GP Batteries International Limited

(Incorporated in the Republic of Singapore)
Company Registration No. 199002111N

ANNOUNCEMENT

PROPOSED DISPOSAL OF AN INDUSTRIAL COMPLEX LOCATED IN DONGGUAN, PRC

1. INTRODUCTION

1.1 **Proposed Disposal.** The Board of Directors (the "**Board**") of GP Batteries International Limited (the "**Company**") wishes to announce that the Company's wholly-owned subsidiary, Dongguan Chao Ba Batteries Co Ltd (东莞超霸电池有限公司) ("**Dongguan Chao Ba**"), has today entered into a sale and purchase agreement (the "**Agreement**") with 东莞市中顿实业有限公司 (the "**Purchaser**") and Guangdong Dongguan Machinery Import & Export Co., Ltd. (广东省东莞机械进出口有限公司) (the "**Guarantor**", and together with Dongguan Chao Ba and the Purchaser, the "**Parties**" and each, a "**Party**"), pursuant to which Dongguan Chao Ba has agreed to sell, and the Purchaser has agreed to purchase, the following (collectively, the "**Property**"):

(i) the right to use a 30,821 square metre plot of land located at No. 3 Hong Ye North No. 11 Road, Hong Ye Industrial Zone, Tangxia Town, Dongguan City, Guangdong Province, the People's Republic of China ("**PRC**") (东莞市塘厦镇宏业工业区) (东府国用（1997）字第特 162 号) (the "**Land**"); and

(ii) the buildings and ancillary facilities located on the Land with a total built-up area of 29,878.10 square metres, comprising the following (collectively, the "**Buildings**"):

(a) a factory building (粤房地证字第 1677379 号) with a total built-up area of 9,992.82 square metres;

(b) a factory building (粤房地证字第 C4282529 号) with a total built-up area of 4,960 square metres;

(c) staff quarters (粤房地证字第 1677380 号) with a total built-up area of 12,825.28 square metres; and

(d) a simple factory building which does not have a building ownership certificate, with a total built-up area of approximately 2,100 square metres,

(such disposal, the "**Proposed Disposal**"),

and the Guarantor has agreed to provide the Guarantee (as defined in **paragraph 3.8** below) to Dongguan Chao Ba.

1.2 **Information on the Purchaser.** The Purchaser is a property development company incorporated in the PRC. The Purchaser is not related to the Company, its subsidiaries or its controlling shareholder.

1.3 **Completion.** Completion of the Proposed Disposal is subject to and conditional upon the satisfaction of various conditions precedent ("**Conditions**"), as set out in **paragraph 3.3** below.

2. INFORMATION ON THE PROPERTY

2.1 **The Property.** The Property is an industrial complex located in Hong Ye Industrial Zone. Dongguan Chao Ba has been granted the right to use the Land for a period of 50 years, commencing from 20 November 1995 to 19 November 2045, for industrial use. The Property is currently used by the Group as a factory for the manufacturing of batteries.

2.2 **Net Asset Value.** Based on the unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the second quarter ended 30 September 2016 (the "**2Q2016 Results**"), the net asset value ("**NAV**") of the Property was approximately RMB5.7 million (approximately S$1.2 million[1]).

Based on the Consideration (as defined in **paragraph 3.2** below), the excess of the proceeds from the Proposed Disposal over the NAV of the Property as at 30 September 2016 is approximately RMB99.3 million (approximately S$20.7 million).

2.3 **Market Value.** The Company has appointed RHL Appraisal Limited to conduct a valuation on the Property and to prepare the results of the study on the Property (the "**Valuation Report**"). Based on the Valuation Report, the market value of the Property was approximately RMB51.3 million (approximately S$10.7 million) as at 30 June 2016.

2.4 **Net Profits and Gain on Disposal.** There are no net profits attributable to the Property as the Buildings are mainly used as factories for the Group's manufacturing purposes. The estimated gain on disposal of the Property is approximately S$20.7 million before tax and approximately S$15.5 million after tax.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1 **Proposed Disposal.** Pursuant to the terms of the Agreement, Dongguan Chao Ba shall sell, and the Purchaser shall purchase, the Property, free from any encumbrances.

3.2 **Consideration.** The consideration to be paid by the Purchaser to Dongguan Chao Ba for the Proposed Disposal (the "**Consideration**") is RMB105 million (approximately S$21.9 million).

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[1] Unless otherwise stated, the approximate S$ equivalent of RMB amounts in this Announcement are based on an exchange rate of S$1: RMB4.80.

The Consideration shall be paid by the Purchaser to the designated bank account of Dongguan Chao Ba in two tranches, as follows:

(i) RMB31.5 million shall be paid as a deposit (the "**Deposit**") within 6 business days (excluding public holidays and *force majeure* events) from the date of signing of the Agreement; and

(ii) within 10 business days from the date of signing of the Agreement, Dongguan Chao Ba and the Purchaser shall make an application to Dongguan Tangxing Subbranch of Industrial and Commercial Bank of China (the "**Bank**") as designated by Dongguan Chao Ba for the remaining RMB73.5 million to be held in escrow by the Bank. The Purchaser shall, within 5 days after the date of registration of the transfer of the Property, inform the Bank in writing to pay Dongguan Chao Ba the full amount of the remaining RMB73.5 million. Dongguan Chao Ba is also entitled to request the Bank's full payment of the remaining RMB73.5 million by providing notice of the registration of the transfer of the Property issued by the relevant real estate regulatory authority or the relevant query result reflecting the registration of the transfer of the Property.

Any associated taxes and transaction costs shall be borne solely by the Purchaser, save for enterprise income tax payable which shall be borne by Dongguan Chao Ba. The Purchaser shall pay the taxes payable (according to the tax review results issued by the relevant governmental department) to the designated bank account of Dongguan Chao Ba.

The Consideration was arrived at on a willing buyer willing seller basis after taking into account, *inter alia*, the rationale for the Proposed Disposal, the Valuation Report, recently transacted prices of the properties around the vicinity of the Property and offers received by Dongguan Chao Ba for the Property.

3.3 **Conditions.** Completion of the Proposed Disposal is subject to and conditional upon the satisfaction of the following Conditions:

(i) the approval of the shareholders or the board of directors of the Purchaser for the Proposed Disposal;

(ii) the approval of the shareholders or the board of directors of the Guarantor for the provision of the Guarantee (as defined in **paragraph 3.8** below); and

(iii) the approval of the shareholders (if such shareholders' approval is required by applicable listing regulations) and/or the board of directors of each of (a) the Company, (b) GP Industries Limited (being the Company's immediate holding company) and (c) Gold Peak Industries (Holdings) Limited (金山工业集团有限公司) (being the Company's ultimate holding Company) for the Proposed Disposal.

Dongguan Chao Ba and the Purchaser undertake to immediately take all reasonable efforts to ensure the passing of the resolutions for the abovementioned approvals. Within 5 business days after the satisfaction of a Condition, the responsible Party (being the Purchaser in respect of the Condition set out in **sub-paragraph (i)**, the Guarantor in respect of the Condition set out in **sub-paragraph (ii)** and Dongguan Chao Ba in respect of the Condition set out in **sub-paragraph (iii)**) shall provide written notice to the other Parties of the satisfaction of the relevant Condition.

3.4 **Use of Property by Dongguan Chao Ba.** Pursuant to the terms of the Agreement, from the date of registration of the transfer of the Property up to the end of the 36-month period commencing from the date of signing of the Agreement, the Purchaser shall allow Dongguan Chao Ba to use the Property at no charge. During such period of use:

(i) The Purchaser shall not: (a) take back the Property in advance; (b) sub-lease the Property to third parties; or (c) launch demolition activities on the Property. Otherwise, the Purchaser shall be liable to compensate Dongguan Chao Ba for all resultant economic losses incurred by Dongguan Chao Ba, including but not limited to losses caused by the stoppage of production, deduction claims from customers, all costs incurred by any forced moving out of the Property and the rental of temporary venues, outsourcing costs and economic compensation for employees whose employment contracts have been terminated in advance. In addition, the Purchaser shall be liable to pay the Breach Fee (as defined below) to Dongguan Chao Ba, as set out in **paragraph 3.7(ii)(b)** below.

(ii) Dongguan Chao Ba is entitled to move out of the Property in advance at any time by providing 3 months' prior written notice to the Purchaser and informing the Purchaser of the exact date of the handover of the Property. If Dongguan Chao Ba moves out of the Property in advance, the Purchaser shall pay compensation to Dongguan Chao Ba at a monthly rate of RMB450,000.

3.5 **Termination of Agreement.** Pursuant to the terms of the Agreement:

(i) Dongguan Chao Ba shall be entitled to terminate the Agreement at any time if the Purchaser delays making full payment of the Consideration by more than 15 days, in which case the Deposit shall be forfeited.

(ii) If Dongguan Chao Ba and the Purchaser are not able to register the transfer of the Property within 6 months from the date of signing of the Agreement due to any applicable PRC governmental or regulatory policies, after confirmation in writing by both Parties, the Consideration shall be refunded by Dongguan Chao Ba in full (without interest) to the Purchaser within 30 days (excluding public holidays and *force majeure* events).

Any taxes and other costs which have already been paid to the relevant governmental departments shall be retrieved by Dongguan Chao Ba and the Purchaser collectively. Costs that have been, or will be, incurred pursuant to the registration process shall be borne solely by the Purchaser. The Agreement shall be terminated and neither Party owes any liability to compensate the other Party.

(iii) In the event that Dongguan Chao Ba and the Purchaser fail to complete the registration of the transfer of the Property after 6 months from the date of signing of the Agreement, Dongguan Chao Ba and the Purchaser will discuss whether or not to continue or terminate the Agreement.

3.6 **Automatic Voiding of Agreement.** Pursuant to the terms of the Agreement, if the Property is expropriated, seized or demolished by the PRC government prior to the registration of the transfer of the Property, the Agreement shall be voided automatically and Dongguan Chao Ba

shall refund that part of the Consideration which has already been paid (without interest) to the Purchaser. Any compensation received from the PRC government shall belong to Dongguan Chao Ba. Any taxes and other costs which have already been paid to the relevant governmental departments shall be retrieved by Dongguan Chao Ba and the Purchaser collectively. After Dongguan Chao Ba has received compensation from the PRC government, Dongguan Chao Ba shall refund the pre-payments to the Purchaser.

3.7 **Liquidated Damages and Payments**

(i) **On the part of the Purchaser.** In the event that the Purchaser:

(a) fails to pay the Consideration and other fees payable by it by the stipulated deadline for payment, the Purchaser shall be liable to pay liquidated damages to Dongguan Chao Ba at a rate of 0.04 per cent. of the total amount payable per day; or

(b) breaches its obligations as set out in **paragraph 3.4(i)** above, the Purchaser shall be liable to pay the Breach Fee (as defined below) to Dongguan Chao Ba in accordance with **paragraph 3.7(ii)(b)** below, unless such breach is caused by natural disasters, governmental activities or other *force majeure* events.

(ii) **On the part of Dongguan Chao Ba or the Purchaser.** In the event that either Dongguan Chao Ba or the Purchaser is in breach of its obligations under the Agreement or deliberately delays the performance of its obligations under the Agreement by more than 6 months, the defaulting Party shall be liable to pay RMB30 million (approximately S$6.3 million) (the "**Breach Fee**") to the non-defaulting Party. In particular:

(a) if Dongguan Chao Ba is the defaulting Party, Dongguan Chao Ba shall, in addition to paying the Breach Fee, return the paid-up Consideration to the Purchaser and pay the Purchaser interest on the paid-up Consideration at an annual interest rate of eight per cent. from the date of receipt of the paid-up Consideration to the date of refund of the paid-up Consideration; and

(b) if the Purchaser is the defaulting Party, Dongguan Chao Ba shall return the paid-up Consideration at no interest to the Purchaser after deducting the Breach Fee. If the paid-up Consideration is less than the Breach Fee, the Purchaser shall pay Dongguan Chao Ba the balance.

3.8 **Guarantee of the Purchaser's Payment Obligations.** Pursuant to the terms of the Agreement, the Guarantor, as the Purchaser's guarantor, guarantees to Dongguan Chao Ba the payment by the Purchaser of the Consideration and the Breach Fee, if applicable (the "**Guarantee**"). The Guarantee will remain in force from the effective date of the Agreement to 180 days after the date on which the Purchaser is required to make such payment to Dongguan Chao Ba. In the event that the Purchaser fails to make payment of the Consideration or the Breach Fee to Dongguan Chao Ba in accordance with the Agreement, the Guarantor agrees to make such payment on behalf of the Purchaser.

4. RATIONALE AND USE OF PROCEEDS

4.1 **Rationale.** The Proposed Disposal will enable the Group to streamline its operations by way of a consolidation of the Group's manufacturing facilities, pursuant to which some of the Group's smaller manufacturing facilities will be relocated to a larger facility in order to improve the efficiency and effectiveness of the Group's operations.

4.2 **Use of Proceeds.** The Company intends to use the net proceeds from the Proposed Disposal for investment in new manufacturing facilities 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 2016 ("**FY2016**") 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 2016, being the end of the most recently completed financial year of the Group, 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 2015, being the beginning of the most recently completed financial year of the Group, 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 2016, the pro forma financial effects of the Proposed Disposal on the consolidated NTA of the Group as at 31 March 2016 are as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
NTA (S$ million)	220.4	235.8
No. of issued shares in the capital of the Company ("**Shares**")	158,121,552	158,121,552
NTA per Share (S$)	1.39	1.49

5.3 **Earnings per Share.** For illustrative purposes only and assuming that the Proposed Disposal had been completed on 1 April 2015, the pro forma financial effects of the Proposed Disposal on the consolidated earnings of the Group for FY2016 are as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
Profit after tax and minority interests (S$ '000)	2,397	17,659

No. of issued Shares	161,266,258	161,266,258
Earnings per Share (Singapore cents)	1.49	10.95

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 Singapore Exchange Securities Trading Limited (the "**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 compared with the Group's NAV[(1)]	1.2	306.7	0.4
(b)	Net profits attributable to the Proposed Disposal compared with the Group's net profits[(2)]		Not applicable[(3)]	
(c)	Consideration compared with the Company's market capitalisation[(4)]	21.9	124.9	17.5

Notes:

(1) Based on the 2Q2016 Results.

(2) The term "**net profits**" means profit before income tax and non-controlling interests.

(3) There are no net profits attributable to the Property as the Property is currently used by the Group as a factory for the manufacturing of batteries.

(4) The Company's market capitalisation is based upon 158,116,552 issued Shares (excluding treasury shares) as at 22 December 2016, being the last market day preceding the date of the Agreement on which Shares were traded on the Singapore Exchange Securities Trading Limited, at a volume weighted average price of S$0.79 for each Share.

6.2 **Discloseable Transaction.** As the relative figure under Rule 1006(c) above exceeds 5 per cent. but is not more than 20 per cent., the Proposed Disposal constitutes a discloseable transaction for the Company as defined in Chapter 10 of the 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.** A copy of each of the Agreement and the Valuation Report is available for inspection during normal business hours at the registered office of the Company at 3 Fusionopolis Link, #06-10 Nexus @one-north, Singapore 138543, for a period of 3 months commencing from the date of this Announcement.

By Order of the Board

Kelly Kiar Lee Noi
Company Secretary
28 December 2016, Singapore