

Company Announcement



Boustead Singapore Limited
(Co. Reg. No. 197501036K)

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RESPONSE TO SGX QUERIES ON FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR TWELVE MONTHS ENDED 31 MARCH 2010

Singapore, 1 June 2010

The Board of Directors of Boustead Singapore Limited ("Boustead" or the "Company") wishes to provide the following additional information in response to queries received from the Singapore Exchange Limited ("SGX") on 31 May 2010 regarding the Company's financial statements and dividend announcement for the twelve months ended 31 March 2010 ("FY2010"):

SGX Query

- a) We note that in the balance sheet that trade receivables increased by 16.2% to S\$111.4 million. This is despite the 15% fall in revenue. In view of this, please provide the following:
- i) Breakdown of the material items contributing to the increase in trade receivables;
 - ii) Elaborate on the reasons for the increase in trade receivables;
 - iii) Receivables turnover ratio for the current quarter as compared to the corresponding period and elaborate on any material variances; and
 - iv) Directors views on whether the provision for doubtful debts is adequate and the basis for their views.

Company's Response

- i) A breakdown of the attributable factors for the increase in trade receivables:

	<u>FY2010</u>	<u>FY2009</u>
	S\$'000	S\$'000
Year-to-Date December	78,093	90,564
January to March billings (net of receipts)	33,386	5,379
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Trade receivables at balance sheet date	111,479	95,943
	=====	=====

- ii) The increase in trade receivables was attributable to substantial billings in the quarter ended 31 March 2010 ("4QFY2010") which included material progressive billings to a Fortune 500 corporation for the sale of an industrial leaseback asset that was announced in December 2009. As at 31 March 2010, S\$64.3 million had

been billed and S\$15 million remained in trade receivables. As legal completion for the leaseback asset was not finalised by the end of March 2010, no revenue had been recognised on the sale.

iii)	<u>4Q FY2010</u>	<u>4Q FY2009</u>
Trade receivables turnover ratio	0.91	2.00
Revenue for the Quarter (S\$'000)	101,608	191,433
Trade receivables at end of Quarter (S\$'000)	111,479	95,943

The significant decline in the turnover ratio was due to substantial decline in revenue recognised in 4Q FY2010, despite significant billings during the quarter, including the material progressive billings to the Fortune 500 corporation mentioned above. As explained previously, of the S\$64.3 million that had been billed to the Fortune 500 corporation, S\$15 million remained outstanding as trade receivables at 31 March 2010. However, the corresponding revenue from the sale of the leaseback asset had not been recognised as legal completion was not finalised by 31 March 2010.

- iv) Based on the unaudited financial statements, trade receivables amounting to approximately S\$10.9 million were past due at the reporting date but not impaired. Approximately S\$8 million was retention sum receivable.

As there has not been a significant change in credit quality, the directors are of the view that the provision for doubtful debts as at 31 March 2010 is adequate.

SGX Query

- b) We note in the income statement, despite the decrease of cost of sales by 18% to S\$305.8 million; trade and other payables rose by 41.8% to S\$225.5 million. The above was attributed to the deferred revenue to the Fortune 500 Corporation. Please elaborate on the reasons for such deferred revenue and also provide a breakdown of the significant items.

Company's Response

We repeat our response to part a) i) and ii) above, and add that the billings for the sale of the leaseback asset were made in accordance with the specified milestones in the payment schedule of the sales and purchase agreement. The billings were not recognised as revenue but were recorded as deferred revenue in trade and other payables as at 31 March 2010 as the legal completion of the sale had not been finalised 31 March 2010.

SGX Query

- c) We note that in the balance sheet, contracts work-in-progress fell 72.1% from S\$27.7 million to S\$7.7 million. This change is significant; kindly provide the factors and breakdown which have led to the above decrease.

Company's Response

The work-in-progress for contracts for which progress billings exceeded costs incurred fell from S\$27.7 million as at 31 March 2009 to S\$7.7 million as at 31 March 2010. Included in progress billings as at 31 March 2009 was an advance received for the water infrastructure system project in Libya amounting to approximately S\$17.5 million. In FY2010, the Boustead Group had amicably withdrawn its participation in the project and as a result, the progress billings were written-off in FY2010. This write-off accounted significantly for the decline.

By Order of the Board

Loh Kai Keong
Executive Director & Group Chief Financial Officer