



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

CO REG. NO: 198101305R

GST REG. NO: M2-0043237-1

PROPOSED SALE OF PROPERTY AT LOT 50622, JALAN BUKIT KEMUNING, SEKSYEN 32, 40460 SHAH ALAM SELANGOR, MALAYSIA

1. INTRODUCTION

The Board of Directors (the “**Directors**” or the “**Board**”) of Sin Heng Heavy Machinery Limited (“**Company**” and together with its subsidiaries, “**Group**”) wishes to announce that its wholly-owned subsidiary, SH Equipment Holdings Sdn Bhd (“**Vendor**”) has on 5 September 2023, entered into a sale and purchase agreement (“**SPA**”) with Visionary Dynamic Sdn Bhd (the “**Purchaser**”), for the sale of its property located at Lot 50622, Jalan Bukit Kemuning, Seksyen 32, 40460 Shah Alam Selangor, Malaysia (the “**Property**”) for a consideration of RM17,500,000 (equivalent to S\$5,089,000, based on an exchange rate of RM100 : S\$29.08⁽¹⁾) (“**Purchase Consideration**”), on the terms and subject to the conditions of the SPA (“**Proposed Disposal**”).

The Purchaser is an unrelated party and does not have any shareholding interest, direct or indirect in the Company or the Group, nor is any of the directors, substantial shareholders of the Purchaser related to any of the Directors, substantial shareholders of the Company, or their respective associates. None of the Directors or substantial shareholders of the Company or their respective associates are related to the Purchaser.

Note:

⁽¹⁾ Based on the closing exchange rate of RM100 : S\$29.08 on www.mas.gov.sg as of 4 September 2023, which conversion rate is applied to all RM to SGD conversion in this announcement.

2. INFORMATION ON THE PROPERTY

The Property comprises a 2-storey office building with mezzanine floor and a workshop bearing postal address Lot 50622, Jalan Bukit Kemuning, Seksyen 32, 40460 Shah Alam, Selangor, Malaysia, which is erected on a parcel of freehold land. Subsequent to the sale of the Property, and subject with an agreement with the Purchaser, the Group will lease back the Property for a minimum period of one year for its operational usage.

3. SALIENT TERMS OF THE SPA

3.1 Purchase Consideration

The total consideration for the Proposed Disposal is RM17,500,000 (equivalent to S\$5,089,000) (the “**Purchase Consideration**”).

The Purchase Consideration, which was determined at arm’s length on a willing-buyer willing-seller basis, was arrived at taking into consideration the Valuation Report (described in paragraph 3.2 below) and the prevailing economic conditions.

Under the terms of the SPA, the Purchase Consideration shall be paid in the following manner:

- (a) upon execution of the SPA, the Purchaser shall pay a sum of RM525,000 (equivalent to S\$153,000) only equivalent to 3% of the Purchase Consideration to the Purchaser's solicitors to hold as stakeholders for onward payment to the Director General of Inland Revenue for purpose of the property gain tax pursuant to the Real Property Gains Tax Act, 1976;
- (b) upon execution of the SPA, the Purchaser shall pay to the Vendor a sum of RM1,225,000 (equivalent to S\$356,000) only equivalent to 7% of the Purchase Consideration; and
- (c) Within three (3) months from the date of this SPA ("Completion Period"), the Purchaser shall pay to the Vendor's Solicitors as stakeholders the balance of the Purchase Consideration of RM15,750,000 (equivalent to S\$4,580,000) equivalent to 90% of the Purchase Consideration ("Balance Purchase Price"). If the Purchaser shall require more time to pay the Balance Purchase Price or any part thereof, the Purchaser is automatically entitled to a further period of one (1) month from the expiry of the Completion Period ("Extended Completion Period") to pay the Balance Purchase Price or any outstanding part thereof subject to the condition that the Purchaser shall pay to the Vendor a late payment charge at the rate of eight per centum (8%) per annum ("Late Payment Charge"). The date of full payment of the Purchase Price and the Late Payment Charge (if any) shall be referred to as the "Completion Date".

3.2 Valuation of the Property

For the purposes of disposing the Property, the Vendor commissioned Azmi & Co Sdn Bhd (the "**Independent Valuer**"), an independent professional valuer, to perform a valuation of the Property. Based on the valuation report dated 4 August 2023 (the "**Valuation Report**"), the fair market value of the Property is RM17,200,000 (equivalent to S\$5,002,000) (the "**Valuation**"). The Valuation Report is carried out in accordance with the Manual of Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia. The basis of valuation is on market value. By market value is meant the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

3.3 Tenancy of Property

Under the terms of the SPA, the Purchaser agrees to grant a tenancy of the Property to SH Heavy Machinery Sdn Bhd, a wholly-owned subsidiary of the Company for a period of one (1) year commencing from the Completion Date at a total rental of Ringgit Malaysia Seven Hundred Twenty Thousand (RM720,000) (equivalent to S\$209,000) calculated at a fixed monthly rental of Ringgit Malaysia Sixty Thousand (RM60,000) (equivalent to S\$17,000).

3.4 Completion

Completion of the Proposed Disposal is expected to take place within the Completion Period or the Extended Completion Period.

3.5 Governing law

The SPA shall be governed by, and construed in accordance with, the laws of Malaysia.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Board believes that the Proposed Disposal is in the best interests of the Group and the Shareholders, as it (i) enable the Group to realise the value of the Property; (ii) improve cash flow of the Group; (iii) provide liquidity for new investments and initiatives that will enhance shareholder value; and (iv) provide additional working capital for the Group's operations.

5. USE OF PROCEEDS

The net proceeds from the Proposed Disposal will be approximately S\$5,028,000 (after deducting estimated related transaction expenses) and shall be used to satisfy the Group's working capital needs or future investment purposes.

6. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING RULES

Based on the latest announced unaudited interim consolidated financial statements of the Group for the six-month ended 30 June 2023 ("HY2023"), the relative figures in relation to the Proposed Disposal computed on the bases set out under Rule 1006 of the Listing Manual are as follows:

Rule	Basis	Relative Figures
1006(a)	Net asset value of the Property, compared with the Group's net asset value.	4.2% ⁽¹⁾
1006(b)	Net profits attributable to the Property, compared with the Group's net profits.	Not applicable ⁽²⁾
1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation, based on the total number of issued shares excluding treasury shares.	9.8% ⁽³⁾
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁴⁾
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil or gas company, but not to an acquisition of such assets.	Not applicable ⁽⁵⁾

Notes:

- (1) This figure is based on the net asset value of the Group of S\$103,147,000 as at 30 June 2023 and the net asset value of the Property of S\$4,306,000 as at 30 June 2023.
- (2) Not applicable as the Property has been occupied by the Group for its own use and does not generate any income or revenue for HY2023.
- (3) This figure is based on the Purchase Consideration of S\$5,089,000 and the Company's market capitalisation of approximately S\$51,874,000. The Company's market capitalisation was computed based on the Company's existing issued and paid-up capital of 112,770,500 ordinary shares (excluding treasury shares and subsidiary shares) ("**Shares**") and the volume weighted average price of S\$0.460 per Share on 4 September 2023, which is the last full market day on which the Shares were traded prior to the date of the SPA.
- (4) The Proposed Disposal is not an acquisition of assets.
- (5) The Company is not a mineral, oil or gas company.

As the relative figure computed for Rule 1006(c) exceeds 5.0% but does not exceeds 20.0%, the Proposed Disposal is classified as a "discloseable transaction" under Rule 1010 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

- 7.1 The financial effects of the Proposed Disposal set out below are purely for illustrative purposes only and do not reflect the actual future financial position of the Company or the Group after the completion of the Proposed Disposal.

The financial effects of the Proposed Disposal were calculated based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2022 ("**FY2022**") ("**Audited Financial Statements**"), being the most recently completed financial year for which financial statements are publicly available as at the date of this announcement.

- 7.2 Based on the Audited Financial Statements, the book value attributable to the Property is approximately S\$4,554,000 and the net proceeds to the Proposed Disposal is approximately S\$5,028,000. Accordingly, assuming the Proposed Disposal had been effected on 31 December 2022, the excess of the proceeds for the Disposal over the book value attributable to the Property will be approximately S\$474,000.

- 7.3 Net tangible asset ("**NTA**")

The effect of the Proposed Disposal on the NTA per share of the Group for FY2022, assuming that the Proposed Disposal had been effected as at 31 December 2022 is as follows:

As at 31 December 2022	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	104,740	105,214
Number of Shares (excluding treasury shares) ('000)	113,413	113,413
NTA per Share (Singapore Cents)	92.35	92.77

7.4 Earnings per Share (“EPS”)

The effect of the Proposed Disposal on the EPS of the Group for FY2022, assuming that the Disposal had been effected on 1 January 2022 is as follows:

FY2022	Before the Proposed Disposal	After the Proposed Disposal
Profit attributable to owners of the Company (S\$'000)	3,651	4,125
Weighted average number of Shares (excluding treasury shares) ('000)	113,413	113,413
EPS (Singapore Cents)	3.22	3.64

8. DIRECTORS' SERVICE CONTRACTS

No person will be appointed to the Board, and no service contract will be entered into by the Company, in connection with the Proposed Disposal.

9. DIRECTORS AND CONTROLLING SHAREHOLDERS' INTEREST

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

10. DOCUMENTS FOR INSPECTION

A copy of the SPA and Valuation Report are available for inspection during normal business hours at the Company's registered office at 26 Gul Road, Singapore 629346 for three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Tan Ah Lye
Executive Director and Chief Executive Officer
5 September 2023