



## **ASX Announcement – Appendix 4C**

Arasor International Limited (ARR ASX) today lodged its Appendix 4C Cash Flow Statement for the quarter ended 30<sup>th</sup> June 2008.

As announced at the AGM in May, the company appointed William Mackenzie to the position of Chief Executive Officer, effective immediately. Mr Mackenzie conducted a full review of the business which determined that the company had differentiated technology in the optical network and consumer optics industry but had grown rapidly in 2007 primarily in the wireless network space. This business unit had operated on relatively low margins and had considerable outstanding and overdue accounts receivable in India. As a result, the company had not achieved its short term financial goals.

As a result, the company initiated a number of initiatives to:

- restructure the company to unlock the value for shareholders
- investigate closing or selling the wireless unit
- continued efforts to collect on outstanding accounts receivable
- reduce costs and the use of cash

At the end of June 2008, the Company's cash balance stood at \$1.9 million, having significantly reduced the cash burn. The company increased its receipts from customers (primarily in Australia and China), from \$10.2 million in the prior quarter to \$13.5 million in the current quarter. There has been minimal improvement in collections from India despite a multi-layered strategy as outlined at the AGM.

Significant financial events since the end of the quarter include:

- strategic investment of AUD\$5.35M
- spin off of consumer optics business into Necsel Inc to be funded by institutional investors of an amount up to USD\$35M (Necsel also assumes circa USD\$10M of Arasor's debt)
- MOU for sale of non-core assets in the amount of USD\$5.9M

The effects of the 25% reduction in costs and headcount will be evident in the cash flow statement ending 30<sup>th</sup> September 2008.

The company intends to release its Half Year 2008 financials in August and will continue to provide the market with detailed updates of its strategic initiatives as events progress.

### **About Arasor International Limited**

Arasor International Limited ([www.arasor.net](http://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")

30<sup>th</sup> JUNE 2008

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	13,487	23,702
1.2 Payments for		
(a) staff costs	(4,085)	(8,020)
(b) purchases of inventory	(6,648)	(12,090)
(c) advertising and marketing	-	(261)
(d) research and development	(373)	(622)
(e) leased assets	(132)	(167)
(f) consultants and other professionals	(527)	(1,447)
(g) travel expenditure	(252)	(482)
(h) rent	(582)	(1,368)
(i) other working capital	(8)	(186)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	45	70
1.5 Interest and other costs of finance paid	(630)	(1,232)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net operating cash flows</b>	<b>295</b>	<b>(2,103)</b>

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	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	295	(2,103)
<b>1.9 Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(392)	(632)
(e) other non-current assets		
<b>1.10 Proceeds from disposal of:</b>		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans received by/(repaid to) other entities	(184)	(547)
1.12 Loans repaid by other entities		
1.13 Other (Notes receivable paid by/(repaid to) related parties)	8	49
<b>Net investing cash flows</b>	<b>(568)</b>	<b>(1,130)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(273)</b>	<b>(3,233)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.		
1.16 Proceeds from sale of forfeited shares		246
1.17 Proceeds from borrowings		(1,618)
1.18 Repayment of borrowings	(1,169)	
1.19 Dividends paid		
1.20 Other (Share issue costs)		
Other (Minority equity contribution)		
<b>Net financing cash flows</b>	<b>(1,169)</b>	<b>(1,372)</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,442)</b>	<b>(4,605)</b>
1.21 Cash at beginning of quarter/year to date	4,088	7,467
1.22 Exchange rate adjustments to item 1.20	(717)	(933)
<b>1.23 Cash at end of quarter</b>	<b>1,929</b>	<b>1,929</b>

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**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	169
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Salary payments to Executive Directors' and Directors' fees.

**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

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	23,273	23,273
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 30 June 2008. The loan is refundable in 5 years from 1 July 2007 and a total of 15 Million RMB must 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 30 June 2008, 4.677 million RMB was outstanding on the loan.

Macquarie Bank Ltd has granted Arasor International Ltd a premium funding loan account to finance certain operating expenses. At 30 June 2008, the total amount outstanding under this loan account was \$94 thousand and the loan incurs interest at an annualised rate of 6.24%.

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. The second portion of USD \$1.73 million incurs interest at a rate of 15.86% per annum, with both principle and interest payable monthly. The facility matures in August 2010.

**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	1,929	2,278
4.2 Deposits at call		1,810
4.3 Bank overdraft		
4.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1,929</b>	<b>4,088</b>

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**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: 31 July 2008  
 (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.

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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.

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