ASPIAL

Corporation Ltd

Company Registration No: 197001030G

(Incorporated in Singapore)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

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1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1(i) Consolidated Statement of Comprehensive Income For The Financial Period Ended 30 June 2018 ("1H 2018")

	Group		
	1H 2018 S$'000	1H 2017 S$'000	Change %
Revenue	**424,690**	**245,525**	**73%**
Materials and subcontract costs	(313,997)	(173,035)	**81%**
Employee benefits	(28,539)	(24,085)	**18%**
Depreciation and amortisation	(3,131)	(2,486)	**26%**
Finance costs	(14,799)	(12,876)	**15%**
Other operating expenses	(52,840)	(37,361)	**41%**
Interest income	6,686	4,589	**46%**
Rental income	1,230	1,328	**-7%**
Other income	4,089	4,687	**-13%**
Share of results of associates and a joint venture	1,443	1,375	**5%**
Profit before tax	**24,832**	**7,661**	**224%**
Taxation	(7,778)	(6,062)	**28%**
Profit for the period	**17,054**	**1,599**	**967%**
Other comprehensive income			
Net fair value changes of available-for-sale financial assets	(5,200)	5,956	**n.m**
Foreign currency translation	(6,481)	2,635	**n.m**
Share of other comprehensive income of a joint venture	373	(460)	**n.m**
Other comprehensive income for the period, net of tax	**(11,308)**	**8,131**	**n.m**
Total comprehensive income for the period	**5,746**	**9,730**	**-41%**
<u>Profit/(loss) attributable to:</u>			
Owners of the Company	13,578	(205)	**n.m**
Non-controlling interests	3,476	1,804	**93%**
	17,054	**1,599**	**967%**
<u>Total comprehensive income attributable to:</u>			
Owners of the Company	4,413	7,519	**-41%**
Non-controlling interests	1,333	2,211	**-40%**
	5,746	**9,730**	**-41%**
Earnings per ordinary share (cents)			
-Basic	**0.70**	**(0.01)**	**n.m**
-Diluted	**0.70**	**(0.01)**	**n.m**

Other information :-

	Group		
	1H 2018 S$'000	1H 2017 S$'000	Change %
Amortisation of intangible assets and prepaid rent	(396)	(280)	41%
Write back of/(impairment loss) for investment securities	1,860	(1,203)	n.m
Depreciation of property, plant and equipment	(2,738)	(2,207)	24%
Net foreign exchange (loss)/gain	(5,809)	3,463	n.m
Manufacturing and melting loss	(338)	(265)	28%
Property, plant and equipment written off	(452)	(435)	4%

n.m - means "not meaningful"

1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

1(ii) Consolidated Statement of Comprehensive Income For The Financial Period from 1 April 2018 to 30 June 2018 ("2Q 2018")

	Group		
	2Q 2018 S$'000	2Q 2017 S$'000	Change %
Revenue	**212,300**	**104,643**	**103%**
Materials and subcontract costs	(157,695)	(71,050)	**122%**
Employee benefits	(15,707)	(12,274)	**28%**
Depreciation and amortisation	(1,665)	(1,261)	**32%**
Finance costs	(7,657)	(6,505)	**18%**
Other operating expenses	(24,324)	(20,036)	**21%**
Interest income	3,803	2,368	**61%**
Rental income	570	637	**-11%**
Other income	1,495	47	**3081%**
Share of results of associates and a joint venture	864	516	**67%**
Profit/(loss) before tax	**11,984**	**(2,915)**	**n.m**
Taxation	(4,021)	(3,422)	**18%**
Profit/(loss) for the period	**7,963**	**(6,337)**	**n.m**
Other comprehensive income			
Net fair value change of available-for-sale financial assets	(2,481)	1,841	**n.m**
Foreign exchange translation	391	(1,437)	**n.m**
Share of other comprehensive income of a joint venture	(2,179)	1,255	**n.m**
Other comprehensive income for the period, net of tax	**(4,269)**	**1,659**	**n.m**
Total comprehensive income for the period	**3,694**	**(4,678)**	**n.m**
Profit/(loss) attributable to:			
Owners of the Company	5,937	(6,547)	**n.m**
Non-controlling interests	2,026	210	**865%**
	7,963	**(6,337)**	**n.m**
Total comprehensive income attributable to:			
Owners of the Company	1,933	(4,665)	**n.m**
Non-controlling interests	1,761	(13)	**n.m**
	3,694	**(4,678)**	**n.m**

NOTES:

1a. Depreciation of fixed assets in retail outlets is computed on a straight-line basis over 3 to 5 years.

1b. The Group recognises all inventory, including trade-in stock and sales return stock at their cost values. For finished stocks aged 2 years and above, partial provisions for stock obsolescence were made to take into consideration labour costs for designing and rework.

1c. The increase in materials and subcontract costs in 1H 2018 and 2Q 2018 was in tandem with higher revenue recognition.

1d. The increase in employee benefits for 1H 2018 and 2Q 2018 was mainly due to increase in number of employees for financial service business, higher staff costs for Niessing operations and increase in Directors' profit sharing for real estate business.

1e. The increase in finance cost for 1H 2018 and 2Q 2018 was mainly attributable to higher loan and interest accrued for multicurrency medium term notes issued by its subsidiary, Maxi-Cash Financial Services Corporation Ltd ("MCFS").

1f. Higher other operating expenses in 1H 2018 and 2Q 2018 were mainly due to higher holding costs incurred for properties held for sale and recognition of sales commission based on settlements by purchasers in overseas real estate business; and net foreign currency exchange loss for financial service and overseas real estate businesses.

1g. Higher other income in 2Q 2018 was due to reversal of impairment of investment securities.

1h. The increase in share of results of associates and joint venture in 1H 2018 and 2Q 2018 was due to higher profit from associates for the jewellery business, partially offset by lower profit from share of profit from a joint venture.

1i. Lower effective tax rate in 1H 2018 and 2Q 2018 was mainly due to higher tax provision in 1H 2017 as a result of reversal of tax allowance for provision of doubtful debt for jewellery business and higher tax rate for its real estate business.

2. STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	30-Jun-18 S$'000	31-Dec-17 S$'000 (Restated)	30-Jun-18 S$'000	31-Dec-17 S$'000
Non-current assets				
Property, plant and equipment	86,264	75,511	1,187	398
Intangible assets	11,111	7,456	266	299
Investment properties	60,887	60,566	-	-
Investment in subsidiaries	-	-	223,737	210,738
Investment in associates	19,480	22,086	-	-
Investment in joint ventures	31,772	30,316	5,000	5,000
Investment securities	6,008	4,508	-	-
Trade and other receivables	64,428	49,018	-	-
Prepayments	-	8,538	-	-
Deferred tax assets	5,174	8,430	-	-
	285,124	**266,429**	**230,190**	**216,435**
Current assets				
Inventories	141,423	133,781	-	-
Development properties	944,552	941,195	-	-
Properties held for sale	34,000	22,313	-	-
Trade and other receivables	302,475	309,310	4,801	62
Derivatives	38	-	-	-
Prepayments	6,887	8,959	417	600
Due from subsidiaries (non-trade)	-	-	281,286	287,389
Due from a joint venture (non-trade)	84,857	84,517	84,849	84,570
Due from associates (non-trade)	26	1,305	-	-
Investment securities	184,528	177,817	448	-
Cash and bank balances	194,371	54,888	231	448
	1,893,157	**1,734,085**	**372,032**	**373,069**
Total assets	**2,178,281**	**2,000,514**	**602,222**	**589,504**
Current liabilities				
Trade and other payables	73,289	66,644	7,625	2,282
Due to subsidiaries (non-trade)	-	-	145,272	109,019
Due to an associate (non-trade)	2,040	2,360	-	-
Provision for taxation	4,896	3,790	119	154
Term notes and bonds	194,266	98,000	197,500	100,000
Interest-bearing loans and borrowings	772,228	679,159	-	-
	1,046,719	**849,953**	**350,516**	**211,455**
Net current assets	**846,438**	**884,132**	**21,516**	**161,614**
Non-current liabilities				
Interest-bearing loans and borrowings	213,146	165,899	-	-
Term notes and bonds	466,512	541,500	-	123,500
Other payables	3,684	2,708	-	-
Deferred tax liabilities	17,315	13,706	20	80
	700,657	**723,813**	**20**	**123,580**
Total liabilities	**1,747,376**	**1,573,766**	**350,536**	**335,035**
Net assets	**430,905**	**426,748**	**251,686**	**254,469**
Equity attributable to shareholders of the Company				
Share capital	226,930	226,930	226,930	226,930
Treasury shares	(2,589)	(2,589)	(2,589)	(2,589)
Other reserves	18,617	22,400	1,413	1,413
Revenue reserves	88,227	90,269	25,932	28,715
	331,185	**337,010**	**251,686**	**254,469**
Non-controlling interests	99,720	89,738	-	-
Total equity	**430,905**	**426,748**	**251,686**	**254,469**
Net asset value per ordinary share (in cents)	**17.10**	**17.40**	**13.00**	**13.14**

2. STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2a. - Review of Financial Position

Group shareholders' funds increased from S$426.7 million as at 31 December 2017 to S$430.9 million as at 30 June 2018. This was mainly due to an increase in non-controlling interests, partially offset by a decrease in revenue reserves and other reserves. The decrease in revenue reserves was mainly due to the effect of adopting Singapore Financial Reporting Standards (International) 9 - Financial Instruments. The decrease in other reserves was largely due to changes in fair value of available-for-sale financial assets and foreign currency translation.

The Group's total assets of S$2,178.3 million as at 30 June 2018 was S$177.8 million higher than that as at 31 December 2017. This was mainly attributable to the increase in cash and bank balances, properties held for sale, property, plant and equipment, trade and other receivables, investment securities and inventories, partially offset by the decrease in prepayments, deferred tax assets, investment in associates and amount due from associates (non-trade). The increase in cash and bank balances was largely due to sales proceeds from the first stage completion of Avant and Australia 108 projects, and the balance amount not utilised from the issuance of the third and final tranche of Avant Notes, partially offset by the payment of development expenditures for on-going projects. The increase in properties held for sale was mainly due to reclassification of completed Malaysia properties to properties held for sale, partially offset by on-going construction costs, interest costs and development expenditures. The increase in property, plant and equipment was mainly due to the acquisition of a leasehold property for financial service business and reclassification of a completed property from development properties as office usage in Malaysia. The increase in inventories was mainly due to the inclusion of inventories for Niessing operations.

The Group's total liabilities of S$1,747.4 million as at 30 June 2018 was S$173.6 million higher than that as at 31 December 2017. The increase was largely due to the increase in interest-bearing loans and borrowings, term notes and bonds, trade and other payables and deferred tax liabilities. The increase in interest-bearing loans and borrowings was mainly due to the issuance of the third and final tranche of the Avant Notes and the drawdown of construction loans for overseas real estate projects. The increase in term notes and bonds was mainly due to the issuance of term notes by its subsidiary, Aspial Treasury Pte. Ltd. ("ATPL").

3. CONSOLIDATED STATEMENT OF CASH FLOWS

	2Q 2018 S$'000	2Q 2017 S$'000	1H 2018 S$'000	1H 2017 S$'000
Operating activities				
Profit/(loss) before tax	11,984	(2,915)	24,832	7,661
Adjustments for:				
Property, plant and equipment written off	196	332	452	435
Depreciation of property, plant and equipment	1,462	1,123	2,738	2,207
Gain on disposal of property, plant and equipment	(10)	-	(10)	-
Impairment loss on investment in an associate	26	-	31	-
Impairment loss on amount due from associate	-	580	-	580
(Write back of)/impairment loss on investment securities	(74)	840	(1,860)	1,203
Recovery of Allowance for doubtful receivables	(101)	-	(101)	-
Loss/(gain) on disposal of investment securities	922	(386)	1,578	(235)
Net fair value gain on derivatives	(38)	-	(38)	-
Write down of inventories	-	(109)	-	80
Interest expense	6,983	5,826	13,494	11,637
Interest income	(3,804)	(2,368)	(6,687)	(4,589)
Amortisation of prepaid rent	-	12	-	25
Amortisation of intangible assets	206	127	396	255
Amortisation of prepaid commitment fees	674	663	1,305	1,279
Amortisation of premium on multicurrency medium term notes	(14)	-	(27)	-
Listing expenses of a subsidiary	-	1,172	-	1,666
Share of results of associates and a joint venture	(582)	(516)	(999)	(1,375)
Unrealised foreign exchange differences	(887)	1,070	5,129	(3,063)
Operating profit before changes in working capital	**16,943**	**5,451**	**40,233**	**17,766**
Decrease/(increase) in:				
Inventories	4,259	4,767	5,074	8,766
Development properties	2,284	75,587	(3,042)	46,352
Properties held for sale	-	(4,576)	-	(4,439)
Trade and other receivables	(17,529)	(115,698)	(4,544)	(101,160)
Prepayments	522	217	924	(3,052)
Increase/(decrease) in:				
Trade and other payables	(12,799)	2,956	(6,425)	882
Net cash flows (used in)/generated from operations	**(6,320)**	**(31,296)**	**32,220**	**(34,885)**
Interest paid	(32,349)	(19,210)	(44,230)	(33,544)
Interest received	-	-	11	-
Income taxes paid	(1,020)	(9,630)	(1,218)	(10,707)
Net cash flows used in operating activities	**(39,689)**	**(60,136)**	**(13,217)**	**(79,136)**
Investing activities				
Purchase of property, plant and equipment	(3,106)	(5,818)	(10,987)	(6,958)
Proceeds from sale of property, plant and equipment	15	4	328	4
Addition to intangible assets	-	-	(45)	-
Interest received	2,249	1,920	3,328	2,406
Purchase of investment securities	(34,466)	(89,679)	(88,446)	(96,803)
Proceeds from disposal of investment securities	29,098	72,646	71,857	91,923
Acquisition of non-controlling interests in a listed subsidiary	-	(4,506)	-	(4,506)
Net cash outflow on acquisition of a subsidiary	908	(367)	908	(367)
Due to associates (non-trade), net	1,133	120	959	2,920
Due (from)/to a joint venture (non-trade), net	(147)	52	8	(1,309)
Net cash flows used in investing activities	**(4,316)**	**(25,628)**	**(22,090)**	**(12,690)**
Financing activities				
Dividends paid to shareholders of the Company	-	(4,030)	-	(4,030)
Dividends paid to non-controlling interests of subsidiaries	-	(791)	-	(791)
Proceeds from issuance of ordinary shares by subsidiaries to non-controlling interests	-	408	6,302	408
Proceeds from issuance of term notes and bonds	50,000	50,000	50,000	50,000
Repayment of term notes	(26,000)	-	(26,000)	(55,750)
Proceeds from term loans	43,640	5,809	137,578	236,688
Repayment of term loans	(10,662)	(1,210)	(20,396)	(164,892)
Proceeds from/(repayment of) short-term bank borrowings, net	11,953	(13,402)	27,181	7,283
Proceeds from initial public offering of a subsidiary	-	25,033	-	25,033
Proceeds from finance lease obligations	-	68	-	68
Repayment of finance lease obligations	(18)	(19)	(36)	(31)
Due to a related company (non-trade)	440	-	440	-
Term notes and bonds commitment fee paid	-	(631)	-	(631)
Listing expenses paid by a subsidiary	-	(1,433)	-	(2,014)
Net cash flows generated from financing activities	**69,353**	**59,802**	**175,069**	**91,341**

3. CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	2Q 2018 S$'000	2Q 2017 S$'000	1H 2018 S$'000	1H 2017 S$'000
Net increase/(decrease) in cash and cash equivalents	25,348	(25,962)	139,762	(485)
Cash and cash equivalents at beginning of period	169,102	95,615	54,888	70,284
Effects of exchange rate changes on cash and cash equivalents	(79)	203	(279)	57
Cash and cash equivalents at end of period	**194,371**	**69,856**	**194,371**	**69,856**

Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:-

	1H 2018 S$'000	1H 2017 S$'000
Amounts held under the "Project Account (Amendment) Rules - 1997" withdrawals of which are restricted to payments for expenditure incurred on projects	12,249	18,721
Cash at bank	182,122	51,135
Cash and cash equivalents	**194,371**	**69,856**

3a. - Cashflow Analysis

2Q 2018

Net cash used in operating activities for 2Q 2018 was S$39.7 million as compared to S$60.1 million in 2Q 2017. This was mainly attributable to increase in trade and other receivables and decrease in trade and other payables. The increase in trade and other receivables was mainly due to the provision of secured loans for the financial service and overseas real estate businesses.

Net cash used in investing activities of S$4.3 million in 2Q 2018 was largely attributable to increase in investment securities (net) and property, plant and equipment, partially offset by interest received and amount due to associates (non-trade).

Net cash generated from financing activities was S$69.4 million in 2Q 2018 compared to S$59.8 million in 2Q 2017. This comprised principally the issuance of term note by its subsidiary, ATPL in April 2018 and increase in term loans and short-term bank borrowings (net), partially offset by repayment of term notes.

1H 2018

Net cash used in operating activities for 1H 2018 was S$13.2 million as compared to S$79.1 million in 1H 2017. This was mainly attributable to increase in trade and other receivables, development properties and decrease in trade and other payables. The increase in trade and other receivables was mainly due to the provision of secured loans for the financial service and overseas real estate businesses.

Net cash used in investing activities of S$22.1 million in 1H 2018 was largely attributable to increase in investment securities (net) and property, plant and equipment, partially offset with interest received. The increase in property, plant and equipment was mainly due to the acquisition of a leasehold property for financial service business.

Net cash generated from financing activities was S$175.1 million in 1H 2018 compared to S$91.3 million in 1H 2017. This comprised principally the issuance of term note by its subsidiary, ATPL in April 2018, increase in term loans and short-term bank borrowings (net), partially offset by repayment of term notes.

As a result, cash and cash equivalent balances increased to S$194.4 million as at 30 June 2018 from S$69.9 million as at 30 June 2017.

4. STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests	Total
	Share capital S$'000	Treasury shares S$'000	Revenue reserves S$'000	Other reserves S$'000	S$'000	S$'000
__Group__						
Balance as at 1 January 2018						
- as previously reported	226,930	(2,589)	96,231	16,438	89,738	426,748
- Effect of adopting SFRS(I) 1	-	-	(5,962)	5,962	-	-
- Effect of adopting SFRS(I) 9	-	-	(10,690)	8,933	-	(1,757)
- as restated	**226,930**	**(2,589)**	**79,579**	**31,333**	**89,738**	**424,991**
Profit for the period	-	-	13,578	-	3,476	**17,054**
Other comprehensive income for the period						
Net loss on fair value changes of available-for-sale financial assets	-	-	-	(4,537)	(663)	**(5,200)**
Foreign currency translation	-	-	-	(5,001)	(1,480)	**(6,481)**
Share of other comprehensive income of a joint venture	-	-	-	373	-	**373**
Other comprehensive income, net of tax	-	-	-	(9,165)	(2,143)	**(11,308)**
Contributions by and distributions to owners						
Dividends on ordinary shares-Cash and scrip dividends	-	-	(4,841)	-	(2,518)	**(7,359)**
Total contributions by and distributions to owners	-	-	(4,841)	-	(2,518)	**(7,359)**
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests in a listed subsidiary without a change in control	-	-	-	(3,727)	2,720	**(1,007)**
Premium on dilution of interest in subsidiaries	-	-	-	253	(253)	**-**
Change in ownership interest in subsidiaries without a change in control	-	-	(89)	(3)	92	**-**
Capital contribution from non-controlling interests	-	-	-	(74)	8,608	**8,534**
Total changes in ownership interests in subsidiaries	-	-	(89)	(3,551)	11,167	**7,527**
Balance as at 30 June 2018	**226,930**	**(2,589)**	**88,227**	**18,617**	**99,720**	**430,905**
Balance as at 1 January 2017						
- as previously reported	226,152	(2,589)	93,755	(5,329)	64,881	376,870
- Effect of adopting SFRS(I) 1	-	-	(5,962)	5,962	-	-
- as restated	**226,152**	**(2,589)**	**87,793**	**633**	**64,881**	**376,870**
Profit for the period	-	-	(205)	-	1,804	**1,599**
Other comprehensive income for the period						
Net gain on fair value changes of available-for-sale financial assets	-	-	-	5,956	-	**5,956**
Foreign currency translation	-	-	-	2,228	407	**2,635**
Share of other comprehensive income of a joint venture	-	-	-	(460)	-	**(460)**
Other comprehensive income, net of tax	-	-	-	7,724	407	**8,131**
Contributions by and distributions to owners						
Dividends on ordinary shares - Cash and scrip dividends	-	-	(4,833)	-	(791)	**(5,624)**
Ordinary shares issued under scrip dividend	778	-	-	-	-	**778**
Total contributions by and distributions to owners	778	-	(4,833)	-	(791)	**(4,846)**
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests in a listed subsidiary	-	-	-	-	(4,506)	**(4,506)**
Premium on dilution of interest in a subsidiary	-	-	-	7,113	17,920	**25,033**
Ordinary shares issued under scrip dividend scheme by a subsidiary	-	-	25	-	-	**25**
Capital contribution from non-controlling interests	-	-	-	-	408	**408**
Total changes in ownership interests in subsidiaries	-	-	25	7,113	13,822	**20,960**
Balance as at 30 June 2017	**226,930**	**(2,589)**	**82,780**	**15,470**	**80,123**	**402,714**

4. STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to shareholders of the Company				Non-controlling interests	Total
	Share capital S$'000	Treasury shares S$'000	Revenue reserves S$'000	Other reserves S$'000	S$'000	S$'000
Company						
Balance as at 1 January 2018	**226,930**	**(2,589)**	**28,715**	**1,413**	**-**	**254,469**
Profit for the period, representing total comprehensive income for the period	-	-	2,058	-	-	**2,058**
Contributions by and distributions to owners						
Dividends on ordinary shares-Cash and scrip dividends	-	-	(4,841)	-	-	**(4,841)**
Total contributions by and distributions to owners	-	-	(4,841)	-	-	**(4,841)**
Balance as at 30 June 2018	**226,930**	**(2,589)**	**25,932**	**1,413**	**-**	**251,686**
Balance as at 1 January 2017	**226,152**	**(2,589)**	**29,444**	**1,413**	**-**	**254,420**
Profit for the period, representing total comprehensive income for the period	-	-	3,336	-	-	**3,336**
Contributions by and distributions to owners						
Dividends on ordinary shares - Cash and scrip dividends	-	-	(4,833)	-	-	**(4,833)**
Ordinary shares issued under scrip dividend	778	-	-	-	-	**778**
Total contributions by and distributions to owners	778	-	(4,833)	-	-	**(4,055)**
Balance as at 30 June 2017	**226,930**	**(2,589)**	**27,947**	**1,413**	**-**	**253,701**

5. CHANGES IN SHARE CAPITAL

	Company No. of shares '000	S$ '000
Issued and fully paid share capital (excluding treasury shares)		
Balance at 1 January, 31 March and 30 June 2018	1,936,491	224,341

6. CHANGES IN TREASURY SHARES

There were no (30 June 2017: nil) treasury shares transferred to employees under the Aspial Share Award Scheme during the financial period.

	Company No. of shares '000	S$ '000
Balance at 1 January, 31 March and 30 June 2018	9,405	2,589

7. CHANGES IN SUBSIDIARY HOLDINGS

Not applicable. The company does not have any subsidiary holdings.

8. GROUP BORROWINGS AND DEBT SECURITIES

Amount repayable in one year or less, or on demand

As at 30-Jun-18		As at 31-Dec-17	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
772,228	194,266	679,159	98,000

Amount repayable after one year

As at 30-Jun-18		As at 31-Dec-17	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
213,146	466,512	165,899	541,500

Details of collateral

The Group's borrowings and debt securities are secured as follows:-
i) legal mortgages over subsidiaries' development properties;
ii) legal assignment of subsidiaries' interest under the Sale and Purchase agreements and tenancy agreements in respect of development properties or units;
iii) legal assignment of subsidiaries' interest in the Project Account and Rental Account;
iv) corporate guarantee by the Company; and
v) fixed and floating charge on all current assets of certain subsidiaries.

9. AUDITOR'S REPORT

The figures have not been audited nor reviewed by the auditors.

10. ACCOUNTING POLICIES

Except as disclosed in the paragraph 11 below, the Group has applied the same accounting policies and methods of computation in the second quarter results announcement for the current financial period ended 30 June 2018 as those of the audited financial statements for the financial year ended 31 December 2017.

The adoption of other Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations of SFRS(I) relevant to the Group's operations which are effective for annual periods beginning on 1 January 2018 does not have a material impact on the financial statements.

11. CHANGES IN THE ACCOUNTING POLICIES

The Group has adopted SFRS(I) on 1 January 2018. Accordingly, the Group has elected the following relevant optional exemption provided in SFRS(I) 1-First-time Adoption of SFRS(I) and has adopted SFRS(I) 9 - Financial Instruments.

SFRS(I)1 First-time Adoption of SFRS(I)
The Group does not elect the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, except for its joint venture, which has elected the option to deem the cumulative translation differences for foreign operations to be zero and has reclassified the amount in foreign currency translation reserve at the date of transition to opening retained earnings. As a result, cumulative translation losses of S$5,962,000 was reclassified from foreign exchange translation account to revenue reserves as at 1 January 2017.

SFRS(I)9 Financial Instruments

The Group has adopted the expected credit loss requirements in SFRS(I) 9 on the required effective date without restating prior periods' information and recognised any difference between the previous carrying amount as at the end of previous reporting period and the carrying amount as at the beginning of the current reporting period in the opening revenue reserves. As a result, cumulative fair value losses of S$10,690,000 was reclassified from fair value reserve and deferred tax assets accounts to revenue reserves as at 1 January 2018.

12. EARNINGS PER SHARE

	Group			
	2Q 30-Jun-18 cents	2Q 30-Jun-17 cents	1H 30-Jun-18 cents	1H 30-Jun-17 cents
i) Basic earnings per share	0.31	(0.34)	0.70	(0.01)
ii) Diluted earnings per share	0.31	(0.34)	0.70	(0.01)
-Weighted average number of shares (excluding treasury shares) ('000)	1,936,491	1,933,630	1,936,491	1,933,565

13. NET ASSET VALUE PER SHARE

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
Net asset value per ordinary share (in cents)	17.10	17.40	13.00	13.14
Number of ordinary shares in issue (excluding treasury shares) ('000)	1,936,491	1,936,491	1,936,491	1,936,491

14. VARIANCE FROM FORECAST STATEMENT

No forecast for the period ended 30 June 2018 was previously provided.

15. REVIEW OF CORPORATE PERFORMANCE

The Group posted another quarter of strong revenue growth in 2Q 2018. Revenue grew by 102.9% to S$212.3 million. For 1H 2018, Group revenue of S$424.7 million was S$179.2 million or 73.0% higher than 1H 2017.

The Real Estate Business was the largest contributor to the Group's revenue in 1H 2018. Revenue increased by 164.7% from S$97.4 million in 1H 2017 to S$257.8 million in 1H 2018. The increase was contributed by the progress recognition of sales from CityGate and revenue from the settlement and handover of completed residential units for Avant and Australia 108 projects in Melbourne, Australia.

The Financial Service Business delivered another quarter of consistent growth in 2Q 2018. Revenue increased by S$5.2 million or 10.5% from S$49.3 million in 2Q 2017 to S$54.5 million in 2Q 2018. For 1H 2018, revenue increased by S$13.9 million to S$107.4 million. The increase in revenue was driven by higher interest income from its pawnbroking and secured lending businesses and higher sales from the retail and trading of jewellery and branded merchandise business. The Group continues to strengthen its leadership position in Singapore with its largest network of pawnshops and pledge book.

Despite a smaller retail network in Singapore, revenue from the Jewellery Business increased by 16.4% from S$58.4 million to S$68.0 million in 1H 2018. The higher revenue was mainly attributable to the maiden recognition of sales from Niessing brand and increase in sales from its gold bullion business.

The Group's pre-tax profit increased by S$17.1 million or 222.1% from S$7.7 million in 1H 2017 to S$24.8 million in 1H 2018. The higher pre-tax profit was achieved despite net foreign exchange loss of S$5.8 million. For 2Q 2018, Group pre-tax profit was $12.0 million as compared to pre-tax loss of $2.9 million in 2Q 2017.

The Real Estate Business recorded a pre-tax profit of S$22.0 million, $S15.8 million or 254.8% above 1H 2017. The higher pre-tax profit was mainly due to the higher profit contribution from CityGate, Avant, and Australia 108 projects partially offset by foreign exchange loss. Excluding the net foreign exchange loss of S$3.9 million in 1H 2018, the pre-tax profit would have been S$25.9 million.

The Financial Service Business had also registered higher pre-tax profit in 1H 2018. Despite foreign exchange loss of S$2.2 million, pre-tax profit increased by S$0.7 million from S$6.0 million in 1H 2017 to S$6.7 million in 1H 2018. Excluding the foreign exchange loss, the pre-tax profit would have been S$8.9 million in 1H 2018.

The Jewellery Business reported a pre-tax loss of S$0.7 million in 1H 2018 as compared to a loss of S$3.5 million in 1H 2017. The lower pre-tax loss was mainly due to the maiden profit contribution from its Niessing operations and lower loss from its retail business in Singapore.

The share of profit from a joint venture decreased by S$0.5mil to S$1.0mil in 1H 2018. This was mainly due to the lower profit from its 50:50 joint venture company, AF Corporation Pte Ltd, which holds 83.49% of the issued shares of AF Global Limited.

On the Group level, excluding the net foreign exchange loss of S$5.8 million in 1H 2018 and net foreign exchange gain of S$3.5 million in 1H 2017, the pre-tax profit would have been S$30.6 million in 1H 2018 as compared to S$4.2 million in 1H 2017.

16. BUSINESS OUTLOOK

Real Estate Business

The Group continues to record sales for its CityGate project in Singapore and Australia 108 and Avant projects in Melbourne, Australia. The table below provides an overview of the ongoing projects of the Group in Singapore and Australia:

Project	Type	Total Units	Launch Date	Units Launched	% Sold based on unit launched
In Singapore					
CityGate*	Residential	311	3Q 2014	311	99%
CityGate*	Commercial	188	3Q 2014	188	78%
In Australia					
Australia 108 (Melbourne)	Residential	1,103	4Q 2014	1,103	97%
Avant (Melbourne)	Residential	456	2Q 2015	456	97%
Nova City Tower 1 (Cairns)	Mixed use development	187	4Q 2016	101	51%

* *CityGate is 50% owned by a subsidiary of the Group and jointly developed with Fragrance Group Limited.*

The Group expects CityGate to contribute to the Group's revenue and profit in FY2018 as the Group continues to record sales for the remaining commercial units and construction progresses on schedule to obtain TOP in 2018.

In Australia, the Group has made good progress for Australia 108 and Avant projects. As at the date of this announcement, the construction of Australia 108 and Avant is ahead of the planned structure completion schedule:

1. The construction of Australia 108 has reached level 60 out of 101 levels, and achieved first stage handover status in June 2018; and
2. The first and final stages for Avant achieved handover status in February and July 2018, respectively.

According to the latest construction schedule, the Group expects to complete another 2 out of the remaining 5 stages for Australia 108 by the end of 2018. The profit margin of the subsequent phases of Australia 108 will be higher than the earlier ones as the average sales per square metre rate for higher floors are higher than those for the lower ones, whereas construction costs have been amortised equally across all levels.

As at the date of the announcement, after taking into consideration the revenue from the settlement and handover of completed residential units to date, the Group expects to receive about S$419 million of sales proceeds from the expected handover and settlement of residential units for the rest of 2018.

16. BUSINESS OUTLOOK (CONTINUED)

Real Estate Business (continued)

In the next twelve months, the Group will continue with the sale of Nova City project and intends to launch Albert Street project in Brisbane subject to market conditions in Brisbane then.

In Penang, the Group has completed the refurbishment, upgrading and building works of 16 properties. The Group has started hotel operations at some of the completed properties and has received positive business and reviews to date.

At current market prices, the Group expects to make substantial profits from its ongoing development projects in Singapore and Australia. The Real Estate Business is expected to contribute significantly to the Group's revenue and profitability from FY 2018 to FY 2020 due to the following reasons:-

First, based on the units sold in its property project in Singapore as at the date of this announcement, the Group has locked in about S$34.8 million of unbilled contracts which will be progressively recognised in accordance with the stage of construction.

Second, the Group has locked in about S$900 million of unbilled contracts from the Australia 108 and Avant projects.

Third, the Group expects the profit margin of the subsequent phases of the Australian projects to be higher than the earlier ones as the average sales per square metre rate for higher floors are better than those for the lower ones.

Fourth, the Group is expected to book profit from the above projects as they complete progressively from 2018 to 2020.

Overall, the Group has locked in more than S$900 million of unbilled contracts in Singapore and Australia.

Based on the expected completion of these projects, the Group expects its equity, cash and debt position to improve substantially in 2018 due to the following reasons:-

First, in Australia, the Group expects to have about S$690 million (subject to actual settlements) of cash proceeds from the settlement and handover of units for Avant and Australia 108 in 2018, part of which will be used to repay outstanding loans and to cover the remaining development costs for Australia 108.

Second, for CityGate project in Singapore, the Group expects to obtain temporary occupation permit by end of 2018 and receive about S$350 million of cash proceeds, part of which will be used to repay outstanding loans.

As part of the Group's strategy to improve its debt position, the Group intends to use part of the cash proceeds to purchase some of its remaining term notes and bonds, which may include those due in 2018, 2019 and 2020, prior to the maturity dates of these notes and bonds. The purchase of its term notes and bonds may be done via various channels such as open market purchase and tender offer and will enable the Group to improve its debt position and reduce negative carry.

Financial Service Business

The Group has continued to grow its core business of pawnbroking and retailing of new and pre-owned merchandise despite keen competition, escalating operating costs and higher interest cost. To meet the challenges, the Group will continue to focus on cost management and explore new business opportunities.

Jewellery Business

The Group expects consumer sentiments to improve in 2018 and it will continue its efforts to improve operational effectiveness and efficiency of its Jewellery Business.

Other Investment

The existing core business of AF Global Limited, namely the hotel and serviced residence business is expected to contribute positively to the Group. The Group will continue to focus on improving its business operations and conduct strategic review to enhance return on its assets which may include asset enhancement initiatives and possible divestment.

In China, the Xuzhou Gulou Square commercial plot is under construction. Please refer to the announcement released by AF Global Limited on 6 August 2018 regarding Xuzhou joint venture shareholders dispute. In Phuket, the Rawai resort hotel is progressing well in the design planning submission stage.

As the new cooling measures introduced in July 2018 are expected to dampen the residential market as well as reduce activitiy in the enbloc market, Knight Frank Singapore business is expected to be slow but stable.

The Group

Barring unforeseen circumstances and major depreciation of Malaysian and Australian currencies, the Group expects to be profitable in 2018.

17. INTERESTED PERSON TRANSACTIONS

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(ii) of the Listing Manual.

18. DIVIDEND

(i) Any dividend declared for the current financial period reported on?

Name of dividend	2018
Name of dividend	Interim
Dividend Type	Cash
Dividend Rate	0.25 cent per ordinary share
Tax Rate	One-tier tax exempt
Book closure date	To be announced later
Payment date	To be announced later

(ii) Any dividend declared for the preceding financial period?
No

19. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS PURSUANT TO RULE 720 (1) OF THE LISTING MANUAL

The Company confirms that all the required undertakings under Rule 720 (1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

20. NEGATIVE CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, we hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the six months ended 30 June 2018 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Koh Wee Seng
CEO

Koh Lee Hwee
Director

8 August 2018