

# **Swee Hong Limited**

**Third Quarter and Nine Months**

**Unaudited Financial Statement**

**For the Period Ended**

**31 March 2015**

**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 third quarter ended 31 March 2015 S\$'000	Previous third quarter ended 31 March 2014 S\$'000	Increase/ (Decrease) %	Current nine months ended 31 March 2015 S\$'000	Previous nine months ended 31 March 2014 S\$'000	Increase/ (Decrease) %
<b>Revenue</b>	9,232	7,541	22%	26,216	25,053	5%
Cost of works	(6,717)	(7,930)	(15%)	(20,874)	(27,112)	(23%)
<b>Gross profit/(loss)</b>	<b>2,515</b>	<b>(389)</b>	n.m.	<b>5,342</b>	<b>(2,059)</b>	n.m.
Other gains - net	275	101	172%	308	176	75%
<b>Expenses</b>						
- Distribution and marketing	(2)	(15)	(87%)	(40)	(38)	5%
- Administrative	(2,584)	(2,348)	10%	(6,989)	(10,446)	(33%)
- Finance	221	(30)	n.m.	(70)	(105)	(33%)
	<b>425</b>	<b>(2,681)</b>	n.m.	<b>(1,449)</b>	<b>(12,472)</b>	(88%)
Share of loss of associated company	-	(42)	n.m.	(46)	(42)	10%
<b>Profit/(Loss) before income tax</b>	<b>425</b>	<b>(2,723)</b>	n.m.	<b>(1,495)</b>	<b>(12,514)</b>	(88%)
Income tax credit/(expense)	-	-	n.m.	-	94	n.m.
<b>Net Profit/(loss)</b>	<b>425</b>	<b>(2,723)</b>	n.m.	<b>(1,495)</b>	<b>(12,420)</b>	(88%)

n.m. denotes not meaningful

**(i) Consolidated Statement of comprehensive income for the Third Quarter and Nine Months ended 31 March 2015**

	The Group			The Group		
	Current third quarter ended 31 March 2015 S\$'000	Previous third quarter ended 31 March 2014 S\$'000	Increase/ (Decrease) %	Current nine months ended 31 March 2015 S\$'000	Previous nine months ended 31 March 2014 S\$'000	Increase/ (Decrease) %
<b>Net Profit/(loss)</b>	425	(2,723)	n.m.	(1,495)	(12,420)	(88%)
<b>Other comprehensive income</b>						
Items which may be reclassified subsequently to profit and loss:						
Financial assets available for sale -						
Fair value (loss)/gains	(25)	9	n.m.	(25)	35	n.m.
Currency translation differences arising from consolidation	-	*	n.m.	-	*	n.m.
<b>Other comprehensive income, net of tax</b>	<b>(25)</b>	<b>9</b>	n.m.	<b>(25)</b>	<b>35</b>	n.m.
<b>Total comprehensive Profit/(loss)</b>	<b>400</b>	<b>(2,714)</b>	n.m.	<b>(1,520)</b>	<b>(12,385)</b>	(88%)

n.m. denotes not meaningful

\*Amount below S\$1,000

(ii) **Notes to the income statement**

Breakdown of Other Gains

	The Group		The Group	
	Current third quarter ended 31 March 2015 S\$'000	Previous third quarter ended 31 March 2014 S\$'000	Current nine months ended 31 March 2015 S\$'000	Previous nine months ended 31 March 2014 S\$'000
<b><u>Other gains - Net</u></b>				
Foreign exchange (losses)/gains - net	4	(1)	10	(8)
Dividend income	*	-	1	6
Gains on disposal of property, plant and equipment	30	3	30	10
Gains on disposal of available-for-sale financial assets	51	-	51	-
Interest income - bank	-	8	-	47
Government grant	-	47	-	60
Income from the sales of scrap	-	-	-	16
Miscellaneous	190	44	216	45
<b>Total</b>	<b>275</b>	<b>101</b>	<b>308</b>	<b>176</b>

(iii) **Included under Administrative expenses:**

		The Group		The Group	
		Current third quarter ended 31 March 2015 S\$'000	Previous third quarter ended 31 March 2014 S\$'000	Current nine months ended 31 March 2015 S\$'000	Previous nine months ended 31 March 2014 S\$'000
Depreciation of property, plant & equipment	(a)	565	583	1,689	1,722
Allowance for impairment of construction contract amount due from customer		-	-	-	(3,058)

\*Amount below S\$1,000

**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 March 2015	30 June 2014	31 March 2015	30 June 2014
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,252	736	1,213	697
Trade and other receivables	14,386	21,411	14,392	21,417
Construction contract work-in-progress	143	380	143	380
	<u>15,781</u>	<u>22,527</u>	<u>15,748</u>	<u>22,494</u>
<b>Non-current assets</b>				
Available-for-sale financial assets	290	366	290	366
Investment in subsidiaries	-	-	602	600
Investment in associated company	86	133	154	200
Property, plant and equipment	21,205	21,034	21,205	21,034
Investment property under construction	35,720	8,266	35,720	8,266
Deferred expenditure for investment property	25,343	10,771	25,343	10,772
	<u>82,644</u>	<u>40,570</u>	<u>83,314</u>	<u>41,238</u>
<b>Total assets</b>	<u>98,425</u>	<u>63,097</u>	<u>99,062</u>	<u>63,732</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	40,943	30,543	41,714	31,314
Borrowings - Banks	25,459	7,398	25,459	7,398
	<u>66,402</u>	<u>37,941</u>	<u>67,173</u>	<u>38,712</u>
<b>Non-current liabilities</b>				
Borrowings - Banks	7,049	7,627	7,049	7,627
Borrowings - Director	9,874	909	9,874	909
	<u>16,923</u>	<u>8,536</u>	<u>16,923</u>	<u>8,536</u>
<b>Total liabilities</b>	<u>83,325</u>	<u>46,477</u>	<u>84,096</u>	<u>47,248</u>
<b>NET CURRENT LIABILITIES</b>	<u>50,621</u>	<u>15,414</u>	<u>51,425</u>	<u>16,218</u>
<b>NET ASSETS</b>	<u>15,100</u>	<u>16,620</u>	<u>14,966</u>	<u>16,484</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	28,580	28,580	28,580	28,580
Other reserves	137	162	139	162
(Accumulated losses)/Retained profits	(13,617)	(12,122)	(13,753)	(12,258)
<b>TOTAL EQUITY</b>	<u>15,100</u>	<u>16,620</u>	<u>14,966</u>	<u>16,484</u>

## Notes to Statement of Financial Position

### (i) Trade and other receivables

	The Group		The Company	
	31 March 2015 S\$'000	30 June 2014 S\$'000	31 March 2015 S\$'000	30 June 2014 S\$'000
Trade receivables	1,038	2,270	1,038	2,270
Construction contracts:				
- Due from customers	12,619	15,530	12,619	15,530
Non-trade receivables				
- Subsidiary	-	-	6	6
- Non-related parties	687	654	687	654
Deposits	13	207	13	207
Prepayments	29	2,750	29	2,750
	14,386	21,411	14,392	21,417

### (ii) Trade and other payables

	The Group		The Company	
	31 March 2015 S\$'000	30 June 2014 S\$'000	31 March 2015 S\$'000	30 June 2014 S\$'000
Trade Payables	20,320	21,376	20,320	21,376
Construction contracts:				
- Due to customers	3,025	4,738	3,025	4,738
Deposits from customers	1,655	-	1,655	-
Other payables				
- Subsidiary	-	-	775	775
- Non-related parties	10,269	472	10,269	472
Accrued operating expenses	5,674	3,957	5,670	3,953
	40,943	30,543	41,714	31,314

## **Explanatory Notes:**

Trade and other receivables as at 31 March 2015 amounting to S\$14.4 million decreased by approximately S\$7.0 million as compared to S\$21.4 million as at 30 June 2014. Lower trade receivables from construction contracts, non-trade receivables and deposits of approximately S\$4.3 million was mainly due to lower amounts in certification of work performed in YTD 3Q2015. Lower prepayments of approximately S\$2.7 million was due to reduction in advance payments to the Group's key suppliers.

In 3Q2015, available-for-sale financial assets reduced by S\$0.1 million due to disposal of some shares held by the Group.

Property, plant and equipment increased by approximately S\$0.2 million from S\$21.0 million as at 30 June 2014 to S\$21.2 million as at 31 March 2015 mainly due to additions of fixed assets of S\$1.9 million to Building Under Construction. This increase was partially offset by depreciation expenses of S\$1.7 million.

Investment property under construction and Deferred expenditure for investment property is the foreign worker dormitory project. Additional construction costs of approximately S\$42 million were incurred for the nine months in FY2015.

Trade and other payables increased by approximately S\$10.4 million from S\$30.5 million as at 30 June 2014 to S\$40.9 million as at 31 March 2015 due to higher creditor turnover days as the company experienced financial constraints that resulted in delays in payments to creditors.

As at 31 March 2015, the Group had a net current liabilities of S\$51 million.

The Company had on 11 February 2015, announced that it has, on 10 February 2015, filed an application to the High Court of the Republic of Singapore ("Court") to propose a scheme of arrangement between the Company and certain of its creditors ("Scheme") for the purposes of implementing and facilitating the Company's debt restructuring plan (such application, the "Application"). Briefly, such debt restructuring plan comprises (a) two opportunities for creditors to participate in a debt-to equity conversion (subject to the necessary approvals being obtained), once when the scheme of arrangement is sanctioned by the Court, and again at the end of the duration of the sanctioned scheme, (b) a payment to United Overseas Bank Limited, a secured creditor of the Company, and to the Building and Construction Authority of Singapore and ACL Construction (S) Pte Ltd, two of the Company's unsecured creditors, in each case, out from the net proceeds from the sale of the foreign workers' dormitory known as "North Coast Lodge" at 300 Admiralty Road West, Singapore 757027 ("Dormitory"), (c) a series of "reverse dutch auctions" under which creditors may offer for the Company's acceptance a discount on their claims, and the Company will set aside a specified sum to pay to the creditor(s) whose discounted offers are accepted (whether in whole or in part), and (d) a pari passu payment of creditors who do not participate in, or have not offered the highest discount in their bids under, the "reverse dutch auctions".

In addition, the Board of Directors announced on 26 February 2015 that it had, on 25 February 2015, successfully obtained an order from the Court under section 210(10) of the Companies Act (Cap. 50) which restrains, for a period of 6 months, further proceedings in any action or proceeding against the Company ("Order"). The Order is intended to bring stability to the Company's operations, and allow the Company time to finalise the scheme of arrangement in consultation with its key creditors, for the benefit of all the Company's creditors. The Order also strengthens and reinforces the Company's ability to perform its obligations under its ongoing public sector construction contracts. The Company will continue to operate as normal in provision of customer services while it puts in place a scheme of arrangement.

**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 March 2015	31 March 2015	30 June 2014	30 June 2014
	S\$'000	S\$'000	S\$'000	S\$'000
	Secured	Unsecured	Secured	Unsecured
Trade finance	-	2,560	1,160	3,132
Bank Borrowings	22,338	-	677	-
Bank Overdraft	-	-	-	850
Finance lease liabilities	561	-	1,578	-

(b) Amount repayable after one year

	The Group		The Group	
	31 March 2015	31 March 2015	30 June 2014	30 June 2014
	S\$'000	S\$'000	S\$'000	S\$'000
	Secured	Unsecured	Secured	Unsecured
Bank Borrowings	6,955	-	-	7,238
Loans from a Director	-	9,874	-	909
Finance lease liabilities	94	-	390	-

The Group's bank borrowings consist of S\$32.5 million of which S\$29.9 million are secured and S\$2.6 million unsecured.

Interest-free loans from a Director amounting to S\$9.9 million are included in the Group's borrowings.

**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 Third Quarter and Nine months ended 31 March 2015

	The Group		The Group	
	Current third quarter ended 31 March 2015	Previous third quarter ended 31 March 2014	Current nine months ended 31 March 2015	Previous nine months ended 31 March 2014
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
Net profit/(loss)	425	(2,723)	(1,495)	(12,420)
Adjustments for:				
- Income tax expense/(credit)	-	-	-	(94)
- Depreciation	565	583	1,689	1,722
- Losses/(gains) on disposal of property, plant and equipment	(30)	(3)	(30)	(10)
- Interest income	-	(8)	-	(47)
- Interest expense	(221)	30	70	105
- Dividend income	-	-	(1)	(6)
- Unrealised currency translation differences	-	-	-	-
- Share of loss in associated company	-	42	46	42
	<b>739</b>	<b>(2,079)</b>	<b>279</b>	<b>(10,708)</b>
<b>Change in working capital</b>				
- Construction contract work-in-progress	142	(43)	237	(466)
- Trade and other receivables	4,458	27	7,025	6,700
- Trade and other payables	215	(356)	10,400	5,794
<b>Cash (used in)/provided by operations</b>	<b>5,554</b>	<b>(2,451)</b>	<b>17,941</b>	<b>1,320</b>
Interest received	-	8	-	47
Interest expense	-	(30)	-	(82)
Income tax credit/(paid)	-	-	-	94
<b>Net cash (used in)/provided by operating activities</b>	<b>5,554</b>	<b>(2,473)</b>	<b>17,941</b>	<b>1,379</b>
<b>Cash flows from investing activities</b>				
Additions to investment property under construction	(5,045)	(5,847)	(42,026)	(8,152)
Purchases of property, plant and equipment	(137)	(1,942)	(1,860)	(4,382)
Proceeds from disposal of property, plant and equipment	30	3	30	78
Investment in associated company	-	(200)	-	(200)
Proceeds from sales of financial assets available for sale	105	-	105	-
Investment – Fair value	(51)	-	(51)	-
Receipts of dividend	-	-	-	6
<b>Net cash provided by used in investing activities</b>	<b>(5,098)</b>	<b>(7,986)</b>	<b>(43,802)</b>	<b>(12,650)</b>
<b>Cash flows from financing activities</b>				
Repayment of finance lease liabilities	(423)	(552)	(1,313)	(1,612)
Interest paid	221	-	(70)	(23)
Proceeds from borrowings – Banks	-	6,227	23,255	16,016
Proceeds from borrowings – Director	16	-	8,965	-
Repayment of borrowings – Banks	(1,349)	(4,841)	(4,460)	(12,930)
<b>Net cash (used in)/provided by financing activities</b>	<b>(1,535)</b>	<b>834</b>	<b>26,377</b>	<b>1,451</b>
Net (decrease)/increase in cash and cash equivalents	<b>(1,079)</b>	<b>(9,625)</b>	<b>516</b>	<b>(9,820)</b>
<b>Cash and cash equivalents</b>				
Beginning of financial period	2,331	13,516	736	13,711
End of financial period	<b>1,252</b>	<b>3,891</b>	<b>1,252</b>	<b>3,891</b>



**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 March 2015	31 March 2014
	S\$'000	S\$'000
Cash at bank and on hand	1,252	3,890
Short-term bank deposits	-	305
	<b>1,252</b>	<b>4,195</b>

	The Group	
	31 March 2015	31 March 2014
	S\$'000	S\$'000
Cash and bank balances	1,252	4,195
Less: Bank deposit pledged	-	(304)
Cash and cash equivalents per consolidated statement of cash flows	<b>1,252</b>	<b>3,891</b>

**(ii) Review of Cash Flows for the nine months ended 31 March 2015****Net cash provided by operating activities**

During the nine-month period of FY2015, cash provided by operating activities amounted to S\$17.9 million. The reasons for the changes in working capital are explained in the Explanatory Notes to the Statement of Financial Position on page 6.

**Net cash used in investing activities**

Net cash of approximately S\$43.8 million used in investing activities was mainly due to additions of investment property under construction of approximately S\$42 million and additions of approximately S\$1.9 million of plant and machinery for operation requirements as explained in the Explanatory Notes to the Statement of Financial Position on page 6, offset by proceeds from sale of shares held under financial assets available for sale of S\$0.1 million.

**Net cash from financing activities**

Net cash of approximately S\$26.4 million from financing activities was mainly from increased in bank borrowings of approximately S\$23.2 million to fund the investment property under construction and S\$9 million loan from a director for working capital purposes. These were partially offset by repayments of financial lease liabilities of approximately S\$1.3 million and S\$4.5 million of bank borrowings.

Overall, cash and cash equivalents stood at approximately S\$1.2 million as at 31 March 2015.

**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	(Accumulated losses)/ Retained profits	Other reserves*	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>The Group</u></b>				
As at 1 July 2014	28,580	(12,122)	162	16,620
Total comprehensive loss for the period	-	(1,495)	(25)	(1,520)
As at 31 March 2015	<b>28,580</b>	<b>(13,617)</b>	<b>137</b>	<b>15,100</b>
As at 1 July 2013	28,580	7,858	147	36,585
Total comprehensive loss for the period	-	(12,420)	35	(12,385)
As at 31 March 2014	<b>28,580</b>	<b>(4,562)</b>	<b>182</b>	<b>24,200</b>

	Share Capital	(Accumulated losses)/ Retained profits	Other reserves*	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>The Company</u></b>				
As at 1 July 2014	28,580	(12,258)	162	16,484
Total comprehensive loss for the period	-	(1,495)	(23)	(1,518)
As at 31 March 2015	<b>28,580</b>	<b>(13,753)</b>	<b>139</b>	<b>14,966</b>
As at 1 July 2013	28,580	7,650	147	36,377
Total comprehensive loss for the period	-	(12,374)	35	(12,339)
As at 31 March 2014	<b>28,580</b>	<b>(4,724)</b>	<b>182</b>	<b>24,038</b>

\*Please see page 11 for movement

Other reserves

	The Group		The Company	
	Financial Period/Year Ended		Financial Period/Year Ended	
	31 March 2015	30 June 2014	31 March 2015	30 June 2014
	S\$'000	S\$'000	S\$'000	S\$'000
(a) Composition:				
Fair value reserve	139	162	139	162
Currency translation reserve	(2)	*	*	*
	137	162	139	162
(b) Movements:				
(i) Fair value reserve				
Beginning of financial period/year	162	147	162	147
Fair value gain/(loss)	(25)	15	(23)	15
End of financial period	137	162	139	162
(ii) Currency translation reserve				
Beginning of financial period/year	*	*	*	*
Currency translation differences arising from consolidation	(2)	-	-	-
End of financial period	(2)	-	-	-

\* 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**

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 March 2015	30 June 2014
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 2014.

**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**

Not applicable.

**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**

	<b>Current third quarter ended 31 March 2015</b>	<b>Previous third quarter ended 31 March 2014</b>	<b>Current nine months ended 31 March 2015</b>	<b>Previous nine months ended 31 March 2014</b>
Net Profit/(loss) attributable to equity holders of the Group (S\$'000)	425	(2,723)	(1,495)	(12,420)
Weighted average number of ordinary shares in issue ('000)	368,500	368,500	368,500	368,500
Basic and diluted earnings per share (cents)	0.12	(0.74)	(0.41)	(3.37)

**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 March 2015	As at 30 June 2014	As at 31 March 2015	As at 30 June 2014
Net Assets (S\$'000)	15,100	16,620	14,966	16,484
Number of shares ('000)	368,500	368,500	368,500	368,500
Net asset value per ordinary share (cents)	4.10	4.50	4.06	4.47

**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**

The Group is principally engaged in civil engineering works and mirco-tunnelling works in Singapore and acts primarily as the main contractor. Since second quarter of FY2015, the Group started to recognize rental income from the dormitory project that is partially completed.

### **Income Statement Review (Third Quarter ended 31 March 2015 vs. Third Quarter ended 31 March 2014)**

	The Group					
	Current third quarter ended 31 March 2015		Previous third quarter ended 31 March 2014		Increase/ (Decrease)	Increase/ (Decrease)
	S\$'000		S\$'000		S\$'000	%
Civil Engineering	5,130	55.6%	4,286	56.8%	844	19.7%
Tunneling	1,874	20.3%	3,255	43.2%	(1,381)	(42.4%)
Rental - Dormitory	2,228	24.1%	-	0.0%	2,228	100.0%
	9,232	100.0%	7,541	100.0%	1,691	

## **Revenue**

In this quarter, revenue from both Civil Engineering and Tunnelling segments were derived mainly from projects brought forward from FY2014.

Revenue from Civil Engineering segment increased by S\$0.8 million from S\$4.3 million for 3Q2014 to S\$5.1 million for 3Q2015 as a result of projects progressing toward higher activity level.

Revenue from Tunnelling segment decreased by S\$1.4 million from S\$3.3 million for 3Q2014 to S\$1.9 million for 3Q2015 due to construction challenges experienced but now under control.

Revenue from Rental of Dormitory was first recognized in December 2014 for S\$0.2 million and in 3Q2015, it was S\$2.2 million. Temporary Occupational Permit (T.O.P.) for phase one of the dormitory project was granted on 8 December 2014 and phase two of the project is still under construction.

## Gross profit/(loss)

	The Group					
	Current third quarter ended 31 March 2015		Previous third quarter ended 31 March 2014		Increase/ (Decrease)	Increase/ (Decrease)
	S\$'000		S\$'000		S\$'000	%
Civil Engineering	(110)	(4.4%)	168	(43.2%)	(278)	n.m.
Tunnelling	397	15.8%	(557)	143.2%	954	n.m.
Rental-Dormitory	2,228	88.6%	-	0.0%	2,228	n.m.
Gross profit/(loss)	2,515	100.0%	(389)	100.0%	2,904	

n.m. denotes not meaningful

Gross Profit for 3Q2015 showed a substantial increase of S\$2.9 million from S\$2.5 million gross profit compared to a loss of S\$0.4 million in 3Q2014.

In 3Q2015, gross profit from Tunnelling segment increased by S\$1 million reversing from a loss of S\$0.6 million in 3Q2014 to a gross profit of S\$0.4 million in current quarter. This was due to the absence of over-run costs experienced in 3Q2014 and positive contributions from projects in 3Q2015.

As the dormitory project is still under construction (phase two), no depreciation has been recognised at this stage. Direct costs relating to the rental revenue are charged under operating expenses.

### Administrative Expenses

Administrative Expenses increased by S\$0.3 million from S\$2.3 million in 3Q2014 to S\$2.6 million in 3Q2015. The increase was mainly due to expenses relating to the rental income of dormitory and professional fees relating to the financial restructuring scheme approval under section 210(10) of the Companies Act (Cap.50). However, the cost and operations restructuring exercise of the Company resulted in reductions of salaries and related costs as well as other key expenses items.

### Finance Expenses

Financing expenses relating to funding of the investment property under construction was charged to finance expenses in 1H2015. This is now reclassified to the investment property under construction resulting in recognition of reduction of interest expense of S\$0.2 million in 3Q2015.

### Profit/(loss) before income tax

Following a profitable 2Q2015, the Group again turned in a profit for 3Q2015 registering a profit before tax of S\$0.4 million compared to a loss of S\$2.7 million in 3Q2014.

**Income Statement Review (Nine months ended 31 March 2015 vs. Nine months ended 31 March 2014)**

	The Group					
	Current nine months ended 31 March 2015		Previous nine months ended 31 March 2014		Increase/ (Decrease)	Increase/ (Decrease)
	S\$'000		S\$'000		S\$'000	%
Civil Engineering	15,737	60.0%	15,377	61.4%	360	2.3%
Tunneling	8,038	30.7%	9,676	38.6%	(1,638)	(16.9%)
Rental-Dormitory	2,441	9.3%	-	0.0%	2,441	n.m.
	26,216	100.0%	25,053	100.0%	1,163	

n.m. denotes not meaningful

**Revenue**

Revenue from both Civil Engineering and Tunnelling segments were derived mainly from projects brought forward from FY2014.

Revenue of YTD 3Q2015 amounting to S\$15.7 million from Civil Engineering segment increased by S\$0.3 million from YTD 3Q2014 of S\$15.4 million. YTD 3Q2015 Revenue from Tunnelling segment recorded a lower revenue of S\$1.6 million compared to YTD 3Q2014 mainly due to slower progression of work as a result of construction challenges which are now under control.

Revenue from Rental of Dormitory was first recognized in December 2014 for S\$0.2 million and YTD 3Q2015 was S\$2.4 million. Temporary Occupational Permit (T.O.P.) for phase one of the dormitory project was granted on 8 December 2014 and phase two of the project is still under construction.

**Gross profit/(loss)**

	The Group					
	Current nine months ended 31 March 2015		Previous nine months ended 31 March 2014		Increase/ (Decrease)	Increase/ (Decrease)
	S\$'000		S\$'000		S\$'000	%
Civil Engineering	1,452	27.2%	(192)	9.3%	1,644	n.m.
Tunnelling	1,449	27.1%	(1,867)	90.7%	3,316	n.m.
Rental-Dormitory	2,441	45.7%	-	0.0%	2,441	n.m.
Gross profit/(loss)	5,342	100.0%	(2,059)	100.0%	7,401	

n.m. denotes not meaningful

Gross Profit for YTD 3Q2015 showed a substantial increase of S\$7.4 million from S\$5.3 million gross profit compared to a loss of S\$2.1 million in YTD 3Q2014.



Foreseeable losses (accrued costs) arising from delays in projects with construction challenges in FY2014 accrued in YTD 3Q2014 for both Civil Engineering and Tunnelling Segments were released as at YTD 3Q2015 as the accrued costs were no longer required.

As the dormitory project is still under construction (phase two), no depreciation has been recognised at this stage. Direct costs relating to the rental revenue are charged under operating expenses.

### **Administrative Expenses**

Administrative Expenses for the nine months YTD 3Q2015 decreased by S\$3.5 million from S\$10.5 million in 3Q2014 to S\$7.0 million in YTD 3Q2014. The decrease was mainly due to allowances for impairment of construction contracts due from a customer amounting to S\$3.1 million recognised in YTD 3Q2014 as well as reductions in expenses (including salaries and related costs) an outcome from the cost and operations restructuring exercise. During the nine months of FY2015, expenses relating to rental income of dormitory and professional fees relating to financial restructuring scheme were incurred.

### **Finance Expenses**

Financing expenses relating to funding of the investment property under construction were charged to finance expenses. This is now reclassified to the investment property under construction resulting in recognition of reduction of interest expense of S\$0.2 million in 3Q2015 and YTD 3Q2015 recognising an interest expense of S\$0.07million.

### **Profit/(loss) before income tax**

As a result of turnaround in profitability recorded during the last two quarters of FY2015, the Group's loss for YTD 3Q2015 was S\$1.5 million, S\$10.9 million lower compared to losses of S\$12.4 million in YTD 3Q2014.

## **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**

On 26 February 2015, the Company announced that it had, on 25 February 2015, successfully obtained an order from the Court under section 210(10) of the Companies Act (Cap. 50) that restrains, for a period of 6 months, further proceedings in any action or proceeding against the Company (“Order”).

The Order is intended to bring stability to the Company’s operations, and allow the Company time to finalise a scheme of arrangement in consultation with its key creditors, for the benefit of all the Company’s creditors. The Order also strengthens and reinforces the Company’s ability to perform its obligations under its ongoing public sector construction contracts. The Company will continue to operate normally in the provision of customer services while it puts in place a scheme of arrangement.

The Company believes that with the Order in place, notwithstanding certain cash flow difficulties at this time, there remains a reasonable prospect of rehabilitating the Company and obtaining greater value from its business and assets.

On 14 May 2015, the Company announced the following:

“Pursuant to the Order, the Company has attended one status review before the Court on 7 April 2015. The next status review before the Court is scheduled on 2 June 2015.

As set out in the Company’s announcement on 11 February 2015, the Company’s debt restructuring plan comprises, inter alia, the sale of the foreign workers’ dormitory known as “North Coast Lodge” at 300 Admiralty Road West, Singapore 757027 (“Dormitory”). The Building and Construction Authority of Singapore (“BCA”) is the Company’s landlord pursuant to the sub-tenancy agreement between BCA and the Company for the construction, management and operation of the Dormitory (the “Sub-Tenancy Agreement”) and its consent is required for the sale of the Dormitory. The BCA is also an unsecured creditor.

As part of the intended restructuring, the Company has been working with the BCA to work towards a successful disposal of the Dormitory. In connection with this, the BCA has, on 12 May 2015, called on the insurance performance bond in the amount of S\$7,788,695.05 provided by a third party in relation to the Sub-Tenancy Agreement in the interim as the Company pushes ahead with its efforts to bring the sale of the Dormitory, with the BCA’s consent, to fruition. This does not increase the liability of the Company, as the third party insurer becomes a creditor in place of the BCA for such amount.”

The Company is still in the process of working towards the execution of the Order to seek a consensual restructuring of its debts and liabilities in a manner which would maximise the value of the Company and its assets for its creditors and shareholders. Ernst & Young Solutions LLP has been appointed to advise and assist the Company in this matter.

The unfulfilled order book of the Company is approximately S\$140 million. The Company is currently working with clients, sub-contractors and suppliers towards the fulfilling of the order book.

**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/recommendeded, a statement to that effect**

No dividend had been declared for the third quarter and nine months ended 31 March 2015.

**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 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 third quarter and nine months ended 31 March 2015 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

Ong Hoi Lian  
Non-Executive Director

14 May 2015