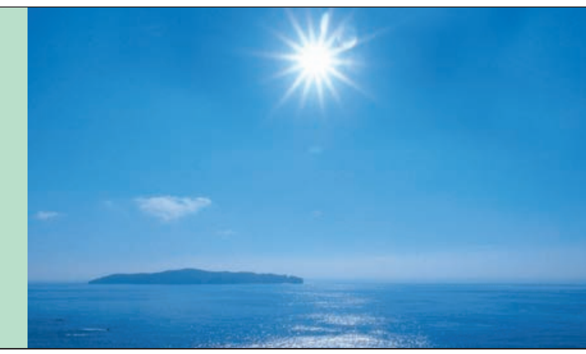
Avaplas Ltd
19 Changi South Street 1
Changi South Industrial Estate
Singapore 486779
Tel: (65) 6546 2655 Fax: (65) 6546 2455
E-mail: avaplas@pacific.net.sg
Website: www.avaplas.com.sg
Company Registration No. 199301788C

Designed & Produced by Xpress Media Pte Ltd • tel: (65) 6880 2838

AVAPLAS LTD

ANNUAL REPORT 2005

Expanding Horizons



Avaplas Ltd

annual report 2005

CONTENTS

Established in March 1993, Avaplas Ltd. has grown to become a specialist manufacturer of high volume precision engineering plastic components and its related manufacturing services.

Combining the latest in molding technology and precision injection molding, robotics, process automation, secondary operations, assembly and innovative plant design, Avaplas is dedicated to providing manufacturing solutions for our global customers' manufacturing requirements in the printing and imaging, electronics/ telecommunication, healthcare, consumer/industrial industries.

02 Milestones

Mar 1993	Commencement of operations in a 5,000 sq. ft. factory at Techplace 1 in Ang Mo Kio.
Sept 1995	Awarded ISO 9002 Certification by Underwriters Laboratories Inc.
Jan 1996	Awarded ISO 9002 Certification by Productivity Standards Board.
Nov 1996	Moved to a 32,000 sq. ft. leasehold factory in Changi South Industrial Estate.
Dec 1997	Expansion of factory space from 32,000 sq. ft. to 48,000 sq. ft.
Apr 1999	Successful implementation of first stack mold project.
Aug 1999	Expanded to China through a 20% equity interest in a joint venture company, Univac Design & Engineering Pte Ltd.
Nov 1999	Ranked 27th for the first time in the 1999 Enterprise 50 Award.
May 2000	Listed on the SGX-SESDAQ.
Mar 2001	Awarded QS 9000 Certification by Underwriters Laboratories Inc.
Sept 2001	Expansion of factory space in Singapore from 48,000 sq. ft. to 80,000 sq. ft.
Oct 2001	Awarded Certified MuCell Processor by Trexel Inc. (A MIT Company).
Jan 2002	Incorporation of wholly-owned subsidiary, Avaplas (Thailand) Limited.
June 2002	Received Technology Innovation Award by Trexel Inc.
Jul 2002	Awarded ISO 14001 Certification by Underwriters Laboratories Inc.
Nov 2002	Incorporation of wholly-owned subsidiary, Avaplas Precision Plastics (Shanghai) Co., Ltd.
Jan 2003	Avaplas (Thailand) Limited renamed as Avaplas Nypro (Thailand) Limited after it became a 50% jointly controlled entity of the Company.
Jun 2003	Increased equity interest in Univac Design & Engineering Pte Ltd from 20.76% to 28.54%.
Dec 2003	Increased equity interest in Univac Design & Engineering Pte Ltd from 28.54%.to 30.19%.
Apr 2004	Voluntary conditional cash offer by ARRK Corporation for all the issued ordinary shares of S$0.05 each in the capital of the Company at the offer price of S$0.28 per share.
	Divestment of entire 30.19% equity interest in Univac Design & Engineering Pte Ltd.
May 2004	ARRK Corporation becomes a major shareholder of the Company.
June 2004	Incorporation of wholly-owned subsidiary, Avaplas Sdn Bhd.
June 2005	Acquisition of remaining 50% of the issued and paid up capital it does not already own in Avaplas Nypro (Thailand) Limited.

04 | Asian Presence

Board of Directors

Executive Directors
Boone Quek Howe Sear *[Chairman and Chief Executive Officer]*
Wong Vee Tong *[Chief Operating Officer]*

Non-Executive Director
Yoshiteru Miura

Non-Executive Independent Directors
David Chia Tian Bin
Ng Jwee Phuan @ Frederick (Eric)
Gay Chee Cheong

Audit Committee

David Chia Tian Bin *[Chairman]*
Gay Chee Cheong
Ng Jwee Phuan @ Frederick (Eric)

Remuneration Committee

Ng Jwee Phuan @ Frederick (Eric) *[Chairman]*
David Chia Tian Bin
Wong Vee Tong

Nominating Committee

Gay Chee Cheong *[Chairman]*
Ng Jwee Phuan @ Frederick (Eric)
David Chia Tian Bin

Secretaries

Chuang Sheue Ling
Tan Ching Chek

Registered Office

19 Changi South Street 1
Changi South Industrial Estate
Singapore 486779

Registrar

Lim Associates (Pte) Ltd
10 Collyer Quay #19-08
Ocean Building
Singapore 049315

Auditors

Ernst & Young
10 Collyer Quay #21-01
Ocean Building
Singapore 049315
Audit Partner:
Teo Li Ling (Since financial year 31 March 2005)

Principal Bankers

The Development Bank of Singapore Ltd
UFJ Bank Limited
Overseas Chinese Banking Corporation Limited
RHB Bank Bhd

Dear Fellow Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Group's financial report for the year ended 31 March 2005.

The Year In Review

Not unlike previous years, we encountered competitive business conditions in financial year 2005. Instead of resorting to short term solutions to address these recurring challenges, we decided about two years ago to establish two main priorities as a foundation to grow our business. The priorities were the restructuring of our shareholding and the expansion of our regional network of manufacturing facilities.

In FY2003, we established our manufacturing facilities in Thailand and Shanghai to provide better support to our existing major customers. By the middle of FY2005, we were also operating out of Johor Bahru in Malaysia. With our Malaysia facilities, the Group is able to serve customers at four cost competitive manufacturing centres in the region.

The formation of strategic alliances is one possible way to accelerate our growth. To this end, we are fortunate to have ARRK Corporation of Japan as a major shareholder when we restructured our shareholding in May 2004. The strengths of ARRK Corporation have been well documented in my previous report. Suffice to repeat here that our services complement those of the ARRK Group and together, we can address the needs of customers in this region more effectively.

Having firmly established both our key priorities in FY2005, we set out to build on this foundation. The early results have been encouraging. Our collaboration with the ARRK Group has led to several referrals and a job for the Singapore operation. We are currently in active discussions with member companies of the ARRK Group in this region to support their existing clients with our network of manufacturing facilities. In addition, we have also utilised our regional manufacturing facilities to pursue new jobs with existing and new customers.

For our efforts in FY2005, Group revenue rose 5.2% to $43.9 million. During the year, we continued to witness some relocation of business in Singapore to lower cost countries in the region but this should be the tail end of such relocations. With our network of regional manufacturing facilities, we are better able to benefit from such relocations. Our efforts to expand and increase revenue contribution from the Group's overseas operations paid off in FY2005. With new projects from existing and new customers, the combined revenue from our overseas operations in China, Thailand and Malaysia grew 41.8% to $20.7 million in FY2005.

The Group incurred higher operating costs in FY2005 in setting up the Malaysian operations and in processing the general offer by ARRK Corporation. As a result of this, operating profit declined from $0.5 million in FY2004 to $0.3 million in FY2005 in spite of the modest increase in group revenue. As a condition of the general offer, the Group sold its 30.19% associate Univac Design and Engineering Pte Ltd and booked a gain of $1.5 million. With this gain, group net profit rose 34.2% to $1.4 million in FY2005. Your directors have recommended a final tax-exempt cash dividend of 0.1 cent per share. The full year tax-exempt dividend of 0.2 cent per share is the same as the amount paid in FY2004.

"Our efforts to expand and increase revenue contribution from the Group's overseas operations paid off in FY2005. With new projects from existing and new customers, the combined revenue from our overseas operations in China, Thailand and Malaysia grew 41.8% to $20.7 million in FY2005."

Boone Quek Howe Sear
Chairman and Chief Executive Officer

Positioned For Growth

Our current year priority would be to build upon our foundation for growth. We will continue to work closely with the member companies of ARRK Corporation in this region. Our approach would be to work patiently with our partners as the gestation period for some of these new projects could be longer than usual.

Job relocation out of Singapore has affected our Singapore operations in the last three years. As a result of a repositioning of the Singapore plant to focus on higher value added jobs, we are receiving new programmes from existing customers in our Singapore operations.

Our overseas operations have established a good track record with our base of customers. We intend to capitalise on this strength to continue growing the overseas revenue contribution. Selective addition to capacity will be undertaken to meet growing demand in some locations. The focus here is to secure new programmes from existing customers and expand the base of customers.

Prospects

We can expect the business environment to remain competitive in the current financial year. However, for reasons mentioned earlier, I believe we are better positioned to face these challenges. With a number of new programmes starting at the Singapore plant from the middle of 2005, I am reasonably confident that the declining revenue trend at the Singapore operations will be reversed in the current year.

Our overseas manufacturing facilities should continue to experience revenue growth as a result of new programmes with existing customers as well as the addition of new customers during the year. With new jobs in Malaysia, the capacity utilisation at our newest plant will increase to a comfortable level. Depending on the requirements of our customers, we do not rule out the possibility of setting up another overseas plant in the current financial year. To facilitate growth, we are also evaluating the merits of mergers and acquisitions of complementary businesses that could expand our products, capabilities or customers.

The demand outlook from the Group's customers is reasonably bright in FY2006. Barring unforeseen circumstances, the Group is cautiously optimistic of growing its revenue in FY2006. Notwithstanding higher operating costs and the absence of the divestment gain, the Group should remain profitable this year.

Appreciation

On behalf of my fellow directors, I would like to extend a warm welcome to Mr Yoshiteru Miura who joined our Board in August 2004. In establishing our priorities and setting our foundation in FY2005, many have contributed to this effort. I would like to thank our management and staff for their dedication and commitment throughout the year. In addition, I would also like to record my gratitude to our customers, shareholders, bankers, business associates and suppliers for their continuing support during the year.

Boone Quek Howe Sear
Chairman & Chief Executive Officer
01 July 2005

Singapore

Singapore remained the Group's key manufacturing centre and accounted for 52% of group revenue in FY2005. Due to the relocation of some businesses from Singapore to lower cost countries like China, Thailand and Malaysia, revenue from Singapore declined 14.6% to $23.2 million.

In addition to housing the Group's management headquarters, the Singapore operations support customers in printing & imaging, computer peripherals, consumer electronics as well as the medical industry with its plastic injection molding, chip assembly and mold fabrication, testing and qualification services.

The collaboration with ARRK Corporation ("ARRK") has resulted in new business from a customer in consumer electronics and production has commenced. In FY2006, new programmes in imaging & printing, medical and chip assembly are expected to contribute to the growth in revenue from the Singapore operations.

China

The Group has been operating in Shanghai since November 2002 to support customers with operations in China. Revenue from China rose by 3.4% to $13.5 million in FY2005 and constituted 31% of group revenue. Growth was marginal as the commencement of some new programmes in imaging & printing were deferred.

The level of manufacturing activities is expected to increase in China with the scheduled commencement of new programmes in the first half of FY2006. The Group has also stepped up efforts to diversify its customer base in China to generate stronger growth.

Thailand

Avaplas Nypro (Thailand) Limited ("Avaplas Nypro"), a 50/50 joint venture was established in January 2002 in Thailand. This marked the Group's first step in building a regional network of manufacturing facilities to serve multinational customers that require facilities in lower cost countries.

The Group consolidates its 50% share of the financial results of Avaplas Nypro. In FY2005, Thailand registered strong revenue growth of 212% to $5.8 million. Stronger demand from customers in electrical components and imaging & printing contributed to the growth in revenue. The Group will continue to leverage on ARRK's business network to penetrate the automobile industry in Thailand.

In view of the good growth potential in Thailand, the Group has entered into an agreement to acquire the balance 50% share of the joint venture. The Group is of the view that by pursuing separate business plans, it will be in a better position to satisfy its customers. In addition, ARRK Group's strong presence in Thailand will provide opportunity for the Group to leverage on its network and customers base to further boost our capabilities and growth opportunities. With full ownership, the Group will be able to consolidate the results of this subsidiary as well as commit resources to support its growth.

Malaysia

In August 2004, the Group expanded its regional manufacturing footprint with the commencement of projects in Malaysia to support its customers in printing & imaging, computer peripherals and electrical components. For the eight months of operations in FY2005, Malaysia made a maiden contribution of $2.0 million to group revenue.

With new orders from existing customers, a higher volume of production is expected in Malaysia in FY2006. Selective addition of machinery will be undertaken to meet the rising capacity utilisation at the Malaysia factory.

Boone Quek Howe Sear
Chairman and Chief Executive Officer

Mr. Boone Quek Howe Sear is the founder and chief executive officer of the Company. He was appointed to the Board of Directors since 26 March 1993. He is responsible for planning the business and corporate development of the Group. Mr. Boone Quek has more than 20 years experience in the precision plastic injection molding industry.

Wong Vee Tong
Chief Operating Officer

Mr. Wong Vee Tong was appointed an executive director with effect from 1 October 1999. He was appointed as a member of Remuneration Committee since 2000. He assists the chief executive officer, Mr. Boone Quek Howe Sear, and therefore also oversees the Group's daily operations, including procurement of raw materials, production, sales and marketing as well as finance. He is overall responsible for the Group's operations in the absence of Mr. Boone Quek Howe Sear, while the latter is away. Mr. Wong Vee Tong has more than 10 years experience in the precision plastic injection molding industry.

Yoshiteru Miura
Non-Executive Director

Mr. Yoshiteru Miura was appointed as a non-executive director of the Company on 3 August 2004. He was elected as a Director of ARRK Corporation with effect from June 1997. He is currently overall responsible for the expansion of ARRK Corporation's product development services across Southeast Asia. He has been heading ARRK Corporation's operations in Thailand since 1989, and was appointed Managing Director of ARRK Corporation (Thailand) Ltd with effect from May 1998. Since 1989, he has functioned to create new businesses in the areas of RIM mould, tool design and tool production for ARRK Corporaton.

David Chia Tian Bin

Independent Director

Mr. David Chia Tian Bin was appointed as an independent non-executive director of the Company on 27 April 2000. He is the Chairman of the Audit Committee, a position he held since April 2000. He was appointed a member of the Remuneration Committee since 2000. He also sits on the Board of Pentex- Schweizer Circuits Ltd. He is currently an executive director of Enterprise Asean Fund Pte Ltd, and is involved in venture capital and private equity investments in Singapore and the region. Mr David Chia holds a Bachelors of Accountancy degree from the University of Singapore (now known as the National University of Singapore) and is a member of the Institute of Certified Public Accountants of Singapore.

Ng Jwee Phuan @ Frederick (Eric)

Independent Director

Mr. Ng Jwee Phuan @ Frederick (Eric) was appointed as an independent director of the Company since 27 April 2000. He is the Chairman of the Remuneration Committee, a position he has held since August 2000. He was appointed a member of the Audit Committee and Nominating Committee since 2000 and 2001 respectively. He is principal consultant of Chadway Management Services Pte Ltd since 1982. He advises numerous companies in Singapore and the region on their business operations and strategies.

Gay Chee Cheong

Independent Director

Mr. Gay Chee Cheong was appointed as an independent non-executive director of the Company on 25 August 2001. He is the Chairman of the Nominating Committee, a position he held since August 2001. He is also the non-executive Chairman of Pentex-Schweizer Circuits Ltd and sits on the Board of Hyflux Limited. He is currently the Deputy Chairman/Chief Executive Officer of 2G Capital Pte Ltd, a private investment company investing in equities and private non-listed companies in the Asia Pacific economies and the US.

Ikeda Hiromasa

Ikeda Hiromasa joined the Company in 1998 and is currently the Engineering Director of the Company. Mr. Ikeda oversees the engineering process of injection molding. He is also responsible for tooling support of the production process and is the coordinator for new projects. Mr. Ikeda has been in the plastic injection molding industry since 1980 when he joined Minebea Co. Ltd Karuizawa Plant in Japan as a mold designer. During his 17 years stay in Minebea Group, he assumed different positions within the different units of Minebea Group. In particular, he worked as a process engineer, design engineer, research and development engineer and operation manager. Mr. Ikeda holds a Degree for Mechanical Engineering from National University of Shinshyuu.

Chan Kok Hock

Chan Kok Hock is presently the Senior Finance Manager of the Group. Mr. Chan joined Avaplas Ltd in 1999 and is responsible for all aspects of corporate finance, financial management and accounting functions of the Group. Mr. Chan began his career at Ernst & Young, an international accounting firm, where he undertook various audit, corporate advisory and consultancy work. He spent six years in Ernst & Young and was a manager before joining the Group. Mr. Chan graduated from Nanyang Technological University in 1993 and holds a Bachelor in Accountancy.

Jacqueline Tan Fang Fang

Jacqueline Tan Fang Fang joined the Company in 1999 and is currently the Human Resource Manager. She is responsible for the Group’s full spectrum of HR and its related activities. Ms. Tan has been working in the Human Resource field since 1992 and was with Sony Chemicals Singapore Pte Ltd for more than two years prior to joining us. She holds a Bachelor of Arts (Hons) from National University of Singapore and a Graduate Diploma in Personnel Management from Singapore Institute of Management.

Chan Hwa Chit

Chan Hwa Chit joined the Company in 1993 as a Production Manager. Mr. Chan’s area of responsibility includes production, mold maintenance and training of technical staff. Prior to joining the Company, Mr. Chan was with NMB Singapore Ltd for eight years in the molding and tool maintenance departments. Mr. Chan holds a diploma in General Building from Technical Training Institute of Kuala Lumpur, Malaysia. He is currently seconded to our joint venture in Thailand in the same capacity.

Ong Chim Long

Ong Chim Long is a Production Manager in the Company. Mr. Ong first joined the Company in 1996 and rejoined in 2004 after a departure of two years. He is responsible for the setting up and the full operation of our new plant in Johore, Malaysia which we planned to set up by the 3rd quarter of 2004. Mr. Ong has been in the plastic injection molding industry since 1982 and has worked as production executive, service engineer and sales engineer of various organisations in the injection molding industry such as Arburg Pte Ltd, C-Melchers and NMB Singapore Ltd.

Leslie Chang Pun Hong

Leslie Chang Pun Hong joined the Company in 1997 and is currently the Quality Manager. He is responsible for the performance of the Quality Department as well as the Quality & Environmental Management System of the Group. Prior to joining the Company, he was working in the same industry in Airpax Far East Components for seven years. Mr. Chang holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

Abdul Rahim Bin Salleh

Abdul Rahim Bin Salleh is a Production Manager of the Company and his area of responsibility includes parts production and its effective and efficient operation to meet the customers' requirements. Mr. Abdul Rahim has been in the plastic injection molding industry since 1981 and was working in AMP Manufacturing (S) Pte Ltd for 11 years prior to joining us in 1999.

Adeline Tan Gek Heoh

Adeline Tan Gek Heoh is the Planning and Control Manager of the Company. She is responsible for the entire planning and purchasing functions for the Singapore operation and provides crucial support to similar functions in our overseas locations in Thailand, Shanghai and Malaysia. Ms. Tan joined the Company since its inception and was the Executive Secretary to the CEO for more than six years before assuming her planning and purchasing portfolio in 1999.

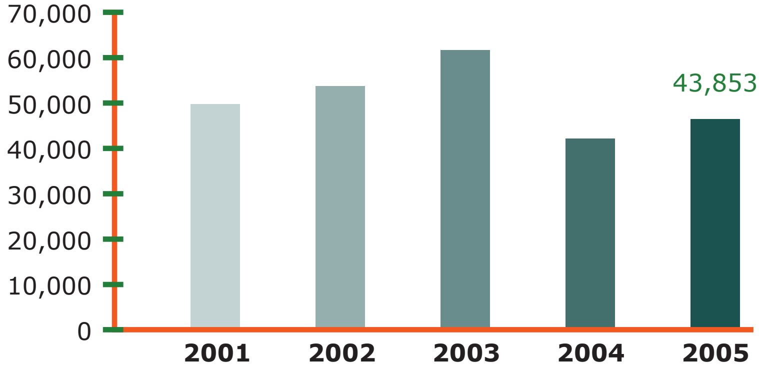
Alice Oon Kway Nee

Alice Oon Kway Nee is the Accounting Manager of the Company. Ms. Oon joined the Company in 1999 and oversees the Group's accounting and reporting functions in our three overseas subsidiaries. She was a manager with a multi-national Company prior to joining the Group. She holds a professional qualification from the Chartered Association of Certified Accountants.



Operating results	FY 2005	FY 2004	% Increase/ (Decrease)
Revenue (S$'000)	43,853	41,698	5.2%
Profit before taxation (S$'000)	1,434	475	201.9%
Net profit	1,412	1,052	34.2%
Earnings per share (Cents)			
- Basic	0.57	0.44	29.6%
- Diluted	0.57	0.44	29.6%
Financial Position (S$'000)			
Total assets	51,999	49,717	4.6%
Cash and bank balances	2,595	3,419	-24.1%
Bank overdrafts	401	1,154	-65.3%
Amount due to bankers			
- Short term	1,749	3,173	-44.9%
- Long term	1,615	2,535	-36.3%
Equity	30,439	28,114	8.3%
Financial ratios			
Inventory turnover (days)	28.00	23.00	21.7%
Accounts receivable turnover (days)	87.00	59.00	47.5%
Accounts payable turnover (days)	102.00	88.00	15.9%
Return on average equity	4.80%	3.80%	26.3%
Return on average total assets	2.80%	2.00%	40.0%
Current ratio	1.25	1.11	12.5%
Gearing ratio	0.11	0.20	-45.0%
Interest coverage (times)	8	3	166.7%
Short term debt/equity	5.70%	11.30%	-49.6%
Long term debt/equity	5.30%	9.00%	-41.1%

REVENUE (S$'000)



PROFIT BEFORE TAXATION
(S$'000)

NET PROFIT
(S$'000)

FINANCIAL CONTENTS

The Company is committed to good standards of corporate governance in line with the recommendations of the Code of Corporate Governance ("Code") issued by the Corporate Governance Committee. Good corporate governance establishes and maintains a legal and ethical environment in the Company which strives to preserve the interests of all shareholders.

This statement outlines the main corporate governance practices that were in place throughout the financial year or which will be implemented and where appropriate, we have provided explanation for deviation from the Code.

BOARD MATTERS

The Board's Conduct of its Affairs

The Board has six members comprising two executive Directors, one non-executive Director and three non-executive independent Directors.

The Company holds regular scheduled meetings throughout the year. Ad hoc meetings are convened when circumstances require. The Company's Articles of Association permit Directors to attend meetings through the use of audio-visual communication equipment. During the period from 1 April 2004 to 1 July 2005, a total of 6 Board meetings were held. The Directors attended 100% of the aggregate number of meetings of the Board.

In between Board meetings, important matters concerning the Company are also put to the Board for its decision by way of circulating resolutions in-writing for the Directors' approval together with supporting memoranda enabling the Directors to make informed decisions.

The Board oversees the business affairs of the Group, approves the financial objectives and the strategies to be implemented by management and monitors standards of performance and issues of policy directly. In addition to its statutory duties, the Board's principal functions are :-

1. Approving the Group's strategic plans, key operational initiatives, major investments and divestments and funding requirements;
2. Approving the budget, reviewing the performance of the business and approving the release of the financial results of the Group to shareholders;
3. Providing guidance in the overall management of the business and affairs of the Group;
4. Overseeing the processes for risk management, financial reporting and compliance;
5. Approving the recommended framework of remuneration for the Board and key executives.

Matters that are specifically reserved for the approval of the Board, include, among others, any material acquisitions and disposals of assets, corporate or financial restructuring, share issuance and the proposing of dividends.

The Board has adopted a set of internal guidelines on the matters requiring Board approval. Certain functions have also been delegated to various Board committees, namely, the Audit Committee, the Remuneration Committee and the Nominating Committee.

Directors' Orientation and Access to Information

Changes to regulations and accounting standards are monitored closely by management. To keep pace with regulatory changes, where these changes have an important bearing on the Company's or director's disclosure obligations, Directors are briefed either during Board meetings or at specially-convened sessions conducted by professionals. Newly appointed Directors will be given briefings by the management on the business activities of the Group and its strategic directions as well as their duties and responsibilities as Directors. Majority of Directors are members of the Singapore Institute of Directors and are kept informed of the latest and best practices relating to corporate governance.

In order to ensure that the Board is able to fulfill its responsibilities, prior to the Board meetings, the management provides the members of the Board with management accounts, as well as relevant background information and documents relating to items of business to be discussed at a Board meeting before the scheduled meeting.

The Directors are also regularly briefed on the business activities of the Group. Directors conduct routine inspections of the manufacturing facilities both in Singapore and abroad.

The Board has separate and independent access to the Company Secretary at all times and the Company Secretary attends all Board and Committee meetings and is responsible for ensuring that Board procedures are followed. The Board also has access to independent professional advice, where necessary, at the Company's expense.

Board Composition and Balance

The majority of Directors are non-executive and independent of management. The Board comprises six members of whom two are executive Directors, one is non-executive Director and three are non-executive independent Directors. Independent Directors comprise more than one third of the Board members.

The Board is able to exercise objective judgement independently from Management and no individual or small group of individuals dominate the decisions of the Board.

The Nominating Committee is of the view that the current Board size of five Directors is appropriate taking into account the nature and scope of the Group's operations, the core competencies of knowledge and the business experiences of the Directors to govern and meet the Group's objectives.

The Board has no dissenting view on the Chairman's statement for the year in review.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Boone Quek Howe Sear ("Mr. Quek") is currently the Chairman of the Board (the "Chairman") and the Chief Executive Officer("CEO")/Managing Director of the Company (the "Managing Director").

The Board has not adopted the recommendation of the Code to have separate Directors appointed as the Chairman and the Managing Director. This is because the Board is of the view that there is already a sufficiently strong independent element on the Board to enable the independent exercise of objective judgment on corporate affairs of the Group by members of the Board, taking into account factors such as the number of non-executive and independent Directors on the Board, as well as the size and scope of the affairs and operations of the Group. The Managing Director need not retire by rotation as provided in the Articles of Association of the Company.

As the Chairman, Mr. Quek is responsible for, among others, exercising control over quality, quantity and timeliness of the flow of information between the management of the Company (the "Management") and the Board, and assisting in ensuring compliance with the Company's guidelines on corporate governance.

BOARD COMMITTEES

Nominating Committee

A Nominating Committee ("NC") has been established by the Board to recommend the appointment, nomination, re-appointment and assessment of all Directors to the Board. The NC comprises three non-executive independent Directors. The NC is chaired by Mr Gay Chee Cheong who is a non-executive and independent Director. The other members of the Nominating Committee are Mr Ng Jwee Phuan @ Frederick (Eric) (non-executive and independent Director) and Mr David Chia Tian Bin (non-executive and independent Director).

The NC has adopted a set of terms of reference which, among others, include the following functions:-

(1) The appointment or re-appointment of members of the Board and of the various Board Committees.
(2) Evaluating and assessing the effectiveness of the Board as a whole, and the contribution made by each individual Director to the effectiveness of the Board. The NC has considered a number of factors, including those set out in the Code, for the purpose of such evaluation and assessment.
(3) Determining the independence of Directors.

New Directors, if any, are appointed by way of a board resolution, after the NC has approved their nomination. Such new Directors submit themselves for re-election at the next Annual General Meeting ("AGM"). The Company's Articles of Association requires one-third of the Board to retire by rotation at every AGM.

The financial indicators set out in the Code as guides for the evaluation of Directors are, in the Company's opinion, not the only means in assessing Directors. In any case, such financial indicators provide only a snapshot of a Company's performance, and do not fully measure the sustainable long term wealth and value creation of the Company.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, finance and management skills critical to the Group's business and that each Director, through his unique contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC is of the opinion that the Directors, who have been classified as independent under the Board Composition section, are indeed independent and the current size of the Board is adequate for the purposes of the Group.

Remuneration Committee

The Remuneration Committee ("RC") comprises two non-executive independent Directors and one executive Director. The RC is chaired by Mr Ng Jwee Phuan @ Frederick (Eric) who is a non-executive and independent Director. The other members of the RC are Mr David Chia Tian Bin (non-executive and independent Director) and Mr Wong Vee Tong (Executive Director).

The RC has adopted a set of terms of reference which, among others, include the following functions:

(1) Preview and formalize the Company's overall compensation policy and structure and to be updated of any changes thereto;
(2) Recommend a framework of remuneration for Board members and key executives of the Group;
(3) Review and recommend for Board approval the terms of employment for CEO and terms of employment of executive Directors in accordance with the approved framework of remuneration;
(4) Review annually the actual compensation of employees to ensure compliance with approved compensation policies and corporate governance rule on disclosure;
(5) Prepare the Board's annual report on remuneration for Board's consideration whether or not to seek shareholders approval under corporate governance disclosure rules;
(6) Oversee work of external consultant engaged on project basis to advise Board on compensation issues;
(7) Oversee the administration of employees' stock option and restricted stock plan

The Executive Directors have service contracts. The non-executive Directors do not have any service agreements with the Company and have remuneration packages consisting of a Director's fee and share options pursuant to the Company's Share Option Scheme.

A breakdown of the level and mix of remuneration paid to Directors and key executives in remuneration bands of S$250,000 for financial year 2004 are as follows:

	Salary	Bonus	Share Option	Restricted Share	Benefits	Fee	Total
	%	%	%	%	%	%	%
Directors							
Above $500,000							
Boone Quek Howe Sear	66	14	9	-	6	5	100
Wong Vee Tong	37	9	14	36	-	4	100
Below $250,000							
Yoshiteru Miura	-	-	-	-	-	100	100
David Chia Tian Bin	-	-	33	-	-	67	100
Ng Jwee Phuan@ Frederick (Eric)	-	-	27	-	-	73	100
Gay Chee Cheong	-	-	38	-	-	62	100

A breakdown of the range of gross remuneration received by Directors and top 5 key executives of the Group are as follows:

Number of Directors in remuneration band	2005	2004
$500,000 and above	2	1
$250,000 to $499,999	-	1
Below $250,000	4	5
	6	7

Number of Executives in remuneration band	2005	2004
$500,000 and above	-	-
$250,000 to $499,999	-	-
Below $250,000	9	9

No employee of the company and its subsidiaries is an immediate family member of a Director or the CEO/ Managing Director.

The details of Avaplas Ltd's Employees' Share Option and Restricted Plan can be found in the Directors' Report.

ACCOUNTABILITY AND AUDIT

Accountability

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects. Management will provide the Audit Committee and the Board with balanced and understandable management accounts of the Company's performance, position and prospects on a regular basis.

Audit Committee

The Audit Committee ("AC") comprises three non-executive independent Directors. The AC is chaired by Mr David Chia Tian Bin who is a non-executive and independent Director. The other members of the RC are Mr Ng Jwee Phuan @ Frederick (Eric) (non-executive and independent Director) and Mr Gay Chee Cheong (non-executive and independent Director).

As the members of the AC have many years of experience in accounting, banking and finance related industries, the Board considers that the members are appropriately qualified to discharge the responsibilities of the AC.

The AC has adopted a set of terms of reference which, among others, include the following functions:

(1) Review the audit plans and the scope of examination of the external auditors of the Company and other Group companies;
(2) Review the annual and half-yearly financial statements of the Company as well as the external auditors' report thereon ;
(3) Review the effectiveness of the Company's system of accounting and internal financial controls ;
(4) Review interested person transactions to ensure that such transactions are conducted at arm's length and on normal commercial terms ;
(5) Review the independence and objectivity of the external auditors annually;
(6) Review the nature and extent of non-audit services performed by the external auditors;
(7) Consider the appointment or re-appointment of external auditors before recommending to the Board for approval ;
(8) Examine whatever aspects it deems appropriate of the Group's financial affairs, its external audits and its exposure to risks of a regulatory or legal nature; and
(9) Conduct investigations into any matter within its terms of reference.

The Audit Committee has full access to and the co-operation of Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

In performing its functions, the AC meets with the external auditors without the presence of management at least annually. The Audit Committee reviews the findings of the auditors and the assistance given to them by management. Minutes of the Audit Committee meetings are regularly submitted to the Board for its information and review.

During the period from 1 April 2004 to 1 July 2005, a total of 4 AC meetings were held. The AC members attended 100% of the aggregate number of AC meetings held.

The AC has reviewed the amount of non-audit fees paid to the auditors and is of the view that the independence of the auditors has not been compromised.

The Audit Committee has pursuant to Section 201B of the Companies Act, Chapter 50, nominated Deloitte & Touche to be appointed as auditors of the Company at the forthcoming Annual General Meeting.

Internal controls

During the financial year, the Audit Committee has reviewed, with the assistance of the external auditors, the effectiveness of the Company's material internal controls as well as considered risk management techniques to be applied to selected areas such as the Group's foreign exchange exposure.

Based on the review of the Audit Committee, the Board is satisfied that the internal controls of the Group are adequate to safeguard shareholders' investments and the Group's assets, and to ensure the integrity of its financial statements. The Board has appointed a professional firm of accountants for a period of 2 years to provide internal audit services in order to comprehensively review the internal controls within the Group.

Internal audit

As the Group's scale of operations is not large, the AC has outsourced the Group's internal audit function to TeoFoongWongLCLoong, a professional firm of accountants ("Internal Auditor"). The AC is of the view that the Internal Auditor is independent and will objectively review the adequacy or otherwise of the system of internal control within the Group. In this regard, the Internal Auditor will report directly to the AC. The AC has confirmed that the Internal Auditor is able to meet the standards set by internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC will ensure the adequacy of the internal audit function, and further ensure that it is adequately resourced and has appropriate standing within the Group. The AC has reviewed and approved the internal audit plan to be implemented for the year ending 31 March 2006.

COMMUNICATION WITH SHAREHOLDERS

The Board is mindful of the obligation to provide timely and fair disclosure of material information. The annual and half-yearly financial results and other price sensitive information and notices are announced through MASNET. The Company does not practice selective disclosure. All shareholders of the Company receive the Annual Report and Notice of Annual General Meeting ("AGM"). At AGM, shareholders are given the opportunity to air their views and to ask the Directors questions regarding the Company and the Group.

DEALING IN SECURITIES

The Company has issued a policy note to its Directors and key employees, setting out the implications of insider trading and the principles expounded by the Best Practices Guide of the SGX-ST. The Directors and key employees of the Company have been advised of the internal code of conduct on dealings in the securities of the Company accordingly. The internal code prohibits dealings in securities of the Company by Directors and employees while in possession of price-sensitive information, and during the period beginning one month before the announcement of the half year and full year results and ending on the day after date of announcement.

It also discourages dealings on short-term considerations. Directors are required to report securities dealings to the Company Secretary who will assist in making the necessary announcements.

MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interests of the Chief Executive Officer (as defined in the SGXST Listing Manual), each Director or Controlling Shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year except for Directors' emoluments and interested person transactions as disclosed in Notes 23 and 29 of the financial statements.

INTERESTED PERSON TRANSACTIONS

The interested person transactions conducted under the mandate and with other interested persons during the year in review are set out in the table below.

Name of Interested Person (excluding ($'000)	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions under shareholder mandate pursuant to Rule 920 of the SGX Listing Manual	Aggregate value of all interested person transactions conducted under shareholders mandate pursuant to Rule 920 of the SGX Listing Manual transactions less than $100,000)
Purchase of goods and services rendered from subsidiaries and related companies of ARRK Corporation	194	-

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Avaplas Ltd (the "Company") and its subsidiaries (the "Group") and the audited financial statements of the Company for the financial year ended 31 March 2005.

Directors

The Directors of the Company in office at the date of this report are :

Boone Quek Howe Sear
Wong Vee Tong
David Chia Tian Bin
Ng Jwee Phuan @ Frederick (Eric)
Gay Chee Cheong
Yoshiteru Miura (appointed on 3.8.2004)

In accordance with Articles 91 and 97 of the Company's Articles of Association, David Chia Tian Bin and Yoshiteru Miura retire and, being eligible, offer themselves for re-election.

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate other than pursuant to the Avaplas Ltd Share Option Plan and Avaplas Ltd Restricted Stock Plan implemented by the Company.

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations as stated below :

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company				
Avaplas Ltd				
(Ordinary shares of S$0.05 each)				
Boone Quek Howe Sear	109,370,040	88,174,792	862,000	862,000
Wong Vee Tong	830,000	240,000	873,000	–
Ng Jwee Phuan @ Frederick (Eric)	93,000	–	90,000	20,000

Name of Director	Direct interest At the beginning of financial year	Direct interest At the end of financial year	Deemed interest At the beginning of financial year	Deemed interest At the end of financial year
(Options to subscribe for ordinary shares of S$0.05 each in the Company at average price of between S$0.1803 to S$0.23 per share)				
Boone Quek Howe Sear	1,080,000	540,000	–	–
Wong Vee Tong	1,575,000	472,500	–	–
David Chia Tian Bin	292,500	87,750	–	–
Ng Jwee Phuan @ Frederick (Eric)	211,500	87,750	–	–
Gay Chee Cheong	292,500	87,750	–	–
(Awards of fully-paid shares granted)				
Wong Vee Tong	600,000	–	–	–
Joint Venture Company				
Avaplas Nypro (Thailand) Limited *(Ordinary shares of Baht 100 each)*				
Boone Quek Howe Sear	1*	1*	–	–
Wong Vee Tong	1*	1*	–	–
David Chia Tian Bin	1*	1*	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 April 2005.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Boone Quek Howe Sear is deemed to have an interest in all the shares of the subsidiary companies of the Company. Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

* Held in trust on behalf of the Company.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or has become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

Share option and restricted stock plans

At an Extraordinary General Meeting held on 23 August 2001, the members of the Company approved the adoption of Avaplas Ltd Share Option Plan and Avaplas Ltd Restricted Stock Plan. Details of these plans were set out in the circular dated 7 August 2001. The maximum number of shares to be issued to eligible employees under these plans shall not exceed 15% of the issued share capital of the Company on the day preceding the relevant date of grant.

(a) ***Share Option Plan***

Options may be granted at an amount equal to the greater of a price which is equivalent to the market price or the nominal value of the shares.

The subscription price shall be the volume-weighted average price of the shares for the three (3) consecutive Trading Days immediately preceding the relevant date of grant in relation to an option granted to an employee or a non-executive Director who is not a controlling shareholder or an associate of a controlling shareholder.

In relation to an option granted to an employee or a non-executive director who is a controlling shareholder or an associate of a controlling shareholder, the subscription price shall be the volume-weighted average price of the shares for the three (3) consecutive trading days immediately preceding the date of the general meeting of the Company seeking approval for the grant of the option to such employee or non-executive director.

On 22 July 2004, 2,767,500 options were granted pursuant to the Stock Option Plan (hereinafter called the "2005 Options") to 14 executives and 5 Directors of the Group.

The 2005 Options were granted at an exercise price of S$0.186 (2004 : S$0.2265) per share.

An option granted may be exercised by an employee in a period commencing on the first anniversary of the date of grant and ending on the day immediately preceding the tenth anniversary of the date of grant. In relation to an option granted to non-executive director, the option may be exercised in a period commencing on the first anniversary of the date of grant and ending on the day immediately preceding the fifth anniversary of the date of grant.

During the financial year, 6,459,750 (2004 : 81,000) shares of the Company were allotted and issued by virtue of the exercise of options to take up unissued shares of the Company.

(b) ***Options outstanding***

As at the financial year-end, details of options for unissued ordinary shares of S$0.05 each granted under the Share Option Plan and the Restricted Stock Plan were as follows :

	Number of share options					
	At date of grant	**Exercised**	**Lapsed**	**At 31.3.2005**	**Exercise price**	**Exercise period**
Options relating to Avaplas Ltd Share Option Plan						
2002 Options	2,376,000	(2,106,000)	(270,000)	–	S$0.1803	23 August 2002 to 22 August 2011
2003 Options	2,578,500	(2,281,500)	(297,000)	–	S$0.23	30 August 2003 to 29 August 2012
2004 Options	2,207,250	(2,153,250)	(54,000)	–	S$0.2265	29 August 2004 to 28 August 2013
2005 Options	2,767,500	–	(162,000)	2,605,500	S$0.186	22 July 2005 to 21 July 2014

(c) ***Restricted stock plan***

The Restricted Stock Plan is designed to recruit and retain key executives for a certain minimum period of time and the award of fully-paid shares will be made to the executives, when and after pre-determined service conditions (for time-based awards) or service and performance conditions (for performance-related awards), are accomplished.

Awards represent the right of a participant to receive fully-paid shares free of consideration, upon the expiry of the prescribed vesting periods and, in the case of performance-related awards, provided that certain prescribed performance targets are met.

Mr Wong Vee Tong was granted Nil (2004 : 600,000) shares pursuant to the Restricted Stock Plan during the financial year under review.

(d) ***Disclosure pursuant to the listing manual requirements***

The Share Option Plan and Restricted Stock Plan are administered by the Remuneration Committee with members appointed by the Board comprising two independent Directors (namely Mr Ng Jwee Phuan, Frederick (Eric) and Mr David Chia Tian Bin) and one executive Director (namely Mr Wong Vee Tong). None of the executive Directors and employees of the Group who participated in the Share Option Plan has received 5% or more of the total number of shares available under the Share Option Plan.

Except for the above, no other options were granted by the Company or any subsidiary company during the financial year. No unissued shares, other than those referred to above, are under option as at the date of this report.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance. Good corporate governance establishes and maintains a legal and ethical environment in the Company which strives to preserve the interests of all shareholders.

(a) ***Board of directors***

The Board oversees the business affairs of the Company, approves the financial objectives and the strategies to be implemented by management and monitors standard of performance and issues of policy, both directly and through its committees.

The Board comprises 6 Directors, 2 of whom hold executive positions :

Executive directors

Boone Quek Howe Sear (Chief Executive Officer)
Wong Vee Tong

Non-executive director

Yoshiteru Miura

Independent directors

David Chia Tian Bin
Ng Jwee Phuan @ Frederick (Eric)
Gay Chee Cheong

During the period from 7 May 2004 to 17 May 2005, the Board held 5 meetings to consider and resolve the major financial and business matters concerning the Company; it also reviews the Company's financial performance and evaluates the performance of the Company year to year.

In between Board meetings, important matters concerning the Company are also put to the Board for its decision by way of circulating resolution-in-writing for the Directors' approval together with supporting memorandum (where relevant) enabling the Directors to make informed decisions.

(b) ***Audit committee***

At the date of this report, the Audit Committee comprises the following 3 independent non-executive Directors :

Mr David Chia Tian Bin (Chairman)
Mr Ng Jwee Phuan @ Frederick (Eric)
Mr Gay Chee Cheong

The Audit Committee has reviewed the financial statements of the Company and the auditors' report thereon before their submission to the Board of Directors.

The Audit Committee has carried out its functions and duties as specified in the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Best Practices Guide.

The Audit Committee has reviewed the related party transactions as disclosed in Note 29 to the financial statements and was satisfied that such transactions were conducted at arm's length and on normal commercial terms.

The Audit Committee has full access to and co-operation by the Company's management and has full discretion to invite any director or executive officer to attend its meetings. The Company Finance Manager is scheduled to attend all meetings of the Audit Committee. The external auditors has unrestricted access to the Audit Committee.

The Audit Committee may examine whatever aspects it deems appropriate of the Company's financial affairs, including but not limited to the Company's external audits and its exposure to risks of a regulatory or legal nature and the effectiveness of the Company's system of accounting and internal financial controls. The Audit Committee has reasonable resources to enable it to discharge its functions properly.

The Audit Committee held 3 meetings during the period from 7 May 2004 to 17 May 2005.

The Audit Committee has recommended the nomination of Deloitte & Touche as external auditors for the ensuing year.

(c) ***Securities transactions***

The Company has issued a policy note to Directors and key employees of the Company setting out the implications of insider trading and the principles expounded by the Best Practices Guide. The Directors and key employees of the Company have been advised of the internal code of conduct on dealings in the securities of the Company accordingly.

(d) ***Policy of dissemination of public information***

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Accordingly, the Company adopts a policy of giving full disclosure in all public announcements, press releases, circulars to shareholders, interim reports and annual reports.

On behalf of the Board of Directors,

Boone Quek Howe Sear
Director

Wong Vee Tong
Director

Singapore
15 June 2005

We, Boone Quek Howe Sear and Wong Vee Tong, being two of the Directors of Avaplas Ltd, do hereby state that, in the opinion of the Directors,

(i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with the notes thereto, set out on pages 31 to 63, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005, and of the results of the business, changes in equity of the Company and of the Group and cash flows of the Group for the financial year then ended, and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Boone Quek Howe Sear
Director

Wong Vee Tong
Director

Singapore
15 June 2005

We have audited the accompanying financial statements of Avaplas Ltd (the "Company") and its subsidiary companies (the "Group") as set out on pages 31 to 63 for the financial year ended 31 March 2005. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the consolidated financial statements of the Group and the financial statements of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2005, and of the results and changes in equity of the Group and of the Company, and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
15 June 2005

	Note	Group 2005 S$	Group 2004 S$	Company 2005 S$	Company 2004 S$
Non-current assets					
Property, plant and equipment	3	31,063,257	30,248,030	21,060,929	23,109,578
Investment in subsidiary companies	4	–	–	2,770,920	1,726,405
Investment in a joint venture company	5	–	–	1,259,358	1,259,358
Investment in an associated company	6	–	2,252,467	–	1,806,576
Club memberships	7	157,503	157,503	157,503	157,503
Amounts due from subsidiary companies	8	–	–	7,554,079	5,039,369
Loan to a joint venture company	11(a)	200,000	333,333	400,000	666,667
		31,420,760	32,991,333	33,202,789	33,765,456
Current assets					
Inventories	9	2,926,836	2,315,851	1,765,947	1,394,371
Trade receivables	10	10,489,750	6,689,601	5,073,849	4,421,393
Amount due from a joint venture company	11(b)	2,761,079	2,495,465	5,522,157	4,990,929
Loan to a joint venture company	11(c)	200,000	66,667	400,000	133,333
Other receivables, deposits and prepayments	12	1,435,380	1,400,748	984,854	1,053,210
Prepaid tax		169,773	338,813	142,813	338,813
Cash and bank balances	13	2,595,071	3,418,777	926,816	2,260,731
		20,577,889	16,725,922	14,816,436	14,592,780
Current liabilities					
Bank overdrafts	13	401,442	1,154,210	401,442	1,154,210
Trade payables	14	10,764,243	8,867,345	7,558,285	7,924,642
Loan from a joint venture partner	15(a)	200,000	66,667	–	–
Other payables and accruals	16	2,966,071	1,583,201	2,514,644	1,184,093
Hire purchase creditors	17	14,745	32,930	1,807	20,683
Amounts due to bankers	18	1,748,611	3,173,022	1,427,848	3,173,022
Provision for taxation		360,666	196,000	360,666	196,000
		16,455,778	15,073,375	12,264,692	13,652,650
Net current assets		4,122,111	1,652,547	2,551,744	940,130
Non-current liabilities					
Hire purchase creditors	17	(6,812)	(21,772)	–	(1,807)
Loan from a joint venture partner	15(b)	(200,000)	(333,333)	–	–
Amounts due to bankers	18	(1,614,653)	(2,534,750)	(1,080,147)	(2,534,750)
Deferred tax liabilities	19	(3,282,144)	(3,640,005)	(3,282,144)	(3,640,005)
		(5,103,609)	(6,529,860)	(4,362,291)	(6,176,562)
Net assets		30,439,262	28,114,020	31,392,242	28,529,024
Equity					
Share capital	20	12,367,038	12,014,050	12,367,038	12,014,050
Share premium	21(a)	8,177,685	7,123,109	8,177,685	7,123,109
Revenue reserve		9,988,912	9,087,167	10,847,519	9,391,865
Foreign currency translation reserve	21(b)	(94,373)	(110,306)	–	–
		30,439,262	28,114,020	31,392,242	28,529,024

The accounting policies and explanatory notes on pages 35 to 63 form an integral part of the financial statements.

	Note	Group 2005 S$	Group 2004 S$	Company 2005 S$	Company 2004 S$
Revenues					
Sales of goods		43,853,157	41,698,260	23,182,424	27,132,587
Costs of goods sold		(38,670,005)	(36,694,671)	(20,839,636)	(23,862,802)
Gross profit		5,183,152	5,003,589	2,342,788	3,269,785
Other revenue	22	545,229	508,648	1,756,899	1,337,698
Costs and expenses					
Salaries and employee benefits		(1,496,625)	(1,412,008)	(954,385)	(986,301)
Central Provident Fund contributions		(112,389)	(102,243)	(84,433)	(95,272)
Impairment loss of property, plant and equipment		–	(172,443)	–	–
Foreign currency losses, net		(95,452)	(314,180)	(25,972)	(261,660)
Other operating expenses		(3,725,634)	(3,035,768)	(2,725,106)	(2,422,124)
Total costs and expenses	23	(5,430,100)	(5,036,642)	(3,789,896)	(3,765,357)
Profit from operations		298,281	475,595	309,791	842,126
Finance costs	24	(210,985)	(256,344)	(174,766)	(240,712)
General Offer expenses	25	(231,582)	–	(231,582)	–
Share of profit of an associated company		115,903	255,635	–	–
Gain on disposal of investment in associated company		1,462,452	–	2,054,933	–
Profit before taxation		1,434,069	474,886	1,958,376	601,414
Taxation	26	(22,222)	577,017	(8,040)	463,265
Net profit		1,411,847	1,051,903	1,950,336	1,064,679
Earnings per share (cents)					
- Basic	27	0.57	0.44		
- Diluted	27	0.57	0.44		

The accounting policies and explanatory notes on pages 35 to 63 form an integral part of the financial statements.

	Note	Group 2005 S$	Group 2004 S$	Company 2005 S$	Company 2004 S$
Share capital *	20				
Balance at beginning of financial year		12,014,050	11,990,000	12,014,050	11,990,000
Issuance of ordinary shares		352,988	24,050	352,988	24,050
Balance at end of financial year		12,367,038	12,014,050	12,367,038	12,014,050
Share premium					
Balance at beginning of financial year		7,123,109	7,112,555	7,123,109	7,112,555
Premium on issuance of ordinary shares		1,054,576	10,554	1,054,576	10,554
Balance at end of financial year		8,177,685	7,123,109	8,177,685	7,123,109
Revenue reserve					
Balance at beginning of financial year		9,087,167	8,514,945	9,391,865	8,806,867
Disposal of investment in an associated company transferred from translation reserve		(15,420)	–	–	–
Net profit		1,411,847	1,051,903	1,950,336	1,064,679
Dividends paid	28	(494,682)	(479,681)	(494,682)	(479,681)
Balance at end of financial year		9,988,912	9,087,167	10,847,519	9,391,865
Foreign currency translation reserve					
Balance at beginning of financial year		(110,306)	(4,817)	–	–
Share of translation reserve of an associated company		44,869	(90,284)	–	–
Disposal of investment in an associated company transferred to revenue reserve		15,420	–	–	–
Foreign currency translation adjustment		(44,356)	(15,205)	–	–
Balance at end of financial year		(94,373)	(110,306)	–	–
Total equity		30,439,262	28,114,020	31,392,242	28,529,024

* The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The accounting policies and explanatory notes on pages 35 to 63 form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 March 2005

	2005 S$	2004 S$
Cash flows from operating activities		
Profit from operations before taxation	1,434,069	474,886
Adjustments for :		
Allowance for doubtful trade debts	38,604	–
Impairment loss of property, plant and equipment	–	172,443
Depreciation of property, plant and equipment	3,795,688	3,524,230
Amortisation of goodwill	–	19,579
Directors' remuneration pursuant to the Restricted Stock Plan	30,000	20,000
Interest income	(39,568)	(21,223)
Interest expense	210,985	256,344
Loss on disposal of property, plant and equipment	58,109	1,280
Share of profit of an associated company	(115,903)	(275,214)
Gain on disposal of investment in associated company	(1,462,452)	–
Foreign currency translation adjustment	99,384	85,724
Allowance/(write back of allowance) for slow-moving inventories	50,000	(54,539)
Operating profit before working capital changes	4,098,916	4,203,510
Increase/(decrease) :		
Inventories	(660,985)	1,149,707
Trade receivables	(3,838,753)	1,994,201
Other receivables, deposits and prepayments	(34,632)	(417,099)
Amount due from a joint venture company	(265,614)	(517,934)
Increase/(decrease) :		
Trade payables	1,896,898	(2,534,632)
Other payables and accruals	1,382,870	(868,240)
Amount due to joint venture company	–	(11,161)
Cash generated from operations	2,578,700	2,998,352
Tax paid	(46,377)	(196,000)
Interest income received	39,568	21,223
Interest expense paid	(210,985)	(256,344)
Dividends paid	(494,682)	(479,681)
Net cash flows from operating activities	1,866,224	2,087,550
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,798,484)	(3,733,993)
Investment in an associated company	–	(914,997)
Proceeds from disposal of property, plant and equipment	1,019,882	144,446
Proceeds from disposal of investment in an associated company	3,861,509	–
Loan to a joint venture company	–	(150,000)
Net cash flows used in investing activities	(917,093)	(4,654,544)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	1,377,564	14,604
Repayment of hire purchase creditors	(33,145)	(26,158)
Repayment of short-term loan	(1,424,411)	(399,619)
Repayment of term loans	(920,097)	(1,796,478)
Proceeds from loan from a joint venture partner	–	400,000
Net cash flows used in financing activities	(1,000,089)	(1,807,651)
Net decrease in cash and cash equivalents	(50,958)	(4,374,645)
Effects of exchange rate changes on opening cash and cash equivalents	(19,980)	(17,681)
Cash and cash equivalents at beginning of financial year	2,264,567	6,656,893
Cash and cash equivalents at end of financial year (Note 13)	2,193,629	2,264,567

The accounting policies and explanatory notes on pages 35 to 63 form an integral part of the financial statements.

1. Corporate information

Avaplas Ltd (the "Company") is a limited liability company which is incorporated in Singapore and its immediate and ultimate holding company is ARRK Corporation, incorporated in Japan.

The registered office of the Company is 19 Changi South Street 1, Changi South Industrial Estate, Singapore 486779.

The principal activities of the Company are precision engineering plastic injection moulding and its secondary processes as well as the sub-assembly and sale of plastic components. The principal activities of the subsidiary, joint venture and associated companies are described in Notes 4, 5 and 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Group operates in Singapore, Malaysia, Thailand and China. The Group and Company employed 408 and 139 (2004 : 319 and 156) employees as of 31 March 2005.

2. Summary of significant accounting policies

(a) *Basis of preparation*

The financial statements have been prepared on a historical cost basis and in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year.

The financial statements are presented in Singapore Dollars (S$).

(b) *Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiary companies, after the elimination of all material intragroup transactions and balances, and resulting unrealised profits. Unrealised losses resulting from intragroup transactions are also eliminated unless costs cannot be recovered.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Acquisitions of subsidiary companies are accounted for using the purchase method of accounting.

The financial statements of subsidiary companies are prepared for the same reporting period as the Company which ends on 31 March. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

2. Summary of significant accounting policies (Cont'd)

(c) *Foreign currency translation*

Transactions in foreign currencies are measured in S$ and recorded at exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities are measured using the exchange rates ruling at balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates or, in the case of items carried at fair value, the exchange rates that existed when the values were determined. All resultant exchange differences are recognised in the profit and loss account.

Assets and liabilities of foreign entities are translated into S$ equivalents at exchange rates ruling at balance sheet date. Revenues and expenses are translated at average exchange rates for the financial year, which approximates the exchange rates at the dates of the transactions. All resultant exchange differences are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the profit and loss account as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring entity and are recorded at the exchange rate at the date of transaction.

(d) *Investment in subsidiary companies*

A subsidiary is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

(e) *Investment in an associated company*

An associated company is an entity, not being a subsidiary company, in which the Group has a long-term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investment in an associated company is accounted for using the equity method. The Group's investment in an associate company includes goodwill (net of accumulated amortisation) on acquisition, which is treated in accordance with the accounting policy for goodwill stated in (h) below.

The most recent available audited financial statements of the associated company are used by the Group in applying the equity method. Where the date of the audited financial statements used is not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. In the Company's separate financial statements, investment in associated company is accounted for at cost less impairment losses.

2. Summary of significant accounting policies (Cont'd)

(f) *Investment in joint venture company*

A joint venture company is a contractual arrangement whereby the Group and other entities undertake an economic activity, which is subject to joint control.

The Group's interest in joint venture company is accounted for by proportionate consolidation method whereby the Group's proportionate share of the joint venture company's assets, liabilities, income and expenses are combined on a line-by-line basis with similar items in the consolidated financial statements.

(g) *Club memberships*

Club memberships are stated in the balance sheet at cost less any impairment losses.

(h) *Goodwill*

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of an associated company at the date of acquisition. Goodwill is amortised using the straight-line basis over a period of five years that benefits are expected to be received. Goodwill is stated at cost less accumulated amortisation and any impairment losses.

(i) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. All items of property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows :

Automation equipment and computer	-	5 to 10 years
Office equipment	-	10 years
Furniture and fittings	-	10 years
Motor vehicles	-	10 years
Plant, machinery and tools	-	5 to 10 years
Renovation	-	5 to 10 years
Leasehold building	-	60 years (the lease term)
HT switchgear	-	15 years

2. Summary of significant accounting policies (Cont'd)

(i) *Property, plant and equipment (cont'd)*

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Capital work-in-progress relates to leasehold building, renovation, furniture and fittings. No depreciation is made for capital work-in-progress.

(j) *Inventories*

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows :

- Raw materials, packing materials and supplies - purchase cost on a first-in first-out basis; and

- Finished products - cost of direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) *Trade and other receivables*

Trade receivables, which generally have 30-90 day credit terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

(l) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at banks, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Cash on hand and at banks and short term deposits which are held to maturity, are carried at cost.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and at banks, and fixed deposits in banks, net of bank overdrafts.

2. Summary of significant accounting policies (Cont'd)

(m) ***Trade and other payables***

Trade and other payables, which are normally settled on 30-90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed.

Payables to related parties are carried at cost.

(n) ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(o) ***Leases***

(i) *Finance lease*

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at amounts equal, at the inception of the lease, to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(ii) *Operating lease*

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(p) ***Loans and borrowings***

Loans and borrowings are recognised at cost.

(q) ***Impairment of assets***

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

2. Summary of significant accounting policies (Cont'd)

(r) *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised :

Sale of goods

Revenue is recognised upon the passing of title to the customers which generally coincide with their delivery and acceptance of the goods sold.

Rendering of services

Revenue is recognised when the services are rendered.

Excess margin

Excess margin relates to commission receivable from a joint venture company and is recognised upon the recognition of the relevant sales by the joint venture company.

Interest

Interest income is recognised as the interest income accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

(s) *Government grant*

Government grant is recognised at its fair value where there is reasonable assurance that the grant will be received and all stipulated conditions will be complied with. When the grant relates to an expense item, it is recognised in the profit and loss account over the periods necessary to match them on a systematic basis, to the costs, which it is intended to compensate.

(t) *Income taxes*

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, associated company and interest in joint venture company, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unabsorbed capital allowances, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

2. Summary of significant accounting policies (Cont'd)

(t) ***Income taxes (cont'd)***

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

(u) ***Employee benefits***

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company contributes to the Central Provident Fund ("CPF") Scheme, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The Group's contributions to national pension schemes are charged to the profit and loss account in the period in which the related service is performed.

Employee leave entitlement

Employee entitlement to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the balance sheet date.

(v) ***Borrowing costs***

Borrowing costs are recognised as expenses in the period in which they are incurred.

(w) ***Related parties***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common controls or common significant influence. Related parties may be individuals or corporate entities.

(x) ***Share options***

Share options are granted to Directors and employees. No compensation cost is recognised either at the date of grant or at the date the options are exercised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (par value) and share premium accordingly.

(y) ***Segment reporting***

The Group's operating business are organised and managed according to the nature of products provided, with each segment representing a strategic business unit that offers different products.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The turnover by geographical segments are based on the location of assets.

3. Property, plant and equipment

	Automation equipment and computer	Office equipment	Furniture and fittings	Motor vehicles	Plant, machinery and tools	Renovation	Leasehold building	HT switchgear	Capital work-in-progress	Total
	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$
Group										
Cost										
At 1.4.2004	2,929,005	1,581,379	3,242,990	1,130,853	22,383,906	2,678,770	8,601,724	656,011	1,261,848	44,466,486
Additions	286,617	53,987	490,874	483,067	3,669,588	814,351	–	–	–	5,798,484
Disposals	(107,425)	(20,675)	(3,042)	(471,179)	(972,648)	(546,975)	–	–	–	(2,121,944)
Reclassifications	–	–	–	–	783,113	454,692	–	–	(1,237,805)	–
Foreign currency translation adjustment	(7,967)	(1,930)	(277)	(2,419)	(86,412)	(18,835)	–	–	(24,043)	(141,883)
At 31.3.2005	3,100,230	1,612,761	3,730,545	1,140,322	25,777,547	3,382,003	8,601,724	656,011	–	48,001,143
Accumulated depreciation										
At 1.4.2004	1,321,946	500,250	1,300,082	446,481	8,754,391	1,029,800	679,637	185,869	–	14,218,456
Charge for the financial year	313,105	165,886	341,453	104,535	2,313,740	369,873	143,362	43,734	–	3,795,688
Disposals	(61,607)	(4,345)	(51)	(206,981)	(480,302)	(290,667)	–	–	–	(1,043,953)
Reclassifications	–	–	–	–	40,975	(40,975)	–	–	–	–
Foreign currency translation adjustment	(1,585)	(543)	(105)	(493)	(20,310)	(9,269)	–	–	–	(32,305)
At 31.3.2005	1,571,859	661,248	1,641,379	343,542	10,608,494	1,058,762	822,999	229,603	–	16,937,886
Depreciation charge for financial year ended 31.3.2004	302,087	160,050	321,439	109,322	2,117,265	336,198	134,135	43,734	–	3,524,230
Net book value										
At 31.3.2005	1,528,371	951,513	2,089,166	796,780	15,169,053	2,323,241	7,778,725	426,408	–	31,063,257
At 31.3.2004	1,607,059	1,081,129	1,942,908	684,372	13,629,515	1,648,970	7,922,087	470,142	1,261,848	30,248,030

3. Property, plant and equipment (cont'd)

	Automation equipment and computer S$	Office equipment S$	Furniture and fittings S$	Motor vehicles S$	Plant, machinery and tools S$	Renovation S$	Leasehold building S$	HT switchgear S$	Total S$
Company									
Cost									
At 1.4.2004	2,161,766	1,477,753	3,209,092	946,444	15,542,642	1,476,249	8,601,724	656,011	34,071,681
Additions	109,846	10,208	63,484	392,683	1,239,628	–	–	–	1,815,849
Disposals	–	–	(3,042)	(471,179)	–	–	–	–	(474,221)
Transferred to subsidiary and joint venture companies	(232,989)	–	(20,604)	–	(1,958,174)	–	–	–	(2,211,767)
At 31.3.2005	2,038,623	1,487,961	3,248,930	867,948	14,824,096	1,476,249	8,601,724	656,011	33,201,542
Accumulated depreciation									
At 1.4.2004	1,031,634	485,666	1,290,327	422,962	6,269,581	596,427	679,637	185,869	10,962,103
Charge for the financial year	225,212	147,344	322,986	83,544	1,388,179	143,213	143,362	43,734	2,497,574
Disposals	–	–	(51)	(206,981)	–	–	–	–	(207,032)
Transferred to subsidiary and joint venture companies	(138,245)	–	(7,931)	–	(965,856)	–	–	–	(1,112,032)
At 31.3.2005	1,118,601	633,010	1,605,331	299,525	6,691,904	739,640	822,999	229,603	12,140,613
Depreciation charge for financial year ended 31.3.2004	245,958	146,567	319,351	92,799	1,532,858	146,590	134,135	43,734	2,661,992
Net book value									
At 31.3.2005	920,022	854,951	1,643,599	568,423	8,132,192	736,609	7,778,725	426,408	21,060,929
At 31.3.2004	1,130,132	992,087	1,918,765	523,482	9,273,061	879,822	7,922,087	470,142	23,109,578

3. Property, plant and equipment (cont'd)

The net book value of property, plant and equipment acquired under hire purchase arrangements is as follows :

	Group 2005 S$	Group 2004 S$	Company 2005 S$	Company 2004 S$
Motor vehicles	99,659	116,822	51,271	61,357

The cost of fully depreciated assets that are still in use as at 31 March 2005 amounted to S$722,639 (2004 : S$718,385).

4. Investment in subsidiary companies

	Company 2005 S$	Company 2004 S$
Unquoted shares, at cost	2,770,920	1,726,405

The details of the subsidiary companies are as follows :

	Name of company (Country of incorporation)	Principal activity/ (place of business)	Cost 2005 S$	Cost 2004 S$	Percentage of equity held 2005 %	Percentage of equity held 2004 %
*	Avaplas Precision Plastics (Shanghai) Co., Ltd (People's Republic of China)	Precision engineering plastic injection moulding (People's Republic of China)	1,726,405	1,726,405	100	100
**	Avaplas Sdn. Bhd. (Malaysia)	Precision engineering plastic injection moulding (Malaysia)	1,044,515	–	100	–
			2,770,920	1,726,405		

* Audited by Ernst & Young Hua Ming, Hong Kong, The People's Republic of China.

** Audited by Ernst & Young, Chartered Accountants, Malaysia. The subsidiary company is incorporated in Malaysia on 9 June 2004.

5. Investment in a joint venture company

	Company 2005 S$	Company 2004 S$
Unquoted shares, at cost	1,259,358	1,259,358

The Group's share of results, and assets and liabilities of the joint venture company are as follows :

	Group 2005 S$	Group 2004 S$
Share of results :		
Total revenues	5,811,647	1,863,014
Total expenses	(5,704,603)	(2,250,072)
Profit/(loss) before interest expense	107,044	(387,058)
Interest expense	(56,219)	(31,872)
Profit/(loss) for the financial year	50,825	(418,930)
Share of assets and liabilities :		
Current assets	3,568,224	2,588,429
Non-current assets	2,854,535	1,786,490
Current liabilities	(4,611,010)	(2,863,289)
Non-current liabilities	(941,318)	(686,631)

The details of the joint venture company are as follows :

	Name of company (Country of incorporation)	Principal activity/ (place of business)	Cost 2005 S$	Cost 2004 S$	Percentage of equity held 2005 %	Percentage of equity held 2004 %
*	Avaplas Nypro (Thailand) Limited (Thailand)	Precision engineering plastic injection moulding (Thailand)	1,259,358	1,259,358	50	50

* Audited by Ernst & Young, Certified Public Accountants, Thailand.

6. Investment in an associated company

	Group		Company	
	2005 S$	2004 S$	2005 S$	2004 S$
Investment in shares, unquoted :				
At cost	–	1,806,576	–	1,806,576
Goodwill on acquisition	–	117,475	–	–
Share of post-acquisition reserves	–	347,995	–	–
Accumulated goodwill recognised as expense	–	(19,579)	–	–
Carrying amount	–	2,252,467	–	1,806,576

The carrying amount for the Group as at 31 March 2005 includes goodwill of S$Nil (2004 : S$97,896).

Movements in goodwill during the financial year :

	Group
	2005 S$
Cost :	
Balance at beginning of financial year	117,475
Disposed during the financial year	(117,475)
Balance at end of financial year	–
Accumulated amount recognised as expense :	
Balance at beginning of financial year	19,579
Disposed during the financial year	(19,579)
Balance at end of financial year	–
Carrying amount :	
At end of financial year	–
At beginning of financial year	97,896

Amortisation of goodwill is recognised as expense in the line "share of profit of associated company" in the profit and loss account.

6. Investment in associated company (cont'd)

The details of the associated company are as follows :

	Name of company (Country of incorporation)	Principal activity/ (place of business)	Cost 2005 S$	Cost 2004 S$	Percentage of equity held 2005 %	Percentage of equity held 2004 %
*@	Univac Design & Engineering Pte Ltd (Singapore)	Investment holding (Singapore)	–	1,806,576	–	30.19
**#	Univac Precision Plastics (Shanghai) Co Ltd (The People's Republic of China)	Manufacturing of high precision plastic injection moulds and moulding of plastic components (The People's Republic of China)	–	–	–	30.19

* Audited by Boon Suan Lee & Co, Certified Public Accountants, Singapore.

** Audited by Shanghai Shangshen Certified Public Accountants Co., Ltd., Shanghai, The People's Republic of China.

\# Held through Univac Design & Engineering Pte Ltd.

@ On 7 July 2004, the Group disposed off its 30.19% equity interest in Univac Design & Engineering Pte Ltd to Univac Precision Engineering Pte Ltd at a consideration, net of disposal expenses, of S$3,861,509.

7. Club memberships

	Group and Company 2005 S$	Group and Company 2004 S$
Club memberships, at cost	191,003	191,003
Impairment in value	(33,500)	(33,500)
	157,503	157,503

The market value of club memberships as at 31 March 2005 is S$189,571 (2004 : S$164,503).

8. Amounts due from subsidiary companies

Amounts due from subsidiary companies are non-trade, unsecured, interest-free and not expected to be repaid within the next 12 months.

9. Inventories

	Group		Company	
	2005 S$	2004 S$	2005 S$	2004 S$
Finished products, at cost	2,060,687	1,747,834	1,301,571	1,066,798
Less: Allowance for slow-moving inventories	(51,489)	(1,489)	(51,489)	(1,489)
Finished products, at net realisable value	2,009,198	1,746,345	1,250,082	1,065,309
Raw materials, at cost	899,871	541,178	501,988	316,371
Packing materials and supplies, at cost	17,767	28,328	13,877	12,691
	2,926,836	2,315,851	1,765,947	1,394,371

Movement in allowance for slow-moving inventories :

Balance at beginning of financial year	1,489	56,028	1,489	56,028
Allowance written back	–	(54,539)	–	(54,539)
Allowance for the financial year	50,000	–	50,000	–
Balance at end of financial year	51,489	1,489	51,489	1,489

10. Trade receivables

Third parties	9,999,987	4,571,335	4,831,768	3,977,335
Allowance for doubtful trade debts	(38,604)	–	(38,604)	–
	9,961,383	4,571,335	4,793,164	3,977,335
Amount due from a corporate shareholder of the Company	–	12,933	–	12,993
Amount due from subsidiary companies	–	–	169,191	106,884
Amount due from a joint venture company	55,747	1,195	111,494	2,390
Amount due from subsidiary company of a corporate shareholder	–	112,091	–	112,091
Amount due from a related company of a corporate shareholder	–	1,801,772	–	209,700
Amount due from a joint venture partner	472,620	190,275	–	–
	10,489,750	6,689,601	5,073,849	4,421,393

10. Trade receivables (cont'd)

	Group 2005 S$	Group 2004 S$	Company 2005 S$	Company 2004 S$
Movement in allowance for doubtful trade debts :				
Balance at beginning of financial year	–	–	–	–
Allowance for the financial year	38,604	–	38,604	–
Balance at end of financial year	38,604	–	38,604	–

11. Loan to and amount due from a joint venture company

(a) Loan to a joint venture company is unsecured, bears interest at 5% (2004 : 5%) per annum and is not expected to be repaid within the next 12 months.

(b) Amount due from a joint venture company is unsecured, non-trade, interest-free and repayable upon demand.

(c) Loan to a joint venture company is unsecured, bears interest at 5% (2004 : 5%) per annum and is expected to be repaid within the next 12 months.

12. Other receivables, deposits and prepayments

	Group 2005 S$	Group 2004 S$	Company 2005 S$	Company 2004 S$
Amount due from a related company - non-trade	4,173	–	–	–
Deposits	222,859	687,164	12,975	476,658
Prepayments	281,428	53,725	60,287	38,097
Recoverables *	926,920	659,859	911,592	538,455
	1,435,380	1,400,748	984,854	1,053,210

The non-trade amount due from related company is unsecured, interest-free and is repayable upon demand.

* Recoverables which are unsecured and interest-free relate to cost incurred on behalf of customers.

13. Cash and cash equivalents

	Group 2005 S$	Group 2004 S$	Company 2005 S$	Company 2004 S$
Fixed deposits	126,548	111,900	43,806	94,359
Cash at bank	2,468,523	3,306,877	883,010	2,166,372
Cash and bank balances	2,595,071	3,418,777	926,816	2,260,731
Bank overdrafts - unsecured	(401,442)	(1,154,210)	(401,442)	(1,154,210)
Cash and cash equivalents	2,193,629	2,264,567	525,374	1,106,521

13. Cash and cash equivalents (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term fixed deposits placed with banks are made for varying periods and earn interest at prevailing market rates. As at 31 March 2005, fixed deposits of S$16,726 (2004 : S$16,908) are pledged with a commercial bank as collateral for letter of guarantee issued by the bank.

The fixed deposits have an effective interest rates of 1.0% to 1.5% (2004 : 1.0% to 1.5%) per annum and the bank overdrafts have an effective interest rate of 5.0% (2004 : 5.0%) per annum.

14. Trade payables

	Group		Company	
	2005 S$	2004 S$	2005 S$	2004 S$
Third parties	7,916,282	5,961,217	3,981,251	3,935,179
Amount due to a subsidiary company	–	–	155,544	51,511
Amount due to a corporate shareholder of the Company	–	496,669	–	496,669
Amount due to a subsidiary company of a corporate shareholder	–	966	–	966
Amount due to an associated company	–	507,773	–	420
Amount due to a joint venture company	1,752,340	1,722,487	3,393,429	3,439,897
Amount due to a joint venture partner	1,067,560	178,233	–	–
Amount due to holding company	28,061	–	28,061	–
	10,764,243	8,867,345	7,558,285	7,924,642

15. Loan from a joint venture partner

(a) Loan from a joint venture partner is unsecured, bears interest at 5% (2004 : 5%) per annum and is expected to be repaid within the next 12 months.

(b) Loan from a joint venture partner is unsecured, bears interest at 5% (2004 : 5%) per annum and is not expected to be repaid within the next 12 months.

16. Other payables and accruals

Accruals - operating expenses	2,222,446	1,537,105	1,846,107	1,138,829
Sundry creditors	743,625	46,096	668,537	45,264
	2,966,071	1,583,201	2,514,644	1,184,093

17. Hire purchase creditors

	Group 2005 Total minimum payments S$	Group 2005 Present value of payments S$	Group 2004 Total minimum payments S$	Group 2004 Present value of payments S$	Group 2005 Total minimum payments S$	Group 2005 Present value of payments S$	Group 2004 Total minimum payments S$	Group 2004 Present value of payments S$
Within one year	15,668	14,745	35,387	32,930	1,815	1,807	21,383	20,683
After one year but not more than five years	6,927	6,812	22,822	21,772	–	–	1,815	1,807
Total minimum lease payments	22,595	21,557	58,209	54,702	1,815	1,807	23,198	22,490
Less: amounts representing finance charges	(1,038)	–	(3,507)	–	(8)	–	(708)	–
Present value of minimum lease payments	21,557	21,557	54,702	54,702	1,807	1,807	22,490	22,490

The hire-purchases bear interests ranging from 6% to 6.7% (2004 : 6% to 6.7%) per annum and cover a period of 4 years.

18. Amounts due to bankers

	Group 2005 S$	Group 2004 S$	Company 2005 S$	Company 2004 S$
Due within one year :				
- Short-term loans, unsecured	–	1,500,000	–	1,500,000
- Term loans, secured	1,748,611	1,673,022	1,427,848	1,673,022
	1,748,611	3,173,022	1,427,848	3,173,022
Term loans, secured :				
- Due within two to five years	1,496,005	2,341,126	961,499	2,341,126
- Due after five years	118,648	193,624	118,648	193,624
	1,614,653	2,534,750	1,080,147	2,534,750

As at 31 March 2005, term loans amounting to S$1,072,842, (2004 : S$1,467,459) are secured by a first mortgage over the Company's leasehold building and loans of S$1,435,153 (2004 : S$2,740,313) are secured on a first fixed charge basis on specific machinery of the Company. The net book value of assets secured by term loans as at 31 March 2005 amounted to S$3,107,271 (2004 : S$3,981,730). In addition, term loan of S$855,269 (2004 : S$Nil) are secured on specific assets of the joint venture company. The net book value of the fixed assets amounted to S$1,396,861 (2004 : S$Nil). Interest rates on the term loans range from 2.725% to 6.75% (2004 : 2.33% to 6.75%) per annum.

19. Deferred tax liabilities

	Group and Company 2005 S$	2004 S$
Balance at beginning of financial year	3,640,005	4,299,270
Provision for the financial year	2,805	–
Write-back of provision	(360,666)	(659,265)
Balance at end of financial year	3,282,144	3,640,005

Deferred taxation as at 31 March is analysed as follows :

	Group and Company 2005 S$	2004 S$
Excess of capital allowances over depreciation	3,093,904	3,416,241
Others	188,240	223,764
	3,282,144	3,640,005

20. Share capital

	Group and Company 2005 S$	2004 S$
Authorised :		
1,000,000,000 ordinary shares of S$0.05 each	50,000,000	50,000,000
Issued and fully paid :		
Balance at beginning of financial year :		
240,281,000 (2004 : 239,800,000) ordinary shares of S$0.05 each	12,014,050	11,990,000
Issued during the financial year :		
6,459,750 (2004 : 81,000) ordinary shares of S$0.05 each for cash at premium between S$0.1303 to S$0.18 each	322,988	4,050
600,000 (2004 : 400,000) ordinary shares of S$0.05 each issued under the restricted stock plan (Note 30)	30,000	20,000
Balance at end of financial year :		
247,340,750 (2004 : 240,281,000) ordinary shares of S$0.05 each	12,367,038	12,014,050

There are outstanding options to subscribe to the Company's shares granted under the share option and restricted stock plans as disclosed in Note 30.

The holders of the share options have no right to participate by virtue of these options in any share issue of any other company in the Group.

21. Reserves

(a) The share premium reserve comprises the premium received by the Company on shares issued over its par value. The utilisation of share premium reserve is governed by Section 69-69F of the Singapore Companies Act.

(b) The Group's foreign currency translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign subsidiary companies, a joint venture and an associated company.

22. Other revenue

	Group		Company	
	2005 S$	2004 S$	2005 S$	2004 S$
Commission income from a joint venture company	232,118	284,345	463,793	566,039
Interest income				
- joint venture company	20,000	16,239	40,000	32,479
- others	19,568	4,984	18,391	3,191
Government grant	–	95,000	–	95,000
Management fee income from a joint venture company	145,164	41,030	631,673	183,628
Management fee income from subsidiary companies	–	–	477,443	390,324
Other income	128,379	67,050	125,599	67,037
	545,229	508,648	1,756,899	1,337,698

23. Total costs and expenses

The following items have been included in total costs and expenses :

Depreciation of property, plant and equipment	3,795,688	3,524,230	2,497,574	2,661,992
Directors' remuneration	1,186,075	989,639	1,165,919	971,912
Directors' Central Provident Fund contributions	26,142	38,206	26,142	38,206
Directors' fees	204,525	280,000	200,000	280,000
Plant and equipment written off	14,861	11,000	3,369	11,000
Loss on disposal of property, plant and equipment	58,109	1,280	58,109	–
Rental expenses - leasehold building	579,038	444,891	137,441	137,436
Rental expenses - others	155,398	265,473	139,698	265,473

23. Total costs and expenses (cont'd)

The number of Directors of the Company whose remuneration falls within the remuneration bands is as follows :

	2005	2004	2005	2004
S$500,000 and above	2	1	2	1
S$250,000 to S$499,999	-	1	-	1
Below S$250,000	4	5	4	5
	6	7	6	7

24. Finance costs

	Group		Company	
	2005 S$	2004 S$	2005 S$	2004 S$
Interest expense on :				
- hire purchase creditors	2,324	7,615	700	5,249
- loan from a joint venture partner	19,718	13,266	–	–
- term loans	175,860	233,193	162,110	233,193
- bank overdraft	13,083	2,270	11,956	2,270
	210,985	256,344	174,766	240,712

25. General offer expenses

These expenses relate to the professional fees incurred in respect of the general offer from ARRK Corporation to all the shareholders of the Company.

26. Taxation

Major components of income tax expense/(credit) for the financial year ended 31 March are :

Current tax				
- underprovision in prior years	5,235	–	5,235	–
- current year	360,666	196,000	360,666	196,000
Deferred tax				
- current year	(357,861)	(659,265)	(357,861)	(659,265)
	8,040	(463,265)	8,040	(463,265)
Share of taxation of an associated company	14,182	(113,752)	–	–
Tax expense/(credit)	22,222	(577,017)	8,040	(463,265)

26. Taxation (cont'd)

A reconciliation between the tax expense/(credit) and the product of profit from operations before taxation multiplied by the applicable tax rate for the financial years ended 31 March was as follows :

	Group		Company	
	2005 S$	2004 S$	2005 S$	2004 S$
Profit from operations before taxation	1,434,069	474,886	1,958,376	601,414
Tax at statutory rate of 20%	286,814	94,977	391,675	120,283
Effect of different tax rates of other countries	(56,609)	(175,489)	–	–
Effect of tax losses of joint venture company not available for set-off	–	83,786	–	–
Effect of tax losses of subsidiary company not recognised	59,501	–	–	–
Tax effect of non-taxable income	(292,490)	–	(410,987)	–
Tax effect of non- deductible expenses	78,417	35,458	78,417	35,458
Tax effect of utilisation of investment allowance	–	(36,333)	–	(36,333)
Tax effect of change in statutory tax rate	–	(347,604)	–	(347,604)
Underprovision in prior years	5,235	–	5,235	–
Others	(58,646)	(231,812)	(56,300)	(235,069)
Tax expense/(credit)	22,222	(577,017)	8,040	(463,265)

Unutilised tax losses and unabsorbed capital allowances of all the overseas subsidiary companies and joint venture company approximate to S$1,463,000 (2004 : S$136,000) available for offset against future taxable profits subject to the agreement of the tax authorities and compliance with relevant provisions of the tax legislation of the respective countries in which the Group operates. The potential deferred tax asset arising from these unutilised tax losses and unabsorbed capital allowances has not been recognised in the financial statements in accordance with the Group's accounting policy.

27. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

The following reflects the income and share data used in the basic and diluted earnings per share computation for the financial year ended 31 March :

	Group 2005	Group 2004
Net profit	S$1,411,847	S$1,051,903
Weighted average number of ordinary shares on issue applicable to basic earnings per share	246,752,447	239,832,844
Effect of dilutive securities :		
Share options	192,039	1,575,496
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	246,944,486	241,408,340

For the purpose of calculating diluted earnings per share, the number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the financial year). The difference between the number of shares to be issued at the exercise prices under the options and the number of shares that would have been issued at the fair value based on the assumed proceeds from the issue of these shares are treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted earnings per share. No adjustment is made to profit after tax attributable to members of the Company.

Based on the fair value of the share options calculated on the basis of the average price of the ordinary shares during the year, there is a potential dilution arising from additional shares issued of 192,039 shares (2004 : 1,575,496 shares).

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

28. Dividends paid

	Group and Company 2005 S$	Group and Company 2004 S$
Interim :		
- 0.1 (2004 : 0.1) cents per ordinary share, tax exempt	247,341	239,881
Final :		
- 0.1 (2004 : 0.1) cents per ordinary share, tax exempt	247,341	239,800
	494,682	479,681

28. Dividends paid (cont'd)

The Directors propose that a final dividend of 0.1 (2004 : 0.1) cents per ordinary share, tax exempt, amounting to S$247,341 (2004 : S$247,341) be paid in respect of the financial year ended 31 March 2005. The dividend will be recorded as a liability on the balance sheet of the Company and Group upon approval by the shareholders of the Company at the next Annual General Meeting of the Company.

29. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties on terms agreed between the parties, are as follows :

	Group		Company	
	2005 S$	2004 S$	2005 S$	2004 S$
Transfer of the property, plant and equipment to				
- subsidiary companies	–	–	55,402	493,035
- joint venture company	541,027	143,719	1,078,183	287,437
Sales to a corporate shareholder *	–	1,289,757	–	1,289,757
Sales of goods to				
- subsidiary companies	–	–	179,110	101,141
- related party of corporate shareholder	–	12,448,303	–	2,784,992
- joint venture company	102,655	2,418	205,310	4,837
- associated company	–	1,610,933	–	–
Excess margin from a joint venture company	232,118	284,345	463,793	566,039
Purchases of goods from and services rendered by a corporate shareholder *	–	2,049,000	–	2,049,000
Purchases of goods from				
- subsidiary companies	–	–	155,196	52,418
- joint venture company	4,684	178,313	9,367	351,436
- associated company	–	3,992,508	–	–
Commission paid to a corporate shareholder *	–	5,454	–	5,454
Warehouse rental paid to related parties **	–	4,824	–	4,824
Purchases from ARRK Corporation and its related companies	195,396	–	195,396	–

* The above corporate shareholder refers to Univac Precision Engineering Pte Ltd ("Univac"). These transactions were entered into by the Company and the Group pursuant to a mandate given by shareholders at the Annual General Meeting held on 29 August 2003. Univac ceased to be a corporate shareholder of the Company during the current financial year.

** Related parties refer to companies in which a Director of the Company has an interest.

30. Share option and restricted stock plans

The share option and restricted stock plans were approved by the members of the Company at an Extraordinary General Meeting held on 23 August 2001. The maximum number of shares to be issued to eligible employees under these plans shall not exceed 15% of the issued share capital of the Company from time to time.

Options may be granted at an amount equal to the greater of a price which is equivalent to the market price or the nominal value of the Shares.

An option granted to an employee may be exercisable from the first anniversary to the tenth anniversary of the date of grant. An option granted to a non-executive director may be exercisable from the first anniversary to the fifth anniversary of the date of grant.

Under the restricted stock plan, the award of fully-paid shares, free of consideration, are made to the executives, when and after pre-determined service conditions (for time-based awards) or service and performance conditions (for performance-related awards), are accomplished.

Options outstanding

As at the financial year-end, details of options for unissued ordinary shares of S$0.05 each granted under the Share Option Plan and the Restricted Stock Plan are as follows :

	Number of share options					
	At date of grant	Exercised	Lapsed	At 31.3.2005	Exercise price	Exercise period
Options relating to Avaplas Ltd Share Option Plan						
2002 Options	2,376,000	(2,106,000)	(270,000)	–	S$0.1803	23 August 2002 to 22 August 2011
2003 Options	2,578,500	(2,281,500)	(297,000)	–	S$0.23	30 August 2003 to 29 August 2012
2004 Options	2,207,250	(2,153,250)	(54,000)	–	S$0.2265	29 August 2004 to 28 August 2013
2005 Options	2,767,500	–	(162,000)	2,605,500	S$0.186	22 July 2005 to 21 July 2014

The share options were exercised during April to May 2004. No share options were granted at a discount during the financial year.

30. Share option and restricted stock plans (cont'd)

Options granted to Directors of the Company are as follows :

	Options outstanding as at 1.4.2004	Options exercised during the year	Options granted during the year	Options outstanding as at 31.3.2005
Share Option Plan				
Boone Quek Howe Sear	1,080,000	1,080,000	540,000	540,000
Wong Vee Tong	1,575,000	1,575,000	472,500	472,500
David Chia Tian Bin	292,500	292,500	87,750	87,750
Gay Chee Cheong	292,500	292,500	87,750	87,750
Ng Jwee Phuan @ Frederick (Eric)	211,500	211,500	87,750	87,750

	Outstanding as at 1.4.2004	Issued	Granted	Outstanding as at 31.3.2005
Restricted Stock Plan				
Wong Vee Tong	600,000	600,000	–	–

Share options are granted to Directors and employees. During the financial year, 6,459,750 (2004 : 81,000) shares of the Company were allotted and issued by virtue of the exercise of options to take up unissued shares of the Company.

31. Non-cancellable operating lease commitments

The Group entered into various commercial property leases mainly for office and factory premises. Future minimum rentals under non-cancellable lease rentals are as follows as at 31 March :

	Group		Company	
	2005 S$	2004 S$	2005 S$	2004 S$
Within one year	789,982	837,544	160,752	344,214
After one year but not more than five years	1,302,262	1,687,770	642,732	935,953
After five years	4,782,598	7,448,560	4,782,598	7,448,560
	6,874,842	9,973,874	5,586,082	8,728,727

32. Capital commitments

Commitments which are authorised and contracted for but have not been provided for in the financial statements :

	Group		Company	
	2005	2004	2005	2004
	S$	S$	S$	S$
Property, plant and equipment	1,154,182	63,900	1,110,340	–

33. Segment information

	Printing, imaging and computer peripherals		Consumer electronics		Medical disposable, industrial products and others		Consolidated total	
	2005	2004	2005	2004	2005	2004	2005	2004
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Business segments								
Segment revenue	36,056	37,600	3,550	1,756	4,247	2,342	43,853	41,698
Cost of goods sold							(38,670)	(36,694)
Gross profit							5,183	5,004
Unallocated other revenue							545	508
Unallocated expenses							(5,430)	(5,037)
Profit from operations							298	475
Finance costs							(211)	(256)
Share of profit of associated company							116	256
General offer expenses							(231)	–
Gain on disposal of investment in associated company							1,462	–
Profit from operations before taxation							1,434	475
Taxation							(22)	577
Net profit							1,412	1,052

33. Segment information (cont'd)

	Singapore		China		Thailand		Malaysia		Elimination		Consolidated total	
	2005 S$'000	2004 S$'000	2005 S$'000	2004 S$'000	2005 S$'000	2004 S$'000	2005 S$'000	2004 S$'000	2005 S$'000	2004 S$'000	2005 S$'000	2004 S$'000
Geographical segments												
Segment revenue	23,182	27,133	13,474	13,037	5,812	1,863	1,983	–	(598)	(335)	43,853	41,698
Segment assets	48,019	48,163	9,672	9,160	6,423	4,374	4,729	–	(16,845)	(12,176)	51,998	49,521
Segment liabilities	(16,627)	(19,633)	(8,216)	(7,851)	(5,552)	(3,550)	(3,981)	–	12,817	9,627	(21,559)	(21,407)
											30,439	28,114
Other segment information												
Capital expenditure	1,831	1,019	840	2,804	1,483	549	2,688	–	(1,044)	(637)	5,798	3,735
Depreciation and amortisation	2,498	2,662	769	659	395	223	134	–	–	–	3,796	3,544

Under the Singapore Financial Reporting Standard 14, "Segment Reporting", a Company whose securities are publicly traded should report assets employed in its reported industry. In the opinion of the Directors, such information is not required as all the Group's manufacturing activities are used to generate the above segment revenue.

The Group's principal activities include precision engineering plastic injection moulding and secondary processes as well as the sub-assembly and sale of plastic components mainly for the printing, imaging and computer peripherals, consumer electronics and telecommunication industries. The Group's secondary segmentation is by geographical segments.

34. Financial instruments

(i) *Financial risk management objectives and policies*

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below :

Foreign currency risk

The Group manufactures and sells its products in several countries and, as a result, is exposed to movements in foreign currency exchange rates.

The primary purpose of the Group's foreign currency hedging activities is to protect against the volatility associated with foreign currency purchases of materials and other assets and liabilities created in the normal course of business. The Group primarily utilises forward exchange contracts and purchases currency options with maturities of less than twelve months to hedge foreign-currency-denominated financial assets, liabilities, and firm commitments. Under this program, increases or decreases in the Group's foreign-currency-denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments. The Group does not use foreign currency forward exchange contracts or purchased currency options for trading purposes.

34. Financial instruments (cont'd)

(i) ***Financial risk management objectives and policies (cont'd)***

Credit risk

Financial instruments that potentially subject the Group to credit risk are cash and cash equivalents, other receivables, deposits and prepayments and trade receivables.

Cash and cash equivalents are invested in major banks of Singapore, The People's Republic of China, Malaysia and Thailand. Management believes that the financial institutions that hold the Group's assets are financially sound, and, accordingly, minimal-credit risk exists with respect to these assets. Concentration of credit risk with respect to trade receivables is limited due to the creditworthiness of the Group's customer base. Management regularly monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the long-term debt obligations. The Group's policy is to obtain the most favourable interest rate available to minimise interest rate risk due to borrowings. The Group's exposure to interest rate risk is discussed in Notes 17 and 18 to the financial statements.

Liquidity risk

The Group monitors its daily and monthly projected and actual cash inflows and outflows to ensure that funding needs are identified and managed in advance. The Group actively manages its debt, operating cashflows and availability of committed credit facilities to ensure that all funding needs are met. The Group strives to maintain a sufficient level of banking facilities to meet its funding requirements.

(ii) ***Fair value***

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and related companies balances included in the net current assets approximate their fair values due to their short-term nature.

The aggregate net fair values of financial assets and financial liabilities of the Group which are not carried at fair value in the balance sheet are presented in the following table as of 31 March. The fair values of long-term obligations are estimated using discounted cash flow analysis based on current lending rates for similar types of lending and borrowing arrangements.

34. Financial instruments (cont'd)

(ii) ***Fair value (cont'd)***

	Total carrying amount		Aggregate net fair value	
	2005	2004	2005	2004
	S$	S$	S$	S$
Loan to a joint venture company	200,000	333,333	400,000	666,667
Amounts due to bankers	3,363,264	5,707,772	3,363,264	5,707,772
Loan from a joint venture partner	200,000	333,333	–	–

The fair value of forward currency exchange contracts approximates their nominal values due to their short-term nature. In the opinion of the Directors, the fair value of hire-purchase creditors approximates the present value of payments disclosed in Note 17 to the financial statements and it is not practical to determine the fair value of amounts due from subsidiary companies due to the lack of repayment terms.

35. Authorisation of financial statements

The financial statements for the year ended 31 March 2005 were authorised for issue in accordance with a resolution of the Directors on 15 June 2005.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1-999	0	0.00	0	0.00
1,000-10,000	1,072	79.23	3,290,875	1.33
10,001-1,000,000	277	20.47	19,305,937	7.81
1,000,001 and above	4	0.30	224,743,938	90.86
Total	1,353	100.00	247,340,750	100.00

Twenty Largest Shareholders

	Name	No. of Shares	%
1	ARRK Corporation	132,466,146	53.56
2	Boone Quek Howe Sear	88,174,792	35.65
3	OCBC Securities Private Ltd	2,178,000	0.88
4	Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,925,000	0.78
5	Citibank Nominees Singapore Pte Ltd	932,000	0.38
6	Chan Kah Hua	684,000	0.28
7	United Overseas Bank Nominees Pte Ltd	524,000	0.21
8	Yow Chung Wah	510,000	0.21
9	Low Miew Leng	500,000	0.20
10	Chua Kuan Lim Charles	424,000	0.17
11	Chua Tiem Lai	400,000	0.16
12	Ong Fook Thim	350,000	0.14
13	DBS Nominees Pte Ltd	334,000	0.14
14	DBS Vickers Securities (Singapore) Pte Ltd	320,000	0.13
15	Ng Eng Seng	290,000	0.12
16	Lee Kwong Fatt	250,000	0.10
17	Second Chance Properties Ltd	250,000	0.10
18	UOB Kian Hian Pte Ltd	246,000	0.10
19	Wong Vee Tong	240,000	0.10
20	Ikeda Hiromasa	237,000	0.10
	Total	231,234,938	93.51

Substantial Shareholders

	No of ordinary shares of $0.05 each	
Names	Direct Interest	Deemed Interest
Boone Quek Howe Sear (note 1)	88,174,792	862,000
ARRK Corporation	132,466,146	-

Notes

1) Mr Boone Quek Howe Sear is deemed to have an interest in the 862,000 ordinary shares of $0.05 each fully paid up held by Citibank Nominees (S) Pte Ltd.

Based on information available to the Company as at 20 June 2005, approximately 10.34% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading is complied with.

Notice is hereby given that the Annual General Meeting of the Company will be held on 28 July 2005 at Cube 4, Basement 1, Changi Village Hotel (Former Le Meridien Changi), 1 Netheravon Road Singapore 508502 at 11.20 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and consider the directors' report and accounts for the year ended 31 March 2005 and the auditor's report thereon. **(Resolution 1)**

2. To re-elect Mr David Chia Tian Bin who is retiring by rotation pursuant to Article 91 of the Company's Articles of Association. *[See Explanatory Note (a)]* **(Resolution 2)**

3. To re-elect Mr Yoshiteru Miura who is retiring by rotation pursuant to Article 97 of the Company's Articles of Association. **(Resolution 3)**

4. To approve the proposed payment of the final dividend of 0.1 cent per ordinary share (tax exempt 1-tier) for the year ended 31 March 2005. **(Resolution 4)**

5. To approve the Directors' fees of $200,000 for the year ended 31 March 2005 (2004 : $280,000). **(Resolution 5)**

6. To appoint Messrs Deloitte & Touche as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young, and to authorise the Directors to fix their remuneration. *[See Explanatory Note (b)]* **(Resolution 6)**

7. To transact any other business of the Company which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as ordinary resolutions:-

8. "That notwithstanding the provisions of the Articles of Association of the Company, pursuant to Section 161 of the Companies Act, Chapter. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, the Directors be and are hereby authorised to issue shares in the Company (whether by way of bonus issue, rights issue or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

    (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed 20% of the Company's issued share capital;

    (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for

(a) new shares arising from the conversion or exercise of any convertible securities or employee share options or vesting of share awards that are outstanding or subsisting at the time this Resolution is passed; and

(b) any subsequent consolidation or subdivision of shares; and

(iii) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier". *[see Explanatory Note (c)]* **(Resolution 7)**

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 11 August 2005 to 12 August 2005, both dates inclusive, for the preparation of dividend warrants.

Duly completed transfers received by the Company's Registrar, Lim Associates (Pte) Ltd, 10 Collyer Quay #19-08 Ocean Building Singapore 049315, up to the close of business at 5:00 p.m. on 10 August 2005 will be registered to determine shareholders' entitlement to the proposed dividend. The dividend, if approved, will be paid on 23 August 2005 to shareholders registered in the books of the Company on 10 August 2005.

In respect of shares in securities accounts with the Central Depository (Pte) Limited ("CDP"), the said dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

By Order Of the Board

Chuang Sheue Ling and Tan Ching Chek
Joint Company Secretaries
Dated : 12 July 2005
Singapore

Explanatory Notes:

(a) Mr David Chia Tian Bin, if re-elected, will remain as the Chairman of the Audit Committee and is considered an independent director for purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

(b) The Company has received notice from a shareholder, ARRK Corporation, nominating Deloitte & Touche as the Company's Auditors in place of the retiring Auditors, Messrs Ernst & Young. Messrs Deloitte & Touche have expressed their willingness to accept the appointment. The proposal for the appointment will be put to the shareholders at this Annual General Meeting.

(c) The proposed ordinary resolution 7 in item 8 above, if passed, will empower the Directors of the Company from the date of the above meeting until the next Annual General Meeting to issue shares in the Company up to the limit as specified in the resolution for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.

Notes to Proxy Form:

(i) A member entitled to attend and vote at this meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(ii) If a proxy is to be appointed, the form must be deposited at the registered office of the Company, 19 Changi South Street 1, Changi South Industrial Estate, Singapore 486779 not less than 48 hours before the time set for the meeting.

(iii) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.

(iv) In the case of joint shareholders, all holders must sign the form of proxy.

Avaplas Ltd

19 Changi South Street 1 Changi South Industrial Estate Singapore 486779
Tel: (65) 6546 2655 Fax: 6546 2455
Company Reg No : 199301788C

12 July 2005

To : The Board of Directors
Boone Quek Howe Sear
Wong Vee Tong
David Chia Tian Bin
Ng Jwee Phuan @ Frederick (Eric)
Gay Chee Cheong
Miura Yoshiteru

To : All Shareholders of Avaplas Ltd

Dear Sir/Madam

NOTICE OF NOMINATION OF NEW AUDITORS

We have received a nomination from ARRK Corporation nominating Messrs Deloitte and Touche as Auditors of the Company in place of Messrs Ernst & Young for the financial year ending 31 March 2006 at the forthcoming Annual General Meeting to be held on 28 July 2005. Pursuant to Section 205 (12) of the Companies, Act, Chapter 50, a copy of the Notice is enclosed herewith for your attention.

Yours faithfully
By Order of the Board

Chuang Sheue Ling and Tan Ching Chek
Joint Company Secretaries

ISO 9002 / QS 9000 / ISO 14001
A3273 / A11381

ARRK

1 July, 2005

The Board of Directors
Avaplas Ltd
19 Changi South Street 1
Changi South Industrial Estate
Singapore 486779

Dear Sirs,

Pursuant to Section 205 of the Companies Act, Chapter 50, we, ARRK Corporation, being a shareholder of the Company, hereby nominate Deloitte & Touche of 6 Shenton Way, #32-00, DBS Building Tower Two, Singapore 068809, for the appointment as auditors of the company in place of the retiring auditors, Messrs Ernst & Young, at the forthcoming Annual General Meeting of the Company.

Best regards.

Yours faithfully

Minoru Nishizawa
Senior Managing Director
Arrk Corporation
Osaka Securities Exchange Bldg.,
1-816, Kitahama, Chuo-ku
Osaka 541-0041, Japan

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Avaplas Ltd

(Incorporated in Singapore)

Important

1. For investors who have used their CPF monies to buy Avaplas Ltd shares, this Annual Report is sent to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is FOR USE ONLY BY MEMBERS whose shares in Avaplas Ltd are registered in their names. It is not valid for use by CPF investors and persons whose shares are not registered in their own names, and shall be ineffective for all intents and purposes if used or purported to be used by them.

ANNUAL GENERAL MEETING

PROXY FORM

I/We____(Name)

of____(Address)

being a member/members of AVAPLAS LTD hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing whom, the Chairman of the meeting, as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held on 28 July 2005 and at any adjournment thereof in the following manner:

No	Resolution	For	Against
1.	Adoption of Reports and Accounts.		
2.	Re-election of Mr David Chia Tian Bin, a director retiring under Article 91.		
3.	Re-election of Mr Yoshiteru Miura, a director retiring under Article 97.		
4.	To approve final dividend.		
5.	To approve Directors' Fees.		
6.	Appointment of Messsrs Deloitte & Touche as Auditors in place of Messrs Ernst & Young and authorisation of directors to fix their remuneration.		
7.	Authority for directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		

If you wish to exercise all your votes For or Against, please tick with '✓'. Alternatively, please indicate the number of votes For or Against each resolution.
If this form of proxy contains no indication as to how the proxy should vote in relation to each resolution, the proxy shall, as in the case of Any Other Business raised at the meeting, vote as the proxy deems fit.

Dated this ____________ day of ______________________ 2005.

Total No. of Shares Held

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 19 Changi South Street 1, Changi South Industrial Estate, Singapore 486779 not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.