SINWA LIMITED
(Company Registration No. 200206542H)
(Incorporated in Singapore)
the ("Company")

ACQUISITION OF 70% OF THE BUSINESS AND ASSETS OF FU ONN PTE. LTD., APG PTE. LTD, ALDA TECHNOLOGIES SERVICES PTE. LTD, PS MARINE PTE. LTD AND FU ONN MARINE ENGINEERING

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1. INTRODUCTION

The Board of Directors (the "**Board**") of Sinwa Limited (the "**Company or Sinwa**") wishes to announce that the Company has entered into a conditional sale and purchase agreement (the "**Agreement-**") on 1 September 2011 with Fu Onn Pte. Ltd. ("**FOPL**"), APG Pte. Ltd ("**APGPL**"), Alda Technologies Services Pte. Ltd. ("**ALDAPL**"), PS Marine Pte. Ltd ("**PSMPL**") and Fu Onn Marine Engineering ("**FOME**") (collectively, the "**Vendors**"), Fu Kim Soon ("**FKS**") and Lee Cheow Poon ("**LCP**") whereby the Company, FKS and LCP will form a joint venture company ("**JVC**") to acquire 70% of the business and net assets of FOPL, APGPL, ALDAPL, PSMPL and FOME for a total consideration of up to S$1,575,000 subject to a minimum of $315,000 (the "**Purchase Consideration**"), upon the terms and subject to the conditions of the Agreement (hereinafter referred to as the "**Proposed Acquisition**").

The Vendors shall transfer and assign to a JVC to be incorporated on completion date with full title (a) the business and (b) the following assets and rights of the Vendors used in the conduct of the business (collectively the "Net Assets"):-

(i) the property, plant and equipment;
(ii) all intellectual property rights owned or used by the Vendors in relation to the business;
(iii) all rights and claims of the Vendors against third parties with respect to the business (including without limitation all rights in connection with insurance policies held by the Vendors subject to the consent of the relevant insurance companies) so far as the Vendors can assign, transfer or novate the same;
(iv) the ownership and use of all licences (if any) used in connection with the business so far as the Vendors can assign, transfer or novate the same together with the right of the Company to represent itself as carrying on the business in succession to the Vendors;
(v) the goodwill, and
(vi) less liabilities ("Liabilities").

The Net Assets in the Schedule 1 of the Agreement refers to property, plant and equipment.

FKS and LCP will be entitled to the current assets less the Liabilities of FOPL, APGPL, ALDAPL, PSMPL and FOME as at Completion Date. FKS and LCP will be responsible to the Vendors for the recovery of the Current Assets (consisting of, *inter alia*, inventories, receivables, prepayments, cash at bank). Neither the JVC nor the Company will be responsible to the Vendors, FKS or LCP for the recovery of the Current Assets or the payment of Liabilities.

2. INFORMATION ON FOPL, APGPL, ALDAPL, PSMPL AND FOME

FOPL, APGPL, ALDAPL and PSMPL are private limited companies incorporated in Singapore on 12 July 2002, 26 June 2007, 1 August 1997 and 12 October 2006 respectively. As at the date of the Agreement, FKS and LCP own 100% of the ordinary shares FOPL, APGPL, ALDAPL and PSMPL. FOME is a sole proprietorship registered in Singapore on 26 March 1996. As at the date of the Agreement, FKS is the sole proprietor of FOME.

The issued and paid up capital of FOPL, APGPL, ALDAPL and PSMPL are S$100,000 comprising 100,000 ordinary shares at an issue price of S$1 each, S$50,000 comprising 50,000 ordinary shares at an issue price of S$1 each, S$100,000 comprising 100,000 ordinary shares at an issue price of S$1 each and S$2 comprising 2 ordinary shares at an issue price of S$1 each respectively. The principal activities of FOPL, APGPL, ALDAPL, PSMPL and FOME are, *inter alia*, the (i) conducting and carrying out steel works and related undertakings in ship repair, conversions and modifications; (ii) construction of flat top barges and other ship construction activities; and (iii) any other business activity or undertaking (including, *inter alia*, the employment of foreign workers pursuant to the quotas given by the shipyards to carry out the business) carried on by the Vendors and its subsidiaries and related companies

The unaudited aggregate book value of the property, plant and equipment of FOPL, APGPL, ALDAPL, PSMPL and FOME as at 31 July 2011 is approximately S$126,070 based on their management accounts.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Maximum Consideration

The consideration ("**Consideration**") for the business and assets of FOPL, APGPL, ALDAPL, PSMPL and FOME shall be a sum of up to Singapore Dollars One Million Five Hundred and Seventy Five Thousand (S$1,575,000) (based on the average audited annual net profit after tax ("NPAT") of $750,000 x 3 x 70%) subject to a minimum of Singapore Dollars Three Hundred and Fifteen Thousand (S$315,000) (based on the average audited annual NPAT of $225,000 x 2 x 70%).The total consideration is based on the average audited annual NPAT for 24 months and a factor ("Factor"). In the event that:-

(a) The average audited annual NPAT for 24 months is $600,000 and above, the Factor shall be 3;

(b) The average audited annual NPAT for 24 months is from $500,001 to $599,999, the Factor shall be 2.75;

(c) The average audited annual NPAT for 24 months is from $250,001 to $499,999, the Factor shall be 2.5; and

(d) The average audited annual NPAT for 24 months is below $250,000, the Factor shall be 2.

The maximum consideration was arrived at on a willing buyer and willing seller basis, after taking into the earnings potential and the established record of FOPL, APGPL, ALDAPL, PSMPL and FOME.

3.2 Payment of Consideration

The Consideration for the business and assets shall be paid in the following manner:

(a) The first tranche of S$315,000 calculated based on ($750,000 x 3 x 70% x 20%) (the "**First Tranche**") shall be paid on the date of Completion (the "**Completion Date**") as follows:

(i) 50% to be satisfied through the issue of new shares in the Company (the "**First Tranche Sinwa Shares**"); and
(ii) 50% by way of cash.

(b) A second tranche calculated based on the (audited annual NPAT for the 12 months period after Completion x Factor x 70% x 50%) - Tranche 1(the "**Second Tranche**") shall be paid within one month of the determination of the audited NPAT of the

Business for the 12 month period following the Completion Date (the "**First Year**") as follows:

(i) 50% to be satisfied through the issue of new shares in the Company (the "**Second Tranche Sinwa Shares**"); and
(ii) 50% by way of cash.

The audited annual NPAT for the first 12 month period shall exceed $360,000.

(c) A third tranche calculated based on the (average audited annual NPAT for the 24 months period after Completion x Factor x 70%) - Tranche 1 - Tranche 2 (the "**Third Tranche**") shall be paid within one month of the determination of the audited NPAT of the Business for the second 12 month period following the Completion Date (the "**Second Year**") as follows:

(i) 50% to be satisfied through the issue of new shares in the Company (the "**Third Tranche Sinwa Shares**"); and
(ii) 50% by way of cash.

The maximum number of new First Tranche Sinwa Shares shall be 1,211,538, the maximum number of new Second Tranche Sinwa Shares shall be 1,817,308, and the maximum number of new Third Tranche Sinwa Shares shall be 3,028,846. The new First Tranche Sinwa Shares shall be issued to the Vendors at the issue price of S$0.13 per share based on the volume weighted average closing price for 30 days prior to the date of signing the Agreement. The Second Tranche Sinwa Shares shall be issued at the volume weighted average closing price for the 30 trading days prior to the date of the audited financial statement for the First Year, which must be agreed upon by the Company's auditor, subject to the collection in full of all receivables stated in the audited financial statement. The Third Tranche Sinwa Shares shall be issued at the volume weighted average closing price for the 30 trading days prior to the date of the audited financial statement for the Second Year, which must be agreed upon by the Company's auditor, subject to the collection in full of all receivables stated in the audited financial statement. In the event that total value of the new Second Tranche Sinwa Shares and new Third Tranche Sinwa Shares are lower than the value of the maximum number of new Second Tranche Sinwa Shares and new Third Tranche Sinwa Shares stated above, the shortfall in value shall be paid by JVC to the Vendors in cash.

In the event that the audited NPAT for the First Year is below S$360,000 or the average audited NPAT for the Second Year is below S$225,000 per annum for whatsoever reason, the Company shall not be required to pay the Second Tranche or Third Tranche to the Vendors and the Vendors shall not be required to refund the First Tranche to the Company. Any management fee paid to the Company shall not be taken into consideration for purpose of computing the Consideration and shall not be included in computing the average audited NPAT.

3.3 Call and Put Option.

Subject to completion, the Company intends to enter into a call and put option with FKS and LCP based on the understanding that (i) the Company shall have the right but not the obligation to require each of FKS and LCP to sell all of their shares in the JVC to the Company; and (ii) FKS and LCP shall have the right but not the obligation to jointly require the Company to purchase all of their shares in the JVC. The call and put option shall be exercisable by the Parties at any time within three months after the issuance of the audited financial statement of the fifth financial year after Completion.

If any Party exercises its rights, the price payable by the Company for the shares in the JVC shall be calculated based on the following formula:

Price payable	=	Average audited NPAT of the JVC for the 3 year period prior to the exercise of the option	x	percentage of JVC represented by the shares to be purchased by the Company	x	3

3.4 Conditions Precedent

The obligation of the parties to complete the acquisition of the Business and Net Assets is subject to the fulfillment of, *inter alia*, the following conditions:

(a) Satisfactory Due Diligence. The results of such legal and/or financial due diligence investigation on the Business and Net Assets of FOPL, APGPL, ALDAPL, PSMPL and FOME conducted by the Company and/or its advisors, being satisfactory to the Company in its absolute discretion. In the event that the Company deems the results of such due diligence investigations as unsatisfactory for any reason whatsoever, the Company may at its discretion, terminate this Agreement without any compensation or liability to the Vendors and/or FKS and/or LCP.

(b) Representations and Covenants. The warranties contained in this Agreement shall be true in all material respects on and as of the Completion Date with the same force and effect as though made on and as of the Completion Date. The Vendors and the Company shall on the Completion Date have performed and complied with all covenants and agreements required by this Agreement to be performed or complied with by the Vendors and the Company on, or prior to, the Completion Date.

(c) Consents and Approvals. All consents, authorisations, approvals, clearances, orders, waivers and alike that are necessary or required to be obtained by any party in connection with the transactions as contemplated herein under any and all applicable laws and regulations having been obtained and being in full force (including expiry of waiting periods) and all consents, authorisations, approvals, orders, waivers and alike that are necessary or required to be obtained by Vendors from any counter parties to any of the Contracts, including the approval from the Singapore Exchange Securities Trading Limited for the listing and quotation of the First Tranche Sinwa Shares, Second Tranche Sinwa Shares and Third Tranche Sinwa Shares.

(d) Service Agreements. The signing of (i) four year service agreements between the JVC and each of FKS and LCP on terms mutually agreeable to the Company, FKS and LCP;

(e) Assignment and Novation Agreements. The signing of Deed of Assignment and Novation by the Vendors to assign all assets, benefits, rights, interests and to novate post Completion liabilities arising from all the transactions after the completion to JVC. For avoidance of doubt, any liabilities or contingent liabilities that were due to transactions before the Completion shall be borne by the Vendors, FKS and LCP; and

(f) Subcontract Agreement. The signing of subcontract agreements between JVC, the Vendors, FKS and LCP whereby JVC will subcontract all work to be done for the shipyards to the Vendors and the Vendors shall be the exclusive subcontractors to the JVC.

4. RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION

This Proposed Acquisition is in line with the Group's strategic plans to expand its range of products and services to its customers and clients. It will also facilitate the combination of complementary capabilities to extend the scope of marine engineering, ship building, ship repair and related repairs and services in Singapore. The Company has identified FOPL, APGPL, ALDAPL, PSMPL and FOME as opportunities *inter alia*, for the following reasons:

(a) The Proposed Acquisition will have an enlarged client base and offers opportunities to cross-sell services within the Group; and

(b) The Group will be in a position to derive benefits through savings from economies of scale and better utilization of Group resources.

5. SOURCE OF FUNDS

The Company will finance the Proposed Acquisition from the proceeds from the rights issue completed in October 2010, Company's internal source of funds, and bank borrowings and issue of new shares in the Company.

6. FINANCING EFFECTS OF THE TRANSACTION

For the purposes of illustrations only, the financial effects of the Proposed Acquisition taken as a whole are as set out below based on the unaudited proforma consolidated management accounts of FOPL, APGPL, ALDAPL, PSMPL and FOME for the financial year ended 31 December 2010. They do not necessarily reflect the exact future financial position and performance of the Company and its subsidiaries (the "**Group**").

(a) Net Tangible Assets ("**NTA**") Per share

Assuming that the Proposed Acquisition was completed on 31 December 2010 and based on the Group's audited consolidated financial statements for the financial year ended 31 December 2010, the Proposed Acquisition would have the following *pro forma* impact on the consolidated NTA of the Group:-

	As at 31 December 2010	
	NTA of the Group (S$'million)	NTA per share (Singapore cents)
Before the Proposed Acquisition	84.8	25.4
After the Proposed Acquisition	83.4	24.6

(b) Consolidated earnings per share ("**EPS**")

Assuming that the Proposed Acquisition had been completed on 1 January 2010 and based on the Group's audited consolidated financial statements for the financial year ended 31 December 2010 the Proposed Acquisition would have the following *pro forma* impact on the consolidated earnings per share of the Group:-

	Financial Year Ended 31 December 2010	
	Net Profit after Tax (S$'million)	EPS - Basic (Singapore cents)
Before the Proposed Acquisition	3.2	1.29
After the Proposed Acquisition	3.7	1.47

The relative figures computed on the bases set out in Rules 1006(a) to Rule 1006(d) of the SGX-ST Listing Manual are as follows:-

Rule 1006		Relative Computation (%)
(a)	Net assets value of assets to be disposed of compared to the Group's net asset value.	Not Applicable
(b)	Net profit before tax attributable to the net assets acquired based on the unaudited management accounts for the 12 months ended 31 December 2010	$337,734
	Group net profit before taxation for 12 months ended 30 June 2011	$3,604,000
	Net profit attributable to the assets to be acquired , compared with the Group's net profits	9.4%
(c)	Total cash consideration ($157,500 + 236,250 + $393,750) plus 6,057,692 shares at NAV of $0.262 per share	$2,374,615

	Market capitalization 333,467,797 at $0.1397 (being weighted average price of shares transacted on the market day preceding the date of the sale and purchase agreement)	$46,585,451
	Aggregate value of consideration given or received, compared with the Company's market capitalisation based on total number of issued shares excluding treasury shares	5.1%
(d)	Aggregate Maximum First Tranche Sinwa Shares, Second Tranche Sinwa Shares and Third Tranche Sinwa Shares	6,057,692
	Total number of issued shares excluding treasury shares	333,467,797
	Number of equity securities** issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	1.8%

Notes:

* The Net Asset Value ("NAV") calculation in (c) above is based on Net Asset value as at 30 June 2011 of S$87,397,000 over the current total issued shares less treasury shares of 333,467,797 which worked out the NAV of $0.262 per share

Based on the relative numbers above, the Proposed Acquisition is a discloseable transaction under Rule 1010 of the Listing Manual.

7. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or controlling shareholders or substantial shareholders of the Company has any interest, directly or indirectly, in the above transaction.

8. APPOINTMENT OF DIRECTORS

There is no Director proposed or to be appointed to the Company in connection with the Proposed Acquisition.

9. DOCUMENTS FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the registered office of the Company at 28 Joo Koon Circle, Singapore 629057 for a period of three (3) months from the date of this announcement.

By Order of the Board
Tan Lay Ling
Executive Director
1 September 2011