

CHINA BEARING (SINGAPORE) LTD.
(Incorporated in the Republic of Singapore)
(Co Registration No. 200512048E)

PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LINYI KAIYUAN BEARING CO., LTD.

1. INTRODUCTION

The board of directors (“**Board**”) of China Bearing (Singapore) Ltd. (“**Company**”) wishes to announce that the Company has on 29 July 2015 entered into a sale and purchase agreement (“**SPA**”) with Spring Century Investment Limited (“**Purchaser**”), pursuant to which the Company has agreed to sell to the Purchaser the entire issued and paid-up share capital of Linyi Kaiyuan Bearing Co., Ltd. (“**LYKY**”), a wholly-owned subsidiary of the Company, on the terms and subject to the conditions of the SPA (“**Proposed Disposal**”).

The Proposed Disposal constitutes a “Major Transaction” under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Listing Manual**”).

Upon completion of the Proposed Disposal (“**Completion**”), the Company’s assets will consist substantially of cash and the Company will not have any business activities. The Company will become a cash company under Rule 1018 of the Listing Manual upon Completion.

2. PROPOSED DISPOSAL

2.1 Linyi Kaiyuan Bearing Co., Ltd.

LYKY is a limited liability company incorporated in the People’s Republic of China on 26 December 2005 with a registered capital of RMB113,860,779. LYKY is a wholly-owned subsidiary of the Company and its principal activities are the manufacturing and sale of bearings under the “Yimeng” brand for use in automobiles, equipment and machinery.

2.2 Purchaser

The Purchaser is a company is incorporated in Hong Kong and is a special purpose vehicle incorporated for the purposes of undertaking the Proposed Disposal. As at the date of this announcement, the shareholder of the Purchaser is Sun Jinpeng.

2.3 Consideration

The aggregate consideration for all the issued and paid-up ordinary shares in the share capital of the LYKY ("**Sale Shares**") shall be an amount equivalent to S\$15 million (or its foreign currency based on the relevant closing exchange rate as published by a major bank as at the business day immediately prior to the date of the SPA) ("**Consideration**") to be payable in cash, subject to the Consideration Adjustment (as defined below).

The Consideration was agreed at after arm's length negotiations between the Company and the Purchaser and was based on a willing-buyer willing-seller basis, after taking into account the business prospects and net tangible assets of LYKY.

Pursuant to the terms of the SPA:

- (a) the Purchaser and the Company shall jointly appoint an independent third party valuer to conduct and complete a valuation of Sale Shares ("**Valuation**") no later than 11 September 2015. In the event the Valuation is higher than the Consideration but less than S\$17 million, the total price for the Sale Shares shall be revised to an amount equivalent to the Valuation ("**Consideration Adjustment**"). In the event the Valuation is equal to or more than S\$17 million, any party to the SPA may forthwith terminate the SPA and neither party shall have any claim thereunder against the other party (save in respect of claims arising out of any antecedent breach of the SPA). Any Valuation rendered by the independent third party valuer shall be conclusive and binding on the parties to the SPA;
- (b) the Purchaser shall deposit the Consideration of S\$15 million (or its foreign currency based on the relevant closing exchange rate as published by a major bank as at the business day immediately prior to the date of the SPA) into the bank account of the Company's solicitors ("**Stakeholder's Account**") for the Company's solicitors to hold the same as stakeholder, no later than 31 July 2015 or the third (3rd) business day after which the details of the Stakeholder's Account are furnished to the Purchaser, whichever is later ("**Deposit Date**").

2.4 Salient Terms of the Proposed Disposal

2.4.1 Conditions Precedent

The Completion is conditional upon, *inter alia*, the following conditions precedent ("**Conditions**"):

- (a) the Consideration being deposited with the Company's solicitors in accordance with the terms of the SPA no later than the Deposit Date;
- (b) each of Zhang Anxi, Xu Yihe and Zhang Anling having executed a service contract with LYKY in such form acceptable to the Purchaser and for a term of not less than one (1) year commencing from the date upon which Completion is required to take place (collectively the "**Service Contracts**");

- (c) the Company obtaining all relevant corporate and governmental and regulatory approvals for the sale of the Sale Shares in accordance with the terms of the SPA and the transactions contemplated thereunder, including without limitation, the approval of the shareholders of the Company (“**Shareholders**”).

2.4.2 Completion

The Completion is conditional on the fulfilment of the Conditions on or before 31 December 2015 or such other date as the parties to the SPA may agree in writing (“**Long Stop Date**”). In the event that any of the Conditions has not been fulfilled (or waived) prior to the Long Stop Date, the SPA (other than the surviving provisions) shall automatically terminate and neither party to the SPA shall have any claim thereunder against the other party (save in respect of claims arising out of any antecedent breach of the SPA).

2.4.3 Discharge and waiver of outstanding debts

Upon the Completion:

- (i) LYKY shall unconditionally and irrevocably discharge and waive all debts outstanding and owing by the Company to LYKY as at the date of Completion (“**Company Outstanding Debts**”), and each party to the SPA shall use their best endeavours to procure LYKY to execute such deed, agreement or other instrument in favour of the Company to give effect to such discharge and waiver; and
- (ii) the Company shall unconditionally and irrevocably discharge and waive all debts outstanding and owing by the LYKY to the Company as at the date of Completion (“**LYKY Outstanding Debts**”), and the Company shall execute such deed, agreement or other instrument in favour of LYKY to give effect to such discharge and waiver.

As at the date of this announcement the Company Outstanding Debts amounts to RMB6,054,155 (equivalent to S\$1,317,990 based on an exchange rate of RMB4.59 : S\$1), and no LYKY Outstanding Debts is outstanding.

3. THE PROPOSED DISPOSAL AS A “MAJOR TRANSACTION”

Based on the latest announced unaudited financial statements of the Company for the three (3) months financial period ended 31 March 2015 (“**1Q2015**”), the relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are as follows:

1.	Rule 1006(a)	
	Net asset value of LYKY	RMB126,261,000
	Net asset value of the Company and its subsidiaries (“Group”)	RMB119,132,000
	Relative figure	106.0%
2.	Rule 1006(b)	
	Net profits attributable to the Sale Shares for 1Q2015	RMB1,204,000
	Net profits of the Group for 1Q2015	RMB684,000
	Relative figure	176.0%
3.	Rule 1006(c)	
	Aggregate value of consideration received	S\$16,317,990 ⁽¹⁾
	Market capitalisation of the Company as at 28 July 2015, being the market day preceding the date of the SPA	S\$14,490,000 ⁽²⁾
	Relative figure	112.6%
4.	Rule 1006(d)	
	Number of shares to be issued by the Company as consideration for an acquisition	Not applicable to the Proposed Disposal
	Number of shares in issue of the Company	
	Relative figure	
5.	Rule 1006(e)	
	Aggregate volume or amount of proved and probable reserves to be disposed of	Not applicable to the Proposed Disposal
	Aggregate of the group’s proved and probable reserves	
	Relative figure	

Notes:

- (1) Pursuant to paragraph 7 of Practice Note 10.1 of the Listing Manual, for the purposes of determining the relative figure of Rule 1006(c), the aggregate value of consideration received or given shall include, *inter alia*, further amounts related to the transaction. Accordingly, for the purposes of the computation of the bases under Rule 1006(c), the aggregate value of consideration received shall comprise the aggregate of the Consideration of S\$15 million and the Company Outstanding Debts of S\$1,317,990.
- (2) The market capitalization of the Company of S\$14,490,000 is determined by multiplying the number of shares in issue of the Company ("Shares") (of 276,000,000 Shares) by the weighted average price of S\$0.0525 of such Shares transacted on 28 July 2015, being the market day preceding the date of the SPA.

As the applicable relative figures computed on the bases of Rule 1006(a) and (b) are more than 20%. Accordingly, the Proposed Disposal will be classified as a "Major Transaction" under Chapter 10 of the Listing Manual. In accordance with Rule 1014 of the Listing Manual, a major transaction must be made conditional upon approval by shareholders in a general meeting.

The Company will be seeking approval of Shareholders at an extraordinary general meeting to be convened. A circular containing, *inter alia*, details of the Proposed Disposal, together with the notice of extraordinary general meeting, will be despatched to Shareholders in due course.

4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal on the Group are prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2014. For the purpose of computing the earnings per share ("**EPS**") of the Group after the Proposed Disposal, it is assumed that the Proposed Disposal was completed on 1 January 2014. For the purpose of computing the net tangible assets ("**NTA**") per share of the Group, it is assumed that the Proposed Disposal was completed on 31 December 2014.

It should be noted that the financial effects set out below are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the company and the Group after the completion of the Proposed Disposal.

4.1 Share capital

As at the date of this announcement, the issued and paid-up capital of the Company is RMB125,769,000 comprising 276,000,000 Shares. The Proposed Disposal will have no impact on the issued and paid-up share capital of the Company.

4.2 NTA per Share

	Before the Proposed Disposal	After the Proposed Disposal
NTA (RMB'000)	118,448	68,593
Numbers of Shares ('000)	276,000	276,000
NTA per Share (RMB cents)	42.9	24.9

4.3 EPS

	Before the Proposed Disposal	After the Proposed Disposal
Net profit / (Net loss) (RMB'000)	3,254	(43,461)
Weighted average number of Shares ('000)	276,000	276,000
EPS / (Loss per Share) (RMB cents)	1.18	(15.7)

4.4 Gearing

	Before the Proposed Disposal	After the Proposed Disposal
Total debt (RMB'000)	10,959	775
Total equity (RMB'000)	119,132	68,593
Gearing	0.09	0.01

5. BOOK VALUE

There is no open market value for the Sale Shares as they are not publicly traded. The unaudited proforma net assets value of LYKY as at 31 March 2015 was approximately RMB126,261,000. The Consideration represents a deficit of 45% to the said unaudited proforma net assets value of LYKY which will be recognised as a loss on disposal.

6. RATIONALE FOR THE PROPOSED DISPOSAL

The Group's bearing business has faced intense competition and challenging market conditions in recent years leading to poor financial performance. For the financial years ended 31 December 2012 and 31 December 2013, the Group had recorded losses of RMB3.6 million and RMB55.2 million respectively, while for the financial year ended 31 December 2014, the Group recorded marginal profit of RMB3.3 million. According to information obtained from www.chinatruck.org, demand for trucks in the People's Republic of China has slowed down in 2015, and accordingly, sales volume of heavy trucks and light trucks has decreased approximately 31.1% and 28.3% respectively from January to June 2015. In view of the foregoing, the Company expects challenging business environment and market conditions to continue in foreseeable future.

The Proposed Disposal would allow the Group to dispose of the loss-making or non-performing assets and business. Whilst it will result in the Company ceasing to have any operating business and becoming a cash company, the Board is of the view that being a cash company may facilitate the Company's attempts to acquire potential target business and assets to comply with the listing requirements of the SGX-ST for a cash company.

In view of the above, the Board is of the view that the Proposed Disposal is in the interest of the Company and its shareholders as it presents the Company an opportunity to exit the increasingly challenging business environment and immediately realise its investment in the said business.

7. USE OF PROCEEDS

The estimated net proceeds from the Proposed Disposal ("**Net Proceeds**"), based on the Consideration and after deducting estimated costs and expenses to be incurred in connection with the Proposed Disposal, are approximately S\$14.8 million.

Subject to Shareholders' approval for the Proposed Disposal, the Company will cease to have any operating business upon the Completion and will be deemed as a cash company under Rule 1018 of the Listing Manual. While the Board is still considering and finalizing the specific uses for the Net Proceeds, the Company may assess its options available and seek opportunities to acquire new assets and businesses to satisfy the SGX-ST listing requirements (subject to the requirements under Rule 1018 of the Listing Manual) and use the said proceeds for general working capital requirements of the Company.

The Board will announce the specific uses for the proceeds arising from the Proposed Disposal as and when appropriate.

8. CASH COMPANY

Upon completion of the Proposed Disposal, the Company will cease to have any operating business and will be deemed as a cash company under Rule 1018 of the Listing Manual.

Shareholders are to note that under Rule 1018 of the Listing Manual, if the assets of an issuer consist wholly or substantially of cash or short-dated securities, its securities will normally be suspended. The suspension will remain in force until the issuer has a business which is able to satisfy the SGX-ST's requirements for a new listing, and all relevant information has been announced.

Upon Completion, the Company will be required to:

- (a) place 90% of its cash and short-dated securities (including existing cash balance and the consideration arising from the Proposed Disposal) in an account opened with and operated by an escrow agent which is part of any financial institution licensed and approved by the Monetary Authority of Singapore. The amount that is placed in the escrow account cannot be drawn down until the completion of the acquisition of a business which is able to satisfy the SGX-ST's requirements for a new listing, except for payment of expenses incurred in a reverse takeover approved by Shareholders and pro-rata distributions to Shareholders, and
- (b) provide monthly valuation of its assets and utilisation of cash, and quarterly updates of milestones in obtaining a new business, to the market via SGXNET.

The SGX-ST will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company, subject to any extension as may be approved by the SGX-ST.

9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for the proposed Service Contracts and through their shareholdings in the Company (if any), none of the Directors or controlling shareholders of the Company, and their associates, has any interest, whether direct or indirect, in the Proposed Disposal.

10. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any person.

11. 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 SPA, the Proposed Disposal, the Company and its subsidiary, 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 the announcement in its proper form and context.

12. DOCUMENTS FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 161A, Thomson Road Goldhill Centre Singapore 307614 for a period of three (3) months from the date of this announcement.

13. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Disposal is subject to numerous conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed, or that no changes will be made to the terms thereof. Accordingly, Shareholders are advised to exercise caution when trading in the Shares of the Company.

The Company will make the necessary announcements when there are further developments on the Proposed Disposal and other matters contemplated by this announcement.

Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

ZHANG ANXI
Managing Director and Chief Executive Officer
30 July 2015