

PROPOSED PLACEMENT OF 300,000,000 SUBSCRIPTION SHARES, UP TO 100,000,000 TOP UP SUBSCRIPTION SHARES AND 500,000,000 WARRANTS TO KH FOGES PTE. LTD.

*The board of directors (“**Directors**” or collectively, the “**Board**”) of Swee Hong Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement dated 25 February 2016 (“**Term Sheet Announcement**”). Unless defined otherwise, terms used in this announcement will have the same meanings ascribed to them in the Term Sheet Announcement.*

1. INTRODUCTION

The Board is pleased to announce that the Company⁽¹⁾ has on 14 March 2016 entered into a conditional subscription agreement (the “**Subscription Agreement**”) with KH Foges Pte. Ltd. (the “**Subscriber**”) pursuant to which the Company has agreed to allot and issue to the Subscriber, and the Subscriber has agreed to subscribe and pay for:

- (a)
- (i) an initial three hundred million (300,000,000) new ordinary shares of the Company (“**Initial Subscription Shares**”) at the Issue Price (as defined in paragraph 3.1.1 below) for an aggregate consideration of S\$3,000,000 (“**Consideration**”);
 - (ii) up to one hundred million (100,000,000) new ordinary shares of the Company (the “**Top Up Subscription Shares**”), such that the aggregate number of Initial Subscription Shares, the Top Up Subscription Shares and (assuming all the Warrants (as defined below) are exercised by the Subscriber) the Warrant Shares (as defined below) held by the Subscriber as at the Completion (as defined in paragraph 3.1.1 below) would result in the Subscriber achieving a shareholding percentage of up to but not exceeding 42% immediately after Completion (as defined in paragraph 3.1.1 below),

(collectively, the “**Subscription Shares**”, and each a “**Subscription Share**”), where the total consideration payable by the Subscriber for the Subscription Shares is S\$3,000,000 (the “**Consideration**”) and the issue price for each Subscription Share shall be the lower of S\$0.01 or the Consideration divided by the number of Subscription Shares; and

- (b) five hundred million (500,000,000) non-listed, transferable free warrants (the “**Warrants**”, and each a “**Warrant**”) at the exercise price of S\$0.01 (“**Exercise Price**”) where the number of new Shares to be issued upon exercise of the Warrants (the “**Warrant Shares**”) shall be calculated on the basis of one Warrant Share per Warrant,

(the “**Proposed Placement**”). The Proposed Placement will be made pursuant to section 272B of the Securities and Futures Act (Chapter 289) of Singapore.

Note:

- (1) The Company has filed an application to the High Court of Singapore (“**Court**”) for leave to propose a scheme of compromise and arrangement (the “**Scheme**”) dated 28 September 2015 between the Company and certain of its creditors and to be administered by Ee Meng Yen Angela and Aaron Loh Cheng Lee of Ernst & Young Solutions LLP, acting jointly and severally as scheme managers of the Scheme (the “**Scheme Managers**”). The Scheme has been approved by the requisite majority of each of the two classes of the Creditors (as defined in the Scheme) on 6 November 2015. The Scheme was sanctioned by the Court on 25 November 2015 and became effective on 2 December 2015.

2. INFORMATION OF THE SUBSCRIBER

- 2.1 Pursuant to the Term Sheet, Readymade Steel Singapore Pte Ltd. (“**RM Steel**”) have the right to nominate an affiliate or related party. RM Steel has nominated its subsidiary KH Foges Pte Ltd to enter into the Subscription Agreement with the Company. KH Foges Pte Ltd is a sub-contractor of the Company.
- 2.2 The Subscriber is a company incorporated in Singapore (Company Registration No. 200400237R). It is principally engaged in the business of civil engineering, piling, foundation and geotechnical engineering works, mixed construction activities and marine services. The Subscriber has nominated Mr Yeo Siang Thong as its representative on the Board of the Company.
- 2.3 As at the date of this announcement, the Subscriber does not hold, directly or indirectly, any shares in the capital of the Company (“**Shares**”). The Subscriber is a willing investor and has entered into the Proposed Placement for business integration and financial investment purposes. Mr Ong Hock Leong (“**OHL**”) is a deemed substantial shareholder and former managing director of the Company and was adjudged a bankrupt recently. The Subscriber is currently in discussions with the OHL’s creditors in connection with matters relating to OHL’s bankruptcy. Save as disclosed, neither the Subscriber nor their directors or substantial shareholders have any connection with any Director or substantial shareholder of the Company.

3. DETAILS OF THE PROPOSED PLACEMENT

3.1 The Initial Subscription Shares, Top Up Subscription Shares and Warrants

- 3.1.1 Based on the Subscription Agreement, the Subscriber shall subscribe for (i) 300,000,000 Initial Subscription Shares; (ii) up to 100,000,000 Top Up Subscription Shares; and (iii) 500,000,000 non-listed and transferable free Warrants. The number of Top Up Subscription Shares to be issued is calculated based on the aggregate number of Initial Subscription Shares, the Top Up Subscription Shares and the Warrant Shares (assuming all the Warrants are exercised) held by the Subscriber at Completion (as defined below) which would result in the Subscriber achieving a shareholding percentage of up to but not exceeding the Minimum Percentage Shareholding (as defined below) immediately after Completion.

For the avoidance of doubt, the Top Up Subscription Shares shall be issued at completion of the Proposed Placement (“**Completion**”) and there will be no issuance of Top Up Subscription Shares after Completion.

*“**Enlarged Share Capital**” means the number of issued Shares after all conversion of debts (including without limitation the conversion of debts owed to Start Conversion Creditors (as defined in the Scheme)) to new Shares under the Scheme, the issue of the Subscription Shares and (assuming all the Warrants are exercised) the issue of the Warrant Shares.*

*“**Minimum Percentage Shareholding**” means at least 42 per cent. of the Enlarged Share Capital.*

*“**Issue Price**” means the issue price for each Subscription Share, being the lower of \$0.01 or the Consideration divided by the number of Subscription Shares.*

- 3.1.2 Each Warrant, shall, subject to the terms and conditions set out in a deed poll constituting the Warrants (“**Deed Poll**”), carry the right to subscribe for one new Warrant Share at the Exercise Price, at any time during the period commencing on and including the date of issue of the Warrants and expiring on a date immediately preceding the third (3rd) anniversary of the date of issue of the Warrants (“**Exercise Period**”). The Exercise Price and the number of Warrants held by the Subscriber will be subject to adjustments under certain circumstances to be provided for in the Deed Poll. The Company shall allot and issue the Warrant Shares within five (5) business days after the exercise of any of the Warrants by the Subscriber in accordance

with the terms of the Deed Poll. Upon allotment and issue, the Subscription Shares and the Warrant Shares will rank *pari passu* in all respects with the existing Shares.

- 3.1.3 Upon Completion, the Subscription Shares will represent 108.55%⁽²⁾ of the existing share capital of the Company. For more details, please see paragraph 6.2 below.
- 3.1.4 If all the Warrants are fully exercised by the Subscriber, the Company will issue 500,000,000 Warrant Shares to the Subscriber, which when aggregated with the Subscription Shares, will represent approximately 135.69%⁽²⁾ of the existing share capital of the Company. For more details, please see paragraph 6.2 below.
- 3.1.5 Completion of the subscription for the Subscription Shares by the Subscriber and completion of the exercise in full of the Warrants by the Subscriber and/or its nominees ("**Subscriber Nominees**") will result in the Subscriber and/or its Subscriber Nominee obtaining a controlling interest in the Company. Accordingly, pursuant to Rule 803 of the Listing Manual of the SGX-ST (the "**Listing Manual**") prior approval of the shareholders is required for the Proposed Placement.
- 3.1.6 The Company will be making an application to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Subscription Shares and the Warrant Shares on the official list of the Main Board of the SGX-ST. For avoidance of doubt, the Warrants will not be listed on the SGX-ST.

Note:

- (2) Shareholders are to note that the issuance of any new Shares pursuant to the Scheme has been disregarded for purposes of the computations.

3.2 **Issue Price of the Subscription Shares and the Exercise Price of the Warrants**

- 3.2.1 The Issue Price and Exercise Price of S\$0.01 represents a discount of approximately 92.25% to the volume weighted average price of S\$0.129 for trades done on the SGX-ST on 5 February 2015 (being the last trading day prior to the suspension of trading of the Shares).
- 3.2.2 As the Subscription Shares and the Warrant Shares will be issued at a discount exceeding 10%, under Rule 811(1) read with 811(3) of the Listing Manual, the Proposed Placement is subject to the approval of shareholders of the Company ("**Shareholders**") at an extraordinary general meeting to be convened ("**EGM**"). A circular to Shareholders containing details of the Proposed Placement and the notice of EGM will be despatched in due course.

3.3 **Conditions Precedent**

- 3.3.1 The completion of the Proposed Placement is subject to certain conditions set out in the Subscription Agreement, including, without limitation:
- (a) there being no objection to the issue of the Subscription Shares together with the Warrants and the Warrant Shares by the Scheme Managers;
 - (b) the Subscriber having undertaken and completed its due diligence investigations and the results of such due diligence investigations being to the reasonable satisfaction of the Subscriber;
 - (c) the Subscriber obtaining a whitewash waiver from the SIC of the requirement for the Subscriber and its concert parties to make a mandatory general offer for the Shares not already owned by the Subscriber or its concert parties arising from or in connection with its subscription of the Subscription Shares together with the Warrants and the Warrant Shares upon the exercise of the Warrants, and where such approval is subject to conditions, such conditions being acceptable to the Subscriber ("**Whitewash Waiver Ruling**");

- (d) a resolution passed by way of a poll by shareholders independent of the Subscriber and its concert parties to waive their rights to receive a general offer from the Subscriber and parties acting in concert with the Subscriber arising from and in connection with its subscription of the Subscription Shares together with the Warrants and the Warrant Shares upon the exercise of the Warrants, and fulfilment of other relevant terms and conditions of the Whitewash Waiver Ruling of the Securities Industry Council (“**SIC**”);
- (e) the approval in-principle of the SGX-ST for the listing and quotation of up to 400,000,000 Subscription Shares and 500,000,000 Warrant Shares on the Official List of SGX-ST having been obtained;
- (f) the Company having obtained all corporate and Shareholders’ approval in respect of the allotment, issue and subscription of the Subscription Shares together with the Warrants and the Warrant Shares upon the exercise of the Warrants, and all the transactions ancillary to or contemplated thereto;
- (g) the Company having obtained all consents, approvals and authorizations from third parties (including financial institutions) and governmental body or authority (including but not limited to the SGX-ST and the SIC) required for or in connection with the execution of the Subscription Agreement;
- (h) the allotment, issue and subscription of the Subscription Shares, together with the Warrants and the Warrant Shares upon the exercise of the Warrants not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority of Singapore (including the SGX-ST and the SIC) which is applicable to the Company or the Subscriber;
- (i) the Company has complied with or will comply (before Completion) with all legal and other requirements necessary for the issue of the Subscription Shares and performance of its obligations under the Subscription Agreement;
- (j) the conversion of OHL’s Approved Outstandings (as defined in the Scheme) (which amount shall not be less than S\$9,874,000) into new Shares in accordance with the terms of the Scheme;
- (k) the Shares having been lifted from trading suspension, and are freely listed and traded as at the date of Completion (“**Completion Date**”);
- (l) the net asset value of the Company immediately after taking into account (i) the write down of the Approved Outstandings (as defined in the Scheme) and (ii) the issue of new Shares pursuant to the debt-to-equity conversion under the Scheme, being not less than S\$3,600,000;
- (m) the aggregate amount of the debts of all the Eligible Creditors (as defined in the Scheme), after taking into account certain events, being not more than S\$25,300,000 at any time prior to the Completion Date;
- (n) the warranties given by the Company and the Subscriber remaining true or correct as at the Completion Date as if they had been given again on the Completion Date;
- (o) the Company and the Subscriber not being in breach of any of the undertakings and the covenants in the Subscription Agreement as at the Completion Date; and
- (p) in relation to the on-going building and construction projects as at the Completion Date, (i) all new sub-contracts entered into have achieved a positive project net profit, (ii) all additional works carried out have been carried out on the instructions of the relevant employer or main contractor and have achieved a positive project net profit, (iii) any omission work carried out shall comply with the relevant terms of the main contract

awarded, and (iv) the on-going building and construction projects not having been terminated and there having been no liquidated damages demanded in relation to the on-going projects,

(collectively, the “**Conditions Precedent**”).

- 3.3.2 The Subscriber may agree to, upon such terms as it thinks fit, waive compliance with any of the Conditions Precedent set out in paragraphs 3.3.1(a), (b), (c), (d), (i), (j), (k), (l), (m), (n), (o) and (p) and any condition so waived shall be deemed to have been satisfied by the Company.
- 3.3.3 The Company may agree to, upon such terms as it thinks fit, waive compliance with any of the Conditions Precedent set out in paragraphs 3.3.1(n) and (o) and any condition so waived shall be deemed to have been satisfied by the Subscriber.
- 3.3.4 If any of the conditions set out above in paragraphs 3.3.1(a), (b), (c), (d), (e), (f) and (g) above is not satisfied (or waived with respect to certain Conditions Precedent) six months from the date of the Subscription Agreement or such other date as the parties to the Subscription Agreement may agree in writing (“**Long Stop Date**”), the Subscription Agreement shall terminate and the obligations of the Company to issue the Subscription Shares and the Subscriber to subscribe for the Subscription Shares and the Warrants shall *ipso facto* cease.

3.4 **Other key terms of the Subscription Agreement**

3.4.1 On Completion, the Company shall, *inter alia*:

- (a) deliver to the Subscriber:
- (i) a document showing that the Company’s pro forma net asset value as at the First NAV Date (being the last day of the month which is two months before Completion Conditions Month (as defined in the Subscription Agreement)) is not less than S\$3,600,000;
 - (ii) a document showing that the Company’s pro forma net asset value as at the Second NAV Date (being the last day of the month which is one month before Completion Conditions Month (as defined in the Subscription Agreement)), is not less than S\$3,600,000; and
 - (iii) a statement reviewed by a professional consultant stating that in respect of the on-going building and construction projects: (i) all new sub-contracts entered into have achieved a positive project net profit (as defined in the Subscription Agreement), (ii) all additional works carried out have been carried out on the instructions of the relevant employer or main contractor and have achieved a positive project net profit, and (iii) any omission work carried out shall comply with the relevant terms of the main contract awarded;
- (b) The Subscriber may, at its discretion, offset any amounts for which the Company is liable or indebted to the Subscriber against the Consideration payable by the Subscriber or the sum payable in respect of each Warrant Share for which the Subscriber will be entitled to subscribe upon exercise of a Warrant.

4. **RATIONALE FOR THE PROPOSED PLACEMENT**

- 4.1 Following the termination of the subscription agreement dated 23 November 2015 which was announced by the Company on 19 February 2016, the Company had been looking for potential partners.
- 4.2 The Company agreed to the Proposed Placement as it requires funds to meet its working capital requirements. Further, the Company believes that the Subscriber’s offer represents a fair price and that there will be synergies with the Subscriber as a Shareholder, especially given

that it is an existing sub-contractor of the Company (please refer to paragraph 2 above for more details of the Subscriber).

5. USE OF PROCEEDS

5.1 Based on the Subscription Agreement:

- (i) the amount of proceeds from the allotment and issuance of Subscription Shares will be S\$3,000,000 (the “**Subscription Shares Proceeds**”); and
- (ii) the amount of proceeds from the allotment and issuance of Warrant Shares (assuming that all Warrants are fully exercised) will be S\$5,000,000 (the “**Warrants Proceeds**”).

5.2 The net Subscription Shares Proceeds after deducting fees and expenses incurred in connection with allotment and issuance of Subscription Shares is approximately S\$2.6 million (“**Placement Net Proceeds**”), shall be used for working capital requirements only. Accordingly, the Company intends to use 100 per cent. of such proceeds for its working capital requirements.

5.3 As and when the Warrants are exercised, the Company will utilise the proceeds thereof (after deducting any further fees and expenses incurred in connection with the Warrants) working capital requirements.

5.4 The Company will make periodic announcements on the utilisation of the proceeds from the Proposed Placement as and when such proceeds are materially disbursed and subsequently provide a status report on the specific use of such proceeds and any material deviations therefrom in its annual report.

6. FINANCIAL EFFECTS OF THE PROPOSED PLACEMENT

6.1 For illustration purposes only and based on the unaudited consolidated financial statements of the Group for the financial year ended 30 June 2015 (“**FY2015**”) and for the second quarter ended 31 December 2015 (“**2Q2016**”), the financial effects of the Proposed Placement are set out below. The analysis below has been prepared solely for illustrative purposes and does not purport to be indicative or a projection of the results and financial position of the Group immediately after the completion of the Proposed Placement. The analysis below also does not take into account the financial effects of the Scheme.

Loss Per Share

- (a) Based on the assumptions above and assuming that the Proposed Placement had been effected at the beginning of **FY2015**, the loss per Share after adjusting for the issue of the Subscription Shares will decrease from (13.93) cents to (6.68) cents.
- (b) Based on the assumptions above and assuming that the Proposed Placement had been effected at the beginning of **FY2015**, the loss per Share after adjusting for the issue of the Warrant Shares will decrease from (13.93) cents to (4.05) cents.
- (c) Based on the assumptions above and assuming that the Proposed Placement had been effected at the beginning of **2Q2016**, the loss per Share after adjusting for the issue of the Subscription Shares will decrease from (1.93) cents to (0.93) cents.
- (d) Based on the assumptions above and assuming that the Proposed Placement had been effected at the beginning of **2Q2016**, the loss per Share after adjusting for the issue of the Warrant Shares will decrease from (1.93) cents to (0.56) cents.

Net Tangible Asset

- (a) Based on the assumptions above and assuming that the Proposed Placement had been effected at the end of **FY2015**, the net tangible asset per Share after adjusting for the issue of the Subscription Shares will increase from (9.42) cents to (4.18) cents.
- (b) Based on the assumptions above and assuming that the Proposed Placement had been effected at the end of **FY2015**, the net tangible asset per Share after adjusting for the issue of the Warrant Shares will increase from (9.42) cents to (2.14) cents.
- (c) Based on the assumptions above and assuming that the Proposed Placement had been effected at the end of **2Q2016**, the net tangible asset per Share after adjusting for the issue of the Subscription Shares will increase from (11.36) cents to (5.11) cents.
- (d) Based on the assumptions above and assuming that the Proposed Placement had been effected at the end of **2Q2016**, the net tangible asset per Share after adjusting for the issue of the Warrant Shares will increase from (11.36) cents to (2.70) cents.

6.2 The changes to the issued and paid-up share capital of the Company upon the issue and allotment of the Subscription Shares and the Warrant Shares are as follows:

	Number of Shares⁽¹⁾
Issued share capital as at the date of this announcement (" Existing Share Capital ")	368,500,000
Number of Subscription Shares to be issued	400,000,000
Issued share capital after the allotment and issuance of Subscription Shares but before the allotment and issuance of Warrant Shares (" Enlarged Scenario A ")	768,500,000
% of Subscription Shares to Existing Share Capital	108.55%
% of Subscription Shares to Enlarged Scenario A	52.05%
Number of Warrant Shares to be issued (assuming exercise of all of the Warrants)	500,000,000
Issued share capital after the allotment and issuance of Subscription Shares and Warrant Shares (" Enlarged Scenario B ")	1,268,500,000
% of Warrant Shares to Existing Share Capital	135.69%
% of Warrant Shares to Enlarged Scenario B	39.42%

Note:

- (1) Shareholders are to note that the issuance of any new Shares pursuant to the Scheme has been disregarded for purposes of the computations.

7. WORKING CAPITAL FACILITY

7.1 Pending Completion, the Subscriber agrees to make available to the Company a working capital loan facility of up to S\$3,000,000 ("**Working Capital Facility**"). The terms and conditions of the Working Capital Facility will be set out in a separate facility agreement to be agreed between the Company and the Subscriber (the "**Facility Agreement**").

7.2 The Working Capital Facility which may be drawn down from time to time by the Company on a need basis at any time after the date of this Agreement. As at the date of this announcement, a

sum of S\$500,000.00 has already been disbursed by the Subscriber to the Company under the Working Capital Facility.

- 7.3 To secure the repayment of the Working Capital Facility under the Facility Agreement, the Company shall assign all unencumbered receivables of the Group to the Subscriber and charge all unencumbered fixed assets of the Group in favour of the Subscriber under separate assignment of receivables and charge over fixed asset agreements to be agreed between the Subscriber and the Company. For the avoidance of doubt, the Company shall not, and shall not be required to assign or charge to the Subscriber, any amounts to be paid to the Cash Sweep Operating Account, Other Operating Account or Scheme Account (each as defined under the Scheme), and/or any other receivables or assets that are otherwise required to be made available for distribution or payment by the Company to any person under the Scheme.

8. GENERAL

- 8.1 None of the Subscription Shares will be placed by the Company to any person who is a director or a substantial shareholder of the Company, or any other person in the categories set out in Rule 812(1) of the Listing Manual. Mr Yeo Siang Thong, a non-executive director of the Company, is the chief executive officer of the Subscriber.
- 8.2 Save as disclosed in paragraphs 2.3 and 8.1 above, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Placement (other than their shareholdings in the Company, if any). For the avoidance of doubt, Mr Yeo Siang Thong, has abstained from the discussions and deliberation in the Board meeting in respect of the Proposed Placement.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Placement, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

10. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution as there is no certainty or assurance as at the date of this announcement that the Proposed Placement will be completed. **Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.**

11. DOCUMENTS FOR INSPECTION

A copy of the Subscription Agreement is available for inspection at 190A/190C Choa Chu Kang Avenue 1, Singapore 689466 during normal business hours for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Tan Swee Gek
Company Secretary
14 March 2016