

# **Tatung Company**

**Integrity, Honesty, Industry, Frugality**

# Tatung Company Profile

(2371 TT)

**Established: 1918**

**Capital: NT \$ 44 Billion (≐ US\$ 1.3Billion)**

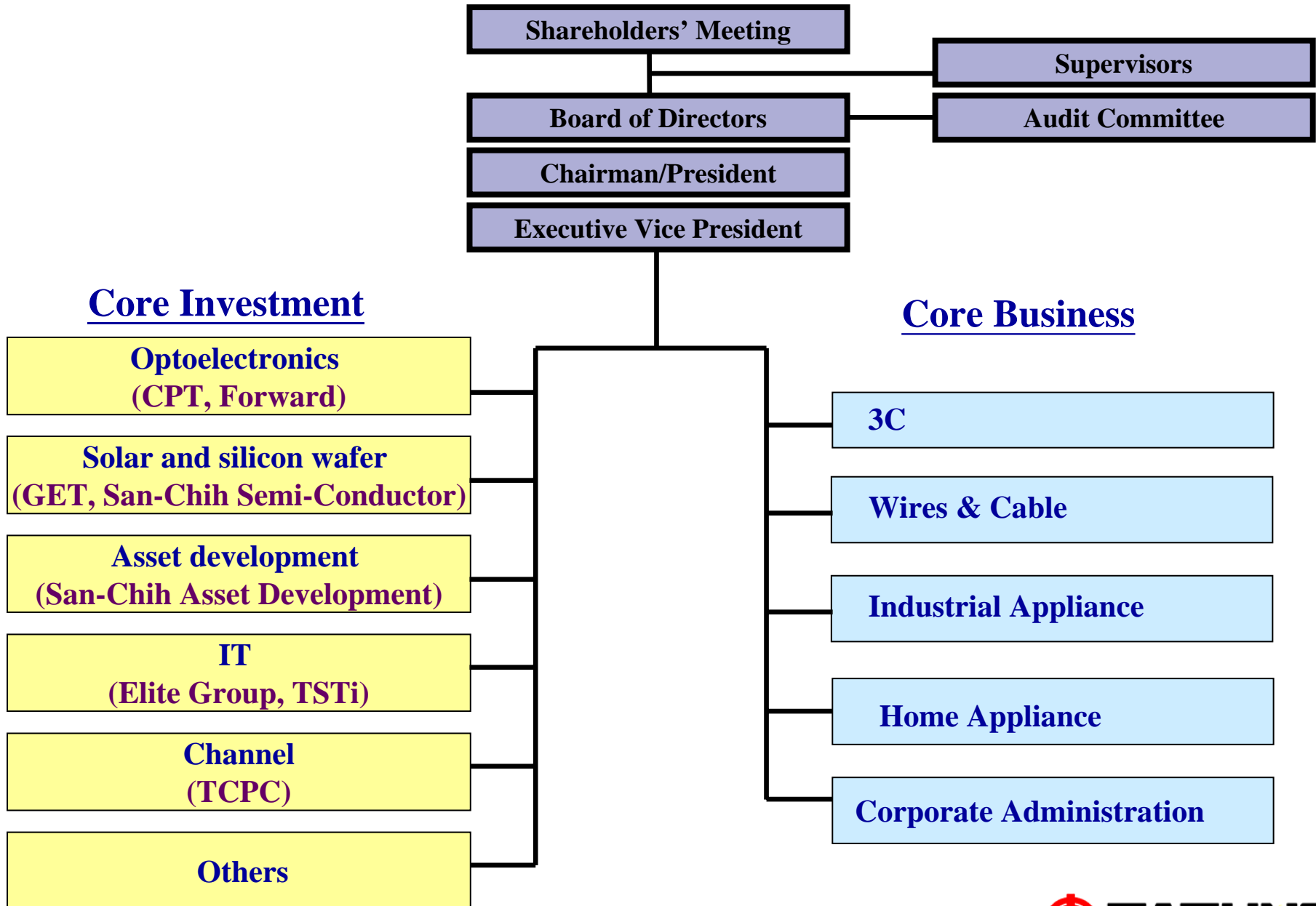
## **Core Business:**

- **3C**
- **Home Appliance**
- **Industrial Appliance**
- **Wires & Cables**

## **Core Investment:**

- **Solar and silicon wafer (GET, San-Chih Semi-Conductor)**
- **Optoelectronics (CPT, Forward)**
- **Asset development (San-Chih Asset Development)**
- **IT (Elite Group, TSTi)**
- **Channel (TCPC)**
- **Others**

# Company Organization

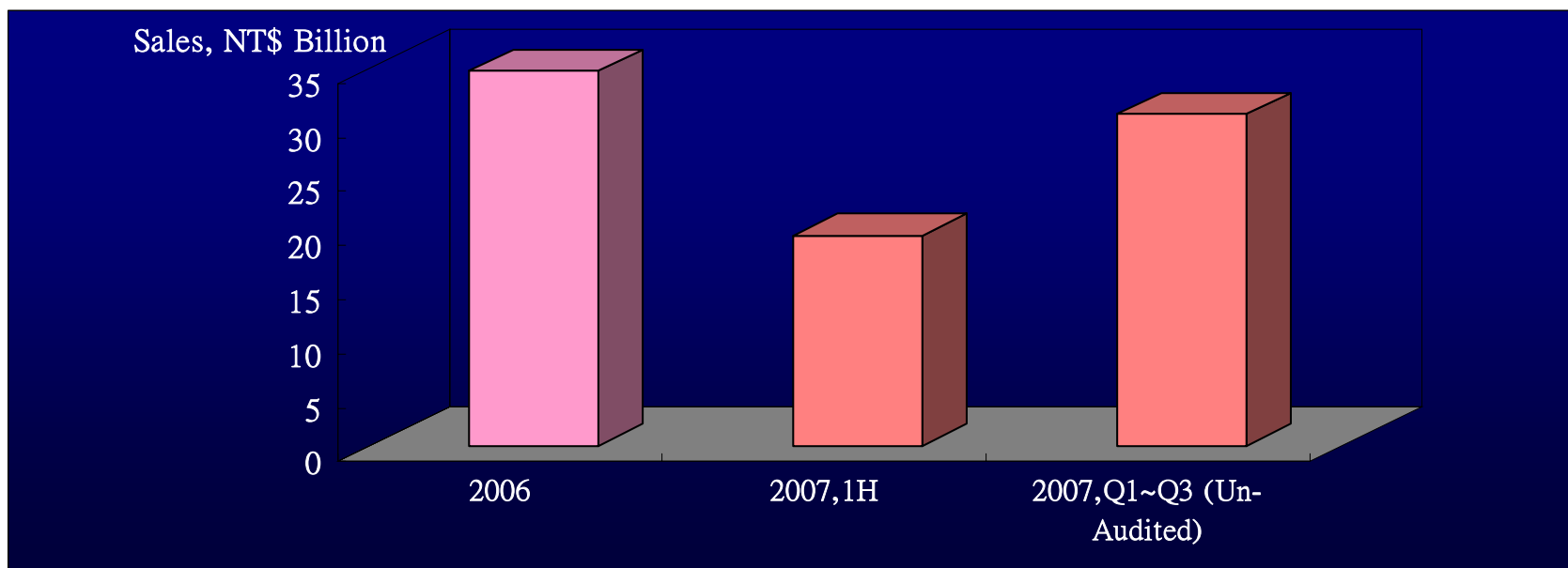


# Financial Information

NT\$ Billion

	2006	2007, 1H	2007, Q1~Q3 (Un-Audited)
<b>Sales</b>	<b>34.6</b>	<b>19.4</b>	<b>30.6</b>
<b>Net Income/Loss</b>	<b>-8.18</b>	<b>1.8</b>	
<b>EPS(NT dollar)</b>	<b>-1.97</b>	<b>0.42</b>	
<b>Diluted EPS</b>		<b>0.36</b>	

Notes: Diluted EPS is based on assumption of full conversion on outstanding CB and stock option

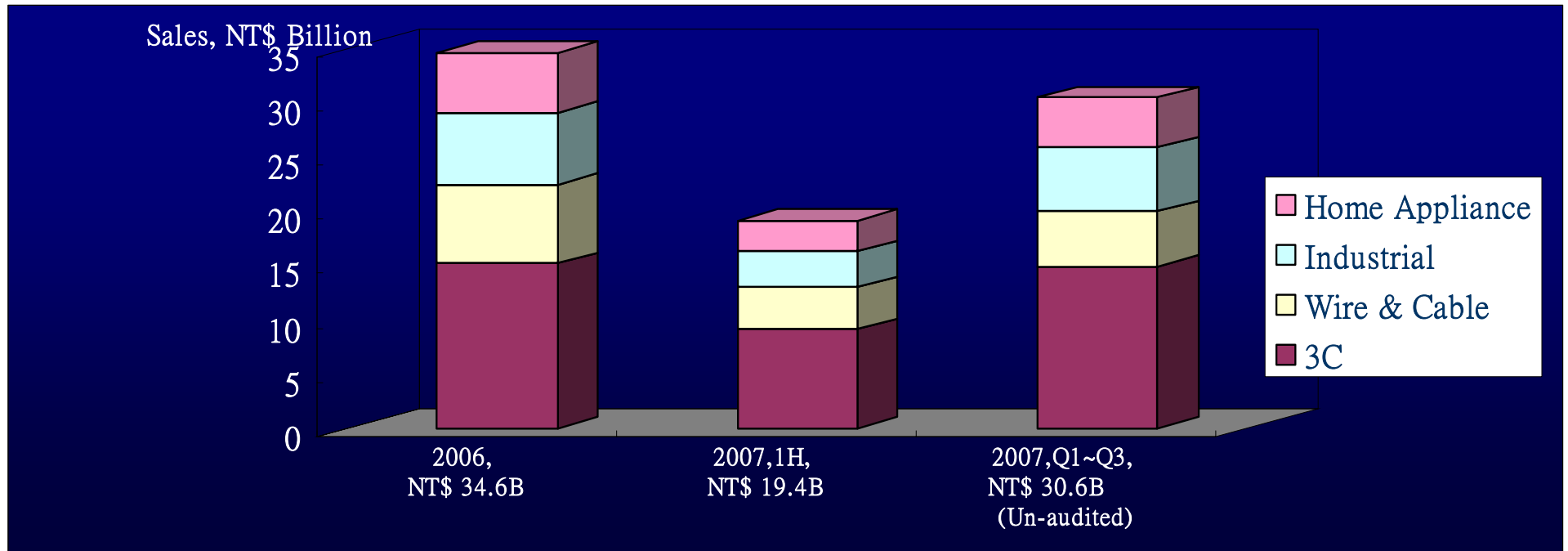


# Core Businesses

# Sales Ratio

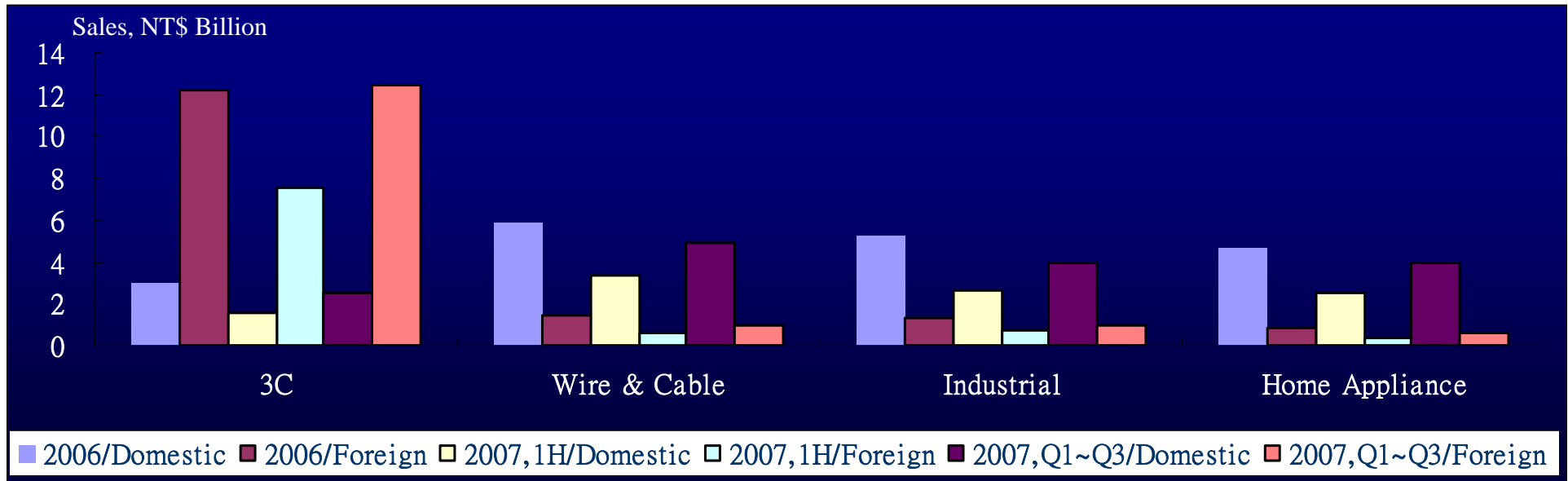
## Core Business

	<u>2006</u>	<u>2007,1H</u>	<u>2007,Q1~Q3</u> (Un-audited)
1. 3C (mainly displays)	44%	47%	49%
2. Wires and Cables	21%	20%	19%
3. Industrial Appliance	19%	17%	17%
4. Home Appliance	16%	15%	15%



# Market Base

	<u>2006</u>	<u>2007, 1H</u>	<u>2007, Q1~Q3 (Un-audited)</u>
	<u>Domestic/Foreign</u>	<u>Domestic/ Foreign</u>	<u>Domestic/ Foreign</u>
<b>Tatung</b>	<b>55% / 45%</b>	<b>52% / 48%</b>	<b>50% / 50%</b>
<b>3C</b>	<b>20% / 80%</b>	<b>17% / 83%</b>	<b>16% / 84%</b>
<b>Wires and Cables</b>	<b>80% / 20%</b>	<b>84% / 16%</b>	<b>83% / 17%</b>
<b>Industrial Appliance</b>	<b>80% / 20%</b>	<b>80% / 20%</b>	<b>80% / 20%</b>
<b>Home Appliance</b>	<b>85% / 15%</b>	<b>86% / 14%</b>	<b>86% / 14%</b>



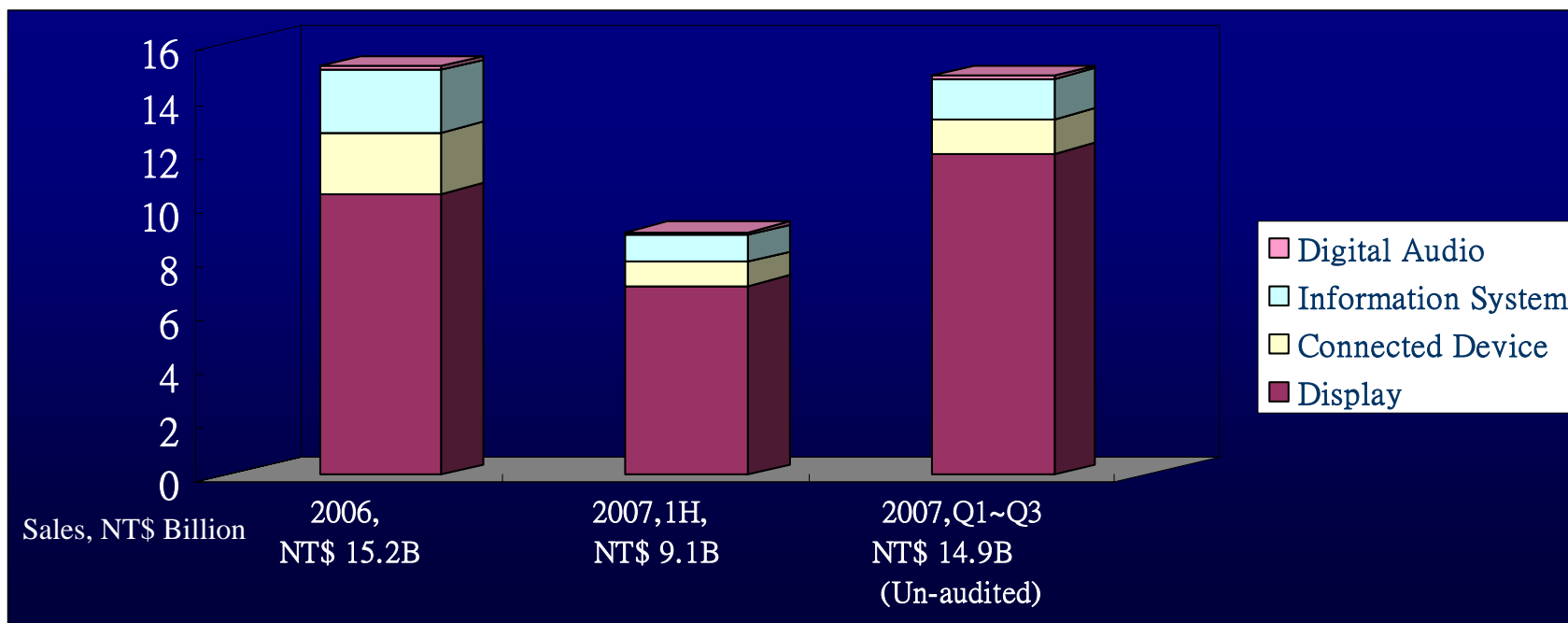
# Overall Strategies

- **Core businesses:**
  - ✓ **Increase Sales Revenue and improve gross margins**
  - ✓ **Add higher value-added businesses into the company**
  - ✓ **Divest businesses do not generate enough margin. Streamline product mix to create better margins and improve production efficiency**
  
- **Core Investments:**
  - ✓ **Focus on higher margin and high tech businesses**
  - ✓ **Enhance asset values through asset development and management**
  - ✓ **Monetize investments and increase market value by listing on public markets**
  - ✓ **Review those non-core businesses to decide whether to merge with other partners and be a happy investor or sell-off or divest through comprehensive re-engineering programs**



# 3C -Product Category

	<u>2006</u>	<u>2007, 1H</u>	<u>2007, Q1~3Q (Un-audited)</u>
➤ <b>Display (TV and Monitor)</b>	<b>69%</b>	<b>78%</b>	<b>80%</b>
➤ <b>Connected Device</b>	<b>15%</b>	<b>10%</b>	<b>9%</b>
➤ <b>Information System</b>	<b>15%</b>	<b>11%</b>	<b>10%</b>
➤ <b>Digital Audio</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>



## 3C- Strategy Planning

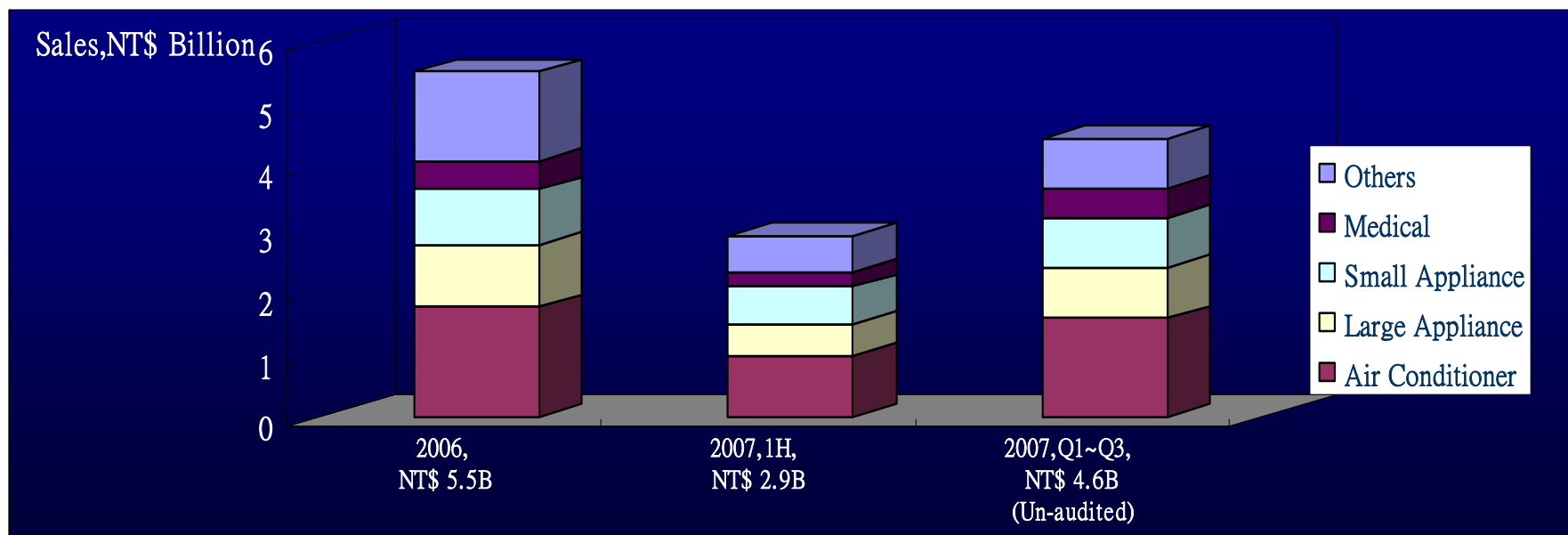
- **Increase sales revenue and margins by enlarging scale.**
- **Integrate with Proview for sharing designs and components/ suppliers to improve cost structure.**
- **Close down business without prospects.**

# Integration with Proview for improvements

- **Tatung will leverage Proview designs and cost structure to improve the cost structure.**
- **Proview will use Tatung's overseas factories and Tatung factories will reduce its overhead by adding volumes.**
- **Tatung can leverage Proview's product lines, expand product variety, satisfy different customers' needs with limited resources.**

# Home Appliance -Product Category

	<u>2006</u>	<u>2007, 1H</u>	<u>2007, Q1~Q3 (Un-Audited)</u>
➤ <b>Air Conditioner</b>	<b>32%</b>	<b>34%</b>	<b>34%</b>
➤ <b>Large Appliance</b>	<b>18%</b>	<b>18%</b>	<b>18%</b>
➤ <b>Small Appliance</b>	<b>16%</b>	<b>20%</b>	<b>19%</b>
➤ <b>Medical</b>	<b>8%</b>	<b>8%</b>	<b>11%</b>
➤ <b>Others</b>	<b>26%</b>	<b>20%</b>	<b>18%</b>

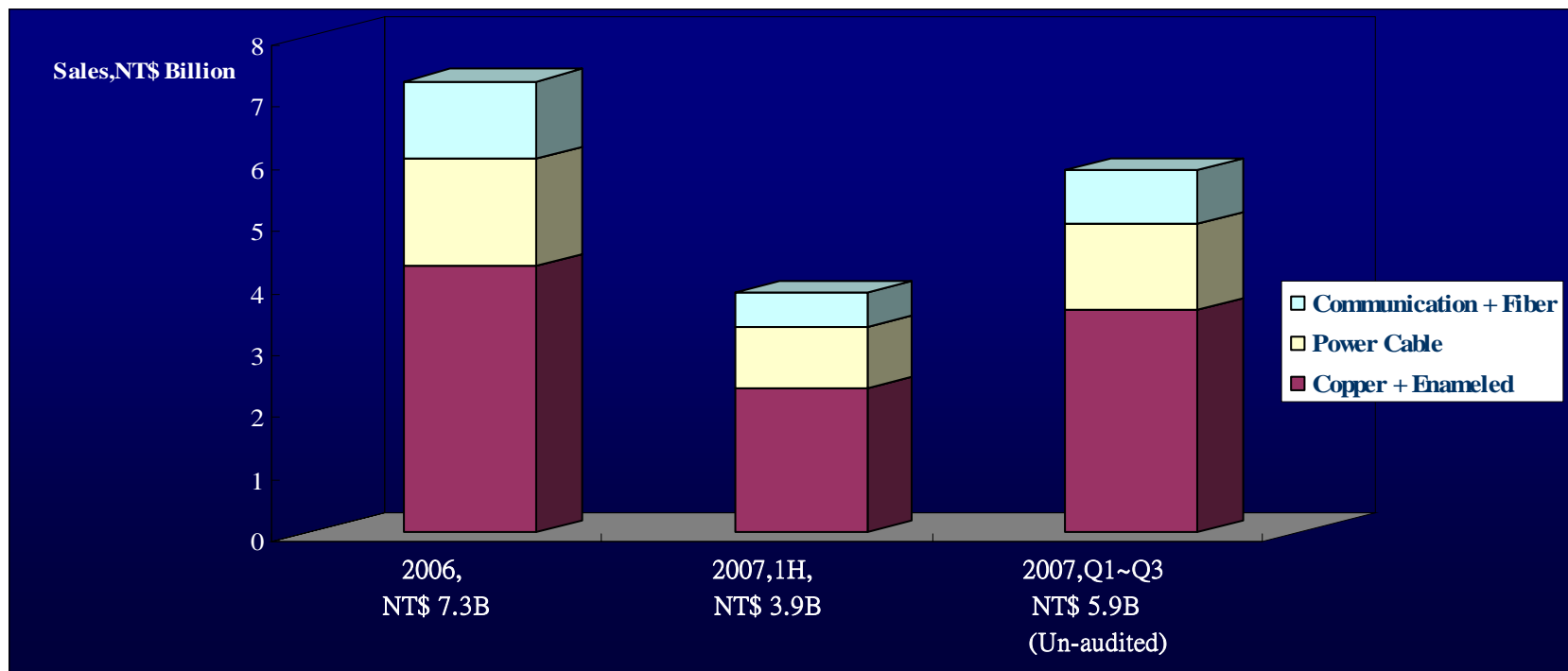


# Home Appliance - Strategy Planning

- **With right cost structure, Home Appliance is increasing export sales and business scale worldwide.**
- **Vietnam to be global production center**
  - ✓ **Large home appliances production transfer to Vietnam is completed by Q4, 2007.**
  - ✓ **Estimated to have 15% cost down by the transfer**
- **Focus R&D efforts in high-end energy saving products.**
- **Further develop high value-added medical care products**

# Wire & Cable -Product Category

	<u>2006</u>	<u>2007, 1H</u>	<u>2007, Q1~Q3 (Un-Audited)</u>
➤ <b>Copper &amp; Enameled Wire</b>	<b>59%</b>	<b>60%</b>	<b>61%</b>
➤ <b>Power Cable</b>	<b>24%</b>	<b>25%</b>	<b>25%</b>
➤ <b>Communication + Fiber</b>	<b>17%</b>	<b>15%</b>	<b>14%</b>

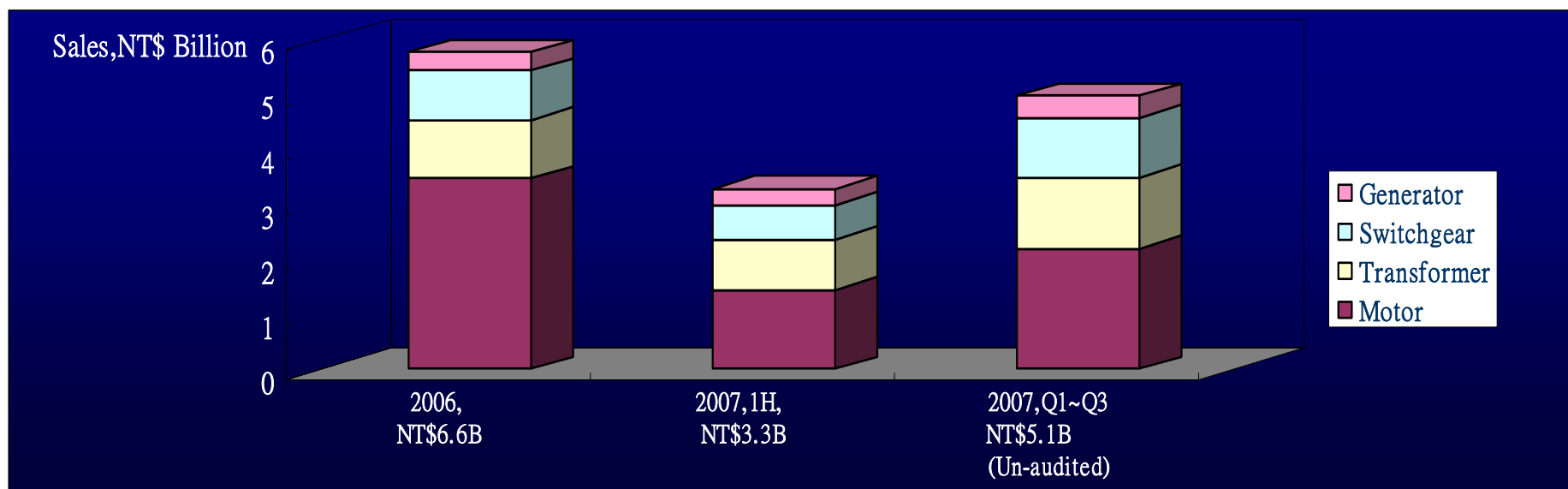


# Wire & Cable -Strategy Planning

- **Taiwan as strategy-developing and high-end production center.**
  - ✓ **Expand high-tech capacity in Taiwan to serve government infrastructural and large industrial markets.**
  - ✓ **Develop advanced technology and timely strategy for different market demands.**
  
- **Global factories as global information network and low-end production centers.**
  - ✓ **Expand capacity in China and Thailand while extend investment into Vietnam.**
  - ✓ **Pursue global ramping infrastructure markets for low-end models.**
  - ✓ **Feedback promptly market information to create best timing strategy.**

# Industrial Appliance -Product Category

	<u>2006</u>	<u>2007, 1H</u>	<u>2007, Q1~Q3 (Un-Audited)</u>
➤ <b>Motor</b>	<b>53%</b>	<b>44%</b>	<b>44%</b>
➤ <b>Transformer</b>	<b>16%</b>	<b>28%</b>	<b>27%</b>
➤ <b>Switchgear</b>	<b>14%</b>	<b>19%</b>	<b>21%</b>
➤ <b>Generator</b>	<b>5%</b>	<b>9%</b>	<b>8%</b>





# Industrial Appliance -Strategy Planning

- **Classified marketing and productions for diversified global demands :**
  - ✓ **To expand capacity in Taiwan for developed countries and high-end product markets.**
  - ✓ **To expand capacity in China and Vietnam for developing countries and low-end product demands.**
  - ✓ **To develop advanced integration on hydraulic and solar power systems to pursue high added values.**
  - ✓ **To extend service network to U.S. and Middle East per customer demands.**

# Core Investments

# Main Investments

## Listed Companies

<i>Financial in 2007, Q1~Q3 (Un-Audited)</i>	<b>CPT (2475 TT)</b>	<b>GET (3519 TT)</b>	<b>Forward (8085 TT)</b>	<b>TSTi (8099 TT)</b>	<b>ECS (2331 TT)</b>
<b>Sales (NT\$ Billion)</b>	<b>102</b>	<b>3.3</b>	<b>3.75</b>	<b>2.4</b>	<b>59.2</b>
<i>Financial in 2007, 1H</i>	<b>CPT (2475 TT)</b>	<b>GET (3519 TT)</b>	<b>Forward (8085 TT)</b>	<b>TSTi (8099 TT)</b>	<b>ECS (2331 TT)</b>
<b>Sales (NT\$ Billion)</b>	<b>60</b>	<b>1.67</b>	<b>2.4</b>	<b>1.6</b>	<b>38.9</b>
<b>Net Income/Loss (NT\$ Billion)</b>	<b>-2.5</b>	<b>0.11</b>	<b>0.065</b>	<b>0.081</b>	<b>0.03</b>
<b>EPS (NT dollar)</b>	<b>-0.31</b>	<b>1.35</b>	<b>0.48</b>	<b>1.36</b>	<b>0.03</b>
<b>Group Holding</b>	<b>29%</b>	<b>68%</b>	<b>42%</b>	<b>56%</b>	<b>25%</b>
<b>Tatung Recognize (NT\$ Billion)</b>	<b>-0.72</b>	<b>Via San-Chih Semi-Con.</b>	<b>0.026</b>	<b>0.047</b>	<b>0.004</b>

# Main Investments

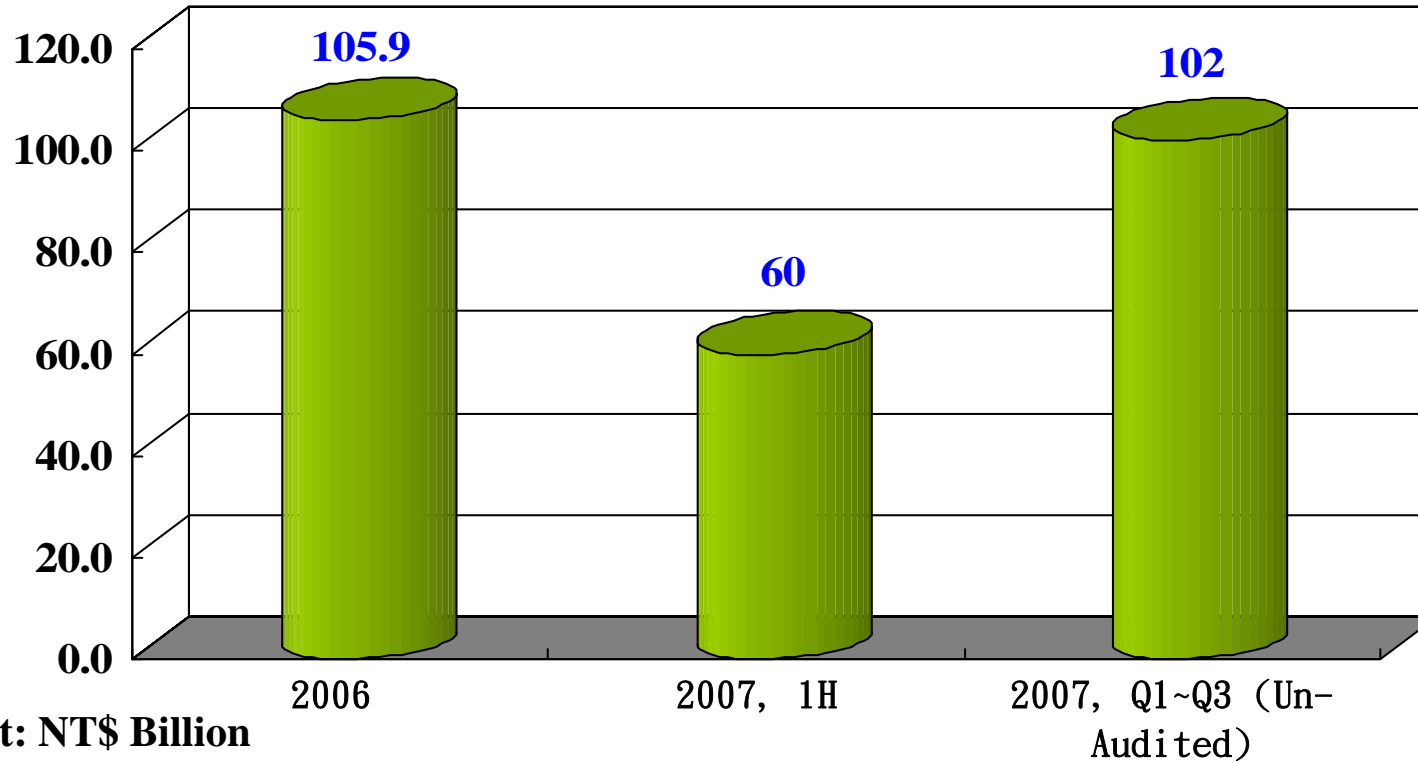
## Non-Listed Companies

<i>Financial in 2007, Q1~Q3 (Un-Audited)</i>	<b>San-Chih Semi-Conductor</b>	<b>San-Chih Asset</b>	<b>TCPC</b>	<b>Others</b>
<b>Sales (NT\$ Billion)</b>	<b>0.549</b>	<b>2.2</b>	<b>6.6</b>	<b>40.1</b>
<i>Financial in 2007, 1H</i>	<b>San-Chih Semi-Conductor</b>	<b>San-Chih Asset</b>	<b>TCPC</b>	<b>Others</b>
<b>Sales (NT\$ Billion)</b>	<b>0.36</b>	<b>1.403</b>	<b>4.178</b>	<b>25.1</b>
<b>Net Income/Loss (NT\$ Billion)</b>	<b>2.8</b>	<b>0.589</b>	<b>0.018</b>	<b>0.17</b>
<b>EPS (NT dollar)</b>	<b>40.97</b>			
<b>Group Holding</b>	<b>88%</b>	<b>100%</b>	<b>100%</b>	<b>Varies by company</b>
<b>Tatung Recognize (NT\$ Billion)</b>	<b>2.78 (including GET)</b>	<b>0.568</b>	<b>0.018</b>	

# Chunghwa Picture Tubes

(2475 TT)

Sales, NT\$ Billion



	2006	2007, 1H	2007, Q1~Q3 (Un-audited)
<b>Sales</b>	<b>105.9</b>	<b>60</b>	<b>102</b>
<b>Net income</b>	<b>-13.9</b>	<b>-2.5</b>	
<b>EPS (NT\$)</b>	<b>-1.7</b>	<b>-0.31</b>	

# Chunghwa Picture Tubes

- **Profit making is the first priority. CPT has made monthly profit from May, 2007 and expect to announce Q3 results in coming investor conference.**
- **Increase ASP and margin rate with right product mix**
- **Invest equipment on G4.5 and G6 lines to enhance production flexibility and improve margin rates**
- **Ramp up G6 to full capacity with 2/3 of capacity devoted to wide screen monitor panels with better margins**
- **Drive down material costs and improve production efficiency for cost competitiveness**
- **Vertical integration on key components to reduce cost**
- **Securing demand from Tatung, Proview, TPV and other key customers to ensure full capacity utilization even at downturn of economic cycles.**

# Proview Investment

- **Investment:** US\$ 20 Million  
(Through San-Chih Asset Development)
- **Holding:** 16.22%
- **Shares:** 125M shares
- **Price:** HK\$ 1.25/ share

## **Expected Contributions to Tatung Group:**

- **Investment Income for San Chih Asset Development**
- **Cost Saving for Display business in Tatung**
- **Providing secured demand for CPT panels**
- **Providing products to TCPC with competitive cost to enhance its market share in Taiwan market and reduce related-party business ratio to facilitate TCPC's IPO**

# Green Energy Technology

(3519 TT)

- **Main Products: Solar Grade Silicon Wafers/ Ingots**
- **Established in 2004, Production ramp up in Q3 of 2005**
- **At the final stage of applying process to list on TSEC main board. Expected to IPO on main board by end of 2007.**

<b>Current Capital</b>	<b>864M</b>	<b>(86.4M shares)</b>
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<b>IPO expected to raise</b>	<b>90 M</b>	<b>( 9 M shares)</b>
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<b>Expected IPO capital</b>	<b>954M</b>	<b>(95.4M shares)</b>
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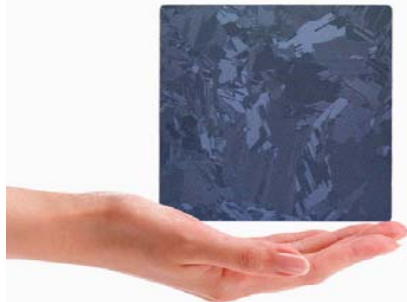
- **Tatung will make share releasing plan based on evaluation of future development plan for GET and Tatung.**



# Green Energy Technology

<b>Scaling up</b>	<b>Furnace</b>	<b>Annual Capacity (MW)</b>
• <b>Dec. 2006</b>	<b>26</b>	<b>65</b>
• <b>Aug. 2007</b>	<b>46</b>	<b>110</b>
• <b>Dec. 2007</b>	<b>80</b>	<b>200</b>

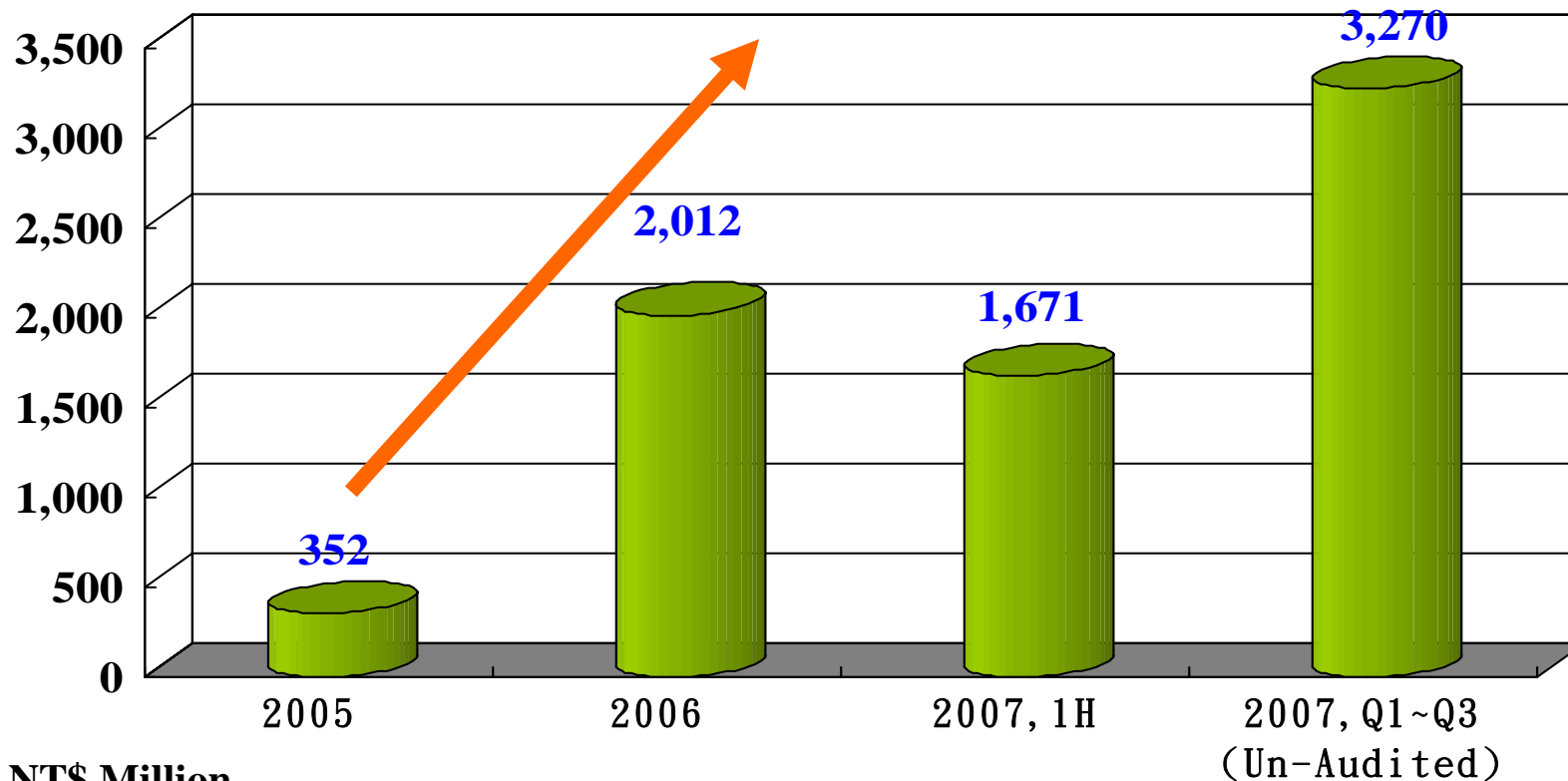
- **The largest multi-crystalline silicon wafer manufacturer in Taiwan -  
--Wafer Size: 125x125mm, 156x156mm mainly  
--Wafer Thickness: 180  $\mu$  m~ 240  $\mu$  m**
- **Half of worldwide top-10 cell manufacturers in US, Japan, Europe and Taiwan purchase from GET.**



# Green Energy Technology

Sales, NT\$ Million

*Business Growth*



Unit: NT\$ Million

	2005	2006	2007, 1H	2007, Q1~Q3 (Un-audited)
<b>Sales</b>	352	2,012	1,671	3,270
<b>Net income</b>	-60	539	110	
<b>EPS (NT\$)</b>	-0.94	6.65	1.35	

# Green Energy Technology

## *Next Step*

- **Ramp up silicon wafer capacity to 200 MW in 2007 and continue to expand in 2008.**
- **Higher yield rate and quality approaches through improved manufacturing processes**
- **Closer relationship with partners up and down stream.**
- **Thinner wafer and advanced silicon recycling technology**
- **Develop Thin Film PV solution and business.**

# Green Energy Technology

## *Thin Film G8.5*

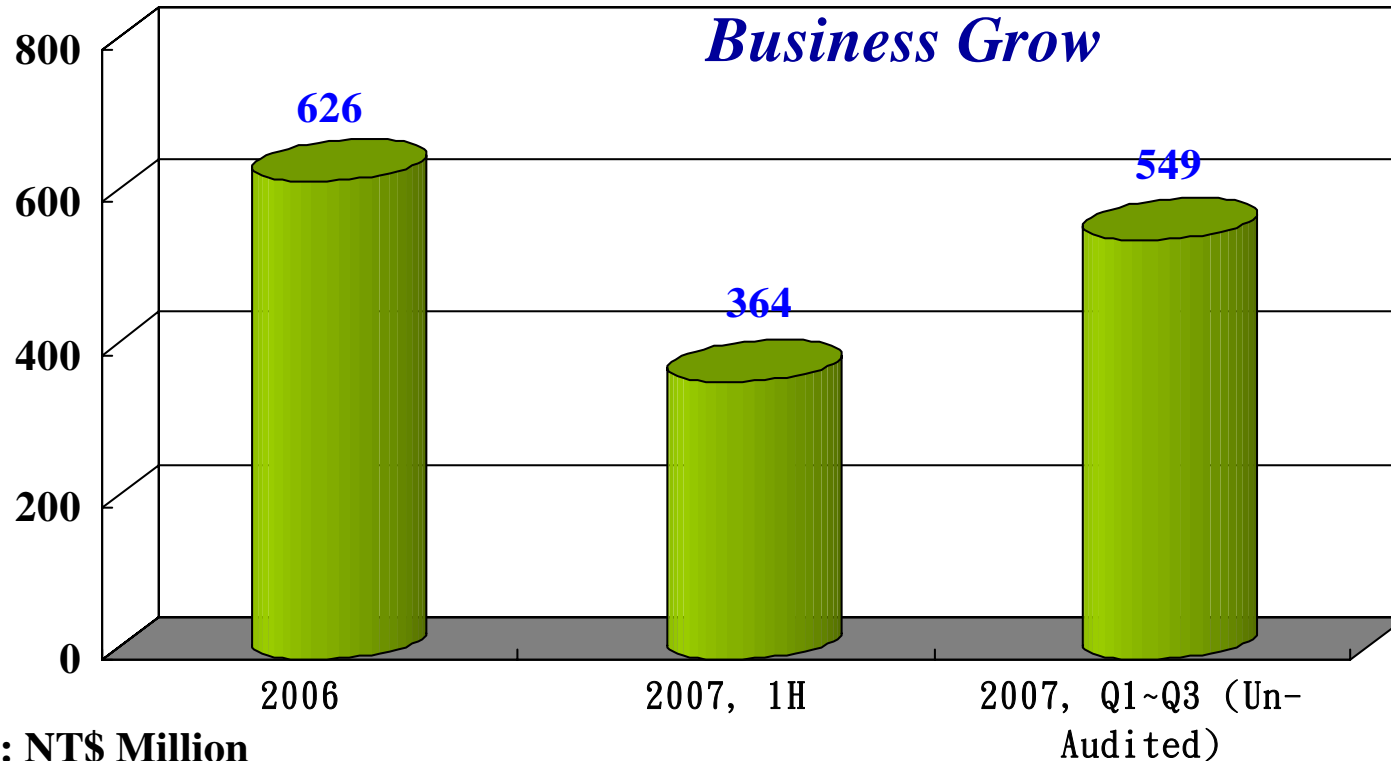
- **The first in Taiwan and the 7th world wide to develop G8.5 thin film production line.**
- **Applied Material as Turn-key.**
  - ✓ *1st stage annual capacity (Q4, 2008): 30MW*
  - ✓ *Further annual capacity (Q4, 2009): 50MW*
  - ✓ *Guaranteed transferring rate: beginning 6% with improvement plans over time*

# San-Chih Semi-Conductor Co.

- **Established:** 1981
- **Capital:** NT\$ 700 Million
  
- **27-year experience in single crystalline ingot casting/ wafering**
- **Manufacturing CZ lapping wafers for diodes (3” and 4” mainly)**
- **Experienced with wafer reclaiming**
  
- **Schedule to IPO:** -- By end of 2007 on emerging market  
-- By end of 2008 on TSEC main board

# San-Chih Semi-Conductor Co.

Sales, NT\$ Million



Unit: NT\$ Million

	2006	2007, 1H	2007, Q1~Q3 (Un-audited)
<b>Sales</b>	626	364	549
<b>Net income (Include investment)</b>	1,244	2,868	
<b>EPS (NT\$)</b>	14.93	40.9	

# San-Chih Asset Development

*With remarkable quality brand, Tatung asset development projects always hit the highest unit price in the area located.*

Land banks:

**Estimated 450,000 Pings**

**(≐ 1.48 Million Square Meters or 15 Million Square Feet)**

**Current Book Value: 22 Billion**

**\* The company reserves estimation on government appraised value nor market value as each development project will generate very different results. The estimations can be highly speculative.**

# Asset Development -Strategy Planning

- 1. For residential areas, Tatung will evaluate cash flow situations as well as locations to decide to pre-sell or to keep the land and property for rental income.**
- 2. For commercial areas, Tatung conducts marketing survey (by Jones Lang LaSalle) to ensure best applications for each lot.**
- 3. For un-designated industrial areas, Tatung plans to review what are the best applications at each location.**
- 4. For designated industrial areas, eventually Tatung will transfer all productions to these areas. For each site Tatung will review the margin creations of the products produced and gradually build up higher value-added products to create better margin rate for each square meter of land.**



# Activate Asset Development

- **Tatung will kick off asset developments about 1 project per year.**
- **Each project will continue for around 3 years, henceforth, it's expected 3 projects to be concurrent in one year.**
- **Next project in line is Nan Kang, to be launched by end of this year.**



# Tatung Consumer Products Co.

*Tatung consumer products through its own channel*

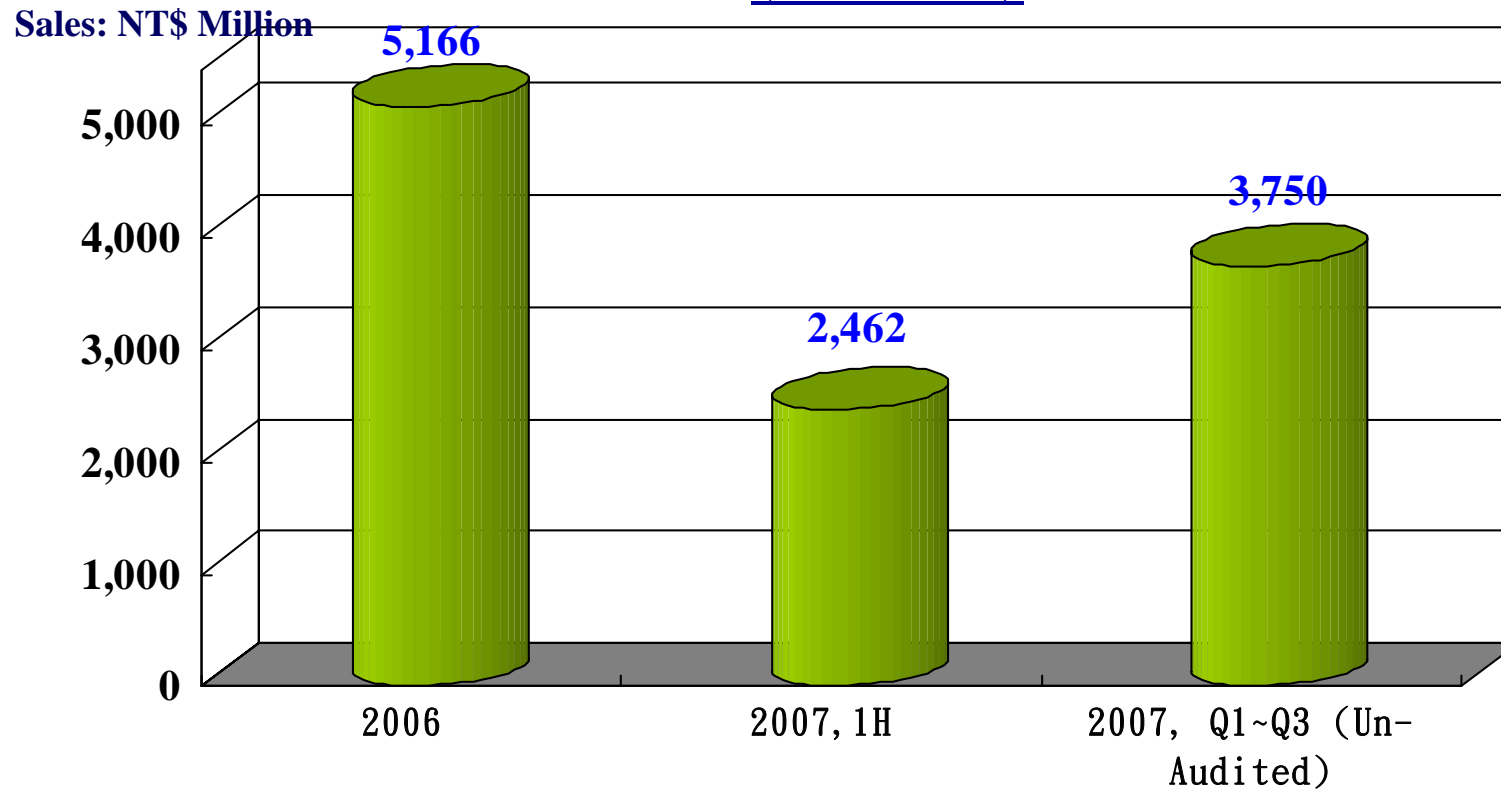
- **Currently 222 retail stores in Taiwan**
- **Execute promotion projects with other channels**
- **Save margins by reducing one layer of distribution channels**
- **3-year store renovations is under going, expecting to complete by 2007 and expand store number by end of 2008.**

✓ **Renovating schedule:**

--- Dec. 2006	30 stores
--- Oct., 2007	150 stores
--- End of 2007	220 stores
--- End of 2008	350 stores

# Forward Electronics Co.

(8085 TT)

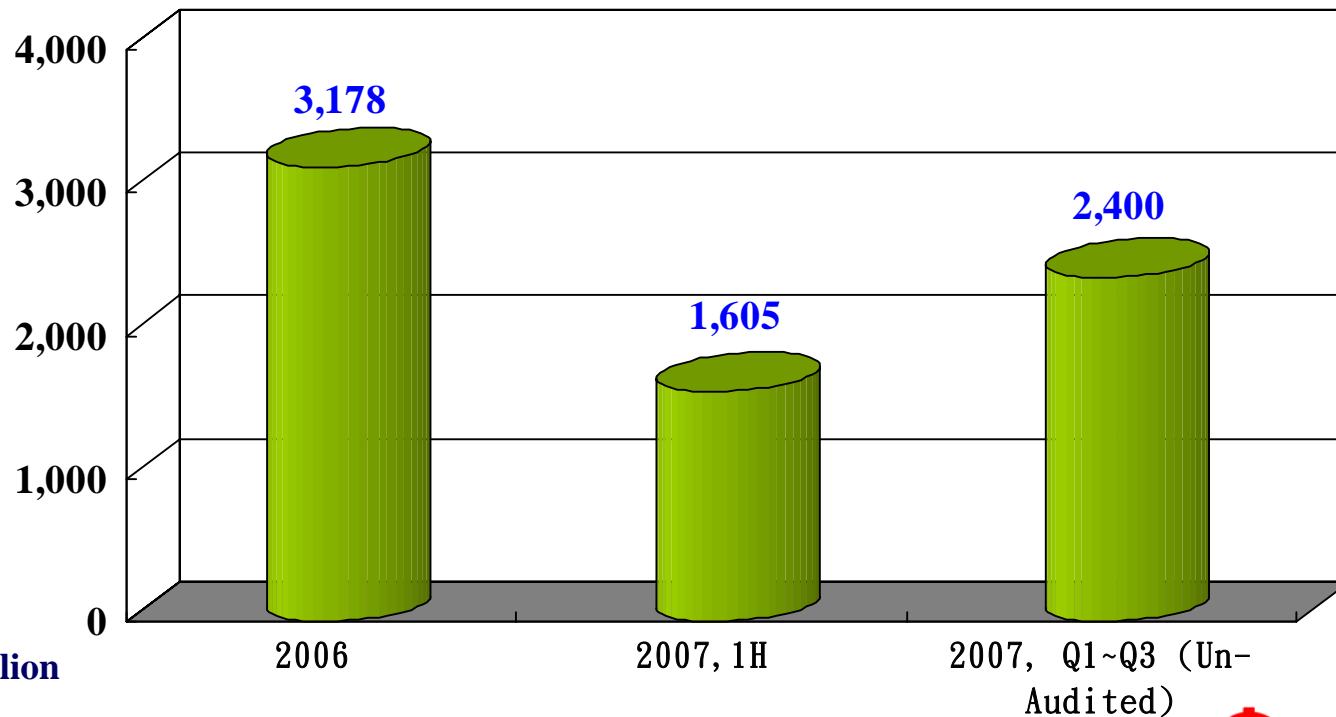


	2006	2007, 1H	2007, Q1~Q3 (Un-Audited)
<b>Sales (NT\$ Million)</b>	<b>5,166</b>	<b>2,462</b>	<b>3,750</b>
<b>Net Income (NT\$ Million)</b>	<b>195</b>	<b>65</b>	
<b>EPS</b>	<b>1.86</b>	<b>0.48</b>	

# Tatung System Technologies Inc.

(8099 TT)

	2006	2007, 1H	2007, Q1~Q3 (Un-Audited)
<b>Sales (NT\$ Million)</b>	<b>3,178</b>	<b>1,605</b>	<b>2,400</b>
<b>Net Income (NT\$ Million)</b>	<b>178</b>	<b>81.6</b>	
<b>EPS (NT\$ dollar)</b>	<b>2.97</b>	<b>1.36</b>	

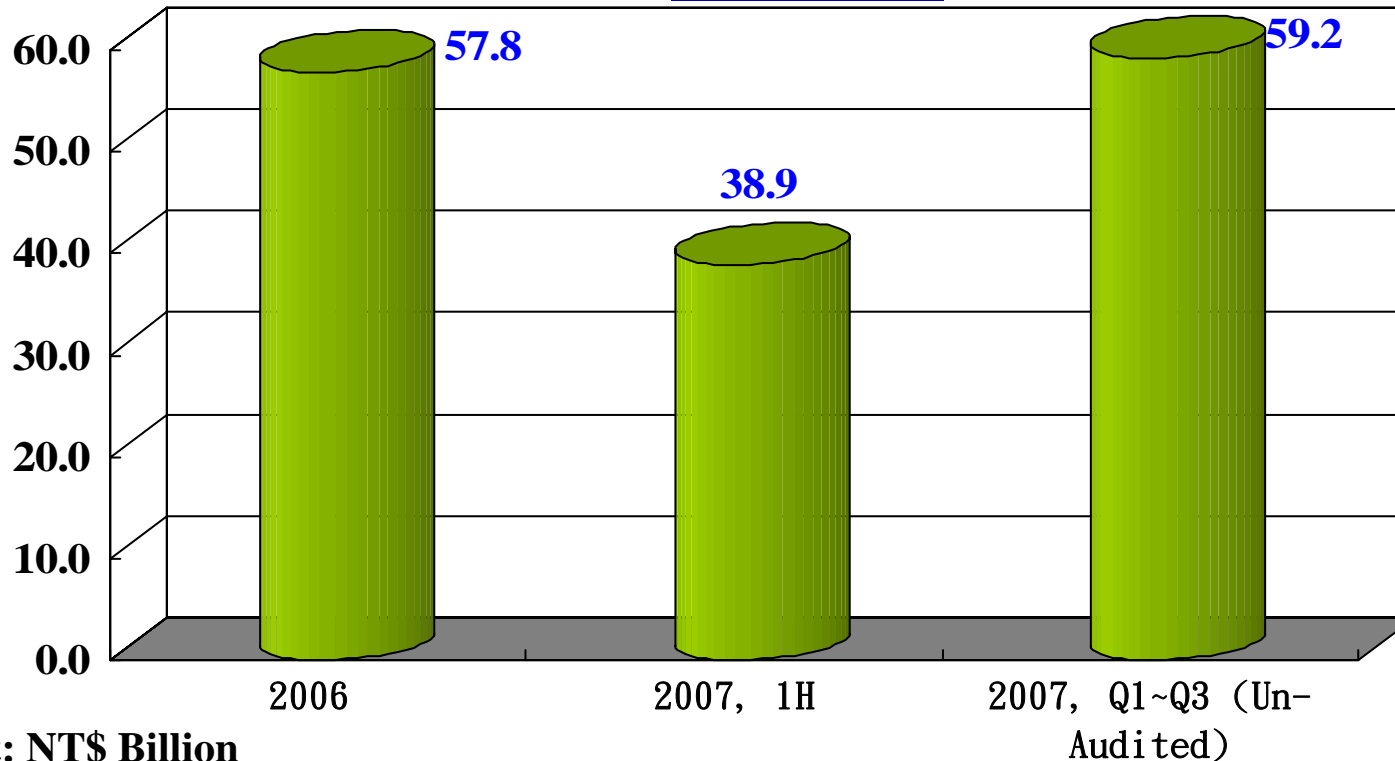


Sales: NT\$ Million

# Elite Group Computer Systems

(2331 TT)

Sales, NT\$ Billion



Unit: NT\$ Billion

	2006	2007, 1H	2007, Q1~Q3 (Un-audited)
<b>Sales</b>	57.8	38.9	59.2
<b>Net income</b>	-1.3	0.03	
<b>EPS (NT\$)</b>	-1.25	0.03	

# Elite Group Computer Systems

- **Tatung is holding 25.5%**
- **ECS is expected to expand motherboard and notebook shipments in 2007.**

**=> Estimated M/B shipment: 28 Million pieces**

**=> Estimated Notebook shipment: 3 million sets**

**=> Further vertical integration on key components to improve its cost structure**



*The Brand Which Best Represents Taiwan*  
(China Times Survey, Sep. 10, 2007)

*Thank you*

