

Independent Auditor's Report to the Members of Swee Hong Limited

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Swee Hong Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 8 to 71, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 30 June 2015 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of Disclaimer of Opinion

The following circumstances give rise to uncertainties as to the appropriateness of the use of going concern in the preparation of the financial statements of the Group for the current year:

- (a) As disclosed in Note 4 to the financial statements, the Group reported a gross loss of \$5,014,178 (2014: \$7,627,589) and total comprehensive loss of \$51,336,116 (2014: \$19,966,274) for the financial year ended 30 June 2015. Furthermore, as at 30 June 2015, the Group's and Company's current liabilities exceeded their current assets by \$46,973,165 (2014: \$15,414,546) and \$47,766,403 (2014: \$16,218,994), respectively and the Group and Company have net liabilities of \$34,716,966 (2014: net assets of \$16,619,150) and \$34,908,198 (2014: net assets of \$16,483,514), respectively.
- (b) As at 30 June 2015, the Group has balances of trade and other payables and borrowings amounting to \$25,352,461 and \$43,037,876, respectively which are overdue. As the Company failed to meet their financial obligations on their respective due dates, certain creditors filed legal actions/proceedings to the High Court of the Republic of Singapore (the "Court") against the Company to demand payments. As disclosed in Note 4 to the financial statements, during the financial year, the Company filed an application to the Court ("Application") to propose a scheme of arrangement between the Company and certain of its creditors ("Scheme") for the purposes of implementing and facilitating the Company's debt restructuring plan. On 25 November 2015, the Court approved the Scheme and granted the orders in the Application (the "Order of Court"). The Company extracted the Order of Court on 30 November 2015 and lodged a copy of the Order of Court with the Registrar of Companies on 2 December 2015. As such, the Scheme takes effect and is binding on all parties on and from 2 December 2015.

Independent Auditor's Report to the Members of Swee Hong Limited (cont'd)

Basis of Disclaimer of Opinion (Cont'd)

These conditions above indicate that there is an existence of material uncertainties which may cast significant doubt on the Group's and Company's abilities to continue as going concerns. Nevertheless, the financial statements are prepared on a going concern basis because of the following assumptions and measures undertaken by management and the Board of Directors:

- i) As disclosed in Note 31(a), the successful implementation of the Scheme of Arrangement.
- ii) As disclosed in Note 31(c), the disposal of leasehold land and leasehold building under construction for a sales price amounting to \$3,550,000.
- iii) As disclosed in Note 31(d), the proposed share placement for an aggregate issue price of \$8,025,000.
- iv) The Company is currently marketing for sale its office building located at 190A/190C Choa Chu Kang Avenue 1, Singapore 689466 to generate funds for the Scheme.
- v) With the successful outcome of the above measures, the Company expects to bid for potential new projects in the next twelve months.

If the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets to current assets and non-current liabilities to current liabilities. The financial statements do not include any adjustment which may arise from these uncertainties.

The ability of the Group and the Company to continue in operational existence in the foreseeable future and to meet their financial obligations as and when they fall due depends on the favourable outcome of the assumptions and measures undertaken as disclosed above which we were unable to obtain sufficient appropriate audit evidence regarding the likely outcome of these assumptions and measures. Therefore, we are not able to form an opinion as to whether the going concern basis of preparation of the accompanying financial statements of the Group and the Company is appropriate.

Independent Auditor's Report to the Members of Swee Hong Limited (cont'd)

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Other Matters

As at the financial year ended 30 June 2015, the Board comprised the executive director, Mr. Ong Hock Leong (Managing Director/Group CEO) and non-executive director, Mr. Ong Hoi Lian and no independent non-executive directors. In accordance with Singapore Exchange Securities Trading Limited (the "SGX-ST") Mainboard Listing Manual Rule 720, the issuer must comply with Rule 210 (5) on a continuing basis. Rule 210(5)(c) indicates that "The issuer's board must have at least two non-executive directors who are independent and free of any material business or financial connection with the issuer."

The Company also failed to comply in relation to the Rule 705(1) for the announcement of the Company's financial statements for the financial year ended 30 June 2015 and Rule 707(1) for the convening of the Annual General Meeting for the financial year ended 30 June 2015.

On 25 August 2015, the Company had submitted an application to SGX-ST for waiver from compliance of the above mentioned rules of the Listing Manual and extension of time to 31 December 2015 for the Company to comply with the above mentioned Rules. On 19 October 2015, the Company received an approval from SGX-ST subject to certain conditions, which the Company has complied with.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

**Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants**

**Director-in-charge: Lee Look Ling
(Appointed since financial year ended 30 June 2013)**

Singapore

7 December 2015

Notes to the Financial Statements For the financial year ended 30 June 2015

4 Going concern assumption

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