Swee Hong Limited

Second Quarter and Half Year

Unaudited Financial Statement

For the Period Ended

31 December 2013

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) Group income statement, together with comparative statement for the corresponding period of the immediately preceding financial year

	The Group			The Group		
	Current second quarter ended 31 December 2013	Previous second quarter ended 31 December 2012	Increase/ (Decrease)	Current half year ended 31 December 2013	Previous half year ended 31 December 2012	Increase/ (Decrease)
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	9,669	8,338	16.0	17,512	19,428	(9.9)
Cost of works	(9,688)	(8,526)	13.6	(19,183)	(15,746)	21.8
Gross (loss)/profit	**(19)**	**(188)**	89.9	**(1,671)**	**3,682**	(145.4)
Other gains - net	44	144	(69.4)	76	248	(69.4)
Expenses						
- Distribution and marketing	(16)	(27)	(40.7)	(24)	(31)	(22.6)
- Administrative	(5,466)	(2,048)	166.9	(8,098)	(4,448)	82.1
- Finance	(45)	(49)	(8.2)	(75)	(82)	(8.5)
Loss before income tax	**(5,502)**	**(2,168)**	153.8	**(9,792)**	**(631)**	1,451.8
Income tax credit/(expense)	94	127	(26.0)	94	(49)	(291.8)
Net loss	**(5,408)**	**(2,041)**	165.0	**(9,698)**	**(680)**	n.m.

n.m. denotes not meaningful

(i) Consolidated Statement of comprehensive income for the Second Quarter and Half Year ended 31 December 2013

	The Group			The Group		
	Current second quarter ended 31 December 2013	Previous second quarter ended 31 December 2012	Increase/ (Decrease)	Current half year ended 31 December 2013	Previous half year ended 31 December 2012	Increase/ (Decrease)
	S$'000	S$'000	%	S$'000	S$'000	%
Net loss	(5,408)	(2,041)	165.0	(9,698)	(680)	n.m.
Other comprehensive income						
Financial assets, available-for-sale						
- Fair value gains	4	18	(77.8)	27	34	(20.6)
Currency translation differences arising from consolidation	-*	-*		-*	-*	
Other comprehensive income, net of tax	4	18	(77.8)	27	34	(20.6)
Total comprehensive loss	**(5,404)**	**(2,023)**	(167.1)	**(9,671)**	**(646)**	n.m.

*Amount below S$1,000

n.m. denotes not meaningful

(ii) Notes to the income statement

Breakdown of Other Gains

		The Group			The Group	
		Current second quarter ended 31 December 2013	Previous second quarter ended 31 December 2012		Current first half ended 31 December 2013	Previous first half ended 31 December 2012
		S$'000	S$'000		S$'000	S$'000
Other gains - Net						
Foreign exchange (losses)/gains - net		(4)	26		(7)	29
Dividend income		-	-		6	5
Gains on disposal of property, plant and equipment		11	-		7	19
Interest income - bank		20	25		39	35
Government grant		15	21		15	47
Income from the sales of scrap		2	-		16	-
Income from cross deployment of foreign worker		-	75		-	106
Rental of Machinery		-	8		-	15
Miscellaneous		-	(11)		-	(8)
Total		**44**	**144**		**76**	**248**

(iii) Included under Administrative expenses:

		The Group			The Group	
		Current second quarter ended 31 December 2013	Previous second quarter ended 31 December 2012		Current first half ended 31 December 2013	Previous first half ended 31 December 2012
		S$'000	S$'000		S$'000	S$'000
Depreciation of property, plant & equipment	(a)	574	554		1,138	1,076
Allowance for impairment of construction contract amount due from customer	(b)	3,058	-		3,058	-

(a) Depreciation increased because of additions to property, plant and equipment since the previous second quarter and half year ended 31 December 2012.

(b) Please refer to details under “Administrative expenses” under paragraph 8.

1(b)(i) Statement of Financial Position, together with a comparative statement as at the end of the immediately preceding financial year

	The Group		The Company	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Current assets				
Cash and cash equivalents	13,819	14,014	13,445	13,640
Trade and other receivables	22,012	28,685	22,019	28,691
Construction contract work-in-progress	662	239	662	239
	36,493	**42,938**	**36,126**	**42,570**
Non-current assets				
Financial assets, available-for-sale	378	351	378	351
Investment in subsidiaries	-	-	600	600
Property, plant and equipment	18,169	16,293	18,169	16,293
Investment property under construction	455	-	455	-
Deferred expenditure for investment property	1,850	-	1,850	-
	20,852	**16,644**	**21,452**	**17,244**
Total assets	**57,345**	**59,582**	**57,578**	**59,814**
LIABILITIES				
Current liabilities				
Trade and other payables	21,789	15,639	22,229	16,079
Borrowings	7,678	5,860	7,678	5,860
	29,467	**21,499**	**29,907**	**21,939**
Non-current liabilities				
Borrowings	964	1,498	964	1,498
	964	1,498	964	1,498
Total liabilities	**30,431**	**22,997**	**30,871**	**23,437**
NET ASSETS	**26,914**	**36,585**	**26,707**	**36,377**
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	28,580	28,580	28,580	28,580
Other reserves	174	147	174	147
Accumulated (losses)/Retained profits	(1,840)	7,858	(2,047)	7,650
Total equity	**26,914**	**36,585**	**26,707**	**36,377**

Notes to Statement of Financial Position

(i) Trade and other receivables

	The Group		The Company	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	S$'000	S$'000	S$'000	S$'000
Trade receivables	2,343	1,382	2,343	1,382
Construction contracts:				
- Due from customers	17,778	24,055	17,778	24,055
Non-trade receivables				
- Subsidiary	-	-	7	7
- Directors	120	66	120	66
- Non-related parties	13	1,151	13	1,151
	133	1,217	140	1,224
Deposits	357	1,641	357	1,641
Prepayments	1,401	66	1,401	65
Income tax recoverable	-	324	-	324
	22,012	**28,685**	**22,019**	**28,691**

(ii) Trade and other payables

	The Group		The Company	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	S$'000	S$'000	S$'000	S$'000
Trade Payables	12,116	12,736	12,116	12,736
Construction contracts:				
- Due to customers	7,223	1,595	7,223	1,595
Other payables				
- Subsidiary	-	-	445	445
- Non-related parties	1,042	186	1,042	186
Accrued operating expenses	1,408	1,122	1,403	1,117
	21,789	**15,639**	**22,229**	**16,079**

Explanatory Notes:

Trade and other receivables had declined by approximately S$6.7 million mainly due to:

(i) a decline in construction contracts due from customers of S$6.3 million. This is due to claims certified and a reduction in value of certain unsettled variation claims relating to the Gardens by the Bay projects of S$3.2 million and an allowance for impairment of S$3.1 million made for long outstanding uncertified claims relating to a project;

(ii) collection of non-trade receivables of S$1.1 million;

(iii) decline in deposits of S$1.3 million, as they were utilised as rental payment and included in deferred expenditure relating to our BCA dormitory project; and

(iv) collection of income tax recoverable of S$0.3 million;

which were partially offset by:

(v) an increase of approximately S$1.0 million arising from billings for work certified during the period; and

(vi) an increase in prepayments of S$1.3 million relating mainly to advance payments for purchase of machinery.

Property, plant and equipment increased by approximately S$1.9 million mainly due to additions of building under construction of S$1.9 million relating to our Kranji premises, where a

dormitory and factory facilities for modular pre-fabrication construction activities are being built; aggregate of office equipment and motor vehicles of approximately S$0.2 million and plant and machinery of approximately S$1.0 million respectively for our operation requirements. This was partially offset by depreciation of S$1.2 million.

The Group has been awarded a contract from BCA to construct, manage and operate the 9000-bed dormitory (BCA dormitory project) for foreign workers, to be called the North Coast Lodge, situated at Admiralty Road West. Investment property under construction of approximately S$0.5 million relates to the construction costs incurred for our BCA dormitory project. Deferred expenditure for investment property consisted mainly of land rental of approximately S$1.8 million paid for the BCA dormitory project. Such expenses will be amortised over the useful life of the project once it commences operation. The dormitory project is expected to be operational by 1Q FY2015.

Trade and other payables increased by approximately S$6.2 million due mainly to:

(i) an increase in other payables of approximately S$0.9 million attributed mainly to purchases of spares and consumables;

(ii) an increase in accrued operating expenses by S$0.3 million; and

(iii) an increase in construction contracts due to customers of S$5.6 million, arising mainly from project mobilisation payments advanced by a client for a new project;

which were partially offset by:

(iv) a decline in trade payables of S$0.6 million due to payments to sub-contractors and suppliers for work done and materials supplied towards the end of the period.

1(b)(ii) Aggregate amount of the Group's borrowings and debts securities

(a) Amount repayable in one year or less, or on demand

	The Group		The Group	
	31 December 2013	31 December 2013	30 June 2013	30 June 2013
	S$'000	S$'000	S$'000	S$'000
	Secured	Unsecured	Secured	Unsecured
Trade finance	4,095	1,501	1,988	1,907
Finance lease liabilities	2,082	-	1,965	-

(b) Amount repayable after one year

	The Group		The Group	
	31 December 2013	31 December 2013	30 June 2013	30 June 2013
	S$'000	S$'000	S$'000	S$'000
	Secured	Unsecured	Secured	Unsecured
Finance lease liabilities	964	-	1,498	-

The Group's borrowings are in the form of trade financing and lease financing. A portion of the borrowings are secured by personal guarantees provided by some of our directors, plant and machinery and motor vehicle.

Trade financing was taken to finance the construction costs of our projects, whereas lease financing was taken for purchases of new plant and machinery for contract operations use.

1(c) Group cash flow statement, together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated statements of cash flows for the Second Quarter and Half Year ended 31 December 2013

	The Group		The Group	
	Current second quarter ended 31 December 2013	Previous second quarter ended 31 December 2012	Current first half ended 31 December 2013	Previous first half ended 31 December 2012
	S$'000	S$'000	S$'000	S$'000
Cash flows from operating activities				
Net loss	(5,408)	(2,041)	(9,698)	(680)
Adjustments for:				
- Income tax expense/(credit)	(94)	(127)	(94)	49
- Depreciation	574	554	1,138	1,076
- Losses/(gains) on disposal of property, plant and equipment	(11)	-	(7)	(19)
- Interest income	(20)	(25)	(39)	(35)
- Interest expense	45	49	75	82
- Dividend income	-	-	(6)	(5)
- Unrealised currency translation differences	-	-	-*	-*
	(4,914)	**(1,590)**	**(8,631)**	**468**
Change in working capital				
- Construction contract work-in-progress	(132)	349	(423)	1,026
- Trade and other receivables	4,330	4,316	6,673	4,106
- Trade and other payables	(1,339)	(493)	6,150	(6,715)
Cash (used in)/provided by operations	**(2,055)**	**2,582**	**3,769**	**(1,115)**
Interest received	20	25	39	35
Interest expense	(35)	(35)	(54)	(53)
Income tax credit/(paid)	94	(741)	94	(741)
Net cash (used in)/provided by operating activities	**(1,976)**	**1,831**	**3,848**	**(1,874)**
Cash flows from investing activities				
- Additions to Investment property under construction	(455)	-	(455)	-
- Deferred expenditure for investment property	(1,850)	-	(1,850)	-
Purchases of property, plant and equipment	(685)	(1,606)	(2,439)	(1,914)
Proceeds from disposal of property, plant and equipment	35	-	75	99
Dividends paid	-	(1,105)	-	(1,105)
Receipts of dividend	-	-	6	5
Net cash used in investing activities	**(2,955)**	**(2,711)**	**(4,663)**	**(2,915)**
Cash flows from financing activities				
Bank deposits pledged	-	2,633	-	2,618
Repayment of finance lease liabilities	(550)	(397)	(1,060)	(664)
Interest paid	(10)	(14)	(21)	(29)
Proceeds from borrowings	5,509	4,800	10,948	4,800
Repayment of borrowings	(5,415)	(4,800)	(9,247)	(5,333)
Net cash (used in)/provided by financing activities	**(466)**	**2,222**	**620**	**1,392**
Net (decrease)/increase in cash and cash equivalents	**(5,397)**	**1,342**	**(195)**	**(3,397)**
Cash and cash equivalents				
Beginning of financial period	18,913	18,333	13,711	23,072
End of financial period	**13,516**	**19,675**	**13,516**	**19,675**

* Amount below S$1,000

Consolidated statements of cash flows (Cont'd)

Explanatory Notes:

(i) For the purposes of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	The Group	
	31 December 2013	**31 December 2012**
	S$'000	**S$'000**
Cash at bank and on hand	5,417	7,010
Short-term bank deposits	8,402	12,969
	13,819	**19,979**

	The Group	
	31 December 2013	**31 December 2012**
	S$'000	**S$'000**
Cash and bank balances	13,819	19,979
Less: Bank deposit pledged	(303)	(304)
Cash and cash equivalents per consolidated statement of cash flows	**13,516**	**19,675**

A short-term fixed deposit of S$303,000 remains as a pledged security mainly for banking facilities granted.

(ii) Review of Cash Flows for the six months ended 31 December 2013.

Net cash provided by operating activities

In 1H2014, cash provided by operating activities amounted to S$3.8 million. The reasons for the changes in working capital had been explained in the Explanatory Notes to the Statement of Financial Position earlier.

After interest received and paid of S$39,000 and S$54,000 respectively and income tax refund of S$94,000 in respect of overpayment in prior years, the net cash flow provided by operating activities amounted to approximately S$3.8 million.

Net cash used in investing activities

Net cash of approximately S$4.7 million used in investing activities was mainly due to additions of building under construction; office equipment; motor vehicles and plant and machinery for our operation requirements and additions to investment property under construction and deferred expenditure for investment property relating to our BCA dormitory project as explained in the Explanatory Notes to the Statement of Financial Position earlier.

Net cash from financing activities

Net cash of approximately S$0.6 million from financing activities was mainly from an increase in net short-term borrowings of approximately S$1.7 million for trade financing, which was partially offset by repayments of financial lease liabilities of approximately S$1.1 million.

Overall, cash and cash equivalents stood at approximately S$13.5 million as at 31 December 2013.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share Capital	Retained profits	Other reserves*	Total Equity
	S$' 000	S$' 000	S$' 000	S$' 000
The Group				
As at 1 July 2013	28,580	7,858	147	36,585
Total comprehensive loss for the period	-	(9,698)	27	(9,671)
As at 31 December 2013	**28,580**	**(1,840)**	**174**	**26,914**
As at 1 July 2012	28,580	25,247	109	53,936
Total comprehensive loss for the period	-	(680)	34	(646)
Dividend paid for FY 2012	-	(1,105)	-	(1,105)
As at 31 December 2012	**28,580**	**23,462**	**143**	**52,185**

	Share Capital	Retained profits	Other reserves*	Total Equity
	S$' 000	S$' 000	S$' 000	S$' 000
The Company				
As at 1 July 2013	28,580	7,650	147	36,377
Total comprehensive loss for the period	-	(9,697)	27	(9,670)
As at 31 December 2013	**28,580**	**(2,047)**	**174**	**26,707**
As at 1 July 2012	28,580	25,031	109	53,720
Total comprehensive loss for the period	-	(677)	34	(643)
Dividend paid for FY 2012	-	(1,105)	-	(1,105)
As at 31 December 2012	**28,580**	**23,249**	**143**	**51,972**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There were no changes to the Company's share capital since the end of the previous period reported on. There were no treasury shares held. There were no convertibles which may result in the issue of new shares.

1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	31 December 2013	30 June 2013
Total number of issued shares	368,500,000	368,500,000

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable.

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and computation methods used in the preparation of the financial statements for the current reporting period as compared with the audited consolidated financial statements as at 30 June 2013, except for the adoption of the new and revised Financial Reporting Standards (FRS) which become effective for the financial year beginning on or after 1 July 2013. The adoption of these new and revised accounting standards did not give rise to any significant changes to the financial statements.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

In the current financial period, the Group and the Company adopted the new/revised Financial Reporting Standards ("FRS") and Interpretations of the FRS "INT FRS") that are effective for annual periods beginning on or after 1 July 2013:

- Amendments to FRS 16 – Property, plant and Equipment (effective for annual periods beginning on or after 1 January 2013)
- FRS 19 (revised) – Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
- Amendments to FRS 32 – Financial Instruments: Presentation (effective for annual periods beginning or after 1 January 2013)
- Amendments to FRS 107 – Disclosures – Offsetting of Financial Assets and Financial Liabilities (effective for annual period beginning or after 1 January 2013)
- FRS 113 (New) – Fair Value Measurements (effective for annual period beginning or after 1 January 2013)

The adoption of the above FRS did not result in any substantial change to the Group and the Company's accounting policies nor any material impact on the financial statements of the Group.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Current second quarter ended 31 December 2013	Previous second quarter ended 31 December 2012	Current first half ended 31 December 2013	Previous first half ended 31 December 2012
Net loss attributable to equity holders of the Company ($'000)	(5,408)	(2,041)	(9,698)	(680)
Weighted average number of ordinary shares in issue ('000)	368,500	368,500	368,500	368,500
Basic and diluted (losses) per share (cents)	(1.47)	(0.55)	(2.63)	(0.18)

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares, excluding treasury shares, of the issuer at the end of the

(a) current period reported on and
(b) immediately preceding financial year

	The Group		The Company	
	As at 31 December 2013	As at 30 June 2013	As at 31 December 2013	As at 30 June 2013
Net Assets ($'000)	26,914	36,585	26,707	36,377
Number of shares (' 000)	368,500	368,500	368,500	368,500
Net asset value per ordinary share (cents)	7.30	9.93	7.25	9.87

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

BUSINESS OVERVIEW

Swee Hong Limited is principally engaged in civil engineering works and micro-tunneling works in Singapore and act primarily as the main contractor.

Income Statement Review (Second Quarter ended 31 December 2013 vs. Second Quarter ended 31 December 2012)

Revenue

	The Group					
	Current second quarter ended 31 December 2013		Previous second quarter ended 31 December 2012		Increase	Increase
	S$'000		S$'000		S$'000	%
Civil Engineering	5,522	57.1%	4,925	59.1%	597	12.1
Tunneling	4,147	42.9%	3,413	40.9%	734	21.5
	9,669	100.0%	8,338	100.0%	1,331	16.0

Revenue from the Civil Engineering segment was derived mainly from the remaining works relating to our Gardens by the Bay projects where the main contract had been substantially completed in FY2013 and work done on projects brought forward from FY2013.

Revenue for 2Q2014 was higher by S$0.6 million as compared to 2Q2013. This was mainly due to the commencement of new projects.

Revenue in 2Q2014 from the Tunneling segment was higher than the previous period mainly due to contributions from the progression of works on a new project.

Gross profit/(loss)

	The Group					
	Current second quarter ended 31 December 2013		Previous second quarter ended 31 December 2012		Increase/ (Decrease)	Increase/ (Decrease)
	S$'000		S$'000		S$'000	%
Civil Engineering	(68)	357.9%	(590)	313.8%	522	(88.5)
Tunnelling	49	(257.9)%	402	(213.8)%	(353)	(87.8)
Gross (loss)/profit	(19)	100.0%	(188)	100.0%	169	89.9

Group

Gross loss during 2Q2014 was approximately S$19,000 as compared with a gross loss of S$188,000 during 2Q2013. This was attributable mainly to:

Civil Engineering

Gross loss from civil engineering for 2Q2014 was approximately S$68,000 as compared to a gross loss of S$590,000 for 2Q2013. Gross loss for 2Q2013 was affected by accruals for additional sub-contractor costs on the finalisation of a contract and a reduction of claims for work done at the finalisation of a project.

Similarly gross loss for 2Q2014 was affected by provision for additional costs, as services cables were encountered on site at a project which will require diversion.

Tunneling

Gross profit for tunneling for 2Q2014 was approximately S$49,000 as compared to a gross profit of S$0.4 million for 2Q2013. The main reasons were as follows:

(i) cost overruns on several projects; and

(ii) low contribution from a project has which just started.

Administrative expenses

Administrative expenses increased by approximately S$3.4 million as compared to 2Q2014 due mainly to allowances for impairment of construction contracts due from a customer amounting to S$3.1 million, which relates to a contract completed in prior years in which the Group anticipates the customer disputing the amount of variation work and additional staff costs and agency fees incurred totalling S$0.4 million, which were offset by decreases in donations of S$0.1 million.

Loss before income tax

The Group incurred a loss before income tax of approximately S$5.5 million in 2Q2014, an increase of S$3.3 million as compared to a loss before income tax of approximately S$2.2 million in 2Q2013.

Income tax

Over provisions for tax made during prior years were written back.

Net loss after tax

The Group had incurred a net loss after tax of approximately S$5.4 million due to the reasons above.

Income Statement Review (Half Year ended 31 December 2013 vs. Half Year ended 31 December 2012)

Revenue

	The Group					
	Current half year ended 31 December 2013		Previous half year ended 31 December 2012		Increase/ (Decrease)	Increase/ (Decrease)
	S$'000		S$'000		S$'000	%
Civil Engineering	11,091	63.3%	11,701	60.2%	(610)	(5.2)
Tunneling	6,421	36.7%	7,727	39.8%	(1,306)	(16.9)
	17,512	100.0%	19,428	100.0%	(1,916)	(9.9)

Revenue for 1H2014 from the Civil Engineering segment was derived mainly from the remaining works relating to our Gardens by the Bay projects and work done on new projects which started after 1H2013.

Revenue for 1H2014 had declined by S$0.6 million as compared to 1H2013, as the remaining works from the Gardens by the Bay project after being substantially completed in FY2013 and new projects which commenced in 1H2014 were generally smaller in scale. Furthermore, revenue was affected by a reduction in value of certain unsettled variation orders and provisional works for a project.

Revenue for 1H2014 from the Tunneling segment was lower than 1H2013 due to the substantial completion of several projects during FY2013. The Group had not been able to sufficiently replace completed tunneling projects with new ones.

Gross profit/(loss)

	The Group					
	Current half year ended 31 December 2013		Previous half year ended 31 December 2012		Increase/ (Decrease)	Increase/ (Decrease)
	S$'000		S$'000		S$'000	%
Civil Engineering	(338)	20.2%	2,271	61.7%	(2,609)	(114.9)
Tunnelling	(1,333)	79.8%	1,411	38.3%	(2,744)	(194.5)
Gross (loss)/profit	(1,671)	100.0%	3,682	100.0%	(5,353)	(145.4)

Group

Gross losses during 1H2014 were S$1.7 million as compared with a gross profit of S$3.7 million during 1H2013. This was attributable mainly to:

Civil Engineering

Gross losses from civil engineering for 1H2014 was approximately S$0.3 million as compared to a gross profit of approximately S$2.3 million for 1H2013. The main reasons were as follows:

(i) V.O. works of the Gardens by the Bay project in 1H2013 had higher margin contribution;

(ii) absence of a one off adjustment to the Seletar project which resulted in a S$1.0 million adjustment to gross profit in 1H2013;

(iii) reversal of revenue of S$1.1 million for the Gardens by the Bay project in 1H2014 due to a reduction in value of certain unsettled variation claims; and

(iv) additional costs in 1H2014 was provided, as services cables were encountered on site at a project which will require diversion.

Tunneling

Gross losses for tunneling for 1H2014 were about S$1.3 million as compared to a gross profit of S$1.4 million for 1H2013. The main reasons were as follows:

(i) cost overruns on several projects;

(ii) additional costs of S$1.3 million was provided for on a tunnelling project due to delays caused by poor soil conditions;

(iii) additional costs of S$0.2 million being incurred for rectification works; and

(iv) low contribution from a project which had just started.

Administrative expenses

Administrative expenses increased by approximately S$3.7 million as compared to 1H2013 due mainly to allowances for impairment of construction contracts due from a customer amounting to

S$3.1 million, which relates to a contract completed in prior years in which the Group anticipates the customer disputing the amount of variation work and additional staff costs incurred; agency fees and course fees totalling S$0.7 million which were offset by decreases in donations of S$0.1 million.

Loss before income tax

The Group incurred a loss before income tax of S$9.8 million in 1H2014, an increase of S$9.2 million as compared to a loss before income tax of S$0.6 million in 1H2013.

Net loss after tax

The Group's net losses had increased by approximately S$9.0 million due to the reasons above.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement was previously disclosed to shareholders.

10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group continues to be on the lookout for tenders of both civil engineering and tunnelling contracts. In addition, the Group has participated in tenders for building works and has:-

(i) on 8 Jan 2014 entered into a shareholders' agreement with Chye Joo Construction Pte Ltd ("Chye Joo"), Ho Lee Construction Pte Ltd ("Ho Lee"), Hwa Seng Builder Pte Ltd ("Hwa Seng"), Or Kim Peow Contractors (Private) Limited ("OKPC") and United Singapore Builders Pte. Ltd. ("USB"), whereby USB shall be used as a joint venture vehicle to tender for, and, if successful, undertake Mass Rapid Transit ("MRT") projects, including the construction of related infrastructure such as stations, tunnels and depots; and

(ii) recently tendered for a building project which adopts the modular pre-fabrication construction technology, a form of construction with multiple module structures built, assembled and completed off-site within an indoor facility, and then transported to the building site where the modules are hoisted onto a concrete foundation to form a finished building. This form of construction is in line with the government's initiatives to improve productivity in the construction sector. We have commenced modifications of our Kranji facilities in anticipation of adoption of such building construction method.

Competition is expected to continue to be keen and the Group expects pressure on margins. Upward pressure on manpower costs is expected to persist because of the Government's intention to reduce foreign labour.

As at the date hereof, the order books of the Group is approximately S$168.1 million, of which the MacRitchie Viaduct and Adam Flyover project worth S$134.7 million is most significant. This project is not expected to contribute significantly to revenue until FY2015.

The Group was awarded a contract from BCA to construct, manage and operate the 9000-bed dormitory for foreign workers, to be called the North Coast Lodge, situated at Admiralty Road West. The construction is currently in progress is expected to be operational by 1Q2015. This project is not expected to contribute financially until FY2015. Financing of the project has been arranged with a bank and drawdown of the loan is expected within the next 12 months.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12 If no dividend has been declared/recommended, a statement to that effect

No dividend had been declared for the second quarter and half year ended 31 December 2013.

13 Interested person transactions disclosure

The Group has not obtained a general mandate for Interested Persons Transactions under Rule 920 from shareholders. There were no IPTs during the period under review.

14 Use of proceeds as at 31 December 2013

The Net IPO proceeds from the issuance of new shares arising from the Initial Public Offering in FY2012 (after deducting expenses for professional fees, underwriting and placement commissions and other transaction expenses related to the IPO amounting to approximately S$1.8 million) are approximately S$13.6 million. As at the date of this announcement, the Net IPO proceeds have been utilised as follows:

	S$' 000
Gross Proceed	15,413
Less: Share issue expense	(1,833)
Net proceeds	**13,580**

	Amount Allocated S$' 000	**Amount Utilised as at 31 December 2013 S$' 000**	**Amount Balance S$' 000**
Intended Use of Proceeds			
Acquisition of construction equipment and machinery	10,000	(3,309)	6,691
Funding our expansion by way of acquisitions, joint-ventures and/or strategic alliances to expand into other construction businesses	3,000	-	3,000
Working capital	580	-	580
Total	**13,580**	**(3,309)**	**10,271**

15 Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of Swee Hong Limited confirms that, to the best of their knowledge, nothing has come to their attention which may render the financial statements for the second quarter and half year ended 31 December 2013 to be false or misleading in any material aspect.

FOR AND ON BEHALF OF THE BOARD
BY ORDER OF THE BOARD

Ong Hock Leong
Group Managing Director
14 February 2014

Ong Kah Lam
Executive Director