

SIN HENG HEAVY MACHINERY LIMITED AND ITS SUBSIDIARIES

**Unaudited First Quarter Financial Statements Announcement
For The Period From 1 July 2010 To 30 September 2010**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	1Q FY2011	1Q FY2010	% Change
	S\$'000	S\$'000	
Revenue	22,423	32,415	(30.8%)
Cost of sales	(19,088)	(25,275)	(24.5%)
Gross profit	3,335	7,140	(53.3%)
Other operating income	1,091	1,143	(4.5%)
Selling expenses	(148)	(253)	(41.5%)
Administrative expenses	(2,018)	(1,659)	21.6%
Other operating expenses	(62)	(514)	(87.9%)
Finance costs	(277)	(130)	113.1%
Share of results of associate	126	369	(65.9%)
Profit before income tax	2,047	6,096	(66.4%)
Income tax expense	(285)	(638)	(55.3%)
Profit for the period attributable to the owners of the Company	1,762	5,458	(67.7%)
Other comprehensive income:			
Fair value gain/(loss) on available-for-sale investment	105	286	(63.3%)
Exchange difference on translation of foreign operations	(20)	-	NM
Total comprehensive income for the period attributable to the owners of the Company	1,847	5,744	(67.8%)

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(charging)/ crediting :-**

	Group		% Change
	1Q FY2011 S\$'000	1Q FY2010 S\$'000	
Depreciation of property, plant and equipment	(1,655)	(2,372)	(30.2%)
Currency exchange gain/(losses)- net	223	303	(26.4%)
Net gain on disposal of plant and equipment	56	-	NM
Gain on disposal of available-for-sale investment (Quoted shares)	281	-	NM
Interest income	1	-	NM
Interest expense	(277)	(130)	113.1%
Fair value gain/(loss) on derivative financial instruments	246	(264)	193.2%

Denotes: NM - not meaningful

SIN HENG HEAVY MACHINERY LIMITED AND ITS SUBSIDIARIES

**Unaudited First Quarter Financial Statements Announcement
For The Period From 1 July 2010 To 30 September 2010**

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at end of the immediately preceding financial year.

STATEMENT OF FINANCIAL POSITION

	The Group		The Company	
	As at 30/9/2010 S\$ '000	As at 30/6/2010 S\$ '000	As at 30/9/2010 S\$ '000	As at 30/6/2010 S\$ '000
ASSETS				
Current assets				
Cash and bank balances	22,931	23,009	19,602	21,326
Trade receivables	16,129	15,895	17,572	16,372
Other receivables	1,561	1,905	2,683	2,624
Derivative financial instruments	19	54	19	54
Inventories	12,925	8,715	12,530	7,780
Total current assets	53,565	49,578	52,406	48,156
Non-current assets				
Trade receivables	584	870	584	870
Other receivables	149	247	148	247
Property, plant and equipment	84,361	77,414	73,073	66,839
Investment in subsidiaries	-	-	335	335
Investment in associates	4,549	2,307	2,618	500
Available-for-sale investments (Quoted shares)	765	855	757	850
Other assets	10	10	10	10
Total non-current assets	90,418	81,703	77,525	69,651
Total assets	143,983	131,281	129,931	117,807
LIABILITIES AND EQUITY				
Current liabilities				
Bills payable	22,997	14,371	22,997	14,371
Current portion of bank loan	304	304	304	304
Trade payables	1,425	1,972	1,270	1,859
Other payables	3,043	4,903	3,048	4,732
Current portion of finance leases	11,201	9,611	11,195	9,605
Derivative financial instruments	-	-	-	-
Income tax payable	706	596	483	401
Total current liabilities	39,676	31,757	39,297	31,272
Non-current liabilities				
Bank loan	304	379	304	379
Finance leases	13,385	10,374	13,357	10,345
Deferred tax liabilities	5,256	5,256	4,497	4,497
Total non-current liabilities	18,945	16,009	18,158	15,221
Total liabilities	58,621	47,766	57,455	46,493
NET ASSETS	85,362	83,515	72,476	71,314
Capital and reserves				
Share capital	23,969	23,969	23,969	23,969
Retained earnings	61,391	59,629	48,469	47,410
Translation reserve	(20)	-	-	-
Fair value reserve	22	(83)	38	(65)
Total equity	85,362	83,515	72,476	71,314
Total liabilities and equity	143,983	131,281	129,931	117,807

SIN HENG HEAVY MACHINERY LIMITED AND ITS SUBSIDIARIES**Unaudited First Quarter Financial Statements Announcement
For The Period From 1 July 2010 To 30 September 2010****1(b)(ii) Aggregate amount of group's borrowings and debt securities**

	As at 30/09/2010		As at 30/06/2010	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	11,505	-	9,915	-
	As at 30/09/2010		As at 30/06/2010	
	Secured	Unsecured	Secured	Unsecured
Amount repayable after one year	13,689	-	10,753	-
Details of any collateral				

(i) S\$ 0.6 million of secured borrowings relate to a bank loan secured against our property at 26, Gul Road, Singapore 629346.

(ii) S\$ 24.6 million secured borrowings relate to finance leases which are secured by one or more of the followings:

(a) Property, plant and equipment of the Group with carrying value of S\$44.6 million;

(b) Personal guarantees from certain directors;

(c) Legal mortgage over a property belonging to certain directors.

SIN HENG HEAVY MACHINERY LIMITED AND ITS SUBSIDIARIES

**Unaudited First Quarter Financial Statements Announcement
For The Period From 1 July 2010 To 30 September 2010**

1 (c) Cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	1Q FY2011	1Q FY2010
	S\$'000	S\$'000
Operating activities		
Profit before income tax	2,047	6,096
Adjustments for:		
Property, plant and equipment written off		
Unrealised exchange loss/(gain) from derivative financial instruments	35	(303)
Share of results of associate	(126)	(369)
Depreciation of property, plant & equipment	1,655	2,372
Interest expense	277	130
Net forex exchange adjustment	(2)	-
Gain on disposal of property, plant and equipment	(56)	-
Operating cash flows before movements in working capital	3,830	7,926
Trade receivables	62	2,415
Other receivables and prepaid expenses	428	(3,589)
Inventories	(11,129)	(10,075)
Trade payables	(385)	(162)
Other payables	(1,859)	(4,610)
Cash generated from operations	(9,053)	(8,095)
Income tax paid	(174)	(513)
Net cash used in operating activities	(9,227)	(8,608)
Investing activities		
Proceeds from available-for-sales investments	195	-
Purchase of fixed assets	(991)	(3,461)
Investment in associated company	(2,118)	-
Proceeds from disposal of property, plant and equipment	156	-
Fixed deposit pledged to bank	-	91
Net cash used in investing activities	(2,758)	(3,370)
Financing activities		
Bill payables	8,627	13,409
Interest paid	(277)	(130)
Repayment of obligations under finance leases	(3,618)	(1,348)
Proceeds from finance leases	7,251	3,657
Repayment of bank loans	(76)	-
Net cash from/ (used in) financing activities	11,907	15,588
Net increase/(decrease) in cash and cash equivalents	(78)	3,610
Cash and cash equivalents at beginning of the period (Note)	23,009	8,339
Cash and cash equivalents at end of the period	22,931	11,949
Note :		
Cash and cash equivalents at beginning of the period comprised:		
Cash and bank balances	23,009	8,430
Less : Fixed deposits pledged to Bank	-	(91)
	23,009	8,339

SIN HENG HEAVY MACHINERY LIMITED AND ITS SUBSIDIARIES

**Unaudited First Quarter Financial Statements Announcement
For The Period From 1 July 2010 To 30 September 2010**

1(d)(i) A statement for (the issuer and the 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.

<u>The Group</u>	<u>Attributable to owners of the Company</u>				
	Share capital	Fair value reserve	Translation Reserve	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2010	23,969	(83)	-	59,629	83,515
Total comprehensive income for the period	-	105	(20)	1,762	1,847
Balance at 30 September 2010	23,969	22	(20)	61,391	85,362
Balance at 1 July 2009	1,858	(332)	-	64,423	65,949
Total comprehensive income for the period	-	286	-	5,458	5,744
Balance at 30 September 2009	1,858	(46)	-	69,881	71,693
<u>The Company</u>					
	Share capital	Fair value reserve	Translation Reserve	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2010	23,969	(65)	-	47,410	71,314
Total comprehensive income for the period	-	103	-	1,059	1,162
Balance at 30 September 2010	23,969	38	-	48,469	72,476
Balance at 1 July 2009	1,858	(314)	-	55,318	56,862
Total comprehensive income for the period	-	286	-	4,336	4,622
Balance at 30 September 2009	1,858	(28)	-	59,654	61,484

1(d)(ii) Details of any changes in the company's share capital arising from right 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 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.

During 1Q FY 2011, there were no changes in the Company's share capital.

1(d)(iii) To show the 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.

	<u>30/09/2010</u>	<u>30/06/2010</u>
Total number of issued ordinary shares	459,640,000	459,640,000

1(d)(iv) A statement showing all sales, transfers, disposal, 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.

The figures presented are not audited nor reviewed by the Company's Auditor.

3. Whether the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

SIN HENG HEAVY MACHINERY LIMITED AND ITS SUBSIDIARIES

Unaudited First Quarter Financial Statements Announcement For The Period From 1 July 2010 To 30 September 2010

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation applied by the Group are consistent with those used in its most recently audited financial statements except for change in group depreciation estimates.

Management reviews the estimated useful lives of property, plant and equipment on a regular basis. The group exercise judgement in estimating the useful lives and residual value of depreciable assets, after considering the actual condition of its property, plant and equipment, industry standards and the depreciation estimates used by comparable companies. As of July 1, 2010, the management revised the useful lives of its cranes from its present useful life from 8 years to 15 years in order to align this to industry practice. As a result of this change, the Group depreciation expense was reduced by S\$1.3M for this reporting period.

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.

Other than the above change in group depreciation estimates, there are no other changes in the existing accounting policies and methods of computation.

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.

	Group	
	1Q FY2011	1Q FY2010
EPS based on weighted average number of ordinary shares in issue (cents)	0.38	1.47
On a fully diluted basis (cents)	0.38	1.47
Weighted average number of ordinary shares in issue	459,640,000	371,640,000

There were no potential dilutive ordinary shares in existence for 1Q FY 2011 & 1Q FY 2010.

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the :-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group		The Company	
	30/09/2010	30/06/2010	30/09/2010	30/06/2010
Net asset value per ordinary share (cents)	18.57	18.17	15.77	15.52
Ordinary shares at the end of the current financial period and immediately preceding financial year	459,640,000	459,640,000	459,640,000	459,640,000

SIN HENG HEAVY MACHINERY LIMITED AND ITS SUBSIDIARIES

**Unaudited First Quarter Financial Statements Announcement
For The Period From 1 July 2010 To 30 September 2010**

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 revenue, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

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

INCOME STATEMENT

Revenue

Equipment rental business

Trading business

Total

Group		
1Q FY2011	1Q FY2010	% Change
S\$'000	S\$'000	
7,626	8,931	(14.6%)
14,797	23,484	(37.0%)
22,423	32,415	(30.8%)

1Q FY 2011 vs 1Q FY 2010

The Group registered revenue of S\$22.4 million for 1Q FY2011, representing a decrease of 30.8% over the S\$32.4 million recorded for the same period in the previous year. The decline was due to decrease in revenue from our Equipment Rental Business and Trading Business.

Revenue from our Equipment Rental Business decreased by 14.6% from S\$8.9 million in 1Q FY2010 to S\$7.6 million in 1Q FY2011. This was mainly due to lower rental rates as a result of competitive environment and as well as lower in overtime income.

Revenue from our Trading Business decreased by 37.0% from S\$23.5 million in 1Q FY2010 to S\$14.8 million in 1Q FY2011. This was mainly due to decline in sales of higher lifting capacity cranes, which have higher selling prices.

Gross Profit

Equipment rental business

Trading business

Group		
1Q FY2011	1Q FY2010	% Change
S\$'000	S\$'000	
2,286	3,199	(28.5%)
1,049	3,941	(73.4%)
3,335	7,140	(53.3%)

1Q FY 2011 vs 1Q FY 2010

Gross profit from our Equipment Rental Business decreased by 28.5% from S\$3.2 million in 1Q FY2010 to S\$2.3 million in 1Q FY2011. This was mainly due to:

- (a) reduction in rental rates as a result of competitive environment and lesser overtime work required by our rental customers;
- (b) increase in direct labour costs in line with increase in equipment rental fleet size; and

However, these were partly offset by lower third party rental costs as a result of an increase in our own rental fleet.

Gross profit from our Trading Business decreased by 73.4% from S\$3.9 million in 1Q FY 2010 to S\$1.0 million in 1Q FY 2011. This was mainly attributed to:

- (a) decline in trading volume for higher lifting capacity cranes which command higher gross profit; and
- (b) lower average selling prices as a result of competitive environment.

Profit before tax

The Group's profit before tax decreased by 66.4% from S\$6.1 million in 1Q FY2010 to S\$2.0 million in 1Q FY2011. This was mainly due to :

- (a) lower gross profit;
- (b) higher administrative expenses as a result of increased headcount and expenses relating to other post-listing compliance costs;
- (c) higher finance cost resulting from the increase in fixed assets under hire purchase financing;
- (d) lower share of profit from our associate; and
- (e) partly offset by lower selling expenses due to decline in trading activities.

Total comprehensive income for the period attributable to the owners of the Company

The Group's total comprehensive income attributable to the owners of the Company decreased by 67.8% from S\$5.7 million in 1Q FY2010 to S\$1.8 million in 1Q FY2011 as a result of lower profit before tax partly offset by fair value gain on available-for-sale investment and lower income tax expense.

STATEMENT OF FINANCIAL POSITION

Current assets

As at 30 September 2010, our current assets amounted to approximately S\$53.6 million or 37.2% of our total assets of S\$144.0 million. This was mainly due to :

- (a) Inventories increased from S\$8.7 million as at 30 June 2010 to S\$12.9 million as at 30 September 2010 mainly due to increase in purchases towards the end of reporting period to meet the confirmed book orders to be delivered in the next quarter.
- (b) The Group's trade receivable turnover improved from 38 days as at 30 June 2010 to 34 days as at 30 September 2010.

Non-current assets

As at 30 September 2010, our non-current assets amounted to S\$90.4 million or 62.8% of our total assets of S\$144.0 million. This was mainly due to:

- (a) Property, plant and equipment increased from S\$77.4 million as at 30 June 2010 to S\$84.4 million as at 30 September 2010 as we expanded the equipment rental fleet.
- (b) Investment in associates increased from S\$2.3 million as at 30 June 2010 to S\$4.5 million as at 30 September 2010. This is mainly due to acquisition of 30% equity stake in Sinolion Group Holdings Pte Ltd. for a cash consideration of S\$2.1 million on 29 September 2010.

Current liabilities

As at 30 September 2010, our current liabilities amounted to S\$39.7 million or 67.7% of our total liabilities of S\$58.6 million. This was mainly due to:

- (a) Bills payable increased from S\$14.4 million as at 30 June 2010 to S\$23.0 million as at 30 September 2010 due to expansion of our equipment rental fleet and purchase of equipment for trading activities.
- (b) Current portion of finance leases increased from S\$9.6 million as at 30 June 2010 to S\$11.2 million as at 30 September 2010 due to increase in borrowings for the expansion of our equipment rental fleet.

Non-current liabilities

As at 30 September 2010, our non-current liabilities amounted to S\$18.9 million or 32.3% of our total liabilities of S\$58.6 million. This was mainly due to:

- (a) Non-current portion of finance leases increased from S\$10.4 million as at 30 June 2010 to S\$13.4 million as at 30 September 2009 due to increase in borrowings for the expansion of our equipment rental fleet.
- (b) The Group's debt equity ratio increased from 24.7% as at 30 June 2010 to 29.5% as at 30 September 2010.

Equity

The Group's equity increased from S\$83.5 million as at 30 June 2010 to S\$85.4 million as at 30 September 2010 mainly due to the net profit generated for 1Q FY2011 and gain from disposal of available for sale investment net off against exchange different on translation of foreign operations.

SIN HENG HEAVY MACHINERY LIMITED AND ITS SUBSIDIARIES

**Unaudited First Quarter Financial Statements Announcement
For The Period From 1 July 2010 To 30 September 2010**

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There was no forecast, or any prospect statement previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and 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.

As announced on 3 September 2010, the Company entered into a dealership agreement with one of the world's leading hydraulic crane manufacturers; KATO, for its fully hydraulic rough terrain cranes, truck cranes and all terrain cranes and as well as after sales services in Malaysia and Brunei. This will strengthen our position as one of the top crane traders in the region.

The equipment rental industry in Singapore is expected to remain competitive.

11. Dividend

(a) Current Financial Period Reported on

Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding Period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.

12. If no dividend has been declared / recommended, a statement to that effect.

Not applicable

13. Interested person transactions

Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)

Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)

Name of Interested Person

Nil

Nil

CONFIRMATION BY THE BOARD

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the unaudited consolidated financial results for the three month ended 30 September 2010 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Tan Cheng Soon Don
Managing Director
10 November 2010