



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

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**CLARIFICATION ON THE ANNOUNCEMENT OF UNAUDITED FULL YEAR RESULTS  
ENDED 31 DECEMBER 2019**

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The Board of Directors (“**Board**”) of Sin Heng Heavy Machinery Limited (“**Company**” and together with its subsidiaries, “**Group**”) refers to the announcement made by the Company of its Unaudited Full Year Financial Statements for the year ended 31 December 2019 (“**Results Announcement**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 28 February 2020 (Announcement Reference: SG200228OTHRMJU6).

The Board wishes to provide the additional information in response to the SGX-ST’s queries as follows: -

**Query 1:**

Please disclose the factors leading to the material variances in the following line items on page 1 of the Financial Statements: -

- (i) “Other operating income”;
- (ii) “Selling expenses”;
- (iii) “Administrative expenses”;
- (iv) “Other operating expenses”;
- (v) “Finance costs”.

**Company’s Response to Query 1:**

- (i) **Other operating income** for FY2019 was S\$2.8m as compared to S\$0.9m in FY2018. This was mainly due to receipt from medical insurance claim, interest charged to a customer for late and overdue payment and net exchange gain on foreign currencies in FY2019.
- (ii) **Selling expenses** for FY2019 was S\$1.1m as compared to S\$1.5m in FY2018. This was mainly due to cost saving measures undertaken in FY2019.
- (iii) **Administrative expenses** for FY2019 was S\$10.7m as compared to S\$12.1m in FY2018. This was mainly due to cost saving measures undertaken in FY2019.
- (iv) **Other operating expenses** for FY2019 was S\$2.1m as compared to S\$4.6m in FY2018. This was mainly due to provision for doubtful debts, impairment of cranes, fixed assets written off and inventory written off. These provisions and expenses reported in FY2019 were lower than those reported in FY2018.
- (v) **Finance costs** for FY2019 was S\$1m as compared to S\$1.9m in FY2018. This was mainly due to lower hire purchase interest expense as a result of early termination of hire purchase loans relating to those cranes sold in FY2019.

## Query 2:

Please disclose the factors leading to the material variances in the following line items on page 3 of the Financial Statements: -

- (i) "Trade payables";
- (ii) "Other payables"
- (iii) "Property, plant and equipment".

### Company's Response to Query 2:

	The Group			The Company		
	As at 31/12/2019 S\$'000	As at 31/12/2018 S\$'000	Material Variance S\$'000	As at 31/12/2019 S\$'000	As at 31/12/2018 S\$'000	Material Variance S\$'000
(i) Trade payables	1,318	1,501	(183)	3,086	815	2,271
(ii) Other payables	2,878	3,628	(750)	9,280	2,607	6,673
(iii) Property, plant and equipment	79,140	106,571	(27,431)	33,958	37,601	3,643

#### (i) Trade payables

For the Group, the trade payables as at 31 December 2019 was marginally lower than as at 31 December 2018. However, for the Company, the trade payables as at 31 December 2019 was higher than as at 31 December 2018, mainly due to intercompany trade transactions.

#### (ii) Other payables

For the Group, the other payables as at 31 December 2019 was marginally lower than as at 31 December 2018. As for the Company, the other payables as at 31 December 2019 was higher than as at 31 December 2018, mainly due to intercompany non-trade transactions.

#### (iii) Property, plant and equipment

For the Group, the property, plant and equipment as at 31 December 2019 was significantly lower than as at 31 December 2018, mainly due to decrease in rental fleet and depreciation charged for the year. For the Company, the property, plant and equipment as at 31 December 2019 was lower than as at 31 December 2018, mainly due to depreciation charged for the year.

### Query 3:

Please provide the aging of the “trade receivables” on page 3 of the Financial Statements and set out the Company’s efforts to collect these “trade receivables”. In addition, please clarify if the Company has conducted impairment testing on these “trade receivables” and provide us the Board’s assessment of the recoverability of these “trade receivables” and the bases for their assessment.

### Company’s Response to Query 3:

The Group’s trade receivables as at 31 December 2019 are as follows:

	Gross trade receivables S\$’000	Allowance for doubtful receivables S\$’000	Net S\$’000
As at 31 December 2019	25,135	(2,068)	23,067
As at 31 December 2018	19,701	(1,772)	17,929

Aging of Group’s trade receivables as at 31 December 2019:

	Current S\$’000	30 days S\$’000	60 days S\$’000	90 days S\$’000	>120 days S\$’000	Total S\$’000
As at 31 December 2019	12,314	2,518	3,306	1,807	3,122	23,067
As at 31 December 2018	3,136	2,988	1,531	5,428	4,846	17,929

The Company has conducted impairment testing on these trade receivables by applying a provision matrix via the following stepped approach:

Step 1: Determine the appropriate groupings of receivables into categories of shared credit risk characteristics.

Step 2: Determine the period over which historical loss rates are obtained to develop estimates of expected future loss rates.

Step 3: Determine the historical loss rates.

Step 4: Consider forward looking macro-economic factors and adjust historical loss rates to reflect relevant future economic conditions.

Step 5: Calculate the expected credit losses.

Management judgement is required in assessing the ultimate realisation of the receivables, including the assessment of expected credit losses under SFRS (I) 9, current creditworthiness and past collection history of each customer. The company continues to step up efforts in collection. This includes sending reminders, personal calls, agreed payment schedules, daily close monitoring and tracking of collections and at worst scenario legal letters are issued to chase for payment.

### BY ORDER OF THE BOARD

Tan Ah Lye  
Executive Director and Chief Executive Officer  
6 March 2020