

LIZHONG WHEEL GROUP LTD
(Registration Number: 200407196C)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF 60% SHAREHOLDINGS IN BAOTOU SHENGTAI AUTOMOBILE ACCESSORIES MANUFACTURING CO., LTD (包头盛泰汽车零部件制造有限公司)

1. INTRODUCTION

- 1.1 The Board of Directors (“**Board**”) of Lizhong Wheel Group Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Tianjin Lizhong Wheel Co., Ltd (“**Tianjin Lizhong**”), had entered into a sale and purchase agreement on 5 June 2015 (“**Agreement**”) with Mr Wang Xue (王雪) (the “**Seller**”), to acquire a 60% shareholding interest in the total issued share capital of Baotou Shengtai Automobile Accessories Manufacturing Co., Ltd(包头盛泰汽车零部件制造有限公司) (“**Baotou**”) (the “**Sale Shares**”), a company incorporated in the People’s Republic of China (“**PRC**”) (“**Acquisition**”).
- 1.2 Pursuant to Rule 704(17)(c) of the listing manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”), following the completion of the Acquisition, Baotou shall become a subsidiary of the Company.
- 1.3 The Consideration (as defined below) will be funded through the internal working capital of the Company.

2. INFORMATION ON BAOTOU AND THE SELLER

- 2.1. Baotou was incorporated in PRC on 20 March 2015 with a registered capital of RMB80 million. It is engaged in the business of the manufacturing and sale of aluminum alloy automobile wheels and accessories. Tianjin Lizhong had commissioned Baotou Dezhong Asset Valuation Firm (包头德众资产评估事务所) (the “**Valuer**”) to evaluate the value of Baotou. The valuation by the Valuer is arrived based on deducting the total liabilities of Baotou from the total tangible assets of Baotou. The outcome from such deduction will result in the net asset value of Baotou (“**NAV**”).
- According to the valuation report of the Valuer dated 29 May 2015 (“**Valuation Report**”), the Valuer is of the opinion that the valuation and book value of the NAV are RMB80.29 million and RMB81.68 million respectively.
- 2.2. The Seller is a citizen of the PRC and is the sole shareholder and the legal representative of Baotou. The Seller is not related to the Group, its directors or its executive management.

3. RATIONALE FOR THE ACQUISITION

The Acquisition is in the Company’s ordinary course of business which includes the designing, manufacturing and sale of aluminum alloy wheels in the PRC. It is also in line with the Group’s stated intention to build the Group’s presence and investment in the region through a selective positioning, new investments with a view to broaden the revenue stream of the Group and facilitate sustained profitability for the Group moving forward.

4. PRINCIPAL TERMS OF THE ACQUISITION

The terms of the Acquisition are set out in the Agreement a summary of the principal terms of the Acquisition is set out in this section.

4.1 Consideration

- (a) The purchase consideration for the Sale Shares is RMB48 million ("**Consideration**"). Tianjin Lizhong shall satisfy the Consideration by a cash payment of RMB48 million on the date falling seven (7) days after the completion of the transfer of the Sale Shares ("**Transfer**") and the registration of the Transfer with the relevant PRC authorities.
- (b) The Consideration was negotiated at arms-length and arrived at on a willing seller willing buyer basis, taking into account the prospects of the business of Baotou, the registered capital of Baotou, and the NAV as determined by the Valuer in the Valuation Report.

4.2 Guarantee

The Seller guarantees to Tianjin Lizhong that he is the beneficial owner of the Sale Shares and all rights attached to the Sale Shares shall be transferred to Tianjin Lizhong upon the transfer of the Sale Shares.

4.3 Profit and Loss

The Seller and Tianjin Lizhong agree that upon the completion of the Acquisition, the rights and liabilities of both the Seller and Tianjin Lizhong shall be bound and governed by the articles and association of Baotou.

5. FINANCIAL EFFECTS

- 5.1 The financial effects of the Acquisition on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Acquisition. The financial effects of the Acquisition set out below have been prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2014 ("**FY2014**").

(a) Net Tangible Assets ("**NTA**")

The effects of the Acquisition on the audited consolidated NTA per share of the Group as at 31 December 2014, assuming that the Acquisition had been effected on 31 December 2014, are summarised below:

	Before the Acquisition	After the Acquisition
Consolidated NTA (RMB'000)	802,972	802,972
Number of Shares	235,025,550	235,025,550
Consolidated NTA per share	3.42	3.42

(b) Earnings Per Share ("**EPS**")

The effects of the Acquisition on the audited consolidated EPS of the Group for FY2014, assuming that the Acquisition had been effected on 1 January 2014 are summarised below:

	Before the Acquisition	After the Acquisition
Profit attributable to equity holders of the Company (RMB'000)	87,915	87,915
Number of Shares	235,025,550	235,025,550

Consolidated EPS (RMB cents)	37.41	37.41
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6. DISCLOSEABLE TRANSACTION

- 6.1 Based on the latest unaudited consolidated financial statements for the first quarterly financial period ended 31 March 2015, the relative figures in respect of the Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not Applicable ⁽¹⁾
Rule 1006(b)	The net profits ⁽²⁾ attributable to the assets acquired or disposed of compared with the Group's net profits. RMB0.00 million ÷ RMB29.914 million x 100%	0%
Rule 1006(c)	The aggregate value of the Consideration given or received, compared with the Company's market capitalization ⁽³⁾ based on the total number of issued shares excluding treasury shares. RMB48.00 million ÷ RM270.68 million ⁽⁴⁾ x 100%	17.73%
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable ⁽⁵⁾
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not Applicable ⁽⁶⁾

Notes:

- (1) This is not applicable to an acquisition of assets.
- (2) "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) "market capitalization" of the Company is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the Agreement.
- (4) The exchange rate for 4 June 2015, being the market day preceding the date of the Agreement is S\$1.00 to RMB4.61.
- (5) There are no securities issued by the Company as consideration for the Acquisition.
- (6) Neither the Group nor Baotou is a mineral, oil or gas company.

- 6.2 As the relative figure computed on the bases set out in Rule 1006(c) exceed 5% but does not exceed 20%, the Acquisition constitutes a “discloseable transaction” within the meaning of Chapter 10 of the Listing Manual.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Acquisition.

8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement and the Valuation Report are available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

By order of the Board

Mr Zang Ligen
Executive Chairman
12 June 2015