

ANNOUNCEMENT

**(1) PROPOSED DISPOSAL OF LAND AND BUILDINGS LOCATED IN NINGBO, PRC; AND
(2) COMPENSATION FOR DAMAGE TO PROPERTY**

1 INTRODUCTION

1.1 **Proposed Disposal.** The board of directors (the “**Board**”) of GP Industries Limited (the “**Company**”) wishes to announce that the Company’s indirect 70%-owned subsidiary, Zhongyin (Ningbo) Battery Co. Ltd (中银（宁波）电池有限公司) (the “**Seller**” or “**ZYNB**”), has today entered into a sale and purchase agreement (the “**Disposal Agreement**”) with 宁波国家高新区（新材料科技城）土地整理中心 (the “**Purchaser**” and for identification purposes “Ningbo National Hi-tech Industrial Development Zone (New Material Science and Technology City) Land Management Centre”) pursuant to which the Seller has agreed to sell, and the Purchaser has agreed to purchase, the following:

- (i) the right to use a 28,088.92 square metre plot of land (the “**Land**”) located at 128 Xingguang Road, Ningbo National Hi-tech Industrial Development Zone, Ningbo, Zhejiang Province, the People’s Republic of China (“**PRC**”) (宁波国家高新区星光路 128 号); and
- (ii) the buildings and ancillary facilities located on the Land with a total gross floor area of 13,689.42 square metres, comprising the following (collectively, the “**Buildings**”) (甬房权证鄞州字第 20130001301 号, 20130001303 号, 20130001311 号, 20130001313 号, 20130001315 号):
 - (a) a factory building with a total gross floor area of 9,633.17 square metres;
 - (b) a factory building with a total gross floor area of 2,390.71 square metres;
 - (c) a warehouse with a total gross floor area of 150.74 square metres;
 - (d) a warehouse with a total gross floor area of 834.88 square metres; and
 - (e) a warehouse with a total gross floor area of 679.92 square metres.

(collectively, the “**Property**” and such sale and purchase, the “**Proposed Disposal**”).

1.2 **Information on the Purchaser.** The Purchaser is an entity established by a state authority in the PRC. The Purchaser is not related to the Company, its subsidiaries or its controlling shareholders.

- 1.3 **Completion of the Proposed Disposal.** Completion of the Proposed Disposal is subject to and conditional upon the satisfaction of various conditions precedent (the “**Conditions**”), as set out in paragraph 3.1 below.
- 1.4 **Discloseable Transaction.** The Proposed Disposal is a discloseable transaction for the Company as defined in Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), as explained in paragraph 6 below.
- 1.5 **Proposed Compensation Agreement.** The Board also wishes to announce that ZYNB has today entered into an agreement (the “**Compensation Agreement**”) with 宁波均胜万投置业有限公司 (“**JSWT**” and for identification purposes “Ningbo Jun Sheng Wan Tou Real Estate Co., Ltd.”) and 越烽建设集团有限公司 (“**YFCG**” and for identification purposes “Yue Fung Construction Group Co., Ltd.”) pursuant to which YFCG agreed to pay ZYNB a sum of RMB39,520,000 (equivalent to approximately S\$8.24 million¹) in cash as compensation (the “**Compensation**”) for causing damage to certain production facilities and road structures located within the Property when certain construction work was carried out at a nearby residential property project, and JSWT agreed to guarantee YFCG’s payment obligations under the Compensation Agreement. Payment of part of the Compensation is conditional upon ZYNB demolishing the dangerous goods storage facilities located within the Property (the “**Storage Facilities**”).

JSWT is a company established in the PRC and is engaged in the property development business. YFCG is a company established in the PRC and is engaged in the construction business. JSWT and YFCG are not related to the Company, its subsidiaries or its controlling shareholders.

2 INFORMATION ON THE PROPERTY

- 2.1 **The Property.** The Property is situated within a 147,282 square metre plot of land located at 128 Xingguang Road, Ningbo National Hi-tech Industrial Development Zone, Ningbo, Zhejiang Province, PRC (the “**ZYNB Complex**”), on which ZYNB has built factory and office buildings. Other than certain land and buildings within the Property which are rented out, the Property is used by the Group (as defined in paragraph 2.2 below) for manufacturing of batteries. ZYNB has been granted the rights to use the ZYNB Complex, including the Property, for industrial use. Such rights will expire in 2055.
- 2.2 **Net Asset Value.** Based on the unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the third quarter ended 31 December 2017 (the “**3QFY2018 Results**”), the aggregate net asset value (“**NAV**”) of the Property was approximately S\$9.33 million.

Based on the Consideration (as defined in paragraph 3.3 below), the excess of the proceeds from the Proposed Disposal over the NAV of the Property as at 31 December 2017 was approximately S\$20.73 million.

¹ Unless otherwise stated, the approximate S\$ equivalent of RMB amounts in this Announcement are based on an exchange rate of S\$1: RMB4.7962.

- 2.3 **Market Value.** The Group has engaged RHL Appraisal Limited, an independent valuer, to conduct a valuation on the Property and to prepare the results of the study on the Property (the “**Valuation Report**”). The Valuation Report was prepared based on the depreciated replacement cost method, which takes into consideration the market value of the land in its existing use, assessed using the direct comparison approach.

Based on the Valuation Report, as at 30 April 2018, the market value of the Property was approximately RMB55.60 million (equivalent to approximately S\$11.59 million).

- 2.4 **Net Profits and Estimated Gain on Disposal.** Save for a net rental income of approximately S\$16,000, there are no net profits attributable to the Property for the 3QFY2018 Results as it is mainly used by the Group for manufacturing of batteries. The estimated gain on disposal of the Property after considering estimated costs and expenses related to the Proposed Disposal is approximately S\$18.64 million before tax and approximately S\$15.87 million after tax.

3 **PRINCIPAL TERMS OF THE DISPOSAL AGREEMENT AND THE COMPENSATION AGREEMENT**

- 3.1 **Conditions.** Completion of the Proposed Disposal is subject to and conditional upon, *inter alia*, the approval of the shareholders and board of directors of Gold Peak Industries (Holdings) Limited, the Company’s ultimate holding company (the “**Approvals**”).

The Disposal Agreement will only become effective on the date when all the Approvals are obtained (the “**Disposal Agreement Effective Date**”).

- 3.2 **Proposed Disposal.** Pursuant to the terms of the Disposal Agreement, the Seller shall sell, and the Purchaser shall purchase, the Property free from any encumbrances.

- 3.3 **Consideration for the Proposed Disposal.** The cash consideration to be paid by the Purchaser to the Seller for the Proposed Disposal (the “**Consideration**”) is RMB144,174,000 (equivalent to approximately S\$30.06 million).

The Consideration was arrived at on a willing buyer willing seller basis after taking into account, *inter alia*, the rationale for the Proposed Disposal and the Valuation Report.

- 3.4 **Payment of Consideration by the Purchaser for the Proposed Disposal.** The Consideration for the Proposed Disposal shall be paid by the Purchaser to the Seller after the Disposal Agreement Effective Date as follows:

- (i) RMB43,252,200 (equivalent to approximately S\$9.02 million), representing 30% of the Consideration, shall be paid by the Purchaser to the Seller within 12 business days after the Seller surrenders the land use right certificate and the building ownership certificate in respect of the Property to the Purchaser;
- (ii) RMB28,834,800 (equivalent to approximately S\$6.01 million), representing 20% of the Consideration, shall be paid by the Purchaser to the Seller within 12 business days after the Seller demolishes the Storage Facilities; and
- (iii) the remaining RMB72,087,000 (equivalent to approximately S\$15.03 million), representing 50% of the Consideration, shall be paid by the Purchaser to the Seller

within 12 business days after the Seller completely vacates and hands over the Property to the Purchaser, and upon completion of final inspection of the Property by the Purchaser.

3.5 Seller's Obligations under the Disposal Agreement. The Seller shall, *inter alia*:

- (i) assist the Purchaser in applying for the transfer of ownership registration of the Property with the relevant government authorities within 30 business days from the Disposal Agreement Effective Date;
- (ii) demolish the Storage Facilities within two months from the Disposal Agreement Effective Date; and
- (iii) completely vacate and hand over the Property to the Purchaser within 24 months from the Disposal Agreement Effective Date.

3.6 Defaults – Disposal Agreement

- (i) Should the Purchaser fail to pay the Consideration as set out in paragraph 3.4 above, the Purchaser shall pay liquidated damages to the Seller calculated at a daily rate of 0.03% of the relevant overdue amount after the expiry of the relevant stipulated time period, or in accordance with the prevailing applicable law when such default occurs; and
- (ii) should the Seller fail to complete the transfer of ownership registration of the Property with the relevant government authorities or completely vacate the Property for handover to the Purchaser within the relevant stipulated time period, the Seller shall pay liquidated damages to the Purchaser calculated at a daily rate of 0.03% of the Consideration starting from the expiry of relevant stipulated time period. The Purchaser is entitled to deduct such liquidated damages from the Consideration. In addition, should the Seller fail to complete the transfer of ownership registration of the Property or handover the Property within one month after the expiry of the relevant stipulated time period, the Purchaser shall be entitled to take any action in respect of the Property at its absolute discretion and the Seller shall bear all costs and damages incurred by the Purchaser in connection thereto.

3.7 Termination and Amendment of the Disposal Agreement. The Disposal Agreement may be terminated or amended if any of the obligations therein cannot be fulfilled by the Seller or the Purchaser due to exceptional circumstances, subject to a 30-day notification period for the defaulting party to notify the other party in writing of the intended termination of, or proposed amendment to, the Disposal Agreement.

3.8 Payment of Compensation by YFCG under the Compensation Agreement. The Compensation shall be paid by YFCG to ZYNB as follows:

- (i) RMB19,760,000 (equivalent to approximately S\$4.12 million), representing 50% of the Compensation, shall be paid by YFCG to ZYNB within 15 business days from the date of the Compensation Agreement; and
- (ii) the remaining RMB19,760,000 (equivalent to approximately S\$4.12 million), representing 50% of the Compensation, shall be paid by YFCG to ZYNB within 15 business days after ZYNB demolishes the Storage Facilities.

3.9 Defaults – Compensation Agreement

- (i) Should YFCG fail to pay any part of the Compensation under the Compensation Agreement by the stipulated deadline for payment, YFCG shall pay liquidated damages to ZYNB calculated at a daily rate of 0.05% of the relevant overdue amount after the expiry of the relevant stipulated time period;
- (ii) should ZYNB fail to demolish the Storage Facilities within the stipulated time period, ZYNB shall pay liquidated damages to YFCG calculated at a daily rate of 0.05% of the Compensation after the expiry of the relevant stipulated time period; and
- (iii) JSWT has guaranteed YFCG's payment obligations under the Compensation Agreement such that in the event YFCG fails to pay any sum due under the Compensation Agreement within 15 business days after the relevant stipulated time period, JSWT would pay such sum to ZYNB.

4 RATIONALE AND USE OF PROCEEDS

- 4.1 **Rationale.** Owing to the rezoning of certain land plots in the close proximity of the Property to residential use, the local government made a formal request to ZYNB to demolish the Storage Facilities and relocate the production facilities located within the Property. After taking this into account in determining the Consideration, the Group agreed to enter into the Disposal Agreement.
- 4.2 **Use of Proceeds.** The Group intends to use the net proceeds from the Proposed Disposal and the Compensation for investment in new manufacturing facilities and payment of costs and expenses to be incurred in relocating the activities of ZYNB, as well as for general working capital purposes, including the repayment of bank loans.

5 FINANCIAL EFFECTS

- 5.1 **Bases and Assumptions.** The pro forma financial effects of the Proposed Disposal have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2017 ("FY2017") and are purely **for illustrative purposes only and do not reflect the future actual financial position of the Group following completion of the Proposed Disposal**. The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:
 - (i) the Proposed Disposal had been effected on 31 March 2017, being the end of the most recently completed financial year of the Group and of which the statement of financial position of the Group has been publicly announced, for illustrating the financial effects on the consolidated net tangible assets ("**NTA**") of the Group; and
 - (ii) the Proposed Disposal had been effected on 1 April 2016, being the beginning of the most recently completed financial year of the Group and of which the profit and loss of the Group has been publicly announced, for illustrating the financial effects on the consolidated earnings of the Group.
- 5.2 **NTA.** For illustrative purposes only and assuming that the Proposed Disposal had been completed on 31 March 2017, the pro forma financial effects of the Proposed Disposal on the consolidated NTA of the Group as at 31 March 2017 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$' million)	323.9	330.8
Number of issued shares in the capital of the Company (" Shares ")	484,469,182	484,469,182
NTA per Share (Singapore cents)	66.86	68.28

- 5.3 **Earnings per Share.** For illustrative purposes only and assuming that the Proposed Disposal had been completed on 1 April 2016, the pro forma financial effects of the Proposed Disposal on the consolidated earnings of the Group for FY2017 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profit after tax and minority interests (S\$' million)	18.7	25.7
Number of issued Shares	484,479,464	484,479,464
Earnings per Share (Singapore cents)	3.85	5.30

- 5.4 **Share Capital.** The Proposed Disposal will not have any impact on the issued and paid-up share capital of the Company.

6 DISCLOSEABLE TRANSACTION

- 6.1 **Rule 1006.** The relative figures for the Proposed Disposal computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**SGX-ST Listing Manual**") are as follows:

Rule 1006	Bases	Proposed Disposal (S\$' million)	The Group (S\$' million)	Relative Figures (%)
(a)	NAV attributable to the Proposed Disposal ⁽¹⁾ compared with the Group's NAV ⁽¹⁾	9.3	452.5	2.1
(b)	Net profits attributable to the Proposed Disposal ⁽¹⁾ compared with the Group's net profits ⁽¹⁾⁽²⁾	0.0 ⁽³⁾	62.4	0.0
(c)	Consideration compared with the Company's market capitalisation ⁽⁴⁾	30.1	349.6	8.6

Notes:

- (1) Based on the 3QFY2018 Results.
- (2) The term “**net profits**” means profit before income tax and non-controlling interests.
- (3) Other than certain land and buildings within the Property which are rented out and generate rental income, there are no net profits attributable to the Property as it is mainly used by the Group for manufacturing of batteries.
- (4) The Company’s market capitalisation is based upon 484,469,182 issued Shares (excluding treasury shares) as at 14 May 2018, being the last market day preceding the date of the Disposal Agreement on which Shares were traded on the SGX-ST, at a volume weighted average price of S\$0.7217 for each Share.

6.2 **Discloseable Transaction.** As the relative figure under Rule 1006(c) of the SGX-ST Listing Manual above exceeds 5% but is not more than 20%, the Proposed Disposal constitutes a discloseable transaction for the Company as defined in Chapter 10 of the SGX-ST Listing Manual.

7 FURTHER INFORMATION

7.1 **Directors’ Service Contracts.** No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

7.2 **Interests of Directors and Controlling Shareholders.** None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

7.3 **Documents Available for Inspection.** The following documents are available for inspection during normal business hours at the registered office of the Company at 3 Fusionopolis Link, #06-11 Nexus @one-north, Singapore 138543, for a period of three months commencing from the date of this Announcement:

- (i) the Disposal Agreement;
- (ii) the Compensation Agreement; and
- (iii) the Valuation Report.

By Order of the Board

Kelly Kiar Lee Noi
Company Secretary
15 May 2018