



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

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**RESPONSE TO QUESTIONS FROM SHAREHOLDERS AND SECURITIES INVESTORS  
ASSOCIATION (SINGAPORE) IN RELATION TO THE ANNUAL REPORT FY2021**

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The Board of Directors (the “**Board**”) of Sin Heng Heavy Machinery Limited (the “**Company**”) refers to the Company’s annual report for the financial year ended 31 December 2021 (“**AR 2021**”) and the announcement dated 7 April 2022 in relation to the Annual General Meeting to be held by way of electronic means on 29 April 2022 (the “**Announcement**”).

Further to the issuance of AR 2021 and the Announcement, the Board and Management had received questions from shareholders and Securities Investors Association (Singapore) (“**SIAS**”) (“**Questions**”). The Company and the Board wishes to provide its responses to questions that are substantial and relevant as set out in the Appendix A.

The Company would like to thank all shareholders and SIAS for questions submitted in advance.

**BY ORDER OF THE BOARD**

**Tan Ah Lye**  
**Executive Director and Chief Executive Officer**  
**22 April 2022**

## Appendix A

### Business Strategy

#### Question 1

What notable developments can shareholders expect from Sin Heng in the coming year(s)?

#### Response 1

As announced on 18 Oct 2021, Sin Heng has accepted a letter of offer from JTC Corporation to renew the current lease for the property at 26 Gul Road, Singapore 629346 for a further term of 20 years from October 2025. The Group will take this opportunity to further improve operational effectiveness through investing in new building structures and machineries at the property.

The Group will notify shareholders via announcements on SGXNet on other significant developments (if any).

#### Questions 2

- (a) Describe Sin Heng's financial performance over the past few years. What strategies have you put in place to maintain or accelerate the growth trajectory?
- (b) There are research analysts who are optimistic of the building materials sector in Singapore as a result of reopening of the economy as well as the anticipated pipelines of projects from HDB, infrastructure, commercial, industrial and oil & gas sector. Do you think Sin Heng will also be a beneficiary as well?

#### Response 2

The business environment for the past few years has been highly competitive. Sin Heng's performance was negatively impacted in FY2018 and FY2019, but we have gradually recovered and recorded a profit after tax of S\$3.8 million in the current year. This is a cumulative result of our cost cutting initiatives, improvements to operational efficiency and prudent management of working capital to increase financial performance. We have also maintained a healthy cash position to overcome the challenges presented by the COVID-19 pandemic.

As mentioned in the Message to Shareholders (Annual Report 2021, page 9), Sin Heng is heavily invested in the civil construction sector in Singapore and we strongly support the LTA's vision for a reliable, people-centered land transport system. Our equipment is present at various MRT project and expressway construction sites, and we hope to continue our involvement in building Singapore's future.

### **Questions 3**

- (a) What are the factors that are critical to Sin Heng's success against competition? What differentiates Sin Heng from competition?
- (b) What is Sin Heng's value proposition to its shareholders and potential investors? What do you think investors may have overlooked about Sin Heng's business?

### **Response 3**

At Sin Heng, we are firmly committed to providing our customers with the best lifting services and quality construction equipment available. We have an established track record with technical expertise accumulated over more than five decades. In addition, we maintain our competitiveness by providing excellent, safe and timely services to our customers. We have anchored ourselves as a top service provider in Singapore and the region, and we are also the authorised distributor for various renowned crane manufacturers.

We also understand that such values may not always be reflected in the financial performance of the Group as financial performance is also dependent on the macroeconomic and various other external factors. Despite that, Sin Heng will continue to maintain a strong balance sheet, so that we can continue develop our business in a financially sustainable manner.

### **Questions 4**

- (a) Do you see less competition in the cranes market, compared to pre-Covid times?
- (b) Can management help shareholders better understand the structural changes in the industry as the construction sector slowly emerges from two years of disruption caused by the COVID-19 pandemic? Is the current level of activities/revenue the new normal for the group?
- (c) Can management help shareholders understand if it has actively managed down its PPE by selling off the excess PPE as inventories? How quickly can the group scale up, should there be any strong rebound in demand in the future?

### **Response 4**

Sin Heng remains hopeful that as the global economy recovers from the COVID-19 pandemic and slowly return to normal, demand for our lifting equipment will also increase and translate into better results for the Group. However, as the market remains cautious in committing to significant amounts of capital expenditure, such increase in demand, if any, is likely to be gradual and we are confident that we are able to react timely to such changes in the market.

The Group has been constantly streamlining and updating our rental equipment fleet by divesting our older or less utilized equipment and replacing with models, which command better demand to maintain a relatively high utilization rate.

### **Question 5**

What is the sentiment on the ground in the group's trading segment? What are the profiles of the main customers in the trading segment in the past two years?

### **Response 5**

As described above in Response 4, the recovering market remains cautious in committing to significant amounts of capital expenditure. However, the Group is hopeful that demand will gradually pick-up as the economy rebounds and recovers. Our customers generally are from the infrastructure and geotechnics, construction, oil and gas, and offshore and marine sectors.

### **Question 6**

With brent crude prices crossing US\$100 per barrel, how will this affect the group's oil and gas customers and therefore demand for the group's cranes and lifting equipment? Have the group received more enquiries from these customers?

### **Response 6**

The Group has yet to observe any significant increase in enquiries from the oil and gas customers, as the higher oil prices are only a recent trend, and may have yet to translate into increased demand.

## **Financial and Operations**

### **Questions 7**

- (a) What are the utilization rates of cranes and scissor lifts as at 31 Dec 2021?
- (b) Any improvements of the rates of cranes (with and without operators) and scissor lifts for the last 12 months in FY21?

### **Response 7**

The utilization rates and rental rates of equipment have always been a main focus of the Group's operations. The utilization rates of these equipment are relatively high and we expect the utilization to maintain at such levels in the current financial year. However, we regret that we are unable to share such information as they are commercially sensitive.

### **Question 8**

In relation to the decrease in trade receivables as at 31 Dec 2021 in comparison with the figures a year ago, what are the reasons for the significant decrease? Has management been more prudent in granting credit and more focused on collection?

### **Response 8**

As mentioned in Response 2, the Group has been focusing on improving our management of working capital in a prudent manner, and the lower trade receivables is reflective of our efforts in this area.

## Corporate Governance

### Questions 9

In relation to the appointment of Mr Lim Keng Hoe,

- (a) Can the nominating committee (NC) elaborate further on the search and nomination process for directors, especially independent directors? How was Mr Lim Keng Hoe (Lin Qinghe) identified by the NC?
- (b) In addition, can the board/NC elaborate further on the rationale and selection criteria?
- (c) On page 23, the board has stated that it is in the process of establishing the board diversity policy. Would the NC help shareholders understand what has caused the delay given that the Code of corporate governance 2018 was introduced over 3 years ago and came into effect on 1 January 2021? When will the board diversity policy be finalised?

### Response 9

The Nominating Committee (“**NC**”) has reviewed and assessed the qualification, experience and suitability of Mr Lim Keng Hoe (Lin Qinghe) (“**Mr Lim**”). Mr Lim is an experienced enterprise leader with more than 25 years of experience in general & operational management, sales & business development as well as corporate strategy and policies formulation. Based on the experiences and knowledge of Mr Lim, the NC was satisfied and considered that the Board would benefit from the services of Mr Lim as the new Director of the Company, and recommended his appointment as an Independent Director of the Company to the Board for approval.

NC is responsible for identifying and recommending potential candidates for appointment as directors to the Board, after considering the necessary and desirable competencies. The search for any suitable candidate will be through the contacts and networks of existing Directors, recommendation or recruiting agent. The NC can also approach relevant institutions such as the SID, or business federations to source for a suitable candidate. Mr Lim was nominated after a search exercise, whereby several potential candidates were identified and interviewed.

As disclosed in the Annual Report FY2021, the NC will review and making recommendations to the Board on all candidates nominated for appointment to the Board and on re-nomination of Directors, taking into account the composition and progressive renewal of the Board and each Director’s competencies, commitment, prior contribution and performance.

In the past 3 years, although the Company does not have board diversity policy and the Board comprises Directors who as a whole, have core competencies and diversity of experiences to enable them to lead and control the Group effectively. Such competencies and experiences including but not limited to appropriate balance and mix of skills, knowledge, gender, age, accounting, finance, industry knowledge, strategic planning, business judgement and general management. The NC and the Board would review the size and the composition of the Board on an annual basis.

On 15 December 2021, Singapore Exchange announced that the key changes effective 1 January 2022, which including the issuers to set a board diversity policy that addresses gender, skill and experience, and other relevant aspects of diversity. Issuers must also describe the board diversity policy and details such as diversity targets, plans, timelines and progress in their annual reports.

As disclosed in the Annual Report FY2021, the Company is the progress of establishing the board diversity policy and will be finalising the diversity policy by this financial year.

## **Others**

### **Question 10**

Would there be any impact to Sin Heng's businesses and operations associated with Russia's invasion of Ukraine?

### **Response 10**

There is no direct impact to Sin Heng as we do not have any Russian and Ukrainian customers or suppliers. However, the tensions may cause potential disruptions to the global supply chain in the future.

### **Question 11**

How much has the group invested in Myanmar? Is the Myanmar unit self-sustaining in terms of cash flow? When will management make the decision on the Myanmar business?

### **Response 11**

The political scene in Myanmar remains in flux, and the Group is closely monitoring the market conditions to make an informed decision in regards to the future. The Myanmar entity has been self-sustaining and has not required additional funds from the Company.

### **Question 12**

Are the investments in financial assets at fair value through profit or loss in line with the group's long-term objectives? What are the underlying investments and who is overseeing the group's investments? Are these speculative in nature?

### **Response 12**

The Group's investments are monitored by management. The investment in short-term notes offers the Group and Company a higher return of interest income, while the investment in quoted equity securities offers the Group and Company the opportunity for return through dividend income and fair value gains, and there have not been any new acquisitions of quoted equity securities in FY2021.