

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

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF PT ANUGRAH TAMBANG SEJAHTERA BY THE COMPANY – TERM SHEET

1. INTRODUCTION

- 1.1. The board of directors (the "**Board**" and each director, a "**Director**") of China Bearing (Singapore) Ltd. (the "**Company**") is pleased to announce that the Company has on 24 August 2016, entered into a term sheet ("**Term Sheet**") with Far East Mining Pte. Ltd. ("**Vendor**") and PT Anugrah Tambang Sejahtera ("**Target Company**") to acquire the entire issued and paid-up share capital of the Target Company ("**Proposed Acquisition**"). The Proposed Acquisition constitutes a "Very Substantial Acquisition" or "Reverse Takeover" under Chapter 10 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual ("**SGX Listing Manual**").
- 1.2. The Term Sheet provides that it shall form the basis of the definitive documents relating to the Proposed Acquisition which shall include the SPA (as defined below) ("**Definitive Documents**"). The Term Sheet shall automatically terminate upon execution of the Definitive Documents or six (6) months from the date of this Term Sheet unless extended by the parties ("**Term Sheet Period**").
- 1.3. Shareholders of the Company are advised to read this announcement in its entirety, in particular the cautionary statement as set out in paragraph 10 of this announcement.

2. DETAILS OF THE PROPOSED ACQUISITION

Details of the Target Company

- 2.1. The Target Company was incorporated in Indonesia on 6 December 2007, and has, as at the date of the Term Sheet, an issued and paid-up capital of Rp4,536,000,000 consisting of 500,000 ordinary shares at Rp9,072 each ("**Sale Shares**"). The Target Company legally and/or beneficially owns 100% of PT Teknik Alum Service, a company incorporated in Indonesia on 27 July 2007 with, as at the date of the Term Sheet, an issued and paid-up capital of Rp250,000,000 consisting of 2,500 shares at Rp100,000 each ("**Target Subsidiary**") (together with the Target Company, collectively to be referred to as the "**Target Group**"). The Target Subsidiary owns the concession rights to a 1,301-hectare nickel ore mine in Morowali, Sulawesi Tengah, Indonesia ("**Asset**"). As at the date of this announcement, the Vendor is the legal and/or beneficial owner of 100% of the entire issued and paid-up share capital of the Target Company.

- 2.2. The Vendor and the Target Group may carry out a restructuring exercise to transfer the entire issued and paid-up share capital of the Target Company to an intermediary Singapore-incorporated company wholly-owned by the Vendor ("**SingCo**"). In such an event, "**Sale Shares**" shall refer to the entire issued and paid-up share capital of the SingCo, "**Target**" shall refer to the SingCo and "**Target Group**" shall refer to the SingCo, PT Anugrah Tambang Sejahtera and PT Teknik Alum Service collectively.

Total Consideration for the Proposed Acquisition

- 2.3. The total consideration for the Proposed Acquisition is expected to be up to USD120 million (approximately S\$162 million¹), being the aggregate of:

- (a) USD50 million (approximately S\$67.5 million¹) ("**Purchase Consideration**") on the basis that the valuation of 343 hectares within the Asset as shown in the independent valuation report ("**Valuation Report 1**") obtained in accordance with the standards of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves promulgated by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (the "**JORC Code**") ("**JORC Report 1**") not being less than USD55 million (approximately S\$74.25 million¹); and
- (b) an earn-out amount equivalent to 90% of the valuation as indicated in the independent valuation report ("**Valuation Report 2**") obtained in accordance with the JORC Code for the remaining area of the Asset ("**JORC Report 2**"), subject to a maximum cap of USD70 million (approximately S\$94.5 million¹) ("**Earn-Out Amount**");

(the Purchase Consideration and the Earn-Out Amount to be collectively referred to as "**Total Consideration**"), to be satisfied in full by way of allotment and issue of up to 93,103,448 new ordinary shares in respect of the Purchase Consideration ("**Consideration Shares**"), and up to 130,344,828 new ordinary shares in respect of the Earn-Out Amount ("**Earn-Out Consideration Shares**") at an issue price of S\$0.725 per share after the Consolidation (as defined below) in the share capital of the Company.

- 2.4. For the avoidance of doubt, the Valuation Report 2 shall be issued within two (2) years from the date of Completion (as defined below). In the event the Valuation Report 2 is not issued within the abovementioned two (2) year period, no Earn-Out Amount shall be payable.
- 2.5. The Consideration Shares and the Earn-Out Consideration Shares will, upon allotment and issuance, be fully paid-up and free from all encumbrances and will rank *pari passu* in all respects with the existing and issued shares, save for any rights, benefits, dividends

¹Based on the exchange rate of USD1: S\$1.35 as at 24 August 2016

and entitlements the record date for which is before the date of Completion (as defined below) or the date of the issuance of the Earn-Out Consideration Shares (as the case may be).

- 2.6. In the event the valuation set out in Valuation Report 1 is less than USD55 million (approximately S\$74.25 million²), the Parties shall consult, negotiate and agree on the revised Purchase Consideration, provided that such valuation is not less than USD45 million (approximately S\$60.75 million²). In the event such valuation set out under Valuation Report 1 is less than USD 45 million (approximately S\$60.75 million²), the Purchaser shall be entitled to terminate the Term Sheet, and in such event the Parties shall be released and discharged from their respective obligations under the Term Sheet.
- 2.7. The Total Consideration is agreed after arm's length negotiations and is based on a willing buyer willing seller basis.

Arranger Fees

- 2.8. In connection with the Proposed Acquisition, the Company has agreed to pay to Strategic Advisory & Capital Pte. Ltd. ("**Arranger**") a fee of USD2 million (approximately S\$2,700,000²) ("**Arranger Fee**") for introducing the Vendor and the Target to the Purchaser for the purpose of the Proposed Acquisition. The Arranger Fee shall be paid by the Company to the Arranger upon Completion of the Proposed Acquisition and shall be satisfied as follows:
- (a) 25% of the Arranger Fees (USD500,000, approximately S\$675,000²) shall be paid in cash; and
- (b) the balance 75% of the Arranger Fees (USD1,500,000, approximately S\$2,025,000²) shall be paid by issuance of 2,793,103 new ordinary shares at an issue price of S\$0.725 per Share ("**Arranger Shares**").

Shareholding after the Proposed Acquisition

- 2.9. Upon completion of the Consolidation and the Proposed Acquisition and the issue of the Consideration Shares and Arranger Shares, the enlarged shareholding structure of the Company shall be as follows:-

	Number of Shares	Percentage (%)
Number of Consideration Shares	93,103,448	75.4
Arranger Shares	2,793,103	2.3
Existing Shares of the Company (on a	27,600,000	22.3

²Based on the exchange rate of USD1: S\$1.35 as at 24 August 2016

post-Consolidation basis)		
Total	123,496,551	100

- 2.10. Upon issuance of the Earn-Out Consideration Shares, but before the Compliance Share Placement, the enlarged shareholding structure of the Company shall be as follows:-

	Number of Shares	Percentage (%)
Number of Consideration Shares	93,103,448	88.0
Number of Earn-Out Consideration Shares	130,344,828	
Arranger Shares	2,793,103	1.1
Existing Shares of the Company (on a post-Consolidation basis)	27,600,000	10.9
Total	253,841,379	100

Transfer to Catalist board of the SGX-ST ("Catalist")

- 2.11. The Company intends to seek a transfer of the listing of the Company from Mainboard to Catalist concurrent with the completion of the Proposed Acquisition ("**Completion**").

Share Consolidation

- 2.12. As the Total Consideration for the Proposed Acquisition is to be satisfied by the issue of Consideration Shares, the Company shall, in compliance with Rule 1015(3)(c) of the SGX Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") ensure that the price per Share after adjusting for any share consolidation must not be lower than S\$0.20. Accordingly, the Company shall conduct a share consolidation of ten (10) existing Shares into one (1) consolidated Share ("**Consolidation**"). The total number of Shares after Consolidation before the issuance of Consideration Shares and Arranger Shares will be 27,600,000 Shares.

Compliance Share Placement

- 2.13. Upon determination of the Earn-Out Amount under Paragraph 2.3(b) above, should the issuance of the Earn-Out Consideration Shares result in the percentage of the Shares that are held in public hands falling below the requisite 15.0% free float requirement under the Catalist Rules, the Vendor and/or Company shall carry out a compliance placement in the form of a vendor sale of Consideration Shares or placement of new Shares to public investors ("**Compliance Share Placement**") to enable the Company to comply with the shareholding spread and distribution requirement set out in the Catalist Rules.
- 2.14. The terms of the Compliance Share Placement may be determined by the Company and/or the Vendor (as the case may be) as it deems fit and will be subject to placement

agreement(s) to be entered into by the Company and/or the Vendor (as the case may be) and the public investors.

- 2.15. The Company and the Vendor shall ensure that the public investors for the Compliance Share Placement shall be such institutional investors, retail investors and/or existing shareholders of the Company as may be acceptable to the SGX-ST for the purposes of fulfilling the free float requirement.

Proposed Acquisition as a "Very Substantial Acquisition" or "Reverse Takeover" transaction

- 2.16. Based on the unaudited financial statements of the Company for the 6-month period ended 30 June 2016, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the SGX Listing Manual are as follows:

	Rule 1006(a)	
	The net asset value of the assets to be disposed of, compared with the Company ¹ 's net asset value.	Not applicable
	Rule 1006(b)	
	The net profits attributable to the profits assets acquired, compared with the Company's net profits	Not meaningful ²
	Rule 1006(c)	
	The aggregate value of the consideration ³ given or received, compared with the Company's market capitalisation ⁴	2,445.7%
	Rule 1006(d)	
	The number of equity securities issued by the Company as consideration for the Proposed Acquisition, as compared with the number of equity securities previously in issue	809.6%
	Rule 1006(e)	
	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Company's proved and probable reserves.	Not applicable.

Notes:

- Following the completion of the disposal of the Company's principal operating subsidiary, Linyi Kaiyuan Bearing Co., Ltd ("LYKY") to Spring Century Investment Limited on 21 December 2015, as at 31 December 2015, the Company does not have any subsidiaries.
- Based on the Target's Group's unaudited financial statements for the 6-month period ended 30 June 2016, the Target Group recorded net profits of USD 931,848 while the Company recorded net losses of RMB1,046,000 for the corresponding period.

3. Calculated based on the Total Consideration of USD120 million, or S\$162,000,000 based on the exchange rate of USD1:S\$1.35.
4. The market capitalisation of the Company of S\$6,624,000 as at 17 December 2015 (being the full market day immediately preceding the date of the Term Sheet, on which the Shares were traded prior to the trading suspension on 22 December 2015). Under Rule 1002(5) of the SGX Listing Manual, the market capitalisation of the Company is determined by multiplying the number of shares in issue (excluding treasury shares) being 276,000,000 Shares by the weighted average price of S\$0.024 of such Shares transacted on 17 December 2015 (being the full market day immediately preceding the date of the Term Sheet, on which the Shares were traded prior to the trading suspension on 22 December 2015).

- 2.17. Based on the relative figures set out above, and that the control of the Company will change upon issuance of the Consideration Shares, the Proposed Acquisition is considered a "Very Substantial Acquisition" or "Reverse Takeover" under Rule 1006 of the SGX Listing Manual.

Whitewash waiver

- 2.18. Upon completion of the allotment and issuance of the Consideration Shares and the Arranger Shares pursuant to the Proposed Acquisition, the Vendor will hold 93,103,448 Shares, representing approximately 75.4% of the enlarged issue share capital of the Company.
- 2.19. Pursuant to Rule 14 of the Singapore Code of Take-Overs and Mergers ("**Code**"), the Vendor and its concert parties will be required to make a mandatory general offer for all the remaining issued Shares in the Company not already owned, controlled or agreed to be acquired by them except where the Securities Industry Council ("**SIC**") grants them a waiver of their obligation to make a mandatory general offer under Rule 14.
- 2.20. It is a condition precedent to the Proposed Acquisition that the SIC grants the Vendor and its concert parties, and does not revoke or repeal any such grant, a waiver of their obligation to make a general offer under Rule 14 of the Code for all the Shares not owned or controlled by them ("**Whitewash Resolution**").

Conditions precedent for the Proposed Acquisition

- 2.21. The parties agree that the obligations of the parties shall be conditional upon, *inter alia*:
- (a) the execution of the definitive sale and purchase agreement in respect of the Proposed Acquisition on terms and conditions that are mutually agreeable by the Parties ("**SPA**");

- (b) the valuation of the 343 hectares within the Asset as shown in Valuation Report 1 being not less than USD55 million (approximately S\$74.25 million³);
- (c) the Valuation Report 1 and the JORC Report 1 being in compliance with the requirements for mineral, oil and gas companies as set out in the Catalist Rules;
- (d) the Target Group has not suspended production of nickel ore, and the rate of production and mining extraction of nickel ores shall not be less than an average of 20,000 metric tons per month, from the date of this Term Sheet up to Completion as certified by an auditor appointed by the Company;
- (e) approval of the transfer to Catalist, Proposed Acquisition, issue of the Consideration Shares, the Earn-Out Consideration Shares, the Arranger Shares, the Compliance Share Placement (if applicable), the Whitewash Resolution and the Consolidation by the Company's shareholders and all governmental and regulatory authorities, including the SGX-ST and the SIC (where applicable);
- (f) completion of the Consolidation;
- (g) the receipt and non-withdrawal of the approval-in-principle of the SGX-ST for, among other things, the listing and quotation of the Consideration Shares, the Earn-Out Consideration Shares, the Arranger Shares, the Compliance Share Placement and the Consolidation on terms acceptable by the Company and the Vendor, such discretion to be reasonably exercised;
- (h) the receipt and non-withdrawal of the approval of the SIC granted to the Vendor ("**SIC Approval**") to dispense with the requirements of Rule 14 of the Code to make an offer to the shareholders of the Company arising from the acquisition by the Vendor of the Consideration Shares and Earn-Out Consideration Shares, subject to the conditions set out in the SIC Approval;
- (i) the completion of satisfactory due diligence on the Target Group by the Company;
- (j) the completion of satisfactory due diligence on the Company by the Vendor; and
- (k) there being no material breach of any warranty, representation, undertaking or obligation by the Parties as set out in the Definitive Documents.

Financial effects of the Proposed Acquisition

- 2.22. The Company will make a disclosure on the financial effects of the Proposed Acquisition when the Definitive Documents are signed.

³Based on the exchange rate of USD1: S\$1.35 as at 24 August 2016

3. RATIONALE FOR THE PROPOSED ACQUISITION

- 3.1. The Directors are of the view that the Proposed Acquisition is in the best interest of the Company, that the Proposed Acquisition presents an opportunity for the Company to acquire a profitable business in the mineral industry which would likely enhance shareholder value.
- 3.2. In addition, the Proposed Acquisition would have the potential to significantly increase the market capitalisation of the Company and potentially widen the investor base (for its shares) thereby enabling the Company to attract more extensive analyst coverage, leading to an overall increase in investor interest and trading.
- 3.3. Furthermore, following the completion of the disposal of the Company's principal operating subsidiary on 21 December 2015, the Company became a cash company under Rule 1018 of the SGX Listing Manual. Under Rule 1018(2) of the SGX Listing Manual, the SGX-ST will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. The issuer may apply to SGX-ST for a maximum 6-month extension to the 12-month period if it has already signed a definitive agreement for the acquisition of a new business, of which the acquisition must be completed in the 6-month extension period. The Board believes that the Target Group is able to satisfy SGX-ST's requirements for a new listing.

4. INTEREST OF DIRECTOR AND CONTROLLING SHAREHOLDERS

None of the Directors, substantial shareholders or controlling shareholders has any interest, direct or indirect in the Proposed Acquisition.

5. DIRECTORS' SERVICE CONTRACTS

As at the date of this announcement, no person is proposed to be appointed as director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

6. CIRCULAR

A shareholders' circular containing, *inter alia*, the notice of the extraordinary general meeting in relation to the Proposed Acquisition will be dispatched to the shareholders following the finalisation and execution by the Company of the Definitive Documents.

7. FURTHER ANNOUNCEMENTS

The Company shall make further announcements on the Proposed Acquisition when the Definitive Documents are signed, and as and when appropriate.

8. RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts of the Proposed Acquisition, the Company, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

9. DOCUMENTS FOR INSPECTION

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

10. CAUTIONARY STATEMENT

Shareholders are advised that there is no assurance that the parties will be able to enter into the Definitive Documents in relation to the Proposed Acquisition. Shareholders are therefore asked to exercise caution when dealing in the shares of the Company and should consult their legal, financial, tax and other professional advisers if they have any doubt as to the action to take.

BY ORDER OF THE BOARD OF

LIM KEAN TIN

Non-Executive Chairman

24 August 2016