

Qisda Corporation Investor Conference 2008 Q2 Results

August 26, 2008

Qisda

Outline

- 2008 Q2 Financial Results
- 2008 Q2 Business Summary
- 2008 Q3 Guidance

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Safe Harbor Notice

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

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

2008 Q2 Financial Results

2008 Q2 Financial Highlights

- Revenue NT\$ 30.45 billion
- Net income NT\$ 0.57 billion
- EPS NT\$ 0.32
- Liability ratio further improved from 73.5% to 67.8%

Q2 Income Statement QoQ Analysis

Amount : NT\$ Billion

	2008 Q2		2008 Q1		QoQ
Net Sales	30.45	100.0%	29.23	100.0%	4.2%
COGS	(29.43)		(27.98)		
Gross Margin	1.02	3.4%	1.24	4.3%	-0.9 ppt
Opex	(1.71)	(5.6%)	(1.78)	(6.1%)	-0.5 ppt
Operating Income	(0.69)	(2.3%)	(0.53)	(1.8%)	-0.5 ppt
Net Non-op Items	1.50		2.29		
Income before Tax	0.81		1.76		
Net Income	0.57	1.9%	1.75	6.0%	-4.1 ppt
EPS-Diluted (NT\$) ^(a)	0.32		0.98		
Net Worth / Share (NT\$) ^(a)	15.34		12.92		

- Core business unaudited consolidated results.

(a) EPS-Diluted was calculated based on the total diluted weighted average outstanding shares (1,788m shares).

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

Q2 Balance Sheet Highlights

Amount: NT \$ Billion

	Q2 2008		Q1 2008		QoQ
Cash & Equivalent	6.96	7.6%	7.53	8.0%	(0.58)
Accounts Receivable	16.46	17.9%	16.09	17.1%	0.37
Inventory	12.61	13.7%	13.44	14.3%	(0.82)
L-T Investments	40.79	44.4%	42.04	44.7%	(1.24)
Total Assets	91.77	100.0%	93.99	100.0%	(2.22)
Fin. Debt	35.26	38.4%	41.73	44.4%	(6.47)
Accounts Payable	18.99	20.7%	20.09	21.4%	(1.09)
Total Liabilities	62.24	67.8%	69.10	73.5%	(6.87)
Equity	29.54	32.2%	24.89	26.5%	4.65

- Core business unaudited consolidated results.

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Q2 Key Financial Ratios

	2008 Q2	2008 Q1	QoQ
A/R Turnover	46 days	51 days	(5) days
Inventory Turnover	43 days	45 days	(2) days
A/P Turnover	62 days	68 days	(6) days
Cash Conversion Cycle	27 days	28 days	(1) days
ROA ^(a)	0.6%	1.8%	-1.2 ppt
ROE ^(a)	2.1%	7.2%	-5.1 ppt
Current ratio	100.3%	89.0%	+11.3 ppt
Fin. Debt / Total Assets	38.4%	44.4%	-6 ppt

- Core business unaudited consolidated results.

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

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2008 Q2 Business Summary

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2008 Q2 Revenue

- QoQ : 4.2%
- QoQ change by Product Line

Product Line	Change	Remark
Monitor		new projects
LCD TV		new projects
Projector		new projects
SPC ^(a)		project phase out
Mobile		rebuilding business
Infotainment		new projects

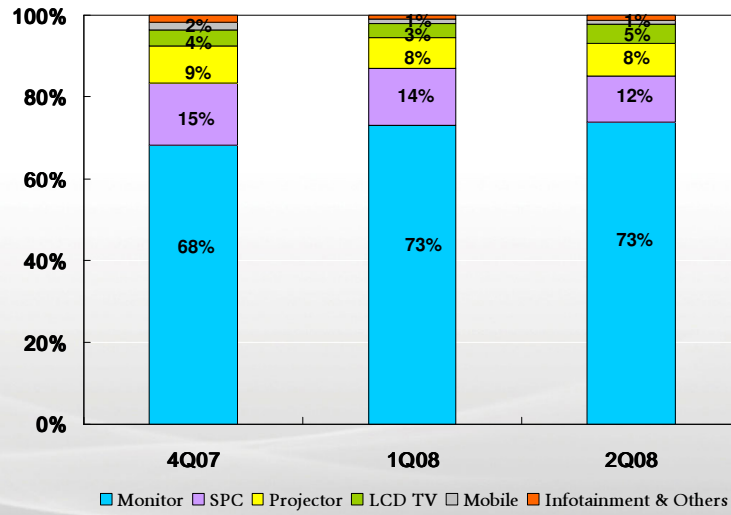
(a) SPC includes scanner, printer and copier.

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Revenue Breakdown by Product Line



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Quality
Innovation
Speed

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

UNIT : NT\$K

Assets			Liabilities & stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalent	6,958,819	7.6%	Short term borrowings	9,025,951	9.8%
Net notes and accounts receivable	8,049,172	8.8%	N/P & A/P	14,227,331	15.5%
N/R & A/R from related parties	8,412,661	9.2%	N/P & A/P to related partie	4,766,021	5.2%
Net inventories	12,612,817	13.7%	Bond payable	4,468,040	4.9%
Prepaid expenses & other current assets	<u>3,491,581</u>	3.8%	Accrued exp. & other current liab.	<u>6,910,398</u>	7.5%
Total current assets	39,525,050	43.1%	Total current liabilities	39,397,742	42.9%
Long term investments	40,792,102	44.4%	Long term loan	20,163,570	22.0%
Fixed assets :	16,077,924	17.5%	Bond payable	1,600,000	1.7%
Less : Accumulated depreciation	<u>(6,341,781)</u>	6.9%	Other liabilities	<u>1,076,957</u>	1.2%
Total fixed assets	9,736,142	10.6%	Total liabilities	62,238,268	67.8%
Other assets	1,721,549	1.9%	Stockholder' equities		
			Common stock	19,282,176	21.0%
			Capital surplus	7,931,214	8.6%
			Legal reserve	344,528	0.4%
			Unrealized gain or loss on financial product	<u>(1,819,744)</u>	-2.0%
			Retained earnings	3,408,014	3.7%
			Translation adjustment	437,278	0.5%
			Treasury stock	<u>(46,890)</u>	-0.1%
			Total stockholder' equities	29,536,575	32.2%
 Total Assets	 <u>\$ 91,774,843</u>	 100.0%	 Total Liabilities & stockholders' equity	 <u>\$ 91,774,843</u>	 100.0%

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

UNIT : NT\$K

Net sales	\$ 59,679,729	100.0%
Cost of goods sold	<u>(57,413,642)</u>	-96.2%
Gross profit	<u>2,266,086</u>	3.8%
Operating expense :		
S & M	<u>(1,269,502)</u>	-2.1%
G & A	<u>(657,436)</u>	-1.1%
R & D	<u>(1,562,938)</u>	-2.6%
Total Operating expense	<u>(3,489,876)</u>	-5.8%
Operating income (loss)	<u>(1,223,790)</u>	-2.1%
Non-operating in net income(loss)	<u>3,798,901</u>	6.4%
Earning Before income tax	2,575,111	4.3%
Income tax	<u>(255,433)</u>	-0.4%
Minority interest in net income (loss)		0.0%
Profit after tax	<u>\$2,319,678</u>	3.9%

Qisda Corporation

Non-consolidated Balance Sheets (Parent Company Only)

June 30, 2007 and 2008

(Expressed in thousands of New Taiwan dollars and US dollars)

Assets	2007.6.30 NT\$	2008.6.30 NT\$	2008.6.30 US\$	Liabilities and Stockholders' Equity	2007.6.30 NT\$	2008.6.30 NT\$	2008.6.30 US\$
Current assets:				Current liabilities:			
Cash and cash equivalents	4,448,060	795,979	26,223	Short-term borrowings	9,155,737	3,375,831	111,215
Financial assets at fair value through profit or loss – current	93,501	43,357	1,428	Financial liabilities at fair value through profit or loss – current	-	572,980	18,877
Notes and accounts receivable, net	5,530,612	4,826,468	159,006	Notes and accounts payable	5,404,888	1,957,675	64,495
Accounts receivables from related parties	23,054,408	10,893,452	358,880	Accounts payable to related parties	8,243,698	2,373,749	78,202
Other receivables, net	2,332,403	1,430,041	47,112	Other payable to related parties	361,294	278,393	9,172
Other receivable from related parties	917,082	2,102,749	69,274	Income tax payable	29,407	-	-
Other financial assets – current	16,148	533,229	17,567	Accrued expenses	5,744,794	4,645,289	153,037
Inventories	2,783,295	2,288,649	75,399	Advance receipts and other current liabilities	240,242	447,807	14,753
Prepaid expenses and other current assets	94,981	100,436	3,309	Bonds payable	3,250,000	4,468,040	147,198
Long-term equity investment held for sale	207,555	-	-	Deferred inter-company profits	363,917	210,494	6,935
Fixed assets held for sale	3,186,557	-	-	Total current liabilities	<u>32,793,977</u>	<u>18,330,258</u>	<u>603,884</u>
Deferred income tax assets – current	255,962	171,116	5,637				
Total current assets	<u>42,920,564</u>	<u>23,185,476</u>	<u>763,835</u>	Financial liabilities at fair value through profit or loss-noncurrent	886,489	-	-
				Bonds payable	<u>7,179,302</u>	<u>1,600,000</u>	<u>52,711</u>
Long-term investments:				Long-term debt	<u>19,000,000</u>	<u>19,000,000</u>	<u>625,947</u>
Equity method	28,484,134	39,972,413	1,316,875	Other liabilities			
Available-for-sale financial assets – noncurrent	3,763,933	2,490,556	82,050	Deferred profits on sale-leaseback transaction	-	882,510	29,074
Financial assets carried at cost – noncurrent	187,413	170,594	5,620	Other liabilities	2,245,152	19,105	629
	<u>32,435,480</u>	<u>42,633,563</u>	<u>1,404,545</u>	Total other liabilities	<u>2,245,152</u>	<u>901,615</u>	<u>29,703</u>
				Total liabilities	<u>62,104,920</u>	<u>39,831,873</u>	<u>1,312,245</u>
Property, plant and equipment:				Stockholders' equity:			
Land	701,161	653,339	21,524	Common stock	25,648,800	17,650,700	581,495
Buildings	1,647,452	1,482,218	48,831	Stock dividend to be distributed	-	1,631,476	53,748
Machinery and equipment	1,960,870	1,073,615	35,370	Capital surplus:			
Furniture and fixtures	170,272	115,175	3,794	Additional paid-in-capital in excess of the common stock's par value	-	2,738,580	90,221
Miscellaneous equipment	80,265	51,796	1,707	Capital surplus from long-term equity investments	3,974,317	5,017,461	165,298
Prepayments for plant and equipment	43,756	33,696	1,110		<u>3,974,317</u>	<u>7,756,041</u>	<u>255,519</u>
	4,603,776	3,409,839	112,336				
Less: accumulated depreciation	(2,365,836)	(1,543,217)	(50,841)	Legal reserve	-	344,527	11,350
Net property, plant and equipment	<u>2,237,940</u>	<u>1,866,622</u>	<u>61,495</u>	Retained earnings (accumulated deficit)	(12,771,300)	3,408,015	112,276
				Special reserve	-	175,173	5,771
Intangible assets	<u>706,742</u>	<u>191,397</u>	<u>6,306</u>	Cumulative translation adjustment	643,624	437,279	14,406
				Unrealized loss on available-for-sale financial assets	269,651	(1,819,745)	(59,951)
Other assets:				Treasury stock	(78,060)	(46,890)	(1,545)
Idle assets	217,034	104,324	3,437	Total stockholders' equity	<u>17,687,032</u>	<u>29,536,576</u>	<u>973,069</u>
Assets for lease	-	125,819	4,145				
Refundable deposits	44,423	96,352	3,174	Commitments and contingencies			
Deferred expenses	49,377	36,920	1,216				
Deferred income tax assets – noncurrent	1,180,392	1,034,666	34,087				
Prepaid pension cost	-	93,310	3,074				
Total other assets	<u>1,491,226</u>	<u>1,491,391</u>	<u>49,133</u>				
				Total liabilities and stockholders' equity	<u>79,791,952</u>	<u>69,368,449</u>	<u>2,285,314</u>
Total assets	<u>79,791,952</u>	<u>69,368,449</u>	<u>2,285,314</u>				

Qisda Corporation

Non-consolidated Statements of Income (Parent Company Only)

For the six-month periods ended June 30, 2007 and 2008

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

	2007	2008	
	NT\$	NT\$	US\$
Net sales	56,814,550	43,408,462	1,430,074
Cost of goods sold	<u>(56,232,562)</u>	<u>(42,471,927)</u>	<u>(1,399,220)</u>
Gross profit	581,988	936,535	30,854
Change in unrealized inter-company profits	<u>(181,936)</u>	<u>122,471</u>	<u>4,035</u>
Realized gross profits	400,052	1,059,006	34,889
Operating expenses :			
Selling	(1,296,474)	(642,511)	(21,167)
Administrative	(412,247)	(372,085)	(12,258)
Research and development	<u>(1,506,112)</u>	<u>(1,422,962)</u>	<u>(46,879)</u>
	<u>(3,214,833)</u>	<u>(2,437,558)</u>	<u>(80,304)</u>
Operating loss	<u>(2,814,781)</u>	<u>(1,378,552)</u>	<u>(45,415)</u>
Nonoperating income:			
Interest income	43,239	19,276	635
Investment income recorded under the equity method, net	136,150	3,967,647	130,713
Dividend income	-	19,952	657
Evaluation gain on financial instruments, net	-	295,890	9,748
Gain on disposal of property, plant and equipment	53,286	12,449	410
Gain on disposal of investments, net	2,588,547	647	21
Others	<u>72,100</u>	<u>71,019</u>	<u>2,340</u>
	<u>2,893,322</u>	<u>4,386,880</u>	<u>144,524</u>
Nonoperating expenses:			
Interest expense	(769,652)	(633,800)	(20,880)
Loss on disposal of property, plant and equipment	(501)	(13,070)	(431)
Foreign currency exchange loss, net	(376,729)	(39,820)	(1,312)
Evaluation loss on financial instruments, net	(81,651)	-	-
Others	<u>(4,839)</u>	<u>(1,960)</u>	<u>(65)</u>
	<u>(1,233,372)</u>	<u>(688,650)</u>	<u>(22,688)</u>
Income (loss) before income tax	(1,154,831)	2,319,678	76,421
Income tax expense	<u>(30,602)</u>	-	-
Net income (loss)	<u><u>(1,185,433)</u></u>	<u><u>2,319,678</u></u>	<u><u>76,421</u></u>
Earnings per share :		Before tax	After tax
Basic earnings per share	<u>(0.69)</u>	<u>(0.70)</u>	<u>1.30</u>
Diluted earnings per share		<u>1.28</u>	<u>1.28</u>

Qisda Corporation

Non-consolidated Statements of Cash Flows (Parent Company Only)

For the six-month periods ended June 30, 2007 and 2008
(Expressed in thousands of New Taiwan dollars and US dollars)

	2007	2008	
	NT\$	NT\$	US\$
Cash flows from operating activities:			
Net income (loss)	(1,185,433)	2,319,678	76,421
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	174,913	91,956	3,029
Amortization	234,562	185,076	6,097
Amortization of exchangeable bond discount	68,063	44,050	1,451
Change in provision for bad debt	3,315	(36,065)	(1,188)
Change in provision for inventory obsolescence	(298,404)	(1,951)	(64)
Investment income on long-term equity investments accounted for by equity method, net	(136,150)	(3,967,647)	(130,713)
Gain on disposal of financial assets at fair value through profit or loss	(4,546)	-	-
Gain on disposal of long-term equity investments held for sale	(17,727)	-	-
Loss on disposal of financial assets carried at cost	2,286	-	-
Gain on disposal of long-term equity investments accounted for by equity method	(2,568,560)	(647)	(21)
Loss (gain) on disposal of property, plant and equipment, net	(52,785)	621	20
Amortization of deferred profits on sale-leaseback transaction	-	(54,589)	(1,798)
Amortization of bond issuance costs	5,620	7,420	244
Change in accounts in the accompanying balance sheets:			
Financial assets and liabilities at fair value through profit or loss	106,039	(295,890)	(9,748)
Notes and accounts receivable	(1,958,117)	1,107,359	36,481
Receivables from related parties	(1,466,154)	6,768,266	222,978
Other receivables	1,060,476	559,626	18,437
Inventories	601,428	1,448,448	47,718
Other financial assets – current	-	(30,178)	(994)
Prepaid expenses and other current assets	170,212	(3,767)	(124)
Prepaid pension	-	(7,220)	(238)
Notes and accounts payable	2,084,544	(784,958)	(25,860)
Payables to related parties	(6,467,391)	(5,302,634)	(174,693)
Deferred inter-company profit	181,937	(122,471)	(4,035)
Accrued expenses and other current liabilities	(2,013,585)	(425,871)	(14,030)
Income tax payable	29,406	-	-
Deferred credit	13,310	9,552	315
Other liabilities	987	(19,098)	(629)
Net cash provided by (used in) operating activities	<u>(11,431,754)</u>	<u>1,489,066</u>	<u>49,056</u>
Cash flows from investing activities:			
Addition to long-term equity investments	-	(307,270)	(10,123)
Additions to property, plant and equipment	(83,204)	(64,673)	(2,130)
Proceeds from disposal of long-term equity investments	5,773,416	-	-
Proceeds from disposal of property, plant and equipment	32,058	28,526	940
Increase in refundable deposits and deferred assets	(130,905)	(48,726)	(1,605)
Proceeds from investees' capital reduction	-	6,773	223
Net cash provided by (used in) investing activities	<u>5,591,365</u>	<u>(385,370)</u>	<u>(12,695)</u>
Cash flows from financing activities:			
Decrease in short-term borrowings	(4,531,532)	(5,318,893)	(175,229)
Increase in long-term debt	7,000,000	-	-
Redemption of bonds	-	(1,200,000)	(39,534)
Issuance of exchangeable bonds	4,500,000	-	-
Issuance of common stock	-	5,000,000	164,723
Net cash provided by (used in) financing activities	<u>6,968,468</u>	<u>(1,518,893)</u>	<u>(50,040)</u>
Net increase (decrease) in cash and cash equivalents	1,128,079	(415,197)	(13,679)
Cash and cash equivalents at beginning of period	3,319,981	1,211,176	39,902
Cash and cash equivalents at end of period	<u>4,448,060</u>	<u>795,979</u>	<u>26,223</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	<u>700,712</u>	<u>704,529</u>	<u>23,210</u>
Income taxes	<u>5,548</u>	<u>28,535</u>	<u>940</u>
Supplemental disclosures of non-cash investing and financing activities:			
Changes in unrealized gain (loss) on available-for-sale financial assets	<u>324,668</u>	<u>(769,581)</u>	<u>(25,354)</u>
Adjustments of net equity of investee companies	<u>(993,179)</u>	<u>(348,623)</u>	<u>(11,485)</u>
Increase (decrease) in cumulative translation adjustment	<u>52,275</u>	<u>(250,491)</u>	<u>(8,252)</u>
Cancellation of treasury stock	<u>1,759,157</u>	<u>-</u>	<u>-</u>