



Qisda Corporation 2016 Q3 Results

Nov 3, 2016

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Q3 DMS Business Financial Results

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Q3 DMS Business Income Statement: QoQ Analysis

Amount : NT\$ Billion

	2016 Q3		2016 Q2		QoQ
DMS Business: (1)					
Net Sales	24.11	100.0%	23.72	100.0%	1.7%
COGS	(22.09)		(21.83)		
Gross Margin	2.03	8.4%	1.89	7.9%	+0.5 ppt
Opex	(1.19)	-4.9%	(1.10)	-4.6%	
Operating Income	0.84	3.5%	0.79	3.3%	+0.2 ppt
Net Non-op Items	0.65		0.17		
Consolidated: (2)					
Net Income	1.23	3.9%	0.74	2.3%	+1.6 ppt
Net Income, attributable to owners of Company	1.43	4.5%	0.80	2.5%	+2.0 ppt
EPS (NT\$)	0.73		0.41		
Net Worth / Share (NT\$)	14.14		13.75		

(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

	2016 Q3		2016 Q2		QoQ
Cash & Equivalent	1.55	2.3%	3.40	4.8%	(1.85)
Accounts Receivable	21.76	32.2%	22.98	32.7%	(1.22)
Inventory	9.98	14.8%	9.17	13.1%	0.81
L-T Investments	24.29	35.9%	24.07	34.3%	0.22
Total Assets	67.65	100.0%	70.26	100.0%	(2.61)
Fin. Debt	15.11	22.3%	18.04	25.7%	(2.93)
Accounts Payable	19.81	29.3%	18.93	26.9%	0.88
Total Liabilities	39.84	58.9%	43.23	61.5%	(3.39)
Equity	27.81	41.1%	27.04	38.5%	0.78

* 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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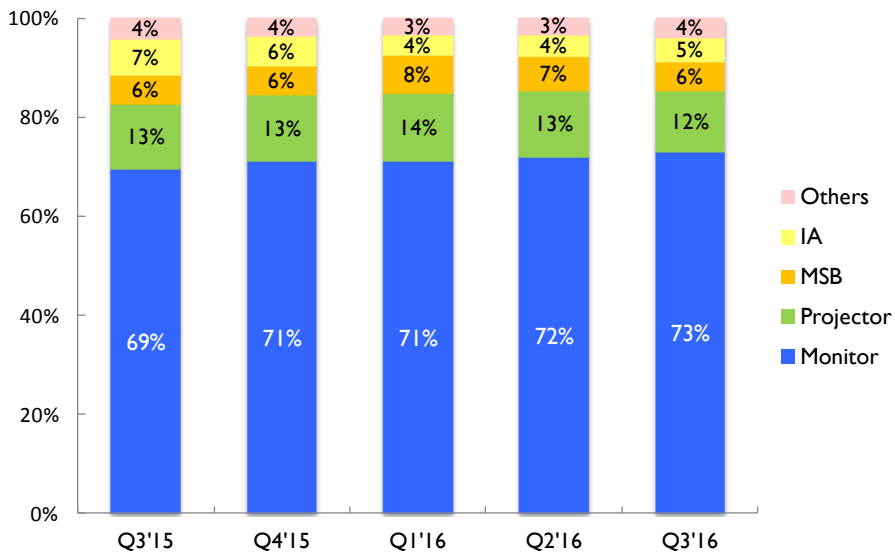
Q3 DMS Business Key Financial Ratios

	<u>2016 Q3</u>	<u>2016 Q2</u>	<u>QoQ</u>
A/R Turnover	81 days	87 days	-6 days
Inventory Turnover	43 days	40 days	+3 days
A/P Turnover	87 days	83 days	+4 days
Cash Conversion Cycle	36 days	44 days	-8 days
ROA	2.1%	1.1%	+1.0 ppt
ROE	5.2%	2.9%	+2.3 ppt
Current ratio	98.5%	108.5%	-10.0 ppt
Fin. Debt / Total Assets	22.3%	25.7%	-3.4 ppt

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

2016 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, POS and surveillance products herein referred to as "IA"
 * "Others" includes, mobile and other products

2016 Q3 DMS Business Summary

- **Monitor :**

- Unit shipment increased by 2.9% QoQ to 4.7M sets

- **Projector :**

- Unit shipment decreased by 4.6% QoQ to 289K sets



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Value-Up Solutions

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Qisda Corporation.
Unaudited DMS Business Consolidated Balance Sheet
Sep ,30, 2016

UNIT : NT\$K

Assets			Liabilities and stockholders' equity		
Current assets :			Liabilities		
Cash & cash equivalents	\$ 1,552,119	2	Short- term borrowings	\$ 11,162,560	17
Current available-for-sale financial assets	75,207	0	Current financial liabilities at fair value through profit or loss	93,307	0
Notes and accounts receivable,net	15,994,484	24	N/P & A/P	17,813,277	26
N/R & A/R from related parties	5,760,927	9	N/P & A/P to related parties	1,993,131	3
Other receivables, net	7,902	0	Other payable	3,663,021	5
Other receivable from related parties	890,306	1	Other payable to related parties	9,789	0
Net inventories	9,984,549	15	Other current liabilities	363,671	1
Other current assets	840,419	1	Bonds payable due within one year	-	-
Other Finaancial assets-current	-	-	Long-term debt due within one year	500,000	1
Non-current assets classified as held for sale	-	-	Current provisions	28,183	0
Total current assets	35,108,961	52	Total current liabilities	35,626,938	53
Non current assets			Long term loan	3,450,000	5
Non-current available-for-sale financial assets	671,327	1	Leased Liabilities-non current	-	-
Investments accounted for using equity method	24,292,727	36	Provision Liabilities-non current	211,948	0
Property, plant and equipment	5,488,567	8	Deferred tax liabilities	42,210	0
Investment property	-	-	Other non-current liabilities, others	506,645	1
Intangible assets	23,751	0	Total non-current liabilities	4,210,802	6
Deferred tax assetsent	1,203,679	2	Total Liabilities	39,837,741	59
Other non-current assets	63,201	0	Attributable to owners of company		
Other non-current financial assets	41,022	0	Common stock	19,667,820	29
Long-term prepaid rents	755,662	1	Capital surplus	2,128,457	3
Total Non current assets	32,539,936	48	Retained Earnings	5,205,935	8
			Other equity interest	808,944	1
			Treasury Stock	-	-
			Total stockholders' equity	27,811,155	41
Total Assets	\$ 67,648,896	100	Total Liabilities and stockholders' equity	\$ 67,648,896	100

Qisda Corporation.
Unaudited DMS Business Consolidated Income Statement
Jan~Sep' 2016

UNIT : NT\$K

Net sales	\$ 71,331,099	100
Cost of goods sold	65,554,549	92
Gross profit	5,776,550	8
S & M	1,050,546	1
G & A	580,270	1
R & D	1,741,639	2
Operating expense	3,372,455	5
Operating income (loss)	2,404,095	3
Total non-operating income (loss)	600,585	1
Profit before tax	3,004,680	4
Income Tax Expense	262,681	0
Profit after tax	2,741,999	4
Other comprehensive income (Profit after tax)	(1,070,415)	(2)
Comprehensive income	\$ 1,671,585	2

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
September 30, 2016, December 31, 2015, and September 30, 2015
(Expressed in thousands of New Taiwan dollars)

Assets	2016.9.30	2015.12.31	2015.9.30	Liabilities and Equity	2016.9.30	2015.12.31	2015.9.30
	NT\$	NT\$	NT\$		NT\$	NT\$	NT\$
Current assets :				Current liabilities :			
Cash and cash equivalents	\$ 4,977,084	9,036,050	7,677,093	Short-term borrowings	\$ 14,962,048	14,288,274	18,049,412
Financial assets at fair value through profit or loss— current	456,525	510,683	610,333	Financial liabilities at fair value through profit or loss— current	112,460	72,260	203,745
Available-for-sale financial assets— current	265,581	261,343	231,851	Notes and accounts payable	22,960,306	23,053,173	23,974,167
Notes and accounts receivable, net	21,676,213	20,407,299	21,994,103	Accounts payable to related parties	2,527,094	2,279,949	1,972,414
Notes and accounts receivable from related parties	4,614,384	4,655,002	4,068,809	Other payables	9,022,637	8,816,651	8,583,353
Other receivables, net	221,514	148,493	703,394	Other payables to related parties	14,390	16,756	25,749
Other receivables from related parties	30,804	208,580	204,225	Other current liabilities	646,749	671,409	634,204
Inventories	16,412,431	16,386,780	17,747,470	Current portion of long-term debt	1,189,086	2,489,197	2,965,455
Other current assets	1,634,174	1,503,817	1,496,453	Provisions— current	501,051	387,719	455,153
Other financial assets— current	338,128	2,710,710	2,674,982	Total current liabilities	51,935,821	52,075,388	56,863,652
Total current assets	50,626,838	55,828,757	57,408,713	Non-current liabilities :			
Non-current assets :				Long-term debt	7,181,438	14,071,273	12,654,955
Available-for-sale financial assets— non-current	1,004,145	856,956	949,743	Lease obligations payable— non-current	1,180,647	1,182,786	999,798
Investments accounted for using equity method	14,991,717	15,858,890	16,479,993	Provisions— non-current	769,795	784,043	880,089
Property, plant and equipment	18,813,143	19,545,376	19,707,276	Deferred income tax liabilities	70,097	68,402	115,357
Investment property	2,712,059	2,989,618	3,073,552	Other non-current liabilities	731,106	691,216	609,302
Intangible assets	206,415	198,299	216,499	Total non-current liabilities	9,933,083	16,797,720	15,259,501
Deferred income tax assets	1,743,229	1,775,567	1,841,770	Total liabilities	61,868,904	68,873,108	72,123,153
Other non-current assets	157,161	185,380	163,520	Equity attributable to shareholders of the Company:			
Other financial assets— non-current	182,684	207,126	197,495	Common stock	19,667,820	19,667,820	19,667,820
Long-term prepaid rents	2,614,474	2,797,862	2,864,280	Capital surplus	2,128,457	2,179,038	1,939,137
Total non-current assets	42,425,027	44,415,074	45,494,128	Retained earnings	5,205,934	3,545,665	3,289,742
				Other equity	808,945	1,879,359	1,949,658
				Total equity attributable to shareholders of the Company	27,811,156	27,271,882	26,846,357
				Non-controlling interests	3,371,805	4,098,841	3,933,331
				Total equity	31,182,961	31,370,723	30,779,688
Total assets	\$ 93,051,865	100,243,831	102,902,841	Total liabilities and equity	\$ 93,051,865	100,243,831	102,902,841

Qisda Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

For the three-month periods ended September 30, 2016 and 2015, and for the nine-month periods ended September 30, 2016 and 2015
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	2016.7.1~9.30	2015.7.1~9.30	2016.1.1~9.30	2015.1.1~9.30
	NT\$	NT\$	NT\$	NT\$
Net sales	\$ 31,985,076	33,250,976	95,270,219	98,888,769
Cost of sales	(27,997,873)	(29,763,503)	(83,258,434)	(88,198,952)
Gross profit	<u>3,987,203</u>	<u>3,487,473</u>	<u>12,011,785</u>	<u>10,689,817</u>
Operating expenses:				
Selling expenses	(1,425,415)	(1,394,196)	(4,110,914)	(4,357,438)
Administrative expenses	(663,026)	(686,039)	(1,938,380)	(2,130,707)
Research and development expenses	(829,197)	(858,004)	(2,429,761)	(2,557,776)
Other expenses	(194,337)	-	(194,337)	-
Total operating expenses	<u>(3,111,975)</u>	<u>(2,938,239)</u>	<u>(8,673,392)</u>	<u>(9,045,921)</u>
Operating income	<u>875,228</u>	<u>549,234</u>	<u>3,338,393</u>	<u>1,643,896</u>
Non-operating income and loss:				
Other income	82,568	78,740	224,049	288,812
Other gains and losses – net	191,275	(87,396)	(231,411)	167,818
Finance costs	(139,421)	(199,956)	(461,603)	(586,734)
Share of profits (losses) of associates and joint ventures	395,278	362,136	20,216	1,009,433
Total non-operating income and loss	<u>529,700</u>	<u>153,524</u>	<u>(448,749)</u>	<u>879,329</u>
Income before income tax	<u>1,404,928</u>	<u>702,758</u>	<u>2,889,644</u>	<u>2,523,225</u>
Income tax expense	<u>(173,245)</u>	<u>(119,675)</u>	<u>(496,077)</u>	<u>(476,116)</u>
Net income for the period	<u>1,231,683</u>	<u>583,083</u>	<u>2,393,567</u>	<u>2,047,109</u>
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(568,725)	1,049,688	(1,025,379)	513,328
Change in fair value of available-for-sale financial assets	91,900	(223,156)	185,774	(721,394)
Share of other comprehensive income of associates and joint ventures	(183,643)	242,317	(374,450)	70,449
Less: Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income for the period, net of income tax	<u>(660,468)</u>	<u>1,068,849</u>	<u>(1,214,055)</u>	<u>(137,617)</u>
Total comprehensive income for the period	<u>\$ 571,215</u>	<u>1,651,932</u>	<u>1,179,512</u>	<u>1,909,492</u>
Net income (loss) attributable to:				
Shareholders of the Company	\$ 1,430,510	573,204	2,741,999	1,913,255
Non-controlling interests	(198,827)	9,879	(348,432)	133,854
	<u>\$ 1,231,683</u>	<u>583,083</u>	<u>2,393,567</u>	<u>2,047,109</u>
Total comprehensive income attributable to:				
Shareholders of the Company	\$ 836,454	1,530,758	1,671,585	1,790,564
Non-controlling interests	(265,239)	121,174	(492,073)	118,928
	<u>\$ 571,215</u>	<u>1,651,932</u>	<u>1,179,512</u>	<u>1,909,492</u>
Earnings per share (in New Taiwan dollars):				
Basic earnings per share	<u>\$ 0.73</u>	<u>0.29</u>	<u>1.39</u>	<u>0.97</u>
Diluted earnings per share	<u>\$ 0.72</u>	<u>0.29</u>	<u>1.37</u>	<u>0.95</u>

Qisda Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the nine-month periods ended September 30, 2016 and 2015
(Expressed in thousands of New Taiwan dollars)

	Attributable to shareholders of the Company											
	Common Stock	Capital surplus	Retained earnings			Other equity				Total equity of the Company	Non-controlling interests	Total equity
			Legal reserve	Retained earnings	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\$	
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 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 for the period	-	-	-	-	-	619,869	(742,560)	-	(122,691)	(122,691)	(14,926)	(137,617)
Total comprehensive income 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
Balance at January 1, 2016	\$ 19,667,820	2,179,038	242,689	3,302,976	3,545,665	2,097,271	(27,522)	(190,390)	1,879,359	27,271,882	4,098,841	31,370,723
Appropriation of earnings:												
Legal reserve	-	-	216,918	(216,918)	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	(1,081,730)	(1,081,730)	-	-	-	-	(1,081,730)	-	(1,081,730)
Changes in equity of associates and joint ventures accounted for using equity method	-	(48,998)	-	-	-	-	-	-	-	(48,998)	-	(48,998)
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	(792)	-	-	-	-	-	-	-	(792)	(508)	(1,300)
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(246,821)	(246,821)
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	7,538	7,538
Changes in ownership interests in subsidiaries	-	(791)	-	-	-	-	-	-	-	(791)	791	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	4,037	4,037
Net income (loss) for the period	-	-	-	2,741,999	2,741,999	-	-	-	-	2,741,999	(348,432)	2,393,567
Other comprehensive income for the period	-	-	-	-	-	(1,288,366)	217,952	-	(1,070,414)	(1,070,414)	(143,641)	(1,214,055)
Total comprehensive income for the period	-	-	-	2,741,999	2,741,999	(1,288,366)	217,952	-	(1,070,414)	1,671,585	(492,073)	1,179,512
Balance at September 30, 2016	\$ 19,667,820	2,128,457	459,607	4,746,327	5,205,934	808,905	190,430	(190,390)	808,945	27,811,156	3,371,805	31,182,961

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2016 and 2015
(Expressed in thousands of New Taiwan dollars)

	2016.1.1~9.30 NT\$	2015.1.1~9.30 NT\$
Cash flows from operating activities:		
Income before income tax	\$ 2,889,644	2,523,225
Adjustments for:		
Depreciation	1,365,449	1,531,161
Amortization	146,012	160,507
Provision for bad debt expense	19,277	3,412
Interest expense	461,603	586,734
Interest income	(64,768)	(132,476)
Dividend income	(46,614)	(42,223)
Share-based compensation cost	7,538	7,385
Share of profits of associates and joint ventures	(20,216)	(1,009,433)
Loss (gain) on disposal of property, plant and equipment	(8,493)	561
Gain on disposal of non-current assets held for sale	-	(112,180)
Gain on disposal of investments	(187,867)	(129,286)
Impairment loss on financial assets	91,307	-
Gain from bargain purchase	(29,718)	-
Total non-cash profit and loss	<u>1,733,510</u>	<u>864,162</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets and liabilities at fair value through profit or loss	94,358	(48,885)
Decrease (increase) in notes and accounts receivable	(1,269,725)	923,879
Decrease in notes and accounts receivable from related parties	40,618	1,268,962
Decrease (increase) in other receivables	(134,411)	71,855
Decrease (increase) in other receivables from related parties	(3,415)	1,046
Decrease (increase) in inventories	(19,652)	27,108
Decrease (increase) in other current assets	(73,316)	6,811
Decrease in other non-current assets	13,107	20,641
Net changes in operating assets	<u>(1,352,436)</u>	<u>2,271,417</u>
Decrease in notes and accounts payable	(115,347)	(2,197,277)
Increase (decrease) in accounts payable to related parties	247,145	(700,385)
Decrease in other payables to related parties	(2,366)	(956)
Increase in provisions	99,084	33,706
Increase (decrease) in other current liabilities	158,761	(845,327)
Increase in other non-current liabilities	39,890	77,887
Net changes in operating liabilities	<u>427,167</u>	<u>(3,632,352)</u>
Total changes in operating assets and liabilities	<u>(925,269)</u>	<u>(1,360,935)</u>
Cash provided by operations	<u>3,697,885</u>	<u>2,026,452</u>
Interest received	128,483	138,752
Dividends received	482,250	445,293
Interest paid	(435,694)	(543,070)
Income taxes paid	(452,795)	(541,456)
Net cash provided by operating activities	<u>3,420,129</u>	<u>1,525,971</u>
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(80,563)	(612,664)
Proceeds from sale of available-for-sale financial assets	16,939	182,980
Purchase of investments accounted for using equity method	(18,896)	(115,120)
Proceeds from disposal of investments accounted for using equity method	182,491	-
Acquisition of a subsidiary, net of cash acquired	(43,834)	(75,548)
Proceeds from disposal of non-current assets held for sale	-	145,092
Additions to property, plant and equipment	(1,119,005)	(1,226,380)
Additions to investment property	(36,076)	(43,832)
Proceeds from disposal of property, plant and equipment	15,376	46,763
Decrease (increase) in loan receivables from related parties	181,191	(22,673)
Additions to intangible assets	(53,243)	(69,080)
Decrease (increase) in other financial assets	2,397,032	(301,906)
Increase in long-term prepaid rents	(2,102)	-
Net cash provided by (used in) investing activities	<u>1,439,310</u>	<u>(2,092,368)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	9,190,168	7,711,640
Decrease in short-term borrowings	(8,638,763)	(3,802,238)
Increase in long-term debt	2,345,000	3,724,800
Repayment of long-term debt	(10,092,317)	(6,437,651)
Decrease in lease obligations payable	(30,037)	(4,488)
Cash dividends distributed to shareholders	(1,081,730)	(1,180,069)
Acquisition of subsidiary's interests from non-controlling interests	(1,300)	(901,476)
Proceeds from disposal of subsidiary's interests (without losing control)	-	23,499
Capital injection from non-controlling interests	-	22,421
Cash dividends paid to non-controlling interests	(246,821)	(247,319)
Net cash used in financing activities	<u>(8,555,800)</u>	<u>(1,090,881)</u>
Effects of foreign exchange rate changes	<u>(362,605)</u>	<u>345,397</u>
Net decrease in cash and cash equivalents	<u>(4,058,966)</u>	<u>(1,311,881)</u>
Cash and cash equivalents at beginning of period	<u>9,036,050</u>	<u>8,988,974</u>
Cash and cash equivalents at end of period	<u>\$ 4,977,084</u>	<u>7,677,093</u>