

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

TRANSACTIONS WITH SINOHIT OFFSHORE ENGINEERING (LIAO NING) CO., LTD. FOR THE PURCHASE OF CERTAIN SHAREHOLDING INTERESTS IN SINWA LIMITED

1. INTRODUCTION

Sinwa Limited (the “**Company**” or “**Sinwa**”) wishes to announce that the Company has today, been informed by its Executive Chairman and Chief Executive Officer, Sim Yong Teng, that the following sale and purchase agreements have been entered into with Sinohit Offshore Engineering (Liao Ning) Co., Ltd (“**SINOHIT**”) on the proposed sale of shares in the Company (“**Transactions**”):

- (a) a sale and purchase agreement between Sim Yong Teng, Evenstar Investments Pte Ltd (“**Evenstar**”) (which is a company 91.4% owned by Sim Yong Teng and the remaining balance 4.3% each by Dr Sim Li-Chen and Mr Sim Li-Meng) and SINOHIT pursuant to which SINOHIT will purchase from Evenstar and Sim Yong Teng (“**Vendors**”) an aggregate 58,650,190 ordinary shares (“**Shares**”) in the capital of the Company, representing approximately 26.38% of the share capital of the Company (excluding treasury shares) (the “**Sale Shares**”), at a minimum consideration of S\$0.38 per Sale Share and a maximum consideration of S\$0.5448 (“**Maximum Consideration**”) per Sale Share (the “**Agreement**”). The final consideration (“**Final Consideration**”) will be determined based on the following formula:

$$\text{Final Consideration} = \frac{(\text{Audited Net Profit After Tax For FY2009} \times 8.0743)}{\text{Total number of Shares outstanding}}$$

“Total number of Shares outstanding” means the total number of issued Shares including all options and convertible instruments (excluding any treasury shares) as at the date of the determination of the Final Consideration, which shall be no later than 30 June 2010 (“**Determination Date**”), or as may be adjusted pursuant to the mutual agreement of the Parties.

- (b) a sale and purchase agreement between Kim Seng Holdings Pte Ltd (“**Kim Seng Holdings**”) and SINOHIT pursuant to which SINOHIT will purchase from Kim Seng Holdings 5,820,250 Shares in the capital of the Company, representing approximately 2.62% of the share capital of the Company (excluding treasury shares) at the same price as the Sale Shares.

The Company has also been informed by Kim Seng Holdings that it has signed the sale and purchase agreement stated in 1(b) above.

2. CONDITIONS PRECEDENT

2.1 Completion

Completion of the Agreement is conditional upon, *inter alia*, the following:-

- (a) written confirmation from the Securities Industry Council that each of the parties to the Agreement (“**Parties**”) and their concert parties does not need to make a mandatory general offer for all the Shares under the Singapore Code on Take-overs and Mergers;
- (b) all other necessary consents, if any, being granted and not withdrawn or revoked by third parties (including without limitation, government bodies, stock exchanges and other relevant authorities having jurisdiction over the transactions contemplated under this Agreement) and if such consents are obtained subject to any conditions and where such conditions affect any of the Parties, such conditions being acceptable to the Parties concerned and, if such conditions are required to be fulfilled before Shares Completion, such conditions being fulfilled before Shares Completion;
- (c) neither SINOHIT nor the Vendors having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by this Agreement and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;
- (d) completion by SINOHIT of business, legal, financial and accounting due diligence on the Company, to the satisfaction of SINOHIT at its sole discretion, with the full co-operation of the Vendors and the Company and taking into account the principle of equal and fair distribution of information to public shareholders by the Company and the Singapore Code on Take-overs and Mergers;
- (e) the signing of a two-year service agreement between the Company and its chief executive officer, Sim Yong Teng, and three-year service agreements between the Company and its key personnel/management at terms no less favourable than their current employment terms; and
- (f) no material dividend payout or distribution by the Company to its existing shareholders, such amount not exceeding those paid in previous financial years and after taking into consideration relevant factors such as, *inter alia*, the Company’s profitability, cashflow and working capital.

3. PRINCIPAL TERMS OF THE TRANSACTION

3.1 Consideration and closing

The consideration for the purchase of the Sale Shares by SINOHIT shall be the cash sum at a minimum consideration of S\$0.38 per Sale Share, amounting to an aggregate amount of S\$22,287,072.20 and a maximum consideration of S\$0.5448 per Sale Share, amounting to an aggregate amount of S\$31,952,623.51. The Final Consideration will be determined based on the formula stated in paragraph 1(a) above.

3.2 Right of First Refusal

Evenstar has granted to SINOHIT the right of first refusal to buy its remaining 37,273,862 Shares in the Company for a period of 12 months from the completion date of the Agreement.

3.3 Appointment of Directors

Upon Shares Completion, the Company and the Vendors will procure the appointment of two directors comprising one non-executive chairman and one non-executive director to be nominated by the Purchaser (the "**Nominated Directors**").

On the date of determination of the Final Consideration, the Company and the Vendors will procure the appointment of one Nominated Director as an executive director of the Company, such appointment to take effect on the day after the Final Consideration and/or Maximum Consideration (as the case may be) is fully satisfied by SINOHIT. After such appointment, there shall be no more than six directors of the Company, which will be the same number as currently constituted.

4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed above and the service agreements referred to in paragraph 2.1(e) above, none of the Directors of the Company has any personal interest, direct or indirect, in the Transaction. Save for Sim Yong Teng, Evenstar and Kim Seng Holdings, the Directors are not aware of any substantial shareholder having any interest, direct or indirect, in the Transactions, and have not received any notifications of any interest in the Transactions from any substantial shareholder.

By Order of the Board
Tan Lay Ling
Executive Director

17 November 2009