

SIN HENG HEAVY MACHINERY LIMITED AND ITS SUBSIDIARIES

Unaudited First Quarter Financial Statements Announcement
For The Period From 1 July 2016 To 30 September 2016

1(a)(i) A statement of profit or loss and other comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group		
	1Q FY2017	1Q FY2016	Increase/ (Decrease)
	S\$'000	S\$'000	%
Revenue	37,725	28,519	32.3%
Cost of sales	(31,664)	(23,454)	35.0%
Gross profit	6,061	5,065	19.7%
Other operating income	1,141	810	40.9%
Selling expenses	(310)	(407)	(23.8%)
Administrative expenses	(3,309)	(3,905)	(15.3%)
Other operating expenses	(444)	(618)	(28.2%)
Finance costs	(513)	(391)	31.2%
Share of results of associate	-	81	NM
Profit before income tax	2,626	635	313.5%
Income tax expenses	(713)	(337)	111.6%
Profit for the period	1,913	298	541.9%
Total profit attributable to:			
Owners of the Company	1,823	368	395.4%
Non-controlling interests	90	(70)	NM
	1,913	298	541.9%
Other comprehensive income (loss):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value gain (loss) on available-for-sale investments	46	(109)	NM
Exchange differences on translation of foreign operations	(461)	(2,933)	(84.3%)
Total other comprehensive loss, net of tax	(415)	(3,042)	(86.3%)
Total comprehensive income (loss) for the period	1,498	(2,744)	NM
Total comprehensive income (loss) attributable to:			
Owners of the Company	1,469	(2,276)	NM
Non-controlling interests	29	(468)	NM
	1,498	(2,744)	NM

1(a)(ii) Notes to consolidated statement of comprehensive income

Profit after tax was stated after
(charging)/ crediting :-

	Group		
	1Q FY2017	1Q FY2016	Increase/ (Decrease)
	S\$'000	S\$'000	%
Depreciation of property, plant and equipment	(3,219)	(2,854)	12.8%
Currency exchange loss - net	(382)	(582)	(34.4%)
Gain on disposal of property, plant and equipment	345	101	241.6%
Interest income	17	34	(50.0%)
Interest expenses	(513)	(391)	31.2%
Unrealised fair value (loss) gain on forward currency contracts	(19)	105	NM

Denotes: NM - not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at end of the immediately preceding financial year.

STATEMENT OF FINANCIAL POSITION

	The Group		The Company	
	As at 30/9/2016 S\$ '000	As at 30/6/2016 S\$ '000	As at 30/9/2016 S\$ '000	As at 30/6/2016 S\$ '000
ASSETS				
Current assets				
Cash and bank balances	24,162	33,358	10,291	14,368
Trade receivables	31,946	26,295	50,824	45,640
Other receivables	2,732	1,321	7,960	7,883
Derivative financial instruments	310	329	284	321
Inventories	13,270	31,900	6,066	23,263
Total current assets	<u>72,420</u>	<u>93,203</u>	<u>75,425</u>	<u>91,475</u>
Non-current assets				
Property, plant and equipment	133,124	128,707	47,663	45,849
Investment in subsidiaries	-	-	26,942	26,942
Available-for-sale investments	475	429	475	429
Other assets	63	63	63	63
Total non-current assets	<u>133,662</u>	<u>129,199</u>	<u>75,143</u>	<u>73,283</u>
Total assets	<u>206,082</u>	<u>222,402</u>	<u>150,568</u>	<u>164,758</u>
LIABILITIES AND EQUITY				
Current liabilities				
Bills payable	20,621	37,865	20,621	37,865
Current portion of bank loans	10,867	10,967	6,867	6,967
Trade payables	2,410	2,588	1,537	1,721
Other payables	4,368	4,783	3,027	3,601
Current portion of finance leases	9,393	9,141	5,298	5,265
Income tax payable	1,508	875	63	-
Total current liabilities	<u>49,167</u>	<u>66,219</u>	<u>37,413</u>	<u>55,419</u>
Non-current liabilities				
Bank loans	3,667	4,333	2,917	3,333
Finance leases	20,966	21,048	9,637	10,723
Deferred tax liabilities	7,999	7,982	4,000	4,000
Total non-current liabilities	<u>32,632</u>	<u>33,363</u>	<u>16,554</u>	<u>18,056</u>
Total liabilities	<u>81,799</u>	<u>99,582</u>	<u>53,967</u>	<u>73,475</u>
NET ASSETS	<u>124,283</u>	<u>122,820</u>	<u>96,601</u>	<u>91,283</u>
Capital and reserves				
Share capital	41,846	41,846	41,846	41,846
Treasury shares	(141)	(106)	(141)	(106)
Retained earnings	86,425	84,602	55,089	49,782
Translation reserves	(4,246)	(3,846)	-	-
Fair value reserve	(193)	(239)	(193)	(239)
Capital reserve	(711)	(711)	-	-
Total equity attributable to owners of the Company	<u>122,980</u>	<u>121,546</u>	<u>96,601</u>	<u>91,283</u>
Non-controlling interests	1,303	1,274	-	-
Total Equity	<u>124,283</u>	<u>122,820</u>	<u>96,601</u>	<u>91,283</u>
Total liabilities and equity	<u>206,082</u>	<u>222,402</u>	<u>150,568</u>	<u>164,758</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	As at 30/9/2016		As at 30/6/2016	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	9,393	10,867	9,141	10,967
Amount repayable after one year	20,966	3,667	21,048	4,333

As at 30 September 2016, The Group's finance leases of \$30.4m are secured over plant and equipment of the Group with carrying value of \$52.3m .

1 (c) Cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	1Q FY2017	1Q FY2016
	S\$'000	S\$'000
<u>Operating activities</u>		
Profit before income tax	2,626	635
Adjustments for:		
Unrealised fair value (gain) loss from derivative financial instruments	19	(105)
Share of associate's results	-	(81)
Depreciation of property, plant & equipment	3,219	2,854
Interest expenses	513	391
Interest income	(17)	(34)
Net unrealised foreign exchange adjustments	25	(436)
Gain on disposal of investment in an associate	-	-
Gain on disposal of property, plant and equipment	(345)	(101)
Property, plant and equipment written off	12	-
Operating cash flows before movements in working capital	6,052	3,123
Trade receivables	(5,719)	3,344
Other receivables	(1,469)	391
Inventories	14,736	462
Trade payables	(88)	867
Other payables	143	(32)
Cash generated from operations	13,655	8,155
Income tax paid	(34)	(288)
Net cash from operating activities	13,621	7,867
<u>Investing activities</u>		
Interest received	17	34
Purchase of property, plant and equipment	(5,652)	(6,353)
Proceeds from disposal of property, plant and equipment	1,530	181
Net cash used in investing activities	(4,105)	(6,138)
<u>Financing activities</u>		
Bills payable	(17,245)	(4,676)
Interest paid	(513)	(391)
Repayment of obligations under finance leases	(3,061)	(2,166)
Proceeds from finance leases	3,050	145
Repayment of bank loans	(766)	(350)
Proceeds from bank loans	-	5,000
Purchase of treasury shares	(35)	-
Net cash used in financing activities	(18,570)	(2,438)
Net decrease in cash and cash equivalents	(9,054)	(709)
Cash and cash equivalents at beginning of the period	33,358	45,391
Effect of exchange rate changes on the balance of cash held in foreign currencies	(142)	(628)
Cash and cash equivalents at end of the period	24,162	44,054

1(d)(i) A statement for (the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group	Attributable to equity holders of the Company								Total equity
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Translation reserves	Retained earnings	Attributable to equity holders of the Company	Non-controlling interests	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2016	41,846	(106)	(711)	(239)	(3,846)	84,602	121,546	1,274	122,820
<i>Total comprehensive income for the period</i>									
Profit for the period	-	-	-	-	-	1,823	1,823	90	1,913
Other comprehensive income (loss)	-	-	-	46	(400)	-	(354)	(61)	(415)
Total	41,846	(106)	(711)	(193)	(4,246)	86,425	123,015	1,303	124,318
<i>Transactions with owners, recognised directly in equity</i>									
Repurchase of shares	-	(35)	-	-	-	-	(35)	-	(35)
Balance at 30 September 2016	41,846	(141)	(711)	(193)	(4,246)	86,425	122,980	1,303	124,283
Balance at 1 July 2015	41,846	(83)	(711)	(149)	(1,861)	91,817	130,859	1,451	132,310
<i>Total comprehensive income for the period</i>									
Profit for the period	-	-	-	-	-	368	368	(70)	298
Other comprehensive loss	-	-	-	(109)	(2,535)	-	(2,644)	(398)	(3,042)
Balance at 30 September 2015	41,846	(83)	(711)	(258)	(4,396)	92,185	128,583	983	129,566

The Company

	Share capital	Treasury shares	Capital reserve	Fair value	Translation reserves	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 July 2016	41,846	(106)	-	(239)	-	49,782	91,283
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	5,307	5,307
Other comprehensive income	-	-	-	46	-	-	46
Total	41,846	(106)	-	(193)	-	55,089	96,636
<i>Transactions with owners, recognised directly in equity</i>							
Repurchase of shares	-	(35)	-	-	-	-	(35)
Balance at 30 September 2016	41,846	(141)	-	(193)	-	55,089	96,601
Balance at 1 July 2015	41,846	(83)	-	(149)	-	46,593	88,207
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	(829)	(829)
Other comprehensive income	-	-	-	(109)	-	-	(109)
Balance at 30 September 2015	41,846	(83)	-	(258)	-	45,764	87,269

- 1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company bought back 100,000 shares for the 1Q FY2017. As at 30 September 2016, the total number of issued shares excluding treasury shares was 114,618,800 (30 September 2015: 114,768,800). As at 30 September 2016, the total number of treasury shares was 270,180 (30 September 2015: 120,180). The Company did not have any convertibles as at 30 September 2016 and 30 September 2015.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	30/09/2016	30/06/2016
Total number of issued ordinary shares	114,888,980	114,888,980
Less: Treasury shares	(270,180)	(170,180)
Total number of issued shares excluding treasury shares	114,618,800	114,718,800

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and /or use of treasury shares as at the end of the current financial period reported on.**

No treasury shares were sold, transferred, disposed, cancelled and/or used as at the end of the current financial period reported on.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard.**

The figures presented are not audited or reviewed by the Company's Auditor.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the preparation of the consolidated financial statements for the current reporting period as those applied in the audited financial statements for the year ended 30 June 2016.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard,**

There are no changes to the Group's accounting policies and the adoption of FRS and INT FRS that become effective in the financial period beginning on or after 1 July 2016 has no significant impact on the financial statements.

- 6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	1Q FY2017	1Q FY2016
EPS based on weighted average number of ordinary shares in issue (cents)	1.59	0.32
On a fully diluted basis (cents)	1.59	0.32
Weighted average number of ordinary shares in issue	114,635,467	114,768,800

There were no potential dilutive ordinary shares in existence for 1Q FY 2017 & 1Q FY 2016.

* For comparison purpose, prior period earnings per share are adjusted due to the Share Consolidation in the capital of the Company.

- 7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the :-**

(a) current financial period reported on; and

(b) immediately preceding financial year.

	The Group		The Company	
	30/09/2016	30/06/2016	30/09/2016	30/06/2016
Net asset value per ordinary share (cents)	108.43	107.06	84.28	79.57
Ordinary shares at the end of the current financial period and immediately preceding financial year	114,618,800	114,718,800	114,618,800	114,718,800

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the revenue, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT

Revenue

	Group		% Change
	1Q FY2017	1Q FY2016	
	S\$'000	S\$'000	
Equipment rental business	11,781	10,749	9.6%
Trading business	25,944	17,770	46.0%
Total	37,725	28,519	32.3%

The Group registered total revenue of \$37.7m in 1Q FY2017 which was 32.3% higher than 1Q FY2016. The increase was mainly due to higher rental and trading revenue.

Revenue from Equipment Rental business increased by 9.6% to \$11.8m in 1Q FY2017, mainly due to increase in fleet sizes being rented out.

Revenue from Trading business increased by 46.0% to \$25.9m in 1Q FY2017 as compared to 1Q FY2016, mainly due to higher volume of equipment sold.

Gross Profit

	Group		% Change
	1Q FY2017	1Q FY2016	
	S\$'000	S\$'000	
Equipment rental business	3,140	3,428	(8.4%)
Trading business	2,921	1,637	78.4%
	6,061	5,065	19.7%

The Group registered total gross profit of \$6.1m in 1Q FY2017 which was 19.7% higher than 1Q FY2016, mainly due to higher gross profit generated from Trading business.

Gross profit from Equipment Rental business was \$3.1m in 1Q FY2017 or 8.4% lower as compared to 1Q FY2016, mainly due to lower rental utilisation rate from a regional country.

Gross profit from Trading business increased by 78.4% to \$2.9m in 1Q FY2017 as compared to 1Q FY2016, mainly due to higher trading revenue generated.

Net Profit

The Group registered net profit after tax of \$1.9m in 1Q FY2017 as compared to \$0.4m in 1Q FY2016. This was mainly due to the following:

- higher gross profit.
- higher other operating income due to gain on disposal of equipment and higher servicing income.
- lower selling and administrative expenses as a result of cost reduction initiatives.
- lower other operating expenses mainly from lower unrealised foreign exchange differences.
- higher finance costs due to increase in financing of rental fleet.
- higher income tax expenses.

STATEMENT OF FINANCIAL POSITION

Current assets

As at 30 September 2016, total current assets amounted to \$72.4m or 35.1% of our total assets. Current assets comprised mostly of cash and bank balances, trade receivables and inventories. Total current assets decreased by \$20.8m as compared to 30 June 2016, mainly due to decrease in inventories and cash and bank balances.

Non-current assets

As at 30 September 2016, total non-current assets amounted to \$133.7m or 64.9% of our total assets. Non-current assets comprised mostly of fixed assets. Total non-current assets increased by \$4.5m mainly due to increase in rental fleet.

Current liabilities

As at 30 September 2016, total current liabilities amounted to \$49.2m or 60.1% of our total liabilities. Current liabilities comprised mostly of bills payable, other payables, current portion of finance leases and bank loans. Total current liabilities decreased by \$17.1m as compared to 30 June 2016, mainly due to repayment of bills payables.

Non-current liabilities

As at 30 September 2016, total non-current liabilities amounted to approximately \$32.6m or 39.9% of our total liabilities. Non-current liabilities comprised mostly of non-current portion of finance leases, bank loans and deferred tax. Total non-current liabilities decreased by \$0.7m as compared to 30 June 2016, mainly due to repayment of finance leases and bank loans.

Working Capital

As at 30 September 2016, the Group registered a positive working capital of \$23.3m as compared to that of \$27.0m as at 30 June 2016.

Equity

The Group's total equity increased from \$122.8m as at 30 June 2016 to \$124.3m as at 30 September 2016 mainly due to total comprehensive income recorded in 1Q FY2017.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual

There was no forecast, or any prospect statement previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group expects the operating environment in the markets we operate to remain challenging.

11. Dividend

(a) Current Financial Period Reported on

Any dividend declared for the current financial period reported on?

Nil

(b) Corresponding Period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil

(c) Date payable

Not applicable

(d) Book Closure date

Not applicable

12. If no dividend has been declared / recommended, a statement to that effect.

No dividend has been declared / recommended.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1) (a) (ii). If no IPT mandate has been obtained, a statement to that effect.

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
	Nil
	Nil

There were no interested person transactions conducted pursuant to the general mandate for interested person transactions during the financial period.

14. CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL

The Company hereby confirms that undertakings from all directors and executive officers as required in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

15. CONFIRMATION BY THE BOARD

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the unaudited consolidated financial results for the three-month ended 30 September 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Tan Ah Lye

Executive Chairman and Interim CEO

25 October 2016