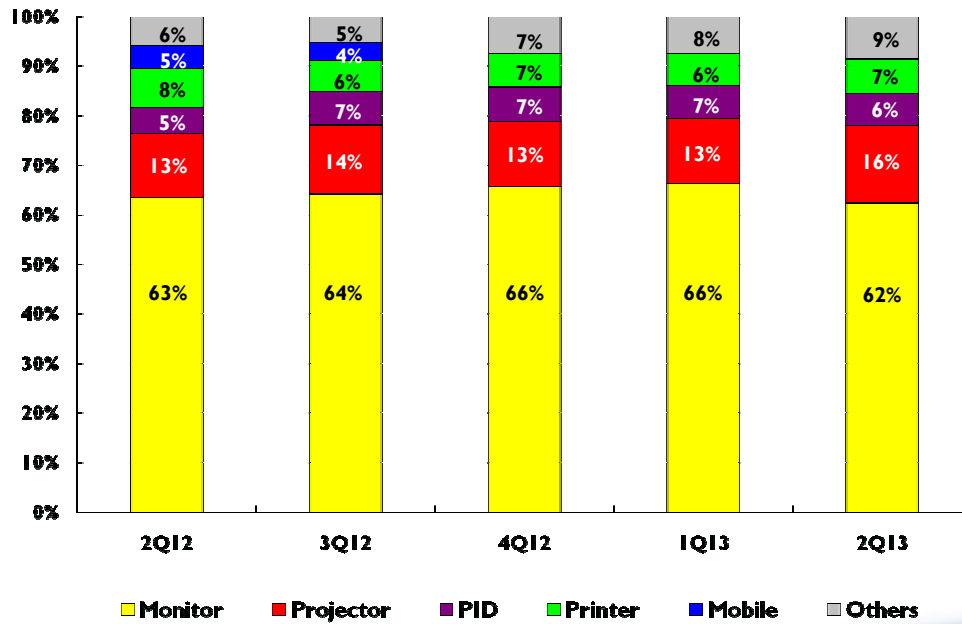
Q2 DMS Business Key Financial Ratios

	<u>2013 Q2</u>	<u>2013 Q1</u>	<u>QoQ</u>
A/R Turnover	64 days	72 days	-8 days
Inventory Turnover	39 days	38 days	+1 days
A/P Turnover	81 days	81 days	+0 days
Cash Conversion Cycle	22	29	-7 days
ROA	0.9%	-1.4%	+2.3 ppt
ROE	3.0%	-4.5%	+7.5 ppt
Current ratio	107.8%	99.0%	8.8 ppt
Fin. Debt / Total Assets	35.9%	38.7%	-2.8 ppt

* Based on unaudited Taiwan IFRS results of the DMS(Design, Manufacturing and Service) business
 * ROA and ROE were calculated on a quarterly basis

2013 Q2 DMS Business Summary

DMS Business Revenue Breakdown by Product Line



* Professional and industrial display, herein referred to as "PID".

* "Others" includes automobile electronics and other products; 4Q12, 1Q13 & 2Q13 includes Mobiles.

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2013 Q2 DMS Business Summary

- **Monitor :**
 - Unit shipment increased by 5.2% QoQ
- **Projector :**
 - Unit shipment increased by 31% QoQ
- **Color laser printer :**
 - Unit shipment increased by 24% QoQ

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Qisda Corporation.
Unaudited DMS Business Consolidated Balance Sheet
Jun. 30, 2013

UNIT : NT\$K

Assets			Liabilities and stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalents	\$ 7,698,015	12	Short- term borrowings	\$ 9,495,000	15
Financial assets at fair value through profit or loss - current	10,964	0	Short-term notes and bills payable	-	-
Current available-for-sale financial assets	-	-	Current financial liabilities at fair value through profit or loss	17,896	0
Notes and accounts receivable, net	8,802,598	14	N/P & A/P	14,820,985	24
N/R & A/R from related parties	5,590,736	9	N/P & A/P to related parties	1,021,632	2
Other receivables, net	468,054	1	Other payable	3,483,442	6
Other receivable from related parties	309,802	0	Other payable to related parties	8,719	0
Net inventories	7,710,033	12	Other current liabilities	391,661	1
Other current assets	1,734,689	3	Bonds payable due within one year	-	-
Other Finaancial assets-current	63,000	0	Long-term debt due within one year	728,400	1
Non-current assets classified as held for sale	-	-	Current provisions	82,654	0
Total current assets	32,387,890	52	Total current liabilities	30,050,389	48
Non current assets					
Non-current available-for-sale financial assets	208,175	0	Long term loan	12,103,918	19
Investments accounted for using equity method	20,562,520	33	Leased Liabilities-non current	-	-
Property, plant and equipment	6,053,443	10	Provision Liabilities-non current	278,897	0
Investment property	-	-	Deferred tax liabilities	39,681	0
Intangible assets	47,559	0	Other non-current liabilities, others	329,753	1
Deferred tax assetsent	1,165,803	2	Total non-current liabilities	12,752,250	21
Other non-current assets	58,737	0	Total Liabilities	42,802,639	69
Other non-current financial assets	850,725	1	Attributable to owners of company		
Long-term prepaid rents	784,930	1	Common stock	19,667,820	32
Total Non current assets	29,731,890	48	Capital surplus	-	-
			Retained Earnings	(1,451,985)	(2)
			Other equity interest	1,101,520	2
			Treasury Stock	(213)	(0)
			Total stockholders' equity	19,317,142	31
Total Assets	\$ 62,119,781	100	Total Liabilities and stockholders' equity	\$ 62,119,781	100

Qisda Corporation.
Unaudited DMS Business Consolidated Income Statement
Jan~Jun' 2013

UNIT : NT\$K

Net sales	\$ 38,344,187	100
Cost of goods sold	35,822,516	93
Gross profit	2,521,671	7
Operating expense :		
S & M	821,571	2
G & A	356,156	1
R & D	1,096,423	3
Operating expense	2,274,150	6
Operating income (loss)	247,521	1
Total non-operating income (loss)	(370,875)	(1)
Profit before tax	(123,354)	(0)
Income Tax Expense	148,547	0
Profit after tax	(271,901)	(1)
Other comprehensive income (Profit after tax)	1,425,114	4
Comprehensive income	\$ 1,153,213	3

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
June 30, 2013 and December 31, June 30, January 1, 2012
(Expressed in thousands of New Taiwan dollars and US dollars)

Assets	2013.6.30		2012.12.31	2012.6.30	2012.1.1	Liabilities and Stockholders' Equity	2013.6.30		2012.12.31	2012.6.30	2012.1.1
	NT\$	US\$	NT\$	NT\$	NT\$		NT\$	US\$	NT\$	NT\$	NT\$
Current assets :						Current liabilities :					
Cash and cash equivalents	11,742,627	391,421	8,905,101	9,704,992	12,349,895	Short-term borrowings	12,524,506	417,484	8,137,566	11,152,358	7,474,224
Financial assets at fair value through profit or loss—current	350,860	11,695	321,441	377,464	488,388	Financial liabilities at fair value through profit or loss—current	53,589	1,786	205,165	61,531	58,123
Available-for-sale financial assets—current	-	-	-	1,946,271	1,681,960	Notes and accounts payable	21,300,065	710,002	19,709,152	19,124,644	19,840,502
Notes and accounts receivable, net	14,219,554	473,985	10,303,134	10,473,289	9,953,389	Accounts payable to related parties	1,849,401	61,647	1,635,555	2,735,058	2,115,369
Notes and accounts receivable from related parties	2,744,606	91,487	2,063,434	2,669,522	1,701,450	Other payables	8,064,779	268,826	8,083,198	7,863,106	8,410,009
Other receivables	1,189,899	39,663	1,329,124	1,187,374	1,725,872	Other payables to related parties	37,309	1,244	29,393	3,663	9,184
Other receivables from related parties	178,655	5,955	110,444	92,348	38,500	Other current liabilities	794,943	26,498	594,380	726,613	1,478,422
Inventories	14,498,595	483,287	15,015,038	15,135,823	14,749,530	Current portion of bonds payable	-	-	-	-	120,671
Other current assets	2,495,968	83,199	2,783,668	3,594,816	3,248,908	Current portion of long-term debt	2,051,803	68,393	2,140,863	2,105,616	2,632,195
Other financial assets—current	1,001,841	33,395	1,092,903	1,640,316	1,439,722	Provisions—current	514,902	17,163	483,416	480,883	481,095
Non-current assets held for sale	-	-	-	-	301,372	Total current liabilities	47,191,297	1,573,043	41,018,688	44,253,472	42,619,794
Total current assets	48,422,605	1,614,087	41,924,287	46,822,215	47,678,986	Non-current liabilities :					
						Long-term debt, excluding current portion	20,035,810	667,860	22,435,632	20,726,428	23,118,048
Non-current assets :						Lease obligations payable	990,782	33,026	970,846	963,847	968,358
Available-for-sale financial assets—non-current	911,058	30,369	2,518,580	964,375	593,258	Provisions—non-current	828,074	27,603	864,709	1,045,067	1,159,378
Investments accounted for using equity method	13,730,444	457,681	13,842,756	16,146,182	18,222,668	Deferred income tax liabilities	111,239	3,708	94,546	239,232	240,208
Property, plant and equipment	20,265,398	675,513	20,248,325	19,981,548	20,541,502	Other non-current liabilities	408,425	13,614	355,869	311,550	499,815
Investment property	1,982,517	66,084	1,560,698	1,424,109	757,298	Total non-current liabilities	22,374,330	745,811	24,721,602	23,286,124	25,985,807
Intangible assets	187,371	6,246	162,001	206,949	199,609	Total liabilities	69,565,627	2,318,854	65,740,290	67,539,596	68,605,601
Deferred income tax assets	1,549,199	51,640	1,588,145	1,625,230	1,579,529	Equity attributable to owners of parent :					
Other non-current assets	355,577	11,852	310,059	297,106	285,673	Common stock	19,667,820	655,594	19,667,820	19,667,820	19,667,820
Other financial assets—non current	968,985	32,300	999,581	988,219	205,555	Retained earnings (accumulated deficit)	(1,451,985)	(48,399)	(977,063)	1,406,006	2,077,907
Long-term prepaid rents	2,887,390	96,246	2,942,126	2,821,953	3,034,239	Other equity interest	1,101,520	36,717	(323,595)	365,303	(17,201)
Total non-current assets	42,837,939	1,427,931	44,172,271	44,455,671	45,419,331	Treasury stock	(213)	(7)	(6,880)	(27,051)	(27,525)
						Total equity attributable to owners of parent	19,317,142	643,905	18,360,282	21,412,078	21,701,001
Total assets	\$ 91,260,544	3,042,018	86,096,558	91,277,886	93,098,317	Non-controlling interests	2,377,775	79,259	1,995,986	2,326,212	2,791,715
						Total equity	21,694,917	723,164	20,356,268	23,738,290	24,492,716
						Total liabilities and equity	\$ 91,260,544	3,042,018	86,096,558	91,277,886	93,098,317

(Note: Translation of New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the spot rate of Taiwan Bank as of June 30, 2013, of NT\$30 to US\$1 uniformly for all the financial statements accounts.)

Qisda Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the six-month periods ended June 30, 2013 and 2012
(Expressed in thousands of New Taiwan dollars and US dollars, except earnings per share)

	2013.4.1~6.30		2012.4.1~6.30		2013.1.1~6.30		2012.1.1~6.30	
	NT\$	US\$	NT\$	NT\$	US\$	NT\$	NT\$	
Revenue	\$ 29,318,794	977,293	27,859,595	56,824,652	1,894,155	57,054,913		
Cost of sales	(26,023,534)	(867,451)	(25,189,466)	(51,029,846)	(1,700,995)	(52,102,629)		
Gross profit	3,295,260	109,842	2,670,129	5,794,806	193,160	4,952,284		
Operating expenses:								
Selling expenses	(1,404,390)	(46,813)	(1,253,768)	(2,676,444)	(89,215)	(2,526,295)		
Administrative expenses	(761,574)	(25,386)	(685,300)	(1,455,409)	(48,513)	(1,425,545)		
Research and development expenses	(698,121)	(23,271)	(757,744)	(1,378,408)	(45,947)	(1,478,392)		
	(2,864,085)	(95,470)	(2,696,812)	(5,510,261)	(183,675)	(5,430,232)		
Operating income (loss)	431,175	14,372	(26,683)	284,545	9,485	(477,948)		
Non-operating income and expenses:								
Other income	93,712	3,124	248,500	161,623	5,387	817,660		
Other non-operating income and loss – net	403,096	13,437	(194,481)	229,081	7,636	1,326,653		
Finance costs	(298,350)	(9,945)	(234,139)	(526,105)	(17,536)	(554,005)		
Share of loss of associates and joint ventures accounted for using equity method, net	271,450	9,048	(913,612)	63,074	2,102	(1,935,516)		
Total non-operating income and loss	469,908	15,664	(1,093,732)	(72,327)	(2,411)	(345,208)		
Profit (loss) before tax	901,083	30,036	(1,120,415)	212,218	7,074	(823,156)		
Income tax expense	(106,579)	(3,553)	(21,616)	(189,228)	(6,308)	(49,456)		
Profit (loss)	794,504	26,483	(1,142,031)	22,990	766	(872,612)		
Other comprehensive income:								
Foreign currency translation differences	110,172	3,672	233,070	480,154	16,005	(128,124)		
Change in fair value of available-for-sale financial assets	(61,540)	(2,051)	(272,230)	819,892	27,330	577,501		
Share of other comprehensive income of associates and joint ventures accounted for using equity method	66,915	2,231	10,868	192,893	6,430	(79,207)		
Less: Tax on other comprehensive income	-	-	-	-	-	-		
Other comprehensive income for the period, net of tax	115,547	3,852	(28,292)	1,492,939	49,765	370,170		
Total comprehensive income for the period	\$ 910,051	30,335	(1,170,323)	1,515,929	50,531	(502,442)		
Profit (loss), attributable to:								
Shareholders of the Company	\$ 570,102	19,003	(990,826)	(271,902)	(9,064)	(514,140)		
Non-controlling interests	224,402	7,480	(151,205)	294,892	9,830	(358,472)		
	\$ 794,504	26,483	(1,142,031)	22,990	766	(872,612)		
Total comprehensive income attributable to:								
Shareholders of the Company	\$ 674,060	22,469	(1,049,278)	1,153,213	38,440	(131,636)		
Non-controlling interests	235,991	7,866	(121,045)	362,716	12,091	(370,806)		
	\$ 910,051	30,335	(1,170,323)	1,515,929	50,531	(502,442)		
Earnings per common share (expressed in New Taiwan dollars and US dollars):								
Basic earnings per common share	0.29	0.01	(0.50)	(0.14)	0.00	(0.26)		

Qisda Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the six-month periods ended June 30, 2013 and 2012
(Expressed in thousands of New Taiwan dollars and US dollars)

	Attributable to owners of parent											
	Retained earnings				Other equity interest			Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity	
	Common Stocks	Legal reserve	Special reserve	Retained earnings (accumulated deficit)	Total	Foreign currency translation differences	Change in fair value of available-for-sale financial					Total
NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	
Balance at January 1, 2012	\$ 19,667,820	312,870	286,915	1,478,122	2,077,907	776,258	(793,459)	(17,201)	(27,525)	21,701,001	2,791,715	24,492,716
Decrease in legal reserve to offset accumulated deficit	-	(312,870)	-	312,870	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficit method	-	-	(286,915)	286,915	-	-	-	-	-	-	-	-
Profit (loss)	-	-	-	(157,761)	(157,761)	-	-	-	-	(157,761)	-	(157,761)
Other comprehensive income (loss) for the period	-	-	-	-	-	(189,551)	572,055	382,504	-	382,504	(12,334)	370,170
Total comprehensive income (loss) for the period	-	-	-	(514,140)	(514,140)	(189,551)	572,055	382,504	-	(131,636)	(370,806)	(502,442)
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	474	474	-	474
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(94,697)	(94,697)
Balance at June 30, 2012	\$ 19,667,820	-	-	1,406,006	1,406,006	586,707	(221,404)	365,303	(27,051)	21,412,078	2,326,212	23,738,290
Balance at January 1, 2013	\$ 19,667,820	-	-	(977,063)	(977,063)	267,043	(590,638)	(323,595)	(6,880)	18,360,282	1,995,986	20,356,268
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	(203,020)	(203,020)	-	-	-	-	(203,020)	-	(203,020)
Profit (loss)	-	-	-	(271,902)	(271,902)	-	-	-	-	(271,902)	294,892	22,990
Other comprehensive income (loss) for the period	-	-	-	-	-	603,741	821,374	1,425,115	-	1,425,115	67,824	1,492,939
Total comprehensive income (loss) for the period	-	-	-	(271,902)	(271,902)	603,741	821,374	1,425,115	-	1,153,213	362,716	1,515,929
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	6,667	6,667	-	6,667
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	19,073	19,073
Balance at June 30, 2013	\$ 19,667,820	-	-	(1,451,985)	(1,451,985)	870,784	230,736	1,101,520	(213)	19,317,142	2,377,775	21,694,917

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the six-month periods ended June 30, 2013 and 2012
(Expressed in thousands of New Taiwan dollars and US Dollars)

	2013.1.1~6.30		2012.1.1~6.30
	NT\$	US\$	NT\$
Cash flows from operating activities:			
Profit (loss) before taxes	\$ 212,218	7,074	(823,156)
Adjustments for:			
Depreciation	1,157,789	38,593	1,092,503
Amortization	102,458	3,415	116,990
Interest expense	519,115	17,304	526,058
Interest revenue	(105,668)	(3,522)	(152,940)
Dividends revenue	(7,230)	(241)	(154,626)
Amortization of bond issuance costs	6,990	233	27,947
Share of loss of associates and joint ventures accounted for using equity method, net	(63,074)	(2,102)	1,935,516
Gain on disposal of property, plant and equipment, net	(1,293)	(43)	(1,400,137)
Gain on disposal of land use right	(53,777)	(1,793)	-
Loss (gain) on disposal of investments	243,000	8,100	(4,270)
Impairment loss on non-financial assets	-	-	1,173
Total adjustments to reconcile profit (loss)	<u>1,798,310</u>	<u>59,944</u>	<u>1,988,214</u>
Changes in operating assets and liabilities:			
Financial assets (liabilities) at fair value through profit or loss	(175,890)	(5,863)	115,370
Notes and accounts receivable	(3,875,292)	(129,176)	(519,900)
Notes and accounts receivable from related parties	(681,172)	(22,706)	(968,072)
Other receivables	184,493	6,150	886,017
Other receivables from related parties	5,025	168	32,643
Inventories	532,743	17,758	(386,293)
Other current assets	293,639	9,788	(331,342)
Other non-current assets	(137,040)	(4,568)	-
Net changes in operating assets	<u>(3,853,494)</u>	<u>(128,449)</u>	<u>(1,171,577)</u>
Notes and accounts payable	1,552,301	51,743	(715,858)
Accounts payable to related parties	213,846	7,128	619,689
Other payables to related parties	7,916	264	(5,521)
Provisions	(5,149)	(172)	(114,523)
Other current liabilities	367,888	12,263	(1,373,481)
Other non-current liabilities	48,397	1,613	(203,378)
Net changes in operating liabilities	<u>2,185,199</u>	<u>72,839</u>	<u>(1,793,072)</u>
Total changes in operating assets and liabilities	<u>(1,668,295)</u>	<u>(55,610)</u>	<u>(2,964,649)</u>
Cash used in operations	342,233	11,408	(1,799,591)
Interest received	60,400	2,013	129,427
Dividends received	7,230	241	-
Interest paid	(516,187)	(17,206)	(544,042)
Income taxes paid	(211,956)	(7,065)	(76,193)
Net cash used in operating activities	<u>(318,280)</u>	<u>(10,609)</u>	<u>(2,290,399)</u>
Cash flows from investing activities:			
Additions to available-for-sale financial assets	(35,000)	(1,167)	-
Proceeds from sale of available-for-sale financial assets	2,249,487	74,983	21,587
Additions to investments accounted for using equity method	(2,000)	(67)	(99,412)
Proceeds from disposal of investments accounted for using equity method	138,367	4,612	7,124
Acquisition of a subsidiary, net of cash acquired	(177,187)	(5,906)	-
Additions to property, plant and equipment	(730,155)	(24,339)	(615,807)
Proceeds from disposal of property, plant and equipment	25,116	837	1,536,363
Proceeds from disposal of land use right	190,817	6,361	-
Increase in other receivables from related parties	(23,622)	(787)	(44,850)
Additions to intangible assets	(84,617)	(2,821)	(58,256)
Additions to investment property	(352,986)	(11,766)	(711,434)
Increases (Decreases) in other financial assets	87,112	2,904	(983,258)
Net cash provided by (used in) investing activities	<u>1,285,332</u>	<u>42,844</u>	<u>(947,943)</u>
Cash flows from financing activities:			
Increase in short-term borrowings	4,376,357	145,879	3,678,134
Redemption of bonds	-	-	(120,900)
Increase in long-term debt	2,510,508	83,684	7,086,606
Decrease in long-term debt	(5,288,933)	(176,298)	(9,918,730)
Acquisition of ownership interests from non-controlling interests	(7,069)	(236)	(64,876)
Change in non-controlling interests	24,500	816	-
Dividends paid to non-controlling interests	(5,591)	(186)	(10,793)
Net cash provided by financing activities	<u>1,609,772</u>	<u>53,659</u>	<u>649,441</u>
Effects of foreign exchange rate changes	<u>260,702</u>	<u>8,690</u>	<u>(56,002)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,837,526</u>	<u>94,584</u>	<u>(2,644,903)</u>
Cash and cash equivalents at beginning of period	<u>8,905,101</u>	<u>296,837</u>	<u>12,349,895</u>
Cash and cash equivalents at end of period	<u>\$ 11,742,627</u>	<u>\$ 391,421</u>	<u>\$ 9,704,992</u>