

Review on Flat Panel Display Industry , June 2007

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China BI Portal

Selected From *China Electronics Intelligence Weekly 20070620*

Price Monitoring of LCD Panels

Type	Resolution	Prices in May (USD)	Prices in June (USD)	Changes
15-inch	XGA	103	107	+4
17-inch	SXGA	115	120	+5
19-inch width	WXGA+	135	144	+9
20-inch width TN	WSXGA+	135	136	+1
22-inch width TN	WSXGA+	164	165	+1

Price Monitoring of LCD Panels for Laptop Computers

Type	Resolution	Prices in May (USD)	Prices in June (USD)	Changes
14.1-inch	XGA	97	103	+6
14.0-inch Width	WXGA	92	97	+5
15-inch	XGA	94	100	+6
15.4-inch Width	WXGA	94	99	+5

Price Monitoring of LCD TV Panels

Type	Resolution	Prices in May (USD)	Prices in June (USD)	Changes
20-inch	WXGA	190	190	0
26-inch	WXGA+	263	263	0
32-inch	WXGA+	310	315	+5
37-inch	WXGA+	440	440	0
42-inch	WXGA+	565	565	0

Price Monitoring of Plasma Panels

Type	Resolution	Prices in May (USD)	Prices in June (USD)	Changes
42-inch	ED	367	344	-23
42-inch	HD	397	372	-25
50-inch	HD	623	578	-46

Price Monitoring of LCD Panels for Mobile Phones and PDA

Type	Resolution	Prices in May (USD)	Prices in June (USD)	Changes
1.8-inch	128*160	5.5	5.7	+0.2
2.0-inch	176*220	7	7.2	+0.2
2.2-inch	240*320	8.8	9	+0.2
3.5-inch	240*320	16.4	16.2	+0.2
3.8-inch	240*320	20.80	21.00	+0.2


Price Analysis

- Prices of LCD panels witnessed an overall rise, of which 19-inch LCD panels experienced a greater rise to be the popular ones in markets gradually. Following it, there are also greater and greater demands for them.
- Prices of LCD panels for laptop computers also witnessed an overall rise, which in fact has lasted for 3 months since a bottom price in March. And now they rise faster and faster.
- LCD TV panels held a stable price. For 32-inch LCD TV panels, their prices slightly climbed, which has showed a basic balance between supply and demand in markets. And in fact prices of 32-inch LCD TV panels have been climbing for 4 months continuously. Differently, prices of both 37-inch and 42-inch LCD TV panels are declining. Moreover, prices of Plasma Panels also continue to decline, which has showed that supply exceeding demand hasn't been changed in markets; however, declining has slowed down slightly, and so supply-demand relations in markets have been straightening up.
- Prices of LCD panels for mobile phones experienced a slight climbing after being even during three months from March to May. Besides, it's also believed that prices of LCD panels for mobile phones will rise faster and faster; obviously, such a situation has showed that demand exceeding supply grows to be more and more serious in markets.

Large-size LCD Panel Industry may Speed up its Integration in China

- According to South China Morning Post, CEC affiliated to State-owned Assets Supervision and Administration Commission of the State Council, has intention to invest or merge & acquire three LCD panels producers in China to completely integrate China Panel Industry, including BOE Technology Group Co., Ltd, Shanghai SVA-NEC Liquid Crystal Display Co., Ltd and InfoVIsion Optoelectronics Co., Ltd. In fact, Great Wall Group affiliated to CEC has purchased 10% shares from TPV Technology Group at an earlier time. Up to now, CEC has represented its distinct determination to establish indigenous flat panel display industry chain in China. Meanwhile, it's also reported that CEC has negotiated with such three companies for 3 months and M&A program will be finally decided in next 3-6 months. However, financial details of such an investment program haven't been referred to in this report.
In 2006, BOE Technology Group Co., Ltd suffered a large loss of RMB 1.58 billion; and to avoid the effects on China LCD Industry competitiveness, BOE Technology Group Co., Ltd declared to jointly establish China Optoelectronics Display Corporation with SVA Group and InfoVIsion Optoelectronics Co. Ltd at the end of 2006, which has further been decided to settle in Shanghai on 13th June 2007. And as for stock equity, China State-owned Assets Supervision and Administration Commission of the State Council is to take 33% shares, SVA Group is to take 30% shares, BOE Technology Group Co., Ltd is to take 27% shares and then InfoVIsion Optoelectronics Co. Ltd is to take 7% shares. In fact, China government has taken a portion of stock equity of both BOE Technology Group Co., Ltd and InfoVIsion Optoelectronics Co., Ltd.
After integration of production capacity of three companies, monthly yield of TFT LCD panels applied in both computers and flat panel TVs will reach 200,000 pieces, being about 6% of global production capacity.
- Obviously, BOE Technology Group Co., Ltd has continuously suffered a loss for years; in fact, so have Shanghai SVA-NEC Liquid Crystal Display Co. Ltd and InfoVIsion Optoelectronics Co., Ltd. Therefore, only alliance plus growth can help to get out of dilemma. However, it's still relatively weak after alliance among such three companies. Moreover, key causes of loss don't simply lie in insufficient scale, and in fact poor cooperation in up-stream raw material industry is just the key cause.

4th Generation Line of Chi Mei Optoelectronics transforms into Medium and Small-size Products

-  On 18th June 2007, Chi Mei Optoelectronics has started to transform its 4th generation panel plants to deal with production of medium and small-size panels. And in fact, medium-term objective of Chi Mei Optoelectronics is to enable 4th generation plants to completely produce medium and small-size panels.


In 2007, medium-size panels witness an infrequent wave of goods shortage and price rising. Guo Zhenlong, deputy general manager of Chi Mei Optoelectronics in charge of global marketing, believes that the major cause lies in rapid growth of market demands brought by unceasing expansion of medium and small-size panels' application in down-stream industry. And following it, dominant Japanese panel producers will not satisfy demands any more in medium and small-size panel market.

Now Chi Mei Optoelectronics has a 3.5-generation panel plant, which holds 620mm x 750mm glass substrate and monthly yield of 55,000 pieces; and such a plant has completely realized production of medium and small-size panels. Meanwhile, Chi Mei Optoelectronics also has a 4th-generation plant, which holds 680mm x 880mm glass substrate and monthly yield of 88,000 pieces; and such a plant has also started some production of medium and small-size panels.

Guo Zhenlong expressed that Chi Mei Optoelectronics had adopted mode of selling out glass on operation of medium & small-size panels, instead of LCM assembly business.

- Totally speaking, transformation from large-size to medium & small-size will not be too favoring. And especially now requirements for resolution of mobile phone panels have been higher and higher; therefore, participation of Chi Mei Optoelectronics will not change the situation of demand exceeding supply in markets in the near future.

Company Analysis : TCL made a huge Investment in LCD TV Module Industry

-  On 16th June 2007, China color TV magnate TCL declared that it will greatly adjust “Program of Directional Add-issuance” put forward by TCL Group in October 2006. In accordance with new scheme, raised capital of TCL will increase from planned RMB 1.05 billion to RMB 2.296 billion. And as planned before, RMB 650 million will be invested in TCL multi-media, and RMB 250 million will be supplemented into current funds. Besides, TCL will invest RMB 1.396 billion to two projects of LCD TV Modules Integration Manufacturing.
- Single-module industry should not need such a high investment. Moreover, module plants have little influence on cost reduction, and the key lies in panels. Therefore, it’s hard to understand how TCL run now, compared with CHANGHONG making a huge investment in Plasma TV panels.

Company Analysis : Plasma TV Producers allied to get out of Dilemma

- On 16th June 2007, Panasonic, CHANGHONG, Hitachi, LG, Samsung and PIONEER have discussed in Beijing to put forward “establishment of China Plasma Industry Cluster”. However, after Panasonic allying with Hitachi to realize size interchange, it refused to completely open technologies towards CHANGHONG.

Panasonic declared that it will implement a strategic plan of “all of 32-inch above products adopting plasma technologies”. Obviously, Panasonic will insist on plasma, and strengthen supply of screens with stable prices for whole plasma TV manufacturers. Meanwhile, Panasonic also announced that the 5th plasma screen production line, jointly invested with FUJI, is under construction.




- Furthermore, such two Japanese-funded plasma magnates as Panasonic and Hitachi will start production and distribution of 50-inch or above plasma TVs, to fully play their advantages on images viewing and prices and also to fight against 40-inch above LCD TV products.

The key for plasma products lies in support from China governments. It's reported that at the beginning of 2007, China has started “special projects of flat panel display devices industrialization”, of which development of plasma display screen will be listed as an important project to gain great support from China government. Differently, till now China hasn't listed LCD TV screen among important projects. Therefore, it's very favorable for plasma TVs.

- Currently, CHANGHONG declared that it has invested RMB 2 billion to jointly establish first plasma screen base with IRICO Group Electronics Company Limited in China. And then it will take PDP modules as the leading products based on mass production, and finally establish “China PDP industry cluster” with support from governments.
- In fact, it's almost impossible for these competitors to cooperate with each other; and alignment is just a slogan.

Company Analysis : Xiamen Plant of AU Optronics formally started Mass Production

-  Following Suzhou plant, newly-established large-scale panel module plant of AU Optronics in Xiamen also formally started mass production in 2007Q2; and now its monthly production capacity has reached 300,000 pieces. Obviously, AU Optronics has moved its modules production center to China mainland; and in the future it will gradually release orders for LCM, except for sustained expansion of production capacity in Xiamen plant. Then it's also estimated that outsourcing proportion of medium and small-size panel modules may reach 20% this year.

Since production capacity in Suzhou module plant has been saturated, AU Optronics declared to establish the second large-scale LCM plant in Xiamen one year ago, which can supply clients of consumer electronic products in South China at the nearest site. And as introduced above, Xiamen plant of AU Optronics has formally put into production in April 2007; and now its monthly production capacity has also reached approximately 300,000 pieces. Peng Shuanglang, general manager of Information Display Department of AU Optronics, figured that now AU Optronics has moved its module production center to China Mainland; and it has also established module production lines in Longtan, Tai Chung, Suzhou, Songjiang and Xiamen. However, totally speaking, almost 100% of medium and small-size modules are produced in China Mainland; 80% of OA panel modules are produced in China Mainland; and 50% TV panel modules are produced in China Mainland.

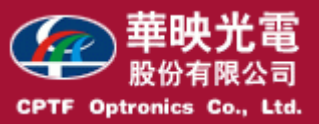
Presently, Suzhou plant of AU Optronics has realized monthly shipment of about 10 million LCM, of which production capacity of large-size panel modules can reach about 3 million-4 million with OA panels taking most shares. While for Xiamen plant of AU Optronics, it started production in April 2007 and mainly dealt with TV panels and medium & small-size panel modules. Furthermore, it's estimated that its monthly production capacity may reach 4 million-5 million by the end of 2007.

- Now in Xiamen there exists a module plant of CPTF Optronics Co., Ltd; therefore, that AU Optronics invested in Xiamen seems to aim to fight against CPTF Optronics Co., Ltd. Furthermore, TPV Technology Group, which is the largest LCD manufacturer in the world, is also located in Xiamen; so AU Optronics may also have intention to compete for such a large client with CPTF Optronics Co., Ltd.

Company Analysis : Foxconn Serves OEM of LCD-TV for SONY

- **FOXCONN** Presently, that Foxconn serves OEM of LCD-TV for SONY has been confirmed by insiders. After new CEO of SONY comes into office, he/she drastically changes style of “quality first” in Japanese enterprises to reduce cost and increase profits based on mass OEM. Now SONY, formerly known as a high-end brand, also entrusts OEM to Foxconn, showing that SONY is not like former SONY any more.
- It's possible for SONY to ask for OEM of other high-end products. Undoubtedly, it will be a golden opportunity for those OEM manufacturers.

CPTF Optronics turns Loss into Gain and will not invest next generation production lines in the near future

-  On 13th June 2007, CPTF Optronics Co., Ltd, which is the third largest LCD panel producer, declared that in May it has turned loss into gain with gains of about NTD 100 million.
- In 2006 CPTF Optronics Co., Ltd was trapped in price war and suffered loss for several quarters. And in May 2007 it got out of such dilemma, which also shows that LCD industry has entirely started its revival.
- Meanwhile, CPTF Optronics Co., Ltd also announced that it will not start 7th generation or 8th generation lines in the near future. And for CPTF Optronics Co., Ltd, since a new production line will largely cost and the company also just got out of hard times, it will not make a huge investment in the near future. Besides, the company also has no plan to play roles in large-size LCD TV panel field.
- Presently, CPTF Optronics Co., Ltd holds a 6th generation line, with largest monthly production capacity to be 90,000 pieces. While now its yield only reaches 60,000 pieces.
- Undoubtedly, CPTF Optronics Co., Ltd is very wise. 32-inch will absolutely be the mainstream in markets, especially in China Mainland. In contrast, 37-inch or 42-inch will not be the mainstream in markets.

Company Analysis : Toshiba finally became a Shareholder of LG-Philips

- **TOSHIBA**
Leading Innovation >>> Relevant persons in Toshiba (Dalian) Co., Ltd disclosed that Toshiba will purchase 14% shares from LG-Philips. LG-Philips is a joint-venture company established by Philips and LG, and has topped the list in global LCD panel market. To satisfy its requirements for strategic transformation, Philips has intention to come up with 33% shares of LG-Philips for sales. And SHARP and Panasonic had also ever declared the possibility of shares purchase before.

Philips had ever hoped that its 33% shares of LG-Philips will be sold at a high price of USD 3 billion; and then 14% shares purchased by Toshiba may be priced at about USD 1.3 billion. However, LG Electronics Co. would like to purchase the rest shares at a relatively favorable price. Besides, LG-Philips suffered a loss last year, which has also brought assets impairment. Therefore, Toshiba may finally complete its purchase at about USD 1 billion.
- In 2006, since SED TV had problems on cost and intellectual property rights, Toshiba transferred all its shares of SED Co., jointly funded by Toshiba and Canon, to Canon. And then Toshiba and Canon only keep in cooperation on R&D of technologies to some extent.

At the end of May 2007, Canon and Toshiba announced together that both of them had decided to infinitely defer 55-inch flat panel TV coming into the market, due to both extension of lawsuit period between American manufacturer Nano-Proprietary and them and difficulties in mass production of panels. In fact, it has implied that SED TV dream of Toshiba has been dashed.

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