

**DELISTING NOTIFICATION –
UPDATE ON OUTCOME OF APPEAL LETTER AND EXIT OFFER**

The Board of Directors ("**Board**" or "**Directors**") of Swee Hong Limited ("**Company**") refers to the notification of delisting ("**Delisting Notification**") from the Official List of the Singapore Exchange Securities Trading Limited ("**SGX-ST**" or "**Exchange**") received by the Company on 21 August 2020, as announced on 23 August, the announcement dated 26 August 2020 and the announcement dated 4 September 2020 (the "**Announcements**").

Appeal made by the Company

Further to the Delisting Notification and the Announcements, the Company had on 11 September 2020 submitted an appeal against the Delisting Notification and to seek an extension of 6 months for the Company to submit its resumption proposal pursuant to Rule 1304 of the Listing Manual of the SGX-ST, i.e. by no later than 21 March 2021.

The Company had submitted its appeal particularly in view of the extraordinary circumstances faced by the Company which have been exacerbated by the COVID-19 pandemic, and on, *inter alia*, the following bases:

- (a) the Company having achieved a key milestone in its restructuring efforts as it had obtained approval by its creditors for the scheme of arrangement proposed to be made between the Company and the creditors ("**Scheme**") and will be in a position to move definitively on other outstanding actions, including finalising the audited financial statements for the financial year ended 30 June 2019 and holding of the annual general meeting);
- (b) CIIC Group Pte Ltd (the "**Investor**") remaining supportive of the Company and regularly advancing cash to the Company, in order to continue financing the working capital of the Company, such advances amounting to an aggregate of S\$4.55 million (with the most recent advance being made on 17 August 2020) and continuing to engage actively with the Company and its stakeholders and having procured three Memorandum of Understandings ("**MOUs**") with state-owned enterprises and publicly listed companies. The Company believes that the MOUs demonstrate the confidence in the Company's track record and profile as a listed company, as well as the trust in the Investor to lead the Company during such circumstances. In this regard, the Company had envisaged that upon successful completion of the Scheme, the Company would be able to recommence bidding for new contracts and the Investor had indicated that it would be committed to bringing in new projects with an aggregate value of at least S\$50 million within 6 months;
- (c) Since Mark Tian and Louis Chan were appointed as Executive Directors of the Company, the new management was able to implement new operational measures thereby rectifying the Company's past operational shortcomings and improving the Company's cost management and efficiency in delivering its projects. Through the efforts of the Company's current management, the Company has regained recognition of its key customers, PUB and Land Transport Authority, by ensuring progress on the projects and quick resumption of works during the COVID-19 period

The Company was accordingly of the view that upon completion of the Scheme and lifting of the moratorium, the Company would be able to secure the new projects under the MOU under the leadership of the new management, and accordingly, be in good stead to turn around its business

and significantly improve its financial position to eventually fulfil the relevant requirements to exit the watchlist;

- (d) There can be no assurance that the Investor would continue to support the Company financially and operationally if the Company fails to maintain its listing status, and in which case, the Company would not be able to proceed further with its debt restructuring through the Scheme. The livelihood of its staff will be gravely jeopardised and its ongoing government projects may face major disruption, and the Company would not be in a position to fulfil its obligations to its suppliers, subcontractors and customers. This would ultimately result in a material adverse impact on the shareholders in terms of their investment in the Company; and
- (e) The extension of time for the Company to continue its debt restructuring as a listed company will not result in prejudice to the Company's shareholders in light of its financial position and would instead give the Company the opportunity to continue its debt restructuring as a listed company and eventually unlock value for its shareholders.

Outcome of the Appeal

The Board wishes to inform that the SGX-ST had in its letter dated 18 September 2020 stated the following:

1. On 5 December 2016, the Company entered the watch-list based on the financial entry criteria. Under Rule 1315 of the Listing Manual, the Company is required to meet the relevant requirements set out in Rule 1314 of the Listing Manual within 36 months, i.e. by 4 December 2019, failing which the Exchange may remove the Company from the Official List.
2. Further, on 14 May 2019, trading of the listed securities of the Company was suspended pursuant to Listing Rule 1303(3)(c) as the Company was unable to reasonably assess its financial position and inform the market accordingly. The Company filed for a debt moratorium on 17 May 2019.
3. Listing Rule 1314 states that an issuer on the watch-list may apply to the Exchange to be removed from the watch-list if it records pre-tax profit for the most recently completed financial year (based on audited full year consolidated accounts) and has an average daily market capitalisation of S\$40 million or more over the last 6 months. SGX Regco notes that the Company made losses of S\$7.2 million and generated negative cash flow from operating activities of S\$4.1 million in its unaudited FY2020 Results. The Company has a market capitalization of S\$9.7 million and reported a net liabilities position of S\$51.1 million as at 30 June 2020.
4. Paragraphs 4.2(1) and (2) of Practice Note 13.2 of the Listing Manual state that an issuer may apply to the Exchange for an extension to the 36-month cure period and the Exchange may, if the circumstances warrant it, grant an extension:
 - (a) of up to 12 months if the issuer satisfies at least one of the requirements under Rule 1314 and has achieved healthy cash flow from its operating activities (based on its audited full year consolidated accounts for the most recently completed financial year);
 - (b) of up to 3 months if the issuer has entered into a legally binding agreement to acquire asset(s) that enable the enlarged group to comply with the requirements in Rule 210(2)(a) or (b) and the transaction is expected to be completed within 3 months;
5. On 23 December 2019, the Company applied to the Exchange for additional time till 31 December 2019 to submit a proposal to exit the Watch-list. SGX Regco granted the extension subject to submission of an acceptable trading resumption proposal under Listing Rule 1314 by 31 December 2019, a date indicated by the Company, and failing which, SGX-ST reserved the right to delist the

Company under Listing Rule 1315. The Company failed to fulfill this condition to submit an acceptable trading resumption proposal under Listing Rule 1314 by 31 December 2019.

6. After the expiry of the extended date of 31 December 2019, on 3 February 2020, the Company sought further extension of time to 16 March 2020 to submit a trading resumption proposal under Listing Rule 1304. It submitted, *inter alia*, the following:
 - (a) the Company has entered into a Restructuring Investment Agreement with the Investor pursuant to which the Investor will subscribe for shares equivalent to 88% of the enlarged share capital of the Company for a consideration of S\$4 million;
 - (b) a proposed scheme whereby the Company's aggregate debt of approximately S\$42 million comprised under the creditors' scheme to be satisfied by (i) creditors waiving 25% of their debts and (ii) in respect of the balance amount, creditors receiving S\$0.05 in cash and S\$0.70 in new shares for each dollar of debt.; and
 - (c) the Investor procuring new investments for the Company to enter into by 29 February 2020.
7. Paragraph 3.3 of Practice Note 13.2 of the Listing Manual sets out that the Exchange will reject an application for exit from the watch-list if the issuer's latest audited full year consolidated accounts are subject to an adverse opinion, a qualified opinion, a disclaimer of opinion or the issuer's auditors have stated that a material uncertainty related to going concern exists. The Exchange will also exclude non-recurrent income and income generated by activities outside the ordinary course of business in assessing if the issuer has met the exit criteria in Listing Rule 1314. Therefore non-recurrent gains from debt restructuring of liabilities will have to be excluded when reviewing if the Company meets the profitability criteria under Listing Rule 1314.
8. On 11 February 2020, the SGX-ST informed the Company that as the Company does not meet any of the extension criteria requirements stated in Paragraph 4.3 of Practice Note 13.2 of the Listing Manual, the Exchange is unable to grant an extension of time for the Company to satisfy the requirements for removal from the Watchlist.
9. Till date, the Company has not submitted a trading resumption proposal nor announced any new projects.
10. Even before the implementation of COVID-19 circuit breaker on 7 April 2020, on 12 February 2020, the Company announced that it was granted a further extension of time to 30 April 2020 to hold its FY2019 Annual General Meeting as the Company was experiencing cash-flow difficulties and due to the non-payment of audit fees, the auditors were unwilling to commence audit of the FY2019 accounts. The Company represented that it had since made payment of the audit fees for the auditors to commence audit and will hold its AGM as soon as possible. The Company failed to hold its FY2019 AGM by 30 April 2020 and to-date had not even issued its annual report for FY2019.
11. The Company has to-date not issued its annual report for FY2019 nor announced its notice of AGM and has not held its AGM despite the lapse of 5 months past the extended deadline of 30 April 2020 to hold its FY2019 AGM.
12. The Exchange has carefully considered the matters in the Company's appeal letter in relation to the delisting. Based on the Company's representations and submissions, the Exchange was unable to accede to the delisting appeal. In arriving at its decision, the Exchange took into account the following:
 - (a) The Company submitted that it obtained approval of the Scheme on 2 September 2020. Based on the information available to the Company and its FY2020 Results, the Company will no longer be in a net liability position upon completion of the Scheme. We note that even with the

approval for the Scheme, this does not enable the Company to meet any of the extension criteria requirements stated in Paragraph 4.3 of Practice Note 13.2 of the Listing Manual;

- (b) The Company submitted that the Investor was able to procure the entry into three MOUs with large PRC state-owned enterprises and a public listed firm to participate and collaborate on construction projects in Singapore, within the region and in the PRC. We note that the Company has not entered into further definitive agreements or been awarded actual projects. Therefore it is highly speculative and there is no certainty that the Company will be able to secure any actual projects. In addition, we note that the Company submitted that it has entered into MOUs for projects in Singapore, within the region and in the PRC. As the Company currently operates only in Singapore, there is no evidence that securing such projects will enable the Company to achieve profitability and have a market capitalisation of at least \$40 million to meet the requirements for its removal from the watch-list;
- (c) The Company submitted that its new management was able to implement new operational measures to improve cost management and there is an improvement in the Company's FY2020 financial performance. The Company reported unaudited pre-tax losses of S\$56.8 million in FY2019 and S\$7.2 million in FY2020. In addition, the Exchange note in the Company's announcement on 7 September 2020 relating to discrepancies between unaudited and audited accounts, that the re-stated revenue for FY2019 reduced by \$36 million to a negative \$(11.2 million) from a previously reported revenue of \$25.14 million due to an allowance for impairment loss of S\$32.3 million against the revenue. The Exchange also notes the significant reduction in gross revenue from \$25.1 million in FY2019 to \$4.7 million in FY2020. The Exchange further noted that the Company generated negative cash flows from its operating activities of S\$5.4 million in FY2019 and S\$4.1 million in FY 2020. The Company also reported an increase in its loss before tax for FY2019 after re-statement which widened further to a loss of S\$57.9 million (from its previously announced loss before tax amount of \$56.9 million); and
- (d) The Company submitted that if it fails to maintain its listing status there can be no assurance that the Investor would continue to support the Company financially and operationally. The Exchange also notes that the Company was given notice on its delisting by the Exchange as mentioned above in paragraphs 5 and 8. Therefore, there is no basis for the Company or the Investor to assume that it can maintain its listing status given that the Company has not met any of the requirements. The management also has ample notice to arrange for the Company to operate without its listing status in order to reduce its impact on its staff and shareholders. In addition, there is no information provided by the Company which suggests that even if a further extension of 6 months was granted as requested, the Company will be profitable and have a market capitalisation of at least \$40 million and will be able to exit the watch-list.

13. The Company was required to make the necessary arrangements to delist the Company by **23 September 2020**. Such arrangements should include steps to comply with Rule 1306 and to provide updates via SGXNET on the status of the Company's exit offer proposal.

14. The Company was also required to make an immediate SGXNET announcement to inform shareholders of the outcome of the Appeal Letter.

Shareholders of the Company may refer to the Company's announcement dated 23 August 2020 on the relevant requirements under the Listing Manual of the SGX-ST for a fair and reasonable exit offer.

Exit Offer

The Board wishes to further announce that the Company is not able to make any exit offer (the "**Exit Offer**") to its shareholders given its current financial position and status.

The Company has also on 15 September 2020 written to the Company's controlling shareholder to the Company's controlling shareholder, KH Foges Pte. Ltd., and the Investor, CIIC Group Pte. Ltd. ("**CIIC**") (who would be an incoming controlling shareholder of the Company, assuming the completion of the scheme of arrangement approved on 2 September 2020) to ask them to provide an Exit Offer proposal.

However, as at the date of this announcement, none of the above persons have provided the Company with their respective Exit Offer proposals.

The Board is therefore not able to advise whether the Company's controlling shareholders or CIIC will be making any Exit Offer to shareholders by the deadline stipulated by the Exchange (i.e. no later than one month from 21 August 2020).

The Company will keep shareholders informed of any developments in this regard and will make the necessary announcements as and when there are further material developments. Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Tan Swee Gek
Company Secretary
20 September 2020