

**AVAPLAS LTD**

(Company Registration No : 199301788C)

**ACQUISITION OF REMAINING SHARES IN ASSOCIATED COMPANY**

The Board of Avaplas Ltd ("Avaplas" or "the Company") wishes to announce that the Company has entered into a Sale & Purchase Agreement ("the S&P Agreement") with Nypro Singapore Pte Ltd ("Nypro Singapore") to acquire 300,000 ordinary shares of Thai Baht ("THB") 100 par value each ("Sale Shares") it does not already own in the capital of Avaplas Nypro (Thailand) Limited ("Avaplas Thailand") from Nypro Singapore for a total consideration of S\$1,475,000. The Sale Shares represented 50% of the issued and paid up capital of Avaplas Thailand.

Currently, the Company owns 300,000 ordinary shares of THB 100 par value each in Avaplas Thailand, representing 50% of the issued and paid up capital of Avaplas Thailand.

Following the completion of the sale and purchase of the Sale Shares, the Company's shareholdings in Avaplas Thailand will be increased to 600,000 ordinary shares of THB 100 par value each and Avaplas Thailand will become a wholly-owned subsidiary of the Company upon completion.

**Principal Activities of Avaplas Thailand**

The principal activities of Avaplas Thailand are in the manufacture of high precision engineering plastics and its secondary processes.

**Rationale for the Acquisition**

Both Avaplas and Nypro Singapore see benefits to its customers in having separate operations and have decided to pursue their Thailand interests with wholly-owned operations.

As a major regional plastics contract manufacturer with customers whose requirements mirror our local industries, the Company is of the view that by pursuing separate business plans, we will be in a better position to fully satisfy our customers. In addition, Arrk Group's strong presence in Thailand will provide opportunity for the Company to leverage on their network and customers base to further boost our capabilities and growth opportunities.

### **Purchase Consideration**

The purchase consideration of S\$1,475,000 was negotiated at arm's length on a "willing buyer and willing seller" basis, taking into consideration, *inter alia*, the net asset value, the financial operating performance and the strategic fit between the Company and Avaplas Thailand's operations.

The purchase consideration represents less than 4.6% of the Company's market capitalization as at the date of this announcement. The consideration for the acquisition will be funded by internal cash reserves and bank borrowings.

The completion of the S&P agreement is conditional upon, *inter alia*, :-

- i) Avaplas' fulfillment of undertakings to procure Thai Military Bank Public Company Limited ("the bank") to the release and full discharge of Nypro Singapore from the Cash Flow Deficiency Top-Up Agreement between Avaplas, Nypro Singapore and the bank;
- ii) Avaplas will convene a shareholders' meeting of Avaplas Thailand as soon as practicable for the passing of special resolutions to:-
  - a. change the name of Avaplas Nypro (Thailand) Limited and remove "Nypro" from the name of the company by amendment to the company's Memorandum of Association.
  - b. amend the article of association of the company to remove references to Nypro and Nypro Directors.

Completion of the sale and transfer of shares are expected to be no later than 30 June 2005.

### **Financial Effects of the Acquisition**

Based on the unaudited accounts of the Group for the year ended 31 March 2005, had the above acquisition been effected in full on 1 April 2004, the net profits attributable to the Company for the year ended 31 March 2005 from the acquisition of the 50% interest in Avaplas Thailand would have been approximately S\$213,382. This represents approximately 15.2 % Group total net profits for the year ended 31 March 2005. In addition, the earnings per share of the Group would have been increased from 0.57cents to approximately 0.66 cents.

Had the above acquisition been effected in full on 31 March 2005, the consolidated net tangible assets per share of the Group would have been decreased from 12.31cents to approximately 12.07 cents.

**Interests of Directors and/or Controlling Shareholders**

Save as disclosed above, no Director or controlling shareholder or substantial shareholder of the Company has an interest, direct or indirect, in the above transaction.

A copy of the S&P Agreement is available for inspection during normal business hours at the registered office of the Company at 19 Changi South Street 1, Changi South Industrial Estate, Singapore 486779 for a period of three months from the date of this announcement.

By Order of the Board

Chuang Sheue Ling and Tan Ching Chek  
Joint Company Secretaires  
Dated: 23 June 2005