



## Teckwah Industrial Corporation Ltd

Co. Reg. No. 197201105E

### **Response to query from SGX–ST**

### **Re: Full Year Financial Statement released on 23 February 2007**

In response to query from SGX–ST dated 26 February 2007, the Board of Directors of Teckwah Industrial Corporation Ltd would like to provide the following information:-

#### Query:

Under the income statement and performance review, we note that there is a foreign exchange loss of S\$1 million. Please provide the factors causing a foreign exchange loss of \$1 million and please disclose underlying item which resulted in this loss.

#### Reply:

The Group's forex exposure is predominantly from US Dollars. Since the beginning of the year, the strong Singapore Dollar has appreciated against the US Dollars with the exchange rates reducing from 1.66 (as at 31 December 2005) to 1.54 (as at 31 December 2006). This resulted in foreign exchange losses to the Group from collections denominated in US Dollars as well as from the revaluation of receivables that are denominated in US Dollars. At the same time, there are also unrealised forex losses from loans to subsidiaries that are denominated in currencies that have depreciated against the Singapore Dollars.

Unrealised loss arising from foreign currency revaluation as at 31 December 2006 was approximately \$0.4 million while the remaining \$0.6 million were realised exchange losses arising from timing differences between transaction and settlement dates. As part of its Risk Management Policies, the Group has adopted the use of natural hedging practices instead of the more complex financial derivative contracts to manage its foreign currency risk.

Submitted by Lo Swee Oi, Company Secretary on 28 February 2007 to the SGX