

SINWA LIMITED

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2005

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a) Income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	31.12.2005 S\$'000	Group 31.12.2004 S\$'000	Change %
REVENUE	100,160	68,011	47.3
Cost of sales	(79,694)	(53,316)	49.5
GROSS PROFIT	<u>20,466</u>	<u>14,695</u>	<u>39.3</u>
Other operating income	366	196	86.7
Marketing & Distribution costs	(2,277)	(1,482)	53.6
Administrative expenses	(11,584)	(6,514)	77.8
Other credits / (charges)	248	175	41.7
Finance costs	(17)	(53)	(67.9)
Profit before income tax	<u>7,202</u>	<u>7,017</u>	<u>2.6</u>
Income tax expense	(1,031)	(1,315)	(21.6)
Net profit for the year	<u>6,171</u>	<u>5,702</u>	<u>8.2</u>
Loss attributed to minority interests	473	-	n.m.
Net profit attributable to shareholders	<u><u>6,644</u></u>	<u><u>5,702</u></u>	<u><u>16.5</u></u>

The following items have been included in arriving at the Group's results :

	31.12.2005 S\$' 000	Group 31.12.2004 S\$' 000
Interest income	57	42
Foreign exchange (loss) (net)	(23)	(1)
Gain on disposal of property, plant and equipment	10	45
Property, plant and equipment written off	0	0
Depreciation	(742)	(565)
Bad trade debts recovered	147	23
Reversal/(provision). for doubtful trade debts	(82)	83
Interest expense	(17)	(53)

n.m. denotes not meaningful

1(b)(i) Balance sheet (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		Company	
	31.12.2005 S\$'000	31.12.2004 S\$'000	31.12.2005 S\$'000	31.12.2004 S\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	9,059	5,938	48	925
Trade receivables	22,073	21,238	-	-
Other receivables and prepayments	1,738	568	5,015	3,974
Inventories	5,143	4,840	-	-
Total current assets	38,013	32,584	5,063	4,899
Non-current assets:				
Other receivables and prepayments	-	948	-	-
Investments in subsidiaries	-	-	8,538	8,139
Other investments	60	21	-	-
Goodwill on consolidation	1,237	1,146	-	-
Property, plant and equipment	7,143	6,877	160	228
Total non-current assets	8,440	8,992	8,698	8,367
Total assets	46,453	41,576	13,761	13,266
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	-	72	-	-
Trade payables and accrued liabilities	18,081	18,148	173	278
Other payables	271	1,316	-	1,964
Income tax payable	1,047	1,328	-	-
Current portion of finance leases	137	45	-	-
Current portion of interest bearing borrowing	-	-	-	-
Total current liabilities	19,536	20,909	173	2,242
Non-current liabilities:				
Finance leases	237	118	-	-
Deferred taxation	93	93	-	-
Total non-current liabilities	330	211	-	-
Share capital and reserves				
Share capital	6,383	6,250	6,383	6,250
Reserves	19,403	13,401	7,205	4,774
	25,786	19,651	13,588	11,024
Minority Interests				
	801	805	-	-
	26,587	20,456	13,588	11,024
Total liabilities and equity	46,453	41,576	13,761	13,266

Ratio	GROUP	
	31.12.2005	31.12.2004
Inventory days	24	33
Trade receivables days	80	114
Gearing	0.01	0.01

REVIEW OF FINANCIAL POSITION

Current assets

Current assets increased by \$5.4 million, from \$32.6 million at 31 December 2004 to \$38.0 million at 30 December 2005. This is due to:

- (a) increase in cash and cash equivalents, approximately S\$3.1 million was due to more sales and faster debtors' turnover.
- (b) increase in trade receivables \$0.8 million, mainly due to more sales in 2005 resulted from the newly acquired subsidiaries.
- (c) increase in other receivables and prepayments of \$1.2 million due to additional deposits made for securing inventory orders from China as well as short-term loans made to our mutual cooperation partners.
- (d) Inventory increased by \$0.3 million despite of a faster inventory turnover. This mainly caused by the additional inventory we have purchased for offshore business and for inventory carried by our newly acquired subsidiaries in Australia. The Group still maintains as a leading stocklist of anchor chains in Singapore.

Non-current assets

Non current assets of the Group decreased by \$0.6 million, from \$9.0 million at 31 December 2004 to \$8.4 million at 31 December 2005. This is due to the reclassification of long-term loans made to our mutual cooperation partners as current assets.

Current liabilities

Decrease in current liabilities of the Group of \$1.4 million, from \$20.9 million at 31 December 2004 to \$19.5 million at 31 December 2005. This is mainly due to the settlement of payables arising from the acquisition of businesses in Australia and Windsor Marine.

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

Amount repayable in one year or less, or on demand

31.12.2005		31.12.2004	
Secured	Unsecured	Secured	Unsecured
137,000	-	45,000	72,000

Amount repayable after one year

31.12.2005		31.12.2004	
Secured	Unsecured	Secured	Unsecured
237,000	-	118,000	-

Details of any collateral

The secured liabilities relate to :

- hire purchase financing for productive plant and machinery

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	31.12.2005 S\$'000	31.12.2004 S\$'000
Cash flows from operating activities:		
Profit before income tax	7,202	7,017
Adjustments for:		
Depreciation	742	565
Interest income	(57)	(42)
Interest expense	17	53
Plant and equipment written off	-	1
Gain on disposal of plant and equipment	(10)	(45)
Operating profit before working capital changes	<u>7,894</u>	<u>7,549</u>
Trade receivables	(835)	(2,530)
Other receivables and prepayments	(222)	(659)
Inventories	(302)	(2,455)
Trade payables and accrued liabilities	(67)	2,531
Other payables	(231)	(331)
Cash generated from operations	<u>6,237</u>	<u>4,105</u>
Interest paid	(17)	(53)
Interest received	57	42
Income tax paid	(1,313)	(1,455)
Dividends paid	(1,277)	(1,250)
Net cash from operating activities	<u>3,687</u>	<u>1,389</u>
Cash flows from investing activities:		
Proceeds from disposal of plant and equipment	13	48
Purchase of property, plant and equipment	(730)	(399)
Purchase of unquoted investment	(39)	-
Contribution from MI to share capital of subsidiaries	455	(1,264)
Additional costs directly attributed to acquisition of subsidiaries	(91)	-
Net cash used in investing activities	<u>(392)</u>	<u>(1,615)</u>
Cash flows from financing activities:		
Decrease in long-term borrowings	-	(1,496)
Decrease in finance lease	(70)	(64)
Increase/(Decrease) in short-term borrowings	(72)	72
Net cash used in financing activities	<u>(142)</u>	<u>(1,488)</u>
Net effect of exchange rate changes in consolidating foreign subsidiary	<u>(32)</u>	<u>13</u>
Net increase/(decrease) in cash and cash equivalents	<u>3,121</u>	<u>(1,701)</u>
Cash and cash equivalents at beginning of year	5,938	7,639
Cash and cash equivalents at end of year	<u>9,059</u>	<u>5,938</u>

1(d)(i) A statement (for the issuer and 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.

Statement of changes in equity
For the year ended 30 December 2005

GROUP	Share Capital S\$' 000	Share Premium S\$' 000	Translation Reserve S\$' 000	Accumulated Profits S\$' 000	Total S\$' 000	Minority Interests S\$' 000	Total equity S\$' 000
At 1 January 2005	6,250	3,490	24	9,887	19,651	805	20,456
Issue of share capital	133	681	-	-	814	-	814
Contribution from minority interests to share capital subsidiaries	-	-	-	-	-	455	455
Net profit for the year	-	-	-	6,644	6,644	(473)	6,171
Foreign translation reserve	-	-	(46)	-	(46)	14	(32)
Dividend paid	-	-	-	(1,277)	(1,277)	-	(1,277)
Balance at 31 December 2005	6,383	4,171	(22)	15,254	25,786	801	26,587

At 1 January 2004	6,250	3,490	11	5,435	15,186	-	15,186
Contribution from minority interests to share capital of a subsidiary	-	-	-	-	-	805	805
Net profit for the year	-	-	-	5,702	5,702	-	5,702
Foreign translation reserve	-	-	13	-	13	-	13
Dividend paid	-	-	-	(1,250)	(1,250)	-	(1,250)
Balance at 31 December 2004	6,250	3,490	24	9,887	19,651	805	20,456

COMPANY	Share Capital S\$' 000	Share Premium S\$' 000	Translation Reserve S\$' 000	Accumulated Profits/(Losses) S\$' 000	Total S\$' 000	Minority Interests S\$' 000	Total equity S\$' 000
At 1 January 2005	6,250	3,490	-	1,284	11,024	-	11,024
Issue of share capital	133	681	-	-	814	-	814
Net profit for the year	-	-	-	3,027	3,027	-	3,027
Dividend paid	-	-	-	(1,277)	(1,277)	-	(1,277)
Balance at 31 December 2005	6,383	4,171	-	3,034	13,588	-	13,588

At 1 January 2004	6,250	3,490	-	1,259	10,999	-	10,999
Net loss for the year	-	-	-	1,275	1,275	-	1,275
Dividend paid	-	-	-	(1,250)	(1,250)	-	(1,250)
Balance at 31 December 2004	6,250	3,490	-	1,284	11,024	-	11,024

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-back, 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 previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

In 28 January 2005, 2,659,598 shares of 5 cents each were issued at a premium of 25.6 cents each as partial consideration for acquisition of Australia subsidiaries.

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

The figures have not been audited or reviewed.

3 Where the figures have been audited or reviewed, the auditors report (including any qualifications or emphasis of 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

With effect from 1 January 2005, certain new and revised Singapore Financial Reporting Standards ("FRS") were adopted. These standards have no significant impact on the Group's results except as follows :

- (i) In 2004, the Council on Corporate Disclosure and Governance issued FRS 103 Business Combinations, revised FRS 36 Impairment of Assets and revised FRS 38 Intangible Assets. These standards are effective for financial year beginning on or after 31 July 2004.

The impact of the adoption of these standards is that goodwill arising from the business combinations as recorded in the balance sheet of the group is no longer required to be amortised and charged to the income statement. Instead, such goodwill will be tested for impairment in accordance with the revised FRS 36. FRS 103, revised FRS 36 and revised FRS 38 are applied on a prospective basis.

With the adoption of FRS 103, revised FRS 36 and revised FRS 38 as from FY2005, the unaudited Group's net profit for the period ended 31 December 2005 has increased by \$60,000.

- (ii) The statement of changes in equity of the Group has included the movement of minority interests as required by FRS1.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

See paragraph 4.

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

Earnings per ordinary share of the group

	Group figures	
	31.12.2005	31.12.2004
Earnings per ordinary share for the year based on net profit after tax attributed to the shareholders of the Company		
(i) Based on weighted average number of ordinary shares in issue	5.21 cents	4.56 cents
(ii) On a fully diluted basis	5.21 cents	4.56 cents

The basic and fully diluted earnings per share for 31.12.2005 have been calculated based on net profit after tax attributable to shareholders of the Company of \$6,644,000 and 127,462,860 weighted average number of ordinary shares in issue.

The basic and fully diluted earnings per share for 31.12.04 have been calculated based on net profit after tax attributable to shareholders of the Company of \$5,702,000 and 125,000,000 ordinary shares in issue.

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Net asset value per ordinary share based on the number of shares in issue at end of year	20.20 cents	15.72 cents	10.64 cents	8.82 cents

The net asset value per share of the Group has been calculated based on equity attributable to holders of the parent of \$25,786,000 (31 December 2004 : \$19,651,000) and share capital of 127,659,598 (31 December 04:125,000,000) ordinary shares.

The net asset value per share of the Company has been calculated based on equity attributable to holders of the parent of \$13,588,000 (31 December 2004 : \$11,024,000) and share capital of 127,659,598 (31December.2004:125,000,000) ordinary shares.

- 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 turnover, 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.

The results of 2005 show that our supply business has benefited from our acquisition of Windsor Marine last year. Our supply business is expected to continue on a strong growth path riding on the buoyant global marine as well as offshore industry through the recent acquisitions and from our China operations.

REVENUE

Revenue increased by \$32.2 million or 47.3%, from \$68.0 million in 2004 to \$100.2 million in 2005.

This increase is mainly from:

- (a) our appointed marine supply and logistics companies in China,
- (b) our recent acquired subsidiaries in Australia and Windsor Marine,
- (c) sales for deck fittings and mooring equipment by Sinwa Offshore, and
- (d) more supplies to vessels serviced in Singapore.

GROSS PROFIT

Higher revenue provided increased gross profit of \$5.8 million, from \$14.7 million in 2004 to \$20.5 million in 2005.

OPERATING EXPENSES

Our operating expenses comprise marketing and distribution costs, and administrative expenses. Operating expenses for 2005 of \$13.9 million is 13.8% of total sales compared to that 11.8% in 2004.

The recent appreciation of Renminbi has not impacted the Group as the Group matches the expenses against the billings in that currency.

Net profit after tax attributable to Shareholders increased by \$0.9 million or 16.5%.

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

No profit forecast or profit guarantee has been issued for the period under review.

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 general shipping market to remain to be buoyant into 2006, boosted by the shipping trade growth and increase of offshore activities in East Asia.

A new mutual cooperation agreement was signed with a Tianjin partner. This operation should commence in the second quarter of 2006.

In China including Tianjin, we operate from 6 major ports. Revenues from our China operations are expected to increase in line with the growth in the number of foreign vessels calling at China for both cargo operations and general repairs.

A new subsidiary LS Offshore Services Pty Ltd was formed in Perth to capture the offshore business in Australia.

Our Australian operations continue to be restructured for economies of scale in purchasing, marketing and accounting areas. Competition remains to be extremely intense, as can be expected when we are seeking to increase our market shares and presence in Australia. Although we are under some pricing pressure, we are confident that these companies can continue to remain competitive.

Barring unforeseen circumstances, the Directors expect FY 2006 to be profitable.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on

Name of Dividend	First & Final
Dividend Type	Cash
Dividend Rate	1.00 cent per ordinary share (one tier)

Name of Dividend	Special 1
Dividend Type	Cash
Dividend Rate	1.00 cent per ordinary share (one tier)

(b) Corresponding Period of the immediately Preceding Financial Year

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

Name of Dividend	First & Final
Dividend Type	Cash
Dividend Rate	1.00 cent per ordinary share (one tier)

(c) Date payable To be advised later

(d) Books closure date To be advised later

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

Not applicable

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3, or Half Year Results)

13 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

a) Business Segments

2005 Group revenue and expenses

	Supply \$'000	Agency \$'000	Projects \$'000	Unallocated \$'000	Consolidated \$'000
Total revenue from external customers	99,138	821	201	-	100,160
Segment results	<u>7,031</u>	<u>77</u>	<u>94</u>	<u>-</u>	<u>7,202</u>
Income tax expenses					<u>(1,031)</u>
Net profit for the year					<u><u>6,171</u></u>

Group assets and liabilities

Segment assets	38,367	753	-	-	39,120
Unallocated corporate assets					<u>7,333</u>
Total assets					<u><u>46,453</u></u>
Segment liabilities	18,121	58	-	-	18,179
Unallocated corporate liabilities					<u>1,687</u>
Total liabilities					<u><u>19,866</u></u>

Other information

Capital expenditure	934	77	-	29	1,040
Depreciation expenses	474	37	-	231	742
Goodwill	91	-	-	-	91

2004 Group revenue and expenses

	Supply \$'000	Agency \$'000	Projects \$'000	Unallocated \$'000	Consolidated \$'000
Total revenue from external customers	66,185	561	1,265	-	68,011
Segment results	<u>6,528</u>	<u>153</u>	<u>336</u>	<u>-</u>	<u>7,017</u>
Income tax expenses					<u>(1,315)</u>
Net profit for the year					<u><u>5,702</u></u>

Group assets and liabilities

Segment assets	25,611	246	221	-	26,078
Unallocated corporate assets					<u>15,498</u>
Total assets					<u><u>41,576</u></u>
Segment liabilities	18,120	28	-	-	18,148
Unallocated corporate liabilities					<u>2,972</u>
Total liabilities					<u><u>21,120</u></u>

Other information

Capital expenditure	1,395	-	-	-	1,395
Depreciation expenses	319	41	-	205	565
Goodwill	1146	-	-	-	1,146

b) Geographical Segments

	Revenue by geographical market	
	31.12.2005	31.12.2004
	\$'000	\$'000
Europe	71,303	52,554
Asia	11,384	8,239
Australia	11,105	470
Others	6,368	6,748
Total	100,160	68,011

	Carrying amount of segment assets		Addition to property, plant and equipment	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
	\$'000	\$'000	\$'000	\$'000
Asia	34,426	21,686	629	578
Australia	4,694	4,392	411	817
	39,120	26,078	1,040	1,395

14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

There were no factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

15 A Break down of Sales

	Group		Change %
	31.12.2005	31.12.2004	
	\$'000	\$'000	
Sales reported for first half year	47,867	32,992	45.1
Operating profit after tax before deducting minority interest for first half year	3,218	2,908	10.7
Sales reported for second half year	52,293	35,019	49.3
Operating profit after tax before deducting minority interest for second half year	2,953	2,794	5.7

16 A breakdown of the total annual dividend (in dollar value) for the Issuer's latest full year and its previous full year

	2005	2004
	S\$' 000	S\$' 000
Ordinary	1,277	1,250
Preference	-	-
Total	1,277	1,250

BY ORDER OF THE BOARD

SIM YONG TENG
Executive Chairman and CEO
22/02/2006

[Delete if not applicable]

Auditors Report