

17 August 2006

Singapore Exchange Limited
2 Shenton Way
#19-00 SGX Centre 1
Singapore 068804

Attn.: Ms Sydney Peh, Issuer Regulation

Dear Sirs

**APEX-PAL INTERNATIONAL LTD
CLARIFICATIONS ON QUERIES RAISED ON HALF YEAR FINANCIAL RESULTS ENDED 30
JUNE 2006**

We refer to your email dated August 14, 2006 in relation to our half year financial results ended 30 June 2006 announcement released on August 11, 2006. Our reply to your queries are as follows:-

Question :

a) We note Sales increased by 25% to S\$30.7m. Please provide reasons for the increase.

Answer :

a) The increase in the Group's revenue by 25% to \$30.7 million for the six months ended 30 June 2006 from \$24.6 million in the previous corresponding period is mainly attributable to the increase in revenue from the F&B Business in Singapore. The Group has also set up 2 new Sakae Sushi outlets at The Frontier Community Club and Compass Point and 1 Dining @ Sakae outlet at The Atrium @ Orchard during first half of FY2006 in Singapore.

Question :

b) Please explain the 29% increase in the administrative expenses from S\$9.65m to S\$12.45m and the 20% increase in other operating expenses. In your discussion, please quantify the main underlying items causing the increases.

Answer :

b) The increase in administrative expenses by 29% to \$12.5 million for the six months ended 30 June 2006 from \$9.7 million in the previous corresponding period is mainly due to:

i) Increase in staff costs to \$9.9 million for half year ended FY2006 from \$7.6 million for the previous corresponding period due to new outlets and yearly salary revisions for staff.

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ii) Increase in depreciation costs to \$1.0 million for half year ended FY2006 from \$0.8 million for the previous corresponding period due to new outlets and refurbishment of existing F&B outlets.

Other operating expenses which mainly comprise of rental and utilities costs increase by 20% to \$6.9 million for the six months ended 30 June 2006 is mainly due to new outlets which commence operations after the first half of FY2005.

Question :

c) Please provide an update on the use of proceeds arising from the Placement exercise in May 2006.

Answer :

c) The proceeds arising from the Placement exercise in May 2006 are placed in short-term deposits with banks.

Phyllis Phua Lee Boon
Company Secretary