



China Bearing (Singapore) Ltd.
中国轴承(新加坡)有限公司



KEEPING OUR MOMENTUM

ANNUAL REPORT 2014

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CORPORATE PROFILE



Strategically located in Yinan County, Shandong Province of the PRC, China Bearing specialises in the design, development, manufacture and sale of bearings under the “Yimeng” brand for use in automobiles, equipment and machinery for the PRC’s industrial, agricultural and automotive sectors.

With a focus on high precision, high value-added tapered roller bearings, the Group designs and produces more than 200 different types of bearings to cater to the varied needs of our customers. China Bearing today operates at two production facilities with 96,772 square metres in gross floor area and a combined annual production capacity of approximately 6.5 million sets of micro-sized, light and heavy bearings.

Since its establishment in 1988, the Group has established stable and long-term working relationships with renowned manufacturers in China, including Shandong Shifeng (Group) Co., Ltd, Liaoning SG Axle Joint Stock Co., Ltd, Yantai Timken Co., Ltd, Shaanxi Hande Axle Co., Ltd and Zhucheng Yihe Axle Co., Ltd.

To ensure the competitiveness of its products, the Group places strong emphasis on continual product research and development, and has introduced more than 100 new and improved products since 2003.

The Group’s “Yimeng” product brand name is an established brand with sound reputation in the PRC, in relation to product performance, quality and reliability. To date, the Group has been conferred numerous awards and certifications – including, for the last two years, Shandong Production and Research (Industrial Design) Governance Council’s innovation award for our anti premature aging bearing products in 2010, named Shandong Industrial Design Centre in 2010 bronze award in the Shandong Province Industrial Design Grand Competition (being the only award winner for Linyi County) for our anti premature aging bearings in 2011, Bearing Industry’s Star Enterprise award by the Shandong Province Bearing Association in 2011, National Bearing Industry’s Leading Enterprise award by the China Bearing Industry Association in 2011, Shandong Province Research (Industrial Design) Gold Award for our anti premature aging bearings in 2011, and Shandong Machinery Science and Technology Progress Award for our anti premature aging bearings in 2011. In addition, we have also received ISO/TS16949:2002 accreditation – a technical standard required by European and US vehicle manufacturers.

CEO'S MESSAGE



“ In FY2014, our Group achieved total revenue of RMB 140.3 million which was 21.1% higher compared to RMB 115.8 million in FY2013. ”

Dear Valued Shareholder,

2014 marked a year of improvement for the Group.

China's economy grew at its slowest pace in 24 years in 2014 with the GDP growth of 7.4%¹. However, the bearing industry in China managed to achieve a growth rate of 9.3% on its total revenue in 2014².

In FY2014, our Group achieved a 21.1% growth in total revenue to RMB 140.3 million for the year ended 31 December 2014 ("FY2014") as compared to RMB 115.8 million for the year ended 31 December 2013 ("FY2013"). The increase in revenue is mainly due to increase in sales of our heavy bearings on the back of higher sales volume and higher average selling price.

In line with recovery of average selling price, gross profit margin increased from approximately 4.7% in FY2013 to approximately 15.3% in FY2014. Consequently, our Group's gross profit

increased by approximately 294.2% compared to FY2013.

For FY2014, the impact of rising manpower costs has been cushioned by the decrease in prices of raw materials and recovery of selling price during the year.

With the higher revenue coupled with improved gross margin, the Group managed to turnaround and recorded a net profit of RMB 3.3 million in FY2014 as compared to a net loss of RMB 55.2 million in FY2013.

In FY2014, we were placing more focus on our heavy bearing products which is the highest revenue driver in our product offerings year after year. Our Group introduced several new types of heavy bearing products which were well received by the market during the year. This effort has laid a firm foundation for us to upgrade our products and increase our market shares.

¹ National Bureau of Statistics of China (www.stats.gov.cn)

² China Bearing Industry Association (www.cbia.com.cn)



For the coming year, we believe the competition remains intense. The Group will continue to improve our operation efficiency through technology innovation.

We will take stringent measures on cost control and step up our effort in improving productivity. We will also focus on developing and producing products with high profit margin.

In addition, we will strive to strengthen our market position by intensifying our effort to differentiate our products from other industry players through quality improvement and development of high value-added products. We will also actively review our product mix and to offer new product with good long term prospects so as to increase our value to customers.

In respect of investment, our Group will continue to explore for new business opportunity for acquisition in order to diversify our earnings.

Last but not least, on behalf of my fellow board members, I would like to take this opportunity to express my gratitude to the management and staff for their dedication and to all shareholders and customers for their continuing support.

Zhang Anxi

Managing Director and CEO

首席执行官致词



尊敬的股东们：

2014财政年集团的盈利能力获得了改善。

虽然刚刚过去的2014年是中国国内经济形式最严峻的一年，但是中国轴承行业主要企业的销售收入还是获得大约9.3%的增长。

在2014财年，集团的销售收入与2013财年相比提高了21.1%，主要是因为我们重卡轴承业务的销售量及销售价格同步上升。

由于销售价格的上升，集团整体毛利增加了294.2%而整体的毛利率也从2013财年的4.7%增加至2014财年的15.3%。

此外，原材料价格的下降抵消了人力成本上涨的影响，再加上销售价格的回升，集团在2014财年扭转了过去几年所面对的亏损局面，重新回归盈利。

由于销售收入及毛利的增加，集团在2014财年获得3百30万人民币的净利。

在2014年，集团通过调整销售策略，重点关注重卡轴承业务，并通过不断优化产品结构，改善了集团盈利能力。集团所推出的新类型的重卡轴承也得到市场的积极好评，为产品升级及市场份额的提高奠定了坚实的基础。

“

在2014财年，集团的销售收入与2013财年相比提高了21.1%。”

”



新的一年已经来临，我们清醒地认识到，在激烈的市场竞争环境中，我们的企业依然面对广泛的机遇和严峻的挑战。因此，我们将通过技术革新提高生产效率并积极采取严格措施，进行更有效的成本控制。此外，我们将会尽力改善生产力并专注于开发及生产高利润产品。

我们未来的主要策略还包括重点开发与同行业差异化的产品、专注予现有的产品质量的提升并开发更高附加值的产品及为我们的客户提供更优质的产品。这将进一步扩大公司产品覆盖面，并可争取更大的市场份额。我们将以高度的使命感和责任感来推进公司的持续发展，全力以赴，把开元轴承“做精，做强，打造一流品牌”。

另一方面，我们也会抓住新机遇，拓展新领域以及多元化业务经营。

最后，我代表董事局感谢我们管理层和职员这一年来的努力和贡献。我也代表公司感谢各位股东和客户一直以来的信任和支持。

张安喜

董事经理兼首席执行官

OUR PRODUCTS



We design and manufacture a range of more than 200 types of bearings, broadly divided into four main international classifications:

- 1) Class “3” standard tapered roller bearings;
- 2) Class “5” thrust ball bearings;
- 3) Class “N” cylindrical roller bearings; and
- 4) British system annular tapered roller bearings.



In addition to internationally standardised products, we also manufacture customised bearings to cater to the varied needs of our customers.

Our bearings are also classified into three main categories according to their uses:

- (a) Micro-size bearings for use in light commercial vehicles of below 3 tonnes, such as vans and mini buses;
- (b) Light bearings for use in vehicles of between 3 to 10 tonnes, such as light trucks, pick-ups, forklifts and agricultural vehicles; and
- (c) Heavy bearings for use in vehicles of over 10 tonnes, such as buses, coaches, container trucks and cranes.

OPERATIONS & FINANCIAL REVIEW



The Group's revenue increased by 21.1% or RMB 24.5 million from RMB 115.8 million for the year ended 31 December 2013 ("FY2013") to RMB 140.3 million for the year ended 31 December 2014 ("FY2014"). The increase was mainly due to increase in the sales of our heavy bearings as a result of higher sales volume and average selling price.

Revenue from heavy bearings accounted for the largest share of our Group's revenue at approximately 76.0% and 62.5% in FY2014 and FY2013 respectively. Sales of the light bearings and micro-size bearings contributed approximately 9.8% and 4.4% of the Group's revenue in FY2014 and approximately 14.3% and 7.4% of the Group's revenue in FY2013 respectively.

The Group's reported gross profit of RMB 21.5 million in FY2014, representing an increase of approximately 294.2% as compared to RMB 5.5 million in FY2013. The Group's gross profit margin increased from approximately 4.7% in FY2013 to approximately 15.3% in FY2014 in tandem with the increase in gross profit. The increase in the gross profit margin was primarily attributable to the increase in the selling price of heavy bearing as well as a reversal of inventories impairment made in FY2013.

Other operating income increased by approximately 76.9% from RMB 1.3 million in FY2013 to RMB 2.3 million in FY2014, due to gain on disposal of motor vehicle and machinery.



Operating expenses

Distribution costs increased by approximately 12.5% from RMB 3.2 million in FY2013 to RMB 3.6 million in FY2014 due mainly to increase in transportation charges on the back of more frequent delivery to the customers and higher salary for sales personnel.

Administrative expenses decreased by approximately 3.8% from RMB 15.7 million in FY2013 to RMB 15.1 million in FY2014, which was attributable mainly to decrease in depreciation charges of RMB 0.9 million due to lower carrying value of property, plant and equipment as a result of impairment done in FY2013.

The Group recorded RMB 44.9 million in “other expenses” in FY2013 due to impairment of property, plant and equipment. No such impairment was recorded in FY2014.

Taxation and Net Profit

In FY2014, the Group recorded an income tax expense of RMB 1.8 million, mainly due to provision for income tax for subsidiary company in China.

As a result of higher revenue and gross profit coupled with lower expenses, the Group achieved a net profit of RMB 3.3 million in FY2014 as compared to a net loss of RMB 55.2 million in FY2013.

FINANCIAL POSITION

Non-current assets

Non-current assets comprise mainly property, plant and equipment such as land use rights, office building and dormitory, factory, plant and

OPERATIONS & FINANCIAL REVIEW



equipment, electrical fittings and motor vehicles. The decrease in non-current assets is due mainly to depreciation expense of RMB 3.7 million which was partially offset by the acquisition of machinery and equipment during the year.

Current assets

Current assets of the Group increased by RMB 2.6 million from RMB 147.4 million as at FY2013 to RMB 150.0 million as at FY2014. The increase was mainly attributable to the increase in inventories from RMB 38.0 million as at FY2013 to RMB 42.4 million as at FY2014.

On the other hand, trade receivables increased from RMB 23.5 million as at FY2013 to RMB 25.0 million as at FY2014. The outstanding receivables days are in line with the existing credit management policy of our Group. Other receivables and prepayments decreased by RMB 0.7 million from RMB 2.7 million as at FY2013

to RMB 2.0 million as at FY2014 as a result of decrease in advances to suppliers for the purchases of raw materials.

Although the Group's cash and cash equivalents is RMB 2.4 million lower compared to FY2013, the Group's cash position remained healthy at RMB 80.6 million as at FY2014.

Current liabilities

Current liabilities of the Group decreased by 2.2% or RMB 1.5 million from RMB 68.2 million as at FY2013 to RMB 66.7 million as at FY2014. Current liabilities comprise mainly trade payables, other payables and accruals and advances from related parties. Trade payables increased by RMB 7.9 million from RMB 27.4 million as at FY2013 to RMB 35.3 million as at FY2014 in tandem with the increase in the Group's production.



Other payables and accruals also decreased slightly by RMB 0.7 million from RMB 20.3 million as at FY2013 to RMB 19.6 million as at FY2014. This was due to a decrease of accrued operating expenses.

Advances from related parties decreased by RMB 10.2 million from RMB 20.4 million as at FY2013 to RMB 10.2 million as at FY2014 due to repayment made in the fourth quarter of FY2014.

The Group continues to maintain a healthy financial position with no borrowings as at FY2014.

CASH FLOW

As a result of higher cash profits generated in FY2014, the Group recorded a net cash inflow of RMB 9.9 million from operating activities in FY2014 as compared to a net cash outflow of RMB 3.7 million in FY2013.

The Group recorded a negative cash flow of RMB 2.1 million from investing activities during FY2014 which was mainly due to the acquisition of machinery and equipment. The net cash used in financing activities of RMB 10.2 million in FY2014 was attributable to repayment of advances to related parties in the fourth quarter of FY2014.

BOARD OF DIRECTORS

MR ZHANG ANXI

is our Managing Director and CEO and was appointed to our Board on 17 May 2006. He joined our Group as Deputy General Manager and Deputy Chairman in 2000. He is responsible for the overall management of our Group. Since 2000, the Group succeeded in achieving new business development in the bearing industry under his leadership. In November 2004, Mr Zhang was awarded the “Outstanding Entrepreneur of the Linyi City, Shandong Province” (临沂市优秀企业家) by the Economic and Trade Committee of Linyi City (临沂市经济贸易委员会). In December 2002, he was awarded the “2002 Shandong Province Machinery Industries Excellent Entrepreneur” award by the Shandong Machinery Industries Department of the Shandong provincial government. From 1994 to 2000, he was the Managing Director and authorised representative of Yinan Hongfeng Machinery Company Limited (沂南宏丰机械有限公司), a manufacturing company, where he was responsible for the operation and strategic direction of the company. In 1998, Mr Zhang obtained his Bachelor Degree in Business Administration from the Shandong Economics College (山东经济学院). Mr Zhang is the brother-in-law of Xu Yihe (our Executive Director (Marketing)) and brother of Zhang Anling (our Executive Director (Finance)).

MR XU YIHE

is our Executive Director (Marketing) and was appointed to our Board on 17 May 2006. He is responsible for the overall marketing, customer service and business development of our Group. He joined Yimeng Bearing in 1997. From 1988

to 1997, Mr Xu was a Deputy Factory Manager in Shandong Yimeng Bearing Factory. (山东沂南县轴承厂). Between 1980 and 1988, he worked as Production Supervisor in Linyi Bearing Factory (临沂轴承厂). From 1976 to 1980, he was a Deputy Workshop Manager in Yinan Zhang Zhuang Maintenance Workshop (沂南县张庄修配厂). Mr Xu is the brother-in-law of Zhang Anxi (our Managing Director and CEO) and Zhang Anling (our Executive Director (Finance)). Mr Xu graduated from Shandong Economics College (山东经济学院) in 1994 after completing an undergraduate course in business administration.

MS ZHANG ANLING

is our Executive Director (Finance) and was appointed to our Board on 10 July 2013 and is responsible for the financial reporting and compliance of tax and commercial laws of our subsidiary in the PRC. From 2003 to 2006, Ms Zhang was a Director of Yimeng Bearing and was in charge of the accounting, finance, taxation and inventory management of Yimeng Bearing. From 1995 to 2003, Ms Zhang was involved in audit work with the Yinan County Audit Board (沂南县审计局) first as a Deputy Audit Supervisor and then later as an Audit Supervisor. She obtained her Bachelor Degree in Accountancy from Fudan University (复旦大学) in 1998. Ms Zhang was also registered as a middle level auditor in 1999 by PRC Audit Board (中华人民共和国审计署) and as a middle level accountant in 2002 by PRC Ministry of Finance (中华人民共和国财政部). Ms Zhang is the sister of Zhang Anxi (our Managing Director and CEO) and sister-in-law of Xu Yihe (our Executive Director).

MR LUO JIWEI

is our Independent Director and was appointed to our Board on 30 April 2014. He is the Chairman of our Nominating Committee and a member of our Audit and Remuneration Committees. Mr Luo was an Independent Director of Zhejiang Tianma Bearing Co., Ltd. (浙江天马轴承股份有限公司) from 2008 to 2014. He was the Chairman of the Board of Directors of Luoyang Bearing Science & Technology Co., Ltd. (洛阳轴研科技股份有限公司) before he retired in 2007. From 1981 to 2009, he was Deputy Chief Engineer of Luoyang Bearing Research Institute (洛阳轴承研究所). From 1994 to 2007, he was the Vice President of China Bearing Industry Association (中国轴承工业协会). Mr Luo holds a Masters Degree in Science from Chinese University of Science and Technology (中国科技大学) and obtained a Doctor of Engineering from Tsinghua University (清华大学).

MR TAN KAH GHEE

is our Independent Director and was appointed to our Board on 14 May 2014. He is the Chairman of our Audit and Remuneration Committees and a member of our Nominating Committee. He has more than 20 years of experience in finance and accounting. Mr Tan is currently the Chief Financial Officer of Keong Hong Holdings Limited which is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited. From 2009 to 2012, he was the Group Financial Controller at Mainboard listed Asia Enterprises Holding Limited. He is a fellow member of the Institute of Chartered Accountants of Singapore. He holds a Bachelor of Accountancy from the National

University of Singapore and obtained a Master of Business Administration from the Nanyang Technological University of Singapore.

MR WONG CHEE MENG LAWRENCE

is our Independent Director and was appointed to our Board on 15 October 2014. He is a member of our Audit, Nominating and Remuneration Committees. He has accumulated an extensive working experience in both the public and the private sectors of the legal profession. Mr Wong is currently the Managing Director of Equity Law LLC. He was previously a partner of large reputable law firms and co-headed the Corporate and Securities Practice of his previous firm. He graduated with an Honours Degree in Law from the National University of Singapore on a scholarship from the Public Service Commission of Singapore. He is an advocate and solicitor in Singapore and a solicitor in Hong Kong Special Administrative Region of People's Republic of China.

SENIOR MANAGEMENT

MR ZHANG LIANFENG

is our General Manager and is responsible for overseeing the operational aspects and management of our subsidiary as well as expansion of business. He joined our subsidiary in April 2010 as an Executive in the Sales Department and was promoted to Assistant General Manager in January 2011. He was also concurrently holding the position of Supply Chain Controller from February 2011. Mr Zhang assumed the General Manager position in November 2011. Prior to joining our subsidiary, Mr Zhang was an Executive with Linyi City Transport Department from August 2006 to October 2008, and an Executive in the Strategic Planning Department of Linuo Group from October 2008 to March 2010. Mr Zhang graduated with a Bachelor of Law degree from the Shandong University School of Law in June 2006. Mr Zhang is the son of our Managing Director and CEO, Zhang Anxi.

MR LEYNG THAI WENG

was appointed as our Financial Controller on 8 April 2013 and is responsible for the financial management of our Group. Prior to joining China Bearing, he was the Corporate Planning Executive of Hunza Properties Berhad, a position he held from October 2011 to March 2013. Hunza Properties Berhad is a property developer listed on the Malaysia Exchange. Mr Leyng was responsible for the financial reporting of the group, including the quarterly result announcement. From April 2010 to September 2011, he was the Internal Auditor of NTPM Holdings Berhad, a paper product manufacturer also listed on the Malaysia Exchange. His first job was with a Malaysian audit firm from September 2006 to March 2010, where he left as an Audit Senior. Mr Leyng holds a Degree in Accountancy from the University of Malaya, Malaysia and is a Chartered Accountant of the Malaysia Institute of Accountants.

MR WANG ZEEN

is our Production Manager and is responsible for the production management of our Group, including ensuring the productivity and quality of products, meeting delivery schedules and specifications set by customers. Mr Wang joined our Group in 1997. Before that, he was the Production Supervisor of Yimeng Bearing Factory Co. Ltd. (沂蒙轴承厂有限公司) from 1996 to 1997. From 1991 to 1996, Mr Wang was a Production Worker in Yinan Bearing Factory (沂南县轴承厂). Mr Wang obtained his Diploma in Mechanical Engineering Automation from Shandong University of Mining.

MR WANG JIARONG

is our Human Resource Manager and is responsible for the human resource management of our Group. Mr Wang joined our Group in 2006. Before that, he was the Assistant of General Manager of Yimeng Bearing Joint Stock Co., Ltd. (沂蒙轴承股份有限公司) from 2001 to 2006. From 1997 to 2000, Mr Wang was a Production Supervisor in Yimeng Bearing Joint Stock Co., Ltd. Mr Wang obtained his Diploma in Mechanical Manufacture Technology and Equipment from Northeastern University.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Zhang Anxi
Managing Director & CEO

Mr Xu Yihe
Executive Director

Ms Zhang Anling
Executive Director

Mr Luo Jiwei
Independent Director

Mr Tan Kah Ghee
Independent Director

Mr Wong Chee Meng Lawrence
Independent Director

AUDIT COMMITTEE

Mr Tan Kah Ghee (Chairman)
Mr Luo Jiwei
Mr Wong Chee Meng Lawrence

REMUNERATION COMMITTEE

Mr Tan Kah Ghee (Chairman)
Mr Luo Jiwei
Mr Wong Chee Meng Lawrence

NOMINATING COMMITTEE

Mr Luo Jiwei (Chairman)
Mr Tan Kah Ghee
Mr Wong Chee Meng Lawrence

COMPANY SECRETARY

Lau Yan Wai

REGISTERED OFFICE

161A Thomson Road
Goldhill Centre
Singapore 307614

PRINCIPAL PLACE OF BUSINESS

Yinan Industrial Park
Yinan County
Shandong Province
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SHARE REGISTRAR & SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
80 Robinson Road, #02-00
Singapore 968898

AUDITORS

Foo Kon Tan LLP
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce &
Industry Building
Singapore 179365

Partner-in-charge: Ms. Ng Meow Ling (Appointed
with effect from FY2013)

PRINCIPAL BANKER

Industrial and Commercial Bank of China
Yinan Branch
71 Cheng Lishan Road
Yinan, Shandong Province
People's Republic of China

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STATEMENT OF CORPORATE GOVERNANCE

China Bearing (Singapore) Ltd. (the “Company”) and its subsidiary (collectively the “Group”) are committed to ensuring and maintaining a high standard of corporate governance within the Group to ensure effective self-regulation practices are in place to enhance corporate performance and accountability. This statement describes the corporate governance framework and practices of the Group for financial year ended 31 December 2014 (“FY2014”) with specific references made to the Code of Corporate Governance 2012 (the “Code”) to provide the Group a structure through which the objectives of protection of shareholders’ interest and enhancement of long term shareholders’ value are met.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The Board of Directors (the “Board”) comprises three Executive Directors and three Independent Directors. The Board members of the Company are:

Mr Zhang Anxi	(Managing Director and Chief Executive Officer)
Mr Xu Yihe	(Executive Director)
Ms Zhang Anling	(Executive Director)
Mr Luo Jiwei	(Independent Director)
Mr Tan Kah Ghee	(Independent Director)
Mr Wong Chee Meng Lawrence	(Independent Director)

The primary role of the Board is to protect and enhance long-term shareholders’ value. It sets the corporate strategies of the Group, and directions and goals for Management, by ensuring that the necessary financial and human resources are in place for the Group to meet its objectives. The Board supervises Management and monitors performance of these goals to enhance shareholders’ value. The Board is responsible for the overall corporate governance of the Group.

Regular meetings are held to deliberate the strategic policies of the Group including the approval of significant acquisitions and disposals, review and approval of annual budgets, review of the performance of the business and approval of the release of periodic financial results and announcements on SGXNET.

Material transactions that require Board’s approval include the following:

- (a) Acquisition or disposal of a significant asset, including property, plant and equipment.
- (b) Joint ventures and acquisition/merger or disposal of businesses.
- (c) Employment or termination of key management personnel or general manager equivalent.
- (d) Significant development projects.
- (e) Borrowing of a significant amount of funds.
- (f) Significant litigation.

To assist the Board in the execution of its responsibilities, the Board is supported by three Board Committees, namely the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”). These Board Committees operate within clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company and within the Group. These terms of reference are reviewed on a regular basis to ensure their continued relevance with the Code.

STATEMENT OF CORPORATE GOVERNANCE

The following table discloses the number of meetings held for the Board and Board Committees and the attendance of all Directors for the financial year ended 31 December 2014:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	4	4	1	2
Mr Zhang Anxi	3	—	—	—
Mr Xu Yihe	3	—	—	—
Ms Zhang Anling	4	—	—	—
Mr Luo Jiwei ⁽¹⁾	3	3	0	1
Mr Tan Kah Ghee ⁽²⁾	2	2	0	1
Mr Wong Chee Meng Lawrence ⁽³⁾	1	1	0	1
Mr Du Ruicheng ⁽⁴⁾	0	0	0	0
Mr Chin Yew Choong David ⁽⁵⁾	1	1	1	1
Mr Teo Choon Kow William ⁽⁶⁾	3	3	1	1

Notes:

- (1) Mr Luo Jiwei was appointed as Independent Director on 30 April 2014
- (2) Mr Tan Kah Ghee was appointed as Independent Director on 14 May 2014
- (3) Mr Wong Chee Meng Lawrence was appointed as Independent Director on 15 October 2014
- (4) Mr Du Ruicheng retired as Non-Executive Director of the Company pursuant to Article 93 of the Articles of Association of the Company on 30 April 2014
- (5) Mr Chin Yew Choong David retired as Independent Director of the Company pursuant to Article 93 of the Articles of Association of the Company on 30 April 2014
- (6) Mr Teo Choon Kow William resigned as Independent Director of the Company pursuant to Article 93 of the Articles of Association of the Company on 15 August 2014.

While the Board considers Directors' attendance at Board and Board Committee meetings to be important, it should not be the only criteria to measure their contributions to the Board. It also takes into account the other forms of contributions by Board members including periodic reviews, provision of guidance and advice on various matters relating to the Group.

The Board is also updated regularly on changes to the Singapore Exchange Securities Trading Limited (the "SGX-ST") listing rules, risk management, corporate governance and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committee members.

Newly appointed Directors are given an orientation program to familiarise with the Company's operations. The Directors will also receive updates from time to time, particularly on relevant new laws and regulations, changing commercial risks and business conditions from the Company's relevant advisors through emails, seminars or briefings at the Board meetings.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board now consists of six Directors, of whom three are Executive Directors and three are Independent Directors.

The criteria for independence are based on the definition given in the Code. The Board considers an "Independent" Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company.

The Board, after taking into account of the NC's views, is satisfied that Mr Luo Jiwei, Mr Tan Kah Ghee and Mr Wong Chee Meng Lawrence remain as Independent Directors as there are no relationships or circumstances which could interfere, or could reasonably be perceived to interfere with the exercise of independent business judgement of each Independent Director. Further, none of the current Independent Directors have been serving on the Board beyond nine years from the date of his first appointment.

STATEMENT OF CORPORATE GOVERNANCE

Accordingly, the Board is also satisfied that there is a strong element of independent presence in the Board, as the numbers of independent directors make up half of the whole Board.

The Board is of the view that the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for effective functioning and informed decision-making.

Key information regarding the Directors is given in the 'Board of Directors' section of the annual report.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and its related corporations, if any, (other than wholly-owned subsidiaries) are set out in the Directors' Report on pages 30 and 31 of this Annual Report.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executive responsible for managing the company's business. No individual should represent a considerable concentration of power.

The Board has not appointed any Director to assume the role of Chairman of the Board following the retirement of Mr Zhang Yuankai as Non-Executive Chairman and Director pursuant to Section 153(6) of the Companies Act, Chapter 50 at the Annual General Meeting ("AGM") of the Company held on 29 April 2013.

The Board is of the view there is a strong element of independence present on the Board notwithstanding that Mr Zhang Anxi assumes the roles of both Managing Director and Chief Executive Officer ("CEO") of the Group. As the Group's CEO, Mr Zhang Anxi plays an instrumental role in developing overall business of the Group and provides the Group with strong leadership and vision.

All major decisions such as substantial acquisitions and entering into any material contracts come under the purview of the Board. The CEO's performance will be reviewed periodically by the NC and his remuneration package will be reviewed periodically by the Remuneration Committee. Accordingly, the Board believes that there are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises three members, all of whom are Independent Directors:

Mr Luo Jiwei (Chairman)
Mr Tan Kah Ghee
Mr Wong Chee Meng Lawrence

The NC functions under the terms of reference which sets out its responsibilities including, inter alia, the following:

- (a) To make recommendations to the Board on all Board appointments, re-appointments and re-nominations;
- (b) To assess the effectiveness of the Board as a whole and the effectiveness and contribution of each Director to the Board.
- (c) To make recommendation on the review of plans for succession, in particular, for the Chairman and CEO.
- (d) To determine annually and as and when circumstances require, if a director is independent pursuant to the Code.

If the NC considers that a director who has one or more of the relationships mentioned in the Code can be considered independent, the NC shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he has no business or other relationships with the Company, its related companies or its officers.

STATEMENT OF CORPORATE GOVERNANCE

The Articles of Association of the Company provides that not less than one-third of the Directors for the time being shall retire from office at each AGM. Accordingly, the Directors will submit themselves for re-election at regular intervals of at least once every three years. The NC will review candidates for the appointment of new directors based on the needs of the Company and the experience of the candidates, interview and make recommendation to the Board for the appointment of new Directors.

Each member of the NC shall abstain from voting on any resolutions in respect of his re-nomination as a Director.

The key information of each Director is set out below:

Name of Director	Date of Appointment	Date of Last Re-election	Principal Commitment	Directorship in Listed Company	
				Present	Past Preceding 3 years
Mr Zhang Anxi	17 May 2006	29 April 2013	Managing Director and Chief Executive Officer of China Bearing (Singapore) Ltd.	● China Bearing (Singapore) Ltd.	Nil
Mr Xu Yihe	17 May 2006	30 April 2012	Executive Director of China Bearing (Singapore) Ltd.	● China Bearing (Singapore) Ltd.	Nil
Ms Zhang Anling	10 July 2013	Nil	Executive Director of China Bearing (Singapore) Ltd.	● China Bearing (Singapore) Ltd.	Nil
Mr Luo Jiwei	30 April 2014	Nil	Nil	● China Bearing (Singapore) Ltd.	● Zhejiang Tianma Bearing Co., Ltd.
Mr Tan Kah Ghee	14 May 2014	Nil	Chief Financial Officer of Keong Hong Holdings Limited	● China Bearing (Singapore) Ltd.	Nil
Mr Wong Chee Meng Lawrence	15 October 2014	Nil	Managing Director of Equity Law LLC	● China Bearing (Singapore) Ltd. ● Sino Grandness Food Industry Group Limited ● Artivision Technologies Limited	● WE Holdings Limited ● Juken Technology Limited ● SG Tech Holdings Limited ● Ziwo Holdings Ltd.

Mr Zhang Anxi and Mr. Xu Yihe who are retiring pursuant to Article 93 of the Articles of Association of the Company have given their consents to continue in office. The Board has accepted the NC's recommendation and accordingly, Mr Zhang Anxi and Mr Xu Yihe will be offering themselves for re-election at this AGM.

The Board has recommended that Mr Luo Jiwei, Mr Tan Kah Ghee and Mr Wong Chee Meng Lawrence, who are retiring pursuant to Article 99 of the Articles of Association of the Company, for re-election as Directors at the upcoming AGM. Mr Luo Jiwei, Mr Tan Kah Ghee and Mr Wong Chee Meng Lawrence each has no relationship with any director of the Company, the Company or its 10% shareholders.

STATEMENT OF CORPORATE GOVERNANCE

The NC is satisfied that sufficient time and attention has been dedicated by the Directors to the affairs of the Group and the Directors have adequately carried out their duties as Directors of the Company during FY2014, despite their other board representations and/or personal commitments. The Board has not experienced competing time commitments among its Board members and Board Committee meetings are planned and scheduled in advance. The NC does not establish a guideline for a maximum number of board representations which a director may have as it believes that putting a maximum limit on the number of directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

While the Code recommends that the NC be responsible for assessing the Board as a whole and also assessing the individual evaluation of each Directors' contribution, NC is of the view that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each member of the Board contributes in different way to the success of the Company and Board decisions are made collectively.

The Board has implemented and continued the process for assessing the effectiveness of the Board as a whole. At the end of each financial year, each Director will complete a board questionnaire on self-evaluation basis, which will be collated by the Chairman for review and discussion by the NC. The NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standards of conduct in assessing the Board's performance as a whole. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

The Board has taken the view that the financial indicator, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to Directors.

Although the Directors are not evaluated individually, during the re-nomination of the Directors at the end of each financial year, the NC assesses the contribution of such Directors to the effectiveness of the Board by considering factors such as attendance at meetings of the Board and Board committees, the qualification, business knowledge and experience of such Directors, level of participation at meetings, and the overall contributions in time and efforts to the Group's business and affairs.

The NC shall examine and be satisfied that the current Board's size is appropriate for effective decision making and the Board performance as a whole during the financial year ended 31 December 2014 by taking into account the nature and scope of the Group's operations.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors are from time to time furnished with information concerning the Company to enable them to be fully cognizant of the decisions and actions of the Company's executive management. The Board has unrestricted access to the Company's records and information.

Key management personnel are available to provide explanatory information in the form of briefings to the Directors or formal presentations in attendance at Board meetings, or by external consultants engaged on specific projects.

The Board has separate and independent access to the Company Secretary and to other key management personnel of the Group at all times in carrying out their duties. The appointment and the removal of Company Secretary is a matter for the Board as a whole. The Company Secretary and/or his representative attend all Board meetings and meetings of the Board Committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as directors.

STATEMENT OF CORPORATE GOVERNANCE

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises three members, all of whom are Independent Directors. The members of the RC are:

Mr Tan Kah Ghee (Chairman)
Mr Luo Jiwei
Mr Wong Chee Meng Lawrence

The RC will review and recommend to the Board a general framework of remuneration for the Directors and key management personnel, and specific remuneration package, for each Executive Director and key management personnel. The recommendations will be submitted for endorsement by the Board.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, if applicable, and benefits in kind, will be covered by the RC. Each RC member will abstain from voting on any resolution in respect of his remuneration package.

The RC functions under the terms of reference which sets out its responsibilities:

- (a) To review and recommend to the Board a general framework for remuneration for the Directors and key management personnel of the Group;
- (b) To review and recommend specific remuneration package for each Director and key management personnel of the Group;
- (c) To review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company. The Company has not engaged a remuneration consultant in respect of the remuneration matters of the Company during the financial year ended 31 December 2014.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies. However, the RC will also consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

The remuneration of Independent Directors is also reviewed to ensure that the remuneration is commensurate with the contribution and responsibilities of the Independent Directors. The RC ensures that Independent Directors are not over-compensated to the extent that their independence may be compromised.

The Company will submit the quantum of Directors' fees for each financial year to the shareholders for approval at each AGM.

The Company has entered into a service agreement with the Managing Director and CEO, Mr Zhang Anxi. The service agreement covers the terms of employment, salaries and other benefits. Independent Directors have no service contracts.

STATEMENT OF CORPORATE GOVERNANCE

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors, key management personnel and their performance.

The details of remuneration of Directors of the Company and key management personnel of the Group disclosed in bands for services rendered during the financial year ended 31 December 2014 are as follows:

	Number of Directors		Number of Key Management Personnel	
	2014	2013	2014	2013
S\$ 500,000 and above	—	—	—	—
S\$ 250,000 to S\$ 499,999	—	—	—	—
Below S\$ 250,000	9	8	4	5
Total	9	8	4	5

The summary remuneration table for the Directors and key management personnel of the Group for the financial year ended 31 December 2014 is set out below:

	Salary	Bonus	Allowances and Other Benefits	Directors' Fees	Total
	%	%	%	%	%
Below S\$ 250,000					
Executive Directors					
Mr Zhang Anxi	98	—	2	—	100
Mr Xu Yihe	96	—	4	—	100
Ms Zhang Anling	95	—	5	—	100
Non-Executive Directors					
Mr Du Ruicheng ⁽¹⁾	—	—	—	—	—
Independent Directors					
Mr Luo Jiwei ⁽²⁾				100	100
Mr Tan Kah Ghee ⁽³⁾				100	100
Mr Wong Chee Meng Lawrence ⁽⁴⁾				100	100
Mr Teo Choon Kow William ⁽⁵⁾	—	—	—	—	—
Mr Chin Yew Choong David ⁽⁶⁾	—	—	—	—	—
Key Management Personnel					
Mr Zhang Lianfeng	100	—	—	—	100
Mr Leyng Thai Weng	100	—	—	—	100
Mr Wang Zeen	99	—	1	—	100
Mr Wang Jiarong	99	—	1	—	100

Note:

- (1) Mr Du Ruicheng retired as Non-Executive Director of the Company pursuant to Article 93 of the Articles of Association of the Company on 30 April 2014
- (2) Mr Luo Jiwei was appointed as Independent Director on 30 April 2014
- (3) Mr Tan Kah Ghee was appointed as Independent Director on 14 May 2014
- (4) Mr Wong Chee Meng Lawrence was appointed as Independent Director on 15 October 2014

STATEMENT OF CORPORATE GOVERNANCE

- (5) Mr Teo Choon Kow William resigned as Independent Director of the Company pursuant to Article 93 of the Articles of Association of the Company on 15 August 2014.
- (6) Mr Chin Yew Choong David retired as Independent Director of the Company pursuant to Article 93 of the Articles of Association of the Company on 30 April 2014

There is no employee of the Company and its wholly-owned subsidiary who is an immediate family member of a Director whose remuneration exceeds S\$ 50,000 during FY2014.

The exact remuneration of the Directors and the aggregate amount of the remuneration of the key management personnel of the Group are not disclosed in this Annual Report in light of confidentiality and for competitive reasons in relation to the Directors and to avoid poaching of Management and executives.

The remuneration packages of the Directors and key management personnel of the Group remain unchanged despite the Group's marginal recorded profit for FY2014.

The Company does not have any share option scheme or other share incentive schemes in place for its employees.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information of the Group to shareholders in compliance with statutory requirements and the Listing Manual of the SGX-ST.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within prescribed periods on SGXNET.

Risk Management and Internal Controls

Principle 11: The Board is responsible for governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges its responsibility for the overall corporate governance of the Group and the implementation of risk management system and internal controls of the Group to safeguard interest of shareholders and the Group's assets. At this stage, the Board is of the view that a separate board risk committee need not be established as the Board is currently responsible for the implementation of the company's risk management framework and policies and the current arrangement is effective for the time being.

During FY2014, the Group has carried out a formal risk assessment exercise for the purpose of ensuring key financial, operational and compliance risks are identified, assessed and continuously monitored together with the implementation of internal controls to manage the said risks. The key risks identified are deliberated by Senior Management and reported to the AC.

The Board, with the guidance from AC, will ensure that a review of the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance controls and enterprise risk management system, is conducted annually. In this respect, the AC will review the audit plans and the findings of the internal auditors and external auditors, and will ensure that the Group follows up on the auditors' recommendations raised, if any, during the audit process.

STATEMENT OF CORPORATE GOVERNANCE

Mr Zhang Anxi, the Managing Director and CEO and Ms Zhang Anling, Executive Director (Finance) will provide assurance on quarterly basis to the AC and the Board that, inter alia, the financial statements give a true and fair view of the state of affairs of the Company, including the financial position and performance of the Company; and the risk management and internal compliance and control systems to the extent that financial reporting, operational and compliance risks are being reported effectively and efficiently, in all material aspects, based on the Group's risk management policies.

Based on the internal controls established and maintained by the Group, results of the internal audit review and external statutory audit, relevant reviews performed by Management and the written statement and representation from Management including the Board's and AC's assessment on the Group's internal controls and risk management systems, the Board, with the concurrence of AC, is of the view that the internal controls and risk management systems of the Group are adequate and effective in addressing financial, operational, compliance and information technology risks and ensuring assets of the Group are safeguarded as at 31 December 2014.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three members, all of whom are Independent Directors. The AC comprises the following members:

Mr Tan Kah Ghee (Chairman)
Mr Luo Jiwei
Mr Wong Chee Meng Lawrence

The AC functions under the terms of reference which sets out its responsibilities as follows:

- (i) to review significant financial reporting issues and judgements so as to ensure integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (ii) to review and report to the Board annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- (iii) to review the scope and the results of the external audit, and the independence and objectivity of the external auditors;
- (iv) to review the consolidated financial statements, balance sheets, profit and loss accounts and the independent auditor's report on financial statements, before submission to the Board of Directors for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit compliance with accounting standards and compliance with the Listing Manual of the SGX-ST and any other relevant statutory or regulatory requirements;
- (v) to review the co-operation given by the Management to the auditors;
- (vi) to make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;
- (vii) to approve the remuneration and terms of engagement of external auditors;
- (viii) to review and approve any interested person transactions, falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- (ix) to review any potential conflicts of interest;
- (x) to consider the repayment of loans to the shareholders of Shandong Yimeng Bearing Joint Stock Co., Ltd, taking into consideration, inter alia, the Group's working capital and gearing positions;
- (xi) to review and approve any future hedging policies, instruments used for hedging and foreign exchange policies and practices of the Group;
- (xii) to undertake such other reviews and projects as may be requested by the Board and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

STATEMENT OF CORPORATE GOVERNANCE

- (xiii) to generally undertake such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time; and
- (xiv) to review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

The AC keeps abreast of new accounting standards and related issues which have a direct impact on the Group's financial statements through regular updates from the Company's relevant advisors.

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

Each member of the AC shall abstain from voting any resolutions in respect of matters he is interested in.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or Executive Officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC meets with both the independent auditors and internal auditors without the presence of the Management at least once a year.

The AC reviews the independence of the external auditors annually. The AC noted that no non-audit services extended by the external auditors, Foo Kon Tan LLP ("FKT"), and therefore, their independence and objectivity is satisfied. The AC noted that FKT has adequate resources and experience to perform the audit of the Group, and FKT is registered with the Accounting and Corporate Regulatory Authority. As the Company's foreign-incorporated subsidiary is also audited by FKT, both Rule 712 and 715 of the Listing Manual of the SGX-ST have been complied with. The AC has accordingly recommended that Foo Kon Tan LLP be nominated for re-appointment as external auditors at the forthcoming AGM.

For the financial year ended 31 December 2014, the total fees payable by the Group to the external auditors for audit services were approximately RMB 533,841. There were no non-audit fees paid to the external auditors.

The Company has in place a whistle-blowing framework where staff of the Group can raise concerns about improprieties in matters of financial reporting or other matters through normal channels to the dedicated officers of the Group or to the AC via email or letter. As of to-date, there were no reports received through the whistle-blowing mechanism established by the Group.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group has engaged Wensen Consulting Asia (S) Pte.Ltd. as its internal auditors since August 2011. The roles of the internal auditors of the Group are to provide independent and objective assurance and consulting advisory services that add value and improve the effectiveness of risk management, controls and governance processes of the Group.

The responsibilities of the internal auditors are to assist the Group to accomplish its objectives by adopting a systematic and disciplined approach to evaluate and continuously improve the effectiveness of risk management, control and governance processes of the Group. These include:

- (a) carrying out its function in accordance to the Internal Auditing Standards set forth in the International Professional Practices Framework issued by the Institute of Internal Auditors and other nationally and internationally recognised framework;
- (b) designing its approach that integrates corporate governance, risk management, business controls, financial controls and compliance controls;
- (c) planning and performing its internal audit activities to obtain assurance that controls implemented are adequate, relevant and in operation to manage key financial, operational and compliance risks;

STATEMENT OF CORPORATE GOVERNANCE

- (d) reporting on exceptions and/or improvement opportunities to enhance the effectiveness of the governance, risk management and control processes for assisting the Group to achieve its strategic, operational and compliance objectives; and
- (e) continuously monitor the actions undertaken by the Management to ensure that improvement measures are implemented.

The internal auditors report functionally to the AC and administratively to the Board.

The AC reviews and approves the internal audit plan of each financial year to ensure that the scope of the internal audit review is adequate and covers the review of the significant internal controls of the Group, including financial, operational and compliance controls. The AC also evaluate and approve internal audit fees payable to internal auditors in each financial year.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

In line with continuous obligations of the Company pursuant to the SGX-ST's Listing Rules, the Board's policy is that all shareholders be informed of all material developments that impact the Group.

Material development information is disseminated to shareholders on a timely basis through:

- (a) SGXNET announcements;
- (b) Annual Report prepared and issued to all shareholders;
- (c) Press releases on material developments of the Group;
- (d) Notices of and explanatory memoranda for AGMs and Extraordinary General Meetings ("EGM"); and
- (e) Company's website at www.cbsgbearing.com at which shareholders can access information on the Group.

The Company's general meetings are the principal forums for dialogue with shareholders. The Chairmen of the AC, RC and NC are normally present and available at the general meetings to answer any question relating to the scope of matters considered by their respective Committees. The External Auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay apprised of the Group's strategy and goals. Each shareholder has the opportunity to participate and vote either in person or through appointment of up to two proxies at the general meetings on a show of hands or poll demanded in accordance with manners provided by the articles of association of the Company. Shareholders also have the opportunity to communicate their views and discuss with the Directors and Management matters affecting the Group after the general meetings.

Notice of the general meeting will be advertised in newspapers and announced on SGXNET. Each item of special business will be accompanied by full explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

STATEMENT OF CORPORATE GOVERNANCE

The proceedings of all general meetings including questions and answers exchanged between the Company and shareholders are recorded in the minutes book of the Company, and available to shareholders upon their request.

The Company currently does not have a fixed dividend policy. The form, frequency and amount of dividends that the Directors may recommend or declare in respect of any particular financial year or period are subject to various other factors including the level of cash and retained earnings. In light of the Group's negative retained earnings, the Directors of the Company does not recommend any dividend for the financial year ended 31 December 2014.

Dealing In Company's Securities

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealing in securities and these are applicable to the Company and its officers in relation to their dealings in the Company's securities. The Company and its officers are advised not to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, until the release of the financial statements to SGXNET, or if they are in possession of unpublished price-sensitive information of the Company. In addition, the Company and its officers are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period and they should not deal in the Company's securities on short-term consideration.

Interested Person Transactions Policy

The Company adopted an internal policy in respect of any transactions with interested person and has established procedures for review and approval of the interested person transactions entered into by the Group. The AC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual of the SGX-ST, the aggregate value of interested person transactions was entered into by the Group for the financial year ended 31 December 2014 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than RMB504,000 (\$100,000) and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than RMB504,000 (\$100,000))
	RMB	RMB
Shandong Yimeng Bearing Joint Stock Co., Ltd.	944,106	—

The Company does not have a general mandate from shareholders for interested person transactions.

The additional information for disclosures on interested person transactions entered into by the Group is as follows:-

1. Lease of property from Shandong Yimeng Bearing Joint Stock Co., Ltd.

The Group currently leases the land and buildings at No. 2 Yiqing Road, Yinan County, Shandong Province, the People's Republic of China from Shandong Yimeng Bearing Joint Stock Co., Ltd ("Yimeng Bearing") for office, plant and factory uses. The present lease for the land and buildings is for a term of 10 years, which commenced on 1 April 2006 and will expire on 31 March 2016. The annual rental is RMB 944,106. For the financial year ended 31 December 2013, total lease rental paid to Yimeng Bearing was RMB 944,106. For more details please refer to paragraph 4 of page 110 of the Company's Prospectus dated 12 October 2006.

STATEMENT OF CORPORATE GOVERNANCE

2. Loan from Shandong Yimeng Bearing Joint Stock Co., Ltd.

Pursuant to the Asset Purchase Agreement entered with Yimeng Bearing for the purpose of Restructuring and subsequent agreement made with Yimeng Bearing and shareholders of Yimeng Bearing, our subsidiary, Linyi Kaiyuan Bearing Co., Ltd has obtained loans from the shareholders of Yimeng Bearing for an amount of approximately RMB 25.1 million. The loans shall be on an unsecured and interest-free basis; and repayable only after 3 years from the date of admission of our Company to the Official List of SGX-ST. In addition, the repayment of this loan is subject to the approval of Audit Committee, taking into account, inter alia, the Group's working capital and gearing positions. Loan repayment of RMB 4.7 million and RMB 10.2 million were made in third quarter of FY2011 and fourth quarter of FY2014 respectively. The balance loan of RMB 10.2 million remained outstanding as at 31 December 2014. For more details please refer to paragraph 2 of page 110 of the Company's Prospectus dated 12 October 2006.

Material Contracts

Save for the service agreement entered into with the Group's Managing Director and CEO, Mr Zhang Anxi, and Asset Purchase Agreement entered into with Shandong Yimeng Bearing Joint Stock Co., Ltd, there were no other material contracts entered into by the Company or its subsidiary company involving the interest of the Group's Chief Executive Officer, any Director, or controlling shareholder subsisted at the end of the financial year ended 31 December 2014 or have been entered into since the end of the previous financial year.

Use of Proceeds

The Company has on 10 May 2013 completed the placement of up to 46,000,000 new ordinary shares in the capital of the Company and raised approximately RMB 6,630,715 cash proceeds for its general working capital requirements.

As at 31 December 2014, the utilisation of the cash proceeds of approximately RMB 4,896,934 were as follows:

Utilisation of Share Placement Proceeds	RMB
General working capital	
Payment for various professional services	2,276,873
Payment for administration expenses	2,276,464
Payment for expenses incurred in connection with the Share Placement	343,597
Share Placement proceeds utilised	4,896,934
Unutilised balance of the Share Placement proceeds	1,733,781
Total cash proceeds received from the Share Placement	6,630,715

The Company will make an announcement as to the use of the cash proceeds from the Share Placement as and when such cash proceeds are materially disbursed.

DIRECTORS' REPORT

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2014.

Names of directors

The directors of the Company in office at the date of this report are:

Zhang Anxi (Managing Director and Chief Executive Officer)
 Xu Yihe (Executive Director)
 Zhang Anling (Executive Director)
 Luo Jiwei (Independent Director) (Appointed on 30 April 2014)
 Tan Kah Ghee (Independent Director) (Appointed on 14 May 2014)
 Wong Chee Meng Lawrence (Independent Director) (Appointed on 15 October 2014)

Arrangements to enable directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor its subsidiary was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporation except as follows:

	Number of ordinary shares			
	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2014	As at 31.12.2014 and 21.1.2015	As at 1.1.2014	As at 31.12.2014 and 21.1.2015
<u>The Company</u>				
Zhang Anxi	—	—	126,412,000	126,412,000
<u>Immediate holding company - China Bearing (Bermuda) Co., Ltd</u>				
Zhang Anxi*	2,388	2,388	7,092	7,092
Xu Yihe	1,428	1,428	—	—
Zhang Anling	1,092	1,092	—	—

* Zhang Anxi and his son own 19.9% and 59.1% respectively of China Bearing (Bermuda) Co., Ltd, which owns 126,412,000 shares in the Company.

Zhang Anxi, by virtue of the provisions of Section 7 of the Companies Act, Cap. 50, is deemed to have an interest in the whole of the issued share capital of the wholly-owned subsidiary, Linyi Kaiyuan Bearing Co., Ltd.

There are no changes to the above shareholdings as at 21 January 2015.

Directors' benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50, except for salaries and related costs and those benefits that are disclosed in Note 17 to the financial statements.

DIRECTORS' REPORT

Share options

No options were granted during the financial year to take up unissued shares of the Company or its subsidiary.

No shares were issued during the financial year to which this report relates by virtue of the exercise of the options to take up unissued shares of the Company or its subsidiary.

There were no unissued shares of the Company or its subsidiary under option at the end of the financial year.

Audit Committee

The Audit Committee at the end of the financial year comprises the following members:

Tan Kah Ghee (Chairman)
Wong Chee Meng Lawrence
Luo Jiwei

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange and the Code of Corporate Governance. In performing those functions, the audit committee reviewed the following:

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the quarterly financial information (where applicable) and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 as well as the auditor's report thereon;
- (iv) effectiveness of the Company's material internal controls, including financial, operational, information technology and compliance controls, and risk management via reviews carried out by the internal auditors;
- (v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- (viii) reviewed the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and
- (xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

DIRECTORS' REPORT

Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

Other information required by the SGX-ST

Material information

Apart from the Service Agreements between the executive directors and the Company, there are no material contracts to which the Company or its subsidiary, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There was no interested person transaction as defined in Chapter 9 of Listing Manual of the Singapore Exchange conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance" and on Note 22 to the financial statements.

On behalf of the Board of Directors

ZHANG ANXI

ZHANG ANLING

Dated: 6 April 2015

STATEMENT BY DIRECTORS

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

ZHANG ANXI

ZHANG ANLING

Dated: 6 April 2015

INDEPENDENT AUDITOR'S REPORT

To the members of China Bearing (Singapore) Ltd.

Report on the financial statements

We have audited the accompanying financial statements of China Bearing (Singapore) Ltd (the "Company") and its subsidiary (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 6 April 2015

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

		The Group		The Company	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
	Note	RMB	RMB	RMB	RMB
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	34,027,804	34,841,862	997	3,988
Intangible assets	5	—	—	—	—
Subsidiary	6	—	—	115,484,694	115,484,694
Deferred tax assets	7	1,117,000	1,117,000	—	—
		35,144,804	35,958,862	115,485,691	115,488,682
Current Assets					
Tax recoverable		—	200,471	—	—
Inventories	8	42,372,833	38,025,586	—	—
Trade and other receivables	9	27,006,947	26,221,684	—	—
Cash and cash equivalent	10	80,605,245	82,974,216	1,733,791	5,231,072
		149,985,025	147,421,957	1,733,791	5,231,072
Total assets		185,129,829	183,380,819	117,219,482	120,719,754
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	11	125,769,286	125,769,286	125,769,286	125,769,286
Other reserve	12	28,283,552	28,283,552	—	—
Accumulated losses		(35,605,103)	(38,859,404)	(16,893,979)	(13,715,094)
Total equity		118,447,735	115,193,434	108,875,307	112,054,192
Liabilities					
Current Liabilities					
Trade and other payables	13	54,860,367	47,819,255	2,044,044	2,250,437
Amount owing to a subsidiary	6	—	—	6,300,131	6,415,125
Advances from related parties	14	10,184,065	20,368,130	—	—
Current tax payable		1,637,662	—	—	—
		66,682,094	68,187,385	8,344,175	8,665,562
Total equity and liabilities		185,129,829	183,380,819	117,219,482	120,719,754

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

		Year ended 31 December 2014	Year ended 31 December 2013
	Note	RMB	RMB
Revenue	3	140,290,374	115,804,979
Cost of sales		(118,760,813)	(110,344,367)
Gross profit		21,529,561	5,460,612
Other operating income	15(a)	2,276,149	1,295,298
Distribution costs	15(b)	(3,649,043)	(3,160,226)
Administrative expenses	15(c)	(15,064,233)	(15,695,148)
Other expense	16	–	(44,928,000)
Profit/(Loss) before taxation	16	5,092,434	(57,027,464)
Taxation	18	(1,838,133)	1,831,954
Profit/(Loss) for the year		3,254,301	(55,195,510)
Other comprehensive income, net of tax	19	–	–
Total comprehensive income/(loss) for the year		3,254,301	(55,195,510)
Earnings/(Loss) per share (RMB cents)	21		
- Basic		1.18	(21.25)
- Diluted		1.18	(21.25)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Share capital	Statutory common reserve	Retained profit/ (accumulated loss)	Total equity
	RMB	RMB	RMB	RMB
Balance at 1 January 2013	119,482,168	28,283,552	16,336,106	164,101,826
Loss for the year	–	–	(55,195,510)	(55,195,510)
Total comprehensive loss for the year	–	–	(55,195,510)	(55,195,510)
<u>Transaction with equity holders</u>				
Issuance of shares pursuant to share placement	6,630,715	–	–	6,630,715
Share issuance expenses	(343,597)	–	–	(343,597)
Total contribution by equity holders	6,287,118	–	–	6,287,118
Balance at 31 December 2013	125,769,286	28,283,552	(38,859,404)	115,193,434
Balance at 1 January 2014	125,769,286	28,283,552	(38,859,404)	115,193,434
Profit for the year	–	–	3,254,301	3,254,301
Total comprehensive income for the year	–	–	3,254,301	3,254,301
Balance at 31 December 2014	125,769,286	28,283,552	(35,605,103)	118,447,735

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Year ended 31 December 2014 RMB	Year ended 31 December 2013 RMB
Cash Flows from Operating Activities		
Profit/(Loss) before taxation	5,092,434	(57,027,464)
Adjustments for:		
Depreciation of property, plant and equipment	3,727,365	9,996,018
Impairment on property, plant and equipment	—	44,928,000
(Gain)/Loss on disposal of property, plant and equipment	(554,407)	448,396
(Reversal)/Allowance for inventories written down	(1,820,919)	2,062,900
Interest income	(284,843)	(267,329)
Operating profit before working capital changes	6,159,630	140,521
Changes in inventories	(2,526,328)	(5,137,259)
Changes in trade and other receivables	(785,263)	4,217,672
Changes in trade and other payables	7,099,942	(2,464,032)
Cash generated from/(used in) operations	9,947,981	(3,243,098)
Income tax paid	—	(438,454)
Net cash generated from/(used in) operating activities	9,947,981	(3,681,552)
Cash Flows from Financing Activities		
Proceeds from share placement	—	6,287,118
Repayment to related parties	(10,184,065)	—
Net cash (used in)/generated from financing activities	(10,184,065)	6,287,118
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment ⁽¹⁾	(3,202,290)	(1,030,481)
Proceeds from disposal of property, plant and equipment	784,560	2,262,222
Interest received	284,843	267,329
Net cash (used in)/generated from investing activities	(2,132,887)	1,499,070
Net (decrease)/increase in cash and cash equivalents	(2,368,971)	4,104,636
Cash and cash equivalents at beginning of year	82,974,216	78,869,580
Cash and cash equivalents at end of year (Note 10)	80,605,245	82,974,216

- (1) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RMB3,143,460 (2013 - RMB1,148,722) of which RMB771,203 (2013 - RMB830,033) remains unpaid at the end of the financial year. Cash payments of RMB3,202,290 (2013 - RMB1,030,481) were made to purchase property, plant and equipment.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

1 General information

The financial statements of the Company and of the Group for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

The Company is listed on the Singapore Exchange Mainboard (SGX-ST). It was incorporated and is domiciled in Singapore as a limited liability company.

The registered office is located at 161A Thomson Road Goldhill Centre, Singapore 307614.

The immediate and ultimate holding company of the Company is China Bearing (Bermuda) Co., Ltd ("China Bearing (Bermuda)"), a company incorporated in Bermuda.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiary are the manufacturing and sale of bearings under the "Yimeng" brand for use in automobiles, equipment and machinery.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Renminbi ("RMB") which is the Company's functional currency. All financial information is presented in RMB, unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

Significant judgements in applying accounting policies

Going concern

The Company's current liabilities exceed current assets by RMB6,610,384 (2013 - RMB3,434,490). However, in the opinion of the directors, the financial statements prepared on a going concern basis are appropriate on the basis that its wholly-owned subsidiary has sufficient cash and cash equivalent to support the operations. Cash and cash equivalent of the Group as at 31 December 2014 is RMB80,605,245 (2013 - RMB82,974,216).

Income taxes (Note 18)

The Group has exposure to income taxes in certain jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Determination of functional currency

The Group measures foreign currency transactions in the functional currency of the Company and its subsidiary. In determining the functional currency of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currency of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2(a) Basis of preparation (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

Allowance for inventory obsolescence (Note 8)

The Group reviews the aging analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

Allowance for bad and doubtful debts (Note 9)

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgements and estimates.

Critical accounting estimates and assumptions used in applying accounting policies

Depreciation of property, plant and equipment (Note 4)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 40 years. The carrying amount of the Company's and the Group's property, plant and equipment as at 31 December 2014 are RMB997 (2013 - RMB3,988) and RMB34,027,804 (2013 - RMB34,841,862) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If depreciation on property, plant and equipment increases/decreases by 10% from management's estimates, the Group's profit for the year will decrease/increase by RMB372,736 (2013 - RMB999,601).

Impairment of property, plant and equipment (Note 4)

The Company and the Group assess annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgments and estimates.

The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

An increase in one percentage point in revenue growth rate would result in an increase in recoverable amount in property, plant and equipment by RMB3,422,522 (2013 - RMB Nil). A decrease in one percentage point in revenue growth rate would result in a decrease in recoverable amount in property, plant and equipment by RMB3,313,252 (2013 - RMB Nil).

The accounting policies have been applied consistently to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2(b) Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Company and the Group adopted the amended FRSs that are mandatory for application from that date. Changes to the Company's and the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs. This includes the following FRSs which are relevant to the Company and the Group:

Reference	Description
FRS 27	Separate Financial Statements
FRS 32	Amendments to FRS 32: Offsetting of Financial Assets and Financial Liabilities
FRS 110	Consolidated Financial Statements
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
FRS 112	Disclosure of Interests in Other Entities

The adoption of these amended FRSs did not result in substantial changes to the Company's and the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2(c) FRS and INT FRS issued but not yet effective

The following are the new or amended FRSs issued but not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 19	Defined Benefit Plan: Employee Contribution	1 July 2014
Improvement to FRSs (January 2014)		
Amendments to FRS 16	Property, Plant and Equipment	1 July 2014
Amendments to FRS 24	Related Party Disclosure	1 July 2014
Amendments to FRS 38	Intangible Assets	1 July 2014
Improvement to FRSs (February 2014)		
Amendments to FRS 113	Fair Value Measurement	1 July 2014
FRS 115	Revenue from Contracts with Customers	1 January 2017
Improvement to FRSs (November 2014)		
FRS 109	Financial Instruments	1 January 2018
FRS 107	Financial Instruments: Disclosures	1 January 2016
FRS 19	Employee Benefits	1 January 2016
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 January 2016

The directors do not anticipate that the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2(d) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. Information on its subsidiary is given in Note 6 to the financial statements.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

In preparing the consolidated financial statements, all intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation or other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

	<u>Useful lives</u>
Electrical fittings	12 years
Computers	3-5 years
Motor vehicles	6 years
Plant and machinery	12 years
Land use rights	40 years
Office building and dormitory	40 years
Factory	20 years

The useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate at the end of each reporting period. The useful life and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment, if any.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Company and the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month after acquisition and to the month of disposal respectively. Fully depreciated property, plant and equipment, if any, are retained in the books of accounts until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognised.

Land use rights are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of land use rights, using the straight-line method, over the period of 40 years.

Intangible assets

Intangible assets are accounted for using the cost model. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

Patents and licenses

Costs relating to patents and licenses which are acquired are capitalised and amortised on straight-line basis over their useful life of ten years, commencing in the year of operations.

Subsidiary

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

In the Company's separate financial statements, shares in a subsidiary are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis for finished goods and weighted-average basis for raw materials, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost consists of cost of raw materials, direct labour and an appropriate proportion of production overheads based on the normal level of activity.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2(d) Summary of significant accounting policies (Cont'd)

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in the consolidated income statement when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables and deposits with banks. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with financial institutions, which are subject to an insignificant risk of changes in value.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2(d) Summary of significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

- a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company
- b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

Financial liabilities

The Company's and the Group's financial liabilities include trade and other payables, amount owing to a subsidiary and advances from related parties.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss. Financial liabilities are derecognised if the Company's and the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other payables, amount owing to a subsidiary and advances from related parties are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Leases

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2(d) Summary of significant accounting policies (Cont'd)

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investment in a subsidiary, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include other intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the consolidated income statement, a reversal of that impairment loss is recognised as income in the consolidated income statement.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes relevant value-added taxes ("VAT"), where applicable, and is arrived at after deduction of trade discounts, if any. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Sales of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rendering of services

Revenue from services is recognised upon rendering of services.

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Employee benefits

Pension obligations

The Company and the Group participate in the defined contribution schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated company in the Group contributes to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore. The contributions to national pension schemes are charged to the profit or loss in the period to which the contributions relate.

The subsidiary in the People's Republic of China (the "PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2(d) Summary of significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave not utilised will be forfeited.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain managers are considered key management personnel.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Company and the Group are presented in RMB, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in the profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the exchange translation reserve.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions.

Operating segments

For the financial years presented, the Group primarily has one operating segment, which is the manufacturing and sale of bearings. The Group's manufacturing activities operate predominantly in the People's Republic of China ("PRC").

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3 Revenue

	2014	2013
	RMB	RMB
The Group		
Sales of goods	138,851,357	114,246,698
Rendering of services	1,439,017	1,558,281
	140,290,374	115,804,979

Sales of goods

For financial year ended 31 December 2014, the Group recognised sales of bearing accessories and partial complete bearing products to Yinan Hongfeng Bearing Co., Ltd ("Hongfeng") amounting to RMB11,882,959 (2013 - RMB15,936,387). The revenue arising from such sale transactions have been recognised based on the gross amounts billed to the customers.

Income from rendering of services

Income from rendering of services refers to an agreement entered between Linyi Kaiyuan Bearing Co., Ltd. ("Kaiyuan"), a subsidiary of the Company and Hongfeng in which Kaiyuan represents Hongfeng in securing sales orders under Kaiyuan's name, the same sales orders are back to back contracted to Hongfeng for production. Kaiyuan charged and received income from Hongfeng for rendering such services as explained. The salient terms of the agreement signed between the parties are as follows:

- 1) Kaiyuan issues the invoices to the customers, and correspondingly Hongfeng will bill Kaiyuan the same amount that Kaiyuan billed to the customers.
- 2) Kaiyuan shall pay to Hongfeng the amounts collected on behalf from customers, after deducting a service income due to itself, which is computed based on 10% of sales value.
- 3) All risks, including inventory risk and credit risk shall be borne by Hongfeng.

Kaiyuan recognised income from rendering such services based on the points above.

This is also in line with the indicators of net revenue reporting:

- 1) The amount Kaiyuan earns is fixed.
- 2) Hongfeng, and not Kaiyuan bears the credit risk.
- 3) Hongfeng, and not Kaiyuan bears the inventory risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

4 Property, plant and equipment

The Group	Electrical fittings	Computers	Motor vehicles	Plant and machinery	Land use rights	Office building and dormitory			Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Cost									
At 1 January 2013	10,622,151	207,240	3,672,775	81,501,132	5,597,168	19,253,772	26,734,714	147,588,952	
Additions	–	–	161,496	935,944	–	–	51,282	1,148,722	
Disposals	–	–	(312,615)	(3,965,275)	–	–	–	(4,277,890)	
Written-off	–	(10,965)	–	–	–	–	–	(10,965)	
At 31 December 2013 and 1 January 2014	10,622,151	196,275	3,521,656	78,471,801	5,597,168	19,253,772	26,785,996	144,448,819	
Additions	–	10,000	36,000	3,097,460	–	–	–	3,143,460	
Disposals	–	–	(779,042)	(4,501,486)	–	–	–	(5,280,528)	
At 31 December 2014	10,622,151	206,275	2,778,614	77,067,775	5,597,168	19,253,772	26,785,996	142,311,751	
Accumulated depreciation and impairment losses									
At 1 January 2013	2,841,075	123,596	2,272,812	42,552,371	898,078	2,475,393	5,097,851	56,261,176	
Depreciation for the year	893,219	39,113	512,458	6,597,215	139,979	480,522	1,333,512	9,996,018	
Disposals	–	–	(312,615)	(1,254,657)	–	–	–	(1,567,272)	
Written-off	–	(10,965)	–	–	–	–	–	(10,965)	
Impairment losses recognised	4,114,758	24,219	626,667	18,266,415	–	9,736,226	12,159,717	44,928,000	
At 31 December 2013 and 1 January 2014	7,849,052	175,963	3,099,322	66,161,342	1,038,057	12,692,141	18,591,080	109,606,957	
Depreciation for the year	383,297	12,482	162,432	2,313,020	61,098	210,384	584,652	3,727,365	
Disposals	–	–	(698,340)	(4,352,035)	–	–	–	(5,050,375)	
At 31 December 2014	8,232,349	188,445	2,563,414	64,122,327	1,099,155	12,902,525	19,175,732	108,283,947	
Net book value									
At 31 December 2014	2,389,802	17,830	215,200	12,945,448	4,498,013	6,351,247	7,610,264	34,027,804	
At 31 December 2013	2,773,099	20,312	422,334	12,310,459	4,559,111	6,561,631	8,194,916	34,841,862	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

4 Property, plant and equipment (Cont'd)

	Computers
The Company	RMB
Cost	
At 1 January 2013	18,443
Written-off	(10,965)
At 31 December 2013 and at 31 December 2014	7,478
Accumulated depreciation	
At 1 January 2013	11,464
Depreciation for the year	2,991
Written-off	(10,965)
At 31 December 2013	3,490
Depreciation for the year	2,991
At 31 December 2014	6,481
Net book value	
At 31 December 2014	997
At 31 December 2013	3,988

(a) Impairment losses on property, plant and equipment

Impairment testing of property, plant and equipment

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2014	2013
Revenue growth rate ¹	1.0%	0.5% - 10.0%
Gross margin ²	15.6% - 16.4%	12.0%
Growth rate ³	1.0%	2.0%
Discount rate ⁴	25.62%	21.23%

- 1 Budgeted sales volume growth rate covering a five-year period
- 2 Budgeted gross margin covering a five-year period
- 3 Growth rate used to extrapolate cash flows beyond the budget period
- 4 Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions were used for the analysis of the CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of the market developments. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

An impairment charge of RMB Nil (2013 - RMB44,928,000) is included within "Other expenses" in the statement of profit or loss. The impairment charge arises from the operations in China resulting from reduced customers' demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

4 Property, plant and equipment (Cont'd)

(a) Impairment losses on property, plant and equipment (Cont'd)

As at 31 December 2014, the recoverable amount of property, plant and equipment exceeded the carrying amount by RMB1,222,743 (2013 - RMB Nil). Notwithstanding the surplus of the recoverable amount of the Group CGU over the carrying amount, management has determined that as the service potential of the Group CGU has not increased owing to the same property, plant and equipment being used in generating future cash flows. No reversal of impairment loss recognised in prior period was recognised on the carrying values of the Group's non-current assets for the year ended 31 December 2014 in accordance with FRS 36.

Depreciation expense charged to:

	2014	2013
	RMB	RMB
The Group		
Cost of sales	3,199,166	8,615,924
Administrative expenses	528,199	1,380,094
	3,727,365	9,996,018

(b) Land use rights belonging to its subsidiary, Linyi Kaiyuan Bearing Co., Ltd. (临沂开元轴承有限公司) were acquired from 沂南县国土资源局 and relate to the parcel of land as stated in Note 4(c) below.

(c) Buildings on leasehold land comprise:

Location	Description	Land area [square metres ("sq m")]	Tenure
Yinan Industrial Park Yinan County Shandong Province ZIP Code 276300	Office buildings and dormitory	55,027	40 years (valid till 13 July 2046)

5 Intangible assets

RMB

The Group

Cost

At 31 December 2013 and 31 December 2014

2,800,000

Accumulated amortisation

At 31 December 2013 and 31 December 2014

2,800,000

Net book value

At 31 December 2014

—

At 31 December 2013

—

These relate to the rights to use certain design of precision roller-bearings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

6 Subsidiary

	2014	2013
	RMB	RMB
The Company		
Unquoted equity shares, at cost	115,484,694	115,484,694
Amount owing to a subsidiary	(6,300,131)	(6,415,125)

The subsidiary is:

Name	Country of incorporation/ principal place of business	Effective percentage of equity held		Principal activities
		2014	2013	
		%	%	
Linyi Kaiyuan Bearing Co., Ltd. *	The People's Republic of China	100	100	Manufacture and sale of bearings

* Audited by Foo Kon Tan LLP for the purpose of FRS reporting

The non-trade amount owing to a subsidiary relates to payments made on behalf of the Company, is unsecured, interest-free and repayable on demand. The carrying amount approximates the fair value of the non-trade amount.

The non-trade amount owing to a subsidiary is denominated in RMB.

7 Deferred taxation

	2014	2013
	RMB	RMB
The Group		
Deferred tax asset	1,117,000	1,117,000
Deferred tax asset		
Balance as at beginning of year	1,117,000	–
Recognised in profit or loss	–	1,117,000
Balance as at end of year	1,117,000	1,117,000
Deferred tax asset comprise tax on:		
Unutilised tax losses	1,117,000	1,117,000

On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui [2008] No. 001, which imposes withholding tax on distribution of dividends from post 1 January 2008 profits to foreign investors. For the period 2008 to 2014, the PRC subsidiary record a net loss of RMB17,087,211 (2013 - RMB23,520,362) Accordingly, no deferred tax liability is recorded as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

8 Inventories

	2014	2013
The Group	RMB	RMB
At cost:		
Raw materials	3,030,778	5,245,110
Consumables	3,283,264	3,608,018
Work-in-progress	7,300,075	5,594,209
Finished goods	25,627,276	8,692,203
	39,241,393	23,139,540
At net realisable value:		
Work-in-progress	576,962	4,960,565
Finished goods	2,554,478	9,925,481
	3,131,440	14,886,046
	42,372,833	38,025,586
Cost of inventories included in cost of sales	118,760,813	110,344,367

The inventory written down of RMB894,074 (2013 - RMB2,062,900) relates to work-in-progress and finished goods which have been written down to its net realisable value at the reporting date.

In financial year 2014, a sum of RMB2,714,993(2013 – RMB NIL) relates to write down of inventories has been reversed due to the recovery of selling prices.

The Group holds inventories and is therefore exposed to the movement in market prices for its principal raw materials which is mainly raw steels.

A 5% (2013 - 5%) increase in the price of steel would have the effect of decreasing the net profit of the Group by the amount shown below. This analysis assumes that all other variables, in particular interest rates and selling prices, remains constant.

	2014	2013
The Group	RMB	RMB
Effect of decreasing profit before taxation by:	4,170,450	3,614,660

A 5% (2013 - 5%) decrease in the price of steel would have had the equal opposite effect on the amount shown above, on the basis that all other variables remain constant.

9 Trade and other receivables

	2014	2013
The Group	RMB	RMB
Trade receivables	24,963,461	23,475,304
Advances to suppliers of raw materials	1,942,691	2,308,684
Prepayments	100,795	437,696
	27,006,947	26,221,684

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

9 Trade and other receivables (Cont'd)

Trade receivables are usually due within 30 to 90 days (2013 - 30 to 90 days) and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. The 5 (2013 - 5) largest debtors accounted about 79% (2013 - 75%) of the total receivables at the end of the reporting period.

Trade and other receivables are denominated in RMB.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group is as follows:

	2014	2013
The Group	RMB	RMB
Current	24,963,461	23,408,894

Financial assets that are past due but not impaired

The age analysis of trade receivables past due but not impaired is as follows:

	2014	2013
The Group	RMB	RMB
Past due 0 to 3 months	—	66,410
	—	66,410

The advances made to suppliers of raw materials relate to the down-payment for supplies made. The carrying value approximates the fair value of the advances.

10 Cash and cash equivalents

	The Group		The Company	
	2014	2013	2014	2013
	RMB	RMB	RMB	RMB
Cash on hand	8,690	13,949	10	10
Bank balances	80,596,555	82,960,267	1,733,781	5,231,062
	80,605,245	82,974,216	1,733,791	5,231,072

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2014	2013	2014	2013
	RMB	RMB	RMB	RMB
Renminbi	78,871,454	77,743,144	—	—
Singapore dollar	1,733,791	5,231,072	1,733,791	5,231,072
	80,605,245	82,974,216	1,733,791	5,231,072

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11 Share capital

	Number of ordinary shares		Amount	
	2014	2013	2014	2013
The Company			RMB	RMB
Issued and fully paid, with no par value				
Balance at beginning of year	276,000,000	230,000,000	125,769,286	119,482,168
Issue of ordinary shares pursuant to share placement	–	46,000,000	–	6,287,118
Balance at end of year	276,000,000	276,000,000	125,769,286	125,769,286

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

12 Other reserve

	2014	2013
The Group	RMB	RMB
Statutory common reserve		
Balance as at beginning of year	28,283,552	28,283,552
Movement during the year	–	–
Balance as at end of year	28,283,552	28,283,552

According to the current PRC Company Law, the subsidiary incorporated in the PRC is required to transfer between 5% and 10% of its profit after taxation to statutory common reserve until the common reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous year's losses and for conversion to capital, if any, provided that the balance remains not less than 25% of the registered capital.

13 Trade and other payables

	The Group		The Company	
	2014	2013	2014	2013
	RMB	RMB	RMB	RMB
Trade payables	35,282,327	27,425,528	–	–
Accruals for salaries and related costs	14,755,293	14,072,073	710,526	759,111
Advances from directors	775,281	897,686	775,281	897,686
VAT payable	125,452	983,674	–	–
Other tax payables	104,362	317,939	–	–
Liability owing to suppliers of property, plant and equipment	771,203	830,033	–	–
Accrued operating expenses	3,046,449	3,292,322	558,237	593,640
	54,860,367	47,819,255	2,044,044	2,250,437

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13 Trade and other payables (Cont'd)

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2014	2013	2014	2013
	RMB	RMB	RMB	RMB
Renminbi	52,816,323	45,568,818	—	—
Singapore dollar	2,044,044	2,250,437	2,044,044	2,250,437
	54,860,367	47,819,255	2,044,044	2,250,437

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the statements of financial position to be reasonable approximation of their fair value. The ageing analysis of trade payables approximates 85 days (2013 - 78 days).

The advances from directors are unsecured, interest-free and repayable on demand.

14 Advances from related parties

	2014	2013
The Group	RMB	RMB
Shandong Yimeng Bearing Joint Stock Co., Ltd	3,413,006	6,826,012
Zhang Anxi	4,131,059	8,262,118
Xu Yihe	1,500,000	3,000,000
Zhang Anling	1,140,000	2,280,000
	10,184,065	20,368,130

The advances are unsecured, interest-free and have no fixed terms of repayment. The repayment of this loan is subject to the approval of Audit Committee, taking into account, inter alia, our Group's working capital and gearing positions.

Related parties are a company in which some directors of the Group have a direct interest in and the individuals are the directors of the Group.

The advances from related parties are denominated in RMB.

15(a) Other operating income

	2014	2013
The Group	RMB	RMB
Sale of scrap materials	1,345,202	1,379,875
Gain/(Loss) on disposal of property, plant and equipment	554,407	(448,396)
Interest income	284,843	267,329
Miscellaneous income	91,697	96,490
	2,276,149	1,295,298

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

15(b) Distribution costs

	2014	2013
The Group	RMB	RMB
Employee benefit expenses	977,626	817,938
Freight charges	2,189,578	1,840,460
Travelling expenses	231,568	181,108
Others	250,271	320,720
	3,649,043	3,160,226

15(c) Administrative expenses

	2014	2013
The Group	RMB	RMB
Audit fees	533,841	777,664
Depreciation of property, plant and equipment	528,199	1,380,094
Directors fees	434,497	466,610
Employee benefit expenses	8,382,743	8,346,921
Operating lease expense	944,106	944,106
Travelling expenses	575,494	894,422
Legal and professional fees	1,288,961	366,469
Taxes and duties	750,802	633,834
Repair and maintenance expenses	184,611	128,892
Others	1,440,979	1,756,136
	15,064,233	15,695,148

16 Profit/(Loss) before taxation

		2014	2013
The Group	Note	RMB	RMB
Profit/(Loss) before taxation has been arrived at after charging/(crediting):			
Audit fees paid to auditor of the Company	15(c)	533,841	777,664
Depreciation of property, plant and equipment	4	3,727,365	9,996,018
Directors fees	15(c)	434,497	466,610
Exchange losses		37,948	9,376
(Gain)/Loss on disposal of property, plant and equipment	15(a)	(554,407)	448,396
Impairment on property, plant and equipment	4	—	44,928,000
(Reversal)/Allowance for inventories written down	8	(1,820,919)	2,062,900
Operating lease expense	15(c)	944,106	944,106
Employee benefit expenses	17	28,158,255	27,403,952

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

17 Employee benefit expenses

	2014	2013
The Group	RMB	RMB
Directors' remuneration		
- salaries and related costs	1,092,000	1,092,000
- defined contributions	34,560	34,560
Key management personnel (other than directors)		
- salaries and related costs	1,081,331	957,648
- defined contributions	16,250	10,607
Other than directors and key management personnel		
- salaries and related costs	20,628,211	20,259,746
- defined contributions	5,305,903	5,049,391
	28,158,255	27,403,952
The Group		
As disclosed in:		
Cost of sales	18,797,886	18,239,093
Distribution costs	977,626	817,938
Administrative expenses	8,382,743	8,346,921
	28,158,255	27,403,952

18 Taxation

	2014	2013
The Group	RMB	RMB
Current taxation		
- Current year	1,838,133	—
- Under provision in prior years	—	769,000
Deferred taxation		
- Withholding tax on undistributed earnings	—	(1,483,954)
- Origination and reversal of temporary differences	—	(1,117,000)
	1,838,133	(1,831,954)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the PRC statutory rate of income tax on the results of the companies in the group as a result of the following:

	2014	2013
The Group	RMB	RMB
Profit/(Loss) before taxation	5,092,434	(57,027,464)
Tax at statutory rate of 25% (2013 - 25%)	1,273,108	(14,256,866)
Difference in foreign tax rate	254,308	189,148
Tax effect on non-deductible expenses	1,192,090	687,984
Under provision in prior years	—	769,000
Withholding tax on undistributed earnings	—	(1,483,954)
Utilisation of deferred tax assets on temporary difference previously unrecognised	(881,373)	—
Deferred tax assets arising from temporary differences not recognised	—	12,262,734
	1,838,133	(1,831,954)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18 Taxation (Cont'd)

Provision for Singapore tax has not been made as the Company did not derive any significant taxable profit in Singapore.

Tax effect on non-deductible expenses relates to disallowed expenditures such as impairment on inventory and entertainment expense.

The applicable tax rate of the Group's subsidiary in the PRC, Linyi Kaiyuan Bearing Co., Ltd. for the financial year ended 31 December 2014 is 25% (2013 - 25%).

The Group has RMB Nil (2013 - RMB4,920,279) unabsorbed tax losses and RMB45,525,444 (2013 - RMB44,130,657) deductible temporary differences as at 31 December 2014, which are subject to agreement with the relevant tax authorities. These unabsorbed tax losses is available for a period of 5 years for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with.

Deferred tax assets have not been recognised in respect of the unutilised tax benefits of RMB11,381,361 (2013 - RMB12,262,734) arising from unabsorbed tax losses and deductible temporary differences because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

19 Other comprehensive income, net of tax

The Group did not generate other comprehensive income for the financial years ended 31 December 2014 and 2013.

20 Retirement benefit plans

The eligible employees of subsidiary, who are citizens of the PRC, are members of a state-managed retirement benefit scheme operated by the local government. The subsidiary is required to contribute a certain percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the subsidiary with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the profit or loss for the financial year, representing defined contribution national pension plan, is as follows:

	2014	2013
The Group	RMB	RMB
Defined contribution plan	<u>3,566,942</u>	<u>3,389,301</u>

21 Earnings/(Loss) per share

The basic and diluted earnings/(loss) per share of the Company is calculated based on the Group's profit/(loss) after taxation attributable to members of the Company of RMB3,254,301 [2013 - (RMB55,195,510)] on the actual weighted average number of ordinary shares in issue of 276,000,000 (2013 - 259,742,466) at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22 Significant related party transaction

Other than the related party information disclosed elsewhere in the financial statements, transactions with related parties based on terms agreed between the parties are as follows:

	2014	2013
The Group	RMB	RMB
Purchase of packaging materials	1,015,526	690,819
Rental of land and buildings	944,106	944,106
Secretarial service rendered	23,384	—

(a) Linyi Kaiyuan Bearing Co., Ltd. (临沂开元轴承有限公司, “Kaiyuan”), a subsidiary of China Bearing (Singapore) Ltd. (“Company”), has purchased packaging materials from Yinan County Yimeng Paper Co., Ltd. (沂南县沂蒙纸业有限公司, “Yimeng Paper”) during Financial Year 2014. Ms Zhang Anling, our Company’s Executive Director is the legal representative of Yimeng Paper.

(b) Kaiyuan has entered into an agreement with Yinan Hongfeng Bearing Co., Ltd. (沂南县宏丰轴承有限公司, “Hongfeng”) during a period from 14 March 2008 to 31 December 2014. During 14 March 2008 to 31 December 2014., the son of the Company’s Chief Executive Officer (“CEO”) acts as a nominee shareholder of Hongfeng that holds more than 30% of the equity interest (“Shares”). The Company’s PRC legal Counsel is of the opinion that during the Relevant Period, the son of the CEO Mr Zhang Lian Feng was a nominee shareholder of Hongfeng and all the rights and interests attached to such shares shall be vested with the beneficiary and all the liabilities incurred with respect to such shares shall be borne by the beneficiary. The Company’s legal counsel in Singapore is of the opinion that there is no legal basis to come to the conclusion that the transactions between Kaiyuan and Hongfeng during the Relevant Period are interested person transactions under Chapter 9 of the Listing Manual. During the financial year, Kaiyuan recognised sales of bearing accessories and partial complete bearing products to Hongfeng amounting to RMB12,138,553 (2013 - RMB15,936,387) and income from rendering of services amounting to RMB1,439,017 (2013 - RMB1,558,281).

(c) Secretarial service rendered is with a company in which one of directors of the Company has directorship in.

23 Commitments

23.1 Capital commitments

Capital commitments not provided for in the financial statements are as follows:

	2014	2013
The Group	RMB	RMB
Contracted but not provided for:		
- Acquisition of machinery and equipment	730,800	1,530,200

23.2 Operating lease commitments

At the end of the reporting period, the Group is committed to making the following lease rental payments under non-cancellable operating lease for buildings and factory facilities:

	2014	2013
The Group	RMB	RMB
Not later than one year	944,106	944,106
Later than one year and not later than five years	236,026	1,258,808
Later than five years	—	—

The lease on the Group’s buildings and factory facilities at 山东省临沂市沂南县沂青路2号 cover an area of 41,475 sq m commencing 1 April 2006. The rentals which are payable will expire on 31 March 2016, subject to an option to renew for another period of not less than 2 years. The current rent payable on the lease is RMB236,026 per quarter which is subject to revision on renewal.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

24 Financial risk management objectives and policies

The Board of Directors meets periodically to analyse and formulate measures to manage the Company's and the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Company and the Group employ a conservative strategy regarding its risk management. As the Company's and the Group's exposure to market risk is kept at a minimum level, the Company and the Group have not used any derivatives or other instruments for hedging purposes.

24.1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The business of the Group is mainly carried out in the PRC. Accordingly, the exposure to foreign exchange risk is minimal.

The currency exposure of the Company and the Group based on the information provided to key management is as follows:

	2014	2013
The Company and The Group	RMB	RMB
Financial assets		
Cash and cash equivalents	1,733,791	5,231,072
	1,733,791	5,231,072
Financial liabilities		
Trade and other payables	(2,044,044)	(2,250,437)
Currency exposure on financial assets and liabilities	(310,253)	2,980,635

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Singapore dollar ("SGD") exchange rates (against RMB), with all other variables held constant, of the Group's profit net of tax.

	2014	2013
The Company and The Group	RMB	RMB
<u>Profit net of tax:</u>		
SGD - strengthened 5% (2013 - 5%)	12,000	(124,000)
SGD - weakened 5% (2013 - 5%)	(12,000)	124,000

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's and the Group's exposure to currency risk.

24.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's and the Group's financial instruments will fluctuate because of changes in market interest rates.

The Company and the Group are not exposed to any cash flows risk as it does not have any monetary financial instruments with variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

24 Financial risk management objectives and policies (Cont'd)

24.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables and bank balances.

Management has a credit control policy in place. Credit evaluations are performed on all customers requiring credit over a certain amount. Transactions are conducted with customers with appropriate credit histories.

The credit risk and amount outstanding are monitored on an ongoing basis. With these credit evaluation processes, credit control policies and collection procedures in place, the credit risk is mitigated substantially.

The Group does not require collateral in respect of financial assets.

The 5 (2013 - 5) largest debtors accounted about 79% (2013 - 75%) of the total receivables at the end of the reporting period.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers.

The allowance for impairment on trade receivables is based upon a review of the expected collectability of all trade and other receivables.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

There is no class of financial assets that is past due and/or impaired except for other receivables.

No other financial assets carry a significant exposure to credit risk.

Cash is held with financial institutions of good standing.

Further details of credit risks on trade and other receivables are disclosed in Note 9 to the financial statements.

24.4 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company and the Group do not hold any quoted or marketable financial instrument, hence are not exposed to any movement in market prices.

The Company does not hold any inventories, hence is also not exposed to any movement in market prices. However, the subsidiary is exposed to the market price for its principal raw materials which is mainly raw steels. Further details of price risk of inventories are disclosed in Note 8 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

24 Financial risk management objectives and policies (Cont'd)

24.5 Liquidity risk

Liquidity or funding risk is the risk that the Company and the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The exposure of the Company and the Group to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company and the Group manage its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner.

At the end of the reporting period, the Company's and the Group's trade and other payables and advances from related parties mature in less than one year (2013 - less than one year) and approximate their contractual undiscounted cash flows.

24.6 Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	The Group		The Company	
		Loans and receivables	Other liabilities	Loans and receivables	Other liabilities
		Carried at amortised cost	Carried at amortised cost	Carried at amortised cost	Carried at amortised cost
		RMB	RMB	RMB	RMB
31 December 2014					
Financial assets:					
Cash and cash equivalents	10	80,605,245	—	1,733,791	—
Trade and other receivables	9	24,963,461	—	—	—
		105,568,706	—	1,733,791	—
Financial liabilities:					
Trade and other payables	13	—	(54,630,553)	—	(2,044,044)
Amount owing to a subsidiary	6	—	—	—	(6,300,131)
Advances from related parties	14	—	(10,184,065)	—	—
		—	(64,814,618)	—	(8,344,175)
31 December 2013					
Financial assets:					
Cash and cash equivalents	10	82,974,216	—	5,231,072	—
Trade and other receivables	9	23,475,304	—	—	—
		106,449,520	—	5,231,072	—
Financial liabilities:					
Trade and other payables	13	—	(45,687,609)	—	(2,250,437)
Amount owing to a subsidiary	6	—	—	—	(6,415,125)
Advances from related parties	14	—	(20,368,130)	—	—
		—	(66,055,739)	—	(8,665,562)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

25 Capital management

The Company's and the Group's objectives when managing capital are:

- (a) To safeguard the Company's and the Group's ability to continue as a going concern;
- (b) To support the Company's and the Group's stability and growth;
- (c) To provide capital for the purpose of strengthening the Company's and the Group's risk management capability; and
- (d) To provide an adequate return to shareholders.

The Company and the Group actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company and the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company and the Group currently do not adopt any formal dividend policy.

The Company and the Group monitor capital on the basis of the carrying amount of equity as presented in the statements of financial position.

There were no changes in the Company's and the Group's approach to capital management during the financial year.

The Company and its subsidiary are not subject to externally imposed capital requirements.

26 Segment information

The Group operates principally in a single business segment which is the sale of bearing products. As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operations is presented.

All revenue is attributable to customers who are located in the PRC.

In so far as to the analysis of major customers, the Group has two customers with sales transaction contributing 31% and 16% to the Group's total revenue respectively.

All non-current assets including capital expenditure are located in the PRC.

27 Financial instruments

Fair values

FRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amount of the financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Company and the Group do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

28 Events after end of reporting period

On 1 January 2015, Linyi Kaiyuan Bearing Co., Ltd. (临沂开元轴承有限公司, "Kaiyuan"), a subsidiary of China Bearing (Singapore) Ltd. ("Company"), has terminated the agreement (Note 22(b)) entered with Yinan Hongfeng Bearing Co., Ltd ("Hongfeng") in which Kaiyuan represents Hongfeng in securing sales orders under Kaiyuan's name, the same sales orders are back to back contracted to Hongfeng for production. Kaiyuan charged and received income from Hongfeng for rendering such services as explained.

STATISTICS OF SHAREHOLDINGS

As at 17 March 2015

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 99	1	0.09	30	0.00
100 - 1000	27	2.38	25,970	0.01
1,001 - 10,000	342	30.16	2,447,100	0.89
10,001 - 1,000,000	749	66.05	76,678,300	27.78
1,000,001 and above	15	1.32	196,848,600	71.32
GRAND TOTAL	1,134	100.00	276,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1.	UOB KAY HIAN PTE LTD	140,465,000	50.89
2.	OCBC SECURITIES PRIVATE LTD	21,587,400	7.82
3.	TAN KIM SENG	7,725,000	2.80
4.	MAYBANK KIM ENG SECURITIES PTE LTD	6,323,000	2.29
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	3,333,600	1.21
6.	DBS NOMINEES PTE LTD	3,173,000	1.15
7.	SIA CHYE SENG	2,600,000	0.94
8.	POH GUEH HOON NANCY	2,345,000	0.85
9.	CHUA SOH HAR	1,920,000	0.70
10.	SIN HENG THONG	1,516,000	0.55
11.	LEH YUET NGOH	1,400,000	0.51
12.	NG KIANG TONG	1,300,000	0.47
13.	CHIA KEE KOON	1,100,000	0.40
14.	GOH POH CHOO	1,045,000	0.38
15.	YAP THIAM JOO	1,005,600	0.36
16.	CHUA SIEW KHING	1,000,000	0.36
17.	HOR PUEY SHENG	1,000,000	0.36
18.	LIM HOOI CHOON	1,000,000	0.36
19.	LIOW LEONG SAN	1,000,000	0.36
20.	SIM SIANG CHOON	1,000,000	0.36
	TOTAL	201,848,600	73.12

STATISTICS OF SHAREHOLDINGS

As at 17 March 2015

CLASS OF SHARES : Ordinary shares
NO. OF SHARES : 276,000,000
VOTING RIGHTS : One vote per ordinary share

As at 17 March 2015, the Company does not have any treasury shares.

SUBSTANTIAL SHAREHOLDERS

(Recorded in the Register of Substantial Shareholders as at 17 March 2015)

NAME	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
China Bearing (Bermuda) Co Ltd	126,412,000	45.8	—	—
Zhang Anxi	—	—	126,412,000	45.8

* Mr Zhang Anxi is deemed to be interested in the shares held by China Bearing (Bermuda) Co Ltd by virtue of Section 7 of the Companies Act, Chapter 50.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

Based on the above information available to the Company as at 17 March 2015, approximately 54.2% of the Company's total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of CHINA BEARING (SINGAPORE) LTD. (the “Company”) will be held at the Royal Room 2, Level 3, Hotel Royal, 36 Newton Road, Singapore 307964 on Tuesday, 28 April 2015 at 10:00 a.m., to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2014 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To approve the payment of Directors’ fee of S\$120,000 for the financial year ended 31 December 2014 [2013: S\$90,000]. **(Resolution 2)**
3. (i) To re-elect Mr Tan Kah Ghee who is retiring under Article 99 of the Articles of Association of the Company. **(Resolution 3)**
[See Explanatory Note 1]
(ii) To re-elect Mr Wong Chee Meng Lawrence who is retiring under Article 99 of the Articles of Association of the Company. **(Resolution 4)**
[See Explanatory Note 2]
(iii) To re-elect Mr Luo Jiwei who is retiring under Article 99 of the Articles of Association of the Company. **(Resolution 5)**
[See Explanatory Note 3]
(iv) To re-elect Mr Zhang Anxi who is retiring under Article 93 of the Articles of Association of the Company. **(Resolution 6)**
(v) To re-elect Mr Xu Yihe who is retiring under Article 93 of the Articles of Association of the Company. **(Resolution 7)**
4. To re-appoint Messrs Foo Kon Tan LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**
5. To transact any other ordinary business which may be properly transacted at the Annual General Meeting.

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolution (with or without amendments):-

6. **Authority to allot and issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**
 - (a) “That pursuant to Section 161 of the Companies Act, Chapter 50, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
 - (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
 - (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase of shares (collectively, “Instruments”), including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares;
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the resolution was in force,

provided always that

- (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 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 pursuant to this resolution) 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, and for the purpose of this resolution, the total number of issued shares excluding treasury shares shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;
- (a) new shares arising from the conversion or exercise of convertible securities; or
- (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares.
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 9)**

[See Explanatory Note 4]

By Order of the Board

Mr Lau Yan Wai
Company Secretary
Singapore
13 April 2015

Explanatory Notes:

1. Mr Tan Kah Ghee, will upon re-election as a Director of the Company, remain as the Chairman of both the Audit Committee and Remuneration Committee and a member of the Nominating Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
2. Mr Wong Chee Meng Lawrence, will upon re-election as a Director of the Company, remain as a member of the Audit Committee, the Remuneration Committee and the Nominating Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
3. Mr Luo Jiwei, will upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
4. The Ordinary Resolution 9, if passed, will empower the Directors of the Company from the date of the Annual General Meeting until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is earliest, to issue shares and convertible securities in the Company up to (a) the aggregate number of shares to be issued (including shares to be issued in pursuance of convertible securities granted) on a pro rata basis to shareholders of the Company does not exceed 50% of the Company's total number of issued shares excluding treasury shares, and (b) of which the aggregate number of shares to be issued (including shares to be issued in pursuance of convertible securities granted) other than on a pro rata basis to shareholders of the Company does not exceed 20% of the Company's total number of issued shares excluding treasury shares.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies together with the letter or power of attorney, if any, under which it is signed or a duly certified copy thereof must be deposited at the office of the Company's Share Registrar either by hand at 80 Robinson Road #11-02 Singapore 068898 or by post at 80 Robinson Road #02-00, Singapore 068898, not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

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CHINA BEARING (SINGAPORE) LTD.

中国轴承（新加坡）有限公司

(Incorporated in the Republic of Singapore)

(Company Registration No. 200512048E)

PROXY FORM**ANNUAL GENERAL MEETING****IMPORTANT:**

1. For investors who have used their CPF monies to buy China Bearing (Singapore) Ltd's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. The Proxy Form is, therefore, not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the timeframe specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the timeframe specified to enable them to vote on their behalf.

I/We _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of CHINA BEARING (SINGAPORE) LTD. (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

or failing the person, or either or both of the persons, referred to above, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Royal Room 2, Level 3, Hotel Royal, 36 Newton Road, Singapore 307964 on Tuesday, 28 April 2015 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

No.	Resolutions	To be used on a show of hands		To be used in the event of poll	
		For*	Against*	For**	Against**
	Ordinary Business				
1	To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2014 together with the Auditors' Report thereon.				
2	To approve the payment of Directors' fee of S\$120,000 for the financial year ended 31 December 2014.				
3	To re-elect Mr Tan Kah Ghee, a director retiring under Article 99 of the Articles of Association of the Company.				
4	To re-elect Mr Wong Chee Meng Lawrence, a Director retiring under Article 99 of the Articles of Association of the Company.				
5	To re-elect Mr Luo Jiwei, a Director retiring under Article 99 of the Articles of Association of the Company.				
6	To re-elect Mr Zhang Anxi, a Director retiring under Article 93 of the Articles of Association of the Company.				
7	To re-elect Mr Xu Yihe, a Director retiring under Article 93 of the Articles of Association of the Company.				
8	To re-appoint Messrs Foo Kon Tan LLP as the Auditors and to authorise the Directors to fix their remuneration.				
	Special Business				
9	Authority for Directors to allot and issue shares				

* Please indicate your vote "For" or "Against" with a "j" within the box provided.

** If you wish to exercise all your votes "For" or "Against", please indicate with a "j" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2015.

Total no. of shares in	No. of shares
Depository Register	
Register of Members	

Signature(s) of Member(s)/ Common Seal of Corporate Member(s)

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM OVERLEAF

NOTES FOR PROXY FORM

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If the number of shares is not inserted, the instrument appointing a proxy or proxies will be deemed to relate to the entire number of shares in the Company registered in your name(s).
2. A member may appoint not more than two proxies to attend and vote at the same general meeting. In any case where instrument appointing a proxy or proxies appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies.
3. Each member who is entitled to vote may vote in person or by proxy. On show of hands, every member who is present in person or by proxy shall have one vote PROVIDED THAT in the case of a member who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the chairman of the meeting (or by a person authorized by him) in his sole discretion, shall be entitled to vote. On a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority, if any, under which it is signed, or duly certified copy thereof, must be deposited at the office of the Company's Share Registrar either by hand at 80 Robinson Road #11-02 Singapore 068898 or by post at 80 Robinson Road #02-00 Singapore 068898 not less than 48 hours before the time appointed for the holding of the Annual General Meeting.
6. The instrument appointing a proxy or proxies shall be in writing. In the case of an individual, it shall be signed by the appointor his attorney (or other authority); and in the case of a corporation, it shall be either given under its common seal or signed on its behalf by an attorney or duly authorized officer of the corporation.
7. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.



China Bearing (Singapore) Ltd.
中国轴承(新加坡)有限公司

Singapore Office:
161A, Thomson Road
Goldhill Centre
Singapore 307614

China Office:
Yinan Industrial Park, Yinan County,
Shandong
Province, PRC 276300

Company Registration No: 200512048E