

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

**RESPONSES TO SGX-ST QUERIES IN RELATION TO THE COMPANY'S UNAUDITED THIRD
QUARTER RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

The Board of Directors of China Bearing (Singapore) Ltd. (the “**Company**”) is pleased to provide the following responses to SGX-ST queries of 27 November 2015 in relation to the Company's Unaudited Third Quarter Results for the period ended 30 September 2015 (the “**Announcement**”):

Question 1:

In Paragraph 1(a) of the Announcement, the Company announced an allowance of inventories written down. Please provide details and the circumstances arising that require the allowance.

Response:

Details of the allowance of inventories written down are as follows:

	Amount (RMB million)
Raw material (mainly comprise of bearing steel, tapered roller and holder)	0.3
Finished goods and parts for assembly	4.2
Total	4.5

According to the Company's accounting policy for inventories, inventories are carried at the lower of cost and net realisable value. 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.

The reasons for allowance of inventories written down are as follows:

- (a) Raw material (mainly comprising bearing steel, tapered roller and holder) – Slow moving inventory for more than 12 months and decrease in bearing steel price; and
- (b) Finished goods and parts for assembly – the Company had conducted a routine review on the inventory and decided to write down the finished goods and parts for assembly of light and heavy bearing products to net realisable value as a result of decrease in the selling price to customers, due to weak market demand which was in turn due to the overall depressed tractor industry performance.

Question 2:

In Paragraph 1(b)(i) of the Announcement, the Company announced an increase in “Other receivables and Prepayment” and a decrease in “Cash and Cash equivalents”.

- (i) Please provide the breakdown of the receivables and prepayments; and**
- (ii) Please provide details on when the prepayments were made in view of the Group’s proposed disposal on Linyi Kaiyuan Bearing Co. Ltd and the reasons for making the prepayments.**

Response:

Breakdown of other receivables and prepayments are as follows:

	Amount (RMB million)
(a) Advances to suppliers	1.4
(b) Prepayment	4.4
(c) Deposit	22.2
Total	28.0

- (i) (a) Advances to suppliers – It is an industrial practice that suppliers require their customer to pay approximately 50% of the purchase price in advance before delivery of goods. Such advances have been consistently paid by the Company in its ordinary course of business and is reflected in previous financial results.
- (b) Prepayment – In order to maintain our competitiveness in view of the challenging market conditions, the Company needs to better its capabilities so as to be able to produce higher performance bearings which the Company’s competitors are already selling in the market. As such the Company engaged a state-owned bearing research institute, Luoyang Bearing Yanjiusuo Co, Ltd. (洛阳轴承研究有限公司) to carrying out the required research and development (“R&D”). The prepayment of RMB 4.4 million was paid to Luoyang Bearing Yanjiusuo Co, Ltd. in August 2015 pursuant to the appointment. The Company had informed and obtained the consent of the purchaser of the Proposed Disposal of Linyi Kaiyuan Bearing Co., Ltd. for this R&D contract.
- (c) Deposit – This deposit which was paid in June 2015 relates to the renewal of land use right paid to Yinan County authority for the land use right of no. 0330 (沂南国用(2004 字)第 0330 号) and no. 0331 (沂南国用(2004 字)第 0331 号) where our production facilities are located. The land use rights if not renewed will expire in March 2016.

Question 3:

In paragraph 8 of the Announcement, the Company announced that a penalty of RMB 6.4 million had been imposed by customers on defective products, cost incurred for the improvement on buildings and legal and professional fee incurred for the Proposed Disposal. Please provide details of the penalty of RMB 6.4 million imposed by customers, whether it had been previously disclosed on SGXNet and whether it has been paid.

Response:

In Q2 2015, the Company was made aware of defects in its bearing Model No. 32310. The defective bearings which failed to comply with specification requirements had resulted in defects and damages in the axles produced by the Company's customers using the defective bearings. The customer had to recall the said affected axles delivered and repair those affected axles which had yet to be delivered to their end customers. As such, the Company had provided RMB 0.6 million in its Q2 results pending negotiations with the customers. The Company also explained in paragraph 3 under item 8 of the Company's Q2 results announcement, that the penalty imposed by customers on defective products was one of the reason for the lower margin.

The Company subsequently reached a full and final settlement with the customers in July 2015. The penalty was net off against the receivables of the customers pursuant to the settlement agreements.

The Purchaser of the Proposed Disposal is fully aware of the above and the penalties paid were reflected in the accounts and taken in by the valuers in its valuation.

Details of the penalties paid are as follows:

Customer Name	Amount (RMB million)	Model of Bearing
Anhui Ankai Futian Shuguang Axles Co Ltd (安徽安凯福田曙光车桥有限公司)	2.5	32310
Shanxi Hande Axles Co Ltd (陕西汉德车桥有限公司)	3.9	32310
Total	6.4	