

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

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF FE RESOURCES PTE. LTD. – ENTRY INTO A LOAN AGREEMENT DATED 17 NOVEMBER 2017 BETWEEN THE COMPANY AND AXIS MEGALINK SDN. BHD. ("LENDER")

1. INTRODUCTION

The board of directors ("**Board**") of China Bearing (Singapore) Ltd. (the "**Company**") refers to the announcements made by the Company on 24 August 2016, 1 November 2016, 2 December 2016, 11 January 2017, 4 April 2017, 20 June 2017 and 7 July 2017 ("**Announcements**") in relation to the proposed acquisition of the entire issued and paid-up share capital of FE Resources Pte. Ltd. ("**Proposed Acquisition**").

Unless otherwise defined herein, capitalised terms used herein shall bear the same meaning ascribed to them in the Announcements.

2. THE LOAN

The Board wishes to announce that the Company has on 17 November 2017 entered into a loan agreement ("**Loan Agreement**") with Axis Megalink Sdn. Bhd. (the "**Lender**"), pursuant to which the Lender has agreed to extend to the Company a loan of S\$1,000,000 (the "**Loan**") which is convertible (at the Lender's option and subject to a Conversion Event as defined below) into fully paid-up ordinary shares in the capital of the Company ("**Conversion Shares**") on the terms and subject to the conditions of the Loan Agreement. The Lender is a company incorporated in Malaysia and is unrelated to the Company. The shareholders of the Lender are not related to the Company's Directors or Controlling Shareholder and their respective associates.

3. SALIENT TERMS OF THE LOAN AGREEMENT

The salient terms of the loan agreement are as follows:

- (a) Principal amount : S\$1,000,000, to be released and disbursed in three (3) tranches, with the first tranche being S\$75,000 ("**Tranche 1**"), the second tranche being S\$325,000 ("**Tranche 2**"), and final tranche being S\$600,000 ("**Tranche 3**") respectively.
- (b) Release and disbursement of Tranche 1 : Tranche 1 shall be disbursed within seven (7) business days from the date of signing of the Loan Agreement.

- (c) Conditions precedent to the release and disbursement of Tranche 2 : (i) The Lender being satisfied that the minimum valuation of the Asset based on JORC Report 1 shall not be less than United States Dollars Forty-Five Million (US\$45,000,000); (ii) all representations, warranties and undertakings of the Borrower under the Loan Agreement are being complied with, true, accurate and correct as at the date of the Loan Agreement and each day up to and including the date of disbursement of Tranche 2; and (iii) no material adverse change (as reasonably determined by the Lender) in the business, prospects, operations, financial condition or results of operations of the Company occurring on or before the date Tranche 2 is released and disbursed to the Company.
- (d) Conditions precedent to the release and disbursement of Tranche 3 : (i) the submission to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") the circular containing the notice of extraordinary general meeting to seek shareholders' approval for, *inter alia*, the Proposed Acquisition; (ii) all representations, warranties and undertakings of the Company under the Loan Agreement are being complied with, true, accurate and correct as at the date of the Loan Agreement and each day up to and including the date of disbursement of Tranche 3; and (iii) no material adverse change (as reasonably determined by the Lender) in the business, prospects, operations, financial condition or results of operations of the Company occurring on or before the date that Tranche 3 is released and disbursed to the Company.
- (e) Interest : Ten percent (10%) per annum, to be compounded daily at a 365-day year basis.
The interest payable shall automatically increase by five percentage points to 15.0% per annum compounded daily at a 365-day year basis from the Repayment Date (as defined below), unless a Conversion Option Notice (as defined below) is received by the Company, until all such outstanding sums due and payable ("**Outstanding Sum**") by the Company to the Lender is fully settled in cash.
- (f) Repayment Date : The Company shall repay the Outstanding Sum by way of cash to the Lender within twenty-one (21) calendar days upon the occurrence of any of the following events:
(i) the Completion of the Proposed Acquisition;

- (ii) the Company being able, in accordance with the Listing Manual of the SGX-ST ("**Listing Manual**") to utilise the funds in the escrow account set up by the Company pursuant to Rule 1018(1) of the Listing Manual;
- (iii) the failure by the Company to complete the Proposed Acquisition for any reason whatsoever within nine (9) months from the date of the Loan Agreement ("**Longstop Date**"); or
- (iv) the Proposed Acquisition is aborted at any time before the Longstop Date.

(g) Conversion Shares : In the event an Outstanding Sum is still owing by the Company to the Lender and the Proposed Acquisition is terminated for any reason whatsoever ("**Conversion Event**"), the Lender may, but shall not be obliged to, at any time following a Conversion Event, elect to convert the Outstanding Sumas at the date of the Conversion Notice (as defined below) into Conversion Shares (as defined below) by serving on the Company a conversion notice in writing ("**Conversion Notice**").

The number of conversion shares to be allotted and issued or transferred to the Lender or its nominee(s) credited as fully paid-up shall be calculated based on the following formula:-

A

----- = C

B

Where:-

A = The Outstanding Sum as at the date of the Conversion Notice

B = The Conversion Price (as defined below)

*C = The number of conversion shares to be allotted and issued or transferred to the Lender ("**Conversion Shares**")*

(h) Conversion Price : The volume weighted average price of the Company's shares transacted on the Main Board of SGX-ST on the market day that the Conversion Notice was given. In the event the Conversion Notice was not given on a market day or there were no trades done on the SGX-ST on the market day that the Conversion Notice was given, the volume weighted average price shall be based on the last full market day in which trades were recorded on the SGX-ST.

- (i) Governing law : The terms of the Loan Agreement shall be governed by and construed in accordance with the laws of Singapore.

4. RATIONALE AND USE OF PROCEEDS

- 4.1. Since 21 December 2015 when the Company became a cash company, the Company had, in compliance with Rule 1018(1) of the Listing Manual, placed at least 90% of the Company's cash and short-dated securities into an escrow account ("**Escrow Account**"). The amount placed in the Escrow Account cannot be drawn down until the completion of the acquisition of a business which is able to satisfy 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.
- 4.2. Having considered the above and the Company's requirement for additional funds for the fees and expenses incurred or to be incurred in relation to or in connection with the Proposed Acquisition, the Loan will enable the Company to supplement its existing cash balance which are not subject to the Escrow Account, to fund the professional fees payable by the Company up to the extraordinary general meeting to be convened for shareholders of the Company to approve the Proposed Acquisition.

5. AUTHORITY FOR ALLOTMENT AND ISSUANCE OF THE CONVERSION SHARES

- 5.1. The Conversion Shares will be allotted and issued by the Company pursuant to the general share issue mandate given by the shareholders of the Company at the annual general meeting of the Company held on 22 March 2017 ("**General Mandate**"). The General Mandate authorises the Directors to allot and issue new shares not exceeding 50% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares (including shares to be issued in pursuance of instruments made or granted) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares.
- 5.2. Assuming (i) the Proposed Acquisition was terminated; (ii) the Conversion Notice was served on the Company on the Longstop Date; and (iii) a full draw down of the Loan taking place immediately upon signing of the Loan Agreement, the Outstanding Sum due on the Longstop Date for conversion will be S\$1,076,766.40. For illustrative purposes only, based on the volume weighted average price of S\$0.024 of the Company's shares transacted on 17 December 2015 (being the full market day immediately preceding the date of the Conversion Notice), 44,865,267 Conversion Shares will be issued by the Company to the Lender. The Conversion Shares represent approximately 16.3% of the existing issued and paid-up share capital of the Company as at the date of this announcement and approximately 14.0% of the enlarged issued and paid-up share capital of the Company immediately after the allotment and issuance of the Conversion Shares. Based on the foregoing, the Company does not envisage any change of control arising from this Loan and in the event of a Conversion Event.

6. APPLICATION TO SGX-ST

An application will be made to SGX-ST in due course for the listing of and quotation for the Conversion Shares on the Main Board of the SGX-ST, should the Conversion Notice be served. The Company will make the necessary announcements in relation to the application, amongst others, in due course.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

To the best of the Directors' knowledge, none of the Directors and controlling shareholders or their associates have any interest, direct or indirect in the Loan Agreement, save for their respective interests in the shares of the Company.

8. RESPONSIBILITY STATEMENT

The Directors of the Company 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 of the Loan Agreement, the Company, 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 (including information relating to the Lender) 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.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Loan Agreement is available for inspection during normal business hours at the registered office of the Company at 7 Temasek Boulevard, #43-03 Suntec Tower One, Singapore 038987 for a period of three (3) months from the date of this announcement.

10. CAUTIONARY STATEMENT

Shareholders of the Company are advised that the Proposed Acquisition is subject to numerous conditions and due diligence by the Vendor and the Company. As such, there is no assurance that the Parties will be able to complete the Proposed Acquisition and that the shares of the Company will eventually resume trading on the SGX-ST. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders are therefore advised to exercise caution when dealing in the shares of the Company and should consult their legal, financial, tax and other professional advisers if they have any doubt as to the action to take.

BY ORDER OF THE BOARD

LIM KEAN TIN

Non-Executive Chairman

17 November 2017