



ASX Announcement – Appendix 4C

Arasor International Limited (ARR ASX) today lodged its Appendix 4C Cash Flow Statement for the quarter ended 31st December 2008. The Company notes the following items relating to the report.

GZ Government Loan

The Guangzhou Government has granted Arasor Guangzhou a loan facility of 35 Million RMB to move Periodically Poled and post processing Lithium Niobate equipment from US and Japan and set up a research and development center and facility within Arasor Guangzhou. As of December 2008, 3.7 Million RMB has been used (or AUD \$801K, as detailed in the Appendix 4C). The term of the loan is 3 years after all 35 Million RMB has been fully funded. The repayment term shall be scheduled if Arasor Guangzhou is profitable after the first 3-year term. If Arasor Guangzhou is still at loss, an extension of the term shall be negotiated. The loan facility incurs no interest. The loan agreement is a three-party agreement with the thirty party acting as a liaison for the Government to manage the project and funding.

Management Commentary

Based on preliminary management accounts, the consolidated net loss will likely be in the range of 100-110 Million AUD for the year of 2008, a significant increase from a loss of 17 Million AUD in 2007. This is consistent with the half-year report, which detailed a large loss primarily due to bad and doubtful debts (50 Million AUD) and write-offs of impaired assets (18.9 Million AUD). The preliminary 2008 yearly loss is prior to further write-down of doubtful debts and intangibles assets, which will be reviewed with the Company's auditors.

About Arasor International Limited

Arasor International Limited (www.arasor.net) develops and markets optical chips, components, modules and subsystems to capitalize on the emergence of new applications for photonic technologies with the goal of global leadership in the consumer electronics and wireless and network transport industries. Arasor's worldwide headquarters are located in, California, USA with operations in Guangzhou, Beijing and Shanghai China; Yokohama, Japan; Canberra and Sydney, Australia.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

ARASOR INTERNATIONAL LTD

ABN

29 119 999 441

Quarter ended ("current quarter")

31st DECEMBER 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	9,305	35,323
1.2 Payments for		
(a) staff costs	(2,581)	(12,264)
(b) purchases of inventory	(6,106)	(20,690)
(c) advertising and marketing	-	(261)
(d) research and development	(54)	(717)
(e) leased assets	-	(290)
(f) consultants and other professionals	(246)	(2,316)
(g) travel expenditure	(142)	(740)
(h) rent	(1,033)	(2,713)
(i) other working capital	(449)	(936)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	3	92
1.5 Interest and other costs of finance paid	(1,027)	(2577)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	(2,330)	(8,089)

+ See chapter 19 for defined terms.

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,330)	(8,089)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(790)	(1,513)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	4,518	4,518
(e) other non-current assets		
1.11 Loans received by/(repaid to) other entities	-	(547)
1.12 Loans repaid by other entities		
1.13 Other (Notes receivable paid by/(repaid to) related parties)		161
Net investing cash flows	3,728	2,619
1.14 Total operating and investing cash flows	1,398	(5,470)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.		
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	410	2,007
1.18 Repayment of borrowings	(2,627)	(4,245)
1.19 Dividends paid		
1.20 Other (Share issue costs)		
Other (Minority equity contribution)		1,850
Other (Loan from related party)		801
Other (Loan from Chinese Government)	801	801
Net financing cash flows	(1,416)	413
Net increase (decrease) in cash held	(18)	(5,057)
1.21 Cash at beginning of quarter/year to date	1,920	7,467
1.22 Exchange rate adjustments to item 1.20	(37)	(545)
1.23 Cash at end of quarter	1,865	1,865

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	-
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Not applicable for the current quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	32,470	32,470
3.2 Credit standby arrangements		

The Agriculture Bank of China, Nansha Branch, has granted Arasor Guangzhou a loan facility. The total amount available under this facility is 80 Million RMB, of which 77 Million RMB is used at 31 December 2008. The loan is refundable in 5 years from 1 July 2007 and a total of 15 Million RMB was required to be refunded prior to 30 June 2008. Arasor has requested that the repayment be delayed for 12 months to 30 June 2009. The facility incurs interest at an annual rate of 8.613%.

A private investor has granted Arasor Guangzhou the amount of 8.894 Million RMB as a short term loan, maturing December 2008 and the loan incurs interest at the rate of 5.994%. At 31 December 2008, 4.703 million RMB was outstanding on the loan.

Upon acquisition of the assets of Novalux Inc., Arasor International Ltd assumed two portions of debt, with principle values of USD \$9.0 million and USD \$1.4 million. The first portion of USD \$9.0 million matures in January 2012 and incurs interest at a rate of 10% per annum. Payments on the loan are interest only for the first 12 months, with principle payments of USD \$250,000 from February 2009. As at 31 December 2008, this loan has a principal value of 8.822 USD million. The second portion of the loan of \$1.4 USD million was repaid on conjunction with the sale of non core assets as announced to the ASX on 23 December 2008.

On 4 July 2008, the Company received \$1,351,351 AUD as part consideration of a convertible note. The notes have a zero percent interest rate and mature 3 years from the date of issue (unless otherwise requested to be matured at an earlier date by the holder, being not less than one year after the issue date). The notes can be converted to cash or shares at Arasor's preference. In the event the notes are converted to shares, they will be converted at a rate of \$0.30 per share.

Reconciliation of cash

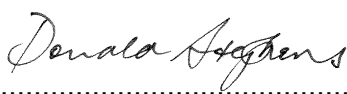
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,866	1,920
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	1,866	1,920

Acquisitions and disposals of business entities

		Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1	Name of entity		
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal		
5.4	Total net assets		
5.5	Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act *(except to the extent that information is not required because of note 2) or other standards acceptable to ASX.*
- 2 This statement does /does not* *(delete one)* give a true and fair view of the matters disclosed.

Sign here:  Date: 30 January 2009
 (Company secretary)

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

+ See chapter 19 for defined terms.

2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a)- policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information

3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.