



(Company Registration Number: 198101305R)
(Incorporated in the Republic of Singapore)

PROPOSED RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE OF 114,805,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY, AT AN ISSUE PRICE OF S\$0.16 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) EXISTING ORDINARY SHARES (EXCLUDING TREASURY SHARES) IN THE CAPITAL OF THE COMPANY HELD BY ENTITLED SHAREHOLDERS AS AT THE BOOKS CLOSURE DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (THE "RIGHTS ISSUE")

In this announcement, unless otherwise defined, capitalised terms refer to meanings assigned to them in the section entitled Definitions.

1. Introduction

The Board of Sin Heng Heavy Machinery Limited (the "**Company**") wishes to announce that the Company is proposing to undertake a renounceable underwritten rights issue of 114,805,000 new ordinary shares (each, a "**Rights Share**" and collectively, the "**Rights Shares**") at an issue price of S\$0.16 for each Rights Share (the "**Issue Price**"), on the basis of one (1) Rights Share for every four (4) existing ordinary shares (excluding treasury shares) in the capital of the Company (the "**Shares**") held by Entitled Shareholders as at a time and date to be determined by the Directors for the purposes of determining the Shareholders' entitlement under the Rights Issue (the "**Books Closure Date**"), fractional entitlements to be disregarded.

The Company has appointed UOB Kay Hian Private Limited ("**UOBKH**") as the manager of the Rights Issue (the "**Manager**"), and UOBKH and Canaccord Genuity Singapore Pte. Ltd. ("**Canaccord**") as the joint underwriters to the Rights Issue (the "**Joint Underwriters**").

2. Proposed Principal Terms of the Rights Issue

The Rights Shares will be issued under the 2012 General Mandate obtained at the 2012 AGM. As at the date hereof, the existing issued and paid-up capital (excluding treasury shares) of the Company consists of 459,220,000 Shares ("**Existing Share Capital**"). Pursuant to the Rights Issue, 114,805,000 Rights Shares will be provisionally allotted on the basis of one (1) Rights Share for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

The Rights Shares will, on allotment and issue, rank *pari passu* in all respects with the existing Shares and shall be entitled to all dividends, rights, allotments or other distributions declared by the Company after the date of issue of the Rights Shares.

Fractional entitlements to the Rights Shares, if any, will be disregarded and will, together with the provisional allotments to the Rights Shares which are not taken up for any reason, be aggregated and allotted to satisfy excess applications for Rights Shares (if any) or be disposed of or otherwise dealt with in such manner as the Board may, in their absolute discretion, deem fit in the interests of the Company. In the allotment of Excess Rights Shares, preference will be given for the rounding of odd lots. The Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have

representation (direct or through a nominee) on the board of the Company will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares.

The terms and conditions of the Rights Issue may be subject to such changes as the Board may deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement that will be lodged by the Company with the MAS in connection with the Rights Issue and dispatched to Entitled Shareholders.

3. Rationale for the Rights Issue and Use of Proceeds

The Directors are proposing the Rights Issue as they believe that the Rights Issue will provide Shareholders with the opportunity to maintain their equity participation in the Company, increase the Company's capital base, strengthen its balance sheet and enhance the financial flexibility of the Company to capitalise on growth opportunities as and when they arise.

The Company expects to raise approximately S\$18.4 million from the subscription of the Rights Issue. The estimated net proceeds from the subscription of the Rights Issue ("**Net Proceeds**"), after deducting estimated expenses of approximately S\$0.5 million incurred in connection with the Rights Issue, is expected to be approximately S\$17.9 million.

The Company intends to utilise the Net Proceeds as follows:

- (a) approximately up to S\$9.0 million representing 50.3% of the Net Proceeds, for purposes of expansion of the Group's business and operation;
- (b) approximately up to S\$5.0 million representing 27.9% of the Net Proceeds, for purposes of reducing the levels of leverage of the Group; and
- (c) the balance of up to S\$3.9 million representing 21.8% of the Net Proceeds will be utilised for the Group's general corporate and working capital purposes.

Pending the deployment of the Net Proceeds for the abovementioned uses, the Net Proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets, and/or used for any other purposes on a short-term basis, as the Board may, in their absolute discretion, deem fit.

The Company will make periodic announcements on the use of the proceeds as and when the funds from the Rights Issue are materially disbursed and provide a status report on the use of the Rights Issue proceeds in the annual report(s) of the Company, until such time the proceeds from the Rights Issue have been fully utilised.

4. Value Proposition for Shareholders

The Company believes that the Rights Issue is in the best interests of Shareholders and the Group as a whole. The Rights Issue provides all Shareholders with the opportunity to subscribe for the Rights Shares at the Issue Price of S\$0.16 which is at a discount of:

- (a) 33.3% to the closing price of S\$0.240 per Share (on 25 June 2013, being the closing price on the last trading date immediately prior to the date of this Announcement)("Closing Price"); and
- (b) 28.6% to the theoretical ex-rights trading price¹ of S\$0.224 per Share.

¹

	Market capitalisation of the Company based on the Closing Price	+	Gross proceeds from the Rights Issue
The theoretical ex-rights trading price =	Total number of issued Shares of the Company after the Rights Issue		

5. Irrevocable Undertakings and Underwriting

In support of the Rights Issue, each of:

- (a) TAL Holdings Pte. Ltd. (“**TAL**”), holding 129,092,800 Shares representing approximately 28.11% of the Existing Share Capital; and
- (b) Toyota Tsusho Corporation (“**TTC**”), holding (through Daiwa Capital Markets Singapore Ltd) 123,800,000 Shares representing approximately 26.96% of the Existing Share Capital,

(collectively, TAL and TTC are referred to as the “**Undertaking Shareholders**”)

has entered into its respective Undertaking, pursuant to which the respective Undertaking Shareholder has irrevocably undertaken with the Company, the Manager and the Joint Underwriters that (among others) it will subscribe, or procure the subscription, and pay, or procure payment, in full for its respective pro rata entitlement of the Rights Shares under the Rights Issue (“**Pro Rata Entitlement**”). The Pro Rata Entitlement of TAL and TTC is 32,273,200 Rights Shares and 30,950,000 Rights Shares respectively.

The Company has on 26 June 2013 entered into a Management and Underwriting Agreement with the Manager and Joint Underwriters in connection with the Rights Issue, where the Joint Underwriters will subscribe and/or procure subscription for up to 51,581,800 Rights Shares (or approximately up to 44.93% of the Rights Issue) which are not taken up by the other Entitled Shareholders under the Rights Issue and which are not subject to the Undertakings.

The Management and Underwriting Agreement is conditional, *inter alia*, upon:

- (a) none of the representations, warranties or undertakings by the Company in the Management and Underwriting Agreement being untrue, incorrect or breached, such as to significantly and adversely affect the completion of the Rights Issue;
- (b) the Undertakings by the Undertaking Shareholders remaining valid and enforceable until the closing date of the Rights Issue; and
- (c) the lodgement of the Offer Information Statement with MAS.

Written confirmations from each of the relevant financial institutions that the respective Undertaking Shareholders have sufficient financial resources to fulfill their obligations under their respective Undertakings have been obtained as at the date of this announcement.

6. Lock-up

Under the Management and Underwriting Agreement, the Company has agreed, amongst other matters, that it will not, issue any marketable securities (in the form of, or represented or evidenced by, bids, notes, debentures, loan stock or other securities) or Shares or options thereof, or vary, alter, subdivide or otherwise do anything to its capital structure (issued or otherwise) at any time on or before the expiry of ninety (90) days after the closing date of the Rights Issue, without the prior written consent of the Manager and the Joint Underwriters, such consent not to be unreasonably withheld.

7. Approvals

The Rights Issue is subject to, *inter alia*, the following:-

- (a) the approval-in-principle having been granted by the SGX-ST (and such approval not having been withdrawn or revoked on or prior to the closing date of the Rights Issue) for the listing and quotation of the Rights Shares on the Official List of the SGX-ST and, if such approval is granted subject to conditions, such conditions being acceptable to the Company; and
- (b) the lodgement of the Offer Information Statement with MAS in accordance with Section 277 of the Securities and Futures Act, Chapter 289 of Singapore.

An application will be made by the Company to the SGX-ST for the approval for listing of and quotation of the Rights Shares on the Official List of the SGX-ST and an appropriate announcement on the outcome of the application will be made in due course.

The Offer Information Statement will be lodged with the MAS and despatched to Entitled Shareholders in due course after approval in-principle of the SGX-ST has been obtained.

ANYONE WHO WISHES TO INVEST OR TRADE IN THE SHARES OF THE COMPANY SHOULD EXERCISE DUE CAUTION AND NOTE THAT THERE IS NO ASSURANCE THAT THE RIGHTS ISSUE WILL PROCEED AS IT IS SUBJECT TO A NUMBER OF CONDITIONS TO BE FULFILLED, AMONGST OTHERS, THE LIST OF CONDITIONS AS STATED IN THE PARAGRAPHS ABOVE.

8. Eligibility to Participate in the Rights Issue

The Company proposes to provisionally allot Rights Shares to all Entitled Shareholders, comprising the Entitled Depositors and Entitled Scripholders.

“Entitled Depositors” are shareholders of the Company (**“Shareholders”**) with Shares standing to the credit of their securities accounts with CDP and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided CDP at 4 Shenton Way, #02-01 SGX Centre 2, Singapore 068807, with registered addresses in Singapore for the service of notices and documents.

“Entitled Scripholders” are Shareholders whose share certificates are not deposited with CDP and who have tendered to the Company’s share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. (the **“Share Registrar”**) valid transfers of their Shares and the certificates relating thereto for registration in their own names up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, with registered addresses in Singapore for the service of notices and documents.

Entitled Shareholders will be at liberty to accept in full or in part, decline or otherwise renounce or trade their provisional allotments of the Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders’ entitlements and will, together with the provisional allotments which are not taken up for any reason, be aggregated and used to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of excess Rights Shares, preference will be given to Shareholders for rounding of odd lots, and Directors and Substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority.

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Rights Issue is only made in Singapore and the Rights Shares will **NOT** be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior to the Books Closure Date, provided CDP or the Share Registrar, as the case may be, with registered addresses in Singapore for the service of notices and documents (**“Foreign Shareholders”**). The Offer Information Statement to be issued in relation to and for the purposes of the Rights Issue and the accompanying documents will not be mailed outside Singapore.

To the extent that it is practicable to do so, arrangements may, at the absolute discretion of the Company, be made for the provisional allotments of Rights Shares, which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold “nil-paid” on the SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the expenses expected to be incurred. The net proceeds from all such sales (after deducting any applicable brokerage, commissions and expenses, including goods and services tax), will be aggregated and thereafter distributed to the Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of

Shares entered against their names in the Depository Register as at the Books Closure Date and sent to them at their own risk by ordinary post, provided that where the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit and no Foreign Shareholder shall have any claim whatsoever against the Company or CDP or their respective officers in connection therewith. Where such provisional allotments of Rights Shares are sold "nil-paid" on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, CDP or their respective officers in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.

9. Interests of Directors and Substantial Shareholders

Our independent Director, Mr Soh Sai Kiang, is the director of capital markets (Singapore) at UOBKH. He had abstained from approving the appointment of UOBKH as the Manager and a Joint Underwriter.

Save as disclosed above, none of the Directors or the Substantial Shareholders has an interest, direct or indirect, in the Rights Issue other than through their respective shareholding interests, direct or indirect, in the Company.

10. Directors' Responsibility Statement

The Directors (including any Director who may have delegated detailed supervision of the preparation of this announcement) collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Rights Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

11. Definitions

"2012 AGM"	: The annual general meeting of the Company held on 31 October 2012
"2012 General Mandate"	: The resolution put forth before the Shareholders at the 2012 AGM, authorising the Directors to, <i>inter alia</i> , allot and issue Shares representing in aggregate up to 50.0% of the Company's issued share capital as at the date of the 2012 AGM
"Board"	: The board of directors of the Company
"CDP"	: The Central Depository (Pte) Limited
"Companies Act"	: Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
"Directors"	: The directors of the Company as at the date of this announcement
"Entitled Shareholders"	: Entitled Depositors and Entitled Scripholders
"Excess Rights Shares"	: The provisional allotments of Rights Shares which are not taken up by the Entitled Shareholders as at the close of the Rights Issue, and which may be applied for by other Entitled Shareholders which are in excess of the number of Rights Shares provisionally allotted to

	such Entitled Shareholders
“Group”	: The Company and its subsidiaries, collectively
“Listing Manual”	: The listing manual of the SGX-ST
“Management and Underwriting Agreement”	: The management and underwriting agreement dated 26 June 2013, entered into between the Company, the Manager and the Joint Underwriters, in relation to the Rights Issue
“MAS”	: Monetary Authority of Singapore
“Offer Information Statement”	: The offer information statement to be issued by the Company under Section 277 of the Securities and Futures Act, Chapter 289 of Singapore, in relation to the Rights Issue
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Substantial Shareholder”	: A Shareholder who has an interest or interests in one or more voting Shares in the Company and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the voting Shares in the Company. For the avoidance of doubt, “voting Shares” exclude treasury shares
“Undertakings”	: The irrevocable undertakings: <ul style="list-style-type: none"> (a) dated 25 June 2013 given by TAL; and (b) dated 18 June 2013 given by TTC, in favour of the Company, the Manager and the Joint Underwriters, in relation to the Rights Issue
“S\$” or “cents”	: Singapore dollars and cents respectively

The terms “**subsidiary**” and “**Depository Register**” shall have the same meanings ascribed to them in Section 5 and Section 130A of the Companies Act respectively.

By Order of the Board

Tan Cheng Soon Don
Managing Director
26 June 2013