

**Issuer:** China Bearing (Singapore) Ltd.

**Security:** China Bearing (Singapore) Ltd.

**Meeting details:**

Date: 22 March 2017

Time: 10:00H

Venue: Diamond Room, Level 3, Quality Hotel Marlow, 201 Balestier Road, Singapore 329926

### Company Description

The Company was incorporated in Singapore on 31 August 2005 under the name of China Bearing (Singapore) Pte Ltd and adopted the present name on 4 September 2006. The Group is engaged in the design, development, manufacture and sale of bearings for use in automobiles, equipment and machineries for industrial and agricultural uses. Its bearings are classified into three main categories, namely micro-sized, light and heavy bearings. The different categories of bearings differ mainly in their load-bearing capacities and speed capabilities. Its customers are mainly manufacturers of automobile, equipment and machineries (including components thereof) for industrial and agricultural uses, as well as distributors of bearings. The Group's sales is mainly derived in China. In 2005, it started to export its bearings directly to distributors in Ukraine and the UAE. Its operations and production facilities are based in Yinan County, Shandong Province, China.

(Source: [http://infopub.sgx.com/Apps?A=Cow\\_CorporateInformation\\_Content&B=CorpInfoCompanyNameList&F=2044](http://infopub.sgx.com/Apps?A=Cow_CorporateInformation_Content&B=CorpInfoCompanyNameList&F=2044))

**Q1.** At the extraordinary general meeting held on 17 December 2015, the sale of Linyi Kaiyuan Bearing Co., Ltd. (Linyi Kaiyuan) was approved and the disposal was completed on 21 December 2015. Consequently, the Company ceased to own and operate any business, with its assets consisting substantially of cash, thereby becoming a cash company under Rule 1018 of the Listing Manual.

In the announcement dated 22 December 2015, it was disclosed that:

*3. The board of directors of the Company (the "Board") wishes to announce that the Company has made a request to the Singapore Exchange Securities Trading Limited ("SGX-ST") for the suspension of trading of its shares. Accordingly, trading of the Company's shares on SGX-ST will be suspended with immediate effect.*

*4. The Company has made the request for the suspension of trading of its shares on the basis of Rule 1018(1) of the Listing Manual of the SGX-ST which states that if the assets of an issuer consist wholly or substantially of cash or short-dated securities, its securities will normally be suspended.*

Despite the reason given in section (4) of the company's announcement dated 22 December 2015 (shown above), there are many other cash companies that continue to have their shares traded on the exchange subject to the company and directors satisfying all the conditions stated in rule 1018(1).

Based on the Letter to shareholders dated 2 December 2015, it was suggested that the company will try to secure the undertakings from the directors, controlling shareholders, chief executive officer and their associates to observe a moratorium (page 14). It was noted that in the event that the company is unable to secure the undertaking on or before the EGM, the company will make an application for the suspension of trading in the shares of the company.

- (i) Can the company explain why it had taken the drastic measure of applying for the suspension of the company's trading?**
- (ii) Can the company disclose why it could not obtain the required undertakings?**
- (iii) Are the company and the directors in a position to apply to the exchange to resume trading of the company's shares now?**

**Q2.** Following the suspension of the trading of the company's shares on 22 December 2015, the current Chairman, Mr. Lim Kean Tin, made an off-market acquisition of 82,524,000 shares from China Bearing (Bermuda) ("CBB") Co., Ltd, for a sum of \$4 million.

Mr. Zhang Anxi is deemed to be interested in the shares held by CBB by virtue of Section 7 of the Companies Act, Chapter 50. Mr Zhang Anxi was the Managing Director and CEO prior to the disposal of Linyi Kaiyuan, and remained as a non-executive director on 22 December 2015 when CBB sold off the 29.9% stake to Mr. Lim Kean Tin.

- (i) Shareholders would like to understand why the share sale could have proceeded even though the company's shares were suspended from trading?**

**Q3.** On 24 August 2016, the company announced the proposed acquisition of the entire issued and paid-up share capital of PT Anugrah Tambang Sejahtera, which, through its wholly owned subsidiary 100% of PT Teknik Alum Service, owns the concession rights to a 1,301-hectare nickel ore mine in Morowali, Sulawesi Tengah, Indonesia

It was further disclosed 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”*.

On 1 November 2016, the company provided more details on the RTO upon entering into the sale and purchase agreement with the vendor.

- (i) Can the company clarify if the target group has any current operations other than ownership of the 1,301-hectare nickel ore mine? If so, please disclose the operational figures and capacity of the mine.**
- (ii) Can the company also disclose the updated financial performance of the target group for FY2016?**
- (iii) In the follow-up announcement dated 1 November 2016, the loss after tax worsened to (30.1) RMB cents from (5.3) RMB cents after considering the proposed acquisition (Effect on Earnings per Share – Section 6.4.2). The group has disclosed that the proposed acquisitions was a profitable business. Can the company explain this?**
- (iv) Following the signing of the sale and purchase agreement with the vendor, what are the remaining milestones and the timeline?**

In the initial announcement dated 24 August 2016, there was no mention of ZICO shares. In the announcement dated 1 November 2016, it was disclosed that “the Company shall also pay to ZICO Capital Pte. Ltd. (“ZICO”) a success fee of S\$500,000, to be satisfied by way of the allotment and issuance of 689,655 new ordinary shares at the Issue Price representing approximately 0.5% of the enlarged share capital of the Company on a post-Consolidation basis and prior to the allotment and issuance of the Earn-Out Consideration Shares (“ZICO Shares”) to ZICO (“Success Fee”).

- (v) Can the company help shareholders understand the rationale to pay a success fee to ZICO?**
- (vi) ZICO, being the company’s financial adviser for the proposed acquisition and earmarked to become the full sponsor of the company, would now be incentivised to ensure the completion of the acquisition. When the company is transferred to the Catalyst board, has the board considered how to ensure that the additional fees for non-sponsor services provided by the sponsor will not compromise the independence and objectivity of the sponsor?**