

ANNOUNCEMENT

PROPOSED DISPOSAL OF LAND AND BUILDINGS LOCATED IN HUIZHOU, PRC

1. INTRODUCTION

1.1 **Disposal of Land and Buildings in Huizhou, PRC.** The Board of Directors (the “**Board**”) of GP Industries Limited (the “**Company**”) wishes to announce the proposed disposal of land and buildings located in Huizhou, the People’s Republic of China (“**PRC**”), by GP Electronics (Huizhou) Co., Ltd. (惠州市金山电子有限公司) (“**GPHC**” or the “**Seller**”), a wholly-owned subsidiary of the Company.

1.2 **Proposed Disposal.** In connection with the abovementioned disposal of land and buildings, GPHC, as seller, has on 28 June 2018 entered into a sale and purchase agreement (the “**Disposal Agreement**”) and two supplementary agreements to the Disposal Agreement with 惠州市晟鸿实业有限公司 (Huizhou Cheng Hong Industrial Co., Ltd.) (the “**Purchaser**”), as purchaser, and 广东省东莞机械进出口有限公司 (Guangdong Dongguan Machinery Import & Export Co., Ltd.) (the “**Guarantor**”), as guarantor to the Purchaser. Under the terms of the Disposal Agreement, GPHC has agreed to sell, and the Purchaser has agreed to purchase, the following (such sale and purchase, the “**Proposed Disposal**”):

- (i) the right to use a total area of 127,613.50 square metres plot of land located at Nos 27 & 76 Subzones of Zhong Kai Hi-Tech Industrial Development Zone, Huizhou City, Guangdong Province, PRC, comprising:
 - (a) a 54,826.80 square metres plot of land (惠府国用(2003)第 13021400345 号);
 - (b) a 54,010.30 square metres plot of land (惠府国用(2003)第 13021400347 号);
and
 - (c) a 18,776.40 square metres plot of land (惠府国用(2003)第 13021400346 号),
(collectively, the “**Land**”); and
- (ii) the buildings and ancillary facilities located on the Land with a total built-up area of 59,611.13 square metres, comprising:
 - (a) four buildings which have been issued with building ownership certificates:
 - (I) a power room (粤房地证字第 C3425153 号) with a total built-up area of 366.30 square metres;

- (II) a factory building (粤房地证字第 C3425156 号) with a total built-up area of 33,489.10 square metres;
- (III) a dormitory (粤房地证字第 C3425154 号) with a total built-up area of 6,109.68 square metres; and
- (IV) a staff canteen (粤房地证字第 C3425155 号) with a total built-up area of 1,805.57 square metres; and
- (b) three buildings which have not been issued with building ownership certificates:
 - (I) a warehouse (惠仲房测字: 51107201700036) with a total built-up area of 169.54 square metres;
 - (II) a factory building (惠仲房测字: 51107201700037) with a total built-up area of 10,894.60 square metres; and
 - (III) a factory building (惠仲房测字: 51107201700038) with a total built-up area of 6,776.34 square metres,

(collectively with the Land, the “**Property**”).

In connection with the Proposed Disposal, the Guarantor has agreed to provide the Guarantee (as defined and set out in paragraph 3.11 below) to GPHC.

- 1.3 **First Supplementary Agreement – Early Handover Agreement.** Pursuant to the first supplementary agreement to the Disposal Agreement (the “**Early Handover Agreement**”), GPHC and the Purchaser have agreed on certain terms and conditions relating to the early handover of the Property during the Rent Free Leaseback Period (as defined in paragraph 3.5 below) and the lease of the Property by GPHC from the Purchaser after the expiry of the Rent Free Leaseback Period.
- 1.4 **Second Supplementary Agreement – Compensation Agreement.** Pursuant to the second supplementary agreement to the Disposal Agreement (the “**Compensation Agreement**”) the Purchaser has agreed to pay GPHC Chinese Renminbi (“**RMB**”) 110.0 million (approximately S\$23.0 million)¹ (the “**Compensation**”) as compensation for costs and losses to be incurred by GPHC in relocating its operations from the Property to a new site.
- 1.5 **Completion.** Completion of the Proposed Disposal is subject to and conditional upon the satisfaction of various conditions precedent (the “**Conditions**”), as set out in paragraph 3.4 below.

¹ Unless otherwise stated, the approximate S\$ equivalent of RMB amounts in this Announcement are based on an exchange rate of S\$1: RMB4.7892.

2. INFORMATION ON THE PURCHASER, GUARANTOR, SELLER AND PROPERTY

- 2.1 **The Purchaser and The Guarantor.** Each of the Purchaser and the Guarantor is an entity incorporated in the PRC and is not related to the Company, its subsidiaries or its controlling shareholders.
- 2.2 **The Seller.** GPHC is incorporated in the PRC and is principally engaged in the manufacturing of acoustic and electronic products. GPHC conducts its business activities at the Property.
- 2.3 **The Property.** The Property is an industrial complex. GPHC has been granted the right to use the Land for industrial use. Such right will expire on 27 March 2053. The Property is currently used by the Group (as defined in paragraph 2.4 below) as a factory and a warehouse for the manufacturing of acoustic and electronic products and a dormitory for its employees.
- 2.4 **Net Asset Value.** Based on the unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 March 2018 (the “**FY2018 Results**”), the net asset value (the “**NAV**”) of the Property was approximately S\$25.5 million.

Based on the Consideration (as defined in paragraph 3.2 below), the Rent Free Value (as defined in paragraph 3.5 below) and the Compensation, the excess of the proceeds from the Proposed Disposal over the NAV of the Property as at 31 March 2018 is approximately S\$66.4 million.

- 2.5 **Market Value.** The Company has appointed an independent valuer, RHL Appraisal Limited, 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 direct comparison method. Based on the Valuation Report, as at 23 May 2018, the market value of the Property was approximately RMB266.0 million (approximately S\$55.5 million).
- 2.6 **Net Profits and Estimated Gain on Disposal.** Other than the rental income of HK\$219,000 (approximately S\$38,000)² attributable to the Property for the financial year ended 31 March 2018 (“**FY2018**”) there are no net profits attributable to the Property as it is mainly used as a factory for the Group’s manufacturing purposes and a dormitory for its employees. The estimated gain on the disposal of the Property, after taking into account the Consideration, the Rent Free Value and the Compensation (assuming that the value of the Compensation approximates the costs and expenses that will otherwise be incurred by GPHC in relocating the operations from the Property), is approximately S\$43.4 million before tax and approximately S\$32.6 million after tax.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL, LEASEBACK AND COMPENSATION

- 3.1 **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.

² Based on an exchange rate of S\$1: HK\$5.7436.

- 3.2 **Consideration for the Proposed Disposal.** Pursuant to the Disposal Agreement, the cash consideration to be paid by the Purchaser to GPHC for the Proposed Disposal (the “**Consideration**”) is RMB265,752,000 (approximately S\$55.5 million).
- 3.3 **Payment of Consideration by the Purchaser.** The Consideration shall be paid by the Purchaser to the Seller in the following manner:
- (i) The Purchaser shall pay RMB20.0 million (approximately S\$4.2 million) to GPHC as a deposit (the “**First Deposit**”) within two business days from the date of signing of the Disposal Agreement.
 - (ii) The Purchaser shall pay approximately RMB59.7 million (approximately S\$12.5 million) to GPHC as a deposit (the “**Second Deposit**”) within ten business days from the date of signing of the Disposal Agreement.
 - (iii) The Purchaser shall pay approximately RMB53.2 million (approximately S\$11.1 million) (collectively with the First Deposit and Second Deposit, the “**Deposit**”), to GPHC within three months from the date of signing of the Disposal Agreement.
 - (iv) The Purchaser shall within five business days from the date the Purchaser, or its designated transferee, obtains the principal approval for the transfer of the Property to the Purchaser from the China Land and Resources Bureau, PRC, deposit RMB132.9 million (approximately S\$27.7 million), representing the balance of the Consideration (the “**Balance Payment**”), into an account designated by the Seller as an escrow account (the “**Escrow Account**”) and maintained with a bank (the “**Escrow Bank**”) and enter into an escrow arrangement with the Seller to manage the Escrow Account. Should an escrow arrangement not be established with any bank, trustee or legal counsel acknowledged by both the Seller and the Purchaser due to circumstances caused by the Purchaser, the Purchaser shall pay the Balance Payment directly to the Seller.
 - (v) The Purchaser shall release the Balance Payment from the Escrow Account in the following manner:
 - (a) The Purchaser shall within five business days after the date of registration of the transfer of the Property and the Purchaser obtains the Property certificates which belong to the Purchaser, inform the Escrow Bank in writing to release the Balance Payment to the Seller. In addition, the Seller is also entitled to request the Escrow Bank to release the Balance Payment to the Seller by providing to the Escrow Bank notice of the registration of the transfer of the Property issued by the China Land and Resources Bureau, PRC, or the enquiry result reflecting the registration of the transfer of the Property.
 - (b) In the event the registration of the transfer of the Property cannot be completed within 18 months from the date of the Disposal Agreement due to circumstances caused by the Purchaser, and the Seller and the Purchaser cannot agree on the terms of termination of the Disposal Agreement, the Purchaser shall within 30 business days inform the Escrow Bank in writing to

release the Balance Payment to the Seller, and the Seller shall continue to assist the Purchaser in applying for the registration of the transfer of the Property. In such event, the Seller may also demand that the Escrow Bank release the Balance Payment to the Seller upon presentation of the original signed Disposal Agreement. In the event the Escrow Bank declines to release the Balance Payment or the Purchaser does not provide its co-operation to effect the release of the Balance Payment, and such 30-business day period has elapsed, the Purchaser is deemed to be in breach and the Purchaser shall immediately pay the Balance Payment to the Seller, with late payment surcharge accruing at a rate of 0.04 per cent. of the Balance Payment per day for each day of delay in payment. If payment of the Balance Payment is overdue for more than 60 business days, the Seller is also entitled to demand that the Purchaser pay liquidated damages equal to 10 per cent. of the Consideration.

- (vi) Any associated taxes, including but not limited to land appreciation tax shall be borne solely by the Purchaser, save for corporate income tax payable which shall be borne by the Seller.
- (vii) 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, the Compensation, the Rent Free Value (as defined in paragraph 3.5 below), recently transacted prices of the properties around the vicinity of the Property and offers received by GPHC for the Property.

3.4 **Conditions.** The completion of the transfer of the Property pursuant to the Disposal Agreement is subject to the satisfaction of the following Conditions:

- (i) the approval of the shareholders and the board of directors of the Purchaser for the Proposed Disposal within three days of the date of the Disposal Agreement; and
- (ii) the approval of:
 - (a) the shareholders and the board of directors (if such approval is required by applicable laws, regulations and listing rules) of each of (A) the Company; and (B) Gold Peak Industries (Holdings) Limited (being the Company's ultimate holding company); and
 - (b) the relevant banks pursuant to the terms of the relevant credit facilities,for the Proposed Disposal.

GPHC and the Purchaser undertake to immediately take all reasonable efforts to ensure the satisfactions of the relevant Conditions. Within five business days after the satisfaction of:

- (1) the Condition set out in paragraph 3.4(i), the Purchaser shall provide written notice to the Seller of the satisfaction of such Condition; or
- (2) the Conditions set out in paragraph 3.4(ii), the Seller shall provide written notice to the Purchaser of the satisfaction of such Condition.

In the event that the Purchaser causes the non-satisfaction of the Condition set out in paragraph 3.4(i) above, the Purchaser shall not be deemed to be in breach of the Disposal Agreement and the Seller shall refund the Deposit to the Purchaser together with interest (computed based on an annual interest rate of 7.2 per cent. from the actual date of receipt by the Seller of the monies). In the event GPHC causes the non-satisfaction of the Conditions set out in paragraph 3.4(ii) above during the term as set out in the Disposal Agreement, the Seller shall not be deemed to be in breach of the Disposal Agreement but shall refund the Deposit to the Purchaser.

3.5 Rent Free Leaseback by the Seller. The Purchaser shall allow GPHC to use the Property at no charge (the “**Rent Free Leaseback**”) for a 60-month period from the date of payment of the Balance Payment into the Escrow Account (the “**Rent Free Leaseback Period**”). During such Rent Free Leaseback Period:

- (i) Except for natural disasters, acts of the government or other force majeure events, or the early handover of the Property by the Seller, the Purchaser shall not breach the Disposal Agreement and: (a) take back the Property in advance; (b) sub-lease the Property to third parties; or (c) launch demolition activities on the Property. In the event of any of the foregoing, the Purchaser shall be liable to compensate the Seller for all resultant economic losses incurred by the Seller, including but not limited to losses caused by the stoppage of production, deduction claims from customers, all costs incurred by any forced vacation of the Property and rental for alternative facilities for the remaining Rent Free Leaseback Period (computed based on rental for equivalent land and buildings in the same location), outsourcing costs and economic compensation for employees whose employment contracts have been terminated in advance, and shall be liable to pay a penalty to the Seller at the rate of 0.04 per cent. of the amount of the Consideration.
- (ii) GPHC is entitled to move out of the Property before the expiry of the Rent Free Leaseback Period at any time by providing three months’ prior written notice to the Purchaser and informing the Purchaser of the exact date of the handover of the Property. If GPHC moves out of and hands over the Property before the expiry of the Rent Free Leaseback Period, the Purchaser shall pay compensation and an incentive (the “**Early Removal Compensation and Incentive**”) amounting to:
 - (a) compensation of approximately RMB25.8 million (approximately S\$5.4 million) (including taxes, and the Seller shall issue an invoice to the Purchaser when the Seller receives such compensation), representing 24 months of the unused portion of the Rent Free Leaseback Period calculated at a monthly rate of approximately RMB1,073,000 (approximately S\$224,000) (the “**Monthly Rate**”) and an incentive of RMB30.0 million (approximately S\$6.3 million), if GPHC moves out of and hands over the Property before the end of the 36th month of the Rent Free Leaseback Period;
 - (b) compensation of approximately RMB12.9 million (approximately S\$2.7 million) (including taxes, and the Seller shall issue an invoice to the Purchaser when the Seller receives such compensation), representing 12 months of the unused portion of the Rent Free Leaseback Period calculated at the Monthly Rate and an incentive of RMB20.0 million (approximately S\$4.2 million) if

GPHC moves out of and hands over the Property during the period from the 37th to the 48th month of the Rent Free Leaseback Period; or

- (c) an amount determined according to the Monthly Rate (including taxes, and the Seller shall issue an invoice to the Purchaser when the Seller receives such compensation) and the unused Rent Free Leaseback Period if GPHC moves out of and hands over the Property during the period from the 49th to the 60th month of the Rent Free Leaseback Period.

The amounts of compensation set out above, which is calculated based on the potential unused portion of the Rent Free Leaseback Period multiplied by the Monthly Rate, were determined by the management's assessment with reference to the estimated relocation costs of the manufacturing facilities for acoustic and electronic products. The estimated relocation costs mainly comprise (i) severance payments payable to employees that will be terminated due to the relocation; (ii) costs of disassembling, transporting and reassembling machineries and equipment; and (iii) costs of replacing machineries and equipment that cannot be transported to new manufacturing facilities. The severance payments were estimated based on statutory rates prescribed by the applicable PRC labour laws and regulations, while the costs for disassembling, transporting, reassembling and replacing machineries and equipment were assessed based on estimated transportation and engineering costs involved in the relocation.

As it is the management's assessment that it would take up to 60 months to relocate the manufacturing facilities from the Property, the amounts of incentives under the Compensation Agreement were purely a discretionary offer made by the Purchaser to encourage GPHC to move out of and hand over the Property to the Purchaser as soon as possible.

The Monthly Rate was determined with reference to the market rate of RMB18 per square metre of the built-up area of the buildings and ancillary facilities located on the Property.

Based on the Monthly Rate and assuming the Seller does not vacate and handover the Property before the expiry of the Rent Free Leaseback Period, the aggregate value of free rent attributable to the Rent Free Leaseback Period is approximately RMB64.4 million (approximately S\$13.4 million) (the "**Rent Free Value**").

3.6 **Option to Leaseback after Expiry of Rent Free Leaseback Period.** GPHC is entitled to lease the Property for a period of not more than six months after the expiry of the Rent Free Leaseback Period at the Monthly Rate (including taxes) by providing three months' advance written notice to the Purchaser.

3.7 **Payment of Compensation by the Purchaser.** The Compensation of RMB110.0 million (approximately S\$23.0 million) shall be payable by the Purchaser to the Seller in the following manner:

- (i) The Purchaser shall pay RMB33.0 million (approximately S\$6.9 million) to GPHC as a deposit (the "**Compensation Deposit**") within 10 business days of the date of the Compensation Agreement.

- (ii) The Purchaser shall within five business days from the date the Purchaser, or its designated transferee, obtains the principal approval for the transfer of the Property from the China Land and Resources Bureau, PRC, deposit the balance RMB77.0 million (approximately S\$16.1 million) (the “**Compensation Balance Payment**”) into an account designated by GPHC as an escrow account (the “**Compensation Escrow Account**”) and maintained with a bank (the “**Compensation Escrow Bank**”) and enter into an escrow arrangement with GPHC to manage the Compensation Escrow Account. Should an escrow arrangement not be established with any bank, trustee or legal counsel acknowledged by both the Seller and the Purchaser due to circumstances caused by the Purchaser, the Purchaser shall pay the Compensation Balance Payment directly to the Seller.
- (iii) The Purchaser shall release the Compensation Balance Payment from the Compensation Escrow Account in the following manner:
 - (a) The Purchaser shall within five business days after the date of registration of the transfer of the Property and when the Purchaser obtains the Property certificates which belong to the Purchaser inform the Compensation Escrow Bank in writing to release the Compensation Balance Payment to the Seller. In such event, the Seller is also entitled to request that the Compensation Escrow Bank release the Compensation Balance Payment to the Seller, by providing notice of the registration of the transfer of the Property issued by the China Land and Resources Bureau, PRC, or the enquiry result reflecting the registration of the transfer of the Property.
 - (b) In the event that the registration of the transfer of the Property cannot be completed within 18 months from the date of the Compensation Agreement due to circumstances caused by the Purchaser, and the Seller and the Purchaser cannot agree on the terms of termination of the Compensation Agreement, the Purchaser shall inform the Compensation Escrow Bank in writing within 30 business days to release the Compensation Balance Payment to the Seller, and the Seller shall assist the Purchaser in continuing with the registration of transfer of the Property. In such event, the Seller may also demand that the Compensation Escrow Bank release the Compensation Balance Payment to the Seller, upon presentation of the original signed Compensation Agreement. In the event the Compensation Escrow Bank declines to release the Compensation Balance Payment or the Purchaser does not provide its co-operation for the release of the Compensation Balance Payment, the Purchaser shall immediately pay the Compensation Balance Payment to the Seller, subject to a late payment surcharge of 0.04 per cent. of the Compensation Balance Payment per day for each day of delay in payment.
- (iv) Any associated taxes on the Compensation (including but not limited to value added tax, and in the event the Compensation is deemed to be part of the Consideration for the sale and purchase of the Property, such land value added tax/land appreciation tax, stamp duty, deed tax and any other taxes arising therefrom) shall be borne solely by the Purchaser. The Purchaser shall, within three business days, reimburse the Seller for any amount of such tax paid on the Purchaser's behalf by the Seller.

- (v) Corporate income tax shall be borne by the Seller itself. If the Purchaser requires the Seller to issue an invoice in relation to the above-mentioned fees, the related taxes shall be borne by the Purchaser.

3.8 Termination and Deemed Completion of the Agreements

- (i) The Disposal Agreement and / or the Compensation Agreement may be terminated in the following manner:
 - (a) Upon full payment of the Deposit by the Purchaser to GPHC, the Seller shall not unilaterally terminate the Disposal Agreement or the Compensation Agreement respectively (other than due to default by the Purchaser), transfer the Property to any other party by reason of changes in market conditions etc., or deliberately delay the registration of the transfer of the Property unless the Seller pays the Purchaser a compensation amount equivalent to two times of the aggregate amount of the Consideration and Compensation.
 - (b) Upon full payment of the Deposit by the Purchaser to GPHC, should the Purchaser fail to pay the Compensation and other fees and taxes payable by it within 60 days of the relevant deadline, the Seller may unilaterally terminate the Compensation Agreement and forfeit the Deposit and the Compensation Deposit or request the Purchaser to continue to perform its obligations under the Compensation Agreement with payment of a penalty amounting to 10 per cent. of the Compensation.
- (ii) Each of the Early Handover Agreement and Compensation Agreement will be automatically terminated upon the termination of the Disposal Agreement.

3.9 Automatic Voiding of the Disposal Agreement.

- (i) If the Property is expropriated, seized or demolished by the PRC government prior to the registration of the transfer of the Property, the Disposal Agreement shall be voided automatically and the Seller shall refund that part of the Consideration which has already been paid to the Seller, together with accrued interest at the rate of 7.2 per cent. per annum from the date of receipt of such sums, to the Purchaser, and assist in arranging for the Escrow Bank to release the Balance Payment from the Escrow Account to the Purchaser. Any compensation received from the PRC government shall belong to the Seller. The Seller and the Purchaser shall jointly recover any taxes and other costs which have already been paid to the governmental departments. The Seller shall forward any refunds received from the PRC government, in respect of expenses incurred during the process of registration of the transfer of the Property which has been paid by the Purchaser, to the Purchaser.
- (ii) If:
 - (a) the Disposal Agreement cannot be executed due to force majeure, changes in government policy or circumstances not caused by the Seller nor the Purchaser, the Disposal Agreement shall be voided automatically and neither the Seller nor the Purchaser shall be deemed to have breached the Disposal Agreement. The Seller shall refund that part of the Consideration which has

already been paid to the Purchaser together with accrued interest at the rate of 7.2 per cent. per annum from the actual date of receipt of such sums, within 30 business days after receiving a notice of payment from the Purchaser, and assist in arranging for the refund of the Balance Payment by the Escrow Bank to the Purchaser; or

- (b) the registration of the transfer of the Property cannot be completed within nine months from the date of the Disposal Agreement, and the Seller and the Purchaser cannot agree on a solution, the Disposal Agreement shall be voided automatically and neither the Seller nor the Purchaser shall be deemed to have breached the Disposal Agreement. The Seller shall refund that part of the Consideration which has already been paid to the Purchaser together with accrued interest at the rate of 7.2 per cent. per annum from the actual date of receipt of such sums, and assist in arranging for the refund of the Balance Payment by the Escrow Bank to the Purchaser,

and the Seller and the Purchaser shall jointly recover any taxes and other costs which have already been paid to the governmental departments. The Purchaser shall bear the expenses already incurred during the process of registration of the transfer of the Property.

3.10 Liquidated Damages and Penalties.

- (i) If the Seller fails to:
 - (a) process the transfer of the Property promptly as set out in the Disposal Agreement or upon notification by the Purchaser or the relevant government agency or due to circumstances caused by the Seller; or
 - (b) provide information required for the transfer and handover of the Property or vacate and handover the Property in accordance with the terms of the Disposal Agreement,

within 30 business days of the stipulated deadline, the Seller shall pay a penalty to the Purchaser at a rate of 0.04 per cent. per day on the aggregate sum of (i) the amount of Consideration actually received by the Seller, (ii) the amount of Compensation actually received by the Seller, (iii) the amount of Balance Payment deposited into the Escrow Account by the Purchaser and (iv) the amount of Compensation Balance Payment deposited into the Compensation Escrow Account by the Purchaser, for each day of delay.

- (ii) If the Seller fails to:
 - (a) process the transfer of the Property promptly as set out in the Disposal Agreement or upon notification by the Purchaser or the relevant government agency or due to circumstances caused by the Seller; or
 - (b) provide information required for the transfer and handover of the Property or vacate and handover the Property in accordance with the terms of the Disposal Agreement,

within 60 business days of the stipulated deadline, the Purchaser is entitled to terminate the Disposal Agreement unilaterally. In the event of such termination, the Seller shall:

- (I) immediately refund the part of the Consideration which has already been paid by the Purchaser to the Seller;
- (II) procure that the Escrow Bank releases the Balance Payment, and related interest, back to the Purchaser; and
- (III) pay liquidated damages equal to 10 per cent. of the Consideration.

Alternatively, the Purchaser is entitled to require the Seller to pay liquidated damages equal to 10 per cent. of the Consideration and continue performing its obligations under the Disposal Agreement.

- (iii) If the Purchaser fails to pay the Consideration and other fees and taxes payable by it within 30 business days after the stipulated deadline for payment, the Purchaser shall be deemed to be in breach of the Disposal Agreement and shall pay a late payment surcharge to the Seller at a rate of 0.04 per cent. of the total overdue amount payable per day. If the Purchaser fails to pay the Consideration and other fees and taxes payable by it within 60 business days after the stipulated deadline for payment, the Seller is entitled to unilaterally terminate the Disposal Agreement at its discretion, or request the Purchaser to pay liquidated damages amounting to 10 per cent. of the Consideration and continue to perform its obligations under the Disposal Agreement.
- (iv) If the Seller fails to refund the part of the Consideration paid to the Seller pursuant to the Disposal Agreement, or does not promptly provide the necessary assistance in arranging for the release of the Balance Payment from the Escrow Account according to the request of the Purchaser or the Escrow Bank, in addition to the liquidated damages, the Seller shall pay a penalty to the Purchaser at a rate of 0.04 per cent. per day on the aggregate sum of (a) the amount of Consideration actually received by the Seller and (b) the amount of Balance Payment deposited into the Escrow Account by the Purchaser for each day of delay, until the Purchaser receives the refund of the part of the Consideration paid to the Seller and the Balance Payment.
- (v) If the Seller fails to refund the part of the Compensation paid to the Seller pursuant to the Compensation Agreement, or does not promptly provide the necessary assistance in arranging for the release of the Compensation Balance Payment from the Compensation Escrow Account according to the request of the Purchaser or the Compensation Escrow Bank, in addition to the liquidated damages, the Seller shall pay a penalty to the Purchaser at a rate of 0.04 per cent. per day on the aggregate sum of (a) the amount of Compensation actually received by the Seller and (b) the amount of Compensation Balance Payment deposited into the Compensation Escrow Account by the Purchaser, for each day of delay, until the Purchaser receives the refund of the part of the Compensation paid to the Seller and the Compensation Balance Payment.

- 3.11 **Guarantee of the Purchaser's Payment Obligations.** The Guarantor, as the Purchaser's guarantor, agrees to guarantee the payment of the Consideration, relevant taxes, penalties and liquidated damages by the Purchaser under the Disposal Agreement and all payment obligations under the Early Handover Agreement and the Compensation Agreement (the "**Guarantee**").

The Guarantee will remain in force from the effective date of the Disposal Agreement to 180 business days after the date on which the Purchaser is required to fully pay the Consideration, late payment surcharge or penalty to the Seller. In the event that the Purchaser fails to make such payment to the Seller in accordance with the Disposal Agreement, the Guarantor shall make such payment on behalf of the Purchaser to the Seller within five business days upon receipt of written notice from the Seller.

4 **RATIONALE AND USE OF PROCEEDS**

- 4.1 **Rationale.** The operations of GPHC have increased substantially in the past 10 years. The existing floor area and the original design of the factory limits the expansion of production capacity. To cope with increasing production capacity and the future growth of GPHC, the management is looking for a new site to build a new factory. The residential urbanization of the industrial zone in Huizhou gives an opportunity to GPHC to realize the value of the Property. Proceeds from the Proposed Disposal can finance the land and construction costs of the new factory.

- 4.2 **Use of Proceeds.** The Group intends to use the net proceeds from the Proposed Disposal for investment in new manufacturing facilities, financing the land and construction costs of the proposed new factory, as well as for general working capital purposes, including the repayment of bank loans. The Group intends to use the Compensation to pay the costs and expenses to be incurred in relocating the activities of the Seller.

5 **FINANCIAL EFFECTS**

- 5.1 **Bases and Assumptions.** The pro forma financial effects of the Proposed Disposal, Rent Free Leaseback and Compensation (collectively, the "**Disposal Transactions**") have been prepared based on the unaudited consolidated financial statements of the Group for FY2018 and are purely **for illustrative purposes only and do not reflect the future actual financial position of the Group following completion of the Disposal Transactions**. The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

- (i) the Disposal Transactions had been effected on 31 March 2018, being the end of the most recently completed financial year of the Group, for illustrating the financial effects on the consolidated net tangible assets (the "**NTA**") of the Group;
- (ii) the Disposal Transactions had been effected on 1 April 2017, 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;
- (iii) GPHC would occupy the Property for the entire Rent Free Leaseback Period and therefore would not be entitled to the Early Removal and Compensation Incentive; and

- (iv) the Compensation payable is an approximation of the relocation expenses that will be incurred by GPHC.

5.2 **NTA.** For illustrative purposes only and assuming that the Disposal Transactions had been completed on 31 March 2018, the pro forma financial effects of the Disposal Transactions on the consolidated NTA of the Group as at 31 March 2018 are as follows:

	Before the Disposal Transactions	After the Disposal Transactions
NTA (S\$ million)	361.5	394.0
Number of issued shares in the capital of the Company (“ Shares ”)	484,469,182	484,469,182
NTA per Share (Singapore cents)	74.62	81.33

5.3 **Earnings per Share.** For illustrative purposes only and assuming that the Disposal Transactions had been completed on 1 April 2017, the pro forma financial effects of the Disposal Transactions on the consolidated earnings of the Group for FY2018 are as follows:

	Before the Disposal Transactions	After the Disposal Transactions
Profit after tax and minority interests (S\$ million)	23.2	48.7
Number of issued Shares	484,469,182	484,469,182
Earnings per Share (Singapore cents)	4.79	10.04

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

6 MAJOR TRANSACTION

6.1 **Rule 1006.** The relative figures for the Disposal Transactions 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	Disposal Transactions (S\$' million)	The Group (S\$' million)	Relative Figures (%)
(a)	NAV attributable to the Disposal Transactions ⁽¹⁾ compared with the Group's NAV ⁽¹⁾	25.5	462.1	5.5
(b)	Net profits attributable to the Disposal Transactions ⁽¹⁾⁽³⁾ compared with the Group's net profits ⁽¹⁾⁽²⁾	-	56.9	0.1
(c)	Consideration ⁽⁴⁾ compared with the Company's market capitalisation ⁽⁵⁾	91.9	341.6	26.9

Notes:

(1) Based on the FY2018 Results.

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

(3) Other than the rental income of approximately S\$38,000 attributable to the Property for FY2018, there are no net profits attributable to the Property as it is currently used by the Group as a factory and a warehouse for the manufacturing of acoustic and electronic products and a dormitory for its employees.

(4) Comprises the Consideration, the Compensation and the Rent Free Value.

(5) The Company's market capitalisation is based upon 484,469,182 issued Shares (excluding treasury shares) as at 27 June 2018, being the last market day preceding the date of the Disposal Agreement on which Shares were traded on the Singapore Exchange Securities Trading Limited, at a volume weighted average price of S\$0.7050 for each Share.

6.2 **Major Transaction.** As the relative figure under Rule 1006(c) above exceeds 20 per cent., the Disposal Transactions constitute a major transaction for the Company as defined in Chapter 10 of the Listing Manual. Accordingly, the same is subject to the approval of the shareholders of the Company (the "**Shareholders**").

6.3 **Extraordinary General Meeting.** A circular to Shareholders (the "**Circular**") setting out information on the Disposal Transactions, together with a notice of the extraordinary general meeting to be convened, will be despatched to Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their shares in the Company which may be prejudicial to their interests until they or their advisers have considered the information and the recommendations to be set out in the Circular.

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 Disposal Transactions. 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 Disposal Transactions.
- 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 Early Handover Agreement;
 - (iii) the Compensation Agreement; and
 - (iv) the Valuation Report.

By Order of the Board

Kelly Kiar Lee Noi
Company Secretary
4 July 2018