

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

**RESPONSE TO QUERIES RAISED BY THE SECURITIES INVESTORS ASSOCIATION
 (SINGAPORE)**

The Board of Directors (the “**Board**”) of China Bearing (Singapore) Ltd. (the “**Company**”) wishes to announce the following in response to queries raised by the Securities Investors Association (Singapore) (“**SIAS**”):

	SIAS Questions	Company's Response
1	<p>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.</p> <p>In the announcement dated 22 December 2015, it was disclosed that:</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>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).</p> <p>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,</p>	

	<p>the company will make an application for the suspension of trading in the shares of the company.</p> <p>(i) Can the company explain why it had taken the drastic measure of applying for the suspension of the company's trading?</p> <p>(ii) Can the company disclose why it could not obtain the required undertakings?</p> <p>(iii) Are the company and the directors in a position to apply to the exchange to resume trading of the company's shares now?</p>	<p><i>Pursuant to Rule 1018(1), trading will normally be suspended save that SGX's approval may be sought for the Company to continue or resume trading. However such approval is subject, inter-alia, to a contractual undertaking from the controlling shareholder to observe a share trading moratorium. The Company had requested but was not able to obtain the required undertaking from Mr Zhang and subsequently Mr Lim. As such, the Company was unable to apply to SGX to resume trading.</i></p> <p><i>The Company wishes to highlight that the decision on whether to provide the share trading moratorium undertaking lies solely within the prerogative of the respective controlling shareholder.</i></p> <p><i>Please see above.</i></p> <p><i>Please see above.</i></p>
2	<p>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.</p> <p>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.</p> <p>(i) Shareholders would like to understand why the share sale could have proceeded even though the company's shares were suspended from trading?</p>	<p><i>The sale of shares was a private matter between Mr. Zhang and Mr. Lim, and the Company was not a party to the said transaction. The Company notes that the suspension of the trading on SGX does not prevent any shares transaction via private treaty between parties.</i></p>
3	<p>On 24 August 2016, the company announced the proposed acquisition of the entire issued and paid-up share capital of PT Anugrah</p>	

<p>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.</p> <p>It was further disclosed that <i>“the Proposed Acquisition presents an opportunity for the Company to acquire a profitable business in the mineral industry which would likely enhance shareholder value”</i>.</p> <p>On 1 November 2016, the company provided more details on the RTO upon entering into the sale and purchase agreement with the vendor.</p> <p>(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.</p> <p>(ii) Can the company also disclose the updated financial performance of the target group for FY2016?</p> <p>(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 acquisition was a profitable business. Can the company explain this?</p>	<p><i>As disclosed in the announcement on 1 November 2016 (“Announcement”), the Target Group, through PT TAS, owns the concession rights to the 1,301-hectare nickel ore mine. The Target Group is currently involved in the mining and sale of nickel ore.</i></p> <p><i>The Company is in the process of conducting due diligence on the Target Group, which includes amongst others, procuring and reviewing the independent qualified person’s report on the nickel ore mine to be prepared by an independent qualified person in accordance with the JORC Code and the relevant SGX-ST listing rules.</i></p> <p><i>The Target Group’s FY2016 financial statements are currently being audited by the Independent Auditors and Reporting Accountants. The Company is not in a position to disclose the Target Group’s FY2016 financial performance at this juncture. The Target Group’s audited FY2016 financial statements will be included in the circular to be despatched to shareholders in due course.</i></p> <p><i>As set out in paragraph 6.1 of the Announcement, the Target Group was profitable for both FY2015 and 1HY2016 [based on management accounts].</i></p> <p><i>The increase in loss per share after considering the Proposed Acquisition was mainly due to one-off non-recurring expenses such as (i) professional fees and expenses related to the Proposed Acquisition; and (ii) write-off of goodwill in relation to the Proposed Acquisition, which arises from the excess of the fair value of the acquisition consideration effectively transferred, over the fair value of the net assets of the Company.</i></p>
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	<p>(iv) Following the signing of the sale and purchase agreement with the vendor, what are the remaining milestones and the timeline?</p>	<p><i>The remaining significant milestones comprise (i) the ongoing legal and financial due diligence process conducted by the Company and the professionals appointed for the Proposed Acquisition, to ensure that the Target Group can satisfy the relevant SGX-ST's requirements for a new listing on the Catalist; (ii) the approval of the regulatory authorities in respect of, inter alia, the Proposed Acquisition; and (iii) the approval of the shareholders of the Company at a general meeting in respect of, inter alia, the Proposed Acquisition.</i></p> <p><i>As disclosed in the Company's announcement dated 2 December 2016, the Board is of the view that the Company will be able to complete the Proposed Acquisition by 20 December 2017. The completion of the Proposed Acquisition is subject to the satisfactory completion of the requisite due diligence by the Company and the appointed professionals.</i></p>
<p>4</p>	<p>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").</p> <p>(i) Can the company help shareholders understand the rationale to pay a success fee to ZICO?</p> <p>(ii) 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</p>	<p><i>ZICO was appointed as financial adviser to the Company in late September 2016. Part of the management fees payable to ZICO has been structured in the form of Success Fee to be satisfied by the issuance and allotment of the ZICO Shares. This is in line with the Company's efforts to exercise prudence in managing its cash balances and to act in the interests of its shareholders, considering that the Company is a cash company with no business operations.</i></p> <p><i>The Company notes that the structuring of certain professional fees to be payable on a success basis (whether in the form of shares or cash) is not an uncommon market practice.</i></p> <p><i>ZICO, as the financial adviser to the Company in respect of the Proposed Acquisition, is appointed to advise the Company/Board on the Proposed Acquisition so that it can meet</i></p>

<p>ensure the completion of the acquisition. When the company is transferred to the Catalist 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?</p>	<p><i>the requirements for a new listing pursuant to Listing Rule 1018(2). Furthermore, an IFA to the Independent Directors will be appointed to provide an independent opinion, from a financial point of view, on whether the Whitewash Resolution is fair and reasonable and is not prejudicial to the interests of the Company and its minority shareholders.</i></p> <p><i>Following the completion of the Proposed Acquisition, ZICO will be the continuing sponsor of the Company for a period of at least three years, in compliance with the Catalist Listing Rules. The Audit Committee and the Board will assess, inter alia, the nature of any non-sponsor services and the amount of fees proposed by the continuing sponsor for the provision of such services, as well as fee quotes obtained from external third parties for the provision of similar services, in ensuring that fees for any non-sponsor services provided by the continuing sponsor will not compromise the independence and objectivity of the continuing sponsor.</i></p>
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By order of the Board

LIM KEAN TIN
Non-Executive Chairman
29 March 2017