Swee Hong Limited

First Quarter

Unaudited Financial Statement

For the Period Ended

30 September 2014

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		
	Current first quarter ended 30 September 2014	Previous first quarter ended 30 September 2013	Increase/ (Decrease)
	S$'000	S$'000	%
Revenue	8,180	7,843	4%
Cost of works	(7,930)	(9,495)	-16%
Gross profit/(loss)	**250**	**(1,652)**	**-115%**
Other gains - net	14	32	-56%
Expenses			
- Distribution and marketing	(25)	(8)	213%
- Administrative	(2,207)	(2,632)	-16%
- Finance	(117)	(30)	290%
	(2,085)	**(4,290)**	**-51%**
Share of loss of associated company	(46)	-	**n.m**
Loss before income tax	(2,131)	(4,290)	**-50%**
Income tax expense	-	-	**n.m**
Net loss	**(2,131)**	**(4,290)**	-50%

n.m. denotes not meaningful

(i) Consolidated Statement of comprehensive income for the First Quarter ended 30

	The Group		
	Current first quarter ended 30 September 2014	Previous first quarter ended 30 September 2013	Increase/ (Decrease)
	S$'000	S$'000	%
Net loss	(2,131)	(4,290)	**-50%**
Other comprehensive income			
Financial assets, available-for-sale			
- Fair value gains	(16)	23	**-170%**
- Currency translation differences arising from consolidation	(2)	*	**n.m**
Other comprehensive income, net of tax	(18)	23	**-178%**
Total comprehensive income	**(2,149)**	**(4,267)**	**-50%**

* Amount below S$1,000
n.m. denotes not meaningful

(ii) Notes to the income statement

Breakdown of Other Gains

	The Group	
	Current first quarter ended 30 September 2014	Previous first quarter ended 30 September 2013
	S$'000	S$'000
Other gains - Net		
Foreign exchange gains/(losses) - net	2	(3)
Dividend income	*	6
Losses on disposal of property, plant and equipment	-	(4)
Interest income - bank	*	19
Income from the sales of scrap	-	14
Miscellaneous	12	-
Total	**14**	**32**

(iii) Included under Administrative expenses:

	The Group	
	Current first quarter ended 30 September 2014	Previous first quarter ended 30 September 2013
	S$'000	S$'000
Depreciation of property, plant & equipment	558	564

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

	Group		Company	
	30 September 2014	30 June 2014	30 September 2014	30 June 2014
	$	$	$	$
ASSETS				
Current assets				
Cash and cash equivalents	723	736	685	696
Trade and other receivables	19,454	21,411	19,462	21,417
Construction contract work-in-progress	35	381	35	381
	20,212	22,528	20,182	22,494
Non-current assets				
Available for sale financial assets	350	366	350	366
Investment in subsidiaries	-	-	602	602
Investment in associated company	87	133	200	200
Property, plant and equipment	21,186	21,034	21,186	21,034
Investment property under construction	40,942	19,037	40,942	19,037
	62,565	40,570	63,280	41,239
Total assets	82,777	63,098	83,462	63,733
LIABILITIES				
Current liabilities				
Trade and other payables	44,304	30,542	45,076	31,314
Borrowings	5,252	7,398	24,002	7,398
	49,556	37,940	69,078	38,712
Non-current liabilities				
Borrowings	18,750	8,537	-	8,537
Total liabilities	68,306	46,477	69,078	47,249
NET ASSETS	14,471	16,621	14,384	16,484
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	28,580	28,580	28,580	28,580
Other reserves	144	162	146	162
Retained profits	(14,253)	(12,121)	(14,342)	(12,258)
TOTAL EQUITY	14,471	16,621	14,384	16,484

Notes to Statement of Financial Position

(i) Trade and other receivables

	The Group		The Company	
	30 September 2014	30 June 2014	30 September 2014	30 June 2014
	S$'000	S$'000	S$'000	S$'000
Trade receivables	1,052	2,269	1,052	2,269
Construction contracts:				
- Due from customers	15,593	15,530	15,593	15,530
Non-trade receivables				
- Subsidiary	-	-	8	7
- Non-related parties	1,034	654	1,034	654
	1,034	654	1,042	661
Deposits	25	207	25	207
Prepayments	1,750	2,751	1,750	2,750
	19,454	**21,411**	**19,462**	**21,417**

(ii) Trade and other payables

	The Group		The Company	
	30 September 2014	30 June 2014	30 September 2014	30 June 2014
	S$'000	S$'000	S$'000	S$'000
Trade Payables	31,577	21,376	31,577	21,376
Construction contracts:				
- Due to customers	4,413	4,738	4,413	4,738
Other payables				
- Subsidiary	-	-	776	776
- Non-related parties	3,665	472	3,665	472
	3,665	472	4,441	1,248
Accrued operating expenses	4,649	3,956	4,645	3,952
	44,304	**30,542**	**45,076**	**31,314**

Explanatory Notes:

Trade and other receivables had declined by approximately S$2.0 million. This was due mainly to a decline in trade receivables of S$1.2 million and decline in prepayment by S$1 million. Decline in trade receivables due mainly to the delay in certification of works performed of 1 project. Decline in prepayment due mainly to the utilization of advance payment made to suppliers.

Investment property under construction pertaining to the investment in new dormitory business.

Trade and other payables increased by approximately S$13.8 million due mainly to:

(i) an increase in trade payables of $10.2 million attributed to progression of on-going projects including the dormitory mentioned in the previous paragraph;
(ii) an increase in other payables of approximately S$3.2 million due mainly to delay in the payment to suppliers;
(iii) an increase in accrued operating expenses by S$0.7 million and
(iv) offset by a decrease in construction contract due to customers by S$0.3 million due mainly to the utilization of advances received from customers.

Increase in borrowings due mainly to the investment in dormitory business. Refer section 1(b)(ii) on the breakdown of borrowings.

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	
	30 September 2014	30 September 2014	30 June 2014	30 June 2014
	S$'000	S$'000	S$'000	S$'000
	Secured	Unsecured	Secured	Unsecured
Trade finance	1,121	1,843	1,160	3,132
Finance lease liabilities	1,068	-	1,578	-
Bank borrowing	845	-	677	-
Bank overdraft	-	375	-	851

(b) Amount repayable after one year

	The Group		The Group	
	30 September 2014	30 September 2014	30 June 2014	30 June 2014
	S$'000	S$'000	S$'000	S$'000
	Secured	Unsecured	Secured	Unsecured
Finance lease liabilities	372	-	390	-
Bank borrowing	14,946	-	-	7,238
Loan from directors	-	3,432	-	909

The Group's borrowings are in the form of trade financing, lease financing and long-term bank borrowing. A portion of the borrowings are secured by plant and machinery, motor vehicle and fixed deposits. Long-term borrowing is secured over investment property under construction and leasehold land.

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. Long-term borrowing was taken to finance the construction of dormitory.

Loan from directors are unsecured and are interest free and is repayable after 18 months.

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 First Quarter ended 30 September

	30 September 2014 $'000	30 September 2013 $'000
Cash flows from operating activities		
Net loss	(2,131)	(4,290)
Adjustment for		
- Depreciation	558	564
- Gains on disposal of property, plant and equipment	-	4
- Interest income	-	(19)
- Interest expense	117	30
- Dividend income	-	(6)
- Unrealised currency translation gains-net	(2)	*
- Share of loss of associated company	46	-
	(1,412)	(3,717)
Change in working capital		
- Construction contract work-in-progress	345	(291)
- Trade and other receivables	1,957	2,343
- Trade and other payables	13,762	7,489
Cash generated from operations	14,652	5,824
Interest received	-	19
Interest paid	-	(19)
Net cash provided by operating activities	14,652	5,824
Cash flows from investing activities		
Addition to property, plant and equipment	(709)	(1,754)
Addition to investment property under construction	(21,905)	-
Proceeds from disposal of property, plant and equipment	-	40
Receipts of dividend	-	6
Net cash used in investing activities	(22,614)	(1,708)
Cash flows from financing activities		
Repayment of finance lease liabilities	(528)	(510)
Proceeds from borrowings	10,399	5,439
Repayment of borrowings	(1,805)	(3,832)
Interest	(117)	(11)
Net cash provided by financing activities	7,949	1,086
Net decrease in cash and cash equivalents	(13)	5,202
Cash and cash equivalents at beginning of financial period	433	13,711
Cash and cash equivalents at end of financial period	420	18,913

* 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	
	30 September 2014	**30 September 2013**
	S$'000	**S$'000**
Cash at bank and on hand	418	10,517
Short-term bank deposits	305	8,699
	723	**19,216**

	The Group	
	30 September 2014	**30 September 2013**
	S$'000	**S$'000**
Cash and bank balances	723	19,216
Less: Bank deposit pledged	(303)	(303)
Cash and cash equivalents per consolidated statement of cash flows	**420**	**18,913**

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

(ii) Review of Cash Flows for the First Quarter ended 30 September 2014.

Net cash used in operating activities

In 1Q2015, cash provided by operating activities amounted to S$14.7 million. The reasons for the changes in working capital had been explained in the Explanatory Notes to the Statement of Financial Position earlier.

Net cash used in investing activities

Net cash of approximately S$22.6 million used in investing activities was mainly due to investment in the new dormitory business.

Net cash from financing activities

Net cash of approximately S$8.0 million from financing activities was used to fund the investment in dormitory business and operation needs.

Overall, cash and cash equivalents stood at approximately S$0.4 million as at 30 September 2014.

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
The Group				
As at 1 July 2014	28,580	(12,122)	162	16,620
Total comprehensive loss for the period	-	(2,131)	(18)	(2,149)
As at 30 September 2014	**28,580**	**(14,253)**	**144**	**14,471**
As at 1 July 2013	28,580	7,859	146	36,585
Total comprehensive (loss)/income for the period	-	(4,290)	23	(4,267)
As at 30 September 2013	**28,580**	**3,569**	**169**	**32,318**

	Share Capital	(Accumulated losses)/ Retained profits	Other reserves*	Total Equity
	S$' 000	S$' 000	S$' 000	S$' 000
The Company				
As at 1 July 2013	28,580	(12,258)	162	16,484
Total comprehensive loss for the period	-	(2,084)	(16)	(2,100)
As at 30 September 2014	**28,580**	**(14,342)**	**146**	**14,384**
As at 1 July 2012	28,580	7,650	147	36,377
Total comprehensive income for the period	-	(4,289)	22	(4,267)
As at 30 September 2013	**28,580**	**3.361**	**169**	**32,110**

*Please see below for movement

Other reserves

	The Group		The Company	
	Financial Period/Year Ended		Financial Period/Year Ended	
	30 September 2014	30 June 2014	30 September 2014	30 June 2014
	S$'000	S$'000	S$'000	S$'000
(a) Composition:				
Fair value reserve	146	162	146	162
Currency translation reserve	(2)	-*	-	-
	144	162	146	162
(b) Movements:				
(i) Fair value reserve				
Beginning of financial period/year	162	147	162	147
Fair value gains	(16)	15	(16)	15
End of financial period	**146**	**162**	**146**	**162**

* 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

	30 September 2014	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 2014, 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 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

The Group has adopted all the new and revised Financial Reporting Standards ("FRS") and interpretations of FRS ("INT FRS") that are relevant in the current financial period. The adoption of the new and revised FRS and INT FRS has no material effect to the financial statements.

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 first quarter ended 30 September 2014	Previous first quarter ended 30 September 2013
Net loss attributable to equity holders of the Company ($'000)	(2,131)	(4,290)
Weighted average number of ordinary shares in issue ('000)	368,500	368,500
Basic and diluted loss per share (cents)	(0.58)	(1.16)

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 30 September 2014	As at 30 June 2014	As at 30 September 2014	As at 30 June 2013
Net Assets ($'000)	14,471	16,621	14,384	16,484
Number of shares (' 000)	368,500	368,500	368,500	368,500
Net asset value per ordinary share (cents)	3.93	4.51	3.90	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

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

Income Statement Review (First Quarter of FY2015 vs. First Quarter of FY2014)

	The Group					
	Current first quarter ended 30 September 2014		Previous first quarter ended 30 September 2013		Increase/ (Decrease)	Increase/ (Decrease)
	S$'000	%	S$'000	%	S$'000	%
Civil Engineering	5,221	64%	5,569	71%	(348)	-6%
Tunnelling	2,959	36%	2,274	29%	685	30%
	8,180	100%	7,843	100%	337	4%

Revenue

Revenue for 1Q2015 from the civil engineering segment was derived mainly from the progression of work done on projects brought forward from FY2014. The key reason for revenue decreased, was due to several projects were substantially completed in previous financial year.

In addition, the on-going projects brought forward from FY2013 were smaller in scale. The MacRitchie Viaduct and Adam Flyover project worth S$126 million awarded during FY2014 is expected to contribute significantly to revenue in next quarter.

Revenue from the Tunneling segment was higher as a new project obtained in late FY2013 is in active construction phase which contributed to the increase in revenue in 1Q2015.

Gross profit

	The Group					
	Current first quarter ended 30 September 2014		Previous first quarter ended 30 September 2013		Increase/ (Decrease)	Increase/ (Decrease)
	S$'000	%	S$'000	%	S$'000	%
Civil Engineering	195	78%	(270)	16%	465	172%
Tunnelling	55	22%	(1,382)	84%	1,437	104%
Gross profit/loss	250	100%	(1,652)	100%	1,902	115%

Gross profit from civil engineering for 1Q2015 was S$0.2 million as compared to a gross loss of S$0.3 million for 1Q2014. Foreseeable losses was recognised in previous financial year ended 30 June 2014 for delays in a project. Other projects are recorded gross profit for the 1Q2015.

Gross profit for tunnelling for 1Q2015 was S$0.1 million as compared to a gross loss of S$1.4 million for 1Q2014. Foreseeable losses was recognised in previous financial year ended 30 June 2014 for delays due to poor soil conditions and additional costs for rectification works. Gross profit from the new project awarded in late FY2014 generates marginal gross profit.

Expenses

Administrative expenses decrease by S$0.4 million as compared to 1Q2014 due mainly to decrease in salary and repair cost.

Increase in finance expenses is in line with the increase in borrowings.

Loss before income tax

Accordingly, the Group had incurred a loss before income tax of S$2.1 million in 1Q2015 after taking into the share of loss from associated company of $46,000. Group had invested in the associated company in January 2014.

Net loss after tax

The Group's net profit had improved by approximately S$2.2 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

As at the date hereof, the order books of the construction business (i.e. the tunnelling and the civil engineering segment) is approximately S$163 million, of which the MacRitchie Viaduct and Adam Flyover project worth S$126 million was the most significant. This project is expected to contribute significantly to revenue in FY2015.

The Group continues to be on the lookout for tenders of both civil engineering and tunnelling contracts. Competition is expected to continue to be keen and the Group expects pressure on margins. Upward pressure on manpower costs is expected to persist due to the Government's policies.

The industry continues to face a widespread shortage of experienced and skilled manpower. To increase productivity and operational efficiency, the Group is actively improving our workforce by recruiting experienced personnel. On the other hand, the Group continues to provide on-the-job or off-site training for personnel from all levels. Incentives will be given in fostering good performance.

The Group invested in an associated company in January 2014 with four home-grown construction companies to tender MRT projects. With a budget of S$60 billion in the pipeline to increase the rail network in Singapore, we are positive about the growth potential in this segment.

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 Group is expecting to obtain the Temporary Occupation Permit ("TOP") for the first phase of 4,500-beds by November 2014 and the second phase of 4,500-beds by December 2014. Upon receipt of the TOP for the second phase and the North Coast Lodge becoming fully operational, the Group is expecting a positive cash flow for this project.

There has been a delay in the completion of the Group's Kranji premises for the Pre-fabricated Pre-finished Volumetric Modular Construction (PPVC) System, which was to be used for the NTU Project.

The Group has received a letter from Singapore Piling & Civil Engineering Private Limited, the wholly-owned subsidiary of BBR Holdings (S) Ltd, purporting to cease all further discussions with the Company in relation to the NTU Project. The Group is currently taking advice and exploring options with a view to taking all necessary steps to protect its interests.

The Group has appointed Ernst & Young Solutions LLP to advise on the financial impact of the above and the potential options available to the Group including taking into consideration, amongst other things, potential alternative sources of funding including reassessing the proposed rights cum warrants issue announced on 30 June 2014 in order to enable the Group to fulfil its ongoing obligations. Appropriate announcement(s) setting out details of the foregoing will be released once we have more details. Shareholders and potential investors are advised to exercise caution in trading in the Company's shares as there is no certainty or assurance that the proposed rights cum warrants issue will materialise.

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 first quarter ended 30 September 2014.

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 first quarter ended 30 September 2014 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 November 2014