

August 3, 2007

**Managing Director's Report**  
**Operating Results for the 2nd. Quarter 2007**

SVI posted consolidated quarterly revenue for the second Quarter of 2007 at USD 39.9 Millions, representing an increase of 26.4% from Q2 of 2006 or an increase of 11% from the previous quarter. In Baht term, the revenue was Baht 1,379 Millions. The revenue growth in "Baht" was 14.5% and 8.5% as compared with Q2'06 and Q1'07 respectively. The revenue growth was mainly driven by new customers that started the business in 2006 and at the beginning of this year. The demand from European countries continues to be strong.

The company shows consolidated Gross Profit Margin of 9.8%, an increase from same Quarter last year of 9.4%. The Gross Margin was 1% less than that of the previous quarter, mainly caused by strengthen of the Baht. The Baht gain 9.4% year on year (Average Q2'06 of Baht/USD was 38.16 vs Average Q2'07 of Baht/USD 34.58) and 2.5% quarter on quarter (Average Q1'07 of Baht/USD of 35.46). Gross Profit for the Company was Baht 139 Millions and the consolidated gross profit was reported at Baht 135 Million. This was due to losses generated by Tianjin plant.

Selling and Administrative expenses of the company and consolidated expenses for this quarter were Baht 56 Millions and Baht 62 Millions or 4.1% and 4.5% of revenue respectively. As compared to the previous quarter, both the company and consolidated expenses were lower by Baht 12 Millions and Baht 11 Millions respectively.

SVI posted Net Profit, before subsidiaries consolidation, for this quarter of Baht 111 Millions, an increase of Baht 32 Millions or 40.5% as compared to the 2<sup>nd</sup>.Quarter 2006. The Net Profit Margin of the Company has increased from 6.5% to 8.1% of revenue as comparing to same period last year. This was mainly due to the inter company sales of equipment and better cost management with higher sales. The company's consolidated net profit was Baht 83 Millions, higher than the same quarter last year by Baht 11 Millions, an improvement of 15.3%. The consolidated net profit this quarter was Baht 8 Millions higher than the previous quarter.

In compliance with the notification No. 26/2006 issued by the Federation of Accounting Professions regarding Accounting Standard No. 44, the company has changed the accounting policy in fiscal year 2550, for recording the investment in subsidiary from the equity method to the cost method. Thus the company restated its Financial Statement to assume the carrying amount as the cost of an investment in a subsidiary, by retroactive

adjustment the losses from subsidiaries of prior years, from Q3'05 to Q4'06, amounted to Baht 33 Million, and the reserve of impairment cost of Baht 2 Million related to the losses generated by subsidiaries, resulted in the net increase of the company's retained earning of Baht 31 Million.

However, the change of accounting policy affects only the company Financial Statement, there is no change or effect to the consolidated Financial Statement or business fundamentals. Thus, there is no change to the company's dividend policy that is normally paid approximately at 30% of Net Profit and based on the company's financial condition, investment plan, the company's and Subsidiaries' operating results.

### **Profit & Loss Comparison Table – Q2'07 vs Q2'06**

<b><u>Unit</u>: “Mil” Baht</b>	<b><u>Consolidated</u></b>		<b><u>The company</u></b>		<b><u>%</u> <u>Variance</u> <u>= (a)-(b)</u> <u>(b)</u></b>
	<b><u>Q2-2007</u></b> <b><u>(a)</u></b>	<b><u>Q2-2006</u></b> <b><u>(b)</u></b>	<b><u>Q2-2007</u></b> <b><u>(c)</u></b>	<b><u>Q2-2006</u></b> <b><u>(d)</u></b>	
<b>Net Sales</b>	<b>1,379</b>	<b>1,204</b>	<b>1,370</b>	<b>1,210</b>	<b>14.5%</b>
Total Costs of Sales	<u>1,244</u>	<u>1,091</u>	<u>1,231</u>	<u>1,095</u>	<u>14.0%</u>
<b>Gross Profit</b>	<b>135</b>	<b>113</b>	<b>139</b>	<b>115</b>	<b>19.5%</b>
Total Selling & Admin Expenses	<u>(62)</u>	<u>(51)</u>	<u>(56)</u>	<u>(47)</u>	<u>21.6%</u>
<b>Operating Profit</b>	<b>73</b>	<b>62</b>	<b>83</b>	<b>68</b>	<b>17.7%</b>
Interest Income (Expense)	(1)	(2)	(1)	(2)	(50)%
Exchange Gain (Losses)	9	8	9	8	12.5%
Other Non-Operation Income (Expense)	<u>8</u>	<u>6</u>	<u>26</u>	<u>7</u>	<u>33.3%</u>
<b>Net Income Before Tax</b>	<b><u>89</u></b>	<b><u>74</u></b>	<b><u>117</u></b>	<b><u>81</u></b>	<b><u>20.3%</u></b>
Corporation Tax	(6)	<u>(2)</u>	(6)	<u>(2)</u>	200%
<b>Net Income after Tax</b>	<b><u>83</u></b>	<b><u>72</u></b>	<b><u>111</u></b>	<b><u>79</u></b>	<b><u>15.3%</u></b>

Comparison of Balance Sheet as at 30 June 2007 with year end 2006 as follow:

Unit : “Million” Baht	<u>Consolidated</u>		<u>The company</u>	
	<u>30 June’ 07</u>	<u>31 Dec’ 06</u>	<u>30 June’ 07</u>	<u>31 Dec’06</u>
<b>Current Assets</b>				
Cash and current investment	358	39	345	31
Accounts Receivable	1,009	1,079	1,008	1,071
AR – Subsidiaries	0	0	38	38
Inventories	1,182	1,295	1,148	1,259
Other Current Assets	<u>15</u>	<u>25</u>	<u>14</u>	<u>25</u>
<b>Total Current Assets</b>	<b><u>2,564</u></b>	<b><u>2,438</u></b>	<b><u>2,553</u></b>	<b><u>2,424</u></b>
<b>Current Liabilities</b>				
Short term loans	39	67	39	66
Accounts Payable	786	768	784	766
AP – Subsidiaries	0	0	2	3
Other Current Liabilities/Accruals	<u>192</u>	<u>114</u>	<u>175</u>	<u>109</u>
<b>Total Current Liabilities</b>	<b><u>1,017</u></b>	<b><u>949</u></b>	<b><u>1,000</u></b>	<b><u>944</u></b>
<b>Working Capital</b>	<b>1,547</b>	<b>1,489</b>	<b>1,553</b>	<b>1,480</b>
Property, Plant, Equipment and other non-current assets	<u>689</u>	<u>688</u>	<u>745</u>	<u>726</u>
<b>Total Net Assets</b>	<b><u>2,236</u></b>	<b><u>2,177</u></b>	<b><u>2,298</u></b>	<b><u>2,206</u></b>
<b>Financed by :</b>				
Long-term Debt	3	21	3	21
Net equity	<u>2,233</u>	<u>2,156</u>	<u>2,295</u>	<u>2,185</u>
<b>Total Long-term Financed</b>	<b><u>2,236</u></b>	<b><u>2,177</u></b>	<b><u>2,298</u></b>	<b><u>2,206</u></b>

The Company and consolidated financial status as of 30 June 2007 showed total current assets of Baht 2,553 Million and Baht 2,564 Million respectively. This represents an increase of Baht 129 Million and Baht 126 Million as compared to 31<sup>st</sup> December 2006. The increase of consolidated current assets was mainly due to an increase of cash of Baht 319 Million, partially offset with the decrease of inventory and account receivable of Baht 113 Million and Baht 77 Million due to the efficient materials and collection management.

Total liabilities for the Company and Consolidated Financial Statement recorded of Baht 1,003 Million and Baht 1,020 Million respectively. The consolidated total liabilities were decreased by Baht 50 Million from 31<sup>st</sup> December 2006. This was mainly due to payment of short term and long term loan in the amount of Baht 20 Million and Baht 26 Million respectively, partially offset by the increase of accrued corporate income tax and other expenses.

The consolidated Shareholder’s equity at the end of 2<sup>nd</sup> Quarter 2007 was Baht 2,233 Million, an increase of Baht 77 Millions from the end of last year, mainly due to an increase in retained earnings derived from year to date net profit of Baht 158 Million, and the exercise of ESOP1 of Baht 4

Million, partially offset with the dividend payment of Baht 87 Million this quarter. The Company Shareholder's equity were Baht 2,295 Million, an increase of Baht 110 Million compared with that the end of last year, resulted by net profit of Baht 193 Million generated by Thailand plant, offsetting with dividend payment this year.

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