

CIRCULAR DATED 23 AUGUST 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, tax adviser, solicitor or other professional adviser immediately.

If you have sold or transferred all of your shares in the capital of GP Industries Limited, you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



GP Industries Limited

(Incorporated in the Republic of Singapore)

Co. Reg. No. 199502128C

CIRCULAR TO SHAREHOLDERS

in relation to the

PROPOSED DISPOSAL OF LAND AND BUILDINGS LOCATED IN HUIZHOU, PRC

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form : 5 September 2018 at 10.00 a.m.

Date and time of Extraordinary General Meeting : 7 September 2018 at 10.00 a.m.

Place of Extraordinary General Meeting : Marina Mandarin Singapore, Capricorn, Level 1,
6 Raffles Boulevard, Marina Square, Singapore
039594

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DEFINITIONS

In this Circular, the following definitions apply throughout except where the context otherwise requires or as otherwise stated:

“Act”	:	The Companies Act, Chapter 50 of Singapore
“Announcement”	:	The announcement dated 4 July 2018 by the Company in relation to the Disposal Transactions
“Balance Payment”	:	RMB132.9 million (approximately S\$27.7 million) to be paid by the Purchaser into the Escrow Account
“Board”	:	The board of Directors of the Company
“CDP”	:	The Central Depository (Pte) Limited
“Company”	:	GP Industries Limited
“Compensation”	:	RMB110.0 million (approximately S\$23.0 million) to be paid by the Purchaser to GPHC as compensation for costs and losses to be incurred by GPHC in relocating its operations from the Property to a new site
“Compensation Agreement”	:	The second supplementary agreement to the Disposal Agreement dated 28 June 2018 relating to <i>inter alia</i> , the Compensation Arrangement
“Compensation Arrangement”	:	The payment of the Compensation by the Purchaser to GPHC pursuant to the Compensation Agreement
“Compensation Balance Payment”	:	RMB77.0 million (approximately S\$16.1 million) to be paid by the Purchaser into the Compensation Escrow Account
“Compensation Deposit”	:	RMB33.0 million (approximately S\$6.9 million) to be paid by the Purchaser to GPHC as a deposit within 10 business days of the date of the Compensation Agreement
“Compensation Escrow Account”	:	An escrow account designated by the Seller, maintained with the Compensation Escrow Bank and to be opened by the Purchaser for payment of the Compensation Balance Payment
“Compensation Escrow Bank”	:	The bank maintaining the Compensation Escrow Account
“Conditions”	:	The conditions precedent to which the completion of the Proposed Disposal is subject
“Consideration”	:	Collectively, the Disposal Consideration, the Rent Free Value and the Compensation
“Deposit”	:	Collectively, the First Deposit, the Second Deposit and the deposit of approximately RMB53.2 million (approximately S\$11.1 million) to be paid by the Purchaser to GPHC within three months from the date of signing of the Disposal Agreement
“Directors”	:	The directors of the Company as at the Latest Practicable Date

DEFINITIONS

“Disposal Agreement”	:	The sale and purchase agreement dated 28 June 2018 entered into between GPHC, the Purchaser and the Guarantor in connection with the disposal of the Property
“Disposal Consideration”	:	The cash consideration to be paid by the Purchaser to GPHC for the Proposed Disposal pursuant to the Disposal Agreement, being RMB265,752,000 (approximately S\$55.5 million)
“Disposal Transactions”	:	Collectively, the Proposed Disposal, Rent Free Leaseback and Compensation Arrangement
“Early Handover Agreement”	:	The first supplementary agreement to the Disposal Agreement dated 28 June 2018 in relation to the early handover of the Property by GPHC during the Rent Free Leaseback Period
“Early Removal Compensation and Incentive”	:	The compensation and incentive to be paid by the Purchaser to GPHC if GPHC moves out of and hands over the Property before the expiry of the Rent Free Leaseback Period
“EGM”	:	The extraordinary general meeting of the Company to be held on 7 September 2018 at 10.00 a.m. (and any adjournment thereof), notice of which is given on pages 21 and 22 of this Circular
“Escrow Account”	:	An escrow account designated by the Seller, maintained with the Escrow Bank and to be opened by the Purchaser for payment of the Balance Payment
“Escrow Bank”	:	The bank maintaining the Escrow Account
“First Deposit”	:	The deposit of RMB20.0 million (approximately S\$4.2 million) to be paid by the Purchaser to the Seller within two business days from the date of signing of the Disposal Agreement
“FY2018”	:	The financial year ended 31 March 2018
“FY2018 Results”	:	The audited consolidated financial statements of the Group for FY2018
“Gold Peak”	:	Gold Peak Industries (Holdings) Limited, the ultimate holding company of the Company
“GPHC” or “Seller”	:	惠州市金山电子有限公司 (GP Electronics (Huizhou) Co., Ltd.), a wholly-owned subsidiary of the Company
“Group”	:	The Company and its subsidiaries
“Guarantee”	:	The guarantee provided by the Guarantor guaranteeing the payment of the Disposal 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
“Guarantor”	:	广东省东莞机械进出口有限公司 (Guangdong Dongguan Machinery Import & Export Co., Ltd.)

DEFINITIONS

“Land”	:	Has the meaning ascribed to it in paragraph 1.1(i)
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 17 August 2018
“Listing Manual”	:	The Listing Manual of the SGX-ST
“Monthly Rate”	:	A monthly rate of approximately RMB1,073,000 (approximately S\$224,000)
“NAV”	:	Net asset value
“Notice”	:	The notice of EGM, set out in pages 21 and 22 of this Circular
“NTA”	:	Net tangible assets
“Ordinary Resolution”	:	The ordinary resolution relating to the Disposal Transactions to be proposed at the EGM, notice of which is given on pages 21 and 22 of this Circular
“PRC”	:	The People’s Republic of China
“Property”	:	Has the meaning ascribed to it in paragraph 1.1
“Proposed Disposal”	:	The proposed sale of the Property by GPHC to the Purchaser under the terms of the Disposal Agreement
“Purchaser”	:	惠州市晟鸿实业有限公司 (Huizhou Cheng Hong Industrial Co., Ltd.)
“Rent Free Leaseback”	:	The right of the Seller to use the Property at no charge during the Rent Free Leaseback Period
“Rent Free Leaseback Period”	:	A 60-month period from the date of payment of the Balance Payment into the Escrow Account where the Purchaser shall allow GPHC to use the Property at no charge
“Rent Free Value”	:	The aggregate value of free rent attributable to the Rent Free Leaseback Period, being approximately RMB64.4 million (approximately S\$13.4 million) 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
“Second Deposit”	:	The deposit of approximately RMB59.7 million (approximately S\$12.5 million) to be paid by the Purchaser to the Seller within 10 business days from the date of signing of the Disposal Agreement
“Securities Account”	:	A securities account maintained by a Depositor with CDP but not including a securities sub-account
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

DEFINITIONS

“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Valuation Report”	:	The results of the study on and valuation of the Property conducted by the independent valuer commissioned by Gold Peak (being the Company’s ultimate holding company)
“per cent.” or “%”	:	Per centum or percentage
“HK\$”	:	The lawful currency for the time being of the Hong Kong Special Administrative Region of the PRC
“RMB”	:	The lawful currency for the time being of the PRC
“S\$”	:	The lawful currency for the time being of the Republic of Singapore

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of Singapore-based investors, may not have been registered with the relevant PRC authority and should not be construed as representations that the English names actually represent the Chinese characters.

The terms “**Depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The terms “**associate**” and “**controlling shareholder**” shall have the meanings ascribed to them respectively in the Listing Manual.

The term “**subsidiaries**” shall have the meaning ascribed to it in Section 5 of the Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons, where applicable, shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date unless otherwise stated.

An exchange rate of S\$1 = RMB4.7892 was used in this Circular for converting RMB into S\$. The said exchange rate is for reference only. No representation is made by the Company that any amount in RMB has been, could have been or could be converted at the afore-mentioned rate or at any other rates or at all.

LETTER TO SHAREHOLDERS

GP INDUSTRIES LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number 199502128C

Directors:

Executive

Victor Lo Chung Wing, Chairman and Chief Executive Officer
Leung Pak Chuen, Executive Vice Chairman
Brian Li Yiu Cheung, Executive Vice President
Wong Man Kit, Chief Financial Officer
Lam Hin Lap

Independent Non-executive

Lim Ah Doo, Lead Independent Director
Lim Hock Beng
Allan Choy Kam Wing
Lim Jiew Keng
Goh Boon Seong

Registered Office:

3 Fusionopolis Link
#06-11
Nexus @one-north
Singapore 138543

23 August 2018

To: The Shareholders of GP Industries Limited

Dear Sir / Madam

PROPOSED DISPOSAL OF LAND AND BUILDINGS LOCATED IN HUIZHOU, PRC

1. INTRODUCTION

1.1 **Announcement.** On 4 July 2018, the Board announced that the Company's wholly-owned subsidiary, 惠州市金山电子有限公司 (GP Electronics (Huizhou) Co., Ltd.) ("**GPHC**" or the "**Seller**"), had 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 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;

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- (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 to GPHC.

- 1.2 **First Supplementary Agreement – Early Handover Agreement.** Pursuant to the first supplementary agreement to the Disposal Agreement dated 28 June 2018 (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 and the lease of the Property by GPHC from the Purchaser after the expiry of the Rent Free Leaseback Period. Further details in relation to the Early Handover Agreement may be found in **paragraphs 3.5(ii) and 3.9(ii)** below.
- 1.3 **Second Supplementary Agreement – Compensation Agreement.** Pursuant to the second supplementary agreement to the Disposal Agreement dated 28 June 2018 (the “**Compensation Agreement**”), the Purchaser has agreed to pay GPHC RMB110.0 million (approximately S\$23.0 million) (the “**Compensation**”) as compensation for costs and losses to be incurred by GPHC in relocating its operations from the Property to a new site (the “**Compensation Arrangement**”). Further details in relation to the Compensation Agreement may be found in **paragraphs 3.7, 3.9 and 3.11(v)** below.
- 1.4 **Completion.** Completion of the Proposed Disposal is subject to and conditional upon the satisfaction of various conditions precedent (the “**Conditions**”), including the approval of Shareholders for the Proposed Disposal.
- 1.5 **Major Transaction.** The relative figures for the Proposed Disposal, Rent Free Leaseback and Compensation Arrangement (collectively, the “**Disposal Transactions**”) computed on the applicable bases set out in Rule 1006 of 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	460.4	5.5
(b)	Net profits attributable to the Disposal Transactions ⁽¹⁾⁽³⁾ compared with the Group’s net profits ⁽¹⁾⁽²⁾	0.04	56.9	0.1

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Rule 1006	Bases	Disposal Transactions (\$ million)	The Group (\$ million)	Relative Figures (%)
(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 Disposal Consideration, the Rent Free Value and the Compensation.

(5) The Company's market capitalisation is based upon 484,469,182 issued Shares (excluding treasury shares and subsidiary holdings) as at 27 June 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\$0.7050 for each Share.

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.

1.6 **Circular.** The purpose of this Circular is to provide Shareholders with relevant information relating to the Disposal Transactions, including the rationale and the pro forma financial effects of the Disposal Transactions on the Group, and to seek Shareholders' approval for the ordinary resolution relating to the Disposal Transactions to be proposed at the EGM, notice of which is set out in pages 21 and 22 of this Circular (the “**Ordinary Resolution**”).

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. The Purchaser and the Guarantor, as well as their respective ultimate beneficial owners, are not related to the Company, its subsidiaries or the Company's controlling shareholders, Directors or their associates. To the best of the Directors' knowledge, information and belief, the Purchaser and the Guarantor are business partners, and they each have different and independent shareholders, directors and management structures.

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 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 FY2018 Results, the NAV of the Property is approximately S\$25.5 million.

Based on the Disposal Consideration, the Rent Free Value and the Compensation, the excess of the proceeds from the Disposal Transactions over the NAV of the Property as at 31 March 2018 is approximately S\$66.4 million.

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- 2.5 **Market Value.** Gold Peak (being the Company's ultimate holding company) has commissioned 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 approximately HK\$219,000 (approximately S\$38,000)¹ attributable to the Property for FY2018, there are no net profits attributable to the Property as it is mainly used as a factory and a warehouse 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 Disposal Consideration, the Rent Free Value and the Compensation (assuming that the value of the Compensation approximates the costs and expenses that will be incurred by GPHC in relocating its operations from the Property), is approximately S\$43.4 million before tax and approximately S\$32.6 million after tax².
- 3 **PRINCIPAL TERMS OF THE PROPOSED DISPOSAL, RENT FREE LEASEBACK AND COMPENSATION ARRANGEMENT**
- 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.
- 3.2 **Aggregate Consideration.** The aggregate consideration for the Disposal Transactions (the "**Consideration**") is approximately RMB440.2 million (approximately S\$91.9 million) and is comprised of three components:
- (i) The Disposal Consideration of RMB265,752,000 (approximately S\$55.5 million) to be paid by the Purchaser to GPHC for the Proposed Disposal. Further details in relation to the Disposal Consideration are set out in **paragraphs 3.3 and 3.4**.
 - (ii) The Rent Free Value of approximately RMB64.4 million (approximately S\$13.4 million) which is attributable to the Rent Free Leaseback. Further details in relation to the Rent Free Value and Rent Free Leaseback are set out in **paragraph 3.5**.
 - (iii) The Compensation of RMB110.0 million (approximately S\$23.0 million) to be paid by the Purchaser to GPHC pursuant to the Compensation Arrangement. Further details in relation to the Compensation Arrangement are set out in **paragraph 3.7**.
- 3.3 **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 "**Disposal Consideration**") is RMB265,752,000 (approximately S\$55.5 million).
- 3.4 **Payment of Disposal Consideration by the Purchaser.** The Disposal 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 the Seller as a deposit (the "**First Deposit**") within two business days from the date of signing of the Disposal Agreement.

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

² The estimated gain on disposal figures in this **paragraph 2.6** differ from the profit figures in **paragraph 5.3** below because (i) the **paragraph 2.6** figures are based on the assumption that the Disposal Transactions had been completed on 31 March 2018 (being the end of the most recently completed financial year of the Group), while the **paragraph 5.3** figures are based on the assumption that the Disposal Transactions had been completed on 1 April 2017 (being the beginning of the most recently completed financial year of the Group), as required under Rule 1010(9) of the Listing Manual, (ii) the **paragraph 2.6** figures are based on an exchange rate of S\$1 = RMB4.7892 while the **paragraph 5.3** figures are based on the exchange rates used in preparation of the Group's audited consolidated financial statements for FY2018 and (iii) GPHC only became a wholly-owned subsidiary of the Company with effect from 31 December 2017 and the **paragraph 2.6** figures thus do not include the share of gain from the Disposal Transactions by the minority interests.

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- (ii) The Purchaser shall pay approximately RMB59.7 million (approximately S\$12.5 million) to the Seller as a deposit (the **"Second Deposit"**) within 10 business days from the date of signing of the Disposal Agreement. Pursuant to the terms of the Disposal Agreement, the Purchaser has, on 29 June 2018, paid the First Deposit and on, 10 July 2018, paid the Second Deposit to the Seller.
- (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 the Seller 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 Disposal 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 of the Disposal Agreement and the Purchaser shall immediately pay the Balance Payment to the Seller, with a 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 Disposal 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 Disposal Consideration was arrived at on a willing buyer willing seller basis after taking into account, *inter alia*, the rationale for the Proposed Disposal (as set out in **paragraph 4.1** of this Circular), the Valuation Report, the Compensation, the Rent Free Value, recently transacted prices of the properties around the vicinity of the Property and offers received by the Seller for the Property.

LETTER TO SHAREHOLDERS

3.5 **Rent Free Leaseback by the Seller.** The Purchaser shall allow the Seller 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 Disposal Consideration.

- (ii) The Seller 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 the Seller 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 the Seller 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 the Seller 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 the Seller 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 are 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.

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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 Early Removal Compensation and Incentive were purely a discretionary offer made by the Purchaser to encourage the Seller 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 the Seller as a deposit (the **"Compensation Deposit"**) within 10 business days of the date of the Compensation Agreement. Pursuant to the terms of the Compensation Agreement, the Purchaser has, on 11 July 2018, paid the Compensation Deposit to GPHC.
 - (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 the Seller as an escrow account (the **"Compensation Escrow Account"**) and maintained with a bank (the **"Compensation Escrow Bank"**) and enter into an escrow arrangement with the Seller 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

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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 Disposal 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.
- (vi) The Compensation was 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 (a) severance payments payable to employees that will be terminated due to the relocation; (b) costs of disassembling, transporting and reassembling machineries and equipment; and (c) 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.

3.8 **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 (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.

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

- (I) the Condition set out in **paragraph 3.8(i)**, the Purchaser shall provide written notice to the Seller of the satisfaction of such Condition; and
- (II) the Conditions set out in **paragraph 3.8(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 3.8(i)** above, the Purchaser shall not be deemed to be in breach of the Disposal Agreement and the Seller shall refund the amount of the Deposit that has been received by the Seller to the Purchaser together with interest (computed based on an annual interest rate of 7.2 per cent. from

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the actual date of receipt by the Seller of the monies). In the event the Seller causes the non-satisfaction of the Conditions set out in **paragraph 3.8(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 amount of the Deposit that has been received by the Seller to the Purchaser.

In respect of the Condition set out in **paragraph 3.8(i)**, the approval of the shareholders and the board of directors of the Purchaser were both obtained on 29 June 2018. Accordingly, the Condition set out in **paragraph 3.8(i)** has been satisfied.

As at the Latest Practicable Date, Gold Peak, the ultimate holding company of the Company, holds approximately 85.47 per cent. of the total number of issued Shares. On 15 August 2018, the shareholders of Gold Peak passed the necessary resolutions to approve the Proposed Disposal. A copy of the relevant announcement released by Gold Peak in relation to the said approval is available on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). Accordingly, the Condition set out in **paragraph 3.8(ii)(a)(B)** has been satisfied.

In respect of the Condition set out in **paragraph 3.8(ii)(a)(A)**, as the shareholders of Gold Peak passed the necessary resolutions to approve the Proposed Disposal on 15 August 2018, the Company expects Gold Peak to vote in favour of the Ordinary Resolution to be proposed at the EGM.

In respect of the Condition set out in **paragraph 3.8(ii)(b)**, as at the Latest Practicable Date, Gold Peak and the Company are in the process of obtaining the relevant consents from the banks.

3.9 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 the Seller, the Seller shall not unilaterally terminate each of the Disposal Agreement or the Compensation Agreement (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 Disposal Consideration and Compensation.
 - (b) Upon full payment of the Deposit by the Purchaser to the Seller, 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.

3.10 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 Disposal 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 relevant governmental departments. The Seller shall forward

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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 or 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 Disposal 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 Disposal 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 relevant governmental departments. The Purchaser shall bear the expenses already incurred during the process of registration of the transfer of the Property.

3.11 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 Disposal Consideration actually received by the Seller, (II) the amount of Compensation actually received by the Seller, (III) the amount of the Balance Payment deposited into the Escrow Account by the Purchaser and (IV) the amount of the 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:

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- (I) immediately refund the part of the Disposal 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 Disposal Consideration.

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

- (iii) If the Purchaser fails to pay the Disposal 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 Disposal 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 Disposal Consideration and continue to perform its obligations under the Disposal Agreement.
- (iv) If the Seller fails to refund the part of the Disposal 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 Disposal 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 Disposal 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.

3.12 Guarantee of the Purchaser's Payment Obligations. The Guarantor, as the Purchaser's guarantor, agrees to guarantee the payment of the Disposal 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 until 180 business days after the date on which the Purchaser is required to fully pay the Disposal 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.

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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 Disposal Transactions have been prepared based on the FY2018 Results 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 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 Compensation and 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)	359.8	392.3
Number of issued Shares	484,469,182	484,469,182
NTA per Share (Singapore cents)	74.27	80.98

- 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:

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	Before the Disposal Transactions	After the Disposal Transactions
Profit after tax and minority interests (S\$ million)	23.2	48.7 ³
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 MATERIAL LITIGATION

As at the Latest Practicable Date, the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which, in the opinion of the Directors, might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

7 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save in respect of their respective shareholdings in the Company as disclosed in this **paragraph 7**, none of the Directors, controlling shareholders and associates of such Directors and controlling shareholders has any interest, direct or indirect, in the Disposal Transactions or any transaction ancillary to the Disposal Transactions. Based on the Company's Register of Directors' Shareholdings and Register of Substantial Shareholders, the interests of the Directors and the controlling shareholders in the Shares as at the Latest Practicable Date were as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Directors				
Victor Lo Chung Wing ⁽¹⁾	300,000	0.06	414,098,443	85.47
Leung Pak Chuen ⁽²⁾	1,608,000	0.33	-	-
Brian Li Yiu Cheung ⁽³⁾	1,465,000	0.30	-	-
Wong Man Kit ⁽⁴⁾	72,000	0.01	-	-
Lam Hin Lap	-	-	-	-
Lim Ah Doo	300,000	0.06	-	-
Lim Hock Beng	214,000	0.04	-	-
Allan Choy Kam Wing	-	-	-	-
Lim Jiew Keng	-	-	-	-
Goh Boon Seong	-	-	-	-
Controlling Shareholders				
Gold Peak	414,098,443	85.47	-	-
Victor Lo Chung Wing ⁽¹⁾	300,000	0.06	414,098,443	85.47

³ The estimated gain on disposal figures in **paragraph 2.6** above differ from the profit figures in this **paragraph 5.3** because (i) the **paragraph 2.6** figures are based on the assumption that the Disposal Transactions had been completed on 31 March 2018 (being the end of the most recently completed financial year of the Group), while the **paragraph 5.3** figures are based on the assumption that the Disposal Transactions had been completed on 1 April 2017 (being the beginning of the most recently completed financial year of the Group), as required under Rule 1010(9) of the Listing Manual, (ii) the **paragraph 2.6** figures are based on an exchange rate of S\$1 = RMB4.7892 while the **paragraph 5.3** figures are based on the exchange rates used in preparation of the Group's audited consolidated financial statements for FY2018 and (iii) GPHC only became a wholly-owned subsidiary of the Company with effect from 31 December 2017 and the **paragraph 2.6** figures thus do not include the share of gain from the Disposal Transactions by the minority interests.

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Notes:

- (1) Mr Victor Lo Chung Wing is the chairman, chief executive and an executive director of Gold Peak. His deemed interest in 414,098,443 issued Shares arises pursuant to his interest in 172,485,888 shares in the capital of Gold Peak, representing 21.98 per cent. of the issued capital of Gold Peak, and Gold Peak's direct interest in 414,098,443 issued Shares.
- (2) Mr Leung Pak Chuen is the deputy chief executive and an executive director of Gold Peak and is interested in 4,575,114 shares in the capital of Gold Peak representing 0.58 per cent. of the issued capital of Gold Peak.
- (3) Mr Brian Li Yiu Cheung is an executive director of Gold Peak and is interested in 300,000 shares in the capital of Gold Peak representing 0.04 per cent. of the issued capital of Gold Peak.
- (4) Mr Wong Man Kit is an executive director of Gold Peak, the senior vice president & general manager and company secretary of Gold Peak and is interested in 150,012 shares in the capital of Gold Peak representing 0.02 per cent. of the issued capital of Gold Peak.

8 DIRECTORS' RECOMMENDATION

Having considered the terms of and the financial effects and rationale for the Disposal Transactions, the Directors are of the opinion that the Disposal Transactions are in the interests of the Company and Shareholders. Accordingly, the Directors recommend that Shareholders vote in favour of the Ordinary Resolution relating to the Disposal Transactions (set out in the notice of EGM on pages 21 and 22 of this Circular) to be proposed at the EGM to be held on 7 September 2018 at 10.00 a.m.

9 EXTRAORDINARY GENERAL MEETING

The EGM, notice (the "**Notice**") of which is set out in pages 21 and 22 of this Circular, will be held at 10.00 a.m. on 7 September 2018 at Marina Mandarin Singapore, Capricorn, Level 1, 6 Raffles Boulevard, Marina Square, Singapore 039594 for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution set out in the Notice.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at 72 hours before the EGM.

10 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders will find enclosed with this Circular, the Notice and a Proxy Form. If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 3 Fusionopolis Link, #06-11 Nexus @one-north, Singapore 138543, not later than 10.00 a.m. on 5 September 2018. Completion and return of a Proxy Form by a Shareholder will not prevent him from attending and voting in person at the EGM if he so wishes.

11 DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company or the Seller in connection with the Disposal Transactions. Accordingly, no service contract is proposed to be entered into between the Company or the Seller, on the one hand and any such person, on the other hand.

LETTER TO SHAREHOLDERS

12 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Disposal Transactions and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

13 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company during normal business hours from the date hereof up to and including the date of the EGM:

- (a) the Disposal Agreement, the Early Handover Agreement and the Compensation Agreement;
- (b) the Constitution of the Company;
- (c) the annual reports of the Company for the financial years ended 31 March 2016, 2017 and 2018; and
- (d) the Valuation Report.

Yours faithfully

For and on behalf of
the Board of Directors of
GP Industries Limited

Victor Lo Chung Wing
Chairman and Chief Executive Officer

NOTICE OF EXTRAORDINARY GENERAL MEETING



GP Industries Limited
(Incorporated in the Republic of Singapore)
Co. Reg. No. 199502128C

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of GP Industries Limited (the “**Company**”) will be held at 10.00 a.m. on 7 September 2018 at Marina Mandarin Singapore, Capricorn, Level 1, 6 Raffles Boulevard, Marina Square, Singapore 039594 for the purpose of considering and, if thought fit, passing with or without amendment, the following resolution which will be proposed as an Ordinary Resolution:

ORDINARY RESOLUTION

Approval for the Disposal of Land and Buildings in Huizhou, PRC

That:

- (i) the entry by the Company's wholly-owned subsidiary, 惠州市金山电子有限公司 (GP Electronics (Huizhou) Co., Ltd.) (“**GPHC**”) into:
 - (a) the sale and purchase agreement (the “**Disposal Agreement**”) dated 28 June 2018 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 relating to, *inter alia*, the proposed disposal of land and buildings in Huizhou, the People's Republic of China (the “**Property**”), held by GPHC to the Purchaser (the “**Proposed Disposal**”) and the rent free leaseback of the Property by GPHC from the Purchaser (the “**Rent Free Leaseback**”);
 - (b) the first supplementary agreement to the Disposal Agreement dated 28 June 2018 with the Purchaser and the Guarantor relating to, *inter alia*, the early handover of the Property during the Rent Free Leaseback period; and
 - (c) the second supplementary agreement to the Disposal Agreement dated 28 June 2018 with the Purchaser and the Guarantor relating to, *inter alia*, the payment of compensation for costs and losses to be incurred by GPHC in relocating its operations from the Property to a new site (the “**Compensation Arrangement**”),

(collectively, the “**Agreements**”) be approved, confirmed, ratified, and adopted;
- (ii) the Proposed Disposal, the Rent Free Leaseback and the Compensation Arrangement, and all other transactions contemplated by the Agreements, be and are hereby approved, in each case on the terms and conditions of the Agreements; and
- (iii) the Directors and each of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required under or pursuant to the Agreements and to make such amendments thereto as the Directors may consider necessary, desirable or expedient) in connection with the Proposed Disposal, the Rent Free Leaseback and the Compensation Arrangement and all other transactions contemplated by the Agreements as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to this Resolution as they or he may deem fit.

NOTICE OF EXTRAORDINARY GENERAL MEETING

By Order of the Board

Victor Lai Kuan Loong

Kelly Kiar Lee Noi

Company Secretaries

Singapore

23 August 2018

Notes:

1. (a) A Shareholder of the Company ("**Member**") who is not a relevant intermediary is entitled to appoint one or two proxies to attend and vote at the Extraordinary General Meeting (the "**EGM**"). Where such Member appoints two proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.
- (b) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member appoints more than one proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a Member of the Company.
3. The instrument appointing a proxy must be deposited at the registered office of the Company at 3 Fusionopolis Link, #06-11 Nexus @one-north, Singapore 138543 not less than forty-eight (48) hours before the time appointed for holding the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a Member of the Company (i) consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Member discloses the personal data of the Member's proxy(ies) and/or representative(s) to the Company (or its agents), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty.

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GP Industries Limited

(Incorporated in the Republic of Singapore)

Co. Reg. No. 199502128C

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Extraordinary General Meeting and vote (please see note 2 overleaf for the definition of "relevant intermediary").
2. For SRS investors who have used their SRS monies to buy the Company's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purpose if used or purported to be used by them. SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

PROXY FORM

(Please see notes overleaf before completing this Form)

EXTRAORDINARY GENERAL MEETING

I/We _____ (Name)

of _____ (Address)

being a Member/Members of GP Industries Limited (the "**Company**"), hereby appoint the following person(s):

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Extraordinary General Meeting ("**EGM**"), as my/our proxy/proxies to vote for me/us on my/our behalf at the EGM of the Company to be held at 10.00 a.m. on 7 September 2018 at Marina Mandarin Singapore, Capricorn, Level 1, 6 Raffles Boulevard, Marina Square, Singapore 039594 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution as set out in the Notice of EGM. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

Note: Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Otherwise, please indicate the number of votes as appropriate.

Ordinary Resolution	For	Against
Approval for the Disposal of Land and Buildings in Huizhou, PRC		

Dated this _____ day of _____ 2018.

Total Number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s) or Common Seal
of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289 of Singapore)), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2.
 - (a) A Member who is not a relevant intermediary entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. Where a Member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
 - (b) A Member who is a relevant intermediary entitled to attend and vote at a meeting of the Company is entitled to appoint more than two proxies to attend and vote instead of the Member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member appoints more than one proxy, the appointments shall be invalid unless the Member specifies the number and class of shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (i) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289 of Singapore) and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit or members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A proxy need not be a Member of the Company.
4. Completion and return of this instrument appointing a proxy shall not preclude a Member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Member attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3 Fusionopolis Link, #06-11 Nexus @one-north, Singapore 138543 not less than forty-eight (48) hours before the time appointed for the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act (Chapter 50 of Singapore).

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 23 August 2018.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

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