

# **Swee Hong Limited**

**First Quarter**

**Unaudited Financial Statement**

**for the period ended**

**30 September 2017**

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

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

	<b>Group Three months ended</b>		
	<b>30/9/2017 Unaudited S\$'000</b>	<b>30/9/2016 Unaudited S\$'000</b>	<b>Increase/ (decrease) %</b>
Revenue	14,220	12,492	14%
Cost of works	(12,987)	(8,583)	51%
Gross profit	1,233	3,909	(68%)
Other gains – net	16	22,404	(100%)
Expenses			
- Distribution and marketing	-	(3)	(100%)
- Administrative	(709)	(1,009)	(30%)
- Finance	(159)	2	n.m.
Profit before income tax	381	25,303	(98%)
Income tax expense	-	-	
<b>Net profit</b>	<b>381</b>	<b>25,303</b>	<b>(98%)</b>
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value gains/(losses)	-	*	n.m.
Currency translation differences arising from consolidation			
- (Losses)/profit	-	*	n.m.
Other comprehensive income, net of tax	-	*	n.m.
<b>Total comprehensive income</b>	<b>381</b>	<b>25,303</b>	<b>(98%)</b>
<b>Profit attributable to:</b>			
Equity holders of the Company	381	25,303	(98%)
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	381	25,303	(98%)

\* Amounts below S\$1,000

n.m. - not meaningful

1(a)(ii) Notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year are as follows:

	Group Three months ended		
	30/9/2017	30/9/2016	Increase/ (decrease)
	Unaudited S\$'000	Unaudited S\$'000	%
Dividend income	-	(5)	(100%)
Income from sales of scrap materials	6	*	n.m.
Interest expense	157	(2)	n.m.
Scheme creditors write-off	-	(22,373)	(100%)
Depreciation of property, plant and equipment	460	454	1%
Impairment on property, plant and equipment	-	26	(100%)

\* Amounts below S\$1,000

n.m. - not meaningful

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

	Group As at		Company As at	
	30/9/2017 Unaudited S\$'000	30/6/2017 Audited S\$'000	30/9/2017 Unaudited S\$'000	30/6/2017 Audited S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	615	852	582	818
Trade and other receivables	35,010	27,480	35,034	27,504
Construction contract work-in-progress	549	477	549	477
	36,174	28,809	36,165	28,799
Assets classified as held-for-sale	44	44	44	44
	36,218	28,853	36,209	28,843
<b>Non-current assets</b>				
Available-for-sale financial assets	12	12	12	12
Investment in subsidiary corporations	-	-	2	2
Property, plant and equipment	6,160	6,620	6,160	6,620
	6,172	6,632	6,174	6,634
<b>Total assets</b>	42,390	35,485	42,383	35,477
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	21,171	20,119	21,916	20,863
Borrowings	11,897	6,425	11,897	6,425
	33,068	26,544	33,813	27,288
<b>Total liabilities</b>	33,068	26,544	33,813	27,288
<b>NET ASSETS</b>	9,322	8,941	8,570	8,189
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	52,778	52,778	52,778	52,778
Other reserves	(17)	(17)	2	2
Accumulated losses	(43,439)	(43,820)	(44,210)	(44,591)
<b>TOTAL EQUITY</b>	9,322	8,941	8,570	8,189

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

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

	Group As at		Group As at	
	30/9/2017 Unaudited		30/6/2017 Audited	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Other borrowings	-	6,897	-	6,425
Bonds	-	5,000	-	-
<b>Total</b>	-	<b>11,897</b>	-	<b>6,425</b>

The Group's unsecured borrowings as at 30 September 2017 was S\$11.9 million of which the immediate holding company and a director acts as guarantor on the S\$5.0 million bond pursuant to which an in-principal amount of S\$5.0 million of bonds were issued (the "Bonds"). Please refer to the Company's announcement dated 31 August 2017 for more information on the Bonds.

**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

	<b>Group</b>	
	<b>30/9/2017</b>	<b>30/9/2016</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	381	25,303
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	460	454
Impairment of property, plant and equipment	-	26
Interest income	*	*
Interest expense	157	(2)
Dividend income	-	(5)
Scheme creditors write-off	-	(22,373)
<b>Net cash from operating activities before working capital changes</b>	<b>998</b>	<b>3,403</b>
<b>Changes in working capital:</b>		
Construction contract work-in-progress	(72)	20
Trade and other receivables	(7,531)	(1,831)
Trade and other payables	1,052	(4,199)
Cash flows generated from operations	(5,553)	(2,607)
Interest received	*	*
Interest paid	(157)	-
<b>Net cash used in operating activities</b>	<b>(5,710)</b>	<b>(2,607)</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	-	(49)
Dividends received	-	5
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(44)</b>
<b>Cash flows from financing activities</b>		
Repayment of finance lease liabilities	-	(118)
Proceeds from borrowings	5,472	1,800
Repayment of borrowings	-	(3,258)
Interest paid	-	2
Issuance of subscription shares	-	4,000
<b>Net cash from financing activities</b>	<b>5,472</b>	<b>2,426</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(238)</b>	<b>(225)</b>
<b>Cash and cash equivalents</b>		
Beginning of financial year	852	4,930
<b>End of financial year</b>	<b>614</b>	<b>4,705</b>

\* Amount below S\$1,000

**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**

**Statements of changes in equity**

	Share capital	Accumulated losses	Other reserves	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group (Unaudited)</b>				
<b>2017</b>				
As at 1 July 2017	52,778	(43,820)	(17)	8,941
Profit for the financial period	-	381	-	381
Other comprehensive income for the financial period	-	-	-	-
<b>As at 30 September 2017</b>	<b>52,778</b>	<b>(43,439)</b>	<b>(17)</b>	<b>9,322</b>
<b>2016</b>				
As at 1 July 2016	28,580	(73,607)	(15)	(45,042)
Issue of shares during the financial period	22,870	-	-	22,870
Profit for the financial period	-	25,303	-	25,303
Other comprehensive income for the financial period	-	-	1	1
<b>As at 30 September 2016</b>	<b>51,450</b>	<b>(48,304)</b>	<b>(14)</b>	<b>3,132</b>

	Share capital	Accumulated losses	Other reserves	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company (Unaudited)</b>				
<b>2017</b>				
As at 1 July 2017	52,778	(44,591)	2	8,189
Profit for the financial period	-	381	-	381
Other comprehensive income for the financial period	-	-	-	-
<b>As at 30 September 2017</b>	<b>52,778</b>	<b>(44,210)</b>	<b>2</b>	<b>8,570</b>
<b>2016</b>				
As at 1 July 2016	28,580	(74,390)	1	(45,809)
Issue of shares during the financial period	22,870	-	-	22,870
Profit for the financial period	-	25,312	-	25,312
<b>As at 30 September 2016</b>	<b>51,450</b>	<b>(49,078)</b>	<b>1</b>	<b>2,373</b>

**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 (Continued)**

**Other reserves**

	Group		Company	
	Three months ended		Three months ended	
	30/9/2017	30/9/2016	30/9/2017	30/9/2016
	Unaudited	Unaudited	Unaudited	Unaudited
	S\$'000	S\$'000	S\$'000	S\$'000
(a) Composition:				
Fair value reserve	2	1	1	1
Currency translation reserve	(19)	(15)	-	-
	<b>(17)</b>	<b>(14)</b>	<b>1</b>	<b>1</b>
(b) Movements:				
<i>(i) Fair value reserve</i>				
Beginning of financial period	2	1	1	1
Fair value (loss)/ gain	-	*	-	*
<b>End of financial period</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
<i>(ii) Currency translation reserve</i>				
Beginning of financial period	(19)	(15)	-	-
Net currency translation differences of financial statements of foreign subsidiaries	-	*	-	-
<b>End of financial period</b>	<b>(19)</b>	<b>(15)</b>	<b>-</b>	<b>-</b>

\* Amount below S\$1,000



**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**

**Share Capital**

During the quarter ended 30 September 2017, there has been no increase in the issued and paid-up share capital of the Company.

**Warrants**

On 11 August 2016, the Company issued 500,000,000 warrants to KH Foges Pte Ltd which when exercised at a price of S\$0.01 per share will result in 500,000,000 shares being allotted. As at 30 September 2017 and 2016, the 500,000,000 warrants remained outstanding.

**Treasury shares**

As at 30 September 2017 and 2016, there were no treasury shares held.

**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**

	Number of shares	Share capital (S\$)
As at 1 July 2017	2,832,159,507	52,778,324
As at 30 September 2017	2,832,159,507	52,778,324

**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**

Except as disclosed in note 5 below, 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 annual financial statements for the financial year ended 30 June 2017.

**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**

The Group has adopted all new and revised Financial Reporting Standard ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 July 2017, where applicable.

The adoption of these new/revised FRS and INT FRS did not result in any substantial change to the Group's accounting policies and has no material/significant impact on the financial statements of the Group for the current reporting period or prior years reporting period.

**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**

	Group	
	Three months ended	
	30/9/2017 Unaudited	30/9/2016 Unaudited
Profit attributable to equity holders of the Company (S\$'000)	381	25,303
Basic earnings per share (cents)	0.01	1.49
Weighted average number of ordinary shares ('000)	2,832,160	1,697,398
Diluted earnings per share (cents)	0.01	1.15
Weighted average number of ordinary shares ('000)	3,332,160	2,197,398

The calculation for the diluted EPS is based on the weighted average number of ordinary shares of the Company after adjusting for share warrants assuming the warrants are fully exercised into ordinary shares of the Company.

**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

	Group As at		Company As at	
	30/9/2017 Unaudited	30/6/2017 Audited	30/9/2017 Unaudited	30/6/2017 Audited
Net assets (S\$'000)	9,323	8,941	8,570	8,189
Number of shares ('000)	2,832,160	2,832,160	2,832,160	2,832,160
Net asset value per ordinary share (cents)	0.33	0.32	0.30	0.29

- 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**

**Income Statement Review**

**(First quarter of FY2018 ("1Q2018") vs. 1st quarter of FY2017 ("1Q2017"))**

Revenue increased by S\$1.7 million from S\$12.5 million in 1Q2017 to S\$14.2 million in 1Q2018 mainly due to increase in the progress of the ER382 project.

Gross profit decreased by S\$2.7 million from S\$3.9 million in 1Q2017 to S\$1.2 million in 1Q2018 mainly due to one-off write-back of project costs provision on Nee Soon tunnelling project in 1Q2017.

Other gains - net decreased by S\$22.4 million from S\$22.4 million in 1Q2017 to S\$0.02 million in 1Q2018 mainly due to one-off scheme creditors write-off in 1Q2017.

The Group did not incur significant distribution and marketing expenses during 1Q2018 and 1Q2017.

Administrative expenses decreased by S\$0.3 million from S\$1.0 million in 1Q2017 to S\$0.7 million in 1Q2018 mainly due to lower salaries and related expenses of S\$0.4 million. In 1Q2017, project related staff and workers CPF and foreign workers levy were included in administrative expenses but from 3Q2017 onwards, the same have been reclassified to cost of works.

Finance expense relates to interest expenses on borrowing costs for working capital purposes. No significant finance expense was incurred in 1Q2017.

As a result of the above factors, the Group recorded a decrease in net profit by S\$24.9 million from S\$25.3 million in 1Q2017 to S\$0.4 million in 1Q2018.

**Balance Sheet Review**

**(30 September 2017 vs. 30 June 2017)**

Cash and cash equivalents decreased by S\$0.3 million from S\$0.9 million as at 30 June 2017 to S\$0.6 million as at 30 September 2017. The decrease is explained in the Cash Flow Statement Review below.

Trade and other receivables increased by S\$7.5 million from S\$27.5 million as at 30 June 2017 to S\$35.0 million as at 30 September 2017 mainly due to increase in trade receivables and construction contracts due from customers arising from increase in progress of ER382 project.

There were no significant fluctuations in construction contract work-in-progress, assets classified as held-for-sale and available-for-sale financial assets as at 30 September 2017 compared to 30 June 2017.

**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 (Continued)**

**Balance Sheet Review (Continued)**  
**(30 September 2017 vs. 30 June 2017)**

Property, plant and equipment decreased by S\$0.4 million from S\$6.6 million as at 30 June 2017 to S\$6.2 million as at 30 September 2017 mainly due to depreciation expense of S\$0.4 million.

Trade and other payables increased by S\$1.1 million from S\$20.1 million as at 30 June 2017 to S\$21.2 million as at 30 September 2017 mainly due to increase in trade payables arising from increase in progress of ER382 project.

Borrowings increased by S\$5.5 million from S\$6.4 million as at 30 June 2017 to S\$11.9 million as at 30 September 2017 mainly due to S\$5m bond obtained to fund the Group's working capital requirements.

**Cash Flow Statement Review**  
**(First quarter of FY2018 ("1Q2018"))**

Net cash generated from operating activities before working capital changes was S\$1.0 million for 1Q2018. Net cash used in operating activities was S\$5.7 million for 1Q2018.

There were no cash flows used in investing activities for 1Q2018.

Net cash generated from financing activities was S\$5.5 million for 1Q2018 was mainly due to S\$5m bond obtained to fund the Group's working capital requirements.

**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**

**Business Outlook**

The Building and Construction Authority (BCA) had in January 2017 forecasted that the total value of construction contracts to be awarded this year will reach between \$28 billion and \$35 billion, higher than the preliminary estimate of \$26.1 billion for last year.

The projected stronger construction demand is due to an anticipated increase in public sector construction demand from about \$15.8 billion last year to between \$20 billion and \$24 billion this year.

The public sector is expected to contribute about 70 per cent of the total construction demand, boosted by an increase in demand for most building types and civil engineering works. "In view of the current slowdown in the property market and continued economic uncertainties, the private sector construction demand is likely to remain subdued and is projected to stay between \$8 billion and \$11 billion this year."

The Group will continue to bid for suitable and profitable projects to strengthen its order book even though Singapore's construction industry continues to grapple with rising labour costs, manpower and funds shortages. In this challenging environment, we will need to constantly enhance our efficiency and competitiveness.

The Scheme between the Group and certain creditors (the "Eligible Creditors") which took effect on and from 2 December 2015 has been successfully closed and all approved outstanding to the Eligible Creditors have been paid and discharged in full.

With the end of the Scheme Arrangement, the Group is able to tender for new projects.

The Group is looking to bid for suitable projects to strengthen its order book and has been tendering for 4 new projects in the past 5 months and is waiting for the results of the tenders as at the date of this announcement.

**Order Book Status**

The current order book of the Company is approximately \$34.0 million as at 30 September 2017.

**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 period ended 30 September 2017.

**13 Interested person transactions disclosure**

The Group has obtained a general mandate from shareholders of the Company for Interested Person Transactions (“IPTs”) under Rule 920 of the Listing Manual of the SGX-ST from shareholders in the Extraordinary General Meeting held on 31 October 2017. There were no IPTs during the period under review.

**14 Use of proceeds**

Pursuant to the issue of the Bonds and completion of Completion Tranche 1 as announced in the Company’s announcement dated 7 September 2017, the Group had obtained proceeds of \$5,000,000 (the “Tranche 1 Proceeds”). The Group has fully utilised the Tranche 1 Proceeds in the following manner:

<b><u>Purpose</u></b>	<b><u>Amount (\$)</u></b>	<b><u>Percentage Allocation (%)</u></b>
Working Capital for trade creditor payment and salary related expenses	4,770,000	95.4
Repayment of working capital loans	230,000	4.6

**15 Confirmation by the Company pursuant to Rule 720(1) of the SGX-ST Listing Manual**

The Company confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual of the SGX-ST.

**16 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 period ended 30 September 2017 to be false or misleading in any material aspect.

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

Peter Moe  
Non-Executive Chairman and Independent Director

Anil Dhanpatlal Agrawal  
Executive Director

14 November 2017