

Independent Auditor's Report to the Members of Swee Hong Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Swee Hong Limited (the "Company") and its subsidiaries (the "Group") set out on pages 8 to 62, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 30 June 2014, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report to the Members of Swee Hong Limited (Cont'd)

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2014, and of the results, changes in equity and cash flows of the Group for financial year ended on that date.

Emphasis of Matter

We draw attention to Note 4 of the financial statements. The Group incurred gross loss of \$6.0 million and net loss of \$20.0 million (2013: Gross loss of \$6.3 million and net loss of \$16.3 million) respectively for the financial year ended 30 June 2014. The Group's and the Company's current liabilities exceeded its current assets by \$15.4 million (2013: net current assets of \$21.4 million) and \$16.2 million (2013: net current assets of \$20.6 million) respectively as at 30 June 2014. In addition, the Company has borrowings totalling \$7.4 million (2013: \$5.9 million) that are due within the next 12 months.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about on the Group's and the Company's ability to continue as going concerns. Nevertheless, the Directors prepared the financial statements based on a going concern basis, and had undertaken the following measures to continue funding the operations:

- (i) On 30 June 2014, the Company announced to propose to issue up to 1,474,000,000 Rights Shares, at an issue price of \$0.01 for each Rights Share and up to 1,474,000,000 free detachable Warrants ("Proposed Rights cum Warrants Issue") to raise \$14.7 million. The proposed Rights cum Warrants Issue is subject to approval of Shareholders of the Company at an extraordinary general meeting ("EGM") to be convened.

On 3 September 2014, the Company announced that Mr Edward Lee Ewe Ming, a shareholder of the Company had given an irrevocable undertaking to the Company to show his support for the Rights Shares cum Warrants Issue.

- (ii) An executive director of the Company has undertaken to provide an interest-free loan of \$2.5 million to the Company and repayable after 24 months from the date of loan provided to meet the Company's financial obligations as and when they fall due.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties. In forming our opinion, we have considered the adequacy of the disclosure of these matters in the financial statements. Our opinion is not qualified with respect to this matter.

**Independent Auditor's Report to the Members of
Swee Hong Limited (Cont'd)**

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

**Nexia TS Public Accounting Corporation
*Public Accountants and Chartered Accountants***

***Director-in-charge: Lee Look Ling*
(Appointed since financial year ended 30 June 2013)**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

4 Going concern assumption

The Group incurred gross loss of \$6.0 million and net loss of \$20.0 million (2013: Gross loss of \$6.3 million and net loss of \$16.3 million) respectively for the financial year ended 30 June 2014. The Group's and the Company's current liabilities exceeded its current assets by \$15.4 million (2013: net current assets of \$21.4 million) and \$16.2 million (2013: net current assets of \$20.6 million) respectively as at 30 June 2014. In addition, the Company has borrowings totalling \$7.4 million (2013: \$5.9 million) that are due within the next 12 months.

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