

General Announcement

Company Name : SHIN YANG SHIPPING CORPORATION BERHAD
Date Announced : 3 April 2012
Type : Announcement
Subject : SHAREHOLDERS AND SUBSCRIPTION AGREEMENT – PROPOSED ESTABLISHMENT OF JOINT VENTURE COMPANY WITH SARAWAK OIL PALMS BERHAD, VIA “MICALINE SDN BHD”

1. INTRODUCTION

Pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), the Board of Directors (“Board”) of Shin Yang Shipping Corporation Berhad (“SYSCorp”) wishes to announce that Danum Shipping Sdn Bhd (“DSSB”), a wholly-owned subsidiary of SYSCorp, had, on 2nd April 2012, entered into a Shareholders and Subscription Agreement (“SSA”) with Sarawak Oil Palms Berhad (“SOP”) for the establishment of a proposed joint venture company (“JVC”), Micaline Sdn Bhd (“MLSB”) to own and operate an oil and chemical tanker and a motor tanker for the shipment of palm oil (“the Proposed JV”).

2. INFORMATION ON THE JOINT VENTURE COMPANY

MLSB was incorporated in Malaysia under the Companies Act, 1965 (“Act”) as a private limited company on 5 February 2002. The present authorised capital of MLSB is RM100,000.00 comprising of 100,000 ordinary shares of RM1.00 each (“Shares”) of which 2 Shares had been fully issued and paid-up. MLSB is currently a dormant company. MLSB’s registered office is at Lot 515, Jalan Datuk Edward Jeli, Piasau Industrial Estate, 98000 Miri, Sarawak.

MLSB’s latest audited financial statement for the year ended 30 June 2011, registered a net loss of RM1,090.00 while its net tangible liabilities (“NTL”) stood at RM10,727.00.

The existing directors of MLSB are Mr. Ling Chiong Sing and Mr. Ling Lu Kiong whilst the existing shareholders of MLSB are Mr. Ling Chiong Sing and Ms. Ling Siew Ting, each holding one (1) Share in MLSB.

2.1 Information on the Parties to the Proposed JV

2.1.1 Information on DSSB

DSSB was incorporated in Malaysia under the Act, as a private limited company on 28 October 2004. The authorized and issued and paid-up capital of DSSB are both RM1,000,000.00 comprising of 1,000,000 Shares.

DSSB is a wholly owned subsidiary of SYSCorp whilst its directors are as follows:-

- (1) Tan Sri Datuk Ling Chiong Ho
- (2) Ling Chiong Sing
- (3) Ling Chiong Pin
- (4) Ling Chiong Sieng

2.1.2 Information on SOP

SOP is a public listed company incorporated in Malaysia with an authorized share capital of RM5,000,000,000.00 comprising of 5,000,000,000 Shares of which 431,086,000 Shares had been fully issued and paid-up. SOP is principally involved in cultivation of oil palms and the operations of the palm oil mills and refinery.

The Directors of SOP are as follows:-

- (1) Tan Sri Datuk Ling Chiong Ho;
- (2) Jerald Rentap Jabu;
- (3) Tang Tiong Ing;
- (4) Fong Tshu Kwong;
- (5) Dr.Lai Yew Hock;
- (6) Wong Ngie Yong;
- (7) Hasbi Bin Suhaili;
- (8) Ling Chiong Sing;
- (9) Ling Lu Kuang; and
- (10) Kamri Bin Ramlee.

The substantial shareholders of SOP (as extract from its annual report for the financial year ended 31 December 2011) are:-

- (1) Shin Yang Plantation Sdn Bhd (“SYPlantation”) (29.07%)
- (2) Pelita Holdings Sdn Bhd (28.68%)
- (3) Tan Sri Datuk Ling Chiong Ho (7.15%)

3. RELATED PARTY TRANSACTION

As set out in Section 8 of this Announcement, the Proposed JV is deemed a related party transaction. In view of the cash consideration exceeds the threshold of RM250,000 for a related party transaction as set out in Chapter 10.08 (1) the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) an announcement would be required under MMLR by SYSCorp, with the highest percentage ratio applicable of 1.54% pursuant to paragraph 10.02(g) of the MMLR.

4. DETAILS OF THE PROPOSALS

4.1 Salient Terms of the SSA

Upon the execution of the SSA, MLSB shall within thirty (30) days from the date of the SSA, increase its authorised share capital to RM25,000,000.00 and to increase its issued and paid-up share capital to RM17,000,000.00 via the allotment of an additional 16,999,998 Shares to be held by DSSB and SOP as follows:

Parties	Number of Shares	Proportion
DSSB	9,349,998 (with two (2) ordinary shares to be transferred to DSSB making the aggregate shares to be held 9,350,000)	55%
SOP	7,650,000	45%
Total	17,000,000	100%

The proceeds raised from the share allotments above, shall inter alia for the JVC to acquire an oil and chemical tanker named "Asia Success" and a motor tanker named "Asia Victory" and subsequent upgrading and improvement of the named vessels. The named vessels shall be renamed "Merris 1" and "Merris 2".

4.2 Liabilities to be Assumed

Pursuant to the SSA, DSSB and SOP will lend money in the relevant proportion and identical agreement on terms to MLSB in a condition where MLSB is unable to obtain external loans or credit facilities. MLSB had secured the credit facilities for the vessels acquisition.

Save for the above, there is no other liabilities, including other contingent liabilities and guarantees to be assumed by DSSB.

4.3 Sources of Funding

The subscription of shares in MLSB will be funded from internally generated funds of DSSB.

4.4 Expected Completion

The subscription of shares in MLSB is expected to be completed within 30 days from the date of the SSA.

5. RATIONALE AND PROSPECT

The SSA will pave the way for DSSB and SOP to be strategic business partners for the setting up of palm oil tanker shipping services. By combining DSSB's technical expertise in shipping operations and the secured shipments of palm oil products from SOP's refinery and mills, the Board of Directors of DSSB are confident that the JVC will contribute to the long term future earnings of DSSB

6. FINANCIAL EFFECTS OF THE SSA

6.1 Earnings per share

The SSA is not expected to have any material effect on the earnings of SYSCorp and its subsidiaries (collectively referred to as the "Group") for the financial year ending 30 June 2012.

6.2 Net Assets per share

The SSA is not expected to have any material effect on the net assets per share of the Group for the financial year ending 30 June 2012.

6.3 Gearing

The SSA will not have any material effect on the gearing of the Group.

6.4 Share Capital and Substantial Shareholders' shareholdings

The SSA will not have any effect on the issued and paid-up share capital and substantial shareholders' Shareholdings of the Company as the SSA does not involve any issuance of shares of SYSCorp.

7. RISK FACTORS

The Proposed JV will not materially change the risk profile of the Group's business. MLSB will operate in a similar industry to which SYSCorp Group currently operates in. Hence, SYSCorp Group will be exposed to similar business, operational and financial risks inherent in the shipping industry upon completion of the Proposed JV. These risks include, but not limited to dependence on a major customer, competition, changes in political and economic conditions, environment regulation, volatility in the supply, operational risks, delay in completion of deliveries, foreign exchange fluctuations and collections from customers and dependence on key personnel.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Tan Sri Datuk Ling Chiong Ho (Non-Independent Non-Executive Chairman and a major shareholder of SYSCorp), Mr. Ling Chiong Sing (Group Managing Director and a major shareholder of SYSCorp), Mr. Ling Chiong Pin (Executive Director and a major shareholder of SYSCorp) and Mr. Ling Chiong Sieng (Executive Director and a major shareholder of SYSCorp) (collectively the "Ling Brothers") are deemed interested in the Proposed JV by virtue of them being the directors and substantial shareholders of Shin Yang Holding Sdn Bhd (SYHSB) which is the holding company of SYSCorp and a deemed major shareholder of SOP (via SY Plantation). In addition, Tan Sri Datuk Ling Chiong Ho and Mr. Ling Chiong Sing are also directors of SOP.

Ling Siu Chuo (Non-Independent Non-Executive Director and a shareholder of SYSCorp) ("LSC") is also deemed interested in the Proposed JV by virtue of her being the sister of the Ling Brothers.

Save for the above, none of the other Directors and/or major shareholders and/or persons connected to the Directors and/or major shareholders of the Company has any interest, direct or indirect in the Proposed JV.

The Directors and/or major shareholders and persons connected with the directors and/or major shareholders of SOP are deemed interested in the Proposed JV are set out in Table 1.

9. APPROVAL OF SHAREHOLDERS AND THE RELEVANT AUTHORITIES

The transaction does not require the approvals of the shareholders of SYSCorp nor of any government authorities.

10. STATEMENT BY AUDIT COMMITTEE

The Audit Committee of SYSCorp (Save for Ling Siu Chuo) after having considered all aspects of the Proposed JV is of the opinion that the SSA is:-

- (a) In the best interest of the Company and the Group;
- (b) Fair, reasonable and on normal commercial terms; and
- (c) Not detrimental to the interest of the minority shareholders.

11. DIRECTORS' STATEMENT

The Board of Directors (save for the Ling Brothers and Ling Siu Chuo who abstained from deliberation and decision), having considered all aspects of the Proposed JV is of the opinion that the SSA is:-

- (a) In the best interest of the Company and the Group;
- (b) Fair, reasonable and on normal commercial terms; and
- (c) Not detrimental to the interest of the minority shareholders.

12. DOCUMENTS FOR INSPECTION

The SSA will be available for inspection at the registered address of SYSCorp at Lot 515, Jalan Datuk Edward Jeli, Piasau Industrial Estate, 98000 Miri during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 3rd April 2012

Table 1 – Shareholdings of Major Shareholders/Interested Directors in SYSCorp in the Proposed JV

Name	Relationship	Shareholdings in SYSCorp as at 18.01.2012				Shareholdings in SOP as at 30.12.2011			
		Direct		Indirect		Direct		Indirect	
		No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Major Shareholders									
Shin Yang Holding Sdn Bhd (“SYHSB”)	By virtue of its substantial shareholding in SYSCorp	660,413	55.03	-	-	-	-	⁽¹⁾ 126,294	29.07
Tan Sri Datuk Ling Chiong Ho	By virtue of his directorship and substantial shareholdings in SYHSB	34,803	2.9	⁽²⁾ 660,413	55.03	31,070	7.15	⁽¹⁾ 126,294	29.07
Ling Chiong Sing	By virtue of his directorship and substantial shareholdings in SYHSB	34,803	2.9	⁽²⁾ 660,413	55.03	-	-	⁽¹⁾ 126,294	29.07
Ling Chiong Pin	By virtue of his directorship and substantial shareholdings in SYHSB	34,803	2.9	⁽²⁾ 660,413	55.03	559	0.13	⁽¹⁾ 126,294	29.07
Ling Chiong Sieng	By virtue of his directorship and substantial shareholdings in SYHSB	34,803	2.9	⁽²⁾ 660,413	55.03	356	0.08	⁽¹⁾ 126,294	29.07

Name	Relationship	Shareholdings in SYSCorp as at 18.01.2012				Shareholdings in SOP as at 30.12.2011			
		Direct		Indirect		Direct		Indirect	
		No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
<u>Interested Directors</u>									
Tan Sri Datuk Ling Chiong Ho	By virtue of his directorship and substantial shareholdings in SYHSB	34,803	2.9	⁽²⁾ 660,413	55.03	31,070	7.15	⁽¹⁾ 126,294	29.07
Ling Chiong Sing	By virtue of his directorship and substantial shareholdings in SYHSB	34,803	2.9	⁽²⁾ 660,413	55.03	-	-	⁽¹⁾ 126,294	29.07
Ling Chiong Pin	By virtue of his directorship and substantial shareholdings in SYHSB	34,803	2.9	⁽²⁾ 660,413	55.03	559	0.13	⁽¹⁾ 126,294	29.07
Ling Chiong Sieng	By virtue of his directorship and substantial shareholdings in SYHSB	34,803	2.9	⁽²⁾ 660,413	55.03	356	0.08	⁽¹⁾ 126,294	29.07

Notes

⁽¹⁾ Deemed interested via his/its indirect shareholding in SY Plantation (SY Plantation, a substantial shareholder of SOP, is a wholly owned subsidiary of Shin Yang Corporation Sdn Bhd, which is in turn, a wholly owned subsidiary of SYHSB)

⁽²⁾ Deemed interested via his/its indirect shareholding in SYHSB