



TSE: 2352

QISDA 2013 ANNUAL REPORT

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Qisda Annual report is available at <http://Qisda.com>

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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.

Website: Qisda.com/ir.htm

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DOMESTIC STOCK EXCHANGE LISTING

Qisda Common shares

Taiwan Stock Exchange Corporation

<http://www.tse.com.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 consolidated revenue in 2013 was NT\$119.2 billion. The consolidated net income was NT\$1.56 billion, and the consolidated profit after tax was NT\$1.41 billion. Net profit attributable to owners of parent company was NT\$0.71 billion, with an after tax earnings per share at NT\$0.36.

In 2013, Qisda maintained steady progress with its two main product lines: LCD monitors and projectors. Its accomplishments include ranking No.2 in terms of global market share for monitors and projectors, as well as No.1 in that for 20"-plus monitors and DLP projectors. However, despite peerless performance from these product lines, as the global monitor market growth reaches plateau phase, the scale of the market is undeniably on a downward trajectory. Other than incessant efforts in developing niche products, such as professional and industrial monitors, in order to set a firm foothold in the medical market, Qisda has also been utilizing resources from its group companies and organizations like BenQ, BenQ Material, BenQ Medical Technology, and BenQ Hospital to provide a complete line of products and services in the fields of medical equipment and supplies, and biomedical/aesthetic pharmacy. Development of these high added-value products allows Qisda to build a sturdy foundation for future growth and challenges.

For 2014, Qisda's main operating goal is to solidify its leading position in monitor and projector markets, as well as to provide high-end products and one-stop services featuring hardware and software integrated solution. In addition, Qisda will intensify medical product development and to offer system integration services. Expectantly, Qisda will find the next blue ocean and create long-term values for the company in spite of a highly uncertain global economic environment. Our approaches are as follows:

1. Optimization of existing business operations: Focus on high-end, high-priced niche monitors, such as monitors for medical, drawing, design and gaming purposes. Increase market share of projectors and provide total solutions for customers.
2. Rapid expansion of the medical business: Optimize the integration with group companies to strengthen core competitiveness in the medical industry. Reinforce group companies' competitiveness through joint-product development and create a sales platform by utilizing existing sales channels. Moreover, other than integrating group resources, Qisda will also adopt win-win acquisition and strategic joint venture to expand its medical business market share.
3. Acceleration of solution development: Provide customer one-stop services with software and hardware integrated solutions.

Qisda places importance on the establishment of long-term value and continuous sustainability. An average of 3% of its annual revenue was spent each year in research and development, which earned Qisda approximately 1,100 patents around the world. Qisda is committed to sustainable development and social responsibility, and was nominated for the "CSR Report Best Practices" by the Industrial Development Bureau of Ministry of Economic Affairs for two consecutive years for its efforts in maintaining a high degree of transparency in sustainable development indicators in economical, environmental and social fields. Furthermore, Qisda was also honored with the "2013 Taiwan CSR Awards Top 50 Enterprises in Taiwan" and the "Best Climate Leader Award" by the Taiwan Institute for Sustainable Energy.

Qisda is 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 its shareholders.

Sincerely,

K.Y. Lee, Chairman
Peter Chen, President

Overview of Operations

Operational Guidelines

Business Scope

I. Overview of Business Operations

LCD Monitor: The market share of Qisda's DMS (Design and Manufacturing Services) business increased in 2013, which enabled Qisda to achieve the 2nd largest manufacturer in the industry. Qisda will continue to focus on fortifying relationship with customers, developing new product features and engaging in value-added vertical integration activities such as panel module assembly and in-house mechanical parts manufacture. Meanwhile, Qisda will also actively invest in technological researches and develop displays with integrated design and cloud connectivity. On the other hand, the market share of brand business worldwide continued to grow in 2013, and a strong growth can be seen in value-added and high-end products such as high-performance gaming monitors, professional color management monitors, professional graphic design monitors and large-size (24" and above) monitors. Qisda will continue to devote itself to the research and development of monitors for professional applications and with integrated design.

Projector: Qisda's DMS business entered the top 2 position worldwide in 2013 with increased shipment and market share. Moreover, aside from DLP projectors, Qisda is the only manufacturer in Taiwan that is experienced in LCD projector mass production and shipment. As for the brand business, it maintained world's 2nd largest projector brand and the largest DLP projector brand in 2013. Compared with 2012, there was a steady growth both in sales volume and market share.

Medical Service: The Nanjing BenQ Hospital, with more than 600,000 annual patient visits in 2013, has four major province- and city-level divisions and is currently the 3rd largest parturition hospital in Nanjing. Based on current foundation, high-end obstetrics, pediatrics and postnatal care services are being developed to fulfill specific demands. Meanwhile, the Suzhou BenQ Hospital opened in May 2013 which mainly focuses on medical diagnosis/treatment and high-end health examination services.

2. Product Offering

LCD Monitor: 15.6"/18.5"/19"/20"/21.5"/22"/23"/24"/27" consumer and commercial LCD monitors, wide-screen and professional LCD monitors, all-in-one PCs and 32"/42"/46"/55"/65" public displays.

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

Medical Service: General medical diagnosis/treatment, high-end health examination, medical aesthetics and postnatal care services.

Industry Overview

I. Current Status and Trends in Development of the Industry

LCD Monitor: As indicated by market research reports, LCD monitor market declined at an annual rate of 7.45% in 2013. In spite of the global economy recovery, the market forecast for LCD monitors is expected to have a 3% further decrease in 2014 due to the impact of the substitution effect caused by handheld devices. Moreover, the competition among system integrators and pressure on lowering cost will also remain severe. In order to enhance the competitive edge, Qisda is planning to place its focus on value-added product development and optimization of vertical integration in supply chain with economies of scale.

Projector: According to industry analysis reports, the total number of projector shipment worldwide was 7.64 million units in 2013, with a 2% increase expected for 2014. Specifically, the volume ratio for high brightness, high resolution and non-light ball (LED and laser) source projectors will continue to increase in the future. Meanwhile, the market trend is now turning from business and educational applications to home and personal/mobile scenarios, which enables

the sales volume of projectors with 1080p and 3D features to skyrocket.

Medical Service: The medical market in China is expected to grow rapidly in parallel with the country's swift economic development and increase of medical insurance coverage. Plus, the country's 12th five-year plan encourages the establishment of non-governmental medical institutes and such policy will further accelerate the expansion of market size of non-governmental hospitals.

2. Overview of Supply Chain

LCD Monitor: Upstream business partners consist mainly of LCD panel manufacturing and module assembling plants, including key components such as LCD panels, LED backlight modules and control chipsets. Midstream and downstream partners include system integrators and brand customers, which represent a mature and competitive market. Qisda has developed and maintained strong and long-term relationship with all of its upstream strategic suppliers and downstream brand customers.

Projector: Upstream partners consist of a line of optoelectronic device makers, including panel chipset, lens and specialized lamp manufacturers. Midstream and downstream partners include projector manufacturers and brand customers. An intimate yet intricate relationship exists amid upstream, midstream and downstream partners as alliance and competition intertwines among business competitors.

Medical Service: The Nanjing BenQ Hospital is one of the first civil pediatric doctor standardization bases in the Jiangsu Province of China where 50 pediatric doctors were trained annually. In 2011, the hospital became the fourth clinical school of the Nanjing Medical University with 8 clinical professors and established a cooperation and transfer procedure with top-level medical centers in the Jianyeh District of Nanjing City as well as medical cooperation with secondary-level medical centers in nearby cities such as Yangzhou, Huaian and Ma An Shan in the same province and Chuzhou, Hefei in the Anhui Province. The Suzhou BenQ Hospital opened in May 2013 and is now a subordinate hospital of the Nanjing Medical University.

3. Trends in Development and Market Competition of the Company's Product

LCD Monitor: To survive the mature LCD monitor market, in addition to increasing cost competitiveness and offering flexible delivery, Qisda aims to work closely with brand customers and system integrators to develop gaming monitors and monitors with ultra-high resolution, cloud connectivity, wireless application and other customized and specialty application products to fulfill diverse demands of the niche market.

Projector: The projector market has expanded as improvements applied to commercial projectors accelerated due to the advent of the latest technologies. In addition to an economical price tag, projectors have become smaller and lighter while the brightness and resolution have been vastly enhanced. It is estimated that the demand for projectors will increase globally with the expansion of ultra-short-throw interactive projectors for classrooms, high-resolution and high-brightness projectors for meeting rooms and multi-media home entertainment projectors for home theaters. Meanwhile, due to the popularity of personal mobile devices and variety of wireless data applications, the growth of personal and home multimedia markets over the commercial and educational ones is becoming a foreseeable trend in the future.

Medical Service: The Chinese government has permitted private and foreign capitals to invest in the medical service industry. As soon as the implementation of the Tentative Administrative Measures of Sino-Foreign Equity Joint Venture and Sino-Foreign Contractual Joint Venture Medical Institutions on July 1st 2007, foreign investors such as the Formosa Plastic group, Want Want group and BenQ group as well as a number of renowned domestic medical organizations all actively filed applications in order to seek new opportunities abroad.

Research & Development

1. Technologies in Deployment

LCD Monitor: Monitors featuring USB 3.0, MHL & Miracast functions, QHD high resolution and high color gamut LED backlight modules/monitors, high performance gaming monitors, professional CAD/CAM monitors, professional color management monitors, super narrow bezel/edge-to-edge monitors and monitors featuring eye-care technology.

Projector: Industry-leading home entertainment short-throw HD 1080p projectors, UST projectors with interactive module for education market and 3D 1080P wireless projectors for home market.

Medical Service: The BenQ Hospitals have already established the thoracic surgery division (a nationally recognized clinical division), the radiology division (a municipally recognized clinical division, also honored the major division of the Nanjing Medical University), oncology division (a municipally recognized clinical division) as well as the urology and dermatology divisions.

2. Highlights in Future Technological Development

LCD Monitor: 4K2K high-definition monitors, curve displays, video walls/public displays and HDMI 2.0/MHL 3.0 function monitors, Smart device displays, Miracast application monitors, high-resolution monitors, wide viewing angle monitors and medical monitors.

Projector: Ultra short-throw ratio, wide-screen (1080p), high brightness, touch-panel projectors, and projectors for educational purposes, as well as large commercial projectors with ultra-high brightness capability, maintaining balance between technological advancement and practical application while continuing with the improvement in color management and resolution. 4K2K high-resolution projectors and interactive solutions for educational market and improvement of user interface are also considered important in future technological development.

Medical Service: The BenQ Hospitals have implemented the “patient-centric and complete medical care” concept to promote the medical care systems currently being adopted in Taiwan, which includes the attending physician system, nursing duty system, medical counseling/tracking system and pharmacist system. The Nanjing BenQ Hospital plans to establish 5 specific medical centers including oncology, thoracic, neurosurgery rehabilitation, obstetrics / gynecology / pediatrics and cardiovascular centers. The Suzhou BenQ Hospital plans to establish 4 specific medical centers including severe illness, oncology, obstetrics/gynecology/pediatrics and health management centers.

Long- and Short-term Business Development Plans

1. Short Term Business Development Plans

LCD Monitor:

- (1) Solidify the leading position and provide high-end products.
- (2) Provide all sizes of LCD displays and promote large-size, high-performance and LED backlight models while actively engaging in monitor-related application researches as ways to maintain Qisda’s position as one of the top three manufacturers worldwide.
- (3) 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.
- (4) Strengthen the world’s 1st gaming monitor leading position by continuing with the gaming product development through professional gamers’ inputs and Qisda’s long-time experience in gaming market in order to provide gaming enthusiasts the best ever gaming solutions.

Projector:

- (1) Solidify the leading position and provide one-stop services featuring hardware and software integrated solutions.
- (2) Continue developing DLP and LCD projector technologies in order to maintain technological advancement and superiority within the industry.
- (3) Cultivate the home projector market utilizing comprehensive product lines. Keep developing solutions for interactive teaching. Improve the quality of wireless transmission. Develop e-commerce channel and other new

channels.

Medical Service:

- (1) Solidify the capability of each division as a general hospital and develop specialized divisions.
- (2) Develop the capabilities of medical services for specific demands like postnatal care and medical aesthetic services.

2. Long Term Business Development Plans

LCD Monitor:

- (1) Enhance product customization capabilities and eliminate non-efficient activities within the value chain through the synchronization of design and production process of backlight module and displays, thus offering diversified and value-added products.
- (2) Continue cooperating with AU Optronics Corp. (AUO). Meanwhile, form strategic alliances with other major panel suppliers.
- (3) Expand professional monitor offerings to industrial design, professional CAD/CAM usage, color management and medical application markets.
- (4) Optimize hardware and software integrated solutions to provide better user experience in order to create value-added services and increase customers' brand loyalty.

Projector:

- (1) Expand and enhance product diversifications for home, office and educational markets.
- (2) Accelerate the development of high-end models and cultivate sales channels to complete brand product offering.
- (3) Increase the average selling price and strengthen professional brand image.

Medical Service:

- (1) Strengthen cooperation with medical schools and enhance personnel training.
- (2) Enter into the hospital management business by utilizing experiences in the BenQ Hospitals and skills of the team.

Markets and Sales

Market Analysis

1. Major Sales Markets

LCD Monitor: Worldwide

Projector: Worldwide

Medical Service: The cities of Nanjing and Suzhou in China

2. Market Share

LCD Monitor: As one of the top two LCD monitor manufacturers worldwide that occupies the leading position in the industry, Qisda held approximately 10.6% of market share in 2013 and No.1 in that for 20"-plus monitors.

Projector: With market share at approximately 16%, Qisda was one of the top two projector ODMs worldwide in 2013 and No.1 in that for DLP projectors.

Medical Service: The Nanjing BenQ Hospital is the only third-class general hospital in the Jianyeh District; while the Suzhou BenQ Hospital is the only third-class general hospital in the Gaoxin District.

3. Strategies Formulated Based on Future Demands, Growth, Competitive Niche, as well as Positive and Negative Factors in Market Trends

LCD Monitor:

- (1) Positive factors: As the industry consolidates, big players are likely to remain large.
- (2) Negative factors: Severe price competition in a matured market as cost and price become extremely important to brand customers and consumers. Moreover, the trend for mobile devices to replace personal computers further impacts the demands for consumer and commercial LCD monitors.
- (3) Strategies:
 - i. Provide displays with all panel sizes and promote large-size, high-performance and LED backlight monitors where Qisda is believed to possess distinct advantage over competitors.
 - ii. Cultivate and maintain strategic partnerships with top-tier panel vendors to ensure smooth supply of critical parts.
 - iii. Increase add-on value within the value chain through vertical integration, such as integrating the design/assembly process for panel module and backlight module and increasing the ratio of in-house stamping and in-house plastic injection.
 - iv. Optimize product portfolio by strengthening large-size and high-end professional models.
 - v. Product differentiation: Continue with the development of value-added products to increase profitability, avoid price wars and satisfy the demand for multiple displays per room/family.

Projector:

- (1) Positive factors: In addition to the benefit from economies of scale, leading technologies allow Qisda's projectors to remain competitive on a global scale and market share is expected to continue its growth.
- (2) Negative factors: Shorter projector product lifecycle and market price disruption caused by growing number of competitors and similar products.
- (3) Strategies:
 - i. Increase operational efficiency in order to control inventory and fulfill customer needs.
 - ii. Strengthen product lineup by increasing the ratio of products with high gross profits.
 - iii. Deeply understand consumer needs and accelerate product development lead-time.

- iv. Provide a comprehensive solution for interactive teaching.
- v. Improve price margin by strengthening product portfolio.

Medical Service:

- (1) Positive factors: The demand for medical services in China is expected to increase due to the reformation of medical administration on a national scale. A high entry barrier bars competitors from entering into the general hospital business and years of hospital management experience also makes it impossible for competitors to catch up instantly.
- (2) Negative factors: Over 90% of the hospitals in China are state-owned, and doctors usually hesitate about joining private-owned hospitals. This forms an obstacle in personnel recruitment and development.
- (3) Strategies: China's 12th five-year plan lifted the ban on the investment of hospitals by private capitals. In the future, private-owned hospitals will gradually benefit from policies that were only favorable to their state-owned counterparts in the past. With highly advanced hospital management skills and an experienced team backed by the strength of vertical integration within the BenQ group, undoubtedly the BenQ Hospitals will become the leader in the field of medical industry in China.

Product Application and Manufacture Process

1. Product Application

LCD Monitor: Visual display of computer outputs.

Projector: Portable and multi-user capacity; specifically, conferences, meetings and trainings for commercial and educational institutions, as well as provide theater-quality videos for home theaters and gaming consoles.

Medical Service: N.A.

2. Manufacture Process

LCD Monitor: Incoming inspection → Assembly → Pre-set → Burn-in → Function test → Exterior inspection → Packaging → Inventory → Shipping.

Projector: Incoming inspection → Optical system assembly → Module assembly → Burn-in → Final test → Packaging → Inventory → Shipping.

Medical Service: N.A.

Overview of Raw Material Supply

LCD Monitor: Continue cooperating with AU Optronics Corp. (AUO) to develop superior vertical integration as well as maintaining close partnerships with top-tier panel vendors in Taiwan and Korea in order to ensure smooth supply of panels at lower costs.

Projector: A state of oligopoly remains for DMD and LCD panels as suppliers are limited to TI, Epson and Sony. Lamp suppliers are in a similar state due to the industry's high entry level. Qisda has maintained close relationship with suppliers to ensure smooth supply of key components. At the same time, Qisda adopts a dual-approach method by leveraging procurement and in-house research capabilities for key components. This allows Qisda to reduce costs by creating negotiation flexibility with mass quantity procurement and by implementing simplified production processes which were made possible with technological upgrades and modularized designs.

Medical Service: N.A.

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 three units, the board of directors, audit committee and remuneration committee. The audit committee is made up all of independent members of the board of directors. The remuneration committee members were appointed by resolution 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. The remuneration committee will exercise the care of a good administrator in faithfully performing the official powers, and shall submit its recommendations for deliberation by the board of directors.

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 set up 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.

Remuneration Committee

The remuneration committee will exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors; A. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers. B. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

Board of Directors

Board Members

Date: April 28, 2014

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, BenQ Foundation
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, acer Inc. Director: Qisda Corp., Wistron Corp., Nan Shan Life Insurance Company Ltd., Egis Technology Inc. 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., Director: Qisda Corp., Raydium Semiconductor Corporation, BenQ Corp., Darfon Innovation Corporation
Director	Peter Chen	EMBA, Thunderbird, The American Graduate School of International Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center Executive Vice President, BenQ Corp.	Chairman: BenQ Medical Technology Corporation, Lily Medical Corporation Director: BenQ AB Dentcare Corporation, Asiaconnect International Company Ltd., Darfon Electronics Corp., BenQ Corp., Crystalvue Medical Corporation 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 VP&GM: Information Technology Display Business Group, AU Optronics Corp.	Director: Qisda Corp. SVP & GM: Video Solutions Business Group, AU Optronics Corp.
Director	China Development Industrial Bank- Cathy Han	MBA, Central Connecticut State University	Senior AVP: Principal Investment Department, China Development Industrial Bank Director: Qisda Corp., Powertech Industrial Co., Ltd., Lextar Electronics Corporation, Cando Corp.
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: Qisda Corp., Formosa Advanced Technologies Co., Ltd, Formosa Chemical Co., Ltd. Supervisor: Platinum Optics Technology Inc.
Independent Director	Allen Fan	B.S., Electrical Engineering, National Taiwan University President, Microsoft Taiwan General Manager, WKTechnology Fund General Manager, HP Taiwan	Chairman: Yu Xuan Corp. Director: Transcend Information, Inc., Belden International Inc., Cyberon Corporation Independent Director: Qisda Corp., Wistron Information Technology and Services Corporation
Independent Director	Jeffrey Y.C. Shen	EMBA certificate, University of Michigan B.S., Mechanical Engineering, National Cheng Kung University President, Changan Ford Mazda Automobile Company President, Ford Lio Ho Motor Company	Independent Director: Qisda Corp. Chairman of the Asian Pacific: Eagle Ottawa, LLC

Material Resolutions Approved by Board Meetings

Date	Approval Events
2013.03.07	<ol style="list-style-type: none"> 1. Approved Qisda's financial results of 2012 2. Approved the proposal for 2012 deficit compensation 3. Approved the proposal for releasing for Directors from non-competition restrictions 4. Approved to convene 2012 Qisda Annual General Meeting 5. Approved to loan of Funds USD 19M to Qisda Czech s.r.o.
2013.05.04	<ol style="list-style-type: none"> 1. Approved Qisda's consolidated financial results of 2013 Q1 2. Approved to donate to BenQ Foundation
2013.08.06	<ol style="list-style-type: none"> 1. Approved Qisda's consolidated financial results of 2013 Q2
2013.11.06	<ol style="list-style-type: none"> 1. Approved Qisda's financial results of 2013 Q3
2013.03.20	<ol style="list-style-type: none"> 1. Approved Qisda's consolidated financial results of 2013 2. Approved the proposal for 2013 deficit compensation 3. Approved to elect nine directors (include three independent directors) 4. Approved the proposal for releasing newly-elected Directors from non-competition restrictions 5. Approved to convene 2014 Qisda Annual General Meeting 6. Approved to donate to BenQ Foundation

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

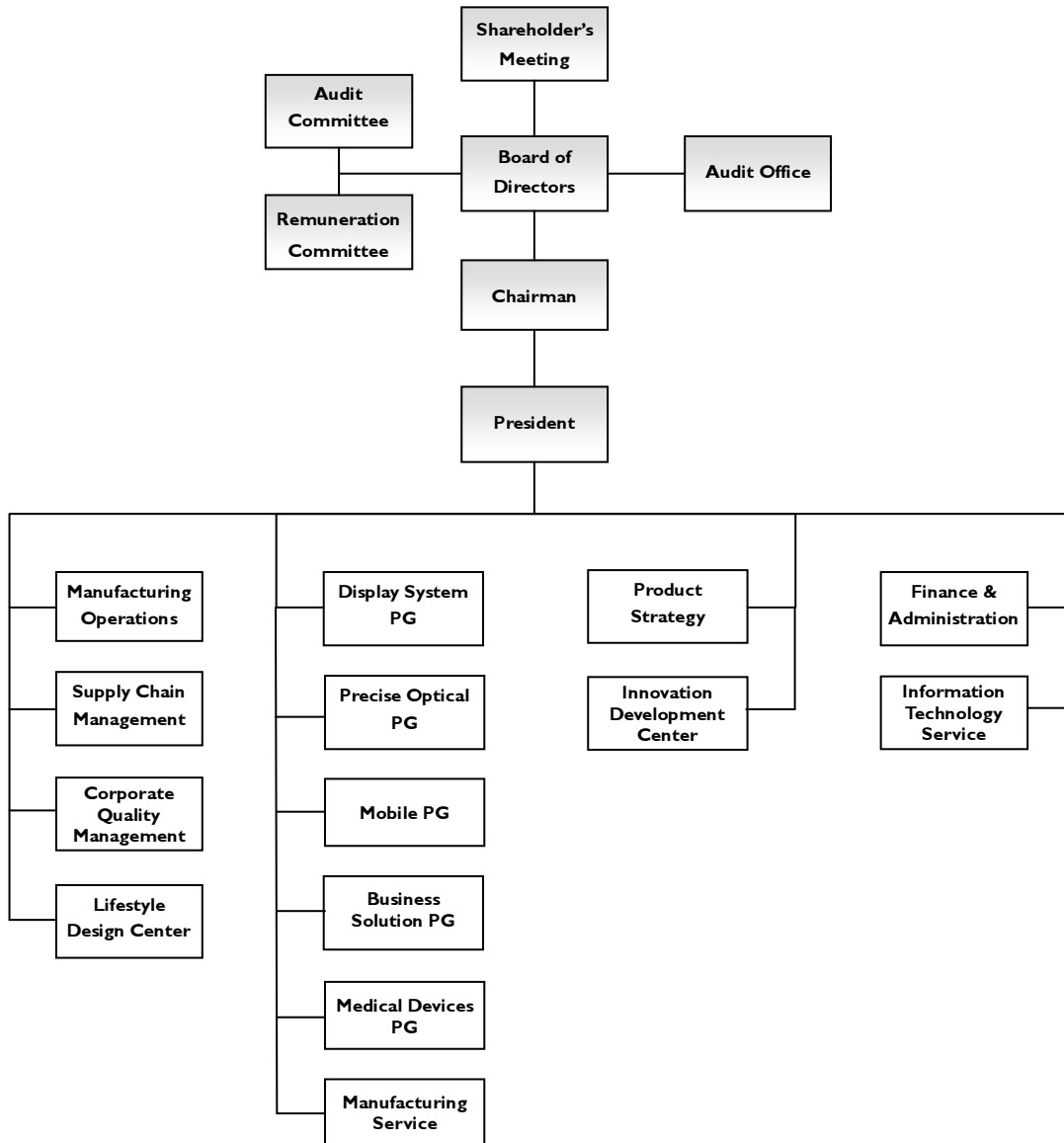
Date: April 28, 2014

Title	Name	Personnel Education & Experience	Other Current Positions
President	Peter Chen	EMBA, Thunderbird, The American Graduate School of International Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center Executive Vice President, BenQ Corp.	Chairman: BenQ Medical Technology Corporation, Lily Medical Corporation Director: BenQ AB Dentcare Corporation, Asiaconnect International Company Ltd., Darfon Electronics Corp., BenQ Corp., Crystalvue Medical Corporation Director and President: Qisda Corp.
Senior Vice President & GM, Display System Products Group	Joe Huang	EMBA, Tsing Hua University in Beijing MBA, University of Greenwich	-
Senior Vice President & GM, Supply Chain Management	C.M. Wu	EMBA, Pacific Western University B.S., Electronics Engineering, Chung Yuan Christian University	-
Senior Vice President & GM, Manufacturing Operations	Mark Hsiao	B.S., Chemical Engineering, Tamkang University AVP, AU Optronics Corp.	-
Senior Vice President & CFO, Finance & Administration	David Wang	M.S., University of Massachusetts B.S., Finance, National Chung Hsing University CEO of Yageo, Ferroxcube CFO of Yageo, Europe	Director: BenQ ESCO Corp., Darly Venture Inc., Darly Consulting Corporation, BenQ Foundation
Vice President & GM, Precise Optical Products Group	April Huang	B.S., Economics, National Taiwan University Alpha Publishing Inc., Tokyo, Japan Marketing Manager, Daxon Technology Inc.	-
Vice President & GM, Mobile Products Group	Chi Chen	Ph.D., Electrical Engineering, University of California, Los Angeles	-
Vice President & GM, Medical Devices Products Group	Jason Tyan	Ph.D., Electrical Engineering, State University of New York at Stony Brook	-
Vice President & GM, Medical Devices Business Unit	Spark Huang	EMBA, National Cheng Chi University B.S., Physics, Tamkang University	-
Vice President, Manufacturing Operations	James T. Wang	Ph.D., Mechanical Engineering, Ohio State University B.S., Mechanical Engineering, Nation Taiwan University	-
Vice President, President Office	Alpha Tsai	EMBA, National Cheng Chi University M.S., Electrical Engineering, State University of New York B.S., Electrical Engineering, Nation Taiwan University.	-
Vice President, Corporate Quality Management	CY Ho	EMBA, National Taiwan University B.S., Industrial Engineering, Chung Yuan Christian University	-

Group Organization

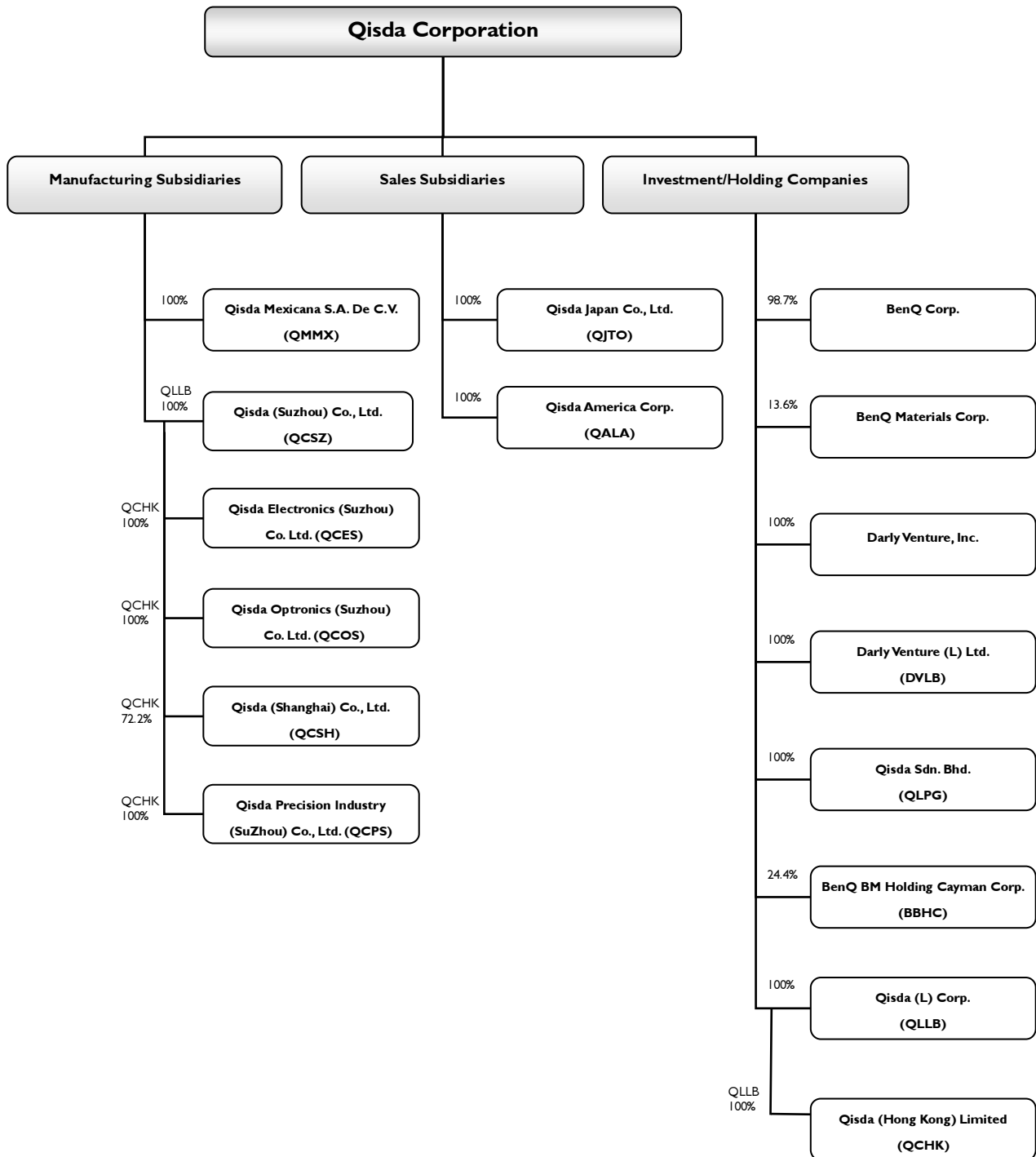
Company Organization Chart

Date: April 28, 2014



Affiliated Companies

Date: December 31, 2013



Company Financials

Capital and Shares

Shares Type and Shares Outstanding

Shares Type	Authorized Shares			Notes
	Outstanding shares	Un-issued shares	Total shares	
Common Shares	1,966,781,958	3,033,218,042	5,000,000,000	-

Ownership and Distribution of Shares

	As of April 28 2014		
	Number of shareholders	Number of shares held	% of shares held
Domestic Individuals	145,011	1,298,967,681	66.05%
Other Domestic Corporations	158	296,182,302	15.06%
Foreign Institutions and Individuals	298	208,678,541	10.61%
Domestic Financial Institutions	72	162,952,786	8.29%
Government Agencies	4	648	0.00%
Total	145,543	1,966,781,958	100.00%

Net Worth, Earning, Dividends and Market Price Per Share

Unit: NT\$, Per 1,000 Share

		Mar. 31, 2014	2013	2012
Market Price Per Share	Highest Market Price	10.85	8.35	9.25
	Lowest Market Price	7.28	6.13	5.90
	Average Market Price	9.41	7.29	7.33
Net Worth Per Share (Note 1)	Before Distribution	-	10.45	9.35
	After Distribution	-	10.45	9.35
Earnings Per Share (EPS)	Weighted Average Shares	1,966,731	1,966,651	1,965,908
	EPS	-	0.36	-1.41
	EPS-adjusted (Note 2)	-	-	-1.41
Dividends Per Share	Cash dividends	-	-	-
	Stock dividends- Earnings	-	-	-
	Stock dividends- Capital Surplus	-	-	-
	Accumulated Undistributed Dividend	-	-	-
Return On Investment	Price/Earning Ratio (Note 3)	-	-	-
	Price/Dividend Ratio (Note 4)	-	-	-
	Cash Dividend Yield Rate (Note 5)	-	-	-

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 or reversing 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

I. Consolidated Financial Analysis under International Financial Reporting Standards (“IFRS”)

Item		Year				
		2013	2012	2011	2010	2009
Financial ratio	Total liabilities to total assets (%)	74	76	-	-	-
	Financial capital to fixed assets (%)	208	223	-	-	-
Ability to Pay off debt	Current ratios (%)	97	102	-	-	-
	Quick ratios (%)	66	65	-	-	-
	Time interest earned	2.70	-	-	-	-
Ability to Operate	A/R turnover (times)	8.57	9.60	-	-	-
	A/R turnover days	43	38	-	-	-
	Inventory turnover (times)	7.18	7.15	-	-	-
	A/P turnover (times)	4.65	4.91	-	-	-
	Inventory turnover days	51	51	-	-	-
	Fixed assets turnover (times)	5.90	5.72	-	-	-
	Total assets turnover (times)	1.35	1.30	-	-	-
Earning Ability	Return on assets (%)	3	(5)	-	-	-
	Return on equity (%)	6	(15)	-	-	-
	Operating income to paid-in-capital (%)	8	(4)	-	-	-
	PBT to paid-in-capital (%)	9	(14)	-	-	-
	Net income ratio (%)	1	(3)	-	-	-
	EPS (NT\$)	0.36	(1.41)	-	-	-
Cash Flow	Cash flow ratio (%)	12	(1)	-	-	-
	Cash flow adequacy (%)	1	1	-	-	-
	Cash reinvestment ratio (%)	18	(1)	-	-	-
Leverage	Operating leverage	10	-	-	-	-
	Financial Leverage	3	-	-	-	-

2. Financial Analysis under International Financial Reporting Standards (“IFRS”)

	Item	Year				
		2013	2012	2011	2010	2009
Financial ratio	Total liabilities to total assets (%)	62	62	-	-	-
	Financial capital to fixed assets (%)	1,817	1,874	-	-	-
Ability to Pay off debt	Current ratios (%)	85	89	-	-	-
	Quick ratios (%)	72	72	-	-	-
	Time interest earned	2.93	-	-	-	-
Ability to Operate	A/R turnover (times)	5.53	6.54	-	-	-
	A/R turnover days	66	56	-	-	-
	Inventory turnover (times)	24.18	27.16	-	-	-
	A/P turnover (times)	4.51	5.64	-	-	-
	Inventory turnover days	15	13	-	-	-
	Fixed assets turnover (times)	45.75	43.90	-	-	-
	Total assets turnover (times)	1.47	1.44	-	-	-
Earning Ability	Return on assets (%)	2	(5)	-	-	-
	Return on equity (%)	4	(14)	-	-	-
	Operating income to paid-in-capital (%)	0	(5)	-	-	-
	PBT to paid-in-capital (%)	4	(14)	-	-	-
	Net income ratio (%)	1	(4)	-	-	-
	EPS (NT\$)	0.36	(1.41)	-	-	-
Cash Flow	Cash flow ratio (%)	(2)	3	-	-	-
	Cash flow adequacy (%)	3	5	-	-	-
	Cash reinvestment ratio (%)	(2)	2	-	-	-
Leverage	Operating leverage	-	-	-	-	-
	Financial Leverage	0	1	-	-	-

3. Consolidated Financial Analysis under Statements of Financial Accounting Standards (“SFAS”)

	Item	Year				
		2013	2012	2011	2010	2009
Financial ratio	Total liabilities to total assets (%)	-	76	74	71	72
	Financial capital to fixed assets (%)	-	197	229	271	184
Ability to Pay off debt	Current ratios (%)	-	101	110	107	92
	Quick ratios (%)	-	64	75	69	64
	Time interest earned	-	-	-	5.71	0.38
Ability to Operate	A/R turnover (times)	-	9.71	10.31	8.92	7.46
	A/R turnover days	-	38	35	41	49
	Inventory turnover (times)	-	7.11	7.02	7.71	8.17
	A/P turnover (times)	-	4.89	4.75	4.64	5.03
	Inventory turnover days	-	51	52	47	45
	Fixed assets turnover (times)	-	5.36	5.89	6.85	5.29
	Total assets turnover (times)	-	1.35	1.31	1.38	1.35
Earning Ability	Return on assets (%)	-	(3)	(3)	4	0
	Return on equity (%)	-	(14)	(13)	13	(4)
	Operating income to paid-in-capital (%)	-	(3)	2	9	8
	PBT to paid-in-capital (%)	-	(13)	(16)	23	(4)
	Net income ratio (%)	-	(3)	(3)	3	(1)
	EPS (NT\$)	-	(1.32)	(1.74)	1.94	(0.94)
Cash Flow	Cash flow ratio (%)	-	0	0	4	29
	Cash flow adequacy (%)	-	1	0	-	-
	Cash reinvestment ratio (%)	-	0	-2	3	35
Leverage	Operating leverage	-	-	42	8	11
	Financial Leverage	-	0	-	2	6

4. Financial Analysis under Statements of Financial Accounting Standards (“SFAS”)

Item		Year				
		2013	2012	2011	2010	2009
Financial ratio	Total liabilities to total assets (%)	-	63	61	55	58
	Financial capital to fixed assets (%)	-	2,080	2,320	2,762	2,214
Ability to Pay off debt	Current ratios (%)	-	87	104	123	81
	Quick ratios (%)	-	70	91	108	74
	Time interest earned	-	-	-	704	-
Ability to Operate	A/R turnover (times)	-	6.62	6.45	6.80	5.11
	A/R turnover days	-	55	57	54	71
	Inventory turnover (times)	-	27.16	31.09	37.54	33.97
	A/P turnover (times)	-	5.64	7.90	12.19	13.13
	Inventory turnover days	-	13	12	10	11
	Fixed assets turnover (times)	-	50.36	46.77	39.34	29.88
	Total assets turnover (times)	-	1.53	1.24	1.08	0.91
Earning Ability	Return on assets (%)	-	(4)	(5)	8	(2)
	Return on equity (%)	-	(13)	(14)	15	(8)
	Operating income to paid-in-capital (%)	-	(4)	2	1	0
	PBT to paid-in-capital (%)	-	(13)	(17)	21	(9)
	Net income ratio (%)	-	(3)	(5)	6	(4)
	EPS (NT\$)	-	(1.32)	(1.74)	1.94	(0.94)
Cash Flow	Cash flow ratio (%)	-	3	18	(27)	57
	Cash flow adequacy (%)	-	6	-	-	-
	Cash reinvestment ratio (%)	-	2	10	(9)	24
Leverage	Operating leverage	-	-	176	269	575
	Financial Leverage	-	-	-	-	-

Attachment I : Independent Auditor's Report & Audited Financial Statements

Independent Auditors' Report

The Board of Directors
Qisda Corporation:

We have audited the accompanying consolidated balance sheets of Qisda Corporation (the "Company") and subsidiaries as of December 31, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. 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 regulations and standards 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, 2013 and 2012 and January 1, 2012, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the non-consolidated statements of Qisda Corporation as of December 31, 2013, and 2012, and January 1, 2012, and the related statements of comprehensive income, change in equity, and cash flows for the years ended December 31, 2013 and 2012, on which we have issued an unqualified opinion.

KPMG
Taipei, Taiwan (the Republic of China)
March 20, 2014

Notes to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2013, December 31, 2012 and January 1, 2012
(In thousands of New Taiwan Dollars)

	2013.12.31	2012.12.31	2012.1.1
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,479,890	8,905,101	12,349,895
Financial assets at fair value through profit or loss—current	249,296	321,441	488,388
Available-for-sale financial assets—current	-	-	1,681,960
Notes and accounts receivable, net	12,659,185	10,303,134	10,212,208
Notes and accounts receivable from related parties	2,809,182	2,063,434	1,701,450
Other receivables	1,326,076	1,329,124	1,725,872
Other receivables from related parties	153,070	110,444	38,500
Inventories	14,671,779	15,015,038	14,749,530
Other current assets	2,289,110	2,783,668	3,248,908
Other financial assets—current	1,543,985	1,092,903	1,439,722
Non-current assets held for sale	-	-	301,372
Total current assets	47,181,573	41,924,287	47,937,805
Non-current assets:			
Available-for-sale financial assets—noncurrent	1,120,158	2,518,580	593,258
Investments accounted for using equity method	13,938,461	13,842,756	18,222,668
Property, plant and equipment	20,175,295	20,248,325	20,541,502
Investment property	2,446,934	1,560,698	757,298
Intangible assets	174,808	162,001	199,609
Deferred income tax assets	1,594,881	1,588,145	1,579,529
Other non-current assets	116,782	310,059	285,673
Other financial assets—non current	1,002,468	999,581	205,555
Long-term prepaid rents	2,860,969	2,942,126	3,034,239
Total non-current assets	43,430,756	44,172,271	45,419,331
Total assets	\$ 90,612,329	86,096,558	93,357,136

(Continued)

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2013, December 31, 2012 and January 1, 2012
(In thousands of New Taiwan Dollars)

	2013.12.31	2012.12.31	2012.1.1
Liabilities and Equity			
Current liabilities:			
Short-term borrowings	\$ 9,861,956	8,137,566	7,474,224
Financial liabilities at fair value through profit or loss – current	80,302	205,165	58,123
Notes and accounts payable	22,638,888	19,709,152	19,840,502
Accounts payable to related parties	1,884,581	1,635,555	2,115,369
Other payables	8,880,205	8,083,198	8,668,828
Other payables to related parties	62,635	29,393	9,184
Other current liabilities	693,284	594,380	1,478,422
Current portion of bonds payable	-	-	120,671
Current portion of long-term debt	4,062,084	2,140,863	2,632,195
Provisions – current	543,748	483,416	481,095
Total current liabilities	48,707,683	41,018,688	42,878,613
Non-current liabilities:			
Long-term debt	16,323,515	22,435,632	23,118,048
Lease obligations payable – non-current	975,512	970,846	968,358
Provisions – noncurrent	707,059	864,709	1,159,378
Deferred income tax liabilities	93,388	94,546	240,208
Other non-current liabilities	380,464	355,869	499,815
Total non-current liabilities	18,479,938	24,721,602	25,985,807
Total liabilities	67,187,621	65,740,290	68,864,420
Equity:			
Common stock	19,667,820	19,667,820	19,667,820
Accumulated deficit (Retained Earning)	(447,263)	(977,063)	2,077,907
Other equity	1,331,522	(323,595)	(17,201)
Treasury stock	(213)	(6,880)	(27,525)
Equity attributable to shareholders of the Company	20,551,866	18,360,282	21,701,001
Non-controlling interests	2,872,842	1,995,986	2,791,715
Total equity	23,424,708	20,356,268	24,492,716
Total liabilities and equity	\$ 90,612,329	86,096,558	93,357,136

Qisda Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2013 and 2012
(In thousands of New Taiwan Dollars, Except Earnings Per Share)

	2013	2012
Net sales	\$ 119,230,535	116,575,329
Cost of sales	106,634,262	106,407,805
Gross profit	12,596,273	10,167,524
Operating expenses:		
Selling expenses	5,544,193	5,372,264
Administrative expenses	2,588,234	2,471,304
Research and development expenses	2,902,695	3,022,015
	11,035,122	10,865,583
Operating income (loss)	1,561,151	(698,059)
Non-operating income and expenses:		
Other income	505,966	999,399
Other non-operating gains and losses – net	387,313	2,203,036
Finance costs	(1,016,010)	(1,071,705)
Share of loss of associates and joint ventures accounted for using equity method, net	287,767	(4,114,019)
Total non-operating income and loss	165,036	(1,983,289)
Income (loss) before income tax	1,726,187	(2,681,348)
Income tax expense	320,209	739,064
Net income (loss)	1,405,978	(3,420,412)
Other comprehensive income (loss) :		
Exchange differences on translation of foreign operations	426,865	(446,169)
Change in fair value of available-for-sale financial assets	1,101,005	204,532
Actuarial gain (loss) on defined benefit plans	25,846	(97,421)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	243,814	(102,050)
Less: Income tax related to components of other comprehensive income	-	-
Other comprehensive income (loss) for the year, net of income tax	1,797,530	(441,108)
Total comprehensive income (loss) for the year	\$ 3,203,508	(3,861,520)
Net income (loss), attributable to:		
Shareholders of the Company	\$ 709,272	(2,778,331)
Non-controlling interests	696,706	(642,081)
	\$ 1,405,978	(3,420,412)
Total comprehensive income (loss) attributable to:		
Shareholders of the Company	2,391,619	(3,186,983)
Non-controlling interests	811,889	(674,537)
	\$ 3,203,508	(3,861,520)
Earnings per share (in New Taiwan dollars):		
Basic earnings per share	\$ 0.36	(1.41)

Qisda Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2013 and 2012
(In thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company											
	Retained earnings					Other reserves			Treasury stock	Total equity of the Company	Non-controlling interests	Total equity
	Common stock	Legal reserve	Special reserve	Accumulated deficit	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Total				
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
Appropriation approved by the stockholders:												
Decrease in legal reserve to offset accumulated deficit	-	(312,870)	-	312,870	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficit	-	-	(286,915)	286,915	-	-	-	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	(174,381)	(174,381)	-	-	-	-	(174,381)	-	(174,381)
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	20,645	20,645	-	20,645
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(121,192)	(121,192)
Net loss in 2012	-	-	-	(2,778,331)	(2,778,331)	-	-	-	-	(2,778,331)	(642,081)	(3,420,412)
Other comprehensive income in 2012	-	-	-	(102,258)	(102,258)	(509,215)	202,821	(306,394)	-	(408,652)	(32,456)	(441,108)
Total comprehensive income in 2012	-	-	-	(2,880,589)	(2,880,589)	(509,215)	202,821	(306,394)	-	(3,186,983)	(674,537)	(3,861,520)
Balance at December 31, 2012	\$ 19,667,820	-	-	(977,063)	(977,063)	267,043	(590,638)	(323,595)	(6,880)	18,360,282	1,995,986	20,356,268
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	-	-	-	(201,612)	(201,612)	-	-	-	-	(201,612)	-	(201,612)
Change in treasury stock held by subsidiaries	-	-	-	(5,090)	(5,090)	-	-	-	6,667	1,577	-	1,577
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	64,967	64,967
Net income in 2013	-	-	-	709,272	709,272	-	-	-	-	709,272	696,706	1,405,978
Other comprehensive income in 2013	-	-	-	27,230	27,230	565,328	1,089,789	1,655,117	-	1,682,347	115,183	1,797,530
Total comprehensive income in 2013	-	-	-	736,502	736,502	565,328	1,089,789	1,655,117	-	2,391,619	811,889	3,203,508
Balance at December 31, 2013	\$ 19,667,820	-	-	(447,263)	(447,263)	832,371	499,151	1,331,522	(213)	20,551,866	2,872,842	23,424,708

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(In thousands of New Taiwan Dollars)

	2013	2012
Cash flows from operating activities:		
Income (loss) before taxes:	\$ <u>1,726,187</u>	<u>(2,681,348)</u>
Adjustments for:		
Depreciation	2,301,479	2,193,915
Amortization	203,987	232,197
Provision for bad debt expense	42,071	49,601
Interest expense	1,016,010	1,071,705
Interest income	(191,207)	(291,980)
Dividend income	(17,140)	(157,835)
Share of profit (loss) of associates and joint ventures accounted for using equity method, net	(287,767)	4,114,019
Gain on disposal of property, plant and equipment, net	(50,877)	(1,330,572)
Loss (gain) on disposal of investments	240,387	(15,214)
Impairment loss on financial assets	-	52,630
Impairment loss on non-financial assets	519	1,927
Other investment gain	<u>-</u>	<u>(1,982)</u>
Total non-cash profit and loss	<u>3,257,462</u>	<u>5,918,411</u>
Changes in operating assets and liabilities:		
Financial assets (liabilities) at fair value through profit or loss	(41,505)	316,512
Notes and accounts receivable, net	(2,363,686)	(146,784)
Notes and accounts receivable from related parties	(745,748)	(361,984)
Other receivables	41,002	386,758
Other receivables from related parties	(3,018)	(71,944)
Inventories	359,559	(265,508)
Other current assets	502,094	500,115
Other non-current assets	<u>280,250</u>	<u>(124,811)</u>
Net changes in operating assets	<u>(1,971,052)</u>	<u>232,354</u>
Notes and accounts payable	2,891,124	(131,350)
Accounts payable to related parties	249,026	(479,814)
Other payables to related parties	33,242	20,209
Provisions	(97,318)	(292,348)
Other current liabilities	893,615	(1,724,979)
Other non-current liabilities	<u>(20,809)</u>	<u>(249,999)</u>
Net changes in operating liabilities	<u>3,948,880</u>	<u>(2,858,281)</u>
Total changes in operating assets and liabilities	<u>1,977,828</u>	<u>(2,625,927)</u>
Cash provided by operations	6,961,477	611,136
Interest received	153,253	301,970
Dividends received	103,381	238,584
Interest paid	(974,884)	(1,054,313)
Income taxes paid	<u>(439,505)</u>	<u>(383,902)</u>
Net cash provided by (used in) operating activities	<u>5,803,722</u>	<u>(286,525)</u>

(Continued)

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(In thousands of New Taiwan Dollars)

	2013	2012
Cash flows from investing activities:		
Additions to available-for-sale financial assets	(35,000)	(107,089)
Proceeds from sale of available-for-sale financial assets	2,303,078	51,982
Proceeds from investees' capital reduction	-	3,574
Purchase of investments accounted for using equity method	(2,000)	(22,230)
Proceeds from disposal of investments accounted for using equity method	138,856	7,124
Acquisition of a subsidiary, net of cash acquired	(177,187)	-
Additions to property, plant and equipment	(1,949,505)	(2,737,754)
Proceeds from disposal of property, plant and equipment	355,903	1,851,197
Increase in other receivables from related parties	(39,608)	-
Additions to intangible assets	(101,218)	(230,147)
Additions to investment property	(809,229)	(837,728)
Increases in other financial assets	<u>(488,515)</u>	<u>(447,207)</u>
Net cash used in investing activities	<u>(804,425)</u>	<u>(2,468,278)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	1,713,807	663,342
Redemption of bonds	-	(120,900)
Increase in long-term debt	6,361,201	11,588,086
Decrease in long-term debt	(10,858,527)	(12,527,742)
Acquisition of ownership interests from non-controlling interests	(7,069)	(75,372)
Change in non-controlling interests	24,500	-
Dividends paid to non-controlling interests	<u>(5,591)</u>	<u>(7,334)</u>
Net cash used in financing activities	<u>(2,771,679)</u>	<u>(479,920)</u>
Effects of foreign exchange rate changes	<u>347,171</u>	<u>(210,071)</u>
Net increase (decrease) in cash and cash equivalents	2,574,789	(3,444,794)
Cash and cash equivalents at beginning of year	<u>8,905,101</u>	<u>12,349,895</u>
Cash and cash equivalents at end of year	\$ <u>11,479,890</u>	<u>8,905,101</u>

Independent Auditors' Report

The Board of Directors
Qisda Corporation:

We have audited the accompanying balance sheets of Qisda Corporation (the "Company") as of December 31, 2013 and 2012, and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these 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 regulations and standards 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 parent company only financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Qisda Corporation as of December 31, 2013 and 2012, and January 1, 2012, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

KPMG
Taipei, Taiwan (the Republic of China)
March 20, 2014

Notes to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the 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.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Qisda Corporation
Balance Sheets
December 31, 2013, December 31, 2012 and January 1, 2012
(In thousands of New Taiwan dollars)

Assets	2013.12.31	2012.12.31	2012.1.1
Current assets :			
Cash and cash equivalents	815,848	343,101	4,141,627
Financial assets at fair value through profit or loss — current	39,775	910	8,680
Available-for-sale financial assets — current	-	-	1,673,995
Notes and accounts receivable, net	5,376,530	4,549,994	4,094,226
Notes and accounts receivable from related parties	10,627,107	6,763,326	7,561,546
Other receivables	650,610	629,539	858,920
Other receivables from related parties	134,916	10,835	951,714
Inventories	3,104,785	2,900,400	2,475,960
Other current assets	84,118	80,378	54,720
Total current assets	20,833,689	15,278,483	21,821,388
Non-current assets :			
Available-for-sale financial assets — non-current	261,968	1,844,479	132,515
Investments accounted for using equity method	29,399,856	28,008,909	30,692,824
Property, plant and equipment	1,621,806	1,682,712	1,739,473
Intangible assets	28,360	50,602	63,081
Deferred income tax assets	1,035,337	1,030,239	1,223,080
Other non-current assets	23,289	34,069	62,097
Other financial assets — non current	862,407	832,143	61,588
Total non-current assets	33,233,023	33,483,153	33,974,658
Total assets	\$ 54,066,712	48,761,636	55,796,046

(Continued)

Qisda Corporation
Balance Sheets
December 31, 2013, December 31, 2012 and January 1, 2012
(In thousands of New Taiwan dollars)

Liabilities and Equity	2013.12.31	2012.12.31	2012.1.1
Current liabilities :			
Short-term borrowings	1,072,980	407,904	3,710,654
Financial liabilities at fair value through profit or loss – current	12,537	31,128	46,371
Notes and accounts payable	2,296,375	2,446,893	2,096,942
Accounts payable to related parties	15,956,055	11,493,303	9,835,579
Other payables	1,852,693	1,790,295	2,416,819
Other payables to related parties	17,797	38,516	96,855
Current portion of bonds payable	-	-	120,671
Current portion of long-term debt	3,066,445	785,720	1,742,280
Provisions – current	66,952	79,679	182,525
Other current liabilities	263,369	153,934	573,880
Total current liabilities	24,605,203	17,227,372	20,822,576
Non-current liabilities :			
Long-term debt	8,651,248	12,635,400	12,787,180
Provisions – noncurrent	194,246	325,889	276,145
Deferred income tax liabilities	6,368	1,270	194,111
Other non-current liabilities	57,781	211,423	15,033
Total non-current liabilities	8,909,643	13,173,982	13,272,469
Total liabilities	33,514,846	30,401,354	34,095,045
Equity :			
Common stock	19,667,820	19,667,820	19,667,820
Accumulated deficit (Retained Earning)	(447,263)	(977,063)	2,077,907
Other equity	1,331,522	(323,595)	(17,201)
Treasury stock	(213)	(6,880)	(27,525)
Total equity	20,551,866	18,360,282	21,701,001
Total liabilities and equity	\$ 54,066,712	48,761,636	55,796,046

Qisda Corporation
Statements of Comprehensive Income
For the years ended December 31, 2013 and 2012
(In thousands of New Taiwan dollars, Except Earnings Per Share)

	<u>2013</u>	<u>2012</u>
Net sales	\$ 75,591,504	75,120,434
Cost of sales	<u>72,587,777</u>	<u>73,013,600</u>
Gross profit	3,003,727	2,106,834
Unrealized profit from sales	<u>(131,512)</u>	<u>12,428</u>
Gross profit from operations	<u>2,872,215</u>	<u>2,119,262</u>
Operating expenses:		
Selling expenses	651,311	742,627
Administrative expenses	379,349	345,432
Research and development expenses	<u>1,887,155</u>	<u>2,004,507</u>
	<u>2,917,815</u>	<u>3,092,566</u>
Operating loss	<u>(45,600)</u>	<u>(973,304)</u>
Non-operating income and expenses:		
Other income	187,423	261,714
Other non-operating gain and losses – net	(128,885)	520,853
Finance costs	<u>(367,046)</u>	<u>(507,986)</u>
Share of profits (loss) of associates and joint ventures accounted for using equity method, net	1,063,380	(2,079,608)
Total non-operating income and loss	<u>754,872</u>	<u>(1,805,027)</u>
Income (loss) before income tax	<u>709,272</u>	<u>(2,778,331)</u>
Income tax expense	-	-
Net income (loss)	<u>709,272</u>	<u>(2,778,331)</u>
Other comprehensive income (loss) :		
Exchange differences on translation of foreign operations	402,000	(396,965)
Change in fair value of available-for-sale financial assets	881,654	39,561
Actuarial gain (loss) on defined benefit plans	11,901	(83,434)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	386,792	32,186
Less: Income tax related to components of other comprehensive income	-	-
Other comprehensive income (loss) for the year, net of taxes	<u>1,682,347</u>	<u>(408,652)</u>
Total comprehensive income (loss) for the year	<u>\$ 2,391,619</u>	<u>(3,186,983)</u>
Earnings per share (in New Taiwan dollars):		
Basic earnings per share	<u>0.36</u>	<u>(1.41)</u>

Qisda Corporation
Statements of Changes in Equity
For the years ended December 31, 2013 and 2012
(In thousands of New Taiwan dollars)

	Retained earnings				Other reserves			Treasury stock	Total equity	
	Common Stock	Legal reserve	Special reserve	Retained earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets			Total
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
Appropriation approved by the stockholders:										
Decrease in legal reserve to offset accumulated deficit	-	(312,870)	-	312,870	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficit	-	-	(286,915)	286,915	-	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	(174,381)	(174,381)	-	-	-	-	(174,381)
Change in treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	20,645	20,645
Net loss in 2012	-	-	-	(2,778,331)	(2,778,331)	-	-	-	-	-2,778,331
Other comprehensive income in 2012	-	-	-	(102,258)	(102,258)	(509,215)	202,821	(306,394)	-	(408,652)
Total comprehensive income in 2012	-	-	-	(2,880,589)	(2,880,589)	(509,215)	202,821	(306,394)	-	(3,186,983)
Balance at December 31, 2012	\$ 19,667,820	-	-	(977,063)	(977,063)	267,043	(590,638)	(323,595)	(6,880)	18,360,282
Balance at January 1, 2013	\$ 19,667,820	-	-	(977,063)	(977,063)	267,043	(590,638)	(323,595)	(6,880)	18,360,282
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	(201,612)	(201,612)	-	-	-	-	(201,612)
Change in treasury stock held by subsidiaries	-	-	-	(5,090)	(5,090)	-	-	-	6,667	1,577
Net income in 2013	-	-	-	709,272	709,272	-	-	-	-	709,272
Other comprehensive income in 2013	-	-	-	27,230	27,230	565,328	1,089,789	1,655,117	-	1,682,347
Total comprehensive income in 2013	-	-	-	736,502	736,502	565,328	1,089,789	1,655,117	-	2,391,619
Balance at December 31, 2013	\$ 19,667,820	-	-	(447,263)	(447,263)	832,371	499,151	1,331,522	(213)	20,551,866

Qisda Corporation
Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(In thousands of New Taiwan dollars)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Income (loss) before taxes	\$ 709,272	(2,778,331)
Adjustments for:		
Depreciation	82,427	88,677
Amortization	26,507	27,230
Reversal of provision for bad debt expense	-	(9,687)
Interest expense	367,046	507,986
Interest income	(7,176)	(18,689)
Dividend income	(3,664)	(154,412)
Share of profit (loss) of associates and joint ventures accounted for using equity method, net	(1,063,380)	2,079,608
Loss (gain) on disposal of property, plant and equipment, net	(1,402)	2,204
Loss (gain) on disposal of investments	260,785	(1,982)
Unrealized gross profit (loss) on sales to associates	131,512	(12,428)
Total non-cash profit and loss	<u>(207,345)</u>	<u>2,508,507</u>
Changes in operating assets and liabilities:		
Financial assets (liabilities) at fair value through profit or loss	(57,456)	(7,473)
Notes and accounts receivable, net	(826,536)	(446,081)
Notes and accounts receivable from related parties	(3,863,781)	276,629
Other receivables	(25,706)	236,385
Other receivables from related parties	(11,799)	576,078
Inventories	(204,385)	(424,440)
Other current assets	(731)	(14,546)
Other non-current assets	-	(22,399)
Net changes in operating assets	<u>(4,990,394)</u>	<u>174,153</u>
Notes and accounts payable	(150,518)	349,951
Accounts payable to related parties	4,462,752	1,657,724
Other payables to related parties	(20,719)	(58,339)
Provisions	(144,370)	(53,102)
Other current liabilities	175,000	(1,033,763)
Other non-current liabilities	4,056	(8)
Net changes in operating liabilities	<u>4,326,201</u>	<u>862,463</u>
Total changes in operating assets and liabilities	<u>(664,193)</u>	<u>1,036,616</u>
Cash provided by (used in) operations	(162,266)	766,792
Interest received	11,811	11,685
Dividends received	40,245	299,285
Interest paid	(359,433)	(490,367)
Income taxes paid	(3,009)	(1,839)
Net cash provided by (used in) operating activities	<u>(472,652)</u>	<u>585,556</u>
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	2,206,095	3,574
Additions to property, plant and equipment	(24,818)	(44,171)
Proceeds from disposal of property, plant and equipment	4,699	5,010
Increase in other receivables from related parties	(167,697)	973,033
Additions to intangible assets	(4,265)	(18,983)
Increases in other financial assets	(30,264)	(770,555)
Net cash provided by investing activities	<u>1,983,750</u>	<u>147,908</u>
Cash flows from financing activities:		
Increase in short-term borrowings	665,076	(3,302,750)
Redemption of bonds	-	(120,900)
Increase in long-term debt	4,423,789	7,720,390
Decrease in long-term debt	(6,127,216)	(8,828,730)
Net cash used in financing activities	<u>(1,038,351)</u>	<u>(4,531,990)</u>
Net increase (decrease) in cash and cash equivalents	<u>472,747</u>	<u>(3,798,526)</u>
Cash and cash equivalents at beginning of year	<u>343,101</u>	<u>4,141,627</u>
Cash and cash equivalents at end of year	<u>\$ 815,848</u>	<u>343,101</u>

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