

Swee Hong Limited

Second Quarter and Half Year

Unaudited Financial Statement

for the period ended

31 December 2017

(Company Registration No.: 198001852R)
(Incorporated in the Republic of Singapore)

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) Group income statement, together with comparative statement for the corresponding period of the immediately preceding financial year

	Group					
	Current second quarter ended 31 Dec 2017 S\$'000	Previous second quarter ended 31 Dec 2016 S\$'000	Increase / (Decrease) %	Current half year ended 31 Dec 2017 S\$'000	Previous half year ended 31 Dec 16 S\$'000	Increase / (Decrease) %
Revenue	17,381	13,929	25%	31,601	26,421	20%
Cost of works	(16,601)	(11,931)	39%	(29,588)	(20,514)	44%
Gross profit	780	1,998	(61%)	2,013	5,907	(66%)
Other gains – net	118	535	(78%)	134	22,939	(99%)
Expenses						
-Distribution and marketing	(8)	(1)	700%	(8)	(4)	100%
-Administrative	(371)	(429)	(14%)	(1,080)	(1,437)	(25%)
-Finance	(251)	(16)	n.m.	(410)	(16)	n.m.
Profit before income tax	268	2,087	(87%)	649	27,389	(98%)
Income tax	-	-	n.m.	-	-	n.m.
Net profit from continuing operations	268	2,087	(87%)	649	27,389	(98%)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Available-for-sale financial assets						
- Fair value gains/(losses)	-	1	n.m.	-	1	n.m.
Currency translation differences arising from consolidation						
- Gains/(losses)	19	-	100%	19	*	n.m.
Other comprehensive income, net of tax	19	1	n.m.	19	1	n.m.
Total comprehensive income	287	2,088	(86%)	668	27,390	(98%)
Profit attributable to:						
Equity holders of the Company	268	2,088	(87%)	649	27,390	(98%)
Total comprehensive income attributable to:						
Equity holders of the Company	287	2,088	(86%)	668	27,390	(98%)

1(a)(ii) The net profit attributable to shareholders of the Company includes the following charges/(credits):

	Group					
	Current second quarter ended 31 Dec 2017 S\$'000	Previous second quarter ended 31 Dec 2016 S\$'000	Increase / (Decrease) %	Current half year ended 31 Dec 2017 S\$'000	Previous half year ended 31 Dec 16 S\$'000	Increase / (Decrease) %
Currency translation gains - net	(19)	(3)	n.m.	(19)	(3)	n.m.
Dividend income	-	-	n.m.	-	(5)	(100%)
Gain on disposal of property, plant and equipment	-	(23)	(100%)	*	(23)	n.m.
Bank interest income	*	*	n.m.	*	*	n.m.
Government grant	(8)	(49)	(84%)	(8)	(56)	(100%)
Write-off of pursuant to Creditors Scheme of Arrangement	-	(460)	(100%)	-	(22,832)	(100%)
Income from sales of scrap materials	(119)	-	100%	(125)	(1)	n.m.
Miscellaneous income	-	*	n.m.	-	(19)	(100%)
Interest expenses	253	16	n.m.	410	16	n.m.
Depreciation of property, plant and equipment	458	470	3%	918	924	(1%)
Foreign exchange (gain)/loss, net	2	-	100%	2	-	100%

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

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

	Group		Company	
	Unaudited As at 31 December 2017 S\$'000	Audited As at 30 June 2017 S\$'000	Unaudited As at 31 December 2017 S\$'000	Audited As at 30 June 2017 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	518	852	484	818
Trade and other receivables	42,141	27,480	42,166	27,504
Construction contract work-in-progress	617	477	617	477
	43,276	28,809	43,267	28,799
Assets classified as held for sale	38	44	38	44
	43,314	28,853	43,305	28,843
Non-current assets				
Available-for-sale financial assets	12	12	12	12
Investment in subsidiary corporations	-	-	2	2
Property, plant and equipment	5,697	6,620	5,697	6,620
	5,709	6,632	5,711	6,634
Total assets	49,023	35,485	49,016	35,477
LIABILITIES				
Current liabilities				
Trade and other payables	25,461	20,119	26,201	20,863
Borrowings	13,972	6,425	13,972	6,425
	39,433	26,544	40,173	27,288
Total liabilities	39,433	26,544	40,173	27,288
NET ASSETS	9,590	8,941	8,843	8,189
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	52,778	52,778	52,778	52,778
Other reserves	2	(17)	2	2
Accumulated losses	(43,190)	(43,820)	(43,937)	(44,591)
TOTAL EQUITY	9,590	8,941	8,843	8,189

1(b)(ii) Aggregate amount of the Group's borrowings and debts securities

Amount repayable in one year or less, or on demand

	Group		Group	
	As at 31 December 2017	As at 30 June 2017	As at 31 December 2017	As at 30 June 2017
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Other borrowings	-	8,972	-	6,425
Convertible Bond	-	5,000	-	-
	-	13,972	-	6,425

The Group's unsecured borrowings as at 31 December 2017 was S\$14.0 million of which the immediate holding company and a director acts as guarantor on the S\$5.0 million bond pursuant to which an in-principal amount of S\$5.0 million of bonds were issued (the "Bonds"). Please refer to the Company's announcement dated 31 August 2017 for more information on the Bonds.

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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

Statement of change in equity

	Share capital	Accumulated losses	Other reserves	Total equity
Group	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 July 2017	52,778	(43,820)	(17)	8,941
Profit for the financial period	-	630	-	630
Other comprehensive income for the financial period	-	-	19	19
As at 31 December 2017	52,778	(43,190)	2	9,590

As at 1 July 2016	28,580	(73,607)	(15)	(45,042)
Issue of shares during the financial period	22,870	-	-	22,870
Profit for the financial period	-	27,388	-	27,388
Other comprehensive income for the financial period	-	-	2	2
As at 31 December 2016	51,450	(46,219)	(13)	5,218

	Share capital	Accumulated losses	Other reserves	Total equity
Company	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 July 2017	52,778	(44,591)	2	8,189
Profit for the financial period	-	654	-	654
As at 31 December 2017	52,778	(43,937)	2	8,843

As at 1 July 2016	28,580	(74,390)	1	(45,809)
Issue of shares during the financial period	22,870	-	-	22,870
Profit for the financial period	-	27,398	-	27,398
Other comprehensive income for the financial period	-	-	-	-
As at 31 December 2016	51,450	(46,992)	1	4,460

Other reserves

	Group		Company	
	31 December 2017	30 June 2017	31 December 2017	30 June 2017
	S\$'000	S\$'000	S\$'000	S\$'000
(a) Composition:				
Fair value reserve	2	2	2	2
Currency translation reserve	-	(19)	-	-
	-	(17)	2	2

(b) Movements:

(i) Fair value reserve				
Beginning of financial period	2	1	2	1
Fair value (loss)/ gain	-	1	-	1
End of financial period	2	2	2	2

(ii) Currency translation reserve				
Beginning of financial period	(19)	(15)	-	-
Net currency translation differences of financial statements of foreign subsidiaries corporation	19	(4)	-	-
End of financial period	-	(19)	-	-

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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

Share Capital

During the quarter ended 31 December 2017, there has been no increase in the issued and paid-up share capital of the Company.

Warrants

On 11 August 2016, the Company issued 500,000,000 warrants to KH Foges Pte Ltd which when exercised at a price of S\$0.01 per share will result in 500,000,000 shares being allotted. As at 31 December 2017 and 2016, the 500,000,000 warrants remained outstanding.

Treasury shares

As at 31 December 2017 and 2016, there were no treasury shares held.

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

	Number of shares	Share capital (S\$)
As at 1 July 2017	2,832,159,507	52,778,324
As at 31 December 2017	2,832,159,507	52,778,324

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

Except as disclosed in note 5 below, 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 annual financial statements for the financial year ended 31 December 2017.

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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 new and revised Financial Reporting Standard (“FRS”) and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after 1 July 2017, where applicable.

The adoption of these new/revised FRS and INT FRS did not result in any substantial change to the Group’s accounting policies and has no material/significant impact on the financial statements of the Group for the current reporting period or prior years reporting period.

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 second quarter ended 31 Dec 2017	Previous second quarter ended 31 Dec 2016	Current half year ended 31 Dec 2017	Previous half year ended 31 Dec 16
	Unaudited	Unaudited	Unaudited	Unaudited
Profit attributable to equity holders of the Company	268	2,088	649	27,390
Basic earnings per share (cents)	0.01	0.09	0.02	1.22
Weighted average number of ordinary shares	2,832,160	2,238,865	2,832,160	2,238,865
Diluted earnings per share (cents)	0.01	0.08	0.02	1.0
Weighted average number of ordinary shares	3,332,160	2,738,865	3,332,160	2,738,865

The calculation for the diluted EPS is based on the weighted average number of ordinary shares of the Company after adjusting for share warrants assuming the warrants are fully exercised into ordinary shares of the Company.

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

	Group		Company	
	31 December 2017 Unaudited	30 June 2017 Audited	31 December 2017 Unaudited	30 June 2017 Audited
Net assets (S\$’000)	9,590	8,941	8,843	8,189
Number of shares (’000)	2,832,160	2,832,160	2,832,160	2,832,160
Net assets value per ordinary shares (cents)	0.34	0.32	0.31	0.29

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

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(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on
Review of the Group's performance

(Second quarter of FY2018 ("2Q2018") vs. second quarter of FY2017 ("2Q2017"))

Revenue

Revenue increased by S\$3.5 million from S\$13.9 million in 2Q2017 to S\$17.4 million in 2Q2018 mainly due to increase in the progress of the ER382 project.

Gross profit

Gross profit decreased by S\$1.2 million from S\$2.0 million in 2Q2017 to S\$780,000 in 2Q2018 mainly due to reversal the accrual in 2Q2017.

Other gains

Net decreased by S\$417,000 from S\$535,000 in 2Q2017 to S\$118,000 in 2Q2018 mainly due to Scheme creditors write-off in 2Q2017.

Distribution and marketing expenses

The Group did not incur significant distribution and marketing expenses during 2Q2018 and 2Q2017.

Administrative expenses

Administrative expenses decreased by S\$58,000 from S\$429,000 in 2Q2017 to S\$371,000 in 2Q2018 mainly due to lower salaries and related expense.

Finance cost

Finance expense relates to interest expenses on borrowing costs for working capital purposes.

Profit for the financial period

As a result of the above factors, the Group recorded a decrease in net profit by S\$1.8 million from S\$2.1 million in 2Q2017 to S\$268,000 in 2Q2018.

Review of the Group's Financial position

(31 December 2017 vs. 30 June 2017)

Current assets

Current assets increased by approximately S\$ 14.5 million from S\$28.9 million as at 30 June 2017 to S\$ 43.3 million as at 31 December 2017. The increase in current assets mainly due to increase in trade receivables and construction contract due from customers arising from increase in progress of ER382 project.

Non-current assets

Non-current assets decreased by approximately S\$923,000 from S\$6.6 million as at 30 June 17 to S\$5.7 million as at 31 December 2017. The decrease in non-current assets was mainly due to depreciation charges.

Current liabilities

Current liabilities increased by approximately S\$12.9 million from S\$26.5 million as at 30 June 2017 to S\$39.4 million as at 31 December 2017. The increase in current liabilities was mainly due to an increase in loans and bond of approximately S\$7.5 million for general working capital purposes, as well as increase in trade and other payables approximately S\$ 5.3 million arising from increase in progress of ER382 projects.

Review of Group's cashflows

(Second quarter of FY2018 ("1H FY2018") vs. Second quarter of FY2017("1H FY2017"))

Net cash used in operating activities

In 1H FY2018, net cash used in operating activities of approximately S\$7.5 million consisted of operating cash flow before working capital change of S\$2.0 million, net of working capital outflow of S\$9.5 million. The net working capital outflow arose mainly due to:

- (a) an increase in trade receivables and amount due from contract customers of approximately S\$14.7 million arising from increased in progress of ER382 projects; and
- (b) Partially offset by increase in trade and other payables of approximately S\$5.3 million due to trade purchases made on credit by the Group and accrued payables to sub-contractors.

Net cash from investing activities

Net cash from investing activities amounted to approximately S\$13,000 in 1H FY2018 mainly due to:

- (a) proceed from disposal of motor vehicles of approximately S\$22,000; and
- (b) partially offset by addition of plant and equipment of approximately S\$9,000.

Net cash from financing activities

Net cash from financing activities amounted to approximately S\$ 7.1 million in 1H FY2018 mainly due to:

- (a) proceeds from borrowings of approximately S\$10.0 million primarily in relation to loans and bond to finance the working capital of the Group's ongoing projects; and
- (b) partially offset by repayment of borrowings of approximately S\$2.5 million.

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

Business Outlook

The Building and Construction Authority (BCA) had in January 2018 forecasted that the total value of construction contracts to be awarded this year will reach between \$26 billion and \$31 billion, up from the preliminary estimate awarded in 2017.

The projected higher construction demand is due to an anticipated increase in public sector construction demand from about \$15.5 billion last year to between \$16 billion and \$19 billion this year.

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The Group will continue to bid for suitable and profitable projects to strengthen its order book even though Singapore's construction industry continues to grapple with rising labour costs, manpower and funds shortages. In this challenging environment, we will need to constantly enhance our efficiency and competitiveness.

The Group has been tendering for new projects and is waiting for the results of the tenders as at the date of this announcement. The current order book of the Company is approximately \$18.2 million as at 31 December 2017.

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 period ended 31 December 2017.

13 Interested person transactions disclosure

The Group has obtained a general mandate from shareholders of the Company for Interested Person Transactions ("IPTs") under Rule 920 of the Listing Manual of the SGX-ST from shareholders in the Extraordinary General Meeting held on 31 October 2017. There were no IPTs during the period under review.

14 Use of proceeds

Pursuant to the issue of the convertible bonds and completion of Completion Tranche 1 announced on 7 September 2017, the Group had obtained proceeds of S\$5,000,000 (the "Tranche 1 Proceeds"). The Group has fully utilised the Tranche 1 Proceeds in the following manner:

<u>Purpose</u>	Amount S\$	Percentage Allocation (%)
Working Capital for trade creditor payment and salary related expenses	4,770,000	95.4
Repayment of working capital loans	230,000	4.6

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15 Confirmation by the Company pursuant to Rule 720(1) of the SGX-ST Listing Manual

The Company confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual of the SGX-ST.

16 Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of the Company (“the “board”) confirms to the best of their knowledge, that nothing has come to their attention of the board which may render the unaudited financial statements of the Group for the period ended 31 December 2017 to be false or misleading in any material aspect.

**FOR AND ON BEHALF OF THE BOARD
BY ORDER OF THE BOARD**

Peter Moe

Non-Executive Chairman and Independent Director

14 February 2018

Moorthy Varadhan

Executive Director

14 February 2018