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BenQ to Spin Off Brand, Take on New Name

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BenQ announced on Wednesday that it will create a spin-off of its branded business in light of continued quarterly losses and in an effort to recoup losses it experienced after acquiring Siemens' troubled handset division.

The company said its board members approved the spin-off plan today, although BenQ shareholders will also have to weigh in on the matter before the plan can move forward.

Last year, BenQ announced it would stop investing in German handset subsidiary, BenQ Mobile, which has since filed for bankruptcy and laid off thousands of its German workers. BenQ said it lost over $1 billion while trying to turn BenQ Mobile into a profitable business.

As for the name BenQ, it will be absorbed into the spun-off unit, officials said on Wednesday, and will continue to focus on brand name products such as digital projectors, mobile phones, LCD televisions, and computer monitors. BenQ will be temporarily renamed Jia Da Corporation until another name is agreed upon later this year, a spokesman said. Under the new plan, the current chairman and president of BenQ, K.Y. Lee, will hold the same titles in Jia Da after the spin-off.

The proposal also comes on the same day the company disclosed another quarterly loss, this time for of $53 million for the first quarter of 2007, larger than what many analysts had forecasted for the company.

In light of these continued losses, BenQ also said on Wednesday it would reduce its balance sheet capital by around 40 percent to T$15 billion later this year from the current T$25.6 billion by deducting accumulated losses.

"The capital reduction plan will be helpful to improve current financial structure and to increase net value per share," said David Wang, BenQ's vice president and deputy spokesperson, in a statement.

According to Lee, BenQ is opting into this spin-off plan because the branded business structure has become less complicated, and the scale of the branded business has become relatively small when compared to the manufacturing portion of the company.

The branded business accounts for around 30- to 40 percent of the company's revenue, Lee said, and it made more sense for the larger of the two to become the controlling entity.