

## AVAPLAS LTD

### Half Year Financial Statement

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY, HALF-YEAR AND FULL YEAR RESULTS

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

Half-year financial statement on consolidated results for the financial year ended 30 September 2004. These figures have not been audited.

	Group	Group	
	SS ' 000	SS ' 000	%
	30/09/2004	30/09/2003	Change
Sales of goods	21,733	21,622	0.5%
Cost of goods sold	18,996	18,956	0.2%
Gross profit	2,737	2,666	2.7%
Other revenue	280	187	49.7%
Staff costs	785	745	5.4%
Other operating expenses	1,766	1,545	14.3%
Profit from operating activities	466	563	(17.2%)
General offer expenses (Note 1)	232	-	N/M
Finance costs	108	141	(23.4%)
Share of profit of associated company (Note 2)	116	139	(16.5%)
Amortisation of goodwill	-	10	N/M
Gain on disposal of associated company (Note 3)	1,462	-	N/M
Profit before tax	1,704	551	209.3%
Tax	(15)	190	N/M
Net profit	1,689	741	127.9%

Note 1: -

General offer expenses relate to professional fees incurred in respect of ARRK Corporation general offer.

Note 2: -

Included in the Group's share of profit before tax in its associated company, is the Group's share of 3 months results in the associated company, Univac Design & Engineering Pte Ltd ("UDE"), prior to completion of its disposal.

Note 3: -

This relates to the Group's gain on disposal of its 30.19% shareholding in associated company, Univac Design & Engineering Pte Ltd ("UDE").

N/M : Not meaningful

**1 (a) (i) Additional information for the income statement**

	<b>Group</b>	
	<b>30 September 2004</b>	<b>30 September 2003</b>
	S\$'000	S\$'000
(A) Interest income	13	15
(B) Interest expense	(108)	(136)
(C) Depreciation of property, plant and equipment (Note 1)	(1,803)	(1,698)
(D) Loss on disposal of fixed assets	(78)	-
(E) Rental expenses (Note 1)	(316)	(206)
(F) Foreign exchange (loss)/gain	(28)	5

Note 1: -

Increase in depreciation and rental expenses were due mainly to capital expenditure incurred to support expansion of oversea plants.

**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**

	<b>Group</b>		<b>Company</b>	
	<b>As at 30/9/2004 S\$'000</b>	<b>As at 31/3/2004 S\$'000</b>	<b>As at 30/9/2004 S\$'000</b>	<b>As at 31/3/2004 S\$'000</b>
Property, plant and equipment	30,797	30,248	21,109	23,110
Investment in subsidiary company	-	-	1,951	1,727
Investment in joint venture company	-	-	1,259	1,259
Investment in associated company (Note1)	-	2,252	-	1,807
Club memberships	157	157	157	157
Amounts due from subsidiary company	-	-	6,271	5,039
Loans to subsidiary company	-	-	761	-
Loan to joint venture company	333	333	667	667
<b>Current Assets</b>				
Stocks	2,458	2,316	1,141	1,394
Trade debtors (Note 2)	9,036	6,690	5,204	4,422
Amount due from joint venture company (Note 3)	3,078	2,495	6,157	4,991
Loan to joint venture company	67	67	133	133
Other debtors, deposits and prepayments	1,465	1,544	786	1,196
Cash and cash equivalents	4,192	3,419	3,316	2,261
	<b>20,296</b>	<b>16,531</b>	<b>16,737</b>	<b>14,397</b>
<b>Current Liabilities</b>				
Bank overdraft	-	1,154	-	1,154
Trade creditors	8,511	8,867	6,927	7,925
Other creditors and accruals	4,652	1,583	3,141	1,184
Loans from joint venture company	67	67	-	-
Hire purchase creditors	36	33	12	21
Amounts due to bankers (Note 3)	1,545	3,173	1,546	3,173
	<b>14,811</b>	<b>14,877</b>	<b>11,626</b>	<b>13,457</b>
<b>Net Current Assets</b>	<b>5,485</b>	<b>1,654</b>	<b>5,111</b>	<b>940</b>
<b>Non Current Liabilities</b>				
Hire purchase creditors	-	(22)	-	(2)
Loan from joint venture partner	(333)	(333)	-	-
Amounts due to bankers (Note 5)	(1,820)	(2,535)	(1,820)	(2,535)
Deferred taxation	(3,641)	(3,640)	(3,641)	(3,640)
	<b>(5,794)</b>	<b>(6,530)</b>	<b>(5,461)</b>	<b>(6,177)</b>
<b>Net assets</b>	<b>30,987</b>	<b>28,114</b>	<b>31,825</b>	<b>28,529</b>
<b>Represented by:</b>				
Issued capital	12,367	12,014	12,367	12,014
Share premium	8,178	7,123	8,178	7,123
Accumulated profits	10,528	9,087	11,280	9,392
Foreign currency translation reserve	(95)	(110)	-	-
	<b>30,987</b>	<b>28,114</b>	<b>31,825</b>	<b>28,529</b>

Note 1

Decrease in investment in associated company was due to the disposal of our shareholding in Univac Design and Engineering Pte Ltd.

Note 2

Increase in trade debtors was due mainly to increase in business activity in subsidiary and Joint Venture companies in the last 3 months.

Note 3

Increase in Amount due from Joint Venture Company was due mainly to sales of machineries, tools and equipment by holding company to joint venture company in Thailand.

Note 4

Increase in other creditors and accruals were due mainly to advance payment from a customer.

Note 5

Decrease in amount due to bankers was due mainly to repayment of bank loans.

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

**Amount repayable in one year or less, or on demand**

As at 30/9/2004		As at 31/03/2004	
Secured	Unsecured	Secured	Unsecured
S\$1,546,000	-	S\$1,673,000	S\$1,500,000

**Amount repayable after one year**

As at 30/9/2004		As at 31/3/2004	
Secured	Unsecured	Secured	Unsecured
S\$1,820,000	-	S\$2,535,000	-

**Details of any collateral**

As at 30 September 2004, term loans amounting to S\$1,273,000, (31/3/04: S\$1,468,000) are secured by a first mortgage over the Company's leasehold building and loans of S\$2,093,000 (31/3/2004: S\$2,740,000) are secured on a first charge basis on specific machinery. The net book value of assets secured by term loans as at 30 September S\$3,639,671 (31/3/2004: S\$3,981,730). Interest rates on the term loans range from 4% to 6% per annum (31/3/2004: 2.33% to 6.75% per annum).

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

Consolidated Statement of Cash Flows for the half year ended 30 September

	30-Sep-04 \$ '000	30-Sep-03 \$ '000
<b>Cash flows from operating activities</b>		
Profit from operation before taxes	1,704	551
Add back/(deduct):		
Depreciation of property, plant and equipment	1,803	1,698
Amortisation of goodwill	-	10
Loss on disposal of property, plant and equipment	78	-
Directors remuneration pursuant to Restricted Stock Plan	30	-
Share of associate company (profits)/loss	(116)	(139)
Profit on disposal of associate company	(1,462)	-
Interest income	(13)	(15)
Interest expense	108	136
Translation reserve	15	12
<b>Operating profit before working capital changes</b>	<b>2,147</b>	<b>2,253</b>
(Increase)/Decrease in stocks	(142)	606
(Increase)/Decrease in trade debtors	(2,346)	(511)
(Increase)/Decrease in other debtors, deposits and prepayments	79	(160)
Increase /(Decrease) in other creditors and accruals	3,069	(898)
Decrease in trade creditors	(356)	(1,399)
Increase in amount due from joint venture company	(583)	(206)
<b>Cash generated from/ (used in) operation</b>	<b>1,868</b>	<b>(315)</b>
Dividend paid	(247)	(240)
Interest expense paid	(108)	(136)
Interest income received	13	15
	<b>1,526</b>	<b>(676)</b>
<b>Cash Flow from Investing activities</b>		
Purchase of property, plant and equipment	(3,442)	(1,579)
Proceeds from disposal of property, plant and equipment	971	-
Investment in associated company	-	(551)
Proceeds from disposal of associate company (net of expenses)	3,862	-
<b>Net cash used in investing activities</b>	<b>1,391</b>	<b>(2,130)</b>
<b>Cash flows from financing activities</b>		
Proceeds from sale of shares	1,378	-
Net increase in loan from joint venture partner	-	250
Net decrease in short term loan	(1,628)	(341)
Net decrease in hire purchases	(19)	(10)
Net decrease in terms loans	(715)	(919)
<b>Net cash from financing activities</b>	<b>(984)</b>	<b>(1,020)</b>
Net decrease in cash and cash equivalents	1,933	(3,826)
Cash and cash equivalents as at 1 April	2,265	6,657
Effects of exchange rates changes of opening cash	(6)	(2)
<b>Cash and cash equivalents as at 30 Sep</b>	<b>4,192</b>	<b>2,829</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

	Group		Company	
	30/9/2004	30/9/2003	30/9/2004	30/9/2003
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Issued capital</b>				
Balance at beginning and end of financial year	12,014	11,990	12,014	11,990
Issue of ordinary shares	353	-	353	-
	<u>12,367</u>	<u>11,990</u>	<u>12,367</u>	<u>11,990</u>
<b>Share premium</b>				
Balance at beginning and end of financial year	7,123	7,113	7,123	7,113
Issue of ordinary shares	1,055	-	1,055	-
	<u>8,178</u>	<u>7,113</u>	<u>8,178</u>	<u>7,113</u>
<b>Accumulated profits</b>				
Balance, beginning of financial year as previously reported	9,087	8,515	9,392	8,806
Net profit	1,688	857	2,135	608
Dividends paid	(247)	(240)	(247)	(240)
Balance, end of financial year	<u>10,528</u>	<u>9,132</u>	<u>11,280</u>	<u>9,174</u>
<b>Foreign currency translation reserve</b>				
Balance, beginning of financial year	(110)	(5)	-	-
Currency exchange difference	15	7	-	-
Balance, end of financial year	<u>(95)</u>	<u>2</u>	<u>-</u>	<u>-</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 or 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

	No. of shares	S\$'000
As at 1 April 2004	240,281,000	12,014
Exercise of share options under Share Option Plan	6,459,760	323
Share Award under Restricted Stock Plan	600,000	30
As at 30 September 2004	247,340,760	12,367

**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)**

These figures have not been audited or reviewed.

**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 adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 March 2004.

**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**

Not applicable.

**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**

		<b>Group 30/9/2004</b>	<b>Group 30/9/2003</b>
(a)	Based on the weighted average number of ordinary shares on issue (cents)	0.69	0.31
(b)	On a fully diluted basis (cents)	0.68	0.31

**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**

	<b>Group</b>		<b>Company</b>	
	<b>30/9/2004</b>	<b>30/9/2003</b>	<b>30/9/2004</b>	<b>30/9/2003</b>
Net Assets Backing per ordinary share based on existing share capital as at the end of the period reported in (cents)	12.52	11.70	12.87	11.87

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 financial period reported on

### **Background**

Avaplas specialises in the manufacturing of high volume precision engineering plastic components and sub-assemblies using plastic injection molding. Its core products include components of printing & imaging equipment, electrical and medical appliances. The Group serves mainly MNCs and contract manufacturers in the printing & imaging, computer peripherals, consumer electronics and telecommunications industries.

From a single manufacturing facility in Singapore, Avaplas expanded its manufacturing presence into Thailand in January 2002, Shanghai in November 2002 and subsequently into Malaysia in August 2004 to support its customers at these lower-cost manufacturing locations.

### **Revenue**

For the six month ended 30 September 2004, group revenue recorded a marginal increase, rising from \$21.6 million in 1<sup>st</sup> Half ("1H") FY2004 to \$21.7 million in 1H FY2005. While revenue from our China and Thailand operations improved, this gain was offset by lower revenue from the Singapore operations as customers in Singapore continued to relocate their manufacturing operations to lower cost countries like Thailand, Malaysia and China. The increase in revenue from our China and Thailand operations was attributed to the Group's success in securing business that was relocated from Singapore as well as additional orders secured from new customers.

In June 2004, the Group established a new operation in Johor, Malaysia to take advantage of the lower operating cost and customer relocation trend to Malaysia. The Malaysian operations made a modest maiden contribution to group revenue towards the end of 1H FY2005.

### **Profitability**

Gross profit improved moderately from \$2.6 million in the six month ended 30 September 2003 to \$2.7 million in the six month ended 30 September 2004.

In establishing the Malaysian operations, higher operating costs were incurred. As a result, the Group's operating profit declined from \$0.56 million in 1H FY2004 to \$0.47 million in 1H FY2005.

During 1H FY2005, the Group incurred professional fees amounting to \$232,000 in respect of the General Offer by ARRK Corporation.

As a condition of the General Offer, the Group sold its 30.19% stake in Univac Design and Engineering Pte Ltd to Venture Corporation Ltd in June 2004 and booked a net gain of \$1.5 million. This gain boosted group net profit by 128% to \$1.69 million in 1H FY2005.



**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 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's operating environment is expected to remain challenging in the second half of FY 2005. Higher oil prices and a weaker US\$ could slow down demand as well as dampen profit margin.

With an expanded manufacturing presence in lower cost countries in Asia, the Group is well positioned to capitalize on the global outsourcing trend. The Group will commit additional resources to further expand its customer base in Singapore, Malaysia, China and Thailand in the current financial year.

Barring unforeseen circumstances, the Group expects to remain profitable in FY2005.

#### **11. Dividend**

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

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend per share	S\$0.001
Par value of shares	S\$0.05
Tax Rate	exempt 1-tier

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

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	S\$0.001
Par value of shares	S\$0.05
Tax Rate	exempt 1-tier

##### ***(c) Date payable***

To be advised.

##### ***(d) Books closure date***

To be advised.

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

Not applicable.

**13. Interested Person Transactions**

The interested person transactions with ARKK Group of companies are less than S\$100,000.

**BY ORDER OF THE BOARD**

Chuang Sheue Ling and Tan Ching Chek  
Joint Company Secretaries  
5 November 2004