
PROPOSED DISPOSAL OF SUBSIDIARY – SALE AND PURCHASE AGREEMENT

1. INTRODUCTION

1.1 Sale and Purchase Agreement

The Board of Directors of China Yongsheng Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 23 October 2014 relating to the letter of intent entered into by Assetgold Finance Limited (“**Assetgold**”) and Suzhou Yongsheng Concrete Co., Ltd (“**SY Concrete**”) (collectively, the “**Vendors**”) with Shanghai Jiangong Construction Material Co., Ltd (“**Shanghai Jiangong**”) and Shanghai Construction Overseas (Holdings) Limited (“**Shanghai Construction**”) (collectively, the “**Purchasers**”), pursuant to which it is proposed that Assetgold and SY Concrete shall sell their entire equity interest in Suzhou Industrial Park Yongsheng Concrete Co., Ltd (“**SIP Yongsheng**”) to the Purchasers (the “**Proposed Disposal**”).

The Board of Directors wishes to announce that the Vendors have on 8 March 2015 entered into a sale and purchase agreement (the “**SPA**”) with the Purchasers in relation to the Proposed Disposal.

1.2 Chapter 10 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Catalist Rules”)

The Proposed Disposal constitutes a “discloseable transaction” under Chapter 10 of the Catalist Rules. For further details on the relative figures in respect of the Proposed Disposal computed on the bases set out in Rule 1006 of the Catalist Rules, please refer to Section 4 of this Announcement.

1.3 Rule 704(17)(c) of the Catalist Rules

Upon the completion of the Proposed Disposal, SIP Yongsheng will cease to be a subsidiary of the Company.

1.4 Rule 5 of the Singapore Code on Takeovers and Mergers (the “Code”)

The Company had on 23 October 2014, announced that it had received a formal proposal from an entity related to certain executive directors of the Company that may result in the delisting of the Company.

Rule 5 of the Code provides, *inter alia*, that in the course of an offer, or even before the date of offer, if the board of the offeree company has reason to believe that a bona fide offer is imminent, the board must not, except pursuant to a contract entered into earlier, take any action, without the approval of shareholders at a general meeting, on the affairs of the offeree company that could effectively result in any bona fide offer being frustrated or the shareholders being denied an opportunity to decide on its merits. Such actions include but are not limited to the sale or disposal of assets of material amount. If the offeree board considers that an obligation to take such action or other special circumstance exists, although a formal contract has not been entered into, it should consult the Securities Industry Council of Singapore (“**SIC**”) and obtain its consent to proceed without a shareholders’ meeting.

In light of the above, the Company had on 23 January 2015 written to the SIC to seek, *inter alia*, a ruling from the SIC that for purposes of Rule 5 of the Code (a) the Proposed Disposal does not constitute a frustration of the offer by the Board of Directors and (b) the Company may proceed with the Proposed Disposal without a need for the Company to convene a shareholders’ meeting for the Proposed Disposal. Based on the information and representations contained in the Company’s letter to SIC, SIC confirmed in their letter dated 29 January 2015

that the Proposed Disposal does not constitute a frustration of the offer by the Board of Directors.

2. INFORMATION ON SIP YONGSHENG

SIP Yongsheng was incorporated in the People's Republic of China (the "PRC"). Assetgold and SY Concrete currently hold 25% and 75% respectively of the equity interest in SIP Yongsheng. SIP Yongsheng is principally engaged in the business of production and supply of concrete.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1 Proposed Disposal

Pursuant to the terms and subject to the conditions of the SPA, SY Concrete and Assetgold shall sell and Shanghai Jiangong and Shanghai Construction shall purchase 75% and 25% equity interest respectively in the registered capital of SIP Yongsheng (collectively, the "Disposal Shares").

3.2 Consideration

The consideration for the Proposed Disposal is RMB 36,849,401 (the "Consideration"). The Consideration was arrived at by agreement between the Vendors and the Purchasers at arm's length, on a "willing-buyer, willing-seller" basis after taking into account the SIP Yongsheng Asset Evaluation Report issued by Shanghai Dong Zhou Assets Evaluation Co., Ltd on 5 December 2014 (of which the base date of the assets evaluation is 31 October 2014) (the "Valuation Report"). The valuation was commissioned by Shanghai Jiangong.

3.3 Payment Schedule

The Consideration shall be payable as follows:

- (a) Shanghai Jiangong shall pay 65% of the Consideration equal to RMB 23,952,111 (which is inclusive of the deposit of RMB 4,000,000.00 paid on 24 October 2014 subsequent to the signing of the letter of intent) in cash to SY Concrete within 7 working days of the date of execution of the SPA;
- (b) Shanghai Construction shall pay 25% of the Consideration equal to RMB 9,212,350 to Assetgold within 7 working days of the date the change of registration in administration for industry and commerce in respect of the Proposed Disposal has been duly completed and SIP Yongsheng has obtained new business license; and
- (c) Shanghai Jiangong shall pay 10% of the Consideration equal to RMB 3,684,940 in cash to SY Concrete within 7 working days after SY Concrete completes the transfer of Existing Credits and Debts (as defined in the SPA) in accordance with the terms of the SPA.

3.4 Conditions Precedent

The Proposed Disposal is subject to, *inter alia*, the following conditions precedent having been complied, satisfied or fulfilled:

- (a) if the approval of the shareholders is required for the Proposed Disposal pursuant to the requirements of the Catalist Rules, a general meeting of the Company shall be convened and the approval of the shareholders for the Proposed Disposal shall be obtained;
- (b) if the SGX-ST or such other relevant authorities are required to approve the Proposed Disposal, the relevant approval(s) shall be obtained;
- (c) if the approval of the shareholders of Shanghai Jiangong and Shanghai Construction, and Shanghai United Assets and Equity Exchange are required for the Proposed Disposal, the relevant approvals shall be obtained; and

- (d) the approval from the Suzhou Industrial Park Bureau or other competent local approving authorities for the Proposed Disposal shall be obtained.

In the event that any of the above conditions is not satisfied, the Purchasers shall have the right to request for a full refund of the Consideration paid to the Vendors under the SPA within 7 business days under the laws of PRC upon being aware of such failure of satisfaction of the condition(s). The SPA will terminate automatically after the refund, and the parties to the SPA bear no responsibilities of breach.

3.5 Value of the Disposal Shares and Net Profits Attributable

The unaudited pro forma net asset value and the unaudited pro forma net tangible asset value of the Disposal Shares for the financial period ended 31 December 2014 were both RMB 21.6 million. The unaudited pro forma net profits⁽¹⁾ of SIP Yongsheng for the 12 months' period ended 31 December 2014 was RMB 0.7 million.

3.6 Gain from the Proposed Disposal

The Consideration of RMB 36,849,401 represents an excess of RMB 15.2 million over the unaudited net asset value of the Disposal Shares as at 31 December 2014. The amount of gain from the Proposed Disposal is estimated to be RMB 10.2 million after taking into account the estimated associated costs and adjustments to provisional amounts initially determined for the Proposed Disposal based on unaudited results of SIP Yongsheng as at 31 December 2014.

During the period commencing 31 October 2014, being the base date of the assets evaluation, until completion (the "**Transitional Period**"), any profits or losses incurred by SIP Yongsheng shall be for the account of the Vendors. Accordingly, the estimated gain from the Proposed Disposal would vary depending on subsequent determination of the profits or losses incurred by SIP Yongsheng during the Transitional Period.

3.7 Guarantees provided by Mr Sun Jianming and Mr Zhao Deming

Mr Sun Jianming, the Executive Chairman of the Company, has in connection with the Proposed Disposal, provided a deed of guarantee dated 8 March 2015 to Assetgold to guarantee the due and punctual payment, discharge and performance by Shanghai Construction of 25% of the Consideration as detailed in paragraph 3.3(b) above.

Mr Zhao Deming, the Chief Executive Officer of the Company, has in connection with the Proposed Disposal, provided a deed of guarantee dated 8 March 2015 to SY Concrete to guarantee the due and punctual payment, discharge and performance by Shanghai Jiangong of 10% of the Consideration as detailed in paragraph 3.3(c) above.

4. **RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES**

The relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Disposal and based on the unaudited consolidated financial statements of the Company for the financial period ended 31 December 2014 are as follows:

Rule 1006	Base	Relative figure computed in accordance with the bases set out in Rule 1006
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	6%
(b)	The net profits ⁽¹⁾ attributable to the assets disposed of, compared with the Group's net profits	2%
(c)	The aggregate value of the consideration received,	24% ⁽²⁾

	compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable to a disposal of shares.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves	Not applicable as the company is not a mineral, oil or gas company.

Notes:

- (1) "Net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) The SPA was executed on 8 March 2015. The weighted average price for trades done on SGX-ST on 4 March 2015, being the last market day immediately preceding the date of the SPA, is S\$ 0.02. The number of shares of the Company in issue is 1,663,900,000. Market capitalisation is determined by taking the weighted average price multiplied by 1,663,900,000 shares in issue. Foreign Exchange Rate used in this Announcement is as at 4 March 2015: 1 S\$ = 4.5379 RMB.

As the relative figures in (a), (b) and (c) computed on the basis set out in Rule 1006 of the Catalist Rules above exceed 5% but do not exceed 50%, the Proposed Disposal constitutes a "discloseable transaction" under Chapter 10 of the Catalist Rules and is not conditional upon shareholders' approval.

5. RATIONALE FOR THE PROPOSED DISPOSAL

- 5.1 The Proposed Disposal will allow the Company to re-strategise its financial and capital resources. Upon completion of the Proposed Disposal, the Company will have more working capital for its existing operations, expand into other businesses and undertake new investment opportunities that may arise in future.
- 5.2 Accordingly, the Board believes that the Proposed Disposal is in the best interests of the Company.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1 Bases and Assumptions

For the purposes of illustration only, the pro forma financial effects of the Proposed Disposal taken as a whole are set out below. The pro forma financial effects have been prepared based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2014 ("**Unaudited FY2014 Results**") and do not necessarily reflect the actual future financial position and performance of the Group following completion of the Proposed Disposal. The pro forma financial effects are based on the Unaudited FY2014 Results as opposed to the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 as the Unaudited FY2014 Results, being more recent in time, would be more meaningful and indicative of the financial effects of the Proposed Disposal.

6.2 Share Capital

The Proposed Disposal has no impact on the Company's issued share capital.

6.3 Net Tangible Assets ("NTA") per share

Assuming that the Proposed Disposal was completed on 31 December 2014 and based on the Unaudited FY2014 Results, the pro forma financial effects of the Proposed Disposal on the consolidated NTA of the Group are such that the NTA per share will increase from approximately RMB 23.0 cents to RMB 23.6 cents.

6.4 Earnings Per Share (“EPS”)

Assuming that the Proposed Disposal had been completed on 1 January 2014 and based on the Unaudited FY2014 Results, the pro forma financial effects of the Proposed Disposal on the consolidated EPS of the Group are such that the EPS will increase from approximately RMB 0.8 cents to RMB 1.6 cents.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Company's directors or controlling shareholders or their associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy each of the SPA and the Valuation Report will be available for inspection during normal business hours at the Company's registered office at 80 Robinson Road #17-02 Singapore 068898 for a period of three (3) months from the date of this Announcement.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Disposal and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading.

Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Disposal as appropriate or when there are further significant developments on the same.

11. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this Announcement that the Proposed Disposal will proceed to completion, as the completion is subject to, *inter alia*, fulfillment of all the conditions precedent in the SPA. Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the action they should take.

By Order of the Board of
China Yongsheng Limited

Sun Jianming
Executive Chairman
10 March 2015

This announcement has been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd., for compliance with the relevant rules of the Exchange. The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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