Avaplas Ltd

Half Year Financial Statement and dividend announcement for the period ended 30 Sep 2005

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

	Group		
	30/09/2005 S$'000	**30/09/2004** S$'000	**% Change**
Sales of goods	26,525	21,733	22.0%
Costs of goods sold	(24,203)	(18,996)	27.4%
Gross profit	2,322	2,737	-15.2%
Other revenue	165	280	-41.1%
Staff costs	(899)	(785)	14.5%
Other operating expenses	(1,427)	(1,766)	-19.2%
Profit from operating activities	161	466	-65.5%
Finance costs	(146)	(108)	35.2%
Share of profit of associate (Note 1)	0	116	N/M
General Offer expenses (Note 2)	0	(232)	N/M
Gain on disposal of associate (Note 3)	0	1,462	N/M
Profit from operation before tax	15	1,704	-99.1%
Taxation	249	(15)	N/M
Net profit	264	1,689	-84.4%

Note 1: -
Included in the prior period 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 2: -
General Offer expenses relate to professional fees incurred in respect of ARRK Corporation general offer in the previous financial period.

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") in the previous financial period.

NM - Not meaningful

Additional information to the income statement

	Group	
	30/09/2005	**30/09/2004**
	S$'000	S$'000
Interest income	17	13
Interest expense	(146)	(108)
Depreciation of property, plant and equipment (Note 1)	(2,257)	(1,803)
Loss on disposal of property, plant and equipment	0	(78)
Factory rental expenses	(387)	(316)
Foreign exchange gain/(loss) (Note 2)	321	(28)

Note 1: -
Increase in depreciation was due mainly to capital expenditure incurred to support expansion of oversea plants.

Note 2:-
The Group recorded a foreign exchange gain of $321k as compared to a loss $28k due mainly to the strengthening of US$, China Renminbi and Malaysian Ringgit against S$ during the period in review.

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

	Group		Company	
	30/09/2005	31/03/2005	30/09/2005	31/03/2005
	S$'000	S$'000	S$'000	S$'000
Goodwill arising from consolidation	831	0	0	0
Property, plant and equipment (Note 1)	34,279	31,063	20,525	21,061
Investment in subsidiary companies (Note 3)	0	0	6,390	2,771
Investment in joint venture company	0	0	0	1,259
Club memberships	157	157	157	157
Amounts due from subsidiary companies	0	0	7,187	7,554
Loan to subsidiary companies	0	0	760	0
Loan to joint venture company	0	200	0	400
Current assets				
Stocks (Note 2)	4,104	2,927	1,791	1,766
Trade debtors (Note 2)	11,352	10,490	7,737	5,074
Amount due from subsidiary companies (Note 3)	0	0	6,680	0
Amount due from joint venture company (Note 3)	0	2,761	0	5,522
Loan to joint venture company (Note 3)	0	200	0	400
Other debtors, deposits and prepayments	991	1,435	454	985
Prepaid tax		170	0	143
Cash in bank	3,659	2,595	1,906	927
	20,106	20,578	18,568	14,817
Current liabilities				
Bank overdrafts	0	401	0	401
Trade creditors	10,184	10,764	10,766	7,558
Other creditors and accruals	2,978	2,966	905	2,515
Provision for taxation	34	361	34	361
Hire purchase creditors	26	15	0	2
Loan from joint venture company (Note 3)	0	200	0	0
Amounts due to bankers (Note 4)	7,426	1,749	6,768	1,428
	20,648	16,456	18,473	12,265
Net current (liabilities)/ assets	(542)	4,122	95	2,552
Non Current Liabilities				
Loan from joint venture partner	0	(200)	0	0
Hire Purchase creditors	0	(7)	0	0
Amount due to bankers (Note 4)	(1,209)	(1,615)	(441)	(1,080)
Deferred tax liabilities	(2,966)	(3,282)	(2,966)	(3,282)
	(4,175)	(5,103)	(3,407)	(4,362)
Net assets	30,550	30,439	31,707	31,392
Represented by:-				
Share Capital	12,367	12,367	12,367	12,367
Share Premium	8,197	8,178	8,197	8,178
Accumulated Profit	10,006	9,989	11,143	10,847
Translation reserve	(20)	(95)	0	0
	30,550	30,439	31,707	31,392

Note 1
Increase in fixed assets was due mainly to capital expenditure incurred to support expansion of oversea plants.

Note 2
Increase in inventory and trade receivables balance was due mainly to increase in the Group's overall business activity in the current financial period as compared to 31 March 2005.

Note 3
Increase in investment in subsidiary was due to the acquisition of the remaining 50% interest in Avaplas Nypro (Thailand) Limited. Following this acquisition, amounts due from joint venture partner are now classified under amounts due from subsidiary company.

Note 4
Increase in amount due to bankers was due mainly to short term borrowings used to finance additional investment in subsidiary as well as the acquisition of fixed assets to support capacity expansion.

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 30/09/2005		As at 31/03/2005	
Secured	Unsecured	Secured	Unsecured
S$2,061,713	S$5,389,800	S$1,764,000	S$0

Amount repayable after one year

As at 30/09/2005		As at 31/03/2005	
Secured	Unsecured	Secured	Unsecured
S$1,209,054	S$0	S$1,621,000	S$0

Details of any collateral

As at 30 September 2005, term loans amounting to S$868,404 (31/3/2005: S$1,072,842) are secured by a first mortgage over the Company's leasehold building and loans of S$951,605 (31/3/2005: S$1,435,153) are secured on a first charge basis on specific machinery. The net book value of assets secured by term loans as at 30 September 2005 amounted to S$2,890,606 (31/3/2005: S$3,107,271). In addition, term loan of S$1,424,759 (31/3/2005: S$855,269) are secured on specified assets of a subsidiary. The net book value of the fixed assets amounted to S$2,445,405 (31/3/2005: S$1,396,861). Interest rates on term loans range from 2.97% to 6.75% per annum (31/3/2005: 2.725% 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

Cash Flow Statement

Consolidated Statement of Cash flows for half year ended 30 September 2005

Cash flows from operating activities	**30/09/2005** S$	**30/09/2004** S$
Profit from operation before taxes	15	1,704
Adjustments:		
Depreciation of property, plant and equipment	2,257	1,803
Loss on disposal of property, plant and equipment	0	78
Director's remuneration pursuant to Restricted Stock Plan	42	30
Share options expenses	19	0
Share of profits of associate	0	(116)
Gain on disposal of associate	0	(1,462)
Interest income	(17)	(13)
Interest expense	146	108
Foreign currency translation	165	15
Operating profit before working capital changes	2,627	2,147
Increase in stocks	(1,178)	(142)
Increase in trade debtors	(824)	(2,346)
Decrease in other debtors, deposits and prepayment	444	79
(Decrease)/increase in other creditors and accruals	(26)	3,069
Decrease in trade creditors	(579)	(356)
Decrease/(increase) in amount due from joint venture company	3,161	(583)
Cash generated by operations	3,625	1,868
Dividend paid	(247)	(247)
Tax paid	(223)	0
Interest expense paid	(146)	(108)
Interest income received	17	13
Net cash from operating activities	3,026	1,526
Cash Flow from investing activities		
Purchase of property, plant and equipment	(5,278)	(3,442)
Proceeds from sale of property, plant and equipment	25	971
Investment in subsidiary	(1,236)	0
Proceeds from disposal of associate company (net of expenses)	0	3,862
Net cash (used in)/from investing activities	(6,489)	1,391
Cash flows from financing activities:		
Proceeds from issue of shares	0	1,378
Net decrease in loan from joint venture partner	(400)	0
Net increase in short-term loan	5,677	(1,628)
Net increase/(decrease) in hire purchase	5	(19)
Net decrease in term loans	(406)	(715)
Net cash from (used in) financing activities	4,876	(984)
Net increase in cash and cash equivalents	1,413	1,933
Cash and cash equivalents as at 1 April	2,194	2,265
Effects of exchange rate changes on cash and cash equivalents	52	(6)
Cash and cash equivalents as at 30 Sep	3,659	4,192

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	
	30/09/2005	30/09/2004	30/09/2005	30/09/2004
	S$'000	S$'000	S$'000	S$'000
Issued capital				
Balance at beginning of financial period	12,367	12,014	12,367	12,014
Issue of ordinary shares	0	353	0	353
Balance at end of financial period	12,367	12,367	12,367	12,367
Share premium				
Balance at beginning and end of financial period	8,178	7,123	8,178	7,123
Share premium on issue of additional shares	0	1,055	0	1,055
Share options expense	19	0	19	0
Balance at end of financial period	8,197	8,178	8,197	8,178
Accumulated profits				
Balance at beginning of financial year	9,989	9,087	10,848	9,392
Net profit	264	1,688	542	2,135
Dividends paid	(247)	(247)	(247)	(247)
Balance at end of financial period	10,006	10,528	11,143	11,280
Foreign currency translation reserve				
Balance at beginning of financial year	(94)	(110)	-	-
Foreign currency translation adjustment	74	15	-	-
Balance at end of financial period	(20)	(95)	-	-

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

Share capital	**No. of shares**	**S$'000**
Balance at beginning and end of financial period	247,340,750	12,367

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

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 2005.

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

During the current financial period, there were several new/revised Financial Reporting Standards ("FRS") which became effective. The group is required to comply with these new/revised FRS. Among the new/revised FRS are the following which are of particular importance to the group:

a. FRS 21 (The Effects of Changes in Foreign Exchange Rates) – The respective entities within the group need to re-assess the choice of their functional currencies using the criteria in FRS 21.
b. FRS 39 (Financial Instruments: Recognition and Measurement) – The group need to consider the impact of FRS 39 on all inter-company loans, investments and consider if there are any embedded derivatives.
c. FRS 103 (Business Combinations) – The group need to ensure that positive goodwill on consolidation is not amortised but subject to impairment test, at least on an annual basis.
d. FRS 102 (Share-Based Payments) – The group need to consider the amount of its share based payments (i.e. share options) to be expensed off in accordance with the requirements of the standard.

The group and the company are in the process of assessing the implications of FRS 21 and 39 on its financial statements. The announcement for the period ended September 30, 2005 has not taken into account the implications of FRS 21 and 39.

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

	Group Figures	
	30/09/2005	**30/09/2004**
(a) Based on the weighted average number of ordinary shares on issue (cents)	0.11	0.69
(b) On a fully diluted basis (cents)	0.11	0.68

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	
	30/09/2005	31/03/2005	30/09/2005	31/03/2005
Net Assets Backing per ordinary share based on existing share capital as at the end of the period reported in (cents)	12.35	12.31	12.82	12.69

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

Revenue

In 1st Half FY2006, the Group continued to benefit from the growth in outsourcing. At $26.5 million, revenue was 22% and 20% higher than 1st Half FY2005 and 2nd Half FY2005 respectively. Group net profit reversed from a loss in 2nd Half FY2005 to a net profit in 1st Half FY2006.

Revenue growth was broad based in 1st Half FY2006 except for China. The other manufacturing locations in Singapore, Thailand and Malaysia recorded higher revenue.

Revenue from Singapore recovered from its previous declining trend and posted a 36% increase to $16.6 million. The improvement was due to the commencement of new projects in imaging & printing, higher production for a new customer in consumer electronics and intercompany sales.

Thailand enjoyed higher demand from existing and new customers in imaging & printing, computer peripherals and electrical components. In addition, acquisition of the remaining 50% of Avaplas Nypro (Thailand) Limited led to higher revenue contributions from 1 July 2005. As a consequence, revenue from Thailand jumped 131% to $5.3 million.

In Malaysia, rising capacity utilisation to support new orders from existing customers contributed to a sharp rise in revenue from $36,000 in 1st Half FY2005 (start-up phase) to $3.9 million in 1st Half FY2006.

Revenue growth in Singapore, Malaysia and Thailand was offset by a decline in revenue from China, which dipped 54% to $3.4 million. The decline in revenue was caused by a product end of life.

Profitability

Prices of raw materials were significantly higher in 1st Half FY2006 as compared to the same period last year. Higher input costs and the drop in capacity utilization in China contributed to the decline in gross margin to 8.8%. Despite higher group revenue, gross profit declined from $2.7 million to $2.3 million between 1st Half FY 2005 and 1st Half FY 2006.

Depreciation expenses and staff costs increased as additional machineries and manpower were deployed to support the capacity expansion in Malaysia. Although other operating expenses were well managed, the drop in gross profit resulted in profit from operating activities declining by 31% to $0.2 million.

In 1st Half FY2005, the Group sold its associate, Univac Design and Engineering Pte Ltd and booked an exceptional gain of $1.462 million. No exceptional gain was recorded for the period under review but a reversal of deferred tax resulted in a tax write-back of $250,000. If the exceptional gain in 1st Half FY2005 was excluded from the comparison, the net profit in 1st Half FY2006 actually saw a marginal improvement from 1st Half FY 2005.

Cash Flow & Balance Sheet

Cash generated from operating activities was $3.0 million representing an increase of 98% over the previous corresponding period. Higher revenue was supported by a corresponding increase in stocks, trade debtors and trade creditors. Growing working capital requirement was funded by cash flow generated from operations, which remained positive and healthy. Short-term borrowings rose to finance additional investment in a subsidiary as well as the acquisition of fixed assets to support capacity expansion.

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

This is in line with the prospect statement made In the Company's Full Year FY2005 Financial Statement and Dividend Announcement released on 19 May 2005.

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

The business environment is expected to remain competitive in the second half FY2006. Higher oil and raw material prices pose a challenge to the Group in its management of operating costs. Notwithstanding these uncertainties, the global outsourcing trend will continue to benefit the Group's network of manufacturing centres in Asia.

Following a period of project relocation out of Singapore, the operations here are beginning to benefit from several new projects. The steady growth in revenue is expected to continue into 2nd Half FY2006.

Malaysia and Thailand have turned profitable and are expected to drive revenue growth for the remaining half year in FY2006. The two manufacturing centres are enjoying strong demand from customers in imaging & printing, computer peripherals and electrical components. In Thailand, the Group is working closely with member companies of ARRK Corporation to expand its customer base. The Group expects to expand its capacity in Malaysia and Thailand in the near term.

In China, the Group's focus is to review its customer base so as to achieve better capacity utilization.

Barring unforeseen circumstances, the Group expects to remain profitable in 2nd Half FY2006.

11. Dividend

(a) Current Financial Period Reported On
Any dividend declared for the current financial period reported on? No

(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	2%
Par value of shares	S$0.05
Tax Rate	exempt 1-tier

(c) Date payable
Not Applicable

(d) Books closure date
Not Applicable

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

13. Interested Person Transactions for 6 months ended 30 September 2005.

Name of Interested Person

ARRK Corporation Group of Companies

	$'000
Purchase of goods	393
Sale of goods	15

BY ORDER OF THE BOARD

Chuang Sheue Ling and Tan Ching Chek
Joint Company Secretaries
11 November 2005