



**HOR KEW CORPORATION LIMITED**  
(Reg. No. 199903415K)

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## RESPONSE TO SGX QUERIES

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The Board of Directors (the '**Board**') of Hor Kew Corporation Limited (the '**Company**') wishes to provide the following information in response to SGX's queries received on 20 March 2014 relating to the Company's full year results announcement released on 1 March 2014:-

### **Query 1:**

The Company explained that the increase in the Group's revenue in FY2013 (from FY2012) was "due to increases in revenue generated from all its operating segments." Please provide a discussion on the factors which resulted in the increase in revenue from all operating segments.

### **Company's response:**

The increase in revenue from all operating segments resulted mainly from substantial progress in on-going property development projects, constructions contracts and prefabrication contracts due to completion requirement.

### **Query 2:**

The Company reported a fair value loss on derivative financial instruments of S\$3.2 million for FY2013. Please provide details on the derivative instrument and reason for the significant fair value loss.

### **Company's response:**

Derivative financial instruments refer to forward foreign exchange contracts denominated in Australian Dollars and US Dollars entered into by the Group. The fair value loss arose from differences between the contracted values of these forward foreign currency contracts and their estimated fair values based on market conditions as at 31 December 2013.

### **Query 3:**

The Company explained that "gross profit of the Group increased at a lower rate of 38% as provisions have been made for potential rises in costs for on-going projects". Please provide disclosure of the causes for the potential rise in costs for on-going projects.

### **Company's response:**

Potential rises in costs for on-going projects mainly result from increases in labour and subcontractor costs.

### **Query 4:**

The Company recorded "impairment loss on available-for-sale financial sets (\$1.1 million) and loss of foreign exchange (\$1.2 million)" in FY2013. Please provide a discussion on the factors which resulted in (i) impairment loss on available-for-sale financial assets and (ii) loss of foreign exchange.

### **Company's response:**

- (i) Impairment loss on available-for-sale financial assets arose from fair value loss on quoted shares listed in SGX held by the Group as at 31 December 2013.
- (ii) Loss of foreign exchange arose from structured/fixed deposits denominated in foreign currencies held by the Group.

**Query 5:**

The Company commented in paragraph 10 of the Results Announcement that “Construction industry has been facing upward pressure in costs in past years but public housing tender prices do not fully reflect such rises in costs, The Group will take measures to control costs to complete on-going projects and be cautious in tendering for new projects.” Please provide details and a discussion how these may affect the group in the next reporting period and the next 12 months.

**Company’s response:**

The rise in costs will significantly abate the profit margin of constructions projects of the Group in the next reporting period and the next 12 months. Sale performance of the property development division will be the key driver to the Group’s profitability in the next reporting period and the next 12 month. However, with the on-going property cooling measures and loan quantum restriction, the private residential property market is very challenging.

**BY ORDER OF THE BOARD**

MS KOH EE KOON  
COMPANY SECRETARY  
24 March 2014