

# SIN HENG HEAVY MACHINERY LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 198101305R

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## REDUCTION OF SHAREHOLDING INTEREST IN ASSOCIATE COMPANY – SONGCHEON ENGINEERING PTE. LTD.

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The Board of Directors of Sin Heng Heavy Machinery Limited (the “**Company**”) wishes to announce that the Company has entered into the following agreements on 17 August 2012:

- (a) a sale and purchase agreement between Kim Jong Seok (“**Kim**”), Zap Piling Pte Ltd (“**Zap**”), Songcheon Engineering Pte. Ltd. (“**Songcheon**”) and the Company (the “**SPA**”);
- (b) a shareholders agreement between Kim, Zap and the Company (the “**SHA**”); and
- (c) a deed of indemnity between Kim and the Company (the “**Deed of Indemnity**”).

### 1. The SPA

Pursuant to the SPA, each of Kim and the Company as legal and beneficial owner shall sell to Zap and Zap shall buy from each of Kim and the Company, 300,000 ordinary shares in Songcheon (the “**Sale Shares**”) (together with all benefits rights and entitlements accrued or attaching to the Sale Shares or which accrue or attach to the Sale Shares on or after the date of the SPA) free from any encumbrance for the respective purchase price set out below on the terms and conditions of the SPA as follows:

	<u>Vendor</u>	<u>Sale Shares</u>	<u>Purchase Price</u>
(i)	Kim	300,000	S\$2,250,000
(ii)	Company	300,000	S\$2,250,000

As a result of the sale of the shares in Songcheon by Kim and the Company, both Kim and the Company will reduce each of their shareholding in Songcheon from 500,000 ordinary shares (50% of the shareholding interest in Songcheon) to 200,000 ordinary shares (20% of the shareholding interest in Songcheon). Zap will, as a result of the purchase of shares in Songcheon from Kim and the Company, own an aggregate of 600,000 ordinary shares in Songcheon (60% of the shareholding interest in Songcheon).

The purchase price for the Sale Shares was arrived at on a willing-buyer willing-seller basis, and taking into account the pro rated amount (being 30%) of the net tangible assets of Songcheon of \$1,736,437 based on the unaudited balance sheet of Songcheon as at 31 March 2012.

The purchase price for the Sale Shares shall be satisfied wholly in cash and payment shall be made on the date of completion of the sale and purchase of the Sale Shares in Songcheon (“**Completion Date**”).

The Completion Date will be the date of the SPA. Upon completion of the sale and purchase of the Sale Shares, Songcheon will remain as an associated company of the Company.

**2. Information about Songcheon**

Songcheon is an associated company of the Company and has an issued and fully paid up capital of S\$1,000,000 divided into 1,000,000 ordinary shares. Established in June 2006, Songcheon is in the business of rental of diaphragm wall excavation rigs and provision of geotechnic engineering services. SEPL leases equipment to contractors and also, provide engineering services to construct diaphragm walls.

**3. Information about Zap**

Zap Piling Pte. Ltd. was incorporated in 1989 with core businesses in pile foundation and civil engineering works across a diverse range of building and construction projects.

**4. The SHA and further subscription of shares**

In accordance with the terms and conditions of the SPA, Kim, Zap and the Company entered into the SHA to record their respective rights and obligations as shareholders of Songcheon and to regulate the exercise of their respective power and authority in respect of the management of Songcheon's business and affairs.

The terms and conditions of the SHA provides, *inter alia*, that upon execution of the SHA, that Kim, Zap and the Company shall subscribe for 5,000,000 ordinary shares in the capital of the Company in aggregate at S\$1.00 each payable in cash ("**Subscription Shares**") as follows:

<b><u>Name</u></b>	<b><u>Shareholding (%) before subscription</u></b>	<b><u>No. of Subscription Shares</u></b>	<b><u>Amount payable</u></b>	<b><u>Shareholding (%) after subscription</u></b>
Kim	20%	1,000,000	S\$1,000,000.00	20%
Company	20%	1,000,000	S\$1,000,000.00	20%
Zap	60%	3,000,000	S\$3,000,000.00	60%

Post subscription, the capital of Songcheon will increase from S\$1,000,000 to S\$6,000,000 while the shareholding interest of each of Kim, Zap and the Company will remain the same pre-subscription i.e. 20%, 60% and 20% respectively.

**5. Deed of Indemnity**

Under the SPA, the Company had given certain relevant warranties and indemnities in favour of SongCheon and Zap (the "Warranties and Indemnities). Since the day-to-day management of the operations of SongCheon is vested with Kim, Kim had executed a Deed of Indemnity in favour of the Company, which provides that Kim shall indemnify the Company against any loss that the Company may suffer from any claim by Zap and/or SongCheon on the Warranties and Indemnities, on and subject to the terms of the Deed of Indemnity.

The Company will issue a further announcement in the event that any material compensation is payable under the Deed of Indemnity.

**6. Rationale and benefits**

The reduction of shareholding interest in Songcheon is mainly to leverage on all parties' respective strengths, to create and seek more business opportunities and to achieve good synergy for future co-operation.

The subscription of new shares in Songcheon is to enhance its financial reserves for future growth.

The Board concluded that the sale of shares in Songcheon, the terms of the SHA and the Deed of Indemnity are of commercial benefit to and in the commercial interest of the Company.

**7. Relative Figures Computed Pursuant to Rule 1006 of the SGX Listing Manual**

As none of the relative figures computed on the applicable bases as set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST Listing Manual**”) exceeds 5%, the reduction of shareholding in Songcheon is a “Non-discloseable Transaction” for the purposes of Chapter 10 of the SGX-ST Listing Manual.

**8. Financial Effects**

The sale of the shares in Songcheon is not expected to have any material impact on the net tangible assets or earnings per share of the Company for the current financial year.

**9. Interest of Directors and Controlling Shareholders**

Save as for their interests arising by way of their shareholdings and/or directorships, as the case may be, in the Company and/or Songcheon, none of the Directors or substantial shareholder of the Company has any interest, direct or indirect, in the above transaction.

**10. Inspection of Documents**

A copy each of the SPA, the SHA and the Deed of Indemnity is available for inspection during the normal business hours at the Company’s registered office for 3 months from the date of this announcement.

BY ORDER OF THE BOARD

Tan Cheng Guan  
Executive Director  
17 August 2012