

Global & China Netbook Industry Report, 2008-2009

March 2009

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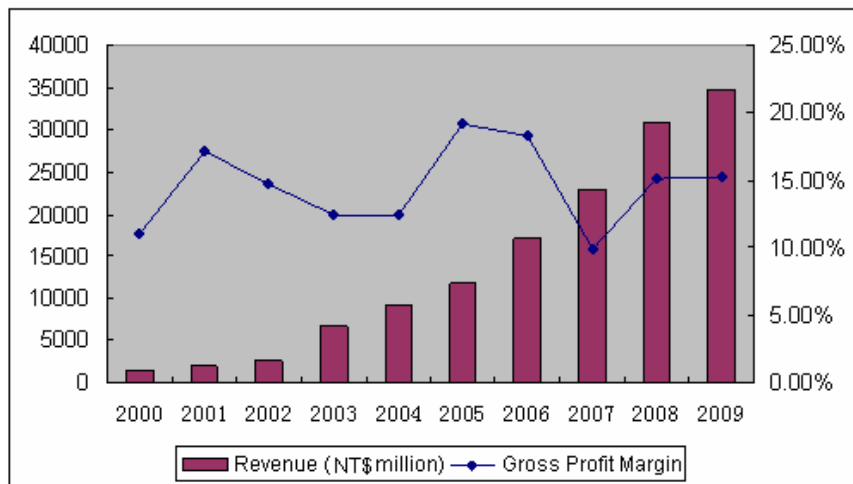
Simple

Simple is the mid-stream battery assembler in battery industry, whose main business involves in buying battery cell, IC, electronic circuit and PCB, and then packaging battery pack to sell to its clients. The major raw materials which the company needs consists of battery cell, IC, lids and bottoms of battery, processing parts (such as capacitance and resistance) and PCB etc. Battery cell takes more than 70% costs on raw materials. Presently, Japanese and Korean battery cell giants still dominate the global market with their stable products quality.

In the year of 2006, Simple became the NO.1 instead of SANYO

Impacted by sustained and stable growth of laptop market and gradual withdraw from self-production and self-sale modes of Japanese battery pack vendors, China's key laptop battery pack manufacturers rise up obviously; in addition, Taiwan has had 90% laptop OEMs of global total, which also benefits development of downstream industry. Against this background, as well as depending on its advantages in piece, quality and management ability, Simple's market share has increased year by year. In 2006, its shipment hit 16.20 million units, accounting for 23% market share, being NO.1 in the world by exceeding SANYO.

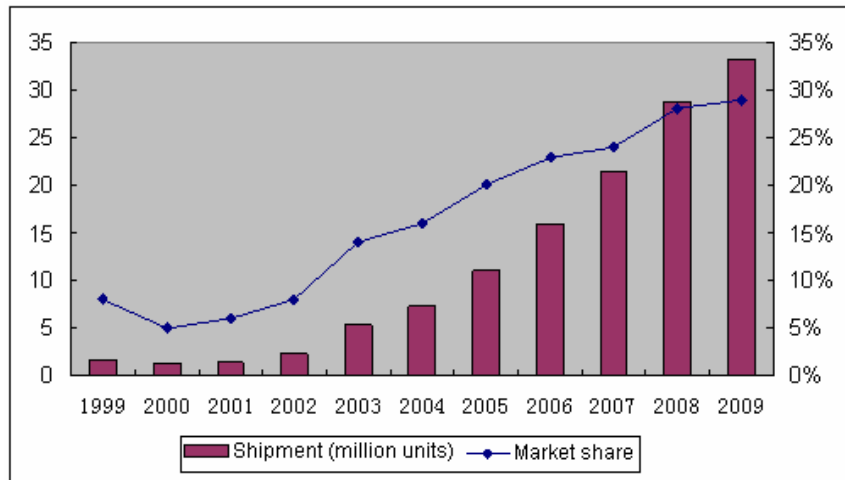
Revenue and Gross Profit Margin of Simple, 2000-2009E



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenue(NT\$ million)	1376	1991	2714	6697	9036	11695	16977	22932	30814	34750
Gross profit margin	11.05 %	17.11%	14.78%	12.39%	12.42%	19.2%	18.3%	9.9%	15.1%	15.2%

Source: ResearchInChina

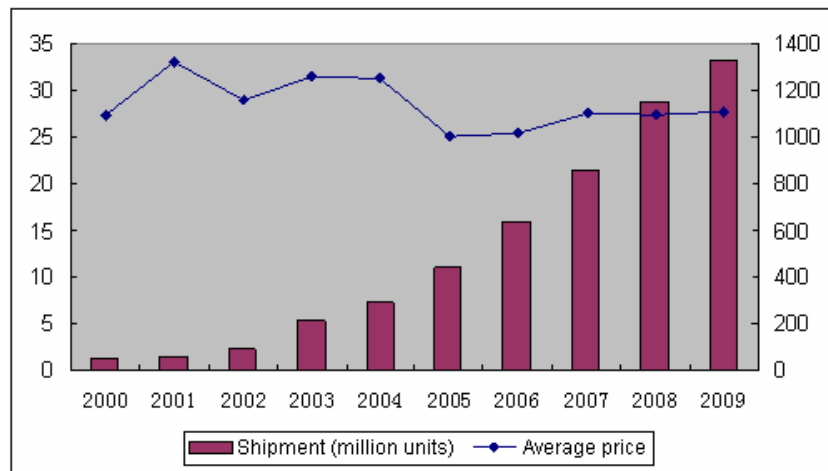
Simplo's Notebook Battery Shipment and Its Global Market Share, 1999-2007



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Shipment (million)	1.66	1.26	1.51	2.35	5.26	7.2	11.10	16.00	21.50	28.8	33.2
Market share	8%	5%	6%	8%	14%	16%	20%	23%	24%	28%	29%

Source: ResearchInChina

Simplo's Notebook Battery Shipment and Average Price, 2001-2009E



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2008
Shipment (million)	1.26	1.51	2.35	5.26	7.2	11.10	16.00	21.50	28.8	33.2
Average price	1093	1319	1155	1260	1252	1003	1019	1102	1097	1109

Source: ResearchInChina

Currently, the key rival of Simplo is Sanyo from Japan, as well as China's big manufacturers like Dynapack and Celxpert. Meanwhile, the main clients of Dynapack are HP and Arima, and ASUS and Compal are the key customers of Celxpert. However, the key clients of Simplo are the large international manufacturers such as HP, DELL, ACER and APPLE. Therefore, it can be seen that Simplo still has a large growth room. What's more, Japan and South Korea have successively stopped their independent production to look for OEMs, so the following several years is the key period for Simplo to develop new clients. In addition, as the professional laptop cell manufacturer, the quality of Simplo has received the rigorous test from HP, DELL and APPLE, plus its strict control in cost, and strong R&D and management teams, it will bring its size economy into full play, and gradually leave the rivals far behind.

There is a worry that the low price of Netbook will slash the gross profit margin, since the increasingly complete function of Netbook recently, like it has six cell chips, approximately to the traditional laptops, six to eight. There is no much impact on average unit price of cell factories. To maintain the gross profit margin, it mainly lies in the cost cut, like to improve efficiency, and to adopt substitute raw materials.

Production Bases in Shanghai, Suzhou and Changshu

Taking production cost into consideration, Simplo Changshu Factory, completed in Sep, 2006, will gradually take over the laptop li-ion output capacity of Songjiang Factory. Simplo Changshu Factory caught a fire on Aug 3, 2007, while since it was a new factory with small output capacity, plus the support from Songjiang production line, there was not much influence on supply. Soon after that it restarted to run, and its monthly output reached 700-800K in Sep, 1,000K in Oct, and 1,200K in Nov, and it is planned to set up the second factory in Changshu in 2009.

Three Largest Shareholders are Foxconn, Quanta and UMC

After the private fund raising in the first half of 2007, Foxconn with 9% of shares become the biggest shareholder of Simplo, then the second place is Quanta, 5%, and UMC, ranking the third position, 3.3%. Foxconn, just supplied plastic case for Simplo before, was without any intervention into its operation. Currently, its share participation promotes Simplo to enter 3C product segments besides laptop. Single cell, Simplo's main business, is with not high gross profit margin. Meanwhile, its single cell orders will be mainly from Wistron, Quanta, HTC and Foxconn in the second half of 2009.

Headquartered in Shanghai, Simplo's largest production base was put into operation in Nov, 2002. Now, it has nearly 2,500 employees,

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