

## Half Year Financial Statement Announcement – 30 June 2007

The Directors are pleased to make the following announcement of the unaudited result for the financial period ended 30 June 2007

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

**GROUP INCOME STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2007**

	1H 2007 S\$'000	1H 2006 S\$'000	Change %
Revenue	272,842	288,556	-5%
Cost of sales	<u>(251,802)</u>	<u>(269,436)</u>	-7%
<b>Gross profit</b>	<b>21,040</b>	19,120	<b>10%</b>
Other operating income	872	1,090	-20%
<b>Gross profit margin</b>	<b>8%</b>	7%	
Personnel expenses	(10,519)	(10,311)	2%
Facilities expenses	(1,110)	(978)	13%
Selling expenses	(2,522)	(2,671)	-6%
Administrative expenses	<u>(1,962)</u>	<u>(1,861)</u>	5%
<b>Profit before provisions</b>	<b>5,799</b>	4,389	<b>32%</b>
Provision for trade receivables, net	(999)	(289)	246%
Provision for inventories obsolescence, net	<u>(934)</u>	<u>(218)</u>	328%
<b>Profit from operating activities</b>	<b>3,866</b>	3,882	<b>0%</b>
Financial expenses, net	(1,279)	(1,314)	-3%
Share of operating losses of associated company	<u>(132)</u>	<u>(292)</u>	-55%
<b>Profit before taxation</b>	<b>2,455</b>	2,276	<b>8%</b>
Taxation	204	(666)	131%
<b>Profit for the financial period</b>	<b>2,659</b>	1,610	<b>65%</b>
<b>Attributable profit to:</b>			
Equity holders of the Company	2,484	1,659	50%
Minority interest	<u>175</u>	<u>(49)</u>	457%
	<b>2,659</b>	1,610	<b>65%</b>

NM : Not Meaningful

1(a)(i) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statements for the current financial period reported on and the corresponding period of the immediately preceding financial year

**Notes**

**Profit after taxation is stated after (charging)/crediting:**

	1H 2007 S\$'000	1H 2006 S\$'000	Change %
Interest income	622	424	47%
<b>Operating expenses</b>			
<i>Included in operating expenses are:</i>			
Depreciation and amortisation	(357)	(441)	-19%
Financial expenses, net	(1,279)	(1,314)	-3%
Bank charges	(373)	(382)	-2%
Interest on borrowings	(1,500)	(1,563)	-4%
Foreign exchange gain, net	594	631	-6%
Gain/(Loss) on disposal of property, plant and equipment	1	10	NM

**(ii) Adjustments for under or over provision of tax of previous years:**

**Taxation**

Underprovision of current tax in respect of prior years	-	(99)	NM
Overprovision of tax provision in respect of prior years	831	-	NM

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statements at the end of the immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	<b>30/6/2007</b>	<b>31/12/2006</b>	<b>30/6/2007</b>	<b>31/12/2006</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	1,599	1,910	540	561
Investment in subsidiaries	-	-	27,124	27,124
Investment in associate	5,963	3,717	-	-
Other investment	57	57	-	-
Loans to subsidiaries	-	-	21,092	26,465
Goodwill	3,882	2,128	-	-
Deferred tax assets	1,659	1,618	-	-
	<b>13,160</b>	<b>9,430</b>	<b>48,756</b>	<b>54,150</b>
<b>CURRENT ASSETS</b>				
Inventories	<b>61,067</b>	62,517	-	-
Trade and other receivables	<b>70,905</b>	76,053	<b>66</b>	43
Amount due from subsidiaries	-	-	<b>14,208</b>	8,836
Cash and cash equivalents	<b>34,310</b>	28,752	<b>1,158</b>	837
	<b>166,282</b>	<b>167,322</b>	<b>15,432</b>	<b>9,716</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	<b>59,250</b>	53,423	<b>485</b>	553
Amount due to subsidiaries	-	-	<b>4,819</b>	4,687
Interest-bearing liabilities	<b>48,836</b>	53,517	<b>8,308</b>	8,307
Provision for taxation	<b>2,222</b>	2,859	<b>127</b>	150
	<b>110,308</b>	<b>109,799</b>	<b>13,739</b>	<b>13,697</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>55,974</b>	<b>57,523</b>	<b>1,693</b>	<b>(3,981)</b>
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing liabilities	<b>(47)</b>	(62)	-	-
Deferred tax liabilities	<b>(133)</b>	(136)	<b>(39)</b>	(39)
	<b>(180)</b>	(198)	<b>(39)</b>	(39)
<b>NET ASSETS</b>	<b>68,954</b>	<b>66,755</b>	<b>50,410</b>	<b>50,130</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>				
Share capital	<b>52,427</b>	52,242	<b>52,427</b>	52,242
Reserves	<b>14,841</b>	11,741	<b>(2,017)</b>	(2,112)
	<b>67,268</b>	63,983	<b>50,410</b>	50,130
Minority interests	<b>1,686</b>	2,772	-	-
<b>TOTAL EQUITY</b>	<b>68,954</b>	<b>66,755</b>	<b>50,410</b>	<b>50,130</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

	As at 30/6/2007		As at 31/12/2006	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
(a) Amount repayable in one year or less, or on demand	25	48,811	38	53,479
(b) Amount repayable after one year	47	-	62	-
	<u>72</u>	<u>48,811</u>	<u>100</u>	<u>53,479</u>

The unsecured short-term borrowings of S\$42.8 million and S\$6 million as at 30/6/2007 relate mainly to short-term trust receipts for inventory purchases and bank loan respectively.

The secured debts of the Group relate mainly to hire purchase agreements of motor vehicles.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	H1 2007 S\$'000	H1 2006 S\$'000
<b>Cash flows from operating activities:</b>		
Profit before taxation	2,455	2,276
<b>Adjustments for:</b>		
Amortisation of discount on convertible bond	-	(22)
Depreciation	357	441
Gain on disposal of property, plant and equipment	(1)	(10)
Interest expenses	1,872	1,563
Interest income	(622)	(424)
Property, plant and equipment written off	-	3
Share of losses of associated company	132	292
Share-based payment expense	-	6
Currency realignment	292	(2,457)
<b>Operating profit before working capital changes</b>	<b>4,485</b>	<b>1,668</b>
Decrease/(Increase) in inventories	1,450	(6,112)
Decrease in receivables	5,123	1,336
Increase in payables and trust receipts	8,751	6,903
<b>Cash flows generated from operations</b>	<b>19,809</b>	<b>3,795</b>
Interest paid	(1,872)	(1,563)
Interest received	622	424
Income taxes paid	(408)	(1,016)
<b>Net cash flows generated from operating activities</b>	<b>18,151</b>	<b>1,640</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property, plant and equipment	2	17
Purchase of associate company	(2,272)	-
Purchase of additional equity interest in subsidiary	(2,839)	-
Purchase of property, plant and equipment	(48)	(768)
<b>Net cash flows used in investing activities</b>	<b>(5,157)</b>	<b>(751)</b>
<b>Cash flows from financing activities</b>		
Advance to related parties	-	(213)
Proceeds from issuance of shares of the Company pursuant to the employee share options schemes	185	-
Prepayment of bank borrowing, net	(7,593)	-
Repayment of finance lease	(28)	(11)
<b>Net cash flows used in from financing activities</b>	<b>(7,436)</b>	<b>(224)</b>
Net increase in cash and cash equivalents	5,558	665
Cash and cash equivalents at beginning of financial period	28,752	29,425
<b>Cash and cash equivalents at end of financial period</b>	<b>34,310</b>	<b>30,090</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Share Capital S\$'000	Share Premium S\$'000	Capital Reserve S\$'000	Share- based Compen- sation Reserve S\$'000	Accumu- lated Profits S\$'000	Foreign Currency Tran- slation Reserve S\$'000	Equity attribu- table to Equity- holders S\$'000	Minority Interests S\$'000	Total Equity S\$'000
<b>The Group</b>									
Balance at 1 January 2007	52,242	-	589	342	17,077	(6,267)	63,983	2,772	66,755
Foreign currency translation	-	-	-	-	-	616	616	(175)	441
Share-based payment expense	-	-	-	-	-	-	-	-	-
Net income and expenses directly recognised in equity	-	-	-	-	-	616	616	(175)	441
Profit for the financial period	-	-	-	-	2,484	-	2,484	175	2,659
Total recognised income and expenses for the financial period	-	-	-	-	2,484	616	3,100	-	3,100
Issue of shares at a premium	185	-	-	-	-	-	185	-	185
Acquisition of additional share from minority interest	-	-	-	-	-	-	-	(1,086)	(1,086)
<b>Balance at 30 June 2007</b>	<b>52,427</b>	<b>-</b>	<b>589</b>	<b>342</b>	<b>19,561</b>	<b>(5,651)</b>	<b>67,268</b>	<b>1,686</b>	<b>68,954</b>
Balance at 1 January 2006	25,013	27,229	979	335	12,769	(1,932)	64,393	2,838	67,231
Foreign currency translation	-	-	-	-	-	(2,647)	(2,647)	(80)	(2,727)
Share-based payment expense	-	-	-	6	-	-	6	-	6
Net income and expenses directly recognised in equity	-	-	-	6	-	(2,647)	(2,641)	(80)	(2,721)
Profit/(Loss) for the financial period	-	-	-	-	1,659	-	1,659	(49)	1,610
Total recognised income and expenses for the financial period	-	-	-	6	1,659	(2,647)	(982)	(129)	(1,111)
Transfer to share capital	27,229	(27,229)	-	-	-	-	-	-	-
<b>Balance at 30 June 2006</b>	<b>52,242</b>	<b>-</b>	<b>979</b>	<b>341</b>	<b>14,428</b>	<b>(4,579)</b>	<b>63,411</b>	<b>2,709</b>	<b>66,120</b>

	Share Capital S\$'000	Share Premium S\$'000	Capital Reserve S\$'000	Share- based Compen- sation Reserve S\$'000	Accumu- lated Profits/ (Losses) S\$'000	Total Equity S\$'000
<b>The Company</b>						
Balance at 1 January 2007	52,242	-	87	342	(2,541)	50,130
Share-based payment expense	-	-	-	-	-	-
Net income and expenses directly recognised in equity	52,242	-	87	342	(2,541)	50,130
Loss for the financial period	-	-	-	-	95	95
Total recognised income and expenses	52,242	-	87	342	(2,446)	50,225
Issue of shares at a premium	185	-	-	-	-	185
<b>Balance at 30 June 2007</b>	<b>52,427</b>	<b>-</b>	<b>87</b>	<b>342</b>	<b>(2,446)</b>	<b>50,410</b>
Balance at 1 January 2006	25,013	27,229	477	335	(1,024)	52,030
Share-based payment expense	-	-	-	6	-	6
Net income and expenses directly recognised in equity	-	-	-	6	-	6
Profit for the financial period	-	-	-	-	(1,018)	(1,018)
Total recognised income and expenses for the financial period	-	-	-	6	(1,018)	(1,012)
Transfer to share capital	27,229	(27,229)	-	-	-	-
<b>Balance at 30 June 2006</b>	<b>52,242</b>	<b>-</b>	<b>477</b>	<b>341</b>	<b>(2,042)</b>	<b>51,018</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

Issue of shares during the period:

	Number of shares	Paid-up Capital S\$
Balance at 1 Jan 2007	500,261,696	52,242,261
Issue of shares upon exercised of share options	<u>2,180,000</u>	<u>185,266</u>
Balance at 30 Jun 2007	<u>502,441,696</u>	<u>52,427,527</u>

**2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice**

The figures have not been audited.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Yes, the same accounting policies have been applied.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

No changes.

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends; (i) Based on the weighted average number of ordinary shares on issue; and (ii) On a fully diluted basis (detailing any adjustments made to the earnings)**

	<b>Group</b>	
	<b>Current Period 30/6/2007</b>	<b>Previous Period 30/6/2006</b>
<b>Earnings per Ordinary Share (S\$ cents)</b>		
(i) Based on the weighted average number of ordinary shares on issues; and	<b>0.50 cents</b>	0.33 cents
(ii) On a fully diluted basis	<b>0.49 cents</b>	0.33 cents

Earning used for the calculation of Earnings per Ordinary Share:

	Number of shares	
	<b>30/6/2007</b>	30/6/2006
Weighted average number of ordinary shares in issue applicable to basic earnings per share	<b>500,454,403</b>	500,261,696
Effect of dilutive securities:		
Convertible bonds	-	33,333,333
Share options	<b>1,690,774</b>	470,777
Shares applicable to diluted earnings per share	<b>502,145,177</b>	534,065,806

Number of shares used for the calculation of Earnings per Ordinary Share:

	Number of shares	
	<b>30/6/2007 \$'000</b>	30/6/2006 \$'000
Profit for the financial period attributable to equity holders	<b>2,484</b>	1,659
Interest expenses on convertible bond (net of tax)	-	119
Profit used to determine diluted earning per share	<b>2,484</b>	1,778

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group		Company	
	Current Period	Previous Year	Current Period	Previous Year
<b>Net Asset Value per ordinary share (S\$ cents)</b>	<b>30/6/2007</b>	<b>31/12/2006</b>	<b>30/6/2007</b>	<b>31/12/2006</b>
Based on issued share capital at the end of the financial period/year	13.39 cents	12.79 cents	10.03 cents	10.02 cents

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

**Turnover**

Turnover for the 6 months ended 30 June 2007 was stable at S\$272.8 million, compared to S\$288.6 million for the same 6 months period of 2006. The Peripherals Division contributed S\$138 million (about 50% - 1H2006: 53%) while the Electronic Components Division contributed S\$135 million (about 50% - 2006: 47%) of the total turnover.

The decline in turnover for the cumulative 6 months period compared to 1H2006 was due mainly to the weakening of the US\$ against the S\$ and the reduced Peripherals Division sales due to focus on higher margin sales.

**Gross profit**

The Group continued to operate in a challenging market condition in the first six months of 2007. Gross profit for the 6 months was S\$21.0 million (1H2006: S\$19.1 million) – representing a gross profit margin improvement of 1% from 7% to 8%.

The improvement in gross profit in the Electronic Components Division was due mainly to more “design-in” businesses materializing during the period, particularly in China, while for our Peripherals Division, the improvement was due to our continued emphasis on higher value added products.

**Expenses**

Besides the normal inflationary effects on our operating expenses, the increase in facilities expense reflect the Group's continued expansion of its network and offices within the Electronic Components Division in the Asia Pacific region and the general hike in rental costs.

Depreciation expenses decreased due to some fixed assets being fully depreciated during the period.

The Group's lifestyle subsidiary in Australia suffered a loss of S\$2.6 million, including a provision of S\$1.2 million for doubtful debts and inventories obsolescence. Certain lifestyle products suffered from market season trends and acceptance. Having missed the seasonal

cycle, we took steps to write down the carrying value of lifestyle inventories.

Despite the higher cost of funds, the Group was able to lower its finance and banking charges. This is due to better supply chain management and the better management of our working capital. Strengthening of the operating currency in the group of companies operating in different countries against the US\$ led to a foreign exchange gain of S\$594K.

### **Profitability**

The Group recorded a net profit before tax of S\$2.46 million (1H2006: S\$2.28 million) for the financial period ended 30 June 2006. Net profit after tax improved by 65% to S\$2.66 million (1H2006: S\$1.61 million) due mainly to the reversal of tax provisions within the two subsidiaries of the Group.

Despite the 1% increase in gross margin, the lower than expected net profit margin before tax was due mainly to provisions for doubtful debts and inventories obsolescence in the lifestyle subsidiary division and an increase in facilities expenses.

The associated companies incurred lower losses as compared to the previous period because of more sales contracts in the smart card and security surveillance businesses in China. This has resulted in our share of associate companies' losses decreasing from S\$292K to S\$132K.

### **Balance sheet**

Loans to subsidiaries decreased from S\$26.47 million to S\$21.09 million due to the Group utilizing one of its subsidiaries working capital to settle its investments.

The Group's cash improved from S\$28.75 million to S\$34.31 million due to better supply chain management. Bank borrowing costs decreased correspondingly in line with improved working capital control.

On 30 March 2007, the Company paid off all its commitments in the convertible bonds issued. The Company financed this settlement via a short term loan from another bank.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

Foreign exchange volatility, interest rates fluctuations and the challenging cyclical balance of supply versus demand within the IT industry will continue to affect the business environment that the Group operates in.

The Group intends to pursue expansion plans in Asia and strengthen its presence to capitalize on the continued global shift of manufacturing activities to Asia. The Group intends to explore any new investment or divestment opportunities that may arise from time to time.

Barring any unforeseen circumstances, the Management expects the Group to enjoy continued growth for FY2007

**11. Dividend**

**(a) Current Financial Period Reported On**

Not applicable

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Not applicable

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12. If no dividend has been declared/recommendeded, a statement to that effect**

No dividend has been proposed or declared.

**13. Segmental revenue and results**

	<u>Revenue</u>		<u>Group</u>	
	H1 2007 S\$'000	H1 2006 S\$'000	H1 2007 S\$'000	H1 2006 S\$'000
Peripherals	138,007	153,328	615 *	2,049 *
Electronic components	134,835	135,228	2,996	1,571
Others	-	-	(367)	(162)
	<b>272,842</b>	<b>288,556</b>	<b>3,244</b>	<b>3,458</b>
Interest Income			622	424
<b>Profit from operating activities</b>			<b>3,866</b>	<b>3,882</b>
Financial expenses, net			(1,279)	(1,314)
Share of operating losses of associated company			(132)	(292)
<b>Profit before taxation</b>			<b>2,455</b>	<b>2,276</b>
Taxation			204	(666)
<b>Profit for the year</b>			<b>2,659</b>	<b>1,610</b>
Profit/(loss) attributable to:				
Equityholders of the Company			2,484	1,659
Minority interests			175	(49)
			<b>2,659</b>	<b>1,610</b>
<b>* Segmental Results</b>				
Peripherals excluding lifestyle subsidiary			2,936	1,943
Lifestyle subsidiary			(2,321)	106
			<b>615</b>	<b>2,049</b>

**14. Interest Person Transactions**

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	30/6/2007 S\$'000	30/6/2006 S\$'000	30/6/2007 S\$'000	30/6/2006 S\$'000
Hexon Technology Pte Ltd	-	-	733	1,220

**15. Confirmation by the Board**

The Board of Directors of Achieva Limited confirms that to the best of its knowledge, nothing has come to its attention which may render the interim financial results to be false or misleading in any material respect.

**BY ORDER OF THE BOARD**

**Adrian Chan Pengee**  
Joint Company Secretary

**07 August 2007**

**Press and analysts enquiries**

Please contact the following for further information:-

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