



新興重型機械有限公司
SIN HENG HEAVY MACHINERY LIMITED

No. 26, Gul Road, Jurong Industrial Estate, Singapore 629346

Tel: (65) 6-861 6111, Fax: (65) 6-863 8616

Website: www.sinheng.com.sg

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- (1) **PROPOSED ACQUISITION OF 15% EQUITY INTEREST IN SUBSIDIARY – SH HEAVY MACHINERY SDN BHD; AND**
- (2) **PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN BESTARI INDUSTRIAL HOLDINGS SDN BHD BY SH HEAVY MACHINERY SDN BHD**
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1. Introduction

The Board of Directors (“**Board**”) of Sin Heng Heavy Machinery Limited (“**Company**”, and together with its subsidiaries, “**Group**”) wishes to announce the following:

- (a) that the Company has entered into a sale and purchase agreement (“**SPA**”) with Mr. Chen Fock Cheong (“**CFC**”) to acquire 180,000 shares in SH Heavy Machinery Sdn Bhd (“**SHHMSB**”), representing 15% of the entire issued and paid-up share capital of SHHMSB for a total cash consideration (“**Consideration**”) of Ringgit Malaysia Seven Million Three Hundred Forty-One Thousand and Eight (RM7,341,008) (equivalent to approximately S\$2,414,805 based on the exchange rate S\$1 to RM3.04) and upon the terms and conditions of the SPA (“**Proposed SHHMSB Acquisition**”); and
- (b) that its subsidiary SH Heavy Machinery Sdn Bhd (“**SHHMSB**”) proposes to acquire from CFC and Ms Seh Yi Xuan 26 and 25 shares respectively in Bestari Industrial Holdings Sdn Bhd (“**BIHSB**”), representing 26% and 25% respectively of the entire issued and paid-up share capital of BIHSB for a nominal cash consideration (“**Consideration**”) of Ringgit Malaysia Fifty-One (RM51) (equivalent to approximately S\$17 based on the exchange rate S\$1 to RM3.04) (“**Proposed BIHSB Acquisition**”).

(collectively the “**Transactions**”)

Prior to the Proposed SHHMSB Acquisition, the Company has 85% equity interest in SHHMSB. Upon completion of the Proposed Acquisition, SHHMSB will become a wholly-owned subsidiary of the Company.

Prior to the Proposed BIHSB Acquisition, SHHMSB has 49% equity interest in BIHSB. Upon completion of the Proposed BIHSB Acquisition, BIHSB will become a wholly-owned subsidiary of SHHMSB.

The consideration for the Proposed SHHMSB Acquisition of RM7,341,008 (equivalent to approximately S\$2,414,805 based on the exchange rate S\$1 to RM3.04) was negotiated and was derived at based on the consolidated net assets value of SHHMSB. The unaudited consolidated net assets value of SHHMSB as at 30 September 2018 was

RM51,996,678 (equivalent to approximately S\$17,104,170 based on the exchange rate S\$1 to RM3.04).

The consideration for the Proposed BIHSB Acquisition of RM51 (equivalent to approximately S\$17 based on the exchange rate S\$1 to RM3.04) was negotiated on a willing buyer and willing seller basis and was derived at based on the net assets value of BIHSB. The unaudited net assets value of BIHSB as at 30 September 2018 was RM165,983(-ve) (equivalent to approximately S\$54,600(-ve) based on the exchange rate S\$1 to RM3.04).

2. Rationale for the Proposed Acquisitions

The Proposed SHHMSB Acquisition is in the ordinary course of business, and is in line with the Group's strategic plan to gain full control of SHHMSB.

The Proposed BIHSB Acquisition is in the ordinary course of business, and is in line with the Group's strategic plan to gain full control of BIHSB.

3. Financing and Financial Effects of the Transactions

The Transactions would be funded by cash from internal sources.

The Transactions are not expected to have any material impact on the consolidated net tangible assets per share and consolidated earnings per share of the Group for the current financial year ending 31 December 2018.

4. Interests of Directors and Substantial Shareholders

None of the Directors, substantial shareholders of the Company have any interest, direct or indirect, in the Proposed SHHMSB Acquisition and the Proposed BIHSB Acquisition, save for their shareholding interest in the Company.

BY ORDER OF THE BOARD

Tan Ah Lye
Executive Chairman and Chief Executive Officer
21 December 2018