

SWEE HONG LIMITED
(Company Registration No.: 198001852R)
(Incorporated in the Republic of Singapore on 3 June 1980)

**SGX QUERIES REGARDING THE COMPANY'S SECOND QUARTER FINANCIAL
RESULT ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2018**

The Board of Directors (the “**Board**”) of Swee Hong Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following in response to queries raised by Singapore Exchange Securities Trading Limited with respect to the Company’s second quarter financial result announcement for the financial year ending 30 June 2018 (“**2Q2018 Results**”).

SGX Query 1

On page 3 of the 2Q2018 Results, the Company disclosed that “Trade and other receivables” of S\$42.2 million, which exceeds “Revenue” of S\$31.6 million. Please provide:

- (i) a breakdown and aging analysis of the receivables; and
- (ii) details on the collectability of the receivables.

Company’s response

A breakdown of Trade and other receivables & collectability for the Group on 2Q2018 is set out below:

	Ageing	2Q18 S\$'000	Amounts Subsequently Collected S\$'000
Trade receivables	Less than 1 year	51	-
Construction contracts due from customers	Less than 1 year	40,231	11,500
Non-trade receivables	Less than 1 year	230	20
Advances to suppliers	Less than 1 year	1,384	-
Deposits	Less than 1 year	200	-
Prepayment	Less than 1 year	45	-
		42,141	11,520

Trade and other receivables was mainly due to construction contracts due from customers of S\$40.2 million. From this amount, the Company has subsequently collected S\$11.5 million from construction contracts due from customers, and the balance of S\$28.7 million consists of retention receivables amounting to S\$2.0 million, certified claims pending for payment amounting to S\$2.1 million and uncertified claims amounting to S\$24.6 million.

Barring any unforeseen circumstances, the management is confident that the above uncertified claims are collectable.

SGX Query 2

On page 4 of the 2Q2018 Results, noting negative cash flow for operating activities of S\$7.5 million and significant "Trade and other receivables" which exceeds its "Revenue".

Please disclose the following information:

- (i) the Board's opinion if the Company will be able to operate as a going concern and the basis for the Board's view; and
- (ii) the Board's confirmation that all material disclosures have been provided for the trading of the Company's shares to continue.

Company's response

- (i) For 2Q2018, the negative cash flow for operating activities of S\$7.5 million and significant "Trade and Other receivables" exceeding "Revenue" was mainly due to the rapid increase in progress of ER382. ER382 is a \$130 million Land Transport Authority project for the construction of a nine-lane flyover, roads and tunnels.

The Board is confident that the Company will be able to operate as a going concern and the basis of accounting used in the preparation of the Company's financial statements remains appropriate.

As of date of this announcement, the Company has submitted numerous tenders with government procurement agencies.

Following the successful issuance of convertible bonds of an aggregate principle amount of \$7 million, the Company's liquidity position has also been further enhanced.

- (ii) The Board confirms that all material disclosures have been provided for the trading of the Company's shares to continue.

SGX Query 3

On page 8 of the 2Q2018 Results, "Revenue" increased by 20% to S\$31.6 million. However, "Cost of works" increased by 44% to S\$29.6 million. The Company explained that this is mainly due to "reversal the accrual in 2Q2017". Please elaborate on the amount of this reversal and how a reversal of accruals had resulted in the increase in "Cost of works".

Company's response

In 2Q2017, the Company made an one-off reversal of provision for foreseeable losses for the Nee Soon project amounting to S\$2.7 million due to an improvement in the progress of the project under the new management team. As a result of this reversal, the cost of works for 2Q2017 has been reduced when compared to cost of works for 2Q2018.

SGX Query 4

On page 10 of 2Q2018 Results, the Company disclosed that “Working Capital for trade creditor payment and salary related expenses” amounted to S\$4.77million. Please provide a breakdown when it is used for working capital.

Company’s response

A breakdown of working capital for trade creditor payment and salary related expenses is set out below:

	2Q18
	<u>S\$'000</u>
Salary and related expenses	535
Trade payables to construction organisations	3,853
Professional fee	294
Administrative expenses	88
	<u>4,770</u>

By Order of the Board

Tan Swee Gek
Company Secretary
15 March 2018