

TIONG WOON CORPORATION HOLDING LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 199705837C)

REPLY TO SGX QUERIES ON RESULTS ANNOUNCEMENT OF 9 MAY 2008 IN RELATION TO 3RD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008

Question (a)

We note in Paragraph 1(a) of the results announcement that 'Turnover' has increased by 49% from S\$28 million in 3Q FY07 to S\$42 million in 3Q FY08 but 'Cost of Sales' has increased by 74% from S\$16.6 million in 3Q FY07 to S\$28.9 million in 3Q FY08. In respect of the above, please explain the reasons for the increase in 'Cost of Sales' by 74% when 'Turnover' has increased only 49%.

Answer:-

The increase of 74% in "Cost of Sales" over the previous corresponding quarter was mainly attributed to:-

- (i) An increase in mobilisation and sub-contractors' costs of 239% to execute heavy lift projects in the region;
- (ii) An increase in wage cost of 47% due to the rise in general wages for operators as well as increase in headcount;
- (iii) An increase in depreciation expenses of 36% as a result of investing in new heavy equipment.

Question (b)

We note in Paragraph 1(a) of the results announcement that 'Other operating expense' has increased by 46% from S\$3.9 million in 3Q FY07 to S\$5.7 million in 3Q FY08. In respect of the above, please provide breakdown of major items and explain material changes.

Answer:-

The breakdown of major items in the "Other Operating Expense" of S\$5.7 million comprised the following:

- (i) Staff salaries and allowances of S\$3.9 million;
- (ii) Office expenses of S\$0.7 million;
- (iii) Travelling and transportation costs of S\$0.3 million;
- (iv) Fair value losses on financial assets at fair value of S\$0.4 million.

The major increase in the "Other Operating Expenses" was attributed to an increase in staff salaries and allowances by 55% due to increases in both headcount as well as salaries as compared to the previous corresponding quarter.

Question (c)

We note in Paragraph 1(a) of the results announcement that 'Fair value changes on financial assets at fair value through profit and loss' was S\$429,000 in 3Q FY08 and S\$1.218 million in 9M FY08 . In respect of the above, please provide the following information:

- (i) Factors which resulted in the loss; and
- (ii) Details on the underlying items.

Answer:-

"Fair value changes on financial assets at fair value through profit and loss" refers to the marketable securities that have been marked to market (i.e. quoted shares listed in the Singapore Stock Exchange). The market price for these securities was down due to the decline in the general market conditions.

Question (d)

We note in Paragraph 1(b)(i) of the results announcement that 'Trade and other receivables' is at S\$59.2 million as at 31 March 2008 as compared to S\$30.4 million as at 30 June 2007. In respect of the above, please provide the following information:

- (i) Breakdown on major items contributing to significant increase in 'Trade and other receivables'.
- (ii) Reasons for the significant increase in 'Trade and other receivables'.
- (iii) Trade and other receivables turnover days for current period as compared to previous corresponding period and elaborate on material variances, if any.
- (iv) Directors' views on whether provision for doubtful debt is adequate and basis for their views.

Answer:-

- (i) The increase in "Trade and other receivables" was mainly attributed to the increase in accrued revenue of S\$10.5 million and work in progress of S\$11.4 million for our maiden shipbuilding project.
- (ii) With reference to our response to (i) above, revenue for our maiden shipbuilding project was accrued as we will only receive the full contract sum upon completion of the project.
- (iii) Assuming we exclude the accrued revenue of S\$10.5 million and work-in-progress of S\$11.4 million for the shipbuilding project, the trade debtors' turnover days would have improved from 102 days (as at 30 June 2007) to 72 days (as at 31 March 2008).
- (iv) In the directors' opinion, no provision for doubtful debts was required for the financial period ended 31 March 2008.

**BY ORDER OF THE BOARD
TIONG WOON CORPORATION HOLDING LTD**

**13 May 2008
Singapore**