

**HERSING CORPORATION LTD**  
(Company Registration No. 199706986E)

**FULL YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 (“RESULTS ANNOUNCEMENT”)**

We refer to SGX queries on our Results Announcement and append further explanations below.

(a) Query

We note on Pg 4 of the results announcement that the Company recorded a “Net Fair value gain of S\$1.1m, as compared to a loss of S\$0.18m in FY2008. Please provide details of the circumstances giving rise to the fair value gain and the nature of financial assets available for sale.

Explanation

When the Group sold its building at Kallang Way to Cambridge Industrial Trust, the consideration received consisted of cash and Cambridge Shares which are listed on the Singapore Exchange. These quoted securities are held as long term investments by the Group. In accordance with the Group’s accounting policy, these investments are measured at fair value and any gains or losses from changes in fair values are recognized directly in the fair value adjustment reserve in equity, except that impairment losses are recognized in the profit and loss account.

In year 2008, the Group suffered an impairment loss of \$2.443 million on its holding of the Cambridge Shares. The impairment loss was recognized in the Profit and Loss account in the year. The Group also suffered a loss from changes in fair value of its other investments in quoted shares of S\$0.18 million and this loss was reflected as a fair value loss in the Statement of Comprehensive Income for year 2008 and included in Equity in the Balance Sheet under Fair value adjustment reserve. As these investments are quoted on the Singapore Exchange, the closing market prices of the investments as at 31 December are taken as the fair values.

The market prices of the Group’s investments in these quoted securities have appreciated during the year 2009 and the increase in fair values of these quoted securities since 31 December 2008, amounting to \$1.1 million, were shown in the Statement of Comprehensive Income for year 2009 and included in Equity in the Balance Sheet under Fair value adjustment reserve.

(b) Query

The Company disclosed on Pg 19 of the results announcement that “recovery in the local property market which began in 2Q 2009 continued into 4Q 2009 which benefited the Group’s real estate segment materially”. Please elaborate further and provide details of how the Group’s real estate segment has benefited materially.

#### Explanation

Across all property types, transaction numbers remained at 2008 levels in the beginning of 2009. A turnaround in market sentiments was noted around mid year 2009 when a rapidly recovering real estate sector resulted in transaction numbers to pull away from 2008 lows. The trend continued throughout the second half of 2009 with the results that total number of transactions of all property type recorded in 2009 were well in excess of transactions closed in 2008.

Property Transactions Recorded in Singapore	YR 2007	YR 2008	YR 2009
HDB Resale	29,436	28,419	37,205
Private New Sales	14,811	4,264	14,688
Private Resale and Sub-Sales	25,843	9,378	18,129
Total Transactions	70,090	42,061	70,022
Group's Real Estate Segment Total Revenue S\$( '000)	S\$171,653	S\$124,613	S\$175,297

Notwithstanding a slight drop in total transactions in 2009 when compared to 2007, total revenue of the Group's real estate segment registered an increase of S\$3,644 million over 2007. The Group's real estate segment continued to outperform its key competitors through enlarging its market share.

#### (c) Query

Noting that the "Trade receivables" comprises 58.4% of the Company's NAV, and the balance increased by 201% from S\$13.1m to S\$39.6m while "Turnover" increased by 34.4% from S\$156.7m to S\$210.7m, please provide the following information:-

- (i) Breakdown of the increase in trade receivables attributable to (a) inclusion of EPL and (b) increase in volume of the real estate segment
- (ii) Elaborate on the reasons for the increase in trade receivables; and
- (iii) The Company's views whether provision for doubtful debt is adequate and the basis for its views.

#### Explanation

Details of the Group's trade receivables as at 31 December were as follows:-

Trade Receivables by Segment	YR 2008	YR 2009
	S\$'000	S\$'000
Real Estate	10,641	37,346
Financial Services	2,182	1,971
Self Storage	302	260
Total	13,125	39,577

- (i) (a) The Group acquired 100% of the issued capital of Electronics Realty Associates Pte Ltd (“EPL”) in February 2009. EPL’s trade receivables as at 31 December 2009 included for the first time in the Group’s trade receivables amounted to S\$12.180 million.
- (b) Excluding EPL’s trade receivables, the increase in the real estate trade receivables was S\$14.525 million.
- (ii) The increase in the real estate trade receivables was principally due to the increase in volume in 2009, particularly in the second half of 2009.
- (iii) The Company is of the view that adequate provision has been made for doubtful debts as the debts outstanding as at 31 December 2009 were not past due and within normal credit period allowed as follow -

Real Estate Segment	YR 2008	YR 2009
	S\$’000	S\$’000
Not past due	7,666	29,177
Past due up to 30 days	1,566	3,371
Past due 31 to 60 days	391	1,352
Past due 61 to 90 days	202	1,667
Past due more than 90 days	3,194	7,876
Total Gross Receivables	13,019	43,443
Provision for doubtful debts	(2,378)	(6,097)
Net Receivables	10,641	37,346

The total provision for doubtful debts of S\$6,097 million as at 31 December 2009 included provision made by EPL, prior to it being acquired, of S\$5.402 million. The movement in provision for doubtful debts is set out below:-

Real Estate Segment	S\$’000
Provision as at 1 January 2009	2,378
Add : Provision taken over upon acquisition of EPL as a subsidiary in February 2009	5,402
Less : Bad debts written off against provision	(712)
Less : Provision no longer required written back to Profit and Loss Account net of additional provision made during year	(971)
Provision as at 31 December 2009	6,097

(d) Query

Noting that the Company's "Trade Payables and accruals" increased by 155.3% from S\$19.0m to S\$48.6m while "Direct Cost" only increased 35.7% from S\$126.6m to S\$171.8m, please provide the following information:-

- (i) Reasons for the increase in trade payables; and
- (ii) Breakdown of the increase in trade payables attributable to EPL and the real estate segment

Explanation

Details of the Group's trade payables and accruals as at 31 December were as follows:-

Trade Payables and Accruals by Segment	YR 2008	YR 2009
	S\$'000	S\$'000
Real Estate	13,673	42,216
Financial Services	5,052	5,426
Self Storage	292	926
Total	19,017	48,568

- (i) Trade payables included the provision for agents' commission payable to the real estate agents. Commission is only payable to the agents upon receipts of amount owing by the trade receivables. The increase in transaction volume in 2009 had resulted in an increase in trade receivables and the corresponding increase in trade payables.
- (ii) EPL's trade payables and accruals as at 31 December 2009 included for the first time in the Group's trade payables and accruals amounted to S\$13.259 million. Excluding EPL's trade payables and accruals, the increase in the real estate trade payables and accruals was S\$15.284 million.

By Order of the Board

Chua Khee Hak  
Director  
3 March 2010