



TSE: 2352

QISDA 2015 ANNUAL REPORT

Printed on April 19, 2016

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

Table of Contents

Message to Our Shareholders	2
Overview of Operation	3
Corporate Governance	9
Company Financials	15

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Associate Vice President

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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

REGISTRAR & TRANSFER AGENT

Taishin International Bank

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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,

In 2015, Qisda's consolidated revenue reached NT\$133.1 billion. The consolidated net income was NT\$2.59 billion, and the consolidated profit after tax was NT\$2.25 billion. Net profit attributable to owners of the parent company was NT\$2.17 billion, with an after tax earnings per share at NT\$1.1.

Qisda has three main operating focuses – optimization of existing business operations, rapid expansion of the medical business, and acceleration of solution development. With extensive efforts in business development and expansion, Qisda has accomplished the following achievements in 2015:

1. Optimization of existing business operations: Qisda was able to sustain a steady progress and market leadership with its two main product lines: monitors and projectors. The monitor product line kept investing in the development of professional and medical monitors, as well as high-end, high-unit-price products. As a result, more than 1.6 million high-end and professional monitors were sold in 2015. Taking as a whole, the monitor product line performed better than the industry average and ranked number 2 in the world. The projector product line ranked number 1 among the global ODM manufacturers. WUXGA projectors, smart projectors, and new ultra-short-throw projectors for high-end educational market were introduced in 2015. With the solid improvement in its product mix, sales of high-unit-price models upheld 25% of the total sales.
2. Rapid expansion of the medical business: In 2015, Qisda's consolidated revenue from the medical business exceeded NT\$6 billion. Meanwhile, BenQ Medical Technology was listed on over-the-counter market, and revenue from both Suzhou and Nanjing BenQ Hospitals grew by leaps and bounds. In terms of medical business development, Qisda not only offered medical products and solutions via BenQ Medical Technology for operating room, ultrasound, and medical supplies but also introduced 3D dental implant integrated services via BenQ AB DentCare Corp. (a joint venture with AB Dental of Israel). Moreover, Qisda also entered into the hemodialysis field through cooperation with Medica SPA of Italy.
3. Acceleration of solution development: In order to become a comprehensive hardware and software solution provider, Qisda has targeted its development strategies on six smart fields including Smart Store, Smart City, Smart Enterprise, Smart Factory, Smart Hospital and Smart Campus. Meanwhile, Qisda also invested in DFI Inc. to immediately occupy a stand in the market of factory integration service.

For 2016, Qisda will continue to aim at the three main operating focuses in order to further create long-term value for the company. The plans are as follows:

1. Optimization of existing business operations: Keep focusing on developing high-end, high-unit-price, large-size and niche monitors for medical, graphic, design, and gaming applications to increase sales proportion and profit margin. Expand projector market share and hold the global leading position by offering a variety of high-end and high-brightness products.
2. Rapid expansion of the medical business: Maintain a 30% growth rate on the medical business field by enhancing sales channel penetration and developing proprietary products and technologies. In addition to the integration of group resources, Qisda will also adopt win-win acquisition and joint venture strategies to further strengthen its foothold on the medical business market.
3. Acceleration of solution development: Carry on the development strategies on the six smart fields and build a stronger relationship with partners in order to provide better solutions and services. Aside from existing China and Taiwan markets, explore sales in the Europe, America and Asian-Pacific areas.

Qisda maintains its competitive advantage by stressing on innovation and technological development. An average of 2%~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, implementation of corporate governance, and social responsibility. In 2015, Qisda was not only ranked top 5% of Corporate Governance Evaluation System of TWSE, but also awarded first prize in the environment friendly category of the 2015 Global View Monthly CSR award, and ranked number 12 in Channel NewsAsia Sustainability Ranking for its efforts in economic, environmental and social responsibilities.

Qisda is extremely grateful to shareholders for their long-term support and encouragement. The management team will continue to work relentlessly 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

1. Overview of Business Operations

LCD Monitor: Qisda maintains the 2nd largest DMS (Design and Manufacturing Services) 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. The global market share of BenQ LCD monitors increased slightly in 2015 with the company's continuous focus on the development and growth of high-end professional, e-sports, and large-sized monitors. Thanks to the gains in market share, the average selling price and added-value of BenQ's product offerings improved considerably. Furthermore, BenQ continued with its active research and development of new functions for professional and integrated design display solutions in order to gain a larger share of the professional monitor market.

Projector: Qisda's DMS projector business maintained the No.1 position worldwide in 2015. Qisda is the only manufacturer in Taiwan that is capable of both DLP and LCD projector mass production and shipment. In 2015, Qisda continued to maintain the No. 1 ODM manufacturer, No.1 DLP brand and No.2 projector brand positions worldwide. On the other hand, BenQ remained the world's 2nd largest projector brand and the largest DLP projector brand in 2015. Compared with 2014, the global projector market volume slightly decreased; nevertheless BenQ still maintained a 12% market share. In addition, BenQ established an interchangeable lens projector product line in 2015 to aggressively address the professional audio video market.

Medical Service: The Nanjing BenQ Hospital, with more than 780,000 annual patient visits in 2015, has five major province- and city-level divisions and is currently the 2nd largest parturition hospital in Nanjing. In 2015, more than 1,100 cardiac catheterizations were performed by Nanjiang BenQ Hospital. Based on current foundation, intensive care, high-end obstetrics, pediatrics and postnatal care services are being developed to fulfill specific demands. Meanwhile, the Suzhou BenQ Hospital opened in May 2013, with more than 350,000 annual patient visits in 2015, which mainly focuses on medical diagnosis/treatment and high-end health examination services.

2. Product Offering

LCD Monitor: 17"/18.5"/19"/19.5"/21.5"/23"/23.x"/24"/27"/32"/34"/35" 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

1. 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 6% in 2015. The market forecast for LCD monitors in 2016 is expected to have a 4% further decrease due to the impact of the substitution effect caused by handheld devices. Moreover, the competition among system integrators 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 with brightness over 500lms was 7.5 million units in 2015, with a flat or minor growth expectation for 2016. The volume ratio for high

brightness, high resolution and non-light ball (LED and laser) source projectors will continue to increase in the future. Also the growth in home and personal/mobile scenarios enables the sales volume of projectors with 1080p and 3D features to grow rapidly. Educational and office applications are supposed to decline due to the expansion of flat panel displays.

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 governmental policies encourage the establishment of non-governmental medical institutes and such policies 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 11 clinical professors and established a cooperation and transfer procedure with top-level medical centers in Jianyeh, Lishui, Pukou and Luhe 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 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. Taiwan 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. In 2015, the Medical Fund Across the Taiwan Straits also invested in the establishment of a new hospital in Quenzhou City of China.

Research & Development

I. Technologies in Deployment

LCD Monitor: Curved displays, precision color management edge-to-edge monitors, Smart device displays, medical monitors and professional gaming monitors.

Projector: High-brightness interchangeable lens projectors for large venue, industry-leading home entertainment high resolution 4K/2K projectors, UST projectors with interactive module for educational market, laser-based and LED-based projectors.

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, neurology and dermatology divisions.

2. Highlights in Future Technological Development

LCD Monitor: 5K3K high-definition monitors, DP 1.3 application monitors, USB type C application monitors, medical monitors, professional gaming monitors, eco-friendly monitors, wireless charging monitors, complete color adjustment solutions and complete digital signage solutions.

Projector: SSL-based light source, Ultra short-throw ratio, high resolution, 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. 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

I. 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.

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 advantage 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.

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 inefficient 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. 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 mainstream product lines.
- (2) Accelerate the development of high-end models to complete product offering.

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: Being one of the top two LCD monitor manufacturers worldwide that occupies the leading position in the industry, Qisda held an approximately 13.4% of market share in 2015. 23"-plus monitors occupy 46.8% in product portfolio, which is better than industry average.

Projector: With market share at approximately 18%, Qisda is the No. 1 projector ODM worldwide in 2015.

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 government encourages 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

I. 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. to develop superior vertical integration as well as maintaining close partnerships with Taiwan, China & Korea panel vendors in order to ensure smooth supply of panels at lower costs.

Projector: The stable supply of key components, such as DMD and LCD panels, are crucial to projector business as suppliers are limited to TI, Epson and Sony. Lamp suppliers are in a similar state due to the industry’s high entry barrier. Qisda has maintained close relationship with suppliers to ensure smooth supply of key components.

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 review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers. B. Evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

Board of Directors

Board Members

Date: April 17, 2016

Title	Name	Education & Experience	Current Positions
Chairman	K.Y. Lee	MBA, Switzerland IMD B.S., Electrical Engineering, National Taiwan University VP, Acer PC Product Marketing	Chairman: Qisda Corp., BenQ Corp. Director: AU Optronics Corp., 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 Director: acer Inc., Qisda Corp., Wistron Corp., Nan Shan Life Insurance Company Ltd., Egis Technology Inc. Independent Director: Taiwan Semiconductor Manufacturing Company
Director	Peter Chen	Technology Management Program, National Cheng Chi University M.S., International Business Management, Thunderbird, The American Graduate School B.S., Electrical Engineering, National Cheng Kung University Technology Product Center EVP, BenQ Corp.	Chairman: BenQ Medical Technology Corporation, Partner Tech Corp. Director: BenQ AB Dentcare Corporation, Darfon Electronics Corp., BenQ Corp., BenQ Materials Corporation, Crystalvue Medical Corporation, BenQ Foundation Director and President: Qisda Corp.
Director	Sheaffer Lee	EMBA, National Cheng Chi University B.S., Electrical Engineering, National Cheng Kung University AVP, acer America President, Qisda Corp.	Chairman: Dazzo Technology Corp., Director: Qisda Corp., Raydium Semiconductor Corporation, Sanda Materials Corp.
Director	AU Optronics Corp.- Wei-Lung Liao	M.S., Applied Chemistry, National Chiao Tung University	Director: Qisda Corp., Darwin Precisions Corp. GM: Video Solutions Business Group, AU Optronics Corp.
Director	China Development Industrial Bank- Cathy Han	MBA, Central Connecticut State University	VP: China Development Industrial Bank Director: Qisda Corp., CDIB Private Equity (China) Corp., China Development Asset Management Corp. Supervisor: CDIB Capital Management Corporation, CBID Innovative Management 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	Director & 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 General Manager, WK Technology Fund President, Microsoft Taiwan VP, Twinhead International Corp. VP, HP Taiwan	Chairman: Yu Xuan Corp. Director: 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.

Material Resolutions Approved by Board Meetings

Date	Approval Events
2015.03.19	<ol style="list-style-type: none"> 1. Approved Qisda's financial results of 2014 2. Approved the proposal for distribution of 2014 profits 3. Approved to convene 2015 Qisda Annual General Meeting 4. Approved to donate to BenQ Foundation NT\$2.5 million
2015.05.05	<ol style="list-style-type: none"> 1. Approved Qisda's consolidated financial results of 2015 Q1 2. Approved to provide Guarantees USD 60M for Qisda (L) Corp.
2015.05.15	<ol style="list-style-type: none"> 1. Approved to acquire the common shares of DFI Inc.
2015.08.12	<ol style="list-style-type: none"> 1. Approved Qisda's consolidated financial results of 2015 1H.
2015.11.11	<ol style="list-style-type: none"> 1. Approved Qisda's consolidated financial results of 2015 Q3
2016.03.08	<ol style="list-style-type: none"> 1. Approved Qisda's financial results of 2015 2. Approved the proposal for distribution of 2015 profits 3. Approved to convene 2016 Qisda Annual General Meeting 4. Approved to donate to BenQ Foundation NT\$2.5 million

Corporate Executive Officers

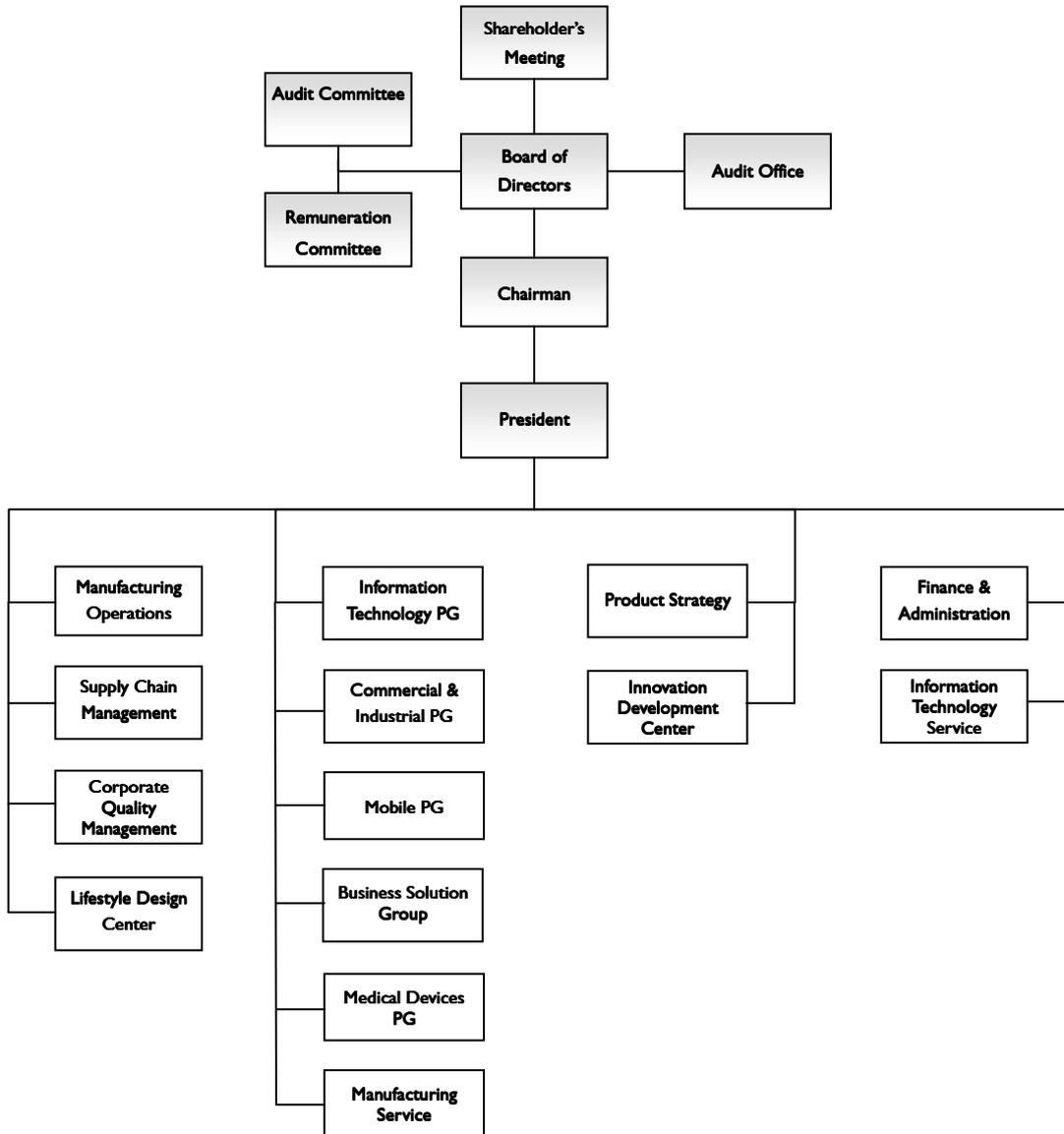
Date: April 19, 2016

Title	Name	Personnel Education & Experience	Other Current Positions
President	Peter Chen	Thunderbird, The American Graduate School Technology Product Center EVP, BenQ Corp.	Chairman: BenQ Medical Technology Corporation, Partner Tech Corp. Director: BenQ AB Dentcare Corporation, Darfon Electronics Corp., BenQ Corp., BenQ Materials Corporation, Crystalvue Medical Corporation, BenQ Foundation Director and President: Qisda Corp.
Senior Vice President & GM, Information Technology Products Group	Joe Huang	EMBA, Tsing Hua University in Beijing	-
Senior Vice President & GM, Supply Chain Management	C.M. Wu	EMBA, Pacific Western 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., Computer Science, University of Massachusetts CEO of Yageo, Ferroxcube	Director: Darfon Electronics Corp., Partner Tech Corp.
Vice President & GM, Commercial & Industrial Products Group	April Huang	EMBA, National Taiwan University Marketing Manager, BenQ Materials Corporation	-
Vice President & GM, Medical Devices Products Group	Jason Tyan	Ph.D., Electrical Engineering, State University of New York at Stony Brook	Chairman: BenQ Dialysis Technology Corp.
Vice President & GM, Business Solution Group	TL Tseng	M.S., Industrial Engineering, University of Florida	Director: BenQ Guru Corp., BenQ ESCO Corp.
Vice President, Manufacturing Operations	James T. Wang	Ph.D., Mechanical Engineering, Ohio State University	-
Vice President, Corporate Quality Management	CY Ho	EMBA, National Taiwan University	-
Vice President, Information Technology Service	S.C. Chao	M.S., Electrical Engineering, Utah State University	-

Group Organization

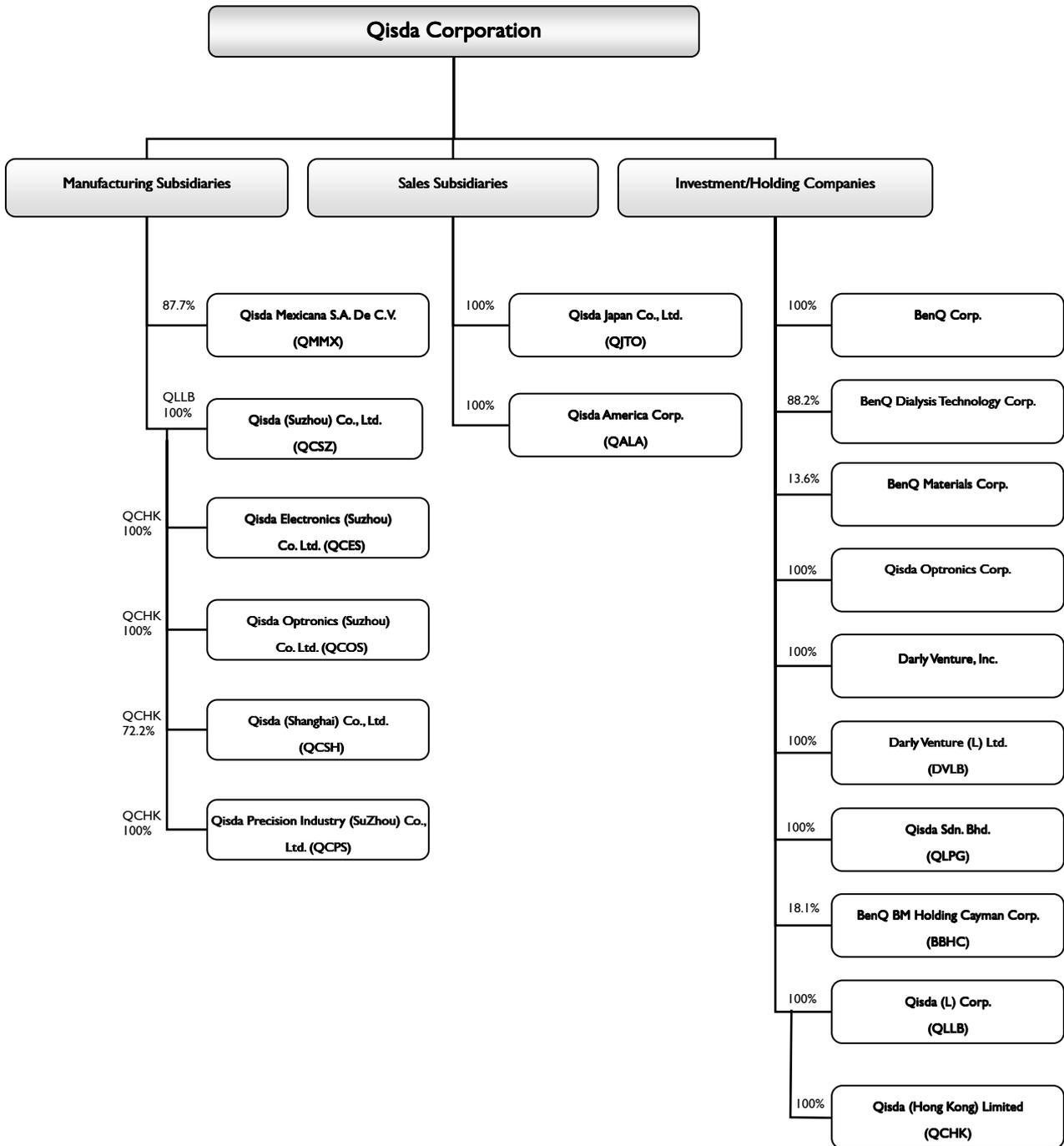
Company Organization Chart

Date: December 31, 2015



Affiliated Companies

Date: December 31, 2015



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 17, 2016		
	Number of shareholders	Number of shares held	% of shares held
Domestic Individuals	147,572	1,284,481,853	65.31%
Other Domestic Corporations	163	291,618,748	14.83%
Foreign Institutions and Individuals	329	226,685,945	11.52%
Domestic Financial Institutions	39	163,994,912	8.34%
Government Agencies	3	500	0.00%
Total	148,106	1,966,781,958	100.00%

Net Worth, Earning, Dividends and Market Price Per Share

Unit: NT\$; Per 1,000 Share

		Mar. 31, 2016	2015	2014
Market Price Per Share	Highest Market Price	11.05	15.85	16.70
	Lowest Market Price	9.30	8.45	7.28
	Average Market Price	10.37	12.45	13.10
Net Worth Per Share (Note 1)	Before Distribution	-	13.87	13.37
	After Distribution	-	-	12.77
Earnings Per Share (EPS)	Weighted Average Shares	1,966,782	1,966,782	1,966,757
	EPS	-	1.10	1.51
	EPS-adjusted (Note 2)	-	-	1.51
Dividends Per Share	Cash dividends	-	-	0.6
	Stock dividends- Earnings	-	-	-
	Stock dividends- Capital Surplus	-	-	-
	Accumulated Undistributed Dividend	-	-	-
Return On Investment	Price/Earning Ratio (Note 3)	-	11.32	8.68
	Price/Dividend Ratio (Note 4)	-	-	21.83
	Cash Dividend Yield Rate (Note 5)	-	-	4.6%

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.

To comply with the amendment of Article 235 and Article 235-1 of the Company Act which were promulgated by the Hua-Zong-One-Yi-10400058161 Presidential Decree of May 20, 2015, it is proposed to amend the Articles of Incorporation in the Annual General Meeting as below:

“Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside 5%~20% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. The Company may allocate employees’ remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of an affiliated company meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method.

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, together with accumulated unappropriated retained earnings can be distributed after the distribution plan proposed by the Board and approved by the shareholders’ meeting.”

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

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

Item		Year				
		2015	2014	2013	2012	2011
Financial ratio	Total liabilities to total assets (%)	69	71	74	76	-
	Financial capital to fixed assets (%)	246	243	208	223	-
Ability to Pay off debt	Current ratios (%)	107	105	97	102	-
	Quick ratios (%)	75	73	66	65	-
	Time interest earned	4.64	5.21	2.70	-	-
Ability to Operate	A/R turnover (times)	5.00	6.11	8.57	9.60	-
	A/R turnover days	73	60	43	38	-
	Inventory turnover (times)	6.94	7.30	7.18	7.15	-
	A/P turnover (times)	4.37	4.44	4.65	4.91	-
	Inventory turnover days	53	50	51	51	-
	Fixed assets turnover (times)	6.75	6.66	5.90	5.72	-
	Total assets turnover (times)	1.29	1.36	1.35	1.30	-
Earning Ability	Return on assets (%)	3	4	3	(5)	-
	Return on equity (%)	7	12	6	(15)	-
	Operating income to paid-in-capital (%)	13	15	8	(4)	-
	PBT to paid-in-capital (%)	15	19	9	(14)	-
	Net income ratio (%)	2	2	1	(3)	-
	EPS (NT\$)	1.10	1.51	0.36	(1.41)	-
Cash Flow	Cash flow ratio (%)	10	(9)	12	(1)	-
	Cash flow adequacy (%)	29	9	1	1	-
	Cash reinvestment ratio (%)	11	(17)	18	(1)	-
Leverage	Operating leverage	7	6	10	-	-
	Financial Leverage	1	1	3	-	-

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

Item		Year				
		2015	2014	2013	2012	2011
Financial ratio	Total liabilities to total assets (%)	60	63	62	62	-
	Financial capital to fixed assets (%)	2,401	2,258	1,817	1,874	-
Ability to Pay off debt	Current ratios (%)	94	93	85	89	-
	Quick ratios (%)	84	84	72	72	-
	Time interest earned	8.90	9.77	2.93	-	-
Ability to Operate	A/R turnover (times)	3.47	4.14	5.53	6.54	-
	A/R turnover days	105	88	66	56	-
	Inventory turnover (times)	27.8	27.87	24.18	27.16	-
	A/P turnover (times)	3.30	3.74	4.51	5.64	-
	Inventory turnover days	13	13	15	13	-
	Fixed assets turnover (times)	59.22	58.04	45.75	43.90	-
	Total assets turnover (times)	1.33	1.48	1.47	1.44	-
Earning Ability	Return on assets (%)	3	5	2	(5)	-
	Return on equity (%)	8	13	4	(14)	-
	Operating income to paid-in-capital (%)	6	6	0	(5)	-
	PBT to paid-in-capital (%)	12	15	4	(14)	-
	Net income ratio (%)	2	3	1	(4)	-
	EPS (NT\$)	1.1	1.51	0.36	(1.41)	-
Cash Flow	Cash flow ratio (%)	5.84	(0.41)	(2)	3	-
	Cash flow adequacy (%)	142	13	3	5	-
	Cash reinvestment ratio (%)	2	(4)	(2)	2	-
Leverage	Operating leverage	4	4	-	-	-
	Financial Leverage	1	1	0	1	-

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

Item		Year				
		2015	2014	2013	2012	2011
Financial ratio	Total liabilities to total assets (%)	-	-	-	76	74
	Financial capital to fixed assets (%)	-	-	-	197	229
Ability to Pay off debt	Current ratios (%)	-	-	-	101	110
	Quick ratios (%)	-	-	-	64	75
	Time interest earned	-	-	-	-	-
Ability to Operate	A/R turnover (times)	-	-	-	9.71	10.31
	A/R turnover days	-	-	-	38	35
	Inventory turnover (times)	-	-	-	7.11	7.02
	A/P turnover (times)	-	-	-	4.89	4.75
	Inventory turnover days	-	-	-	51	52
	Fixed assets turnover (times)	-	-	-	5.36	5.89
	Total assets turnover (times)	-	-	-	1.35	1.31
Earning Ability	Return on assets (%)	-	-	-	(3)	(3)
	Return on equity (%)	-	-	-	(14)	(13)
	Operating income to paid-in-capital (%)	-	-	-	(3)	2
	PBT to paid-in-capital (%)	-	-	-	(13)	(16)
	Net income ratio (%)	-	-	-	(3)	(3)
	EPS (NT\$)	-	-	-	(1.32)	(1.74)
Cash Flow	Cash flow ratio (%)	-	-	-	0	0
	Cash flow adequacy (%)	-	-	-	1	0
	Cash reinvestment ratio (%)	-	-	-	0	(2)
Leverage	Operating leverage	-	-	-	-	42
	Financial Leverage	-	-	-	0	-

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

Item		Year				
		2015	2014	2013	2012	2011
Financial ratio	Total liabilities to total assets (%)	-	-	-	63	61
	Financial capital to fixed assets (%)	-	-	-	2,080	2,320
Ability to Pay off debt	Current ratios (%)	-	-	-	87	104
	Quick ratios (%)	-	-	-	70	91
	Time interest earned	-	-	-	-	-
Ability to Operate	A/R turnover (times)	-	-	-	6.62	6.45
	A/R turnover days	-	-	-	55	57
	Inventory turnover (times)	-	-	-	27.16	31.09
	A/P turnover (times)	-	-	-	5.64	7.90
	Inventory turnover days	-	-	-	13	12
	Fixed assets turnover (times)	-	-	-	50.36	46.77
	Total assets turnover (times)	-	-	-	1.53	1.24
Earning Ability	Return on assets (%)	-	-	-	(4)	(5)
	Return on equity (%)	-	-	-	(13)	(14)
	Operating income to paid-in-capital (%)	-	-	-	(4)	2
	PBT to paid-in-capital (%)	-	-	-	(13)	(17)
	Net income ratio (%)	-	-	-	(3)	(5)
	EPS (NT\$)	-	-	-	(1.32)	(1.74)
Cash Flow	Cash flow ratio (%)	-	-	-	3	18
	Cash flow adequacy (%)	-	-	-	6	-
	Cash reinvestment ratio (%)	-	-	-	2	10
Leverage	Operating leverage	-	-	-	-	176
	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 sheet of Qisda Corporation (the "Company") and subsidiaries as of December 31, 2015, and their restated consolidated balance sheet as of December 31, 2014, and the related consolidated statements of comprehensive income, restated changes in equity, and cash flows for the years ended December 31, 2015 and 2014. 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, 2015 and 2014, and the results of their consolidated financial performance and their consolidated cash flows for the years ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

As described in Note 3 of the consolidated financial statements, starting January 1, 2015, the Company and its subsidiaries prepared the consolidated financial statements in accordance with International Accounting Standards 19 "Employee Benefits" of 2013 Taiwan-IFRS version endorsed by the Financial Supervisory Commission. Consequently, the consolidated financial statements as of and for the year ended December 31, 2014 have been restated retrospectively.

We have also audited the parent-company-only financial statements of Qisda Corporation as of and for the years ended December 31, 2015 and 2014, on which we have issued modified unqualified opinion and unqualified opinion, respectively.

KPMG
Taipei, Taiwan (the Republic of China)
March 8, 2016

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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China. 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 versions of auditors' report and consolidated financial statements shall prevail.

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2015 and 2014
(In thousands of New Taiwan Dollars)

	2015.12.31	2014.12.31 (Restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,036,050	8,988,974
Financial assets at fair value through profit or loss — current	510,683	477,624
Available-for-sale financial assets — current	261,343	534,674
Notes and accounts receivable, net	20,407,299	22,879,253
Notes and accounts receivable from related parties	4,655,002	5,337,771
Other receivables	148,493	688,988
Other receivables from related parties	208,580	182,598
Inventories	16,386,780	17,772,185
Other current assets	1,503,817	1,504,410
Other financial assets — current	2,710,710	1,595,226
Non-current assets held for sale	-	54,065
Total current assets	<u>55,828,757</u>	<u>60,015,768</u>
Non-current assets:		
Available-for-sale financial assets — non-current	856,956	904,407
Investments accounted for using equity method	15,858,890	15,581,079
Property, plant and equipment	19,545,376	19,892,498
Investment property	2,989,618	3,109,718
Intangible assets	198,299	208,428
Deferred income tax assets	1,775,567	1,802,527
Other non-current assets	185,380	171,250
Other financial assets — non-current	207,126	973,520
Long-term prepaid rents	<u>2,797,862</u>	<u>2,860,935</u>
Total non-current assets	<u>44,415,074</u>	<u>45,504,362</u>
Total assets	<u>\$ <u>100,243,831</u></u>	<u><u>105,520,130</u></u>

(Continued)

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2015 and 2014
(In thousands of New Taiwan Dollars)

	2015.12.31	2014.12.31 (Restated)
Liabilities and Equity		
Current liabilities:		
Short-term borrowings	\$ 14,288,274	14,138,414
Financial liabilities at fair value through profit or loss — current	72,260	120,653
Notes and accounts payable	23,053,173	26,167,639
Accounts payable to related parties	2,279,949	2,672,799
Other payables	8,816,651	9,631,495
Other payables to related parties	16,756	26,705
Other current liabilities	671,409	625,377
Current portion of long-term debt	2,489,197	3,217,919
Provisions — current	387,719	500,283
Total current liabilities	<u>52,075,388</u>	<u>57,101,284</u>
Non-current liabilities:		
Long-term debt	14,071,273	14,943,270
Lease obligations payable — non-current	1,182,786	961,605
Provisions — non-current	784,043	800,880
Deferred income tax liabilities	68,402	147,213
Other non-current liabilities	691,216	531,415
Total non-current liabilities	<u>16,797,720</u>	<u>17,384,383</u>
Total liabilities	<u>68,873,108</u>	<u>74,485,667</u>
Equity attributable to shareholders of the Company:		
Common stock	19,667,820	19,667,820
Capital surplus	2,179,038	1,990,292
Retained earnings	3,545,665	2,556,556
Other equity	1,879,359	2,072,349
Total equity attributable to shareholders of the Company	<u>27,271,882</u>	<u>26,287,017</u>
Non-controlling interests	4,098,841	4,747,446
Total equity	<u>31,370,723</u>	<u>31,034,463</u>
Total liabilities and equity	\$ <u>100,243,831</u>	<u>105,520,130</u>

Qisda Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2015 and 2014
(In thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015	2014
Net sales	\$ 133,102,431	133,510,923
Cost of sales	<u>118,462,432</u>	<u>118,453,278</u>
Gross profit	<u>14,639,999</u>	<u>15,057,645</u>
Operating expenses:		
Selling expenses	5,750,745	5,997,189
Administrative expenses	2,822,983	2,923,642
Research and development expenses	<u>3,468,591</u>	<u>3,208,567</u>
Total operating expenses	<u>12,042,319</u>	<u>12,129,398</u>
Operating income	<u>2,597,680</u>	<u>2,928,247</u>
Non-operating income and loss:		
Other income	444,392	366,026
Other gains and losses – net	132,445	64,467
Finance costs	(786,033)	(876,317)
Share of profits of associates and joint ventures	<u>472,871</u>	<u>1,205,447</u>
Total non-operating income and loss	<u>263,675</u>	<u>759,623</u>
Income before income tax	2,861,355	3,687,870
Income tax expense	<u>615,871</u>	<u>354,731</u>
Net income	<u>2,245,484</u>	<u>3,333,139</u>
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	(47,824)	(38,232)
Share of other comprehensive income of associates and joint ventures	(17,256)	3,454
Less: Income tax related to items that will not be reclassified subsequently to profit or loss	-	-
	<u>(65,080)</u>	<u>(34,778)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	378,935	910,814
Change in fair value of available-for-sale financial assets	(544,925)	66,939
Share of other comprehensive income of associates and joint ventures	5,990	175,286
Less: Income tax related to items that may be reclassified subsequently to profit or loss	-	-
	<u>(160,000)</u>	<u>1,153,039</u>
Other comprehensive income for the year, net of income tax	<u>(225,080)</u>	<u>1,118,261</u>
Total comprehensive income for the year	<u>\$ 2,020,404</u>	<u>4,451,400</u>
Net income attributable to:		
Shareholders of the Company	\$ 2,169,178	2,971,068
Non-controlling interests	<u>76,306</u>	<u>362,071</u>
	<u>\$ 2,245,484</u>	<u>3,333,139</u>
Total comprehensive income attributable to:		
Shareholders of the Company	\$ 1,976,188	3,890,695
Non-controlling interests	<u>44,216</u>	<u>560,705</u>
	<u>\$ 2,020,404</u>	<u>4,451,400</u>
Earnings per share (in New Taiwan dollars) :		
Basic earnings per share	<u>\$ 1.10</u>	<u>1.51</u>
Diluted earnings per share	<u>\$ 1.09</u>	<u>1.50</u>

Qisda Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
(In thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company												
	Common stock	Capital Surplus	Legal reserve	Retained earnings		Other equity				Treasury stock	Total equity of the Company	Non-controlling interests	Total equity
				Retained earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Total				
Balance at January 1, 2014	\$ 19,667,820	-	-	(447,263)	(447,263)	832,371	499,151	-	1,331,522	(213)	20,551,866	2,872,842	23,424,708
Effects of retrospective restatement	-	-	-	99,926	99,926	-	-	(99,926)	(99,926)	-	-	-	-
Restated balance at January 1, 2014	19,667,820	-	-	(347,337)	(347,337)	832,371	499,151	(99,926)	1,231,596	(213)	20,551,866	2,872,842	23,424,708
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	(66,279)	(66,279)	-	-	-	-	-	(66,279)	-	(66,279)
Change in treasury stock held by subsidiaries	-	-	-	(896)	(896)	-	-	-	-	213	(683)	-	(683)
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(61,039)	(61,039)
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	259,674	-	-	-	-	-	-	-	-	259,674	11,146	270,820
Capital injection from non-controlling interests	-	1,730,618	-	-	-	(78,874)	-	-	(78,874)	-	1,651,744	1,378,658	3,030,402
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	9,513	9,513	9,513
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(24,379)	(24,379)
Net income in 2014	-	-	-	2,971,068	2,971,068	-	-	-	-	-	2,971,068	362,071	3,333,139
Other comprehensive income in 2014	-	-	-	-	-	900,839	48,528	(29,740)	919,627	-	919,627	198,634	1,118,261
Total comprehensive income in 2014	-	-	-	2,971,068	2,971,068	900,839	48,528	(29,740)	919,627	-	3,890,695	560,705	4,451,400
Restated balance at December 31, 2014	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	-	116,004	-	-	-	-	-	-	-	-	116,004	-	116,004
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	-	51,635	51,635
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(247,319)	(247,319)
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	(54,935)	-	-	-	-	-	-	-	-	(54,935)	(666,948)	(721,883)
Capital injection from non-controlling interests	-	127,677	-	-	-	-	-	-	-	-	127,677	177,213	304,890
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(7,402)	(7,402)
Net income in 2015	-	-	-	2,169,178	2,169,178	-	-	-	-	-	2,169,178	76,306	2,245,484
Other comprehensive income in 2015	-	-	-	-	-	442,935	(575,201)	(60,724)	(192,990)	-	(192,990)	(32,090)	(225,080)
Total comprehensive income in 2015	-	-	-	2,169,178	2,169,178	442,935	(575,201)	(60,724)	(192,990)	-	1,976,188	44,216	2,020,404
Balance at December 31, 2015	\$ 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

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(In thousands of New Taiwan Dollars)

	2015	2014
Cash flows from operating activities:		
Income before income tax	\$ <u>2,861,355</u>	<u>3,687,870</u>
Adjustments for:		
Depreciation	1,992,523	1,996,479
Amortization	219,458	182,313
Reversal of bad debt expense	(9,763)	(1,214)
Interest expense	786,033	876,317
Interest income	(166,504)	(274,554)
Dividend income	(42,223)	(40,275)
Share-based compensation cost	51,635	9,513
Share of profits of associates and joint ventures	(472,871)	(1,205,447)
Loss (gain) on disposal of property, plant and equipment and long-term prepaid rents, net	(17,591)	11,234
Gain on disposal of non-current assets held for sale	(112,180)	-
Gain on disposal of investments	(268,976)	(161,497)
Impairment loss on financial assets	<u>148,922</u>	<u>-</u>
Total non-cash profit and loss	<u>2,108,463</u>	<u>1,392,869</u>
Changes in operating assets and liabilities:		
Financial assets and liabilities at fair value through profit or loss	(80,688)	(186,638)
Notes and accounts receivable	2,550,769	(10,220,585)
Notes and accounts receivable from related parties	682,769	(2,528,589)
Other receivables	545,916	653,678
Other receivables from related parties	(652)	1,333
Inventories	1,387,798	(3,100,406)
Other current assets	4,486	736,130
Other non-current assets	<u>(7,620)</u>	<u>(46,578)</u>
Net changes in operating assets	<u>5,082,778</u>	<u>(14,691,655)</u>
Notes and accounts payable	(3,118,271)	3,528,751
Accounts payable to related parties	(392,850)	788,218
Other payables to related parties	(9,949)	(35,666)
Provisions	(129,774)	50,356
Other current liabilities	(482,752)	929,459
Other non-current liabilities	<u>112,228</u>	<u>112,747</u>
Net changes in operating liabilities	<u>(4,021,368)</u>	<u>5,373,865</u>
Total changes in operating assets and liabilities	<u>1,061,410</u>	<u>(9,317,790)</u>
Cash provided by (used in) operations	6,031,228	(4,237,051)
Interest received	161,083	257,964
Dividend received	445,293	192,497
Interest paid	(723,669)	(845,445)
Income taxes paid	<u>(664,369)</u>	<u>(624,459)</u>
Net cash provided by (used in) operating activities	<u>5,249,566</u>	<u>(5,256,494)</u>

(Continued)

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(In thousands of New Taiwan Dollars)

	2015	2014
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(612,664)	(373,162)
Proceeds from sale of available-for-sale financial assets	412,882	44,986
Purchase of investments accounted for using equity method	(115,120)	(325,072)
Proceeds from disposal of investments accounted for using equity method	-	2,460
Proceeds from disposal of non-current assets held for sale	145,092	-
Additions to property, plant and equipment	(1,594,545)	(1,413,320)
Proceeds from disposal of property, plant and equipment	60,930	25,596
Increase in loan receivables from related parties	(25,330)	(30,861)
Additions to intangible assets	(110,319)	(148,564)
Decrease in long-term prepaid rents	24,660	51,807
Additions to investment property	(99,826)	(437,940)
Increases in other financial assets	(347,265)	(22,508)
Acquisition of a subsidiary, net of cash acquired	(75,538)	-
Net cash outflow from deconsolidation of subsidiaries	-	(35,855)
Net cash used in investing activities	<u>(2,337,043)</u>	<u>(2,662,433)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	8,387,454	13,957,514
Decrease in short-term borrowings	(8,239,190)	(9,681,056)
Increase in long-term debt	8,455,300	10,634,750
Repayment of long-term debt	(10,074,280)	(13,211,069)
Decrease in lease obligations payable	(19,934)	(46,360)
Cash dividends distributed to shareholders	(1,180,069)	-
Acquisition of subsidiary's interests from non-controlling interests	(902,950)	(69,410)
Proceeds from disposal of subsidiary's interests (without losing control)	181,067	344,950
Capital injection from non-controlling interests	304,890	3,030,402
Cash dividends paid to non-controlling interests	(247,319)	(61,039)
Net cash provided by (used in) financing activities	<u>(3,335,031)</u>	<u>4,898,682</u>
Effects of foreign exchange rate changes	<u>469,584</u>	<u>529,329</u>
Net increase (decrease) in cash and cash equivalents	47,076	(2,490,916)
Cash and cash equivalents at beginning of year	<u>8,988,974</u>	<u>11,479,890</u>
Cash and cash equivalents at end of year	\$ <u>9,036,050</u>	<u>8,988,974</u>

Independent Auditors' Report

The Board of Directors
Qisda Corporation:

We have audited the accompanying parent-company-only balance sheet of Qisda Corporation (the "Company") as of December 31, 2015, and their restated parent-company-only balance sheet as of December 31, 2014, and the related parent-company-only statements of comprehensive income, restated changes in equity, and cash flows for the years ended December 31, 2015 and 2014. These parent-company-only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion 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 parent-company-only financial position of Qisda Corporation as of December 31, 2015 and 2014, and the results of their financial performance and their cash flows for the years ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Starting January 1, 2015, the Company prepared the parent-company-only financial statements in accordance with International Accounting Standards 19 "Employee Benefits" of 2013 Taiwan-IFRS version endorsed by the Financial Supervisory Commission. Consequently, the financial statements as of and for the year ended December 31, 2014 have been restated retrospectively.

KPMG
Taipei, Taiwan (the Republic of China)
March 8, 2016

Qisda Corporation
Parent Company Only Balance Sheets
December 31, 2015 and 2014
(In thousands of New Taiwan dollars)

	2015.12.31	2014.12.31
Assets		(Restated)
Current assets:		
Cash and cash equivalents	\$ 860,964	388,333
Financial assets at fair value through profit or loss — current	82,154	74,803
Available-for-sale financial assets — current	90,458	238,414
Notes and accounts receivable, net	10,917,468	13,127,736
Notes and accounts receivable from related parties	13,254,566	15,649,089
Other receivables	26,300	156,668
Other receivables from related parties	17,404	11,635
Inventories	3,071,579	3,213,410
Other financial assets — current	716,636	-
Other current assets	<u>81,525</u>	<u>70,907</u>
Total current assets	<u>29,119,054</u>	<u>32,930,995</u>
Non-current assets:		
Available-for-sale financial assets — non-current	480,989	22,062
Investments accounted for using equity method	35,533,178	34,614,189
Property, plant and equipment	1,531,870	1,574,819
Intangible assets	16,122	20,706
Deferred income tax assets	1,042,935	1,040,455
Other non-current assets	35,924	26,334
Other financial assets — non-current	<u>36,907</u>	<u>809,482</u>
Total non-current assets	38,677,925	38,108,047
Total assets	<u>\$ <u>67,796,979</u></u>	<u><u>71,039,042</u></u>

(Continued)

Qisda Corporation
Parent Company Only Balance Sheets
December 31, 2015 and 2014
(In thousands of New Taiwan dollars)

	2015.12.31	2014.12.31 (Restated)
Liabilities and Equity		
Current liabilities:		
Short-term borrowings	\$ 3,743,575	2,648,170
Notes and accounts payable	2,743,528	3,566,024
Accounts payable to related parties	21,523,935	25,184,494
Other payables	2,406,485	2,263,271
Other payables to related parties	123,363	266,850
Current portion of long-term debt	250,000	1,280,464
Provisions – current	30,343	38,282
Other current liabilities	<u>191,089</u>	<u>236,785</u>
Total current liabilities	<u>31,012,318</u>	<u>35,484,340</u>
Non-current liabilities:		
Long-term debt	9,089,500	8,870,891
Provisions – non-current	205,265	226,079
Deferred income tax liabilities	13,966	11,486
Other non-current liabilities	<u>204,048</u>	<u>159,229</u>
Total non-current liabilities	<u>9,512,779</u>	<u>9,267,685</u>
Total liabilities	<u>40,525,097</u>	<u>44,752,025</u>
Equity		
Common stock	19,667,820	19,667,820
Capital surplus	2,179,038	1,990,292
Retained earnings	3,545,665	2,556,556
Other equity	<u>1,879,359</u>	<u>2,072,349</u>
Total equity	<u>27,271,882</u>	<u>26,287,017</u>
Total liabilities and equity	\$ <u>67,796,979</u>	<u>71,039,042</u>

Qisda Corporation
 Parent Company Only Statements of Comprehensive Income
 For the years ended December 31, 2015 and 2014
 (In thousands of New Taiwan dollars, Except Earnings Per Share)

	2015	2014
Net sales	\$ 91,996,634	92,772,579
Cost of sales	<u>87,362,824</u>	<u>87,900,735</u>
Gross profit	4,633,810	4,871,844
Unrealized gross profit on sales to subsidiaries	<u>(5,681)</u>	<u>(128,066)</u>
Realized gross profit	<u>4,628,129</u>	<u>4,743,778</u>
Operating expenses:		
Selling expenses	794,477	858,288
Administrative expenses	461,374	514,417
Research and development expenses	<u>2,141,661</u>	<u>2,260,469</u>
Total operating expenses	<u>3,397,512</u>	<u>3,633,174</u>
Operating income	<u>1,230,617</u>	<u>1,110,604</u>
Non-operating income and loss:		
Other income	79,235	38,383
Other gains and losses – net	81,878	(7,384)
Finance costs	(287,426)	(338,594)
Share of profits of subsidiaries and associates	<u>1,165,287</u>	<u>2,168,059</u>
Total non-operating income and loss	<u>1,038,974</u>	<u>1,860,464</u>
Income before income tax	2,269,591	2,971,068
Income tax expense	<u>100,413</u>	<u>-</u>
Net income	<u>2,169,178</u>	<u>2,971,068</u>
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	(37,181)	(24,876)
Share of other comprehensive income of subsidiaries and associates	(23,543)	(4,864)
Less: Income tax related to items that will not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>
	<u>(60,724)</u>	<u>(29,740)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	442,935	732,521
Change in fair value of available-for-sale financial assets	(79,555)	18,011
Share of other comprehensive income of subsidiaries and associates	(495,646)	198,835
Less: Income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>
	<u>(132,266)</u>	<u>949,367</u>
Other comprehensive income for the year, net of income tax	<u>(192,990)</u>	<u>919,627</u>
Total comprehensive income for the year	<u>\$ 1,976,188</u>	<u>3,890,695</u>
Earnings per share (in New Taiwan dollars):		
Basic earnings per share	<u>\$ 1.10</u>	<u>1.51</u>
Diluted earnings per share	<u>\$ 1.09</u>	<u>1.50</u>

Qisda Corporation
Parent Company Only Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
(In thousands of New Taiwan dollars)

	Retained earnings				Other equity						
	Common stock	Capital Surplus	Legal reserve	Retained earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Total	Treasury stock	Total equity
Balance at January 1, 2014	\$ 19,667,820	-	-	(447,263)	(447,263)	832,371	499,151	-	1,331,522	(213)	20,551,866
Effects of retrospective restatement	-	-	-	99,926	99,926	-	-	(99,926)	(99,926)	-	-
Restated balance at January 1, 2014	<u>19,667,820</u>	<u>-</u>	<u>-</u>	<u>(347,337)</u>	<u>(347,337)</u>	<u>832,371</u>	<u>499,151</u>	<u>(99,926)</u>	<u>1,231,596</u>	<u>(213)</u>	<u>20,551,866</u>
Changes in equity of subsidiaries and associates accounted for using equity method	-	1,730,618	-	(66,279)	(66,279)	(78,874)	-	-	(78,874)	-	1,585,465
Change in treasury stock held by subsidiaries	-	-	-	(896)	(896)	-	-	-	-	213	(683)
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	259,674	-	-	-	-	-	-	-	-	259,674
Net income in 2014	-	-	-	2,971,068	2,971,068	-	-	-	-	-	2,971,068
Other comprehensive income in 2014	-	-	-	-	-	900,839	48,528	(29,740)	919,627	-	919,627
Total comprehensive income in 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,971,068</u>	<u>2,971,068</u>	<u>900,839</u>	<u>48,528</u>	<u>(29,740)</u>	<u>919,627</u>	<u>-</u>	<u>3,890,695</u>
Restated balance at December 31, 2014	<u>19,667,820</u>	<u>1,990,292</u>	<u>-</u>	<u>2,556,556</u>	<u>2,556,556</u>	<u>1,654,336</u>	<u>547,679</u>	<u>(129,666)</u>	<u>2,072,349</u>	<u>-</u>	<u>26,287,017</u>
Appropriation of earnings:											
Legal reserve	-	-	242,689	(242,689)	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	(1,180,069)	(1,180,069)	-	-	-	-	-	(1,180,069)
Changes in equity of subsidiaries and associates accounted for using equity method	-	243,681	-	-	-	-	-	-	-	-	243,681
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	(54,935)	-	-	-	-	-	-	-	-	(54,935)
Net income in 2015	-	-	-	2,169,178	2,169,178	-	-	-	-	-	2,169,178
Other comprehensive income in 2015	-	-	-	-	-	442,935	(575,201)	(60,724)	(192,990)	-	(192,990)
Total comprehensive income in 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,169,178</u>	<u>2,169,178</u>	<u>442,935</u>	<u>(575,201)</u>	<u>(60,724)</u>	<u>(192,990)</u>	<u>-</u>	<u>1,976,188</u>
Balance at December 31, 2015	<u>\$ 19,667,820</u>	<u>2,179,038</u>	<u>242,689</u>	<u>3,302,976</u>	<u>3,545,665</u>	<u>2,097,271</u>	<u>(27,522)</u>	<u>(190,390)</u>	<u>1,879,359</u>	<u>-</u>	<u>27,271,882</u>

Qisda Corporation
 Parent Company Only Statements of Cash Flows
 For the years ended December 31, 2015 and 2014
 (In thousands of New Taiwan dollars)

	2015	2014
Cash flows from operating activities:		
Income before income tax	\$ <u>2,269,591</u>	<u>2,971,068</u>
Adjustments for:		
Depreciation	77,516	79,519
Amortization	10,599	18,710
Interest expense	287,426	338,594
Interest income	(2,867)	(6,479)
Dividend income	(32,584)	(12,315)
Share of profits of subsidiaries and associates	(1,165,287)	(2,168,059)
Loss (gain) on disposal of property, plant and equipment, net	930	(724)
Gain on disposal of investments	(17,021)	(94,502)
Unrealized gross profit on sales to subsidiaries	<u>5,681</u>	<u>128,066</u>
Total non-cash profit and loss	<u>(835,607)</u>	<u>(1,717,190)</u>
Changes in operating assets and liabilities:		
Financial assets and liabilities at fair value through profit or loss	(7,351)	(47,503)
Notes and accounts receivable	2,210,268	(7,751,206)
Notes and accounts receivable from related parties	2,394,523	(5,021,982)
Other receivables	128,432	493,184
Other receivables from related parties	11,767	8,867
Inventories	141,831	(108,625)
Other current assets	(9,214)	18,783
Other non-current assets	<u>(23,041)</u>	<u>(16,800)</u>
Net changes in operating assets	<u>4,847,215</u>	<u>(12,425,282)</u>
Notes and accounts payable	(822,496)	1,269,649
Accounts payable to related parties	(3,660,559)	9,228,439
Other payables to related parties	(143,487)	249,503
Provisions	(28,753)	3,163
Other payables and other current liabilities	(2,588)	391,476
Other non-current liabilities	<u>7,638</u>	<u>76,572</u>
Net changes in operating liabilities	<u>(4,650,245)</u>	<u>11,218,352</u>
Total changes in operating assets and liabilities	<u>196,970</u>	<u>(1,206,930)</u>
Cash provided by operations	1,630,954	46,948
Interest received	4,803	7,237
Dividend received	450,542	136,554
Interest paid	(274,282)	(332,437)
Income taxes paid	<u>(1,404)</u>	<u>(3,377)</u>
Net cash provided by (used in) operating activities	<u>1,810,613</u>	<u>(145,075)</u>

(Continued)

Qisda Corporation
 Parent Company Only Statements of Cash Flows
 For the years ended December 31, 2015 and 2014
 (In thousands of New Taiwan dollars)

	2015	2014
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(450,101)	-
Proceeds from sale of available-for-sale financial assets	76,596	24,460
Purchase of investments accounted for using equity method	(64,859)	(432,065)
Proceeds from disposal of investments accounted for using equity method	10	-
Additions to property, plant and equipment	(35,497)	(33,265)
Proceeds from disposal of property, plant and equipment	-	1,457
Decrease (increase) in loan receivables from related parties	(17,536)	108,752
Additions to intangible assets	(6,015)	(13,556)
Decreases in other financial assets	55,939	52,925
Net cash used in investing activities	<u>(441,463)</u>	<u>(291,292)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	1,095,405	1,575,190
Increase in long-term debt	6,795,300	9,120,650
Repayment of long-term debt	(7,607,155)	(10,686,988)
Cash dividends distributed to shareholders	(1,180,069)	-
Net cash provided by (used in) financing activities	<u>(896,519)</u>	<u>8,852</u>
Net increase (decrease) in cash and cash equivalents	472,631	(427,515)
Cash and cash equivalents at beginning of year	<u>388,333</u>	<u>815,848</u>
Cash and cash equivalents at end of year	\$ <u>860,964</u>	<u>388,333</u>

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