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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Ang Kah Hong *(Group Chairman and Managing Director)* Ang Kah Leong *(Executive Director)* Ang Kha King *(Executive Director)* Tan Swee Khim *(Executive Director)* Yeo Wee Tiong, Mark Ong Kai Seong Wong King Kheng Chandra Mohan s/o Rethnam Chua Gah Hok (alternate to Ong Kai Seong)
COMPANY SECRETARIES	:	Ms Choong Mee Fong, ACIS Ms Foo Soon Soo, FCIS
REGISTERED OFFICE	:	13 & 15 Pandan Crescent Singapore 128470
SHARE REGISTRAR AND SHARE TRANSFER OFFICE	:	Barbinder & Co Pte Ltd 9 Penang Road #10-20 Park Mall Singapore 238459
MANAGER, UNDERWRITER AND PLACEMENT AGENT	:	Overseas Union Bank Limited 1 Raffles Place OUB Centre Singapore 048616
AUDITORS AND REPORTING ACCOUNTANTS	:	PricewaterhouseCoopers Certified Public Accountants 6 Battery Road #32-00 Singapore 049909
SOLICITORS TO THE INVITATION	:	Drew & Napier 20 Raffles Place #17-00 Ocean Towers Singapore 048620
PRINCIPAL BANKER	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street #26-02/04 OCBC Centre Singapore 049513

DEFINITIONS

In this Prospectus and the accompanying Application Forms, the following definitions apply throughout where the context so admits:-

"Act"	:	The Companies Act of Singapore, Chapter 50
"ACKS"	:	Ang Choo Kim & Sons Pte Ltd
"Bond Subscription Agreement"	:	The agreement dated 16 March 1998 entered into between Tiong Woon CT and the VC Investors for the subscription of the Bonds by the VC Investors as amended and supplemented by a Supplemental Agreement dated 9 June 1999
"Bond" or "Bonds"	:	Any or all of the registered convertible bonds due 31 October 1999 amounting in aggregate to $7,000,000
"Company" or "Tiong Woon Corporation"	:	Tiong Woon Corporation Holding Ltd
"CDP"	:	The Central Depository (Pte) Limited
"CIDB"	:	Construction Industry Development Board
"CITI"	:	Construction Industry Training Institute
"CPF"	:	Central Provident Fund
"DEMAG"	:	Mannesmann Demag Baumaschinen, Germany
"Directors"	:	The directors of the Company as at the date of this Prospectus
"Electronic Applications"	:	Applications for the Offer Shares made through an ATM in accordance with the terms and conditions of this Prospectus
"ECICS Ventures 2"	:	ECICS Ventures 2 Ltd
"EPS"	:	Earnings per Share
"FY"	:	Financial year ended or ending 30 June
"Group" or "Tiong Woon Group"	:	The Company and its Subsidiaries as if the existing Group structure had been in place since 1 July 1993
"HDB"	:	Housing & Development Board
"Invitation"	:	The invitation by the Company and the Vendors to the public to subscribe and/or purchase the Invitation Shares, subject to and on the terms and conditions of this Prospectus

"Invitation Shares"	:	The New Shares and the Vendor Shares
"Issue Price"	:	$0.20 for each Invitation Share
"IFSMS"	:	IFS Management Services Pte Ltd
"Market Day"	:	A day on which the SES is open for trading in securities
"LRT"	:	Light Rail Transit
"MRT"	:	Mass Rapid Transit
"New Shares"	:	The 33,800,000 new Shares for which the Company will invite applications to subscribe pursuant to the Invitation
"NTA"	:	Net tangible assets
"OCBC Capital"	:	OCBC Capital Investment Private Limited
"OUB", "Manager", "Underwriter" or "Placement Agent"	:	Overseas Union Bank Limited
"Offer"	:	The offer by the Company and the Vendors of the Offer Shares to the public for subscription and/or purchase at the Issue Price
"Offer Shares"	:	The 11,320,000 Invitation Shares to be offered pursuant to the Offer
"Participating Banks"	:	OUB; The Development Bank of Singapore Ltd (including its POSBank Services division) ("DBS"); Keppel TatLee Bank Limited ("KTB"); Oversea-Chinese Banking Corporation Limited and its subsidiary, Bank of Singapore Limited ("OCBC Group"); and United Overseas Bank Limited and its subsidiaries, Chung Khiaw Bank Limited, Far Eastern Bank Limited and Industrial & Commercial Bank Limited ("UOB Group")
"PSA"	:	Port of Singapore Authority
"Placement"	:	The placement by the Placement Agent on behalf of the Company and Vendors for subscription and/or purchase at the Issue Price
"Placement Shares"	:	The 45,280,000 Invitation Shares to be offered under the Placement
"Restructuring Exercise"	:	The restructuring exercise implemented following the receipt of in-principle approval from the SES for the admission of the Company to the SES, more fully described on pages 24 and 25 of this Prospectus
"Securities Account"	:	Securities account maintained by a depositor with CDP

"Sembawang Group"	:	Sembawang Corporation Ltd and its subsidiaries and associated companies
"Shareholder"	:	means a shareholder of the Company
"Shares"	:	Ordinary shares of $0.10 each in the capital of the Company
"Subsidiaries"	:	The subsidiaries of the Group comprising Tiong Woon CT, Tiong Woon Marine, Tiong Woon Enterprise, Tiong Woon Malaysia, Tiong Woon Engineering, Tiong Woon Indonesia and Tiong Woon Philippines
"SCCS"	:	Securities Clearing & Computer Services (Pte) Ltd
"SES" or "Stock Exchange"	:	The Stock Exchange of Singapore Limited
"Tiong Woon CT"	:	Tiong Woon Crane & Transport (Pte) Ltd
"Tiong Woon Engineering"	:	Tiong Woon Engineering Pte Ltd (formerly known as Ang Choo Kim & Sons Supermarket (Pte) Ltd)
"Tiong Woon Enterprise"	:	Tiong Woon Enterprise Pte Ltd (formerly known as Tiong Woon Warehousing Pte Ltd)
"Tiong Woon Indonesia"	:	P. T. Tiong Woon Indonesia
"Tiong Woon Malaysia"	:	Tiong Woon Crane & Transport (M) Sdn Bhd
"Tiong Woon Marine"	:	Tiong Woon Marine Pte Ltd (formerly known as Kangjin Supply (Pte) Ltd)
"Tiong Woon Philippines"	:	Tiong Woon Philippines Inc
"UOBVI"	:	UOB Venture Investments Limited
"UOBVI2"	:	UOB Venture Investments II Limited
"VC Investors"	:	Subscribers of the Bonds pursuant to the Bond Subscription Agreement comprising UOBVI, UOBVI2, OCBC Capital, IFSMS and ECICS Ventures 2
"Vendors"	:	The VC Investors
"Vendor Shares"	:	The 22,800,000 issued and fully paid-up Shares for which the Vendors invite applications under the Invitation
"P" or "Pesos"	:	Philippines Pesos
"RM"	:	Malaysian Ringgit
"Rp"	:	Indonesian Rupiah

"¥" or "Yen"	:	Japanese Yen
"$" or "S$" and "cents"	:	Singapore dollars and cents respectively
"US$"	:	United States dollars
"Per cent." or "%"	:	Percentage

The exchange rates used to translate the historical accounts of foreign subsidiaries, where applicable, as applied in this Prospectus are as follows:-

	FY1994	**FY1995**	**FY1996**	**FY1997**	**FY1998**	**Seven months ended 31/1/99**	**FY1999**
S$ = RM1							
Balance sheet	0.604	0.571	0.555	0.566	0.403	0.440	0.447
Profit and loss account	0.606	0.580	0.570	0.565	0.403	0.430	0.440
S$ = Rp1000							
Balance sheet	—	—	—	—	—	0.208	0.255
Profit and loss account	—	—	—	—	—	0.180	0.197

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Prospectus shall, where applicable, have the meaning ascribed to it under the Act.

Any reference in this Prospectus or the Application Forms to Shares being allotted and/or allocated to an Applicant includes allotment and/or allocation to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus shall be a reference to Singapore time.

LISTING ON THE STOCK EXCHANGE

Application has been made to the SES for permission to deal in and for quotation of all the Shares already issued (including Vendor Shares) and the New Shares. Such permission will be granted when the Company has been admitted to the Official List of the Stock Exchange. Acceptance of applications will be conditional upon permission being granted to deal in and for quotation of all the issued Shares (including Vendor Shares) as well as the New Shares. Moneys paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's risk, if the said permission is not granted.

The SES assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the Stock Exchange is not to be taken as an indication of the merits of the Invitation, the Company, its Subsidiaries or the Shares.

The Directors individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other material facts the omission of which would make any statement in this Prospectus misleading.

No person is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or the Manager. Neither the delivery of this Prospectus and the Application Forms nor the Invitation shall, under any circumstances, constitute a continuing representation or create any implication that there has been no change in the affairs of the Company or the Group or in the statements of fact contained in this Prospectus since the date of this Prospectus. When such changes occur, the Company may make an announcement of the same to the SES. All applicants should take note of any such announcements and, upon the release of such an announcement, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Company or the Group. This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any other person other than the applicants in connection with their applications for the Invitation Shares or for any other purpose. This Prospectus does not constitute an offer of or invitation to subscribe for the Invitation Shares in any jurisdiction in which such an offer or invitation is unauthorised or unlawful nor does it constitute an offer or invitation to any person to whom it is unlawful to make such an offer or invitation.

Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, from:-

OVERSEAS UNION BANK LIMITED
1 Raffles Place
OUB Centre
Singapore 048616

and from branches of OUB, members of the Association of Banks in Singapore, members of the SES and merchant banks in Singapore.

The Application List will open at 10.00 a.m. on 15 September 1999 and will remain open until 12.00 noon on the same day or for such further period or periods as the Company may, in consultation with OUB, decide.

INDICATIVE TIMETABLE FOR LISTING

In accordance with the SES News Release of 28 May 1993 on the trading of initial public offering shares on a "when issued" basis, an indicative timetable is set out below for the reference of Applicants:-

Indicative date/time	Event
15 September 1999, 12.00 noon	Close of Application List
16 September 1999	Balloting of applications, if necessary
17 September 1999, 9.00 a.m.	Commence trading on a "when issued" basis
28 September 1999	Last day of trading on a "when issued" basis
29 September 1999, 9.00 a.m.	Commence trading on a "ready" basis
6 October 1999	Settlement date for all trades done on a "when issued" basis and for all trades done on a "ready" basis on 29 September 1999

The above timetable is only indicative as it assumes that the closing date for the Application List is 15 September 1999, the date of admission of the Company to the Official List of the Stock Exchange is 17 September 1999, the SES shareholding spread requirement will be complied with and the Invitation Shares will be issued and fully paid-up and/or allocated prior to 17 September 1999. The actual date on which the Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SES.

The commencement of trading on a "when issued" basis will be entirely at the discretion of the SES. All persons trading in the Shares on a "when issued" basis do so at their own risk. In particular, persons trading in the Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted and/or allocated or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if "when issued" trading ends sooner than the indicative date mentioned above. Persons who have a net sell position traded on a "when issued" basis should close their position on or before the first day of "ready" basis trading.

Investors should consult the SES announcement on "ready" trading date on the Internet (at SES website http://www.ses.com.sg), INTV or the newspapers or check with their brokers on the date on which trading on a "ready" basis will commence.

PROSPECTUS SUMMARY

The information contained in this summary is derived from and should be read in conjunction with the full text of this Prospectus.

The Company	:	The Company was incorporated in Singapore on 21 August 1997 as a private limited company under the name of Tiong Woon Corporation Holding Pte Ltd. Pursuant to a resolution passed on 23 August 1999, the Company was converted into a public company and adopted its present name. The Company and its Subsidiaries specialise in the provision of heavy lift, heavy haulage and marine transportation services.

The Invitation

Issue Size	:	56,600,000 Invitation Shares, comprising 33,800,000 New Shares and 22,800,000 Vendor Shares. The New Shares will, upon issue and allotment, rank *pari passu* in all respects with the existing issued Shares.
Issue Price	:	$0.20 for each Invitation Share.
Purpose of the Invitation	:	The Directors consider that the listing of the Company and the quotation of the Shares on the SES will enhance the public image of the Group locally and overseas and will enable it to tap the capital markets for expansion of its operations. It will also provide members of the public, the management, staff and business associates of the Group and persons who have contributed to the success of the Group with an opportunity to participate in the equity of the Company.
Use of Proceeds	:	The net proceeds from the issue of the New Shares (after deducting the Company's share of the issue expenses of approximately $0.7 million) of approximately $6.1 million will be used to finance the Group's growth and development as follows:- (i) approximately $3.6 million to repay the term loan incurred in relation to the construction of the Group's leasehold buildings; and (ii) the balance of approximately $2.5 million for general working capital. Pending the deployment of funds for the above identified uses, the net proceeds may be added to the Group's working capital, placed on fixed deposit with banks or financial institutions or invested in short-term money market instruments as the Directors may, in their absolute discretion, deem fit.
Reserved Shares	:	5,660,000 Shares will be reserved for the management, staff and business associates of the Group, and others who have contributed to the success of the Group. In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy applications for the Placement Shares, or in the event of an under-subscription for Placement Shares, to satisfy applications made by members of the public for the Offer Shares.

Listing Status	:	The Shares will be quoted on the Main Board of the SES, subject to admission of the Company to the Official List of the SES, and permission for dealing in and for quotation of the Shares being granted by the SES.

Summary of Risk Factors

Prior to making an investment decision, prospective investors should carefully consider, along with other matters referred to in this Prospectus, the factors set out below which the Directors consider are the key business risk factors for the Group. In particular, the information below should be read in conjunction with the section under "Risk Factors" on pages 38 and 39 of this Prospectus.

(a) *Dependence on construction sector in Singapore*

The Group is primarily exposed to the uncertainties and cyclical business fluctuations of the construction sector in Singapore, its primary market. The Singapore construction sector had experienced fluctuating growth rates in the past. According to figures for the second quarter of 1999 released by the Ministry of Trade and Industry on 10 August 1999, the construction sector had contracted by 14.7% year-on-year after four consecutive quarters of decline since the third quarter of 1998. The value of construction contracts awarded continued to slide in the second quarter of 1999, shrinking by 50.1% from the first quarter to $2.4 billion. Public sector contracts, which accounted for $1.8 billion, fell 41% compared to last year while private sector contracts, which accounted for $0.6 billion, fell 66% against last year.

(b) *Foreign exchange risks*

Most of the Group's turnover is denominated in S$ except for its overseas activities where the turnover is denominated in RM for Malaysia, US$ for Indonesia, and in Pesos and US$ for the Philippines market. The Group is naturally hedged to some extent against these foreign currency fluctuations as it pays for most of its expenses in Malaysia and the Philippines in their respective local currencies.

However, the Group is exposed to foreign exchange fluctuations between the Yen and the S$ arising mainly from its purchases of heavy equipment in Yen from its suppliers in Japan. As such, the Group is vulnerable to an appreciation of the Yen against the S$.

(c) *Dependence on key personnel*

The Group owes much of its success to its Executive Directors, especially Group Chairman and Managing Director, Mr Ang Kah Hong. Over the last 19 years, the Group has, under the stewardship of Mr Ang Kah Hong, established a track record of many completed projects as well as built up a team of experienced management, engineers, technicians and equipment operators. The other Executive Directors, namely Messrs Ang Kah Leong, Ang Kha King and Tan Swee Khim, have extensive experience in the Group's business and have also been instrumental in establishing the track record of the Group.

(d) *Downtime of specific equipment*

Equipment downtime occurs when machinery is sent for service or repair instead of being utilised for revenue-generating purposes. The Group presently has only one 500-ton crane, four 300-ton cranes and one ocean going tugboat. These generate relatively higher rentals and are not easily replaceable should accident damage put them out of action. The repair of such damaged equipment may take two to three months and the opportunity cost in terms of income foregone may be substantial.

(e) *Accident damage*

The provision of heavy lift services and carriage of heavy equipment by land and sea can result in substantial damage to persons or property in the event of an accident.

INVITATION STATISTICS

Issue Price	**20 cents**

Net Tangible Assets

NTA per Share based on the audited balance sheet of the Group as at 31 January 1999, referred to on page 19 of this Prospectus:-

(a)	before adjusting for the Bonds Conversion and the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 141,250,940 Shares	9.9 cents
(b)	after adjusting for the Bonds Conversion but before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 191,250,940 Shares	11.0 cents
(c)	after adjusting for the Bonds Conversion and the estimated net proceeds from the Invitation and based on the post-Invitation share capital of 225,050,940 Shares	12.0 cents

Premium of the Issue Price over the NTA per Share based on the audited balance sheet of the Group as at 31 January 1999:-

(a)	before adjusting for the Bonds Conversion and the estimated net proceeds from the Invitation based on the pre-Invitation share capital of 141,250,940 Shares	102.0%
(b)	after adjusting for the Bonds Conversion but before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 191,250,940 Shares	81.8%
(c)	after adjusting for the Bonds Conversion and the estimated net proceeds from the Invitation and based on the post-Invitation share capital of 225,050,940 Shares	66.7%

Earnings

(a)	Historical net earnings per Share based on the audited results of the Group for FY1998 referred to on page 17 of this Prospectus, before adjusting for the Bonds Conversion, and the share capital of 141,250,940 Shares	2.8 cents
	Adjusted historical net earnings per Share for FY1998 based on the above, had the Service Agreements been effected and taking into account the remuneration of the relatives of the controlling Shareholders as referred to on page 57 of this Prospectus (1)	2.6 cents
(b)	Historical net earnings per Share based on the audited results of the Group for FY1998 referred to on page 17 of this Prospectus, after adjusting for the Bonds Conversion, and the share capital of 191,250,940 Shares	2.0 cents
	Adjusted historical net earnings per Share for FY1998 based on the above, had the Service Agreements been effected and taking into account the remuneration of the relatives of the controlling Shareholders as referred to on page 57 of this Prospectus (1)	1.9 cents

(c)	Unaudited net earnings per Share based on the unaudited results of the Group for FY1999 referred to on page 17 of this Prospectus, before adjusting for the Bonds Conversion, and the share capital of 141,250,940 Shares	2.6 cents
	Adjusted unaudited net earnings per Share for FY1999 based on the above, had the Service Agreements been effected and taking into account the remuneration of the relatives of the controlling Shareholders as referred to on page 57 of this Prospectus [(1)]	2.5 cents
(d)	Unaudited net earnings per Share based on the unaudited results of the Group for FY1999 referred to on page 17 of this Prospectus, after adjusting for the Bonds Conversion, and the share capital of 191,250,940 Shares	2.0 cents
	Adjusted unaudited net earnings per Share for FY1999 based on the above, had the Service Agreements been effected and taking into account the remuneration of the relatives of the controlling Shareholders as referred to on page 57 of this Prospectus [(1)]	1.8 cents

Price Earnings Ratio

(a)	Historical price earnings ratio based on the historical net earnings per Share of 2.8 cents for FY1998, before adjusting for the Bonds Conversion	7.1 times
	Adjusted historical price earnings ratio based on the above, had the Service Agreements been effected and taking into account the remuneration of the relatives of the controlling Shareholders as referred to on page 57 of this Prospectus [(1)]	7.7 times
(b)	Historical price earnings ratio based on the historical net earnings per Share of 2.0 cents for FY1998, after adjusting for the Bonds Conversion	10.0 times
	Adjusted historical price earnings ratio based on the above, had the Service Agreements been effected and taking into account the remuneration of the relatives of the controlling Shareholders as referred to on page 57 of this Prospectus [(1)]	10.5 times
(c)	Historical price earnings ratio based on the unaudited net earnings per Share of 2.6 cents for FY1999, before adjusting for the Bonds Conversion	7.7 times
	Adjusted historical price earnings ratio based on the above, had the Service Agreements been effected and taking into account the remuneration of the relatives of the controlling Shareholders as referred to on page 57 of this Prospectus [(1)]	8.0 times
(d)	Historical price earnings ratio based on the unaudited net earnings per Share of 2.0 cents for the FY1999, after adjusting for the Bonds Conversion	10.0 times
	Adjusted historical price earnings ratio based on the above, had the Service Agreements been effected and taking into account the remuneration of the relatives of the controlling Shareholders as referred to on page 57 of this Prospectus [(1)]	11.1 times

Net Operating Cash Flow [2]

(a)	Historical net operating cash flow per Share for FY1998 based on the audited results of the Group, before adjusting for the Bonds Conversion, and the share capital of 141,250,940 Shares	7.3 cents
(b)	Historical net operating cash flow per Share for FY1998 based on the audited results of the Group, after adjusting for the Bonds Conversion, and the share capital of 191,250,940 Shares	5.4 cents
(c)	Unaudited net operating cash flow per Share for FY1999 based on the unaudited results of the Group, before adjusting for the Bonds Conversion, and the share capital of 141,250,940 Shares	7.0 cents
(d)	Unaudited net operating cash flow per Share for FY1999 based on the unaudited results of the Group, after adjusting for the Bonds Conversion, and the share capital of 191,250,940 Shares	5.2 cents

Price to Net Operating Cash Flow Ratio

(a)	Ratio of Issue Price to historical net operating cash flow per Share of 7.3 cents for FY1998, before adjusting for the Bonds Conversion	2.7 times
(b)	Ratio of Issue Price to historical net operating cash flow per Share of 5.4 cents for FY1998, after adjusting for the Bonds Conversion	3.7 times
(c)	Ratio of Issue Price to unaudited net operating cash flow per Share of 7.0 cents for FY1999, before adjusting for the Bonds Conversion	2.9 times
(d)	Ratio of Issue Price to unaudited net operating cash flow per Share of 5.2 cents for FY1999, after adjusting for the Bonds Conversion	3.8 times

Dividends

The Company does not intend to declare any dividend in respect of FY1999.

Notes:-

(1) Had the Service Agreements referred to on page 57 of this Prospectus been effected for FY1998, the aggregate remuneration payable to the Appointees would have been approximately $0.9 million instead of approximately $0.6 million and the Group's profit after taxation for FY1998 would have been approximately $3.7 million instead of approximately $3.9 million. Had the Service Agreements referred to on page 57 of this Prospectus been effected for FY1999, the aggregate remuneration payable to the Appointees would have been approximately $0.8 million instead of approximately $0.5 million and the Group's profit after taxation for FY1999 would have been approximately $3.5 million instead of approximately $3.7 million.

(2) Net operating cash flow is defined as net profit after taxation with depreciation for the year added back.

SUMMARY OF FINANCIAL INFORMATION

The following financial information should be read in conjunction with the Accountants' Report and the full text of this Prospectus.

RESULTS OF OPERATIONS OF THE GROUP

Proforma

The proforma results of the Group for the period under review as set out below have been prepared on the basis that (a) the existing Group structure has been in place since 1 July 1993; (b) the change in depreciation rates in FY1997 has been effected retroactively since 1 July 1993; and (c) assuming that the Bonds Conversion takes effect from FY1998. Commencing from FY1997, the depreciation rates of machinery were revised downwards from 20% per year to either 10%, 14% or 20% per year, depending on the age, type and economic useful life of the machinery. Generally, machinery which is 5 years old or less is depreciated at 10% per year, machinery which is more than 5 years old but is 10 years old or less is depreciated at 14% per year, and machinery which is more than 10 years old is depreciated at 20% per year.

	Proforma Accounts for the financial year <——— ended 30 June ———>				
$'000	**1994**	**1995**	**1996**	**1997**	**1998**
Turnover	22,716	26,532	38,226	38,801	46,639
Profit before depreciation, interest and taxation	9,738	8,814	12,814	12,746	13,419
Depreciation	(3,639)	(4,442)	(5,210)	(6,674)	(8,112)
Interest expense	(1,303)	(1,382)	(1,393)	(1,441)	(1,777)
Other income(1)	6	2	4	54	148
Profit before taxation(2)	4,802	2,992	6,215	4,685	3,678
Taxation	(1,430)	(1,006)	(1,740)	(1,277)	(1,106)
Profit after taxation	3,372	1,986	4,475	3,408	2,572
EPS (cents)(3)	1.8	1.0	2.3	1.8	1.3

Notes:-

(1) Other income relates mainly to foreign exchange gain and interest income of the Group.

(2) Had there been no change in the depreciation rates, the profit/(loss) before taxation of the Group would have been $1.1 million in FY1994, $(0.6) million in FY1995, $2.8 million in FY1996, $0.7 million in FY1997 and $0.4 million in FY1998.

(3) For comparative purposes, the EPS has been calculated based on the profit after taxation and the pre-Invitation share capital of 191,250,940 Shares after adjusting for the Bonds Conversion.

Actual

The table below shows the actual results of the Group following the change in depreciation rates with effect from FY1997 and before the Bonds Conversion, which was effected after FY1999 on 30 August 1999. The differences between the actual and proforma results for FY1997 and FY1998 were due mainly to the effect of the change in depreciation rates. For example, the depreciation charges for the actual results of FY1997 were lower since the revised depreciation rates were applied on the actual net book value balances of the machinery as at the beginning of FY1997. Whereas for proforma comparison purposes, the net book value balances of the machinery were revised retroactively, resulting in lower depreciation charges from FY1994 to FY1996 and higher depreciation charges from FY1997 to FY1998.

$'000	**Audited FY1997**	**Audited FY1998**	**Audited seven months ended 31 January 1999**	**Unaudited FY1999**
Turnover	38,801	46,639	18,152	32,198
Profit before depreciation, interest and taxation	12,896	13,517	6,762	13,354
Depreciation	(4,939)	(6,414)	(3,801)	(6,199)
Interest expense	(1,441)	(1,777)	(1,347)	(2,438)
Other income[(1)]	54	148	247	372
Profit before taxation[(2)]	6,570	5,474	1,861	5,089
Taxation	(1,772)	(1,576)	(470)	(1,349)
Profit after taxation	4,798	3,898	1,391	3,740
EPS (cents)[(3)]	3.4	2.8	1.0	2.6

Notes:-

(1) Other income relates mainly to foreign exchange gain and interest income of the Group.

(2) Had the proposed service agreements been in existence in FY1998, the Group's profit before taxation for FY1998 would have been approximately $5.2 million instead of $5.5 million and the aggregate remuneration (including directors' fees, CPF contribution and profit sharing but excluding benefits-in-kind) payable to the Appointees would have been $0.9 million instead of $0.6 million, representing approximately 17.3% of the Group's adjusted profit before taxation for FY1998.

The aggregate remuneration (including directors' fees, CPF contribution and profit sharing but excluding benefits-in-kind) payable for FY1998 assuming the Service Agreements of the Appointees had been in existence in the last audited financial year and taking into account the remuneration payable to the relatives of the controlling Shareholders (namely the Executive Officers, Mr Lee Kum Mun and Ms Ang Siew Chien and the clerical staff, Ms Ang Li Fern and Ms Ang Li Ling, the daughters of Mr Ang Kha King) would have been approximately $1.1 million instead of $0.8 million and the Group's profit before taxation for FY1998 would have been approximately $5.2 million instead of $5.5 million.

(3) For comparative purposes, the EPS has been calculated based on the profit after taxation and the pre-Invitation share capital of 141,250,940 Shares before adjusting for the Bonds Conversion.

FINANCIAL POSITION OF THE GROUP

Proforma

The proforma financial positions of the Group as set out below for the period under review have been prepared on the basis that (a) the existing Group structure has been in place since 1 July 1993; (b) the change in depreciation rates in FY1997 has been effected retroactively since 1 July 1993; and (c) assuming that the Bonds Conversion takes effect from FY1998. Commencing from FY1997, the depreciation rates of machinery were revised downwards from 20% per year to either 10%, 14% or 20% per year, depending on the age, type and economic useful life of the machinery. Generally, machinery which is 5 years old or less is depreciated at 10% per year, machinery which is more than 5 years old but is 10 years old or less is depreciated at 14% per year, and machinery which is more than 10 years old is depreciated at 20% per year.

	Proforma Accounts <—— as at 30 June ——>				
$'000	**1994**	**1995**	**1996**	**1997**	**1998**
Fixed assets	22,858	28,398	32,634	40,923	48,974
Interest in joint ventures	20	30	15	16	—
Current assets	9,324	9,349	10,647	15,093	15,058
Current liabilities	(18,007)	(21,189)	(21,872)	(26,941)	(17,681)
Net current liabilities	(8,683)	(11,840)	(11,225)	(11,848)	(2,623)
Bills payable and creditors due after 12 months	—	—	—	—	(390)
Deferred taxation	(1,436)	(2,078)	(3,049)	(3,386)	(4,270)
Hire purchase due after 12 months (secured)	(5,988)	(5,977)	(5,381)	(8,434)	(10,192)
Term loans due after 12 months	(1,216)	(1,014)	(1,014)	(1,672)	(6,389)
Net assets	5,555	7,519	11,980	15,599	25,110
Shareholders' equity	5,555	7,519	11,980	15,599	25,110
NTA per Share (cents) [1]	2.9	3.9	6.3	8.2	13.1

Note:-

(1) For comparative purposes, NTA per Share for the period under review has been computed based on the pre-Invitation share capital of 191,250,940 Shares after adjusting for the Bonds Conversion.

Actual

The table below shows the actual financial positions of the Group following the change in depreciation rates with effect from FY1997 and before the Bonds Conversion, which was effected after FY1999 on 30 August 1999. The differences between the actual and proforma financial positions for FY1997 and FY1998 were due mainly to the effect of the change in depreciation rates. For example, actual fixed assets as at 30 June 1997 and 30 June 1998 were $32.0 million and $41.8 million respectively, lower than the proforma fixed assets as at 30 June 1997 and 30 June 1998 of $40.9 million and $49.0 million respectively.

$'000	**Audited 30 June 1997**	**Audited 30 June 1998**	**Audited 31 January 1999**	**Unaudited 30 June 1999**
Fixed assets[1]	31,998	41,845	42,603	39,259
Interest in joint ventures	16	—	—	—
Current assets	15,093	15,058	12,657	14,325
Current liabilities [2]	(26,908)	(17,747)	(23,036)	(20,059)
Net current liabilities	(11,815)	(2,689)	(10,379)	(5,734)
Bills payable and creditors due after 12 months	—	(390)	(107)	(44)
Deferred taxation	(1,255)	(2,305)	(2,615)	(3,121)
Hire purchase due after 12 months	(8,434)	(10,192)	(7,702)	(7,327)
Term loans due after 12 months	(1,672)	(6,389)	(7,844)	(6,542)
Bonds[2]	—	(7,000)	—	—
Net assets	8,838	12,880	13,956	16,491
Shareholders' equity	8,838	12,880	13,956	16,491
NTA per Share (cents) [3]	6.3	9.1	9.9	11.7

Notes:-

(1) Includes properties which were valued at $6.1 million on 1 June 1999, and machinery and tugboats which were valued at $53.4 million in May 1999 based on desktop valuations. The surpluses on revaluation (as compared against their net book values as at 31 January 1999) of $1.5 million and $16.1 million respectively have not been taken into the books of the Group.

(2) The Bonds were considered as long term liabilities of the Group as at 30 June 1998, and as current liabilities of the Group as at 31 January 1999 and 30 June 1999 as the Bonds were due and payable on 31 October 1999.

(3) For comparative purposes, NTA per Share for the period under review has been computed based on the pre-Invitation share capital of 141,250,940 Shares before the Bonds Conversion.

GENERAL INFORMATION ON THE COMPANY AND THE GROUP

SHARE CAPITAL

The Company was incorporated in Singapore on 21 August 1997 under the Act, as a private limited company under the name of Tiong Woon Corporation Holding Pte Ltd. As at 31 January 1999, the Company had an authorised share capital of $100,000 comprising 100,000 ordinary shares of $1.00 each, and an issued and paid-up share capital of $3 comprising ordinary shares of $1.00 each.

At Extraordinary General Meetings held on 23 August 1999, the shareholders of the Company approved, *inter alia*, the following:-

(i) the sub-division of each existing ordinary share of $1.00 each in the authorised and issued and paid-up share capital of the Company into 10 ordinary shares of $0.10 each (the "Sub-division of Shares");

(ii) an increase in the authorised share capital of the Company from $100,000 comprising 1,000,000 ordinary shares of $0.10 each to $30,000,000 comprising 300,000,000 ordinary shares of $0.10 each;

(iii) the issue of 141,250,910 new Shares at par pursuant to the Group Restructuring and 50,000,000 new Shares at par to the VC Investors pursuant to the Bonds Conversion as set out on page 25 of this Prospectus;

(iv) the conversion of the Company into a public limited company and the change of the Company's name to "Tiong Woon Corporation Holding Ltd";

(v) the adoption of a new set of Articles of Association;

(vi) the issue of 33,800,000 New Shares pursuant to the Invitation. The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing Shares of the Company; and

(vii) subject to the provisions of Section 161 of the Act and the provisions in the revised Articles of Association of the Company upon their becoming effective, the Directors are authorised to issue Shares from time to time, provided the aggregate number of Shares issued pursuant to such authority shall not exceed any applicable limits prescribed by the SES.

As at the date of this Prospectus, there is only one class of shares in the Company, being ordinary shares of $0.10 each. The rights and privileges of these Shares are stated in the Articles of Association of the Company. There are no founder, management or deferred shares reserved for issuance for any purpose.

On 30 August 1999, the Company allotted 141,250,910 new Shares at par pursuant to the Group Restructuring and 50,000,000 new Shares at par to the VC Investors pursuant to the Bonds Conversion.

The present issued and paid-up share capital of the Company is $19,125,094 comprising 191,250,940 Shares. Upon the allotment of the New Shares, the resultant issued and paid-up share capital of the Company will be increased to $22,505,094 comprising 225,050,940 Shares.

The details of the changes in the issued and paid-up share capital of the Company since 31 January 1999, being the date of the last audited accounts of the Company, and its issued and paid-up share capital immediately after the Invitation are as follows:-

	Number of shares	**$**
Share capital as at 31 January 1999	3	3
Sub-division of ordinary shares of $1.00 each into ordinary shares of $0.10 each	30	3
Issue of new shares to shareholders pursuant to the Group Restructuring	141,250,910	14,125,091
Issue of new shares to the VC Investors pursuant to the Bonds Conversion	50,000,000	5,000,000
Share capital before Invitation	191,250,940	19,125,094
New Shares to be issued for the Invitation	33,800,000	3,380,000
Share capital after the Invitation	225,050,940	22,505,094

The authorised share capital and the shareholders' funds of the Company as at 31 January 1999 before and after adjustments to reflect the Restructuring Exercise, are set out below. This should be read in conjunction with the Accountants' Report set out on pages 60 to 78 of this Prospectus:-

	Before the Restructuring Exercise $	**After the Restructuring Exercise $**	**After the Invitation $**
Authorised Share Capital			
Ordinary shares of $0.10 each	100,000	30,000,000	30,000,000
Shareholders' Funds			
Issued and fully paid Shares	3	19,125,094	22,505,094
Share premium	—	2,000,000	4,680,000
Accumulated losses	(10,788)	(10,788)	(10,788)
Total shareholders' funds	(10,785)	21,114,306	27,174,306

The changes in the issued and paid-up share capital of the Company and its Subsidiaries in the two years preceding the date of this Prospectus are set out on page 87 of this Prospectus under "General and Statutory Information".

SHAREHOLDERS

The shareholders of the Company and their respective direct shareholdings immediately before and after the Invitation are summarised below:-

Shareholders	Before the Invitation No. of Shares	%	After the Invitation No. of Shares	%
Directors				
Ang Kah Hong [(1)]	7,765,000	4.1	7,765,000	3.5
Ang Kah Leong [(1)]	7,765,000	4.1	7,765,000	3.5
Ang Kha King [(1)]	7,765,000	4.1	7,765,000	3.5
Tan Swee Khim	2,650,000	1.4	2,650,000	1.2
Yeo Wee Tiong, Mark [(1)]	—	—	—	—
Ong Kai Seong [(1)]	—	—	—	—
Wong King Kheng [(2)]	—	—	—	—
Chandra Mohan s/o Rethnam [(2)]	—	—	—	—
Chua Gah Hok (alternate to Ong Kai Seong)	—	—	—	—
Substantial Shareholders (5% or more)				
ACKS [(3)]	114,805,940	60.0	114,805,940	51.0
OCBC Capital [(4)]	21,429,000	11.2	11,658,000	5.2
UOBVI [(4)]	10,714,000	5.6	—	—
UOBVI2 [(4)]	10,714,000	5.6	—	—
Name of Holders of less than 5% who are related to the Directors or substantial Shareholders				
Staff – Lee Kum Mun [(1)]	50,000	neg	50,000	neg
Staff – Ang Siew Chien [(1)]	30,000	neg	30,000	neg
UOBVI [(4)]	—	—	5,828,000	2.6
UOBVI2 [(4)]	—	—	5,828,000	2.6
Other Shareholders				
ECICS Ventures 2)[(4)]	5,714,000	3.0	3,108,000	1.4
IFSMS [(4)]	1,429,000	0.7	778,000	0.3
Staff (excluding Lee Kum Mun & Ang Siew Chien)	420,000	0.2	420,000	0.1
Public	—	—	56,600,000	25.1
Total	**191,250,940**	**100.0**	**225,050,940**	**100.0**

neg – negligible

Notes:-

(1) Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King are brothers. Mr Lee Kum Mun is the husband of Ms Ang Siew Chien, who is the daughter of Mr Ang Kah Hong. Yeo Wee Tiong, Mark is a nominee director of UOBVI and UOBVI2 and Ong Kai Seong is a nominee director of OCBC Capital. Save as disclosed above, there are no other relationships between the Directors and substantial Shareholders.

(2) Messrs Wong King Kheng and Chandra Mohan s/o Rethnam, the independent Directors, have each been allocated 30,000 Reserved Shares pursuant to the Invitation. The independent Directors may dispose of or transfer all or part of their respective shareholding in the Company after the admission of the Company to the Official List of the SES.

(3) ACKS, a company incorporated in Singapore on 16 June 1975, is an investment company whose shareholders and directors are Messrs Ang Kah Hong (50%), Ang Kah Leong (25%) and Ang Kha King (25%).

(4) **The Vendors**

The names of the Vendors and the number of Vendor Shares which they will offer (in proportion to their respective shareholdings before the Invitation) pursuant to the Invitation are set out below:-

Name	**No. of Shares held before the Invitation**	**No. of Vendor Shares**	**No. of Shares held after the Invitation**
OCBC Capital	21,429,000	9,771,000	11,658,000
UOBVI	10,714,000	4,886,000	5,828,000
UOBVI2	10,714,000	4,886,000	5,828,000
ECICS Ventures 2	5,714,000	2,606,000	3,108,000
IFSMS	1,429,000	651,000	778,000
	50,000,000	22,800,000	27,200,000

MORATORIUM

To demonstrate their commitment to the Group, ACKS (a substantial Shareholder) and certain Directors, namely Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King, who will, in aggregate, hold 138,100,940 Shares representing approximately 61.4% of the Company's enlarged issued and paid-up capital after the Invitation, do not intend to realise or transfer any part of their direct and indirect interests in the Company for a period of six months from the date of the Company's admission to the Main Board of the SES, and for a period of six months thereafter, they will collectively retain at least 50% of the issued and paid-up capital of the Company.

In addition, the shareholders of ACKS, comprising Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King, do not intend to realise or transfer any part of their respective shareholdings in ACKS for a period of 12 months from the date of the Company's admission to the Main Board of the SES.

RESTRUCTURING EXERCISE

Prior to the Restructuring Exercise, the issued share and paid-up capital of the Company was $3, comprising 3 ordinary shares of $1.00 each. The subscribers to the said 3 ordinary shares of $1.00 each are Messrs Ang Kah Hong, Ang Kha King and Ang Kah Leong.

Following receipt of in-principle approval from the SES, the Company carried out the Sub-division of Shares and the Restructuring Exercise. The Restructuring Exercise was carried out to streamline and rationalise the Group structure and shareholding structure of the Company. A diagram showing the corporate structure of the Group after the Restructuring Exercise and the Invitation is set out on page 26 of this Prospectus. Pursuant to the Restructuring Exercise, the following transactions were effected:-

Group Restructuring

(a) The Company acquired the entire issued and paid-up share capital of Tiong Woon CT comprising 800,000 ordinary shares of $1.00 each from Messrs Ang Kah Hong, Ang Kha King and Ang Kah Leong. The consideration of $8,447,674 for the acquisition of Tiong Woon CT was based on its NTA of $8,447,674 as at 31 January 1999 and satisfied by the issuance of 84,476,740 Shares to, or in accordance with the directions of, Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King collectively;

(b) The Company acquired the entire issued and paid-up share capital of Tiong Woon Marine comprising 300,000 ordinary shares of $1.00 each from Messrs Ang Kah Hong and Ang Kah Leong. The consideration for the acquisition of Tiong Woon Marine was based on its NTA of $3,529,412 as at 31 January 1999 and satisfied by the issuance of 35,294,120 Shares to, or in accordance with the directions of, Messrs Ang Kah Hong and Ang Kah Leong collectively;

(c) The Company acquired the entire issued and paid-up share capital of Tiong Woon Engineering comprising 600,000 ordinary shares of $1.00 each from Messrs Ang Kah Hong and Ang Kha King. The consideration for the acquisition of Tiong Woon Engineering was based on its NTA of $525,852 as at 31 January 1999 and satisfied by the issuance of 5,258,520 Shares to, or in accordance with the directions of, Messrs Ang Kah Hong and Ang Kha King collectively;

(d) The Company acquired the entire issued and paid-up share capital of Tiong Woon Enterprise comprising 200,000 ordinary shares of $1.00 each from Messrs Ang Kah Hong and Ang Kha King. The consideration for the acquisition of Tiong Woon Enterprise was based on its NTA of $1,622,153 as at 31 January 1999 and satisfied by the issuance of 16,221,530 Shares to, or in accordance with the directions of, Messrs Ang Kah Hong and Ang Kah Leong collectively;

(e) The Company on 10 June 1999 entered into a Sale and Purchase Agreement to acquire the entire issued and paid-up share capital of Tiong Woon Malaysia comprising 100,000 ordinary shares of RM1.00 each from Messrs Ang Kah Hong, Low Kham Hong and Shu Hock Seng. The consideration for the acquisition of Tiong Woon Malaysia is a nominal cash amount of RM3.00 in view of a net asset deficiency of Tiong Woon Malaysia of $159,365 as at 31 January 1999. Under the terms of that agreement, the transfer of the shares of Tiong Woon Malaysia to the Company was made subject to the approval of the Foreign Investment Committee of Malaysia (“FIC”), application for which was made on 17 June 1999. The application to FIC was rejected at first instance on 16 July 1999. The Company has appealed to the FIC. The Company understands from the FIC that in the event the appeal is approved, Tiong Woon Malaysia may be required to increase its issued share capital. Should the appeal not be successful, the Company will then decide on its next course of action with Tiong Woon Malaysia. The options available to the Company include retaining an interest in Tiong Woon Malaysia, disposing of the Company’s interest in it or liquidating it. The Company does not believe this will have a significant impact on the Group as Tiong Woon Malaysia is not expected to contribute significantly to the Group’s profits in the near future.

Tiong Woon Malaysia is also subject to a FIC requirement to have at least 30% of its equity owned by Bumiputra interests and to have its foreign ownership reduced to not more than 30%. The FIC, by a letter dated 22 April 1999, has granted Tiong Woon Malaysia an extension to 30 June 2000 to comply with this equity requirement. It is the intention of the Company to apply for a further extension at a time closer to 30 June 2000.

Upon completion of the aforesaid Group Restructuring, Messrs Ang Kah Hong, Ang Kah Leong, Ang Kha King and ACKS held collectively 141,250,940 Shares, and Tiong Woon CT, Tiong Woon Marine, Tiong Woon Enterprise, Tiong Woon Malaysia and Tiong Woon Engineering became wholly-owned subsidiaries of the Company.

Shareholding Restructuring

(a) ACKS is the holding company of Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King for the purpose of consolidating their 51% shareholding interest in the Company after the Invitation. To achieve this result, pursuant to an agreement among themselves, a total of 114,805,940 Shares were, at the direction of Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King, issued to ACKS in exchange for ACKS issuing to them 11,480,594 ordinary shares of $1.00 each in ACKS; and

(b) in recognition of their contribution to the Group, Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King directed that out of the Shares that they were entitled to pursuant to the Restructuring Exercise, 2,650,000 Shares be issued to Mr Tan Swee Khim, a Director, and 500,000 Shares be issued to 17 selected employees of the Group.

Upon the completion of the aforesaid Shareholding Restructuring, Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King each held 7,765,000 Shares.

Bonds Conversion

On 16 March 1998, the VC Investors subscribed to the Bonds issued by Tiong Woon CT for an aggregate principal value of $7,000,000. Pursuant to the Bond Subscription Agreement, the Bonds are convertible, upon the in-principle approval from the SES for the listing of the Company, into new Shares at a 30% discount to the Issue Price.

On 30 August 1999, the VC Investors had all their Bonds redeemed by Tiong Woon CT at the principal value of the Bonds and used all the redemption proceeds to subscribe for 50,000,000 new Shares at an issue price of 14 cents, based on a 30% discount to the Issue Price. The respective shareholdings of the VC Investors after the Bonds Conversion are as follows:-

	Nominal value of Bonds held	**Number of Shares held upon the Bonds Conversion**
OCBC Capital	$3,000,000	21,429,000
UOBVI	$1,500,000	10,714,000
UOBVI2	$1,500,000	10,714,000
ECICS Ventures 2	$800,000	5,714,000
IFSMS	$200,000	1,429,000
	$7,000,000	50,000,000

Notes:-

(1) The total number of Shares issued and credited as fully paid up upon the Bonds Conversion, is computed as follows:-

$$\text{Total number of Shares} = \frac{\text{Nominal Value of Bonds}}{\text{Issue Price X 70\%}}$$

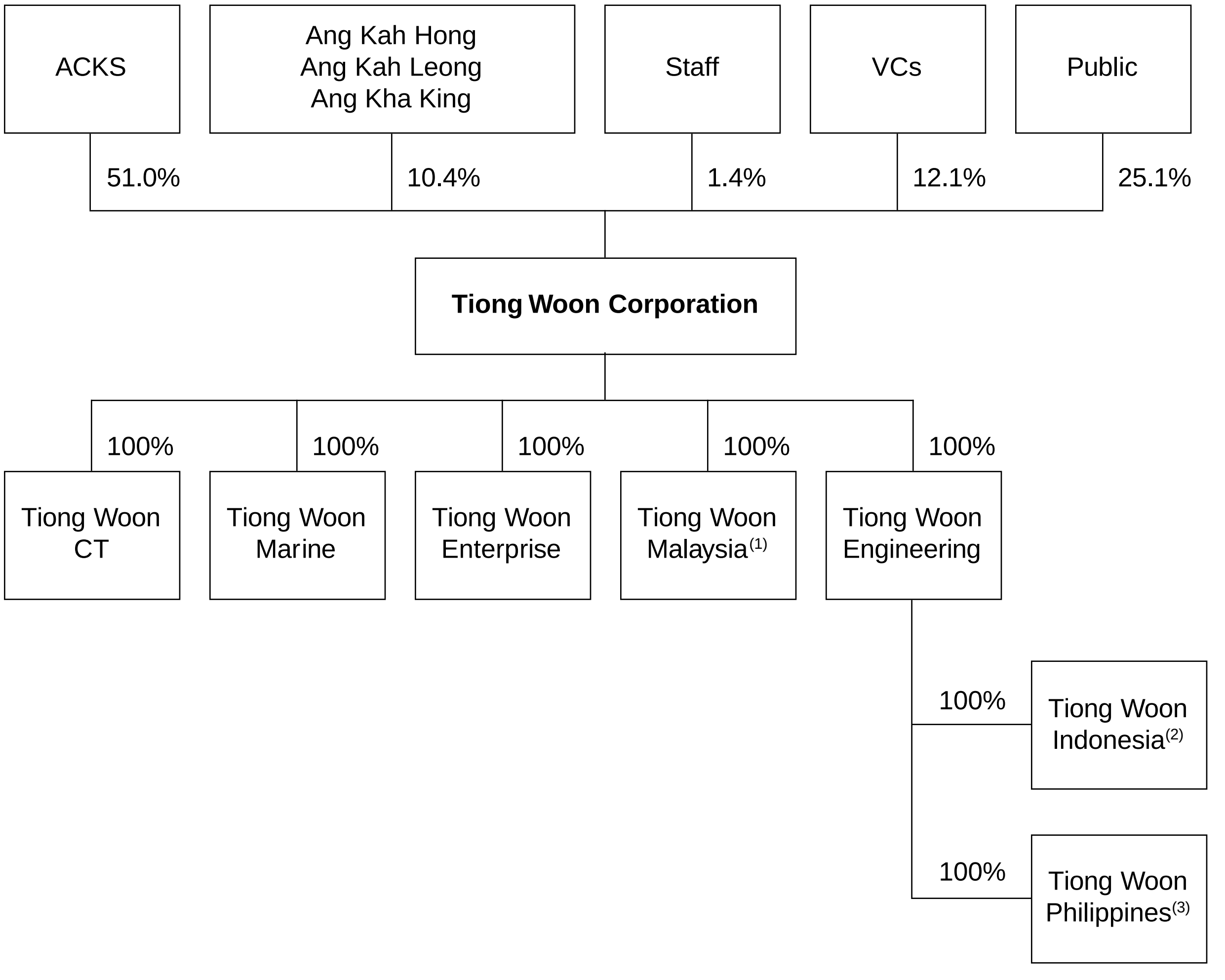
$$= \frac{\$7{,}000{,}000}{\$0.20 \times 0.7}$$

$$= 50{,}000{,}000 \text{ Shares}$$

(2) Of the 50,000,000 Shares issued to the VC Investors, 22,800,000 Shares are offered by the VC Investors as Vendor Shares as set out on page 23 of this Prospectus.

GROUP STRUCTURE

The shareholding structure of the Group after the Invitation is set out below:-



Notes:-

(1) The issued shares in Tiong Woon Malaysia are held by Mr Ang Kah Hong who holds 99,998 shares, and Messrs Low Kham Hong and Shu Hock Seng who each holds a subscriber share. Messrs Ang Kah Hong, Low Kham Hong and Shu Hock Seng agreed to sell their shares in Tiong Woon Malaysia to the Company pursuant to a Sales and Purchase Agreement dated 10 June 1999. The Company holds beneficial interests in those shares pursuant to this agreement.

(2) 5% of the shareholding is held by Mr Ang Kah Hong who is holding in trust for Tiong Woon Engineering to satisfy Indonesian companies law.

(3) The directors of Tiong Woon Philippines, i.e. Messrs Ang Kah Hong, Ang Kha King, Patricia M.A. de Guzman, Christine P. Chua and Ma. Teresita Z. Dimaculangan, each holds a share in Tiong Woon Philippines to satisfy Philippines' Securities and Exchange Commission Regulations.

HISTORY

The Group's origin started in 1978 when its late founder, Mr Ang Choo Kim, formed Tiong Woon Crane and Transport Co, a partnership, to provide crane and transport services on a small scale mainly to the construction industry in Singapore.

In December 1980, the sons of Mr Ang Choo Kim incorporated Tiong Woon CT to carry out the provision of crane and transport services and to take over the business of their father's partnership. Mr Ang Kah Hong has since been the managing director of Tiong Woon CT and has been instrumental in the growth of Tiong Woon CT and the Group over the last 19 years.

In 1984, the Group secured its first major project of approximately $3 million when it was selected as the main supplier of cranes and transport equipment for Paul Y. Construction Pte Ltd, the main contractor for the construction of Ang Mo Kio and Yio Chu Kang MRT Stations. The experience accumulated from the above project paved the way for the Group's further participation in MRT related projects, for example, as a supplier of cranes and transport equipment for GTM International and RSEA & Hock Lian Seng Joint Venture.

In 1986, with financial assistance from one of the Economic Development Board ("EDB") financial schemes, the Group purchased a 300-ton telescopic hydraulic crane, costing $3.8 million, from Germany to take part in the first HDB water-tank project. The project involved the hoisting of a 20-ton precast water-tank from ground level to up to 20 storeys high. The Group believes that the telescopic hydraulic crane was then the first of its kind in use in South-East Asia. The Group's successful undertaking of the HDB water-tank project enabled it to clinch many subsequent crane and transport services contracts for HDB related contracts, including HDB upgrading projects.

In April 1989, the entire Group's operations in Singapore were moved into its present JTC leasehold premises at Nos. 13 and 15 Pandan Crescent. In addition to the much larger land area of approximately 51,000 sq m, the Group's site has its own waterfront jetty facilities along Sungei Pandan. This has enabled the Group to broaden its business activities into marine transportation services as well.

In December 1989, the Group gradually expanded its heavy lift and haulage business into Malaysia through Tiong Woon Malaysia. To date, the Group's activities in Malaysia are on a relatively small scale but the Group believes that there are potential business prospects in Malaysia in the longer term.

With the advantage of waterfront jetty facilities at its premises, the Group, in June 1991, diversified into the marine transportation business through Tiong Woon Marine, mainly providing transportation services between Singapore and the offshore islands of Singapore and other nearby destinations.

Between 1991 and 1994, the Group was also involved in warehousing and freight forwarding services through Tiong Woon Warehousing Pte Ltd. However, by 1994, the Group decided to abandon these activities and focused instead, on the trading of heavy equipment. In September 1997, Tiong Woon Warehousing Pte Ltd was renamed Tiong Woon Enterprise.

By 1991, with the Group engaging in heavy lift and haulage as well as marine transportation businesses, the Group was ready to provide an integrated heavy lift, heavy haulage and marine transportation service to its customers.

1992 was a significant year of achievement for the Group. During the year, the Group was awarded two major contracts to provide an integrated heavy lift, heavy haulage and marine transportation service. The first contract, for an amount of $1.0 million, was awarded by Nippon Express Pte Ltd in connection with the chemical plant project at Pulau Ular by Shell Eastern Petroleum. The second contract, for an amount of $1.2 million, was awarded by Schenker Singapore in connection with the DuPont Adipure chemical plant project at Pulau Sakra. For these two projects, the Group undertook the land and sea transportation of, *inter alia*, heavy equipment for the construction of the chemical plants, and the lifting and installation of such equipment at the construction sites. In addition, during the year, the Group acquired a 500-ton hydraulic all terrain crane from Germany, then reputed as the largest hydraulic truck crane in use in South-East Asia. The Group believes that it was then the only company in South-East Asia known to have owned such a crane.

In February 1995, Tiong Woon CT entered into a general distributor agreement with Ishikawajima Construction Machinery Co Ltd of Japan ("IHI Agreement") to distribute its crawler cranes in Malaysia and Brunei on an exclusive basis. The IHI Agreement is effective for a period of two years from February 1995 and is automatically renewable on a yearly basis unless terminated by written notice of at least six months. In January 1997, geographical coverage of the IHI Agreement was extended to include exclusive distributorship in Singapore as well.

In February 1997, the Group undertook its first overseas assignment to provide heavy lift, haulage and/ or marine transportation service in Kalimantan (Indonesia) and Batangas (the Philippines). Subsequently, Tiong Woon Indonesia and Tiong Woon Philippines were established in September 1998 and January 1999 respectively to tap business opportunities in these countries, catering mainly to the oil and gas industry and the MNCs operating there.

In November 1997, the Group commenced the construction of two additional new office buildings on its premises, one at each of Nos. 13 and 15 Pandan Crescent. The construction of these buildings was completed in August 1998. With these new office buildings, the JTC land lease on the premises was extended by another 20 years to 2014. The Group is presently occupying the old building and the new office building at No. 15 Pandan Crescent. It is the intention of the Group to lease out the space of the new office building at No. 13 Pandan Crescent to third parties.

In March 1998, the Group, through Tiong Woon CT, issued Bonds of a total principal value of $7 million to the VC Investors. The proceeds of the Bonds provided the Group with additional funds to purchase additional equipment.

Today, the Group is a specialist in the provision of heavy lift, heavy haulage and marine transportation services.

BUSINESS

The principal activities of the Group are as follows:-

- Heavy lift and haulage services;
- Marine transportation services; and
- Trading of heavy equipment and spare parts.

Heavy Lift and Haulage Services

The Group's heavy lift and haulage services are carried out through its wholly-owned Subsidiaries, Tiong Woon CT, Tiong Woon Malaysia, Tiong Woon Philippines and Tiong Woon Indonesia, each catering to its respective primary market in Singapore, Malaysia, the Philippines and Indonesia.

As at 30 June 1999, the Group has a total fleet size of approximately 145 cranes, 53 prime-movers, 112 trailers and 10 hydraulic modular multi-axle cometto trailers. This machinery can be mobilised for use by any of the Subsidiaries for both local and overseas assignments. With the present fleet size, the Group is capable of providing lift services of up to 500 tons and transportation services for cargoes weighing up to 1,200 tons. In particular, the cometto trailers have the capacity to transport oversized cargoes weighing up to 1,200 tons in a single operation.

Generally, the Group provides heavy lift and haulage equipment on a rental basis, with and without operators. Rental without operators is also known as bare charter rental by the Group. The duration of its rental services range from several hours to as long as two years. The Group's customers for such heavy lift and haulage services are usually construction contractors who require heavy lift and haulage services at construction sites.

The Group also provides turnkey project engineering services to customers, in addition to the rental of equipment. Such project engineering services include advisory services to customers from the planning and design of an integrated lifting and haulage service, to the execution stage where the heavy equipment is transported and installed at the construction site. The Group also offers storage facilities for customers who require temporary storage of goods pending shipment.

Generally, the main steps involved in a turnkey project engineering service are as follows:-

1. obtain information on the equipment to be lifted and/or transported including equipment dimensions, weight and orientation;

2. conduct site survey to assess the ground conditions and observe any likely obstructions;

3. plan the lifting and/or transportation configurations including procedures, precautionary measures and manpower requirements. Drawings and calculations are endorsed by a Professional Engineer, if required;

4. ensure that the equipment is certified, including visual inspection and load test, if necessary;

5. apply for official transportation permits, if necessary; and

6. execute the lifting and/or transportation task in accordance with the plans.

Heavy lift and haulage services constitute approximately 66.2% of the Group's total turnover for FY1998, of which approximately 80.6% and 19.4% are sales from the Singapore and overseas markets respectively.

Marine Transportation Services

The addition of marine transportation services in 1991 as a principal activity has enabled the Group to become a specialised integrated service provider of heavy lift, heavy haulage and marine transportation services to its customers. It has also enabled the Group to undertake overseas operations more actively. The Group has a fleet of approximately 17 barges as at 30 June 1999, ranging from 120 to 230 feet in length with a transportation capacity of up to 3,600 tons, and 10 tugboats with towing capabilities ranging from 290 to 1,340 horsepower. Cargoes from large carrier vessels which are unable to dock at the port due to, *inter alia*, remote or shallow waters, or lack of adequate port facilities, are loaded onto or unloaded from these barges and tugboats.

The Group's marine operations are based at its Pandan Crescent premises with its own private waterfront along Sungei Pandan. The waterfront is equipped with a concrete ramp and berthing jetty enabling the Group to carry out roll-on/roll-off ("RO-RO") operations for the loading and unloading of oversized cargoes onto its barges.

The Group provides spot charter services for its tugboats and barges to/from the offshore islands mainly for the construction industry. Such charter services are normally on short term assignment basis to transport granite, sand and other construction materials, such as heavy equipment to offshore islands where chemical plants are being constructed or where land reclamation projects are underway. Since the commencement of its marine operations, the Group has undertaken numerous marine transportation projects for several refineries located on offshore islands.

In addition, with the acquisition of larger barges and tugboats in 1997, the Group has expanded its marine transportation services to regional countries like Thailand, the Philippines, Indonesia, Vietnam, India and Bangladesh. The cargoes transported by the Group are mainly transhipment cargoes, originating from other countries and destined for the regional countries. In many situations where the cargoes being transported relate to construction projects, such as power stations, cement plants, and oil and gas facilities, the Group also provides heavy lift and installation services for these customers.

As a result of its large fleet size and its ability to provide turnkey solutions to customers for an integrated heavy lift, land and sea transportation service, the Group is one of the major players in its industry. Over the last 19 years, the Group has established a track record of many completed projects and has built up a team of experienced management, engineers, technicians and equipment operators.

Marine transportation services constitute approximately 17.9% of the Group's total turnover for FY1998, of which approximately 29.5% and 70.5% are sales from the Singapore and overseas markets respectively.

Major Projects

The following are some of the major projects awarded to the Group over the past five financial years:-

	Nature of Project Undertaken	Duration	Project Value
FY1993	Marine transportation in relation to the residue cracker complex of Singapore Refinery Co Pte Ltd in Pulau Ayer Merbau	1½ years	$1,200,000
	Integrated heavy lift, haulage and marine transportation of 30,000 freight tons for Shell Expansion II project at Pulau Ular	1½ years	$1,000,000
	Integrated heavy lift and haulage and marine transportation of 40,000 freight tons including a boiler and pressure vessels for Du Pont Adipure project at Pulau Sakra	1½ years	$1,200,000
	Marine transportation of 500,000 tons of granite from Johore to Changi for purpose of land reclamation	3 years	$1,600,000
FY1994	Integrated heavy lift, haulage and marine transportation in relation to the residue cracker complex of Singapore Refinery Co Pte Ltd	1½ years	$2,500,000
	Heavy haulage of 18 large PSA Rail Mounted Gantry Cranes each weighing approximately 720 tons, from the PSA waterfront to the yard location	2 years	$900,000
	Heavy lift and haulage in relation to HDB upgrading programmes at various construction sites	2 years	$1,000,000
FY1995	Heavy lift and marine transportation of a major cooling piping system in relation to a power plant project in Trengganu, Malaysia	1 year	$1,100,000
	Marine transportation of heavy equipment in relation to the construction of cement plant in Langkawi, Kedah	1 year	$750,000
	Marine transportation of heavy equipment in relation to a cement plant in Haiphong, Vietnam	6 months	$500,000
FY1996	Heavy lift and haulage in relation to the erection of pre-stressed pre-cast beams for the LRT project	2 years	$2,100,000
	Regular barge services from Singapore mainland to Pulau Sakra	2 years	$619,000
	Marine transportation of heavy equipment in relation to a tin mining project in Sulawesi, Indonesia	3 years	$3,000,000

	Nature of Project Undertaken	Duration	Project Value
FY1997	Marine transportation of heavy machinery in relation to a power station project from Laem Chabang, Thailand to Sual Bay, the Philippines	1 year	$750,000
FY1998	Marine transportation in relation to the Dahej chemical plant project in India	9 months	$900,000

The following are some of the major projects currently being undertaken by the Group:-

	Nature of Project Undertaken	Duration	Project Value
FY1997	Heavy lift and haulage in relation to the MRT project for Sengkang and Buangkok station	3 years	$2,000,000
	Haulage of H-piles in relation to HDB projects	3 years	$6,000,000
FY1999	Marine transportation of heavy equipment in relation to the Bechtel-Exxon project	1½ years	$1,500,000
	Integrated heavy lift, haulage and marine transportation in relation to the Singapore Olefins project at Pulau Ayer Chawan	1¾ years	$3,600,000
	Marine transportation in relation to a power barge project in Bangladesh	1 year	$300,000
	Heavy lift, haulage, installation in relation to Field Development project in Senipah, Indonesia	11 months	US$660,000

Trading of Heavy Equipment and Spare Parts

The Group also engages in the trading of heavy equipment and spare parts to complement its heavy lift and haulage activities. In September 1989, the Group was appointed as the sole agent for the hydraulic cranes by DEMAG in Singapore, Malaysia, Indonesia and the Philippines. However, due to an internal organisational restructuring of DEMAG, the sole agency distributorship with DEMAG was terminated with effect from 31 December 1995.

Separately in February 1995, the Group, through Tiong Woon CT, successfully secured the sole agency distributorship from Ishikawajima Construction Machinery Co Pte Ltd ("IHI") for its crawler cranes in Singapore, Malaysia and Brunei. The Group's customers for these crawler cranes are mainly construction contractors who purchase the cranes for their own use.

As a sole agent for the IHI cranes, the Group also carries out tests and maintenance of the cranes, on behalf of IHI, during the one-year warranty period, to ensure that the cranes meet industry standards in terms of safety, reliability and durability. The experience and knowledge gained from being an IHI agent has enabled the Group to provide prompt and reliable after-sales service to its customers.

Besides the above distributorships of new equipment, the Group also trades in used heavy equipment and spare parts. Most of the used equipment is purchased on an indent basis from Japanese suppliers. In addition to direct sales to customers, the Group engages freelance agents and brokers to access potential overseas customers.

Trading activities constitute approximately 15.8% of the Group's total turnover for FY1998, of which approximately 92.9% and 7.1% are sales from the Singapore and overseas markets respectively.

Accolades and Awards

Over the years, the Group has received several awards and certificates in recognition of its good quality services and achievements, including the following:-

(a) Excellence Service Award in relation to the Gammon-RDE joint venture for its good quality services and support in the construction of the LRT project in Bukit Panjang and Choa Chu Kang in 1997/1998;

(b) Certificate of Appreciation in 1997 from Sembawang Marine & Offshore Engineering Pte Ltd for the support and good work in relation to services rendered to the Sembawang Group; and

(c) Silver Award as worldwide agent of DEMAG Mobile Crane Club for the period from 1992 to 1994.

PRODUCTION CAPACITY AND UTILISATION

The production capacity of the Group's heavy lift and haulage, and marine transportation is measured based on assigned monthly rentals for each equipment. For the purpose of computing utilisation rates, the assigned rental rates are based on comparable market rental rates for similar equipment. Percentage utilisation is computed based on the actual rental revenue generated for the equipment and the production capacity of the equipment calculated above. The production capacity for the trading activity of the Group, however, cannot be meaningfully measured.

The Group's production capacity had increased over the past five financial years as the Group upgraded and expanded its fleet and utilisation rate during these periods had been high generally, between 90.2% and 96.9% for heavy lift and haulage, and between 84.8% and 95.6% for marine transportation. For FY1998, the Group's utilisation rates for heavy lift and haulage services and marine transportation services were 90.2% and 90.7% respectively.

QUALITY CONTROL

The Group has initiated and implemented stringent quality control programmes in its activities in order to provide a consistently high standard of service to its customers and to stay ahead of its competitors. As a result, the Group has benefited from a high level of business referrals. Overall, the Group believes that thus far, projects undertaken by the Group have been successfully completed to the satisfaction of customers.

The types of quality control programmes implemented by the Group include:-

- Quality control for equipment; and

- Quality control for turnkey project engineering services.

Quality Control for Equipment

Cranes and transportation equipment

Generally, all cranes are subject to annual certification by independent professional engineers ("PEs") to ensure that they are in good working condition. In addition, all equipment is subject to a visual inspection or load lifting test before being deployed for operations. The load lifting test is certified by a PE and is conducted once every three years.

In addition to the above, all cranes and transportation equipment are serviced monthly, quarterly or yearly (depending on the type of equipment) by the Group's in-house maintenance division. For example, prime movers are serviced monthly, crawler and mobile cranes are serviced quarterly and trailers are serviced yearly. The maintenance division consists of approximately 25 staff including technicians, supervisors, senior foremen and headed by the Executive Director, Mr Ang Kah Leong, who has more than 20 years of experience in heavy lift and heavy haulage operations. Depending on the type of equipment, their ages and operational functions, servicing schedules for these equipment are carefully planned to minimise disruptions to normal work operations. After servicing, these equipment are thoroughly checked by a senior foreman. Certain equipment like prime-movers and mobile cranes are also subject to annual inspection by the Land Transport Authority.

The Group closely monitors and adheres to all independent certifications and internal servicing schedules for its fleet of equipment.

Tugboats and Barges

All tugboats and barges are subject to annual certifications, including visual inspection and load line testing. In addition, the tugboats and barges are sent to the dry docks for minor repair and inspections once every two and a half years, and for more thorough repairs and inspections, including major overhauls (if necessary), once every five years. All the above repairs and inspections are conducted by various international shipping related classification bodies like Germanischer Lloyd, Nippon Kaiki Kyokai, Bureau Veritas and Registro Italian Navals.

Quality Control for Turnkey Project Engineering Services

Turnkey projects, which usually involve integrated heavy lift, haulage and marine transportation services, demand greater expertise and planning by the Group due to their complexity. Hence, the Group ensures that every stage of the project from on-site surveys, planning, scheduling, deployment of equipment, logistics to final execution are carefully planned, reviewed and monitored by experienced engineers, foremen and supervisors. For turnkey projects, the project manager, who is also a qualified engineer, coordinates the efforts of the various departments in the Group including logistics, operations and project departments. These projects are overseen by Mr Ang Kah Hong, the Managing Director and/or Mr Tan Swee Khim, the Executive Director. The track record of projects undertaken by the Group and the high level of referrals from existing customers bear testimony to the Group's expertise and capability in handling complex turnkey projects.

MARKETING

Messrs Ang Kah Hong, Group Chairman and Managing Director, and Tan Swee Khim, Executive Director, are responsible for the Group's marketing efforts. Mr Ang focuses mainly on the overseas markets and, together with Mr Tan, oversees the Singapore domestic market. These two Executive Directors are supported by a team of experienced marketing personnel, logistics personnel and project engineers. Management reviews and monitors the sales performance of the Group on a monthly basis.

The Group will continue to concentrate on the infrastructure, public housing upgrading, oil & gas and related industries, and to leverage on its expertise in providing turnkey project engineering services, that is, the provision of one-stop integrated heavy lift, haulage and marine transportation services.

The Group markets directly to its customers who are the main contractors or sub-contractors in the construction industry, freight forwarding companies and shipping companies. Providing high quality service, and maintaining strong customer relationships through prompt after-sales support and customer feedback, are key contributing factors to the Group's success. These strategies have resulted in a high level of referrals and repeat customers for the Group. Over the years, the Group has built up its customer base to more than 1,000 customers in total. Repeat customers accounted for between 81.9% and 88.5% of the Group's turnover from FY1996 to FY1998:-

	FY1996	**FY1997**	**FY1998**
Repeat customers as a % of turnover of the Group (%)	81.9	88.5	81.9

Besides direct marketing, the Group also participates in open tenders for public projects and closed tenders for private projects. The Group is kept informed of the tenders either through tender notices in newspapers or through private invitation because of the Group's reputation, experience and track record.

Credit Terms

The Group bills its customers on a monthly basis. For customers who rent the Group's equipment on a monthly basis, they are billed at the end of each month for the rental due. For project engineering services, which normally take a longer period of time to complete, these customers are billed monthly on a progressive completion basis, depending on the amount of work done by the Group during that month.

Customers for heavy lift and haulage and marine transportation are generally given 30-day credit payment terms.

The Group's trading activities are normally on cash on delivery basis or letter of credit payment terms. However, customers may be allowed time to arrange for financing.

Thus far, the Group's debt collection experience has been good and bad debts written off has been low, although the debtors' turnover period has stretched beyond the 30-day normal credit period. The Group has accumulated provision for doubtful debts of $1.4 million as at 31 January 1999 and its bad debts written off over the last three financial years from FY1996 to FY1998 and for the seven months ended 31 January 1999 were as follows:-

	FY1996	FY1997	FY1998	Seven months ended 31 January 1999
Debtors' turnover (days)	86	116	99	112
Bad debts written off ($'000)	136	216	161	—
% of turnover of the Group (%)	0.4	0.6	0.3	—

The increase in debtors' turnover to 112 days as at 31 January 1999 was due mainly to relatively less trading activity as compared to the heavy lift and haulage and marine transportation activities which are generally on longer credit terms. However, based on the Group's debt collection experience, the Directors believe that the amount provided for doubtful debts as at 31 January 1999 is sufficient for the Group.

To ensure minimal bad debts, the Group carries out credit reviews and background checks on all new customers as part of the Group's formal credit control policy procedure. The payment history of the Group's customers is monitored closely and appropriate measures are taken to ensure full payment.

NEW ACTIVITIES AND SERVICES

Presently, the Group does not have any detailed plans for venturing into any significant new activities or services. The Group intends to continue to build on and strengthen its existing core businesses.

STAFF TRAINING

As a service provider, the Group believes that its employees are key contributors to the success of the Group. Hence, the Group's staff training policy aims to equip its employees with the relevant skills and proficiency to enable them to work efficiently.

Due to the nature of the Group's business, most of the staff training is conducted in-house or is acquired on the job. In-house training programmes like customer services enhancement and team-building exercises are conducted by senior managers of the Group. Technical skills for workers are usually acquired on the job under the careful supervision of the experienced foremen and supervisors.

The Group supplements the in-house training programmes by enrolling its employees for external courses like contract laws, financial management, sales and marketing, business communication and project management courses. Foreign workers are sent for specialised technical courses like telescopic handler operations, forklifting and prestressing work courses, and other related technical courses conducted by CITI, the training arm of CIDB. Crane operators are sent for technical courses conducted by PSA or CITI. In addition, IHI conducts training courses for the Group's employees, to enable the Group to service its IHI cranes for customers.

Expenditure incurred by the Group on staff training through external courses accounted for less than 1% of the Group's turnover for the last five financial years as set out below, as most of the training is acquired on the job or through in-house courses.

	FY1994	**FY1995**	**FY1996**	**FY1997**	**FY1998**
Expenditure ($)	6,676	7,578	7,661	11,770	21,660
% of Group turnover	0.03	0.03	0.02	0.03	0.05

YEAR 2000 COMPLIANCE

The Group understands "Year 2000 Compliance" to mean that the performance and functionality of its critical equipment or systems will not be affected by data relating to dates prior to, during and after the year 2000.

The Group's computer systems are personal computers for internal use, mainly for accounting, inventory and data management functions. Most of the computer applications used for these functions are standard commercial packages that are stated by the software developer to be Y2K compliant. Tiong Woon CT is in the process of implementing and testing a custom developed software system which integrates certain accounting and operational functions. The implementation is expected to be completed by end September 1999. The cost of this package is approximately $54,000 which will be capitalised and depreciated over its expected useful life of 5 years. The Group's systems are not linked to any external systems of its suppliers and customers. In addition, the crane and transport equipment purchased by the Group is not date/time sensitive. Therefore, the Group does not anticipate the Y2K issue to have any significant impact on the Group's business, costs and revenues. The Group does not expect to incur any significant additional costs in connection with Y2K compliance. The Group will continue to review and monitor all its computer equipment, software applications, inventory systems as well as equipment purchased from its suppliers.

MAJOR SUPPLIERS

The suppliers accounting for 5% or more of the Group's purchases in each of the last three financial years from FY1996 to FY1998 are as follows:-

	Percentage contribution to the purchases of the Group		
Name of major supplier	**FY1996 %**	**FY1997 %**	**FY1998 %**
Liebherr Singapore Pte Ltd	0.2	5.7	0.1
DEMAG	8.8	0.2	1.1
Sanko Co Ltd	11.3	15.8	24.8

The Group's purchases from Liebherr Singapore Pte Ltd were in relation to the purchase of mobile cranes and spare parts from Germany. The higher proportion in FY1997 was due mainly to the purchase of two cranes in that financial year as compared to purchases of spare parts only for the other two financial years.

The Group's purchases from DEMAG in FY1996 were in respect of hydraulic cranes when the Group was the sole agent for DEMAG. The purchases from DEMAG in FY1997 and FY1998 were in relation to purchases of spare parts.

Purchases from Sanko Co Ltd, IHI's appointed trading house in Singapore, were in relation to IHI cranes following the Group's appointment as sole agent in FY1995. The purchases were generally in line with the increase in sales of IHI cranes and additions to the Group's own rental fleet. The Group is not dependent on Sanko Co Ltd as operating profit contribution from the sales of IHI cranes in FY1998 accounted for less than 10% of the Group's proforma operating profit of $3.5 million. The Group also deals in other reconditioned equipment and sources from other suppliers, especially for its own rental fleet.

None of the Directors or substantial Shareholders have any interest, direct or indirect, in any of the above suppliers of the Group.

MAJOR CUSTOMERS

The customers of the Group which accounted for 5% or more of the Group's total turnover for each of the last three financial years from FY1996 to FY1998 are as follows:-

Name of major customer	Percentage contribution to the turnover of the Group FY1996 %	FY1997 %	FY1998 %
Sembawang Group	6.7	3.5	1.2
Nippon Express (S) Pte Ltd	13.6	3.4	3.5

The above major customers are in relation to the Group's heavy lift, haulage and/or marine transportation services. These were major projects undertaken by the Group then, and with their completion, these customers contributed less than 5% to the Group's turnover for FY1997 and FY1998. Accordingly, the Group was not dependent on any single customer to the extent of 20% or more of its operating profit in FY1998.

None of the Directors or substantial Shareholders have an interest, direct or indirect, in any of the above customers of the Group.

COMPETITION

The Group's core business is in the provision of heavy lift, heavy haulage and marine transportation, which is ancillary to the construction and infrastructure industries. While the Group has competitors who are engaged in some of the segments of the Group's services like heavy lift and haulage, and marine transportation, the Group is not aware of any competitor which competes directly with the Group in providing all these services as an integrated solution on its own. However, the list of competitors which the Group normally competes with in tenders or project negotiation in its respective business segments in heavy lift and haulage, and marine transportation services are as follows:-

Business	Competitors
Heavy lift and/or haulage	AsiaGroup Leasing Pte Ltd Hup Leck Heavy Equipment Services Pte Ltd Piow Hong Pte Ltd (a subsidiary of Freight Links Express Holdings Limited) Tat Hong Holdings Ltd Van Seumeren (S) Pte Ltd Walter Wright Mammoet (S) Pte Ltd
Marine Transportation	Hiap Shing Shipping Pte Ltd Jaya Holdings Limited Labroy Marine Limited Maritime Pte Ltd

Based on the latest available financial results of these companies, the Group considers itself as one of the large operators in the heavy lift and haulage business.

The Directors believe that the Group has the following competitive strengths:-

(a) *Integrated operations*

The Group prides itself as a one-stop service centre, capable of providing integrated turnkey solution which encompasses heavy lift, heavy haulage and marine transportation. Customers can have access to the Group's large fleet of cranes and transportation equipment, including the Group's specialised hydraulic all terrain crane with lifting capacity of up to 500 tons and 10 hydraulic modular multi-axle cometto trailers with haulage capacity of up to 1,200 tons in a single operation. As for its marine transportation services, the Group is able to provide marine transport services for cargoes weighing up to 3,600 tons to various parts of Asia.

The ability of the Group to plan and provide integrated logistics support for transportation, and to install heavy equipment and structures on site, are cost savings and convenience which the Group can offer to its customers. As a result of the Group's large fleet size and its ability to provide turnkey solutions to customers, the Group is one of the major players in its industry.

(b) *Experienced management team*

Over the last 19 years, the Group has, under the stewardship of Mr Ang Kah Hong, established a track record of many completed projects as well as built up a team of experienced management, engineers, technicians and equipment operators. The other Executive Directors, namely Messrs Ang Kah Leong, Ang Kha King and Tan Swee Khim, have extensive experience in the Group's business and are also instrumental in establishing the track record of the Group.

The Executive Directors are assisted by a team of dedicated middle management and supervisory staff who are responsible for overseeing the daily operations of the Group. Staff turnover rate has been relatively low and many of these employees have been with the Group for many years.

(c) *Investment in a young fleet of equipment*

The Group's policy is to constantly renew its fleet of cranes and transportation equipment to keep them in good working condition. Overall, approximately 66% of the Group's cranes and transportation equipment (including trailers, prime-movers and comettos) are less than 15 years old and approximately 88% of the tugboats and barges are less than 10 years old. This policy, coupled with a stringent equipment quality control policy, augurs well for the Group's customers in terms of equipment reliability.

(d) *Established customer base*

Over the last 19 years, the Group has established its name as a specialist provider of heavy lift, heavy haulage and marine transportation services. As a result of its track record of many completed projects and business reputation, the Group's client base has expanded rapidly. To date, the Group has a client base of more than 1,000 customers. The high level of business referrals and repeat customers have also contributed to the Group's established customer base. Repeat customers accounted for approximately 81.9% to 88.5% of the Group's turnover over the last three financial years from FY1996 to FY1998.

(e) *Barriers to entry*

The Group has already established itself in this business for the last 19 years. While there may be new competitors in this business, the Directors believe that the barriers to entry for new players are high. Firstly, high capital investment in a sizeable fleet of heavy cranes, transportation equipment and tugboats and barges is necessary for companies involved in the provision of heavy lift, heavy haulage and marine transportation services like the Group. Secondly, the established customer base of more than 1,000 customers built up over the years of business relationship is not easy to replicate by a new entrant. Thirdly, the experienced team of engineers, supervisors and operators in the Group is an invaluable asset to the Group. Most of these employees have been with the Group for more than six years.

RISK FACTORS

The Group's business may be adversely affected by the following specific risk factors:-

(a) *Dependence on construction sector in Singapore*

The Group is primarily exposed to the uncertainties and cyclical business fluctuations of the construction sector in Singapore, its primary market. The Singapore construction sector had experienced fluctuating growth rates in the past. According to figures for the second quarter of 1999 released by the Ministry of Trade and Industry on 10 August 1999, the construction sector had contracted by 14.7% year-on-year after four consecutive quarters of decline since the third quarter of 1998. The value of construction contracts awarded continued to slide in the second quarter of 1999, shrinking by 50.1% from the first quarter to $2.4 billion. Public sector contracts, which accounted for $1.8 billion, fell 41% compared to last year while private sector contracts, which accounted for $0.6 billion, fell 66% against last year.

The Group's dependence on the local construction sector is, however, mitigated to some extent, as the Group also services the petrochemical sector in Singapore. Such services are typically provided during the construction of petrochemical plants as well as during the periodic plant shutdowns for maintenance and upgrading. As the demand cycles from the petrochemical sector for the Group's services do not move in tandem with the construction sector, the petrochemical sector therefore provides some diversification to the Group's dependency on the construction sector in Singapore.

Public sector demand will continue to provide support for the construction industry in 1999, as reported in the Quarterly Bulletin by the Economics Department of the Monetary Authority of Singapore in April 1999. This augurs well for the Group which participates actively in public sector construction related activities.

(b) *Foreign exchange risks*

Most of the Group's turnover is denominated in S$ except for its overseas activities where the turnover is denominated in RM for Malaysia, US$ for Indonesia, and in Pesos and US$ for the Philippines market. The Group is naturally hedged to some extent against these foreign currency fluctuations as it pays for most of its expenses in Malaysia and the Philippines in their respective local currencies.

However, the Group is exposed to foreign exchange fluctuations between the Yen and the S$ arising mainly from its purchases of heavy equipment in Yen from its suppliers in Japan. As such, the Group is vulnerable to an appreciation of the Yen against the S$.

Where possible, the Group hedges such foreign currency purchases at contracted forward exchange rates. Since the beginning of FY1999, arrangements have also been made with certain suppliers to pay for equipment purchases in S$. The Group will continue to monitor its foreign currency exposure closely and take appropriate hedging measures, where practicable.

The foreign exchange gain/loss of the Group over the last three financial years are as follows:-

	FY1996 $'000	**FY1997 $'000**	**FY1998 $'000**
Foreign exchange gain	2	52	146
Foreign exchange loss	—	—	(207)
Net foreign exchange gain/(loss)	2	52	(61)
% of proforma profit before taxation (%)	0.03	1.1	(1.7)

The foreign exchange loss in FY1998 was due mainly to a translation loss on the amount outstanding (arising from trade transactions) from Tiong Woon Malaysia to Tiong Woon CT.

(c) *Dependence on key personnel*

The Group owes much of its success to its Executive Directors, especially Group Chairman and Managing Director, Mr Ang Kah Hong. Over the last 19 years, the Group has, under the stewardship of Mr Ang Kah Hong, established a track record of many completed projects as well as built up a team of experienced management, engineers, technicians and equipment operators. The other Executive Directors, namely Messrs Ang Kah Leong, Ang Kha King and Tan Swee Khim, have extensive experience in the Group's business and have also been instrumental in establishing the track record of the Group.

In order to demonstrate their continued support and commitment to the Group, the four Executive Directors, namely Messrs Ang Kah Hong, Ang Kah Leong, Ang Kha King and Tan Swee Khim, had, on 23 August 1999, entered into separate service agreements with the Company for a period of three years (as set out on pages 56 and 57 of this Prospectus). In addition, Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King, who are also deemed substantial Shareholders, have each undertaken not to realise or transfer any part of their direct and indirect interests in the Company for a period of six months from the date of the Company's admission to the Main Board of the SES, and for a period of six months thereafter, they will collectively retain at least 50% of the issued and paid-up capital of the Company.

(d) *Downtime of specific equipment*

Equipment downtime occurs when machinery is sent for service or repair instead of being utilised for revenue-generating purposes. The Group minimises breakdown of its machinery by maintaining a large fleet size and having a comprehensive and regular maintenance programme. However, the Group presently has only one 500-ton crane, four 300-ton cranes and one ocean going tugboat. These generate relatively higher rentals and are not easily replaceable should they break down as a result of accidents. The repair of such equipment may take two to three months and the opportunity cost in terms of income foregone may be substantial. Nevertheless, by regularly upgrading the skill and knowledge of its operators and emphasising safety awareness, the Group has thus far been able to minimise the occurrence of accidents.

For the past five financial years, the Group had not experienced any occurrence of accident in respect of its 500-ton crane and four 300-ton cranes while these cranes were operated by its own operators, although one of the 300-ton cranes which was rented out in India sustained slight damage while on transit there. Although the cost incurred for repairs was covered by marine insurance, as a gesture of goodwill, the Group issued a credit note for $81,000 to its customer in view of the downtime suffered by the latter.

(e) *Accident damage*

The provision of heavy lift services and carriage of heavy equipment by land and sea can result in substantial damage to persons or property in the event of an accident. The Group seeks to protect itself by insurance and by allocating risk in a reasonable way in its contracts with its customers. It is not feasible however for every risk to which the Group is exposed to be fully insured. The contractual allocation of risk and the extent of insurance coverage is a matter of commercial judgement. While the Group will generally seek to avoid this, there may be projects where the negotiated terms leave the Group bearing some risks which are not fully insured.

TURNOVER AND PROFITABILITY

Review of Performance by Activities

The turnover and operating profit of the Group by activities are set out below. This analysis should be read in conjunction with the Accountants' Report as set out on pages 60 to 78 of this Prospectus.

	Proforma				
	<—— Year ended 30 June ——>				
	1994	**1995**	**1996**	**1997**	**1998**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Turnover					
Heavy lift and haulage	16,683	19,293	24,677	27,997	30,879
Marine transportation	4,509	6,020	5,757	6,621	8,368
Trading	1,524	1,219	7,792	4,183	7,392
Total	22,716	26,532	38,226	38,801	46,639
Operating Profit					
Heavy lift and haulage	3,868	2,247	4,600	3,810	1,994
Marine transportation	859	718	1,313	621	1,172
Trading	69	25	298	200	364
Total	4,796	2,990	6,211	4,631	3,530

Heavy Lift and Haulage

FY1994 to FY1995

Turnover for the heavy lift and haulage activity increased by $2.6 million or 15.6% from $16.7 million in FY1994 to $19.3 million in FY1995 due mainly to an increase in business activities in Singapore by $1.4 million and the Group's overseas activities by $1.2 million. The capacity of the Group's rental fleet increased by 6.8%. Heavy lift and haulage activities (which could be part of integrated turnkey project engineering services) of the Group included those undertaken for the Residue Cracker Complex project for the Singapore Refinery Co Pte Ltd (SRC project), the Du Pont Adipure project at Pulau Sakra, various HDB upgrading projects, upgrading of Caltex Jetty 2, transportation of precast piles for infrastructure projects and heavy haulage of 18 large cranes at the PSA waterfront. Most of these projects lasted for more than a year and progressed into FY1995. Some of these projects were part of an integrated turnkey project engineering service.

Despite the increase in turnover, operating profit decreased by $1.6 million or 41.9% from $3.9 million in FY1994 to $2.2 million in FY1995. Operating profit margin declined from 23.2% in FY1994 to 11.6% in FY1995. The decrease was due mainly to a lower gain on sale of fixed assets by $1.5 million, a $0.6 million increase in depreciation of machinery (which is charged to direct cost) and a $1.0 million increase in operating expenses. The increase in operating expenses was due to a general increase in overhead expenses.

FY1995 to FY1996

Turnover increased by $5.4 million or 27.9% to $24.7 million in FY1996 due mainly to a higher number of projects from the petro-chemical sector in the Singapore market such as the SRC project and the construction of a chemical plant at Pulau Bukom which together accounted for approximately $5.6 million in turnover for FY1996. The division increased its fleet capacity by 24.2% to cater to the increase in demand. Projects undertaken by the Group included work for several HDB upgrading programmes, Tuas Second Causeway and various infrastructure projects.

Operating profit increased by $2.4 million or 104.7% to $4.6 million in FY1996 due mainly to expenses not increasing in tandem with turnover. Operating profit margin increased from 11.6% in FY1995 to 18.6% in FY1996 due mainly to a lower increase in depreciation of machinery of $0.7 million which did not increase in tandem with the increase in turnover. Operating expenses also remained relatively stable.

FY1996 to FY1997

Turnover for this activity grew by $3.3 million or 13.5% to $28.0 million in FY1997 against the backdrop of a buoyant construction market in Singapore and in the region. Turnover from Singapore grew by $2.6 million while turnover from overseas grew by $0.7 million. The division's fleet capacity increased by 23.8%. Projects undertaken by the Group included work for the SRC project and the chemical plant in Pulau Bukom which accounted for approximately $1.7 million turnover. The lower contribution from the petro-chemical sector was offset by increase in contribution from HDB upgrading projects, Tuas Second Causeway and transportation of precast piles for infrastructure projects.

Despite the increase in turnover, operating profit decreased by $0.8 million or 17.2% to $3.8 million in FY1997. Operating profit margin declined from 18.6% in FY1996 to 13.6% in FY1997. The decrease was due mainly to a $1.2 million increase in depreciation charge for machinery, offset slightly by an increase in gain of sale of fixed assets of $0.8 million (FY1996: $0.4 million) and a $1.4 million increase in operating expenses mainly as a result of a higher provision for doubtful debts ($0.5 million), an increase in insurance cost ($0.2 million), manpower cost ($0.2 million) and finance cost ($0.2 million).

FY1997 to FY1998

Turnover grew by $2.9 million or 10.3% to $30.9 million in FY1998 due to a general increase in demand from on-going infrastructure projects in Singapore and the region. Turnover from Singapore grew by $1.1 million while turnover from overseas grew by $1.8 million. The division increased its fleet capacity by 21.1%. Projects undertaken during the year included work for the LRT Contract 801, various projects for Pulau Sakra and petro-chemical projects at offshore islands, various HDB upgrading programmes and the Tuas jetty.

Despite the increase in turnover, operating profit decreased by $1.8 million or 47.7% to $2.0 million in FY1998. Operating profit margin declined from 13.6% in FY1997 to 6.5% in FY1998. The decrease was due mainly to a $1.4 million increase in depreciation for machinery as the Group made further investment in plant & machinery, a lower gain on disposal of fixed assets of $0.4 million (FY1997: $0.8 million) and a $0.9 million increase in operating expenses mainly as a result of an increase in manpower cost ($0.6 million) and finance cost ($0.2 million).

Marine Transportation

The marine transportation division was established to enable the Group to provide integrated heavy lift, heavy haulage and marine transportation services to its customers. Hence, the turnover for the marine transportation division has fluctuated according to the number of sizeable integrated projects which were secured by the Group in each financial year. For the financial years under review, the marine transportation division had catered mainly to the marine transportation services between Singapore and the offshore islands, Indonesia, Thailand, the Philippines and Cambodia.

FY1994 to FY1995

Turnover for this activity grew by $1.5 million or 33.5% from $4.5 million in FY1994 to $6.0 million in FY1995. The increase was attributable to demand from overseas which saw an increase in turnover of $2.0 million, offset to some extent by a decrease in activity of $0.5 million in the domestic market. The division increased its fleet capacity of barges and tugboats by 18.4% in FY1995. Many of the marine transportation projects undertaken by the Group in FY1994 continued into FY1995 including the SRC, the Shell Expansion II project at Pulau Ular, Du Pont Adipure project at Pulau Sakra, the transportation of 500,000 tons of granite from Malaysia to Singapore for the Changi Reclamation Project 1B. For FY1995, the increase in turnover was due mainly to transportation services for the power plant project in Trengganu and the cement plant in Langkawi.

Despite the increase in turnover, operating profit decreased by $0.1 million or 16.4% to $0.7 million in FY1995. Operating profit margin declined from 19.1% in FY1994 to 11.9% in FY1995. The decrease was due mainly to a lower gain on sale of fixed assets of $166,000 (FY1994: $232,000) and a $0.5 million increase in operating expenses due mainly to an increase in manpower expenses ($0.2 million), an increase in provision for doubtful debts ($0.1 million) and an increase in finance cost ($0.1 million).

FY1995 to FY1996

Turnover decreased slightly by $0.3 million or 4.4% to $5.8 million in FY1996. The capacity of the division increased by 5.0% in FY1996. Major projects undertaken during the year included the transportation of heavy equipment in relation to the cement plant in Haipong, Vietnam and regular barge services from Singapore mainland to Pulau Sakra, and marine transportation of heavy equipment in relation to a tin mining project in Indonesia.

Operating profit increased by $0.6 million or 82.9% to $1.3 million in FY1996. Operating profit margin increased from 11.9% in FY1995 to 22.8% in FY1996. The increase was due mainly to a $1.2 million decrease in direct costs and purchases as the Group incurred less charges for hire of tugboats and barges from third parties as compared to FY1995. Operating expenses decreased slightly by $0.1 million in FY1996 due mainly to a write-back of provision for doubtful debt.

FY1996 to FY1997

Turnover increased by $0.9 million or 15.0% to $6.6 million in FY1997 as turnover from Singapore grew by $0.3 million while turnover from overseas grew by $0.6 million. With the acquisition of the first ocean-going tugboat, the division was able to generate sales from the Philippines for the first time, which contributed 5.0% to the division's turnover. Overall, the division's fleet capacity increased by 14.4%. Projects carried out during the year included transportation services for a tin mining project in Indonesia and the transportation of heavy machinery for a power station project from Thailand to the Philippines.

Despite the increase in turnover, operating profit decreased by $0.7 million or 52.7% to $0.6 million in FY1997. Operating profit margin declined from 22.8% in FY1996 to 9.4% in FY1997. The decrease was due mainly to a $0.6 million increase in upkeep and maintenance expenses for its fleet of tugboats and barges, and a $0.3 million increase in operating expenses as a result of an increase in manpower expenses of $0.2 million and a provision for doubtful debt of $0.1 million.

FY1997 to FY1998

Turnover increased by $1.7 million or 26.4% to $8.4 million in FY1998 as turnover from overseas grew by $2.9 million but was partially offset, by a decrease in turnover in Singapore of $1.1 million. The division increased its capacity by 22.0%. Projects carried out in the year included transportation services for a tin mining project in Indonesia, and a power plant project in Palembang.

Operating profit improved by $0.6 million or 88.7% to $1.2 million in FY1998 due mainly to the increase in turnover. Operating profit margin improved from 9.4% in FY1997 to 14.0% in FY1998. The increase is due mainly to cost of sales not increasing in tandem with turnover as the division incurred a lower increase in purchases and direct cost, and upkeep and maintenance expenses for its fleet of tugboats and barges.

Trading

The division deals in new and reconditioned equipment and spare parts. The Group was appointed the agent for DEMAG hydraulic cranes until 31 December 1995. It was appointed the agent for IHI crawler cranes in February 1995.

FY1994 to FY1995

The division achieved a turnover of $1.2 million in FY1995 compared to $1.5 million in FY1994. Sales in FY1994 comprised mainly sale of DEMAG cranes whereas sales in FY1995 comprised mainly sale of reconditioned cranes and new barges.

Operating profit for the division decreased from $0.07 million in FY1994 to $0.03 million in FY1995 due mainly to the decrease in turnover and lower margins achieved for sales in FY1995 as the barges sold in FY1995 as part of a package deal with other equipment to the same customer were sold at a nominal profit. Operating profit margin declined from 4.5% in FY1994 to 2.1% in FY1995.

FY1995 to FY1996

Turnover increased by $6.6 million or 539% to $7.8 million in FY1996 due mainly to increased sales in DEMAG cranes as well as IHI cranes for which the Group took up the distributorship in February 1995.

Operating profit increased to $0.3 million in FY1996 in line with the increase in turnover and better margins achieved during the year as compared to FY1995 when sales to a certain customer were made at a nominal profit. Operating profit margin improved from 2.1% in FY1995 to 3.8% in FY1996.

FY1996 to FY1997

Turnover decreased by $3.6 million or 46.3% to $4.2 million in FY1997 with sales comprising mostly new IHI cranes and some reconditioned truck cranes. The decline was due mainly to the Group not being able to obtain competitive pricing from the principal for its IHI cranes.

Operating profit decreased by $0.1 million to $0.2 million in FY1997 in line with the decrease in turnover. Operating profit margin, however, improved from 3.8% in FY1996 to 4.8% in FY1997 due to higher sales commission received during the year as an exclusive distributor for IHI cranes for Singapore, Brunei and the Malaysia markets.

FY1997 to FY1998

The division achieved sales of $7.4 million in FY1998, an increase of $3.2 million or 76.7% from FY1997. The increase was due to the Group being able to obtain more competitive pricing from the principal.

Operating profit increased by $0.2 million to $0.4 million in FY1998 in line with increase in turnover. Operating profit margin improved slightly from 4.8% in FY1997 to 4.9% in FY1998.

Review of Performance by Geographical Markets

The turnover and operating profit of the Group by geographical markets are set out below. This analysis should be read in conjunction with the Accountants' Report as set out on pages 60 to 78 of this Prospectus.

			Proforma		
	<———		Year ended 30 June		———>
	1994 $'000	1995 $'000	1996 $'000	1997 $'000	1998 $'000
Turnover					
Singapore	20,277	20,861	32,054	31,351	34,206
Overseas	2,439	5,671	6,172	7,450	12,433
Total	22,716	26,532	38,226	38,801	46,639
Operating Profit					
Singapore	4,177	1,994	5,370	4,347	2,957
Overseas	619	996	841	284	573
Total	4,796	2,990	6,211	4,631	3,530

Singapore

FY1994 to FY1995

Turnover for the Singapore market segment grew by $0.6 million or 2.9% to $20.9 million in FY1995 due mainly to a 9.4% increase in heavy lift and haulage activities. Turnover contribution from heavy lift, marine and trading activities for FY1995 was 77.3%, 17.0% and 5.7% respectively (FY1994: 72.7%, 20.1% and 7.2%).

Operating profit decreased by $2.2 million or 52.3% from $4.2 million in FY1994 to $2.0 million in FY1995 despite an increase in turnover. This was due mainly to (1) a lower operating profit margin achieved for heavy lift and haulage activities during the year as a result of a lower gain on disposal of fixed assets and higher depreciation charges; and (2) a lower operating profit margin for marine transportation as a result of a lower gain on disposal of fixed assets and an increase in operating expenses.

FY1995 to FY1996

Turnover increased 53.7% or $11.2 million to $32.1 million in FY1996 against the backdrop of a buoyant construction market in Singapore which saw construction growth in Singapore peaking at 18.4%. The increase was due mainly to a 31.0% increase in heavy lift and haulage activities while trading activities increased by five-fold to $7.6 million. Turnover contribution attributable to heavy lift, marine and trading activities were 65.9%, 10.5% and 23.6% respectively.

Operating profit increased by $3.4 million or 169.3% in line with the increase in turnover and improvement in operating margins enjoyed by all activities due mainly to (1) expenses for heavy lift and haulage activities not increasing in tandem with turnover; and (2) lower direct costs and purchases for marine transportation as the Group incurred less charges for hire of tugboats and barges from third parties as compared to FY1995.

FY1996 to FY1997

Turnover in FY1997 was maintained at approximately at the same level as FY1996. The increase in turnover in heavy lift and marine transportation was offset by the fall in turnover contribution from trading. The heavy lift and marine transportation continued to expand their capacities as turnover for these activities in Singapore grew by 12.5% and 7.4% respectively. Trading activity in Singapore, on the other hand, declined by 47.5% due to non-competitive pricing of its IHI cranes from its principal. Turnover contribution from heavy lift, marine and trading were 75.8%, 11.5% and 12.7% respectively.

Operating profit attributable to the Singapore market decreased by $1.0 million or 19.1% in FY1997 due mainly to (1) an increase in depreciation charges as a result of the Group's investment in additional machinery and higher operating expenses; and (2) an increase in upkeep and maintenance charges for tugboats and barges as well as higher operating expenses.

FY1997 to FY1998

Turnover increased by $2.9 million or 9.1% to $34.2 million in FY1998 due mainly to the increase in trading activity. Turnover contribution from heavy lift, marine transportation and trading activities were 72.7%, 7.2% and 20.1%. The trading division managed to procure more competitive pricing from its principal and was therefore successful in clinching more sales.

Operating profit decreased by $1.4 million or 32.0% due mainly to a decrease in margin for the heavy lift and haulage activity as a result of higher depreciation costs as the Group made further investment in machinery, and an increase in operating expenses. This is offset to some extent by the improved margin achieved by marine transportation activities.

Overseas

The Malaysian market had accounted for a significant but declining share of the turnover of the Group's overseas market over the past five financial years: 62.8% in FY1994, 76.5% in FY1995, 65.8% in FY1996, 45.9% in FY1997 and 34.8% in FY1998. Turnover from Malaysia began to decrease significantly in FY1997 as a result of the regional economic crisis. Meanwhile, the Group had steadily increased its presence in other markets such as Indonesia, Brunei and the Philippines from 37.2% in FY1994 to 65.2% in FY1998. Overall, overseas market contributed between 10.7% and 26.7% to the Group's turnover from FY1994 to FY1998, and between 6.1% and 33.3% to the Group's operating profit during the corresponding period.

FY1994 to FY1995

Turnover from overseas markets grew by $3.2 million or 132.5% from $2.4 million in FY1994 to $5.7 million in FY1995 due mainly to an increase in business activities in Malaysia. Turnover for heavy lift and haulage increased by $1.2 million while turnover for marine transportation increased by $2 million. The increase was reflected in an almost 100% increase in heavy lift fleet capacity and a higher utilization rate of 92.8% (FY1994: 87.3%) for Malaysia. The marine division in Malaysia also enjoyed a high contribution from this market due to major jobs secured such as power plant project in Trengganu and a cement plant in Langkawi. Turnover contribution from heavy lift and haulage, marine transportation and trading activities were 55.7%, 43.6% and 0.7% in FY1995, compared to 79.6%, 17.8% and 2.6% achieved respectively for these activities in FY1994.

Operating profit increased by $0.4 million or 60.9% to $1.0 million in FY1995. The increase was due mainly to a higher turnover offset by a substantial increase in operating expenses in Tiong Woon Malaysia as well as higher upkeep and maintenance charges of tugboats and barges, and an increase in depreciation costs for cranes and crawler equipment for Malaysia.

FY1995 to FY1996

Turnover increased by $0.5 million or 8.8% to $6.2 million in FY1996. The increase was due mainly to heavy lift and haulage and marine transportation activities in Indonesia and Vietnam. The heavy lift and marine transportation contracts in Vietnam also contributed to turnover for the first time. Contribution attributable to heavy lift and haulage, marine transportation and trading activities were 57.4%, 38.7% and 3.9% respectively.

Operating profit from overseas decreased by $0.2 million or 15.6% to $0.8 million due mainly to increased operating expenses of Tiong Woon Malaysia including higher insurance and hire purchase finance interests incurred for its fleet expansion.

FY1996 to FY1997

Turnover increased by $1.3 million or 20.7% to $7.5 million in FY1997. Heavy lift and haulage, marine transportation and trading activities contributed 56.7%, 40.4% and 2.9% respectively to turnover. With the acquisition of its first ocean-going tugboat during the financial year, the Group was able to extend its marine transportation activity to territories further afield in Asia. Major projects carried out by the Group included marine transportation services for the tin mining project in Indonesia and the transportation of heavy machinery for a power station from Thailand to the Philippines.

Operating profit decreased by $0.6 million or 66.2% to $0.3 million due mainly to a $0.9 million loss recorded in Malaysia and higher operating expenses attributable to other overseas markets.

FY1997 to FY1998

Turnover grew substantially by $5.0 million or 66.9% to $12.4 million in FY1998. The increase in turnover was attributable mainly to turnkey integrated projects secured by the Group in Indonesia and Thailand, like those for the tin mining project and the power station project in Indonesia. The Group also secured sales from Cambodia for the first time. Heavy lift and haulage, marine transportation and trading activities contributed 48.3%, 47.5% and 4.2% respectively to the Group's overseas turnover.

Operating profit increased substantially by $0.3 million or 101.8% to $0.6 million in FY1998. The increase was due to the increase in turnover and improved operating margin from 3.8% in FY1997 to 4.6% in FY1998.

REVIEW OF FINANCIAL POSITION

Fixed Assets

In FY1997, the Group changed the depreciation rates to better reflect the economic useful lifespan of the machinery. The effect of the change in depreciation rates has been applied retroactively from 1 July 1993 to arrive at the proforma results of the Group for comparison purposes. The fixed assets balances in each of the five financial years incorporate the effect of the change in depreciation rates applied retroactively from 1 July 1993. The cumulative effect of the change was an increase in fixed assets by $3.7 million, $7.3 million, $10.8 million, $8.9 million and $7.1 million for FY1994, FY1995, FY1996, FY1997 and FY1998 respectively.

Apart from the above, the increase in fixed assets for the past five years was due mainly to the Group's investment in machinery including mobile and crawler cranes, prime movers, tugboats and barges to support the Group's expansion and upgrading of its rental fleet, whilst at the same time, disposing of older or less efficient machinery.

In FY1997, the Group commenced construction of a three-storey office building on each of the Group's two leasehold properties at Nos. 13 and 15 Pandan Crescent. The construction costs of these two buildings also contributed to the increase in fixed assets in FY1997 and FY1998.

Interest in Joint Ventures

The amount represents the Group's interest in joint venture partnerships with certain employees. The partnerships were set up by the Group with the intention to reward valued employees through shared ownership and to encourage them to continue their services with the Group. This scheme was discontinued in FY1998.

Current Assets

Current assets, comprising mainly trade debtors, bills receivable and other debtors, were generally in line with turnover and credit terms provided to customers.

In FY1996, current assets increased by $1.3 million or 13.9%. This was due mainly to the increase in trade debtors in line with increase in turnover during the year. The Group achieved a shorter debtors' turnover of 86 days in FY1996 compared to 104 days in FY1995.

In FY1997, current assets increased by $4.4 million or 41.8%. The increase was due mainly to the increase in trade debtors in spite of a relatively stable turnover. This was due to the longer debtor's turnover of 116 days as a result of a higher turnover contribution from heavy lift and haulage activities, for which payment terms are generally longer than for other activities.

In FY1998, current assets remained relatively stable. The increase in turnover of 20.2% in FY1998 did not result in a similar percentage increase in trade debtors (trade debtors increased by 2.8% in FY1998) as the Group's debtors' turnover was reduced significantly from 116 days to 99 days.

Current Liabilities

Current liabilities comprise mainly trade creditors and other creditors, hire purchase instalments, amount due to bankers and amount owing to directors. Trade creditors, other creditors and accruals are mainly in respect of liabilities incurred pertaining to trade suppliers and/or operating expenses incurred for the Group's activities.

In FY1995, current liabilities increased by $3.2 million or 17.7% from $18.0 million to $21.2 million. The increase was due mainly to an increase in other creditors and accrued charges in connection with the purchase of plant and equipment.

In FY1997, current liabilities increased by $5.1 million or 23.2% to $26.9 million. The increase was due mainly to an increase in bills payable, hire purchase instalments and bank overdrafts. The increase in bills payable was to match the funding requirements of the Group's increase in trade debtors. The increases in hire-purchase liabilities and bank overdrafts were due to the Group's investment in additional machinery and higher working capital requirement.

In FY1998, current liabilities decreased by $9.3 million or 34.4% to $17.7 million. The decrease was due mainly to a $1.3 million decrease in trade creditors, the repayment of $1.6 million of an advance from a factoring company, a reduction in bills payable of $1.6 million, a $2.8 million decrease in bank borrowings and a $1.2 million decrease in amount owing to directors. These reductions were made possible mainly as a result of the injection of new funds amounting to $7 million through the issue of the Bonds to the VC Investors.

Non-current Liabilities

Non-current liabilities comprise mainly deferred taxation, hire purchase instalments and term loan due after 12 months. Deferred taxation includes proforma adjustments for the tax effect on the change of depreciation rates which was applied retroactively from 1 July 1993. The cumulative effect of this change amounted to an increase in tax liabilities of $1.0 million, $1.9 million, $2.8 million, $2.3 million, $1.9 million for the past five financial years respectively.

Hire purchase liabilities increased substantially in FY1997 and FY1998 due mainly to substantial investment of additional machinery in those financial years. Term loan increased substantially to $6.4 million in FY1998 to finance the construction of the two buildings at Pandan Crescent.

Shareholders' Equity

Shareholders' equity has been adjusted for the effect of the change in depreciation rate applied retroactively from 1 July 1993 and the Bonds Conversion pursuant to the Restructuring Exercise. The cumulative effect of the change in depreciation rates was to increase shareholders' equity by $2.8 million, $5.5 million, $8.0 million, $6.6 million and $5.3 million for the past five financial years respectively. Apart from the above, shareholders' equity grew steadily over the past five financial years in line with the Group's profitable operations.

REVIEW OF PAST PERFORMANCE

A review of the past performance of the Group based on its proforma results over the past five financial years is set out below.

FY1994 to FY1995

Turnover increased by $3.8 million or 16.8% from $22.7 million in FY1994 to $26.5 million in FY1995 due mainly to an increase in turnover of the heavy lift and haulage, and marine transportation activities of $2.6 million and $1.5 million respectively. The increase in turnover for heavy lift and haulage was due mainly to an increase in demand from both the Singapore ($1.4 million) and overseas ($1.2 million) markets. The increase in turnover for marine transportation was due mainly to an increase in overseas turnover of $2.0 million, which was offset by a $0.5 million decrease in marine transportation in the domestic market.

Despite the increase in turnover, operating profit declined by $1.8 million or 37.7% from $4.8 million to $3.0 million due mainly to a decrease in the operating profit for heavy lift and haulage ($1.6 million). This was the result of a $1.5 million decrease in gain on sale of fixed assets, a $0.6 million increase in depreciation of machinery and a $1.0 million increase in operating expenses. The increase in operating expenses was due to a general increase in overhead expenses.

FY1995 to FY1996

Turnover increased by $11.7 million or 44.1% to $38.2 million in FY1996 due mainly to an increase in turnover for heavy lift and haulage, and trading activities of $5.4 million and $6.6 million respectively. The increase in turnover for heavy lift and haulage was due mainly to a higher number of projects from the petro-chemical sector in the Singapore market such as those for the SRC project and a chemical plant at Pulau Bukom which together accounted for approximately $5.6 million contribution in turnover in FY1996. The increase in turnover for trading was due mainly to increased sales in DEMAG cranes as well as IHI cranes for which the Group took up the distributorship in February 1995.

Operating profit increased by $3.2 million or 107.7% to $6.2 million in FY1996 due mainly to an increase in operating profit for heavy lift and haulage ($2.4 million) as expenses did not increase in tandem with the increase in turnover. In addition, operating profit for marine transportation contributed $0.6 million due mainly to a $1.2 million decrease in direct costs and purchases as the Group incurred less charges for hire of tugboats and barges from third parties as compared to FY1995. Trading activities contributed another $0.3 million of operating profit to the Group as its operating profit margin improved from 2.1% in FY1995 to 3.8% in FY1996.

FY1996 to FY1997

Turnover increased by $0.6 million or 1.5% to $38.8 million in FY1997 as the increases in turnover for heavy lift and haulage of $3.3 million and marine transportation of $0.9 million, were offset by a $3.6 million decrease in trading turnover owing to non-competitive pricing of the IHI cranes from the principal. The increase in turnover for heavy lift and haulage was mainly attributable to the buoyant construction market in Singapore and in the region. The increase in turnover for marine transportation was attributable to an increase in turnover in Singapore ($0.3 million) and an increase in turnover from the overseas market ($0.6 million).

Operating profit decreased by $1.6 million or 25.4% to $4.6 million in FY1997. The decrease was due mainly to a decrease in operating profit of heavy lift and haulage ($0.8 million) and marine transportation ($0.7 million). The decrease in operating profit of heavy lift and haulage was due mainly to a $1.2 million increase in depreciation charge for machinery, offset slightly by an increase in gain on sale of fixed assets of $0.8 million (FY1996: $0.3 million) and a $1.4 million increase in operating expenses mainly as a result of a higher provision for doubtful debts ($0.5 million), an increase in insurance cost ($0.2 million), manpower cost ($0.2 million) and finance cost ($0.2 million). The decrease in operating profit of marine transportation was due mainly to a $0.6 million increase in upkeep and maintenance expenses for its fleet of tugboats and barges, and a $0.3 million increase in operating expenses as a result of an increase in manpower expenses of $0.2 million and a provision for doubtful debts of $100,000.

FY1997 to FY1998

Turnover grew by $7.8 million or 20.2% to $46.6 million in FY1998 with an overall increase in all of the Group's activities. The increase in turnover for heavy lift and haulage ($2.9 million) was due mainly to general increase in demand from on-going infrastructure projects in Singapore and the region. The increase in turnover for marine transportation ($1.7 million) was due mainly to an increase in turnover from overseas market ($2.9 million) which was partially offset, by a decrease in turnover in Singapore of $1.1 million. In addition, trading contributed $3.2 million to the Group's turnover as the division was able to obtain more competitive pricing from the principal for the IHI cranes.

Operating profit decreased by $1.1 million or 23.8% to $3.5 million in FY1998. The decrease was due mainly to a decrease in operating profit of heavy lift and haulage of $1.8 million. The decrease in operating profit of heavy lift and haulage was due mainly to a $1.4 million increase in depreciation for machinery as the Group made further investment in plant and machinery, a lower gain on disposal of fixed assets of $0.3 million (FY1997: $0.8 million) and a $0.9 million increase in operating expenses mainly as a result of an increase in manpower cost ($0.6 million) and finance cost ($0.2 million).

PROSPECTS AND REVIEW OF UNAUDITED RESULTS

Prospects

The Group's prospects are, to a large extent, related to the construction demand and economic growth in the region. Over the past three financial years, the Group's main activity was that of heavy lift and haulage, accounting for 65% to 72% of its turnover, while Singapore has been its main market, accounting for 73% to 84% of its turnover.

In 1998, the Singapore economy slowed sharply, slipping into a recession in the second half of 1998. Growth for the whole year was 1.5%, a sharp slowdown from the 8.0% registered in 1997[1]. Growth in the construction sector also slowed down to 3.9% in 1998, down from 15% in 1997[1]. However, after two consecutive quarters of negative growth in the second half of 1998, the Singapore economy recovered with growths of 0.6% and 6.7% recorded for the first and second quarters of 1999 respectively. This led to a revision in the economic growth forecast for 1999 by the Singapore government to between 4% and 5%, as reported by the Prime Minister of Singapore in his National Day Message on 8 August 1999.

Due to the nature of the Group's services, the Group caters to a wide range of customers and services different segments of the construction sector, ranging from housing development and upgrading programmes, to the petro-chemical industry and infrastructural projects. Examples include the heavy haulage of pre-stressed or steel beams and pre-cast piles for the construction of MRT and LRT projects, heavy lifting of steel and concrete structures for new buildings and transportation, heavy lifting and installation of machinery and structures for the construction of petro-chemical plants. In respect of new developments and upgrading programmes, the Group has been actively involved in the lifting of concrete water tanks and pre-cast elements in HDB upgrading programmes, and in the lifting services involved during the regular maintenance shutdowns of petro-chemical plants.

The Group hopes to benefit from construction projects such as the link-up of the light and medium rail and road transport system with the MRT system, the reclamation project off the eastern coast of Singapore and the construction of the Singapore Management University. The overseas market offers potential prospects to the Group with the economic recovery in the region. With the acquisition of its first ocean-going tugboat in FY1997 and potential expansion of its ocean-going fleet capabilities, the Group hopes to penetrate further into the overseas markets in the Asian region.

The Directors believe that the Group has already built up its reputation as a reliable and competent specialist in the provision of heavy lift, heavy haulage and marine transportation services. Therefore, the Group will continue to concentrate on its core business activities of providing integrated services of heavy haulage and lifting, and land and marine transportation. In addition, it plans to pursue the following growth strategies by:-

(i) expanding further into the overseas markets in the Asian region. The establishment of overseas subsidiaries such as Tiong Woon Indonesia and Tiong Woon Philippines will facilitate the Group's overseas expansion;

(ii) increasing the Group's fleet size and range of cranes according to market demand, especially by investing in cranes that have large lifting capabilities may provide opportunities for the Group to undertake bigger and more lucrative projects. Investments in cranes and equipment of $2 million are expected for FY2000;

(iii) purchasing larger tugboats and barges that offer ocean-going capabilities to enable the Group to undertake longer haul marine transportation services; and

(iv) strengthening the marketing team by employing expatriates familiar with overseas markets.

The above strategies are expected to be financed by the Group's internal funds and the balance by bank borrowings. With these strategies, the Directors believe that the Group is ready to capitalise on business opportunities in Singapore and the Asian region.

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[1] Source: Economic Survey of Singapore 1998

Review of Unaudited Results

FY1998 to FY1999 (based on actual results as set out on page 17 of this Prospectus)

Turnover decreased by $14.4 million or 31.0% in FY1999 with an overall decrease in all the Group's activities due mainly to the effect of the regional economic and financial crisis which affected the Group's operations in Singapore and overseas. Actual turnover achieved during the first seven months of FY1999 was $18.2 million, representing 56.4% of the turnover of $32.2 million for FY1999. Turnover for heavy lift and haulage activities decreased by $6.3 million, while marine transportation and trading decreased by $3.2 million and $4.9 million respectively.

Turnover for heavy lift and haulage decreased by $6.3 million in FY1999 due mainly to (1) the general decline in equipment rental rates following the drop in construction demand in the second half of 1998; and (2) the contraction of construction activities in Malaysia and the postponement of certain major infrastructural projects in Indonesia due to the political uncertainties in Indonesia.

Turnover for marine transportation decreased by $3.2 million in FY1999 attributable to the slowdown in the overseas market.

Turnover for trading decreased by $4.9 million due mainly to lower sales of capital equipment in Singapore, demand for such equipment of which was dampened by the regional economic and financial crisis.

Operating profit decreased by $0.6 million or 11.4% in FY1999, a lower percentage decrease as compared to the decrease in turnover of 31.0%. Actual operating profit for the first seven months of FY1999 was $1.6 million, representing 34.2% of the estimated operating profit of $4.7 million for FY1999. The lower proportion of operating profit achieved for the first seven months of FY1999 was due mainly to the gain on sale of fixed assets being realised in the last quarter of FY1999. Heavy lift and haulage achieved an increase in operating profit of $0.5 million, while marine transportation and trading accounted for decreases of $0.7 million and $0.4 million respectively.

Heavy lift and haulage achieved a marginal increase in operating profit compared to the decline in turnover. Operating profit margin improved from 11.0% in FY1998 to 15.7% in FY1999. This was due mainly to (1) an increase in gain on sale of fixed assets of $1.8 million arising mainly from the sale of machinery by Tiong Woon Malaysia; (2) a decrease of $0.5 million in depreciation charge as the Group disposed of more machinery for heavy lift and haulage than it acquired; and (3) a decrease of $0.8 million in operating expenses due mainly to the reduction of $0.5 million in manpower expenses arising from the reduction in employers' CPF contribution and the Group's cost-cutting measures.

Operating profit for marine transportation decreased by $0.7 million due mainly to the decrease in turnover and reduced operating profit margin from 17.9% in FY1998 to 15.5% in FY1999.

Operating profit for trading decreased by $0.4 million due mainly to the fall in turnover and reduced operating profit margin from 5.6% in FY1998 to 2.4% in FY1999.

INTERESTED PARTY TRANSACTIONS

Save as disclosed below, no Director, substantial Shareholder or Executive Officer was or is interested in any material interested party transactions undertaken by the Group within the last three financial years.

(a) **Profitway Collections Sdn Bhd ("Profitway")**

Mr Ang Kah Hong has approximately 99.99% equity interest in Profitway, an investment holding company with an issued share capital of RM100,000. Profitway owns a property at Lot 13, Pulau Indah Industrial Park, West Port in Malaysia (the "Property").

An interest-free loan of approximately RM86,000 was extended by the Group to Profitway, through Tiong Woon Malaysia in FY1997 to finance the purchase of the Property. The loan was fully repaid in FY1998.

(b) **Amounts due to/from directors and ACKS**

Directors

Over the past three financial years, the directors had advances to/from the Group. Such advances were non-trade related and were extended without interest. The amounts due to/from the directors as at the end of each of the last three financial years were as follows:-

	<———	As at 30 June	———>
($'000)	**1996**	**1997**	**1998**
Due from directors	532	557	—
Due to directors	2,993	1,714	511
Net amount due to directors	2,461	1,157	511

The net amount due to the directors was used to meet the working capital requirements of the Group. The amount due to the directors as at 31 January 1999 was $499,532. There was no amount due from the directors as at 31 January 1999.

ACKS

The equity interests of Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King in ACKS were 32%, 36% and 32% respectively during the last three financial years. ACKS used to own three hydraulic cranes and two crawler cranes which were rented out exclusively to the Group. Equipment rentals to ACKS over the past three financial years were as follows:-

	FY1996	**FY1997**	**FY1998**
Group's purchases ($'000)	25,100	29,732	35,612
Equipment rentals to ACKS ($'000)	10	—	—
% of the Group's purchases (%)	0.04	—	—

In March 1996, ACKS sold the three hydraulic cranes to Tiong Woon CT for a cash consideration of $16,000 and the two crawler cranes to an unrelated party.

In addition, ACKS extended loans to Tiong Woon CT prior to FY1996. Interest at 8% per annum was charged on the amount outstanding of $923,791 as at 1 July 1995. No further loans were extended thereafter. Both principal and interest on the loans outstanding were fully repaid in FY1997.

(c) **Chung Hwa Engineering Construction Pte Ltd ("CHEC")**

CHEC is principally engaged in sheet piling activities as well as rental of construction equipment, crawler cranes and other equipment. Mr Ang Kah Hong is a non-executive director of CHEC and holds a 33% equity stake in CHEC. CHEC rents crawler cranes from the Group from time to time based on rental rates charged to unrelated parties. Equipment rentals from CHEC over the past three financial years were as follows:-

	FY1996	**FY1997**	**FY1998**
Group's turnover ($'000)	38,226	38,801	46,639
Equipment rentals from CHEC ($'000)	10	11	52
% of the Group's turnover (%)	0.03	0.03	0.1

The Group intends to continue the business relationships with CHEC as long as it is beneficial for the Group to do so. All rental rates will continue to be based on market rates and will be reviewed by the Audit Committee to ensure that they are fair and reasonable.

(d) **King Chuan Trading Pte Ltd ("KCT")**

Mr Ang Kha King has a 50% equity interest in KCT which has a paid-up share capital of $2. KCT, which owned two prime-movers and two 40-foot trailers, was engaged primarily in the provision of transport services. To cope with occasional increases in demand, the Group had, in the past, rented transport equipment from KCT. Equipment rentals to KCT over the past three financial years were as follows:-

	FY1996	**FY1997**	**FY1998**
Group's purchases ($'000)	25,100	29,732	35,612
Equipment rentals to KCT ($'000)	37	36	100
% of the Group's purchases (%)	0.1	0.1	0.3

On 10 March 1998, KCT sold its two prime-movers and two trailers to the Group for $57,000 in cash. KCT ceased operation since the disposal of its assets.

(e) **King Leong Trading ("KLT")**

KLT, a partnership set up by Messrs Ang Kah Leong and Ang Kha King, was involved mainly in sourcing for temporary workers for the Group exclusively. Whenever necessary, the Group would employ temporary workers to cope with additional work arising from new jobs or projects. Based on the Group's employment needs, KLT would then source and sub-contract these temporary workers to the Group. KLT was reimbursed on all costs and expenses incurred in employing the temporary workers and it also charged an administrative fee of 1% on the costs incurred. Payments to KLT for temporary workers over the past three financial years were as follows:-

	FY1996	**FY1997**	**FY1998**
Group's purchases ($'000)	25,100	29,732	35,612
Payments to KLT for temporary workers ($'000)	839	896	588
% of the Group's purchases (%)	3.3	3.0	1.7

On 14 January 1998, the partnership was dissolved. Since then, the Group had been sourcing its temporary workers from the labour market directly.

(f) **Lock Wee Engineering & Construction Pte Ltd ("LWEC")**

Mr Ang Kah Lock, a brother of Messrs Ang Kah Hong, Ang Kha King and Ang Kah Leong, is a 40% shareholder and director of LWEC. The remaining 60% interest in LWEC is held by Mr Ang Kah Lock's wife, Ms Poh Kim Hui. LWEC is engaged in the rental of crane and heavy haulage equipment. Equipment rentals to LWEC over the past three financial years were as follows:-

	FY1996	**FY1997**	**FY1998**
Group's purchases ($'000)	25,100	29,732	35,612
Equipment rentals to LWEC ($'000)	—	1	117
% of the Group's purchases (%)	—	neg	0.3

Equipment rentals from LWEC over the past three financial years were as follows:-

	FY1996	**FY1997**	**FY1998**
Group's turnover ($'000)	38,226	38,801	46,639
Equipment rentals from LWEC ($'000)	—	1	31
% of the Group's turnover (%)	—	neg	0.07

The Group intends to continue with its business relationship with LWEC as long as it is beneficial for the Group to do so. All rental rates will continue to be based on market rates and will be reviewed by the Audit Committee to ensure that they are fair and reasonable.

(g) **Pollisum Engineering (Pte) Ltd ("Pollisum")**

Mr Ang Kah San, a brother of Messrs Ang Kah Hong, Ang Kha King and Ang Kah Leong, is a 60% shareholder and director of Pollisum. Pollisum is engaged in the rental of crane and heavy haulage equipment. The remaining 60% interest in Pollisum is held by Mr Ang Kah San's wife, Ms Tai Yock Lian. Based on its needs and the availability of equipment, the Group will either rent equipment to or from Pollisum based on prevailing market rates. Set out below are the related party transactions between Pollisum and the Group over the past three financial years:-

	FY1996	**FY1997**	**FY1998**
Group's turnover ($'000)	38,226	38,801	46,639
Equipment rentals from Pollisum ($'000)	—	—	2
% of the Group's turnover (%)	—	—	neg

Transactions between the Group and Pollisum are relatively few and insignificant in value. The Group may carry out similar transactions in future if it is beneficial for the Group to do so. However, all rental rates will continue to be based on market rates and will be reviewed by the Audit Committee to ensure that they are fair and reasonable.

(h) **Partnerships with Employees**

On 1 December 1995, the Group, through Tiong Woon Enterprise, entered into a partnership, named TW5 Crane Services, with Mr Tan Swee Khim, an Executive Director. Tiong Woon Enterprise and Mr Tan owned 60% and 40% shareholding interests respectively in TW5 Crane Services. TW5 Crane Services was engaged in the rental of cranes exclusively to the Group. The partnership was set up with the initial intention to reward valued employees through shared ownership and thereby encouraging them to continue their services with the Group. All rental payments to the partnership were based on prevailing market rates.

Equipment rentals to TW5 Crane Services over the past three financial years were as follows:-

	FY1996	**FY1997**	**FY1998**
Group's purchases ($'000)	25,100	29,732	35,612
Equipment rentals to TW5 Crane Services ($'000)	49	104	9
% of the Group's purchases (%)	0.2	0.3	0.03

TW5 Crane Services ceased operations with effect from 22 November 1997.

(i) **Dealings with Non-Executive Directors**

From time to time, the Group engages the services of Rajah & Tann, a law firm, for some of its legal matters. Mr Chandra Mohan s/o Rethnam, a non-executive director of the Group, is a partner in the firm.

Another non-executive director, Mr Wong King Kheng, the managing partner of Soh, Wong & Partners, a public accounting firm, is sometimes engaged to provide financial advisory services to the Group.

All the above transactions are conducted at arms' length.

Save as disclosed above, none of the Directors, substantial Shareholders or Executive Officers has any interest in any company carrying on the same business or dealing in similar products as the Group.

Review Procedures for Future Interested Person Transactions

The Directors envisage that the Group, in its ordinary course of business, is likely to enter into interested party transactions with interested persons of the Company, including CHEC and LWEC, in the future.

The Directors will ensure that all future business dealings between the Group and its interested parties will be conducted on an arm's length basis by undertaking the following procedures:-

(a) market rates will be used as benchmarks for interested party transactions. Two or three quotations will be obtained from unrelated third parties for the purpose of comparison;

(b) should any future business dealings between the Group and its interested parties be on less favourable terms to the Group, prior approval from the Board will be obtained; and

(c) all interested party transactions will be reviewed semi-annually by the Audit Committee or as and when it deems necessary.

Each interested party transaction will be properly documented and submitted to the Audit Committee which will periodically review all interested party transactions to ensure that they are carried out on normal arm's length and commercial terms. In the event that a member of the Audit Committee is interested in any interested party transaction, he will abstain from reviewing that particular transaction. The Audit Committee will include the review of interested party transactions as part of the standard procedures while examining the adequacy of internal controls of the Group. It will also ensure that all disclosure requirements on interested party transactions, including those required by prevailing legislation, SES listing rules and accounting standards are complied with.

DIRECTORS, MANAGEMENT AND STAFF

Directors

The Board of Directors is entrusted with the responsibility for the overall management of the Company. The particulars of the Directors are as follows:-

Name	Age	Address	Current Occupation
Ang Kah Hong	48	15 Jalan Lengkok Sembawang Singapore 759205	Group Chairman & Managing Director
Ang Kah Leong	57	22 Jalan Hikayat Singapore 769866	Executive Director
Ang Kha King	45	24 Jalan Hikayat Singapore 769868	Executive Director
Tan Swee Khim	42	51 Serangoon Terrace Singapore 535786	Executive Director
Mark Yeo Wee Tiong	35	37C Shelford Road Singapore 288430	Investment Manager
Ong Kai Seong	49	24 Sian Tuan Avenue Singapore 588298	Investment Manager
Wong King Kheng	46	411 Sixth Avenue Singapore 276580	Certified Public Accountant

Name	Age	Address	Current Occupation
Chandra Mohan s/o Rethnam	36	36A Dunearn Road #03-01 Singapore 309426	Lawyer
Chua Gah Hok (alternate to Ong Kai Seong)	40	76 West Coast Terrace Singapore 127268	Investment Manager

Messrs Ang Kah Hong, Ang Kah Leong and Ang Kha King are brothers. Save as disclosed, none of the Directors are related to one another or to the substantial Shareholders.

Independent Directors/Audit Committee

Messrs Wong King Kheng and Chandra Mohan s/o Rethnam are the independent Directors. The Audit Committee comprises Messrs Tan Swee Khim, Wong King Kheng and Chandra Mohan s/o Rethnam.

Management

The day-to-day operations of the Group are entrusted to the Executive Directors who are assisted by a team of executive officers (the “Executive Officers”), whose particulars are as detailed below:-

Name	Age	Address	Current Occupation
Lee Kum Mun	34	15 Jalan Lengkok Sembawang Singapore 759205	Group General Manager
Luciana Jasman	39	Blk 287C Jurong East Street 21, #19-322 Singapore 603287	Group Accounting Manager
Ng Geok Choo	33	Blk 818 Woodlands Street 82, #08-401 Singapore 730818	Administration Manager
Ang Siew Chien	23	15 Jalan Lengkok Sembawang Singapore 759205	Human Resources Executive
Joseph Lee Huat Cherh	29	Blk 328 Woodland Street 32, #08-65 Singapore 640472	Assistant Marketing Manager
Yeo Boon Chuan	37	Blk 832 Yishun Street 81, #03-442 Singapore 760832	Operations Manager
Hartmut F. W. Matz	56	Blk 222 Pasir Ris Street 21, #04-122 Singapore 510222	Marine Superintendent
Lim Kok Yeong	35	Blk 9 Eunos Crescent, #07-2693 Singapore 400009	Assistant Workshop Manager
Tan Kwee Peng	33	Blk 249 Choa Chu Kang Avenue 2, #11-476 Singapore 680249	Operations & Administration Manager – Marine

Mr Lee Kum Mun is the husband of Ms Ang Siew Chien, who is the daughter of Mr Ang Kah Hong.

Save as disclosed above, none of the Directors and Executive Officers are related to one another or to the substantial Shareholders. Further information on the Directors and the Executive Officers is set out on pages 81 to 85 of this Prospectus under the "General and Statutory Information".

Staff

As at 30 June 1999, the Group had a total of 334 employees comprising 13 management staff and 321 non-management staff. The employees do not belong to any union. The relationship and co-operation between management and staff has been good and this relationship is expected to continue in the future. There has not been any industrial dispute in the Group. There have been no material work stoppages or any labour disagreements during the past three years.

Directors' Remuneration

The remuneration including accrued bonus paid to the existing directors on an aggregate basis and in remuneration bands for FY1998 and FY1999 are as follows:-

(i) Aggregate directors' remuneration:-

FY1997			FY 1998		
Executive Directors	Non-Executive Directors	Total	Executive Directors	Non-Executive Directors	Total
$559,000	—	$559,000	$592,590	—	$592,590

(ii) Number of directors in remuneration bands:-

	FY1997			FY 1998		
	Executive Directors	Non-Executive Directors	Total	Executive Directors	Non-Executive Directors	Total
$500,000 and above	—	—	—	—	—	—
$250,000 to $499,999	—	—	—	—	—	—
$0 to $249,999	4	3*	7	4	3*	7

* including an alternate Director

SERVICE AGREEMENTS

Messrs Ang Kah Hong, Ang Kha King, Ang Kah Leong and Tan Swee Khim (the "Appointees") have entered into separate service agreements with the Company under which Mr Ang Kah Hong has been appointed as Group Chairman and Managing Director, and Messrs Ang Kha King, Ang Kah Leong and Tan Swee Khim have been appointed as Executive Directors.

The service agreements are valid for an initial period of three years and can be terminated by either party giving written notice of not less than six months. The Company may also terminate the service agreements, without prior notice, upon the occurrence of certain specified events, including wilful breach of duties, or if an Appointee has been unable to discharge in full his duties for 120 days or more in the preceding 24 months due to ill-health or accident.

The Appointees may not be engaged or interested in any business which would compete with the Group during the period of their employment and 12 months after termination of employment. There are exceptions to the restrictions on being interested/holding directorships in other companies with regard to Mr Ang Kah Hong's shareholding and directorship in Profitway, CHEC and Chung Hwa Engineering Construction Sdn Bhd and Mr Ang Kha King's shareholding and directorship in KCT (see section on Interested Party Transactions as set out on pages 50 to 52 of this Prospectus). An amount equal to the basic salary is payable during the period of the post termination restriction.

Pursuant to these service agreements, Mr Ang Kah Hong receives a monthly salary of $12,000 while Mr Tan Swee Khim receives $10,000 with Mr Ang Kha King and Ang Kah Leong each receiving $9,600 per month with effect from 1 September 1999. Each director is also entitled to the use of a motorcar, a club membership which will be given to the Appointee if he remains in the employment of the Company on 1 July 2005, medical benefits (for himself and his immediate family) and other benefits as provided in the Group Employees' Handbook. The Appointees are entitled to the usual wage supplement of one month's salary and a year-end bonus in line with the Company's normal employee bonus rate, and are also entitled to participate in a profit sharing incentive scheme based on the performance of the Group for each financial year as follows:-

Profit	**Incentive Bonus each Appointee Entitled to**
$3.5 million < Profit ≤ $4.5 million	1.0% of Profit
$4.5 million < Profit ≤ $5.0 million	$45,000 plus 1.5% of Profit in excess of $4.5 million
$5.0 million < Profit ≤ $5.5 million	$52,500 plus 2.0% of Profit in excess of $5.0 million
$5.5 million < Profit ≤ $6.0 million	$62,500 plus 2.5% of Profit in excess of $5.5 million
Profit > $6.0 million	$75,000 plus 3.0% of Profit in excess of $6.0 million

For this purpose, "Profit" means the audited consolidated profit before taxation and before profit sharing (excluding gains on non-recurring exceptional items and extraordinary items) but after minority interests of the Group for the relevant financial year.

For FY1998, the aggregate executive directors' remuneration (including directors' fees, CPF contribution and profit sharing but excluding benefits-in-kind) amounted to 11.2% of the Group's profit before taxation.

Had the proposed service agreements been in existence in FY1998, the Group's profit before taxation for FY1998 would have been approximately $5.2 million instead of $5.5 million and the aggregate remuneration (including directors' fees, CPF contribution and profit sharing but excluding benefits-in-kind) payable to the Appointees would have been $0.9 million instead of $0.6 million, representing approximately 17.3% of the Group's adjusted profit before taxation for FY1998.

The aggregate remuneration (including directors' fees, CPF contribution and profit sharing but excluding benefits-in-kind) payable for FY1998 assuming the Service Agreements of the Appointees had been in existence in the last audited financial year and taking into account the remuneration payable to the relatives of the controlling Shareholders (namely the Executive Officers, Mr Lee Kum Mun and Ms Ang Siew Chien and the clerical staff, Ms Ang Li Fern and Ms Ang Li Ling, the daughters of Mr Ang Kha King) would have been approximately $1.1 million instead of $0.8 million and the Group's profit before taxation for FY1998 would have been approximately $5.2 million instead of $5.5 million.

Each Executive Officer has an employment contract with the Company. Standard terms allow either party to terminate by giving the other one month's written notice.

The Audit Committee will meet periodically to review and approve the remuneration of the Appointees and the employees who are related to the controlling Shareholders. The total remuneration paid to the Appointees and employees who are related to the controlling Shareholders will be disclosed in the annual report of the Company in the event that such remuneration exceeds 15% of the profit before taxation of the Group for that financial year.

Save as disclosed above, there are no other existing or proposed service agreements between the Company or its Subsidiaries and any Director or Executive Officer.

PROPERTIES AND FIXED ASSETS

The following properties are owned by the Group:-

Location	Description	Land Area	Tenure/ Unexpired Term	Monthly Rental $	Net Book Value as at 31 January 1999 $	Desktop Valuation $
13 Pandan Crescent, Singapore 128469	Industrial Property	29,989 sq m	20 years with effect from 1 October 1994	NA	2,324,916	3,000,000*
15 Pandan Crescent, Singapore 128470	Industrial Property	20,734 sq m	20 years with effect from 1 October 1994	NA	2,305,030	3,150,000*

* Based on desk-top valuation by Jones Lang Lasalle on 1 June 1999. The aggregate surplus on revaluation of the above properties of $1.5 million has not been taken into the books of the Group.

As at 31 January 1999, the Group's fixed assets had an aggregate net book value of approximately $42.6 million, including machinery of $30.3 million, and tugboats and barges of $7.0 million. The total desktop valuation of the machinery and tugboats as valued by Jones Lang Lasalle in May 1999 was $53.4 million. The aggregate surplus on revaluation on the Group's machinery, tugboats and barges (as compared against their net book values as at 31 January 1999) of $16.1 million has not been taken into the books of the Group.

DIRECTORS' REPORT

3 September 1999

The Shareholders
Tiong Woon Corporation Holding Ltd
13 & 15 Pandan Crescent
Singapore 128470

Dear Sirs

This report has been prepared for inclusion in the prospectus dated 3 September 1999 (the "Prospectus") in connection with the invitation in respect of 56,600,000 ordinary shares of $0.10 each in the capital of Tiong Woon Corporation Holding Ltd (the "Company") comprising 33,800,000 New Shares and 22,800,000 Vendor Shares.

On behalf of the Directors of the Company, I report that, having made the due inquiry in relation to the interval between 31 January 1999, the date to which the last audited accounts of the Company and its Subsidiaries were made up, and the date hereof, being a date not earlier than 14 days before the issue of this Prospectus, and:-

(i) in the opinion of the Directors, the business of the Company and its Subsidiaries has been satisfactorily maintained;

(ii) in the opinion of the Directors, no circumstances have arisen since the last Annual General Meeting of the Company which would adversely affect the trading or the value of the assets of the Company and its Subsidiaries;

(iii) the current assets of the Company and its Subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) save as disclosed in the Accountants' Report on page 77 of this Prospectus, there are no contingent liabilities by reason of any guarantees given by the Company or its Subsidiaries; and

(v) save as disclosed on pages 17, 19, 21, 49 and 50 of this Prospectus, there has been no change in the published reserves or any unusual factor affecting the profits of the Company and its Subsidiaries since the date that the last audited accounts were made up to.

Yours faithfully
for and on behalf of the
Board of Directors

Ang Kah Hong
Group Chairman and Managing Director
Tiong Woon Corporation Holding Ltd

PROSPECTUS DATED 3 SEPTEMBER 1999

Application has been made to the Stock Exchange of Singapore Limited (the "SES") for permission to deal in and for quotation of all the ordinary shares of $0.10 each (the "Shares") in the capital of Tiong Woon Corporation Holding Ltd (the "Company") already issued and the new Shares (the "New Shares") which are part of the subject of this Invitation. Such permission will be granted when the Company has been admitted to the Official List of the SES.

Acceptance of applications will be conditional upon permission being granted to deal in and for quotation of all the issued Shares as well as the New Shares. Moneys paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's risk, if the said permission is not granted.

The SES assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SES is not to be taken as an indication of the merits of the Invitation, the Company, its subsidiaries or the Shares.

A copy of this Prospectus has been lodged with and registered by the Registrar of Companies and Businesses in Singapore who takes no responsibility for its contents.

TWC 長運

TIONG WOON CORPORATION HOLDING LTD

(Incorporated in the Republic of Singapore on 21 August 1997)

Invitation in respect of 56,600,000 Shares of $0.10 each comprising 33,800,000 New Shares and 22,800,000 Vendor Shares:-

(1) 11,320,000 Offer Shares at $0.20 for each Offer Share by way of public offer; and

(2) 45,280,000 Placement Shares by way of placement, comprising:-

(i) 39,620,000 Placement Shares at $0.20 for each Placement Share; and

(ii) 5,660,000 Reserved Shares at $0.20 for each Share reserved for employees and business associates of the Group,

payable in full on application

Manager, Underwriter and Placement Agent

OUB

OVERSEAS UNION BANK LIMITED