TSE: 2352

QISDA 2016 ANNUAL REPORT

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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

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DOMESTIC STOCK EXCHANGE LISTING

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OVERSEAS SECURITY EXCHANGE LISTING

For further information, visit Qisda worldwide website and Login at Investor Relations
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Message to our Shareholders

Dear esteemed Qisda shareholders,

In 2016, Qisda's consolidated revenue reached NT$129.6 billion. The consolidated net income was NT$4.49 billion, and the consolidated profit after tax was NT$4.07 billion. Net profit attributable to owners of the parent company was NT$4.34 billion, with an after tax earnings per share at NT$2.21.

Due to the unstable global economy and the rapidly changing industry environment, the market demand for monitors and projectors was sluggish. However, the competition remained fierce. Despite the challenges, Qisda continued with its corporate transformation in business development and enhanced its competitive edges by concentrating on three main operating focuses – optimization of existing business operations, rapid expansion of the medical business, and acceleration of solution development.

1. Optimization of existing business operations: Qisda sustained a steady progress and a market leadership position with its two main product lines: monitors and projectors. The monitor product business group continued to invest in the development of professional and medical monitors, as well as high-end and high-unit-price products. As a result, 2.2 million high-end and professional monitors were sold in 2016. Taking as a whole, the monitor product business performed better than the industry average and ranked number 2 in the world. The projector product business ranked number 1 among the global ODM manufacturers. Other than introducing projector models with 10,000 lumens brightness and interchangeable lenses to the market, Qisda also launched the world's first DLP 4K UHD LED projector. With the solid improvement in product mix, sales of high-unit-price models upheld 25% of the total projector sales.

2. Rapid expansion of the medical business: In 2016, Qisda's consolidated revenue from the medical business exceeded NT$6.5 billion, and revenue from both Suzhou and Nanjing BenQ Hospitals maintained a leaping growth. In terms of medical business development, Qisda offered 3D dental implant integrated services via BenQ AB DentCare Corp, a joint venture with AB Dental of Israel. Furthermore, 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 Factory, Smart Energy, Smart Enterprise, Smart Education and Smart Health Care. In 2016, Qisda strengthened its market sales by cooperating with channel partners like Chunghwa Telecom and successfully gained market footholds in China and emerging countries like the Middle East area by working closely with local hardware and software service providers while offering more diverse services and products that harmonize with the demand of local markets.

For 2017, Qisda will continue to aim at the three main operating focuses in order to further create long-term values for the company. The plans are as follows:

1. Optimization of existing business operations: Continue to focus on developing high-end, high-definition, large-sized and professional 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 4K UHD models and increase the lineup of high-end and high brightness projectors.

2. Rapid expansion of the medical business: Prioritize sales channel penetration in China and ASEAN countries among all objectives. Develop proprietary products and technologies such as ultrasound, oral scanner and hemodialyzer. On the other hand, develop surgical equipment, supplies, professional 3D integrated implant service and digital operating room information system by integrating group resources. Win-win acquisition and joint venture strategies will also be adopted to further strengthen Qisda's share on the medical business market.

3. Acceleration of solution development: Other than speeding up the integration of group resources, Qisda will also leverage resources from 3rd parties including Fortune 500 companies, such as Microsoft and Intel, as well as resources from companies invested by Qisda, such as DFI, Partner Tech, Aplex Tech and other local specialized mid-size companies. Qisda will keep finding opportunities in cooperating with influential regional system integrators.

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. In 2016, Qisda remained highly transparent in sustainable indicators, such as economic, environmental, social responsibilities, etc. Qisda received not only the 2016 Taiwan Corporation Sustainability Awards from the Taiwan Institute for Sustainable Energy under the TOP 50 Corporate Sustainability Report Award category and the Best Performance for Climate Leadership category, but also the Corporate Social Responsibility Aware from the Global View Magazine. Qisda also ranked number 5 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. As to the brand business, the overall market volume slightly decreased 1.6%. The worldwide market share of BenQ brand LCD monitors increased slightly in 2016 with the company's continuous focus on the development and growth of high-end professional e-sports and large-sized monitors. Furthermore, BenQ continued with its active pursuit of research and development of new functions for professional and integrated design display solutions to capture a bigger chunk of the professional monitor market.

Projector: Qisda's DMS projector business maintained the leading position worldwide in 2016. Qisda is the only manufacturer in Taiwan that is capable of both DLP and LCD projector mass production and shipment. As to the brand business, BenQ remained the world's 2nd largest projector brand and the No.1 DLP projector brand in 2016. Compared with 2015, the global projector market volume slightly decreased 5%. Nevertheless, BenQ still maintained a 12% market share. In addition, Qisda and BenQ launched the first 4K UHD projector product line worldwide in 2016 to aggressively address the professional audio video market.

Medical Service: With dedication to the establishment of the Chest Pain Center, the Nanjing BenQ Hospital obtained National Chest Pain Center Certificate in 2017. With more than 840,000 annual patient visits in 2017, Nanjing BenQ Hospital has seven major province- and city-level divisions and is currently the 2nd largest parturition hospital in Nanjing. In 2016, more than 1,100 cardiac catheterizations were performed. 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) mainly focuses on medical diagnosis/treatment and high-end health examination services and has more than 380,000 annual patient visits in 2016.

2. Product Offering

LCD Monitor: 17"/18.5"/19"/19.5"/21.5"/23"/23.x"/24"/24.5"/27"/31.5"/32"/34"/35"/37.5" consumer and commercial LCD monitors, wide-screen and professional LCD monitors, medical monitors, smart monitors, wireless charging monitors and 32"/42"/46"/55"/65" public displays.

Projector: Business projectors, projectors for large-venue and education purposes, home projectors, and mobile projectors.

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 3% in 2016. The market forecast for LCD monitors in 2017 is expected to have a 2.2% further decrease due to unstable politic and economic circumstances and 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 edges, 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 7.2 million units in 2016, with a flat or minor growth expectation for 2017. The volume ratio for high brightness, high resolution and non-light ball (LED and laser) source projectors will continue to increase in the future.

In addition, the growth in large venue, home and personal/mobile scenarios enables the sales volume of projectors with 1080P, 4K and 3D/HDR 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: The LCD monitor market is getting more mature and saturated in recent years. Going forward, in addition to focusing on cost-competitiveness and supply flexibility, more effort will be made on the development of monitors with various differentiated new functions and special applications. They include high resolution, wide-viewing-angle, and curved panels, edge-to-edge design, cloud application, specialized professional applications or other niche customized product offerings. All of them will serve as common grounds for brand customer and ODM to collaborate on.

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 may increase globally with the expansion of 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 entertainment one 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. In 2015, the State Council of China issued "Master plan for developing national medical service system" and "The opinion for reforming public hospital" indicating that the government should inhibit the growth of public hospital and encourage private hospitals. 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

1. 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: Super slim monitors, 5K3K/8K4K high-definition monitors, HDMI 2.x/DP 1.4 application monitors, Thunderbolt monitors, USB type C/Power Delivery application monitors, medical monitors, professional gaming monitors, eco-friendly monitors, wireless charging monitors, complete color adjustment solutions and complete software and hardware digital signage solutions.

Projector: SSL-based light source, ultra-short throw ratio, high resolution, high brightness, interactive 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

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.

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 high resolution and high brightness. Improve the quality of wireless transmission.

Medical Service:

(1) Solidify the capability of each division as a general hospital and develop specialized divisions. Develop province- and city-level 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 and SSL 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 14.6% of market share in 2016. 23"-plus monitors occupy 53.7% in product portfolio, which is better than industry average.

Projector: With market share at approximately 17%, Qisda is the No. 1 projector ODM worldwide in 2016.

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. Probe into consumer needs and accelerate product development lead-time.

iv. Provide a comprehensive solution for SSL products

v. Improve price margin by enhancing high end product portfolio.

Medical Service:

(1) Positive factors: The total medical expenditure in China increased rapidly during the last decade at a 16.7% combined growth rate. Meanwhile, the medical expenditure to GDP ratio was only 6% in 2015, which was low comparing to the level of 10% in developed countries. 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

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. 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/SSL 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 24, 2017

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., BenQ Foundation **Director:** AU Optronics Corp., Darfon Electronics Corp., BenQ Materials Corporation, BenQ BM Holding Cayman Corp., BenQ BM Holding Corp.
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., Chinese Televsion System Corp. **Independent Director:** Taiwan Semiconductor Manufacturing Company
Director	Peter Chen	M.S., International Business Management, Thunderbird School of Global Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center EVP, BenQ Corp.	**Director and President:** Qisda Corp. **Chairman:** BenQ Medical Technology Corporation, Partner Tech Corp. **Director:** BenQ AB Dentcare Corporation, AU Optronics Corp., BenQ Materials Corporation, Darfon Electronics Corp., DFI Inc., BenQ Corp., Darly Venture Inc., Darly 2 Venture, Ltd., Darly Consulting Corporation, BenQ Foundation, NanJing BenQ Hospital Co., Ltd., Suzhou BenQ Hospital Co., Ltd., BenQ Hospital Management Consulting (NanJing) Co., Ltd., BenQ Healthcare Consulting Corporation, BenQ BM Holding Cayman Corp., BenQ BM Holding Corp., Qisda (L) Corp., Qisda (Hong Kong) Limited, Darly Venture (L) Ltd., BenQ Guru Holding Corp.
Director	Sheaffer Lee	EMBA, National Cheng Chi University B.S., Electrical Engineering, National Cheng Kung University AVP, acer America President, Qisda Corp.	**Director:** Qisda Corp., Dazzo Technology Corp., Raydium Semiconductor Corporation, Sanda Materials Corp.
Director	AU Optronics Corp.- Wei-Lung Liau	M.S., Applied Chemistry, National Chiao Tung University	**Director:** Qisda Corp., Darwin Precisions Corp. **GM:** Video Solutions Business Group, AU Optronics Corp.
Director	CDIB Capital Group- Cathy Han	MBA, Central Connecticut State University	**VP:** CDIB Capital Group **Director:** Qisda Corp., CDIB Private Equity (China) Corp. **Supervisor:** CDIB Capital Management Corporation, CBID Innovative Management Corp., CDIB Capital Healthcare Ventures Ltd.
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 Taffeta 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
2016.03.08	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
2016.05.03	1. Approved Qisda's consolidated financial results of 2016 Q1 2. Approved to provide Guarantees USD 60M for Qisda (L) Corp.
2016.08.10	1. Approved Qisda's consolidated financial results of 2016 1H
2016.11.03	1. Approved Qisda's consolidated financial results of 2016 Q3 2. Approved to provide Guarantees USD 46M for Qisda (L) Corp.
2017.03.09	1. Approved Qisda's financial results of 2016 2. Approved the proposal for distribution of 2016 profits 3. Approved the issuance of new common shares for cash to sponsor issuance of the overseas depositary shares and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement and/or issuance of overseas or domestic convertible bonds in private placement 4. Approved to convene 2017 Qisda Annual General Meeting 5. Approved to donate to BenQ Foundation NT$7.5 million 6. Public tender offer of common stock of Partner Tech Corporation

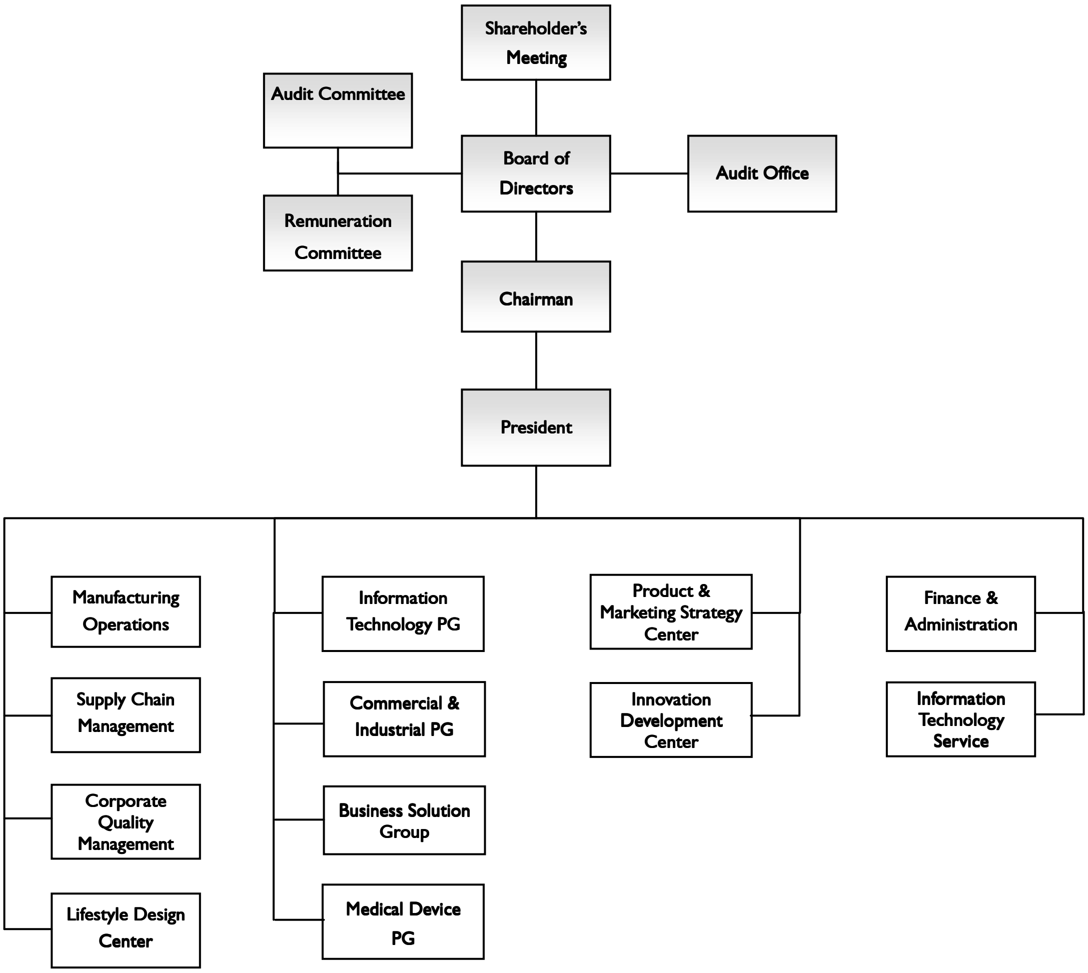
Corporate Executive Officers

Date: April 24, 2017

Title	Name	Personnel Education & Experience	Other Current Positions
President	Peter Chen	M.S., International Business Management, Thunderbird School of Global Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center EVP, BenQ Corp.	**Director and President:** Qisda Corp. **Chairman:** BenQ Medical Technology Corporation, Partner Tech Corp. **Director:** BenQ AB Dentcare Corporation, AU Optronics Corp., BenQ Materials Corporation, Darfon Electronics Corp., DFI Inc., BenQ Corp., Darly Venture Inc., Darly 2 Venture, Ltd., Darly Consulting Corporation, BenQ Foundation, NanJing BenQ Hospital Co., Ltd., Suzhou BenQ Hospital Co., Ltd., BenQ Hospital Management Consulting (NanJing) Co., Ltd., BenQ Healthcare Consulting Corporation, BenQ BM Holding Cayman Corp., BenQ BM Holding Corp., Qisda (L) Corp., Qisda (Hong Kong) Limited, Darly Venture (L) Ltd., BenQ Guru Holding Corp.
Senior Vice President	Joe Huang	EMBA, Tsing Hua University in Beijing	**Director:** Qisda Optronics Corp., Qisda America Corp.
Senior Vice President	C.M. Wu	EMBA, Pacific Western University	**Director:** Qisda (Suzhou) Co., Ltd., Qisda Electronics (Suzhou) Co. Ltd., Qisda Optronics (Suzhou) Co., Ltd., Qisda Precision Industry (Suzhou) Co., Ltd., Qisda (Shanghai) Co., Ltd.
Senior Vice President	Mark Hsiao	B.S., Chemical Engineering, Tamkang University	**Chairman:** Qisda (Suzhou) Co., Ltd., Qisda Electronics (Suzhou) Co. Ltd., Qisda Optronics (Suzhou) Co., Ltd., Qisda (Shanghai) Co., Ltd., NanJing BenQ Hospital Co., Ltd., BenQ Hospital Management Consulting (NanJing) Co., Ltd., BenQ Healthcare Consulting Corporation, Suzhou BenQ Investment Co., Ltd. **Director:** Qisda Precision Industry (Suzhou) Co., Ltd.**,** BenQ BM Holding Corp.**,** BenQ BM Holding Cayman Corp.**,** Suzhou BenQ Hospital Co., Ltd.
Senior Vice President	David Wang	M.S., Computer Science, University of Massachusetts	**Chairman:** Darly Venture Inc., Darly 2 Venture, Ltd., Darly Consulting Corporation **Director:** Qisda (L) Corp.**,** Qisda (Hong Kong) Limited**,** Qisda Sdn. Bhd., Darly Venture (L) Ltd.**,** BenQ BM Holding Corp.**,** BenQ BM Holding Cayman Corp.**,** NanJing BenQ Hospital Co., Ltd.**,** Suzhou BenQ Hospital Co., Ltd.**,** BenQ Hospital Management Consulting (NanJing) Co., Ltd.**,** BenQ Healthcare Consulting Corporation**,** Suzhou BenQ Investment Co., Ltd.**,** BenQ Guru Holding Limited**,** BenQ Medical Technology Corporation**,** Darfon Electronics Corp.**,** Partner Tech Corp.**,** Q.S. Control Corp. **Supervisor:** Qisda (Suzhou) Co., Ltd.**,** Qisda Precision Industry (Suzhou) Co., Ltd.**,** Qisda Japan Co., Ltd.**,** BenQ Corp.**,** DFI Inc.
Vice President	April Huang	EMBA, National Taiwan University	**Director:** Qisda Optronics Corp., Aplex Technology Inc.
Vice President	Harry Yang	M.S., Computer Science, University of Florida	**Chairman:** BenQ Dialysis Technology Corp., BenQ Medical (Shanghai) Co., Ltd
Vice President	TL Tseng	M.S., Industrial Engineering, University of Florida	**Chairman:** BenQ ESCO Corp.**,** BenQ Guru Corporation**,** BenQ Guru Software Co., Ltd.
Vice President	James T. Wang	Ph.D., Mechanical Engineering, Ohio State University	**Chairman:** Qisda Precision Industry (Suzhou) Co., Ltd. **Director:** Qisda (Suzhou) Co., Ltd., Qisda Electronics (Suzhou) Co. Ltd., Qisda Optronics (Suzhou) Co., Ltd., Qisda (Shanghai) Co., Ltd.
Vice President	CY Ho	EMBA, National Taiwan University	**Director:** Qisda Japan Co., Ltd.
Vice President	S.C. Chao	M.S., Electrical Engineering, Utah State University	-

Group Organization
Company Organization Chart

Date: April 24, 2017



Affiliated Enterprises

Date: December 31, 2016

Unit: Shareholding ratio (%)

- **Qisda Corp.**
  - **Qisda America Corp.** /100%
  - **Qisda Japan Co., Ltd.** /100%
  - **Qisda Mexicana S.A. De C.V.** /87.68%
    holding by affiliated enterprises:
    Qisda America Corp. /12.32%
  - **Qisda Sdn. Bhd.** /100%
  - **Qisda (L) Corp.** /100%
    - **BenQ Medical (Shanghai) Co., Ltd** /100%
    - **Qisda (Suzhou) Co., Ltd.** /100%
    - **Qisda (Hong Kong) Limited** /100%
      - **Qisda Electronics(Suzhou) Co. Ltd.** /100%
      - **Qisda Optronics (Suzhou) Co., Ltd.** /100%
      - **Qisda Precision Industry (SuZhou) Co., Ltd** /100%
      - **Qisda (Shanghai) Co., Ltd.** /72.18%
        holding by affiliated enterprises:
        Qisda Electronics(Suzhou) Co. Ltd. /27.82%
  - **Darly Venture (L) Ltd.** /100%
  - **BenQ BM Holding Cayman Corp.** /18.10%
    holding by affiliated enterprises:
    Darly Venture Inc. /10.67%
    BenQ Corp. /8.54%
    Darly 2 Venture, Ltd. /27.75%
    Qisda Sdn. Bhd. /2.13%
    Darly Venture (L) Ltd. /2.47%
    - **BenQ BM Holding Corp.** /100%
      - **NanJing BenQ Hospital Co., Ltd.** /100%
      - **Suzhou BenQ Hospital Co., Ltd.** /64.41%
        holding by affiliated enterprises:
        BenQ Healthcare Consulting Corporation /35.59%
      - **Suzhou BenQ Investment Co., Ltd.** /100%
      - **BenQ Hospital Management Consulting (NanJing) Co., Ltd.** /100%
      - **BenQ Healthcare Consulting Corporation** /100%
  - **BenQ Dialysis Technology Corp.** /92.85%
    holding by affiliated enterprises:
    Darly Venture Inc. /0.00%
  - **Qisda Optronics Corp.** /100%
  - **Darly Venture Inc.** /100%
    - **Darly Consulting Corporation** /45.11%
      holding by affiliated enterprises:
      Darly 2 Venture, Ltd. /54.89%
    - **BenQ ESCO Corp.** /38 %
      holding by affiliated enterprises:
      Darly 2 Venture, Ltd. /18%
      Darly Consulting Corporation /24%
    - **BenQ Entertaiment Corp.** /50%
      holding by affiliated enterprises:
      Darly 2 Venture, Ltd. /50%
  - **Darly 2 Venture, Ltd.** /100%
  - **INFTY Corporation** /90.18%
    holding by affiliated enterprises:
    Darly 2 Venture, Ltd. /0.02%
  - **BenQ Guru Holding Limited** /37.5%
    holding by affiliated enterprises:
    Darly Venture (L) Ltd. /12.5%
    Darly 2 Venture, Ltd. /50%
    - **BenQ Guru Corporation** /99.94%
      holding by affiliated enterprises:
      Darly Venture Inc. /0.02%
    - **BenQ Guru Software Co., Ltd.** /100%
  - **BenQ Material Corp.** /25.21%
    holding by affiliated enterprises:
    Qisda Corp. /13.61%
    Darly Venture Inc. /4.73%
    Darly Consulting Corporation /0.00%
  - **BenQ Medical Technology Corporation** /43.74%
    holding by affiliated enterprises:
    Darly Venture Inc. /8.02%
    Darly 2 Venture, Ltd. /3.59%
  - **BenQ Corp.** /100%
    - **BenQ America Corp.** /100%
      - **BenQ Canada Corp.** /100%
    - **BenQ Latin America Corp.** /100%
      - **BenQ Mexico S. de R.L. de C.V.** /99.97%
        holding by affiliated enterprises:
        BenQ Corp. /0.03%
        - **BenQ Service de Mexico S.de R.L. de C.V.** /99.97%
          holding by affiliated enterprises:
          BenQ Latin America Corp. /0.03%
      - **Joytech LLC** /100%
      - **Vivitech LLC** /100%
        - **MaxGen Comercio Industrial Imp E Exp Ltda.** /50%
          holding by affiliated enterprises:
          Joytech LLC /50%
    - **BenQ (Hong Kong) Limited** /100%
      - **BenQ Co.,Ltd** /100%
      - **BenQ Technology (Shanghai) Co., Ltd.** /100%
      - **ShengCheng Trading (Shanghai) Co.,Ltd** /100%
    - **BenQ Europe B.V.** /100%
      - **BenQ UK Limited** /100%
      - **BenQ Deutschland GmbH** /100%
      - **BenQ Iberica S.L.Unipersonal** /100%
      - **BenQ Austria GmbH** /100%
      - **BenQ Benelux B.V.** /100%
      - **BenQ Italy S.R.L.** /100%
      - **BenQ France SAS** /100%
      - **BenQ Nordic A.B.** /100%
      - **BenQ LLC** /100%
    - **MainteQ Europe B.V.** /100%
    - **BenQ Asia Pacific Corp.** /100%
      - **BenQ Korea Co., Ltd.** /100%
      - **BenQ Japan Co., Ltd.** /100%
      - **BenQ Australia Pty Ltd.** /100%
      - **BenQ (M.E.) FZE.** /100%
      - **BenQ India Private Ltd.** /100%
      - **BenQ Singapore Pte Ltd.** /100%
      - **BenQ Service & Marketing (M) Sdn. Bhd.** /100%
      - **BenQ (Thailand) Co., Ltd.** /100%

Note: The Affiliated Enterprises of BenQ Material Corp. and BenQ Medical Technology Corp., please refer to both company's Annual Report.

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 24, 2017		
	Number of shareholders	Number of shares held	% of shares held
Domestic Individuals	129,185	986,687,739	50.17%
Other Domestic Corporations	158	295,299,426	15.01%
Foreign Institutions and Individuals	405	454,919,978	23.13%
Domestic Financial Institutions	64	226,167,315	11.5%
Government Agencies	5	3,707,500	0.19%
Total	129,817	1,966,781,958	100.00%

Net Worth, Earning, Dividends and Market Price Per Share

Unit: NT$; Per 1,000 Share

		Mar. 31, 2017	2016	2015
Market Price Per Share	Highest Market Price	18.20	15.90	15.85
	Lowest Market Price	15.05	9.30	8.45
	Average Market Price	16.72	12.56	12.45
Net Worth Per Share (Note 1)	Before Distribution	-	15.00	13.87
	After Distribution	-	-	13.32
Earnings Per Share (EPS)	Weighted Average Shares	1,966,782	1,966,782	1,966,782
	EPS	-	2.21	1.10
	EPS-adjusted (Note 2)	-	-	1.10
Dividends Per Share	Cash dividends	-	-	0.55
	Stock dividends- Earnings	-	-	-
	Stock dividends- Capital Surplus	-	-	-
	Accumulated Undistributed Dividend	-	-	-
Return on Investment	Price/Earning Ratio (Note 3)	-	5.68	11.32
	Price/Dividend Ratio (Note 4)	-	-	22.64
	Cash Dividend Yield Rate (Note 5)	-	-	4.4%

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, 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 10% of total dividend.

Most Recent 5-year Financial Analysis

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

Item		Year				
		2016	2015	2014	2013	2012
Financial ratio	Total liabilities to total assets (%)	65	69	71	74	76
	Financial capital to fixed assets (%)	237	246	243	208	223
Ability to Pay off debt	Current ratios (%)	103	107	105	97	102
	Quick ratios (%)	69	75	73	66	65
	Time interest earned	9.02	4.64	5.21	2.70	-
Ability to Operate	A/R turnover (times)	5.14	5.00	6.11	8.57	9.60
	A/R turnover days	71	73	60	43	38
	Inventory turnover (times)	6.78	6.94	7.30	7.18	7.15
	A/P turnover (times)	4.33	4.37	4.44	4.65	4.91
	Inventory turnover days	54	53	50	51	51
	Fixed assets turnover (times)	6.75	6.75	6.66	5.90	5.72
	Total assets turnover (times)	1.32	1.29	1.36	1.35	1.30
Earning Ability	Return on assets (%)	5	3	4	3	(5)
	Return on equity (%)	13	7	12	6	(15)
	Operating income to paid-in-capital (%)	23	13	15	8	(4)
	PBT to paid-in-capital (%)	25	15	19	9	(14)
	Net income ratio (%)	3	2	2	1	(3)
	EPS (NT$)	2.21	1.10	1.51	0.36	(1.41)
Cash Flow	Cash flow ratio (%)	16	10	(9)	12	(1)
	Cash flow adequacy (%)	65	29	9	1	1
	Cash reinvestment ratio (%)	15	11	(17)	18	(1)
Leverage	Operating leverage	4	7	6	10	-
	Financial Leverage	1	1	1	3	-

2. Parent-company-only Financial Analysis under International Financial Reporting Standards ("IFRS")

Item		Year				
		2016	2015	2014	2013	2012
Financial ratio	Total liabilities to total assets (%)	57	60	63	62	62
	Financial capital to fixed assets (%)	2,332	2,401	2,258	1,817	1,874
Ability to Pay off debt	Current ratios (%)	89	94	93	85	89
	Quick ratios (%)	81	84	84	72	72
	Time interest earned	25.67	8.90	9.77	2.93	-
Ability to Operate	A/R turnover (times)	3.47	3.47	4.14	5.53	6.54
	A/R turnover days	105	105	88	66	56
	Inventory turnover (times)	27.4	27.8	27.87	24.18	27.16
	A/P turnover (times)	2.98	3.30	3.74	4.51	5.64
	Inventory turnover days	13	13	13	15	13
	Fixed assets turnover (times)	55.10	59.22	58.04	45.75	43.90
	Total assets turnover (times)	1.23	1.33	1.48	1.47	1.44
Earning Ability	Return on assets (%)	7	3	5	2	(5)
	Return on equity (%)	15	8	13	4	(14)
	Operating income to paid-in-capital (%)	14	6	6	0	(5)
	PBT to paid-in-capital (%)	23	12	15	4	(14)
	Net income ratio (%)	5	2	3	1	(4)
	EPS (NT$)	2.21	1.1	1.51	0.36	(1.41)
Cash Flow	Cash flow ratio (%)	22.71	5.84	(0.41)	(2)	3
	Cash flow adequacy (%)	160	142	13	3	5
	Cash reinvestment ratio (%)	15	2	(4)	(2)	2
Leverage	Operating leverage	1	4	4	-	-
	Financial Leverage	1	1	1	0	1

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

Independent Auditors' Report

The Board of Directors
Qisda Corporation:

Opinion

We have audited the consolidated financial statements of Qisda Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

1. Revenue recognition

   Please refer to notes 4(17) and 6(22) for the accounting policy on revenue recognition and "Revenue" for the related disclosures, respectively, of the notes to consolidated financial statements.

   <u>Description of key audit matter:</u>

   The Group has several operating segments. Each segment engages in different business activities. In addition, the Group has operations spread globally. The Group recognizes its revenue depending on the various trade terms in each individual sale transaction and service rendered, which are considered to be complex in determining the timing of revenue recognition. Consequently, the revenue recognition has been identified as one of the key audit matters.

   <u>How the matter was addressed in our audit:</u>

   In relation to the key audit matters above, our principal audit procedures included testing the design and operating effectiveness of the Group's internal controls over financial reporting in the sales and collection cycle; assessing whether revenue is recognized based on the trade terms with customers through reviewing the related sales contracts or other trade documents; performing a sample test of sales transactions that took place before and after the balance sheet date to identify the timing of transfer of risks and rewards of ownership of the goods and assessing the reasonableness of the timing of revenue recognition; reviewing and understanding the reasonableness for any identified significant sales returns and allowances that took place after the balance sheet date, as well as assessing whether the revenue and related sales returns and allowances is recognized in appropriate period.

2. Valuation of inventories

   Please refer to notes 4(8), 5 and 6(5) for the inventory accounting policy, "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and "Inventories" for the related disclosures, respectively, of the notes to consolidated financial statements.

   <u>Description of key audit matter:</u>

   Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environments in the electronic industry, the life cycle of certain products of the Group are short and their market prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of the net realizable value of inventories and inventory aging report prepared by the Group; evaluating whether valuation of inventories was accounted for in accordance with the Group's accounting policies; and assessing the historical reasonableness of management's estimates on inventory provisions. Moreover, comparing with inventory provisions recognized in the current year to evaluate the reasonableness of inventory provisions.

3. Impairment of property, plant and equipment and intangible assets (excluding goodwill)

   Please refer to notes 4(15) and 5 for the accounting policy on impairment of non-financial assets, and "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of property, plant and equipment and intangible assets impairment, respectively, of the notes to consolidated financial statements.

   Description of key audit matter:

   One of the Group's operating segments ("Material", i.e. the Company's subsidiaries, "BenQ Material Corp. and its subsidiaries") is an independent cash-generating unit. As of December 31, 2016, the carrying amount of property, plant and equipment and intangible assets of the operating segment amounted to $4,847,669, constituting approximately 5% of consolidated total assets. In order to increase market competitiveness and reduce the operation cost, the operating segment has determined to terminate certain production lines, which resulted in a net loss in 2016. As a result of this, there is a significant risk of impairment on the non-financial assets of the operating segment. The recoverable amount of these assets has been determined based on the discounted cash flow forecasted by the management, and this process involved management judgment and significant uncertainties. Accordingly, the assessment of asset impairment has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matter above, our principal audit procedures included assessing the reasonableness of the discount rate used by the management in measuring the recoverable amount by comparing it to internal and independent sources; evaluating the historical reasonableness of the management's estimation of the prior year's forecasted cash flows; and evaluating the reasonableness of the key assumptions including the revenue growth rate, gross margin ratio and operating expense ratio used by the management by comparing them to internal and independent sources.

Other Matter

Qisda Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations,

or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remained solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Chieh Tang and Wei-Ming Shih.

KPMG
Taipei, Taiwan (Republic of China)
March 9, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2016 and 2015
(In thousands of New Taiwan Dollars)

Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
Current assets:				
Cash and cash equivalents	$ 6,825,353	7	9,036,050	9
Financial assets at fair value through profit or loss — current	373,349	-	510,683	1
Available-for-sale financial assets — current	239,660	-	261,343	-
Notes and accounts receivable, net	20,957,048	22	20,407,299	20
Notes and accounts receivable from related parties	4,374,388	5	4,655,002	5
Other receivables	173,978	-	148,493	-
Other receivables from related parties	7,537	-	208,580	-
Inventories	17,065,196	18	16,386,780	16
Other current assets	1,467,073	2	1,503,817	2
Other financial assets — current	784,598	1	2,710,710	3
Total current assets	52,268,180	55	55,828,757	56
Non-current assets:				
Available-for-sale financial assets — non-current	991,686	1	856,956	1
Investments accounted for using equity method	15,682,210	16	15,858,890	16
Property, plant and equipment	18,860,162	20	19,545,376	19
Investment property	2,651,784	3	2,989,618	3
Intangible assets	202,892	-	198,299	-
Deferred income tax assets	1,725,549	2	1,775,567	2
Other non-current assets	149,875	-	185,380	-
Other financial assets — non-current	186,155	-	207,126	-
Long-term prepaid rents	2,593,717	3	2,797,862	3
Total non-current assets	43,044,030	45	44,415,074	44
Total assets	**$ 95,312,210**	**100**	**100,243,831**	**100**

(Continued)

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2016 and 2015
(In thousands of New Taiwan Dollars)

Liabilities and Equity		December 31, 2016 Amount	%	December 31, 2015 Amount	%
Current liabilities:					
Short-term borrowings	$	8,070,512	8	14,288,274	14
Financial liabilities at fair value through profit or loss－current		111,454	-	72,260	-
Notes and accounts payable		24,585,553	26	23,053,173	23
Accounts payable to related parties		2,423,924	3	2,279,949	2
Other payables		9,973,358	10	8,816,651	9
Other payables to related parties		21,710	-	16,756	-
Other current liabilities		745,703	1	671,409	1
Current portion of long-term debt		4,346,257	5	2,489,197	3
Provisions－current		350,934	-	387,719	-
Total current liabilities		50,629,405	53	52,075,388	52
Non-current liabilities:					
Long-term debt		8,980,990	9	14,071,273	14
Lease obligations payable－non-current		1,181,632	1	1,182,786	1
Provisions－non-current		656,632	1	784,043	1
Deferred income tax liabilities		121,108	-	68,402	-
Other non-current liabilities		797,112	1	691,216	1
Total non-current liabilities		11,737,474	12	16,797,720	17
Total liabilities		62,366,879	65	68,873,108	69
Equity attributable to shareholders of the Company:					
Common stock		19,667,820	21	19,667,820	20
Capital surplus		2,177,332	2	2,179,038	2
Retained earnings		6,806,202	7	3,545,665	3
Other equity		858,692	1	1,879,359	2
Total equity attributable to shareholders of the Company		29,510,046	31	27,271,882	27
Non-controlling interests		3,435,285	4	4,098,841	4
Total equity		32,945,331	35	31,370,723	31
Total liabilities and equity	**$**	**95,312,210**	**100**	**100,243,831**	**100**

Qisda Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2016 and 2015
(In thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Net sales	$ 129,553,540	100	133,102,431	100
Cost of sales	113,350,633	87	118,462,432	89
Gross profit	16,202,907	13	14,639,999	11
Operating expenses:				
Selling expenses	5,576,393	5	5,750,745	4
Administrative expenses	2,594,744	2	2,822,983	2
Research and development expenses	3,304,725	3	3,468,591	3
Other expenses	239,769	-	-	-
Total operating expenses	11,715,631	10	12,042,319	9
Operating income	4,487,276	3	2,597,680	2
Non-operating income and loss:				
Other income	324,632	-	444,392	-
Other gains and losses—net	(66,075)	-	132,445	-
Finance costs	(603,614)	-	(786,033)	-
Share of profits of associates and joint ventures	701,562	1	472,871	-
Total non-operating income and loss	356,505	1	263,675	-
Income before income tax	4,843,781	4	2,861,355	2
Income tax expense	776,010	1	615,871	-
Net income	4,067,771	3	2,245,484	2
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	(83,303)	-	(47,824)	-
Share of other comprehensive income of associates and joint ventures	(17,084)	-	(17,256)	-
Less: income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
	(100,387)	-	(65,080)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(773,104)	(1)	378,935	-
Change in fair value of available-for-sale financial assets	102,209	-	(544,925)	-
Share of other comprehensive income of associates and joint ventures	(408,468)	-	5,990	-
Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	(1,079,363)	(1)	(160,000)	-
Other comprehensive income for the year, net of income tax	(1,179,750)	(1)	(225,080)	-
Total comprehensive income for the year	$ 2,888,021	2	2,020,404	2
Net income attributable to:				
Shareholders of the Company	$ 4,342,267	3	2,169,178	2
Non-controlling interests	(274,496)	-	76,306	-
	$ 4,067,771	3	2,245,484	2
Total comprehensive income attributable to:				
Shareholders of the Company	$ 3,321,600	3	1,976,188	2
Non-controlling interests	(433,579)	(1)	44,216	-
	$ 2,888,021	2	2,020,404	2
Earnings per share (in New Taiwan dollars) :				
Basic earnings per share	$	2.21		1.10
Diluted earnings per share	$	2.18		1.09

Qisda Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(In thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company											
			Retained earnings			Total other equity interest						
	Common stock	Capital Surplus	Legal reserve	Unappropriated earnings	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit	Total	Total equity of the Company	Non-controlling interests	Total equity
Balance at January 1, 2015	19,667,820	1,990,292	-	2,556,556	2,556,556	1,654,336	547,679	(129,666)	2,072,349	26,287,017	4,747,446	31,034,463
Appropriation of earnings:												
Legal reserve	-	-	242,689	(242,689)	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	(1,180,069)	(1,180,069)	-	-	-	-	(1,180,069)	-	(1,180,069)
Changes in equity of associates and joint ventures	-	116,004	-	-	-	-	-	-	-	116,004	-	116,004
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	51,635	51,635
Distribution of cash dividend by subsidiaries to	-	-	-	-	-	-	-	-	-	-	(247,319)	(247,319)
Difference between consideration and carrying	-	(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
Appropriation of earnings:												
Legal reserve	-	-	216,918	(216,918)	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	(1,081,730)	(1,081,730)	-	-	-	-	(1,081,730)	-	(1,081,730)
Changes in equity of associates and joint ventures	-	599	-	-	-	-	-	-	-	599	-	599
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	10,016	10,016
Distribution of cash dividend by subsidiaries to	-	-	-	-	-	-	-	-	-	-	(246,821)	(246,821)
Difference between consideration and carrying	-	(734)	-	-	-	-	-	-	-	(734)	(566)	(1,300)
Changes in ownership interests in subsidiaries	-	(1,571)	-	-	-	-	-	-	-	(1,571)	1,571	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,823	5,823
Net income in 2016	-	-	-	4,342,267	4,342,267	-	-	-	-	4,342,267	(274,496)	4,067,771
Other comprehensive income in 2016	-	-	-	-	-	(1,078,657)	159,319	(101,329)	(1,020,667)	(1,020,667)	(159,083)	(1,179,750)
Total comprehensive income in 2016	-	-	-	4,342,267	4,342,267	(1,078,657)	159,319	(101,329)	(1,020,667)	3,321,600	(433,579)	2,888,021
Balance at December 31, 2016	**19,667,820**	**2,177,332**	**459,607**	**6,346,595**	**6,806,202**	**1,018,614**	**131,797**	**(291,719)**	**858,692**	**29,510,046**	**3,435,285**	**32,945,331**

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(In thousands of New Taiwan Dollars)

	2016	2015
Cash flows from operating activities:		
Income before income tax	$ 4,843,781	2,861,355
Adjustments for:		
Depreciation	1,733,007	1,992,523
Amortization	189,561	219,458
Provision (reversal) of bad debt expense	28,259	(9,763)
Interest expense	603,614	786,033
Interest income	(74,168)	(166,504)
Dividend income	(46,859)	(42,223)
Share-based compensation cost	10,016	51,635
Share of profits of associates and joint ventures	(701,562)	(472,871)
Gain on disposal of property, plant and equipment	(7,023)	(17,591)
Gain on disposal of non-current assets held for sale	-	(112,180)
Gain on disposal of investments	(197,070)	(268,976)
Impairment loss on financial assets	91,307	148,922
Impairment loss on non-financial assets	249	-
Gain from bargain purchase	(29,718)	-
Total non-cash profit and loss	1,599,613	2,108,463
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	176,528	(80,688)
Decrease (increase) in notes and accounts receivable	(514,357)	2,550,769
Decrease in notes and accounts receivable from related parties	280,614	682,769
Decrease (increase) in other receivables	(90,613)	545,916
Decrease (increase) in other receivables from related parties	19,852	(652)
Decrease (increase) in inventories	(672,417)	1,387,798
Decrease in other current assets	101,897	4,486
Decrease (increase) in other non-current assets	15,834	(7,620)
Net changes in operating assets	(682,662)	5,082,778
Increase (decrease) in notes and accounts payable	1,509,900	(3,118,271)
Increase (decrease) in accounts payable to related parties	143,975	(392,850)
Increase (decrease) in other payables to related parties	4,954	(9,949)
Decrease in provisions	(164,196)	(129,774)
Increase (decrease) in other current liabilities	1,252,905	(482,752)
Increase in other non-current liabilities	22,935	112,228
Net changes in operating liabilities	2,770,473	(4,021,368)
Total changes in operating assets and liabilities	2,087,811	1,061,410
Cash provided by operations	8,531,205	6,031,228
Interest received	141,621	161,083
Dividend received	482,495	445,293
Interest paid	(585,692)	(723,669)
Income taxes paid	(621,602)	(664,369)
Net cash provided by operating activities	7,948,027	5,249,566

(Continued)

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(In thousands of New Taiwan Dollars)

	2016	2015
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(123,403)	(612,664)
Proceeds from sale of available-for-sale financial assets	16,939	412,882
Purchase of investments accounted for using equity method	(18,896)	(115,120)
Proceeds from disposal of investments accounted for using equity method	182,491	-
Proceeds from disposal of non-current assets held for sale	-	145,092
Additions to property, plant and equipment	(1,734,596)	(1,594,545)
Proceeds from disposal of property, plant and equipment	15,002	60,930
Decrease (increase) in loan receivables from related parties	181,191	(25,330)
Additions to intangible assets	(73,019)	(110,319)
Decrease (increase) in long-term prepaid rents	(2,102)	24,660
Additions to investment property	(50,728)	(99,826)
Decrease (increase) in other financial assets	1,947,091	(347,265)
Acquisition of a subsidiary, net of cash used	(43,834)	(75,538)
Net cash flows provided by (used in) investing activities	296,136	(2,337,043)
Cash flows from financing activities:		
Increase in short-term borrowings	9,640,529	8,387,454
Decrease in short-term borrowings	(15,791,844)	(8,239,190)
Increase in long-term debt	8,149,850	8,455,300
Repayment of long-term debt	(10,978,770)	(10,074,280)
Decrease in lease obligations payable	(38,287)	(19,934)
Cash dividends distributed to shareholders	(1,081,730)	(1,180,069)
Acquisition of subsidiary's interests from non-controlling interests	(1,300)	(902,950)
Proceeds from disposal of subsidiary's interests (without losing control)	-	181,067
Capital injection from non-controlling interests	-	304,890
Cash dividends paid to non-controlling interests	(246,821)	(247,319)
Net cash used in financing activities	(10,348,373)	(3,335,031)
Effects of foreign exchange rate changes	(106,487)	469,584
Net increase (decrease) in cash and cash equivalents	(2,210,697)	47,076
Cash and cash equivalents at beginning of year	9,036,050	8,988,974
Cash and cash equivalents at end of year	$ 6,825,353	9,036,050

Independent Auditors' Report

The Board of Directors
Qisda Corporation:

Opinion

We have audited the parent-company-only financial statements of Qisda Corporation (the "Company"), which comprise the parent-company-only balance sheets as of December 31, 2016 and 2015, and the parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2016 and 2015, and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent-company-only financial statements for the year ended December 31, 2016 are stated as follows:

1. Revenue recognition

   Please refer to notes 4(15) and 6(18) for the accounting policy on revenue recognition and "Revenue" for the related disclosures, respectively, of the notes to the parent-company-only financial statements.

   Description of key audit matter:

   The Company recognizes its revenue depending on the various trade terms in each individual sale transaction and service rendered, which are considered to be complex in determining the timing of revenue recognition. Consequently, the revenue recognition has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matters above, our principal audit procedures included testing the design and operating effectiveness of the Company's internal controls over financial reporting in the sales and collection cycle; assessing whether revenue is recognized based on the trade terms with customers through reviewing the related sales contracts or other trade documents; performing a sample test of sales transactions that took place before and after the balance sheet date to identify the timing of transfer of risks and rewards of ownership of the goods and assessing the reasonableness of the timing of revenue recognition; reviewing and understanding the reasonableness for any identified significant sales returns and allowances that took place after the balance sheet date, as well as assessing whether the revenue and related sales returns and allowances is recognized in appropriate period.

2. Valuation of inventories

   Please refer to notes 4(7), 5 and 6(5) for the inventory accounting policy, "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and "Inventories" for the related disclosures, respectively, of the notes to the parent-company-only financial statements.

   Description of key audit matter:

   Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environments in the electronic industry, the life cycle of certain products of the Company are short and their market prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of the net realizable value of inventories and inventory aging report prepared by the Company; evaluating whether valuation of inventories was accounted for in accordance with the Company's accounting policies; and assessing the historical reasonableness of management's estimates on inventory provisions. Moreover, comparing with inventory provisions recognized in the current year to evaluate the reasonableness of inventory provisions.

3. Impairment of assets (excluding goodwill)

   Please refer to notes 4(13), 5 and 6(6) for the accounting policy on impairment of non-financial assets, and "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of property, plant and equipment and intangible assets impairment, respectively, of the notes to the parent-company-only financial statements.

   Description of key audit matter:

   The Company's subsidiaries, "BenQ Material Corp." (recorded as "investments accounted for using equity method") decided to increase market competitiveness and reduce the operation cost, and BenQ Material Corp. has determined to terminate certain production lines, which resulted in a net loss in 2016. As a result of this, there is a significant risk of impairment on the non-financial assets of BenQ Material Corp. The recoverable amount of these assets has been determined based on the discounted cash flow forecasted by the management, and this process involved management judgment and significant uncertainties. Accordingly, the assessment of asset impairment for BenQ Material Corp. has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matter above, our principal audit procedures included assessing the reasonableness of the discount rate used by the management of BenQ Material Corp. in measuring the recoverable amount by comparing it to internal and independent sources; evaluating the historical reasonableness of the management's estimation of the prior year's forecasted cash flows; and evaluating the reasonableness of the key assumptions including the revenue growth rate, gross margin ratio and operating expense ratio used by the management by comparing them to internal and independent sources.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent-company-only financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluated the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remained solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the parent-company-only financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Chieh Tang and Wei-Ming Shih.

KPMG
Taipei, Taiwan (Republic of China)
March 9, 2017

Notice to Readers

The accompanying parent-company-only financial statements are intended only to present the parent-company-only financial position, financial performance 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 parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report, the Chinese version shall prevail.

Qisda Corporation
Parent Company Only Balance Sheets
December 31, 2016 and 2015
(In thousands of New Taiwan dollars)

Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
Current assets:				
Cash and cash equivalents	$ 2,449,331	4	860,964	1
Financial assets at fair value through profit or loss－current	89,110	-	82,154	-
Available-for-sale financial assets－current	69,421	-	90,458	-
Notes and accounts receivable, net	11,182,508	16	10,917,468	16
Notes and accounts receivable from related parties	12,799,071	19	13,254,566	20
Other receivables	953	-	26,300	-
Other receivables from related parties	967	-	17,404	-
Inventories	2,587,087	4	3,071,579	5
Other financial assets－current	-	-	716,636	1
Other current assets	84,655	-	81,525	-
Total current assets	29,263,103	43	29,119,054	43
Non-current assets:				
Available-for-sale financial assets－non-current	572,492	1	480,989	1
Investments accounted for using equity method	35,597,339	52	35,533,178	52
Property, plant and equipment	1,501,273	2	1,531,870	2
Intangible assets	11,451	-	16,122	-
Deferred income tax assets	944,118	2	1,042,935	2
Other non-current assets	29,678	-	35,924	-
Other financial assets－non-current	35,189	-	36,907	-
Total non-current assets	38,691,540	57	38,677,925	57
Total assets	$ 67,954,643	100	67,796,979	100

(Continued)

Qisda Corporation
Parent Company Only Balance Sheets
December 31, 2016 and 2015
(In thousands of New Taiwan dollars)

Liabilities and Equity	December 31, 2016 Amount	%	December 31, 2015 Amount	%
Current liabilities:				
Short-term borrowings	$ -	-	3,743,575	6
Notes and accounts payable	3,125,898	5	2,743,528	4
Accounts payable to related parties	24,567,581	36	21,523,935	32
Other payables	2,824,196	4	2,406,485	4
Other payables to related parties	5,039	-	123,363	-
Current portion of long-term debt	2,153,750	3	250,000	-
Provisions—current	28,032	-	30,343	-
Other current liabilities	243,928	1	191,089	-
Total current liabilities	32,948,424	49	31,012,318	46
Non-current liabilities:				
Long-term debt	5,021,500	7	9,089,500	14
Provisions—non-current	125,148	-	205,265	-
Deferred income tax liabilities	15,149	-	13,966	-
Other non-current liabilities	334,376	1	204,048	-
Total non-current liabilities	5,496,173	8	9,512,779	14
Total liabilities	38,444,597	57	40,525,097	60
Equity :				
Common stock	19,667,820	29	19,667,820	29
Capital surplus	2,177,332	3	2,179,038	3
Retained earnings	6,806,202	10	3,545,665	5
Other equity	858,692	1	1,879,359	3
Total equity	29,510,046	43	27,271,882	40
Total liabilities and equity	**$ 67,954,643**	**100**	**67,796,979**	**100**

Qisda Corporation
Parent Company Only Statements of Comprehensive Income
For the years ended December 31, 2016 and 2015
(In thousands of New Taiwan dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Net sales	$ 83,560,114	100	91,996,634	100
Cost of sales	77,509,690	93	87,362,824	95
Gross profit	6,050,424	7	4,633,810	5
Realized (unrealized) inter-company profit	63,401	-	(5,681)	-
Realized gross profit	6,113,825	7	4,628,129	5
Operating expenses:				
Selling expenses	804,525	1	794,477	1
Administrative expenses	460,342	1	461,374	1
Research and development expenses	2,133,069	2	2,141,661	2
Total operating expenses	3,397,936	4	3,397,512	4
Operating income	2,715,889	3	1,230,617	1
Non-operating income and loss:				
Other income	82,993	-	79,235	-
Other gains and losses－net	33,971	-	81,878	-
Finance costs	(183,594)	-	(287,426)	-
Share of profit of subsidiaries, associates and joint ventures	1,880,157	2	1,165,287	1
Total non-operating income and loss	1,813,527	2	1,038,974	1
Income before income tax	4,529,416	5	2,269,591	2
Income tax expense	187,149	-	100,413	-
Net income	4,342,267	5	2,169,178	2
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	(76,390)	-	(37,181)	-
Share of other comprehensive income of subsidiaries, associates and joint ventures	(24,939)	-	(23,543)	-
Less: income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
	(101,329)	-	(60,724)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(1,078,657)	(1)	442,935	1
Change in fair value of available-for-sale financial assets	84,354	-	(79,555)	-
Share of other comprehensive income of subsidiaries, associates and joint ventures	74,965	-	(495,646)	(1)
Less: income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	(919,338)	(1)	(132,266)	-
Other comprehensive income for the year, net of income tax	(1,020,667)	(1)	(192,990)	-
Total comprehensive income for the year	**$ 3,321,600**	**4**	**1,976,188**	**2**
Earnings per share (in New Taiwan dollars):				
Basic earnings per share	$	**2.21**		**1.10**
Diluted earnings per share	$	**2.18**		**1.09**

Qisda Corporation
Parent Company Only Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(In thousands of New Taiwan dollars)

			Retained earnings			Other equity				
	Common stock	Capital Surplus	Legal reserve	Unappropriated earnings	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Total	Total equity
Balance at January 1, 2015	$19,667,820	1,990,292	-	2,556,556	2,556,556	1,654,336	547,679	-129,666	2,072,349	26,287,017
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, associates and joint ventures 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	-	-	-	2,169,178	2,169,178	442,935	(575,201)	(60,724)	(192,990)	1,976,188
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
Appropriation of earnings:										
Legal reserve	-	-	216,918	(216,918)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	(1,081,730)	(1,081,730)	-	-	-	-	(1,081,730)
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	(972)	-	-	-	-	-	-	-	(972)
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	(734)	-	-	-	-	-	-	-	(734)
Net income in 2016	-	-	-	4,342,267	4,342,267	-	-	-	-	4,342,267
Other comprehensive income in 2016	-	-	-	-	-	(1,078,657)	159,319	(101,329)	(1,020,667)	(1,020,667)
Total comprehensive income in 2016	-	-	-	4,342,267	4,342,267	(1,078,657)	159,319	(101,329)	(1,020,667)	3,321,600
Balance at December 31, 2016	**19,667,820**	**2,177,332**	**459,607**	**6,346,595**	**6,806,202**	**1,018,614**	**131,797**	**(291,719)**	**858,692**	**29,510,046**

(note) For the years ended December 31, 2016 and 2015, the Company estimated the remuneration to directors amounting to $37,500 thousand and $18,662 thousand, respectively, the remuneration to employees amounting to $386,355 thousand and $200,060 thousand, respectively. These amounts are expensed in the statements of comprehensive income.

Qisda Corporation
Parent Company Only Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(In thousands of New Taiwan dollars)

	2016	2015
Cash flows from operating activities:		
Income before income tax	$ 4,529,416	2,269,591
Adjustments for:		
Depreciation	75,694	77,516
Amortization	9,605	10,599
Provision for bad debt expense	4,071	-
Interest expense	183,594	287,426
Interest income	(3,358)	(2,867)
Dividend income	(34,716)	(32,584)
Share of profit of subsidiaries, associates and joint ventures	(1,880,157)	(1,165,287)
Loss on disposal of property, plant and equipment	-	930
Gain on disposal of investments	-	(17,021)
Impairment loss on financial assets	43,263	-
Unrealized (realized) inter-company profit	(63,401)	5,681
Total non-cash profit and loss	(1,665,405)	(835,607)
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(6,956)	(7,351)
Decrease (increase) in notes and accounts receivable	(269,111)	2,210,268
Decrease in notes and accounts receivable from related parties	455,495	2,394,523
Decrease in other receivables	25,311	128,432
Decrease in other receivables from related parties	18	11,767
Decrease in inventories	484,492	141,831
Increase in other current assets	(3,660)	(9,214)
Increase in other non-current assets	(2,199)	(23,041)
Net changes in operating assets	683,390	4,847,215
Increase (decrease) in notes and accounts payable	382,370	(822,496)
Increase (decrease) in accounts payable to related parties	3,043,646	(3,660,559)
Decrease in other payables to related parties	(118,324)	(143,487)
Decrease in provisions	(82,428)	(28,753)
Increase (decrease) in other payables and other current liabilities	487,931	(2,588)
Increase in other non-current liabilities	53,938	7,638
Net changes in operating liabilities	3,767,133	(4,650,245)
Total changes in operating assets and liabilities	4,450,523	196,970
Cash provided by operations	7,314,534	1,630,954
Interest received	3,394	4,803
Dividend received	443,776	450,542
Interest paid	(179,170)	(274,282)
Income taxes paid	(99,979)	(1,404)
Net cash provided by operating activities	7,482,555	1,810,613

(Continued)

Qisda Corporation
Parent Company Only Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(In thousands of New Taiwan dollars)

	2016	2015
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(29,375)	(450,101)
Proceeds from sale of available-for-sale financial assets	-	76,596
Purchase of investments accounted for using equity method	(110,000)	(64,859)
Proceeds from disposal of investments accounted for using equity method	-	10
Increase in prepayments for investments	550,000	-
Additions to property, plant and equipment	(45,097)	(35,497)
Decrease (increase) in loan receivables from related parties	16,419	(17,536)
Additions to intangible assets	(4,934)	(6,015)
Decrease in other financial assets	718,354	55,939
Net cash flows provided by (used in) investing activities	1,095,367	(441,463)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(3,743,575)	1,095,405
Increase in long-term debt	5,137,350	6,795,300
Repayment of long-term debt	(7,301,600)	(7,607,155)
Cash dividends distributed to shareholders	(1,081,730)	(1,180,069)
Net cash used in financing activities	(6,989,555)	(896,519)
Net increase in cash and cash equivalents	1,588,367	472,631
Cash and cash equivalents at beginning of year	860,964	388,333
Cash and cash equivalents at end of year	**$ 2,449,331**	**860,964**

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