



AGVA Corporation Limited
Half Year Financial Statements Announcement
For the Period Ended 30 June 2007

1(a)(i1) **A STATEMENT OF PROFIT AND LOSS FOR THE HALF YEAR ENDED 30 JUNE 2007**

An income statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Note | Group 6 months ended 30 Jun | | Change % |
|--|-----------|--------------------------------|------------------|---------------|
| | | 2007 US\$'000 | 2006 US\$'000 | |
| Revenue | 1(a)(iii) | 11,889 | 10,631 | 11.8% |
| Cost of Sales | 1(a)(iv) | (9,869) | (8,111) | 21.7% |
| Gross Profit | | 2,020 | 2,520 | -19.8% |
| Other Operating Income | 1(a)(v) | 423 | 152 | 178.3% |
| Selling & Distribution Costs | 1(a)(vi) | (560) | (527) | 6.3% |
| Administrative Expenses | 1(a)(vi) | (1,544) | (1,508) | 2.4% |
| Foreign Exchange (Loss)/Gain | 1(a)(vii) | (5) | 146 | NM |
| Profit before Tax | | 334 | 783 | -57.3% |
| Income Tax Expense | | (60) | (153) | -60.8% |
| Profit for the period and attributable to equity holders of the company | | 274 | 630 | -56.5% |

Notes:

N/M – Not meaningful



1(a)(ii) 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 statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

Profit from operations is determined after charging / (crediting) the following: -

| | Group | |
|--|------------------------------|------------------|
| | 6 months ended 30 Jun | |
| | 30-Jun-07 | 30-Jun-06 |
| | US\$'000 | US\$'000 |
| Depreciation | 347 | 327 |
| Interest Income | (44) | (42) |
| Bad debts written off - Trade | 1 | 22 |
| Allowance for doubtful debts - Trade | - | 43 |
| Allowance for doubtful debts written back - Trade | (5) | (1) |
| Allowance for inventory obsolescence | 130 | 31 |
| Other income - sale of polypropylene scraps | (78) | (83) |
| Gain on disposal of property, plant and equipment | - | (27) |
| Gain from disposal of a subsidiary | (222) | - |
| Foreign currency exchange loss/(gain) - Realised | 34 | 9 |
| Foreign currency exchange loss/(gain) - Unrealised | (29) | (155) |

1(a)(iii) Revenue

The Group's revenue had increased by 11.8% from US\$10.63 million for the 6 months ended 30 June 2006 to US\$11.89 million for the 6 months ended 30 June 2007 as a result of increased orders from both existing and new customers. However, many orders were secured with smaller margins because of higher operating costs.

1(a)(iv) Cost of Sales

The Group's gross profit margin decreased by 6.7% points from 23.7% for the 6 months ended 30 June 2006 to 17.0% for the 6 months ended 30 June 2007. This was due mainly to the following:

- The industry continued to be affected by soaring crude oil prices which increased the cost of raw materials, primarily polypropylene
- Increased factory overheads, especially wages and electricity costs



1(a)(v) Other Operating Income

Other operating income increased by 178.3% from US\$ 152,000 for the 6 months ended 30 June 2006 to US\$ 423,000 for the 6 months ended 30 June 2007. This was due primarily to gain arising from disposal of a subsidiary, Excel Best Industries (Suzhou) Co., Ltd

1(a)(vi) Selling & Distribution Costs / Administrative Expenses

For the 6 months ended 30 June 2007, the Group's selling and distribution and administrative expenses had increased by 6.3% and 2.4% respectively as compared to the 6 months ended 30 June 2006. This was due mainly to the following:

- Increase in freight and handling expenses in line with increased sales.
- Increase in trade fair expenses to promote our in-house brand
- Provision for inventory obsolescence

1(a)(vii) Foreign Exchange (Loss)/Gain

The Group incurred an exchange loss for the 6 months ended 30 June 2007 of US\$ 5,000 against a gain of US\$ 146,000 for the 6 months ended 30 June 2006 due primarily to the rising RMB, where the production facility is, against the USD, which is the Group's presentation currency.

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

| Balance Sheets | Group | | Company | |
|--|---------------|---------------|--------------|--------------|
| | 30-Jun-07 | 31-Dec-06 | 30-Jun-07 | 31-Dec-06 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 4,446 | 4,577 | - | - |
| Investment in subsidiaries | - | - | 3,268 | 3,268 |
| | <u>4,446</u> | <u>4,577</u> | <u>3,268</u> | <u>3,268</u> |
| Current assets | | | | |
| Cash and cash equivalents | 3,676 | 3,521 | 800 | 1,282 |
| Trade receivables | 4,268 | 4,190 | - | - |
| Amounts due from subsidiaries | - | - | 3,841 | 4,121 |
| Other receivables, deposits and prepayments | 454 | 492 | 37 | 28 |
| Income tax refundable | 8 | - | - | - |
| Non current assets held for sale | - | 832 | - | - |
| Inventories | 3,052 | 2,525 | - | - |
| | <u>11,458</u> | <u>11,560</u> | <u>4,678</u> | <u>5,431</u> |
| Total Assets | <u>15,904</u> | <u>16,137</u> | <u>7,946</u> | <u>8,699</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity attributable to members of the company | | | | |
| Share capital | 3,962 | 3,928 | 3,962 | 3,928 |
| Share premium | 3,695 | 3,695 | 3,695 | 3,695 |
| Translation reserve | 334 | 214 | - | - |
| Capital reserves - share options | 78 | 78 | 78 | 78 |
| Accumulated profits | 3,875 | 4,256 | 120 | 873 |
| Total Equity | <u>11,944</u> | <u>12,171</u> | <u>7,855</u> | <u>8,574</u> |
| Non-current liability | | | | |
| Deferred tax liability | 8 | 9 | - | - |
| Total non-current liability | <u>8</u> | <u>9</u> | <u>-</u> | <u>-</u> |
| Current liabilities | | | | |
| Trade payables | 2,872 | 2,746 | - | - |
| Amounts due to subsidiaries | - | - | - | - |
| Other payables and accruals | 993 | 1,182 | 91 | 125 |
| Current tax payable | 87 | 29 | - | - |
| Total current liabilities | <u>3,952</u> | <u>3,957</u> | <u>91</u> | <u>125</u> |
| Total liabilities | <u>3,960</u> | <u>3,966</u> | <u>91</u> | <u>125</u> |
| LIABILITIES AND EQUITY | <u>15,904</u> | <u>16,137</u> | <u>7,946</u> | <u>8,699</u> |



(1)(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

- (A) the amount repayable in one year or less, or on demand;**
- (B) the amount repayable after one year;**
- (C) whether the amounts are secured or unsecured; and**
- (D) details of any collaterals.**

The Group had no outstanding borrowings and debt securities as at 30 June 2007 and 31 December 2006.

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

| Consolidated Cash Flow Statements | Note | Group 6 months ended 30 June | |
|---|------|---------------------------------|------------------|
| | | 2007 US\$'000 | 2006 US\$'000 |
| Cash flows from operating activities: | | | |
| Profit before taxation | | 334 | 783 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 347 | 327 |
| Interest income | | (44) | (42) |
| Allowance for inventory obsolescence | | 130 | 31 |
| Gain on disposal of property, plant & equipment | | - | (27) |
| Gain on disposal of a subsidiary | | (222) | |
| Allowance for doubtful debts written back | | (5) | (1) |
| Allowance for doubtful debts | | - | 43 |
| Bad debts written off | | 1 | 22 |
| Operating profit before working capital changes | | 541 | 1,136 |
| Trade receivables | | (74) | (733) |
| Other receivables and prepaid expenses | | 38 | 96 |
| Inventories | | (657) | (41) |
| Trade payables | | 126 | (109) |
| Other payables | | (189) | (106) |
| Cash generated from operations | | (215) | 243 |
| Interest received | | 44 | 42 |
| Income tax paid | | (37) | (37) |
| Net cash from operating activities | | (208) | 248 |
| Cash flows from investing activities: | | | |
| Non-current assets classified as held for sale | | 832 | |
| Acquisition of minority interest | | - | (36) |
| Proceeds from sales of property, plant and equipment | | 1 | 130 |
| Purchase of property, plant and equipment | | (154) | (395) |
| Proceeds from disposal of a subsidiary | | 490 | - |
| Net cash generated from/(used in) investing activities | | 1,169 | (301) |
| Cash flows from financing activities: | | | |
| Dividend paid | | (655) | (546) |
| Net cash used in financing activities | | (655) | (546) |
| Net effect of exchange rate changes in consolidating subsidiaries | | (151) | (135) |
| Net increase/(decrease) in cash | | 155 | (734) |
| Cash and cash equivalents as at 01 January | | 3,521 | 4,552 |
| Cash and cash equivalents at 30 June | | 3,676 | 3,818 |



AGVA Corporation Limited
Half Year Financial Statements Announcement

(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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | <<<<<< Attributable to members of the Company >>>>>> | | | | | | | |
|----------------------------------|--|---------------|---------------|---------------------|-------------------|---------------|-------------------|---------------|
| | Capital Reserves | | | | | | | |
| | Share capital | Share premium | Share Options | Translation reserve | Retained earnings | Total | Minority interest | Total equity |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Group | | | | | | | | |
| Balance at 1 January 2006 | 3,928 | 3,695 | 78 | 113 | 3,750 | 11,564 | 36 | 11,600 |
| Payment of final dividend | - | - | - | - | (546) | (546) | - | (546) |
| Translation adjustment | - | - | - | (14) | - | (14) | - | (14) |
| Acquisition of minority interest | - | - | - | - | - | - | (36) | (36) |
| Net profit for the period | - | - | - | - | 630 | 630 | - | 630 |
| Balance at 30 June 2006 | <u>3,928</u> | <u>3,695</u> | <u>78</u> | <u>99</u> | <u>3,834</u> | <u>11,634</u> | <u>-</u> | <u>11,634</u> |
| Balance at 1 January 2007 | 3,928 | 3,695 | 78 | 214 | 4,256 | 12,171 | - | 12,171 |
| Payment of final dividend | - | - | - | - | (655) | (655) | - | (655) |
| Translation adjustment movements | - | - | - | 120 | - | 120 | - | 120 |
| Exercise of Share Option | 34 | - | - | - | - | 34 | - | 34 |
| Net profit for the period | - | - | - | - | 274 | 274 | - | 274 |
| Balance at 30 June 2007 | <u>3,962</u> | <u>3,695</u> | <u>78</u> | <u>334</u> | <u>3,875</u> | <u>11,944</u> | <u>-</u> | <u>11,944</u> |
| Company | | | | | | | | |
| Balance at 1 January 2006 | 3,928 | 3,695 | 78 | - | 896 | 8,597 | - | 8,597 |
| Payment of final dividend | - | - | - | - | (546) | (546) | - | (546) |
| Net profit for the period | - | - | - | - | 70 | 70 | - | 70 |
| Balance at 30 June 2006 | <u>3,928</u> | <u>3,695</u> | <u>78</u> | <u>-</u> | <u>420</u> | <u>8,121</u> | <u>-</u> | <u>8,121</u> |
| Balance at 1 January 2007 | 3,928 | 3,695 | 78 | - | 873 | 8,574 | - | 8,574 |
| Payment of final dividend | - | - | - | - | (655) | (655) | - | (655) |
| Exercise of Share Option | 34 | - | - | - | - | 34 | - | 34 |
| Net profit for the period | - | - | - | - | (98) | (98) | - | (98) |
| Balance at 30 June 2007 | <u>3,962</u> | <u>3,695</u> | <u>78</u> | <u>-</u> | <u>120</u> | <u>7,855</u> | <u>-</u> | <u>7,855</u> |



(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.

For the 6 months ended 30 June 2007, a total of 515,000 share options at an exercise price of S\$0.10 were exercised, resulting in an increase in the company's share capital by 515,000 shares.

The total number of ordinary shares of the Company that may be issued upon the exercise of all outstanding share options pursuant to the terms of the AGVA Employee Share Option Scheme as at 30 June 2007 was 3,402,000 ordinary shares comprising 1,732,000 share options with exercise price of S\$0.10 and 1,670,000 share options with exercise price at S\$0.21.

During the 6 months ended 30 June 2007, 170,000 share options had lapsed due to the resignation of employees.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard).

The figures have not been audited nor reviewed by the Company's auditors.

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.

The Group has applied the same accounting policies and methods of computation in the financial statements for the period ended June 30, 2007, as those used for the audited financial statements as at December 31, 2006.

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.

The Group has adopted all the applicable new/revised Singapore Financial Reporting Standards (“FRS”) that are applicable for financial years beginning on or after 1 January 2007. The adoption of the new FRS does not materially affect the results of the group for the current and prior periods.

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:-

| | <u>Group</u> | |
|---|-------------------------------|--------------------|
| | <u>6 months ended 30 June</u> | |
| | <u>2007</u> | <u>2006</u> |
| | <u>US Cents</u> | <u>US Cents</u> |
| Profit Per Share/EPS (based on consolidated net profit attributable to shareholders) | | |
| - on weighted average number of ordinary shares on issue | 0.1255 | 0.2887 |
| - on a fully diluted basis | 0.1254 | 0.2887 |
| | <hr/> | |
| Weighted average number of ordinary shares in issue for basic EPS | 218,312,320 | 218,240,000 |
| Adjustment for assumed conversion of share options | 173,200 | - |
| | <hr/> | |
| Weighted average number of ordinary shares for diluted EPS | <u>218,485,520</u> | <u>218,240,000</u> |

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 | |
|--|------------------|------------------|------------------|------------------|
| | 30-Jun-07 | 31-Dec-06 | 30-Jun-07 | 31-Dec-06 |
| | US Cents | US Cents | US Cents | US Cents |
| Net asset value per share based on existing issued capital as at the respective period | 5.46 | 5.58 | 3.59 | 3.93 |
| Issued share capital at the end of period | 218,755,000 | 218,240,000 | 218,755,000 | 218,240,000 |

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

Overview

For the six months ended 30 June 2007, the Group continued to encounter challenging operating environment in the face of increasing raw material and energy prices, increasing wages and operating costs, and appreciating RMB against USD.

Group Revenue

| Revenue by Regions | Group | |
|---|-------------------------------|-----------------|
| | 6 months ended 30 June | |
| | 2007 | 2006 |
| | US\$'000 | US\$'000 |
| Europe | 4,145 | 3,236 |
| Asia (ex-Japan) | 2,848 | 2,390 |
| Japan | 2,727 | 2,941 |
| North America | 798 | 742 |
| Australasia | 279 | 224 |
| Others (Middle East, South America, Africa, Russia) | 1,092 | 1,098 |
| | 11,889 | 10,631 |



Group revenue increased by 11.8% to US\$11.89 million for the 6 months ended 30 June 2007. Revenue growth is achieved in all regions, except Japan, which registered a slight decrease. Despite that, Japan, which takes up 23% of total revenue, is still the Group's major market.

Profitability

The Group's profit dropped by 57% compared to the same period last year. This was mainly due to the following:

- Rising raw material prices, wages, electricity costs
- Appreciating RMB against USD, which resulted in foreign exchange losses

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

In line with what was previously announced in paragraph 10 in the FY 2006 results announcement, we expect the Group to be profitable for the FY 2007

10. A commentary at the date of the announcement of the 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.

The Group expects the same business environment prevailing in the first half year to continue. The Group will focus on the following in the second half of FY 2007:-

- Intensify our customer focus on strategic customers and customers with better gross profit margins.
- Achieve production efficiencies, especially in its in house brand
- Develop its design and product development capabilities
- Source for better material prices
- Hedge its currency exposures

11. Dividend

(a) Current Financial Period Reported On **Any dividend declared for the current financial period reported on?**

None

(b) Corresponding Period of the Immediately Preceding Financial Year Any dividend declared for the corresponding period of the immediately preceding financial year?

None



(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared (recommended), a statement to that effect.

No interim dividend for the period ended 30 June 2007 is recommended.

13. Confirmation pursuant to Rule 705(4) of the SGX Listing Manual

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements of the Company or the unaudited consolidated financial statements of the Group for the first half ended 30 June 2007 to be false or misleading in any material respect.

**PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR
ANNOUNCEMENT**

Not applicable

By Order of the Board

Albert Lim Beng Guan
Director
13 August 2007