



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

ANNOUNCEMENT

PROPOSED DISPOSAL OF GP INDUSTRIES MARKETING LIMITED

1. INTRODUCTION

- 1.1 **Proposed Disposal.** The board of directors (the “**Board**”) of GP Industries Limited (the “**Company**”) wishes to announce that the Company has today entered into a sale and purchase agreement (the “**Disposal Agreement**”) with Time Interconnect Investment Limited (the “**Purchaser**”) pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase, the entire issued share capital of GP Industries Marketing Limited (金山工業貿易有限公司) (“**GPIM**”, and such sale and purchase, the “**Proposed Disposal**”).
- 1.2 **Completion of the Proposed Disposal.** Completion of the Proposed Disposal (“**Completion**”) is subject to and conditional upon the satisfaction of various conditions precedent, as set out in paragraph 3.2 below (the “**Conditions**”).
- 1.3 **Interested Person Transaction.** The Proposed Disposal constitutes an “interested person transaction” under Chapter 9 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), as explained in paragraph 4 below.

2. INFORMATION ON GPIM AND GPWT

- 2.1 **GPIM.** As at the date of this Announcement, GPIM is a wholly-owned subsidiary of the Company incorporated under the laws of the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”) with limited liability and its issued share capital comprises 1,300,000 ordinary shares and 800,000 non-voting deferred shares.
- 2.2 **GPWT.** As at the date of this Announcement, Huizhou GP Wiring Technology Ltd. (惠州金山线束科技有限公司) (“**GPWT**”) is a wholly-owned subsidiary of the Company incorporated under the laws of the People’s Republic of China (“**PRC**”) and has a registered and paid-up capital of US\$4,093,000. As a Condition of the Disposal Agreement, GPIM and GPWT shall undergo a reorganisation such that GPWT shall become a wholly-owned subsidiary of GPIM at Completion (the “**Reorganisation**”).
- 2.3 **Principal Activities of GPIM and GPWT.** GPIM is principally engaged in the marketing and trading of automotive wire harness products. GPWT is principally engaged in the manufacturing and trading of automotive wire harness products. Currently, the customers of both GPIM and GPWT are mainly manufacturers of automotive parts and components. GPIM and GPWT, together, comprise the automotive wire harness business of the Company and its subsidiaries (the “**Group**”, and such business, the “**Automotive Wire Harness Business**”).

2.4 **Financial Information of the Target Group.** Based on the unaudited financial statements of GPIM and GPWT (the “**Target Group**”) for the financial year ended 31 March 2021 (“**FY2021**”) and on a proforma basis:

- (i) the net asset value of the Target Group as at 31 March 2021 was HK\$72,171,000 (approximately S\$12,343,000)¹ (the “**Unaudited NAV**”); and
- (ii) the net profits² attributed to the Target Group for FY2021 was S\$1,765,000.

As at 31 March 2021, the book value of the Target Group, comprising the Unaudited NAV and related goodwill on acquisition, was HK\$73,751,000 (approximately S\$12,613,000) (the “**Unaudited Book Value**”).

2.5 **Rationale and benefit.** In recent years, the Automotive Wire Harness Business has become less significant among the Group’s various business segments. Revenue of the Automotive Wire Harness Business for the financial years ended 31 March 2020 and 31 March 2021 was S\$35.8 million and S\$33.6 million respectively, which accounted for just 3.4% and 2.8% of the Group’s total revenue for the respective financial years.

The market segment currently served by the Target Group is highly competitive. Throughout the years, there has not been much opportunity and progress for the Target Group to move downstream in the supply chain to supply directly to the automotive manufacturers as such transformation requires substantial commitments in both financial and management resources. It is the Group’s strategy to invest in technology and product development in the batteries, electronics and acoustics businesses and the Group considers the Proposed Disposal as a good opportunity to exit a non-core business and preserve resources for growth-driving core businesses.

Proceeds from the Proposed Disposal will strengthen the Group’s cash flows, including funding the working capital requirement of the core businesses.

2.6 **The Purchaser.** The Purchaser is incorporated under the laws of the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Time Interconnect Technology Limited (匯聚科技有限公司) (“**Time Interconnect**”), an exempted company incorporated in the Cayman Islands. The principal activity of the Purchaser is investment holding. The shares of Time Interconnect are listed on the mainboard of The Stock Exchange of Hong Kong Limited (“**HKEX**”). Time Interconnect, together with its subsidiaries, are principally engaged in the manufacture and sales of cable assembly products and networking cables.

3. **PRINCIPAL TERMS OF THE PROPOSED DISPOSAL**

3.1 **The Proposed Disposal.** Pursuant to the terms of the Disposal Agreement, the Company shall as legal and beneficial owner transfer the entire issued share capital of GPIM (the “**Sale Shares**”) beneficially owned by it to the Purchaser and the Purchaser shall purchase the Sale Shares beneficially owned by the Company with effect from Completion free from all encumbrances together with all rights now or hereafter attaching thereto including but not

¹ Unless otherwise stated, the S\$ equivalent of HK\$ amounts in this Announcement are based on an exchange rate of S\$1.00: HK\$5.8473.

² Net profits means profit before income tax and non-controlling interests.

limited to the right to receive all dividends and other distributions declared, made or paid on or after the date on which Completion takes place (the “**Completion Date**”).

3.2 **Conditions.** Pursuant to the terms of the Disposal Agreement, Completion is subject to and conditional upon the following Conditions being satisfied on or before 30 September 2021 (the “**Long Stop Date**”):

- (i) the Purchaser having obtained all necessary corporate authorisations including board resolutions and shareholder’s resolutions approving the Disposal Agreement and the transactions contemplated under the Disposal Agreement;
- (ii) the Company having obtained all necessary corporate authorisations including board resolutions, regulatory approvals, consent and certificates required under the Listing Manual and the SGX-ST’s approval and clearance in connection with the Disposal Agreement and the transactions contemplated under the Disposal Agreement;
- (iii) Gold Peak Industries (Holdings) Limited (金山工業(集團)有限公司), the holding company of the Company, having obtained the approval of its shareholders at its general meeting (if required), all necessary regulatory approvals, consent and certificates required under the Rules Governing the Listing of Securities on HKEX (the “**HKEX Listing Rules**”) and HKEX’s approval and clearance in connection with the Disposal Agreement and the transactions contemplated under the Disposal Agreement;
- (iv) Time Interconnect, the holding company of the Purchaser, having obtained the approval of its shareholders at its general meeting, all necessary regulatory approvals, consent and certificates required under the HKEX Listing Rules and the HKEX’s approval and clearance in connection with the Disposal Agreement and the transactions contemplated under the Disposal Agreement;
- (v) Time Interconnect having obtained a term loan facility from a bank in Hong Kong in connection with the Disposal Agreement and the transactions contemplated under the Disposal Agreement;
- (vi) the Reorganisation having been completed;
- (vii) the audited financial statements of the Target Group for FY2021 having been prepared by auditors (or other qualified public accountants firm acceptable or agreed by the Purchaser and the Company);
- (viii) each of the warranties made by the Company in the Disposal Agreement remaining true and accurate in all material respects at the Completion Date;
- (ix) the legal and financial due diligence on the business and operations of GPIM and GPWT by or on behalf of the Purchaser having completed to the satisfaction of the Purchaser; and
- (x) each of the Company and the Purchaser having obtained all necessary regulatory approvals, consent and certificates required pursuant to all applicable law, statute, regulation or ordinance and all necessary approvals, licenses, authorisations, consents, waivers or notifications necessary from third parties, governmental or regulatory authorities in the PRC (excluding Macau and Taiwan), Singapore, the British Virgin

Islands and the Cayman Islands in connection with the transactions required to be obtained having been granted and in effect.

3.3 **Completion.** Completion shall take place in Hong Kong on the tenth business day (or on any other day mutually agreed by the Company and the Purchaser in writing) following the notice issued by the Purchaser to the Company informing the satisfaction of the Conditions.

3.4 **Consideration for the Proposed Disposal.** The initial consideration payable by the Purchaser to the Company (the “**Consideration**”) is HK\$69,000,000 (equivalent to approximately S\$11,800,000). In the event the difference between the Unaudited NAV and the net asset value of the Target Group as at 31 March 2021 based on the audited consolidated financial statements of the Target Group for FY2021 (the “**Audited NAV**”) is more than 5%, the Consideration shall be adjusted proportionately in accordance with the percentage change of the Audited NAV against the Unaudited NAV, provided that following the Consideration adjustment, the final Consideration shall be capped at HK\$80,000,000 (equivalent to approximately S\$13,682,000) (the “**Adjustment**”).

The Consideration was arrived at on a willing buyer willing seller basis and based on arm’s length negotiations between the Purchaser and the Company after taking into account, *inter alia*, the rationale for the Proposed Disposal and the Unaudited NAV.

Payment of the Consideration (subject to Adjustment, if any) will be satisfied by cash in full upon Completion.

3.5 **Restrictive Covenants.** Pursuant to the terms of the Disposal Agreement, during a period commencing from the date of the Disposal Agreement and ending on the third anniversary of the Completion Date, the Company will not, and will ensure that any of its Affiliates³ will not, without the prior written consent of the Purchaser:

- (i) directly or indirectly, under any circumstances whatsoever, own, manage, operate, engage in, control or participate in the ownership, management, operation or control of, or be connected in any manner with, whether as an individual, partner, stockholder, director, officer, principal, agent, employee or consultant, or in any other capacity whatsoever, any person that is engaged in, about to engage in, or intending to engage in a service or business whether in existence or under development, which competes with, is about to compete with, intends to compete with, or is an alternative to any present or planned services or products or venture of the Target Group as determined as at the Completion Date; or
- (ii) directly or indirectly take any of the following actions: (a) persuade or attempt to persuade any customer or supplier of, or independent contractor doing business with, the Target Group to cease doing business with the Target Group, or to reduce the amount of business the said customer, or supplier, or independent contractor does with the Target Group; or (b) solicit any person employed at the time by the Target Group, or any sale agent of the Target Group, to apply for or accept employment with the

³ For the purposes of this Announcement, “**Affiliates**” means with respect to any person which, at the time of determination, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Company. The term “control” means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person or entity, whether through not less than 50% ownership of securities, by contract or otherwise.

Company or otherwise encourage or entice such person to leave his position or the business relationship with the Target Group.

3.6 **Termination of the Disposal Agreement.** The Disposal Agreement may be terminated in the following cases:

- (i) if any of the Conditions shall not have been satisfied at or before 5:00 p.m. on the Long Stop Date, the Disposal Agreement and the terms and conditions thereof will immediately and automatically terminate; or
- (ii) if the respective obligations of the Purchaser and the Company to be performed on or before the day stipulated for Completion are not complied with on the Completion Date, the Purchaser may by notice to the Company (in the event that the Company is unable or unwilling to comply with its obligations to complete the sale under the Disposal Agreement) or the Company may by notice to the Purchaser (in the event that the Purchaser is unable or unwilling to comply with its obligations to complete the purchase under the Disposal Agreement), amongst other things, terminate the Disposal Agreement.

4. INTERESTED PERSON TRANSACTION

4.1 **The Purchaser.** As at the date of this Announcement, Mr Victor Lo Chung Wing (“**Mr Victor Lo**”) is the Chairman and Chief Executive Officer of the Company. Mr Victor Lo’s brother, Mr Paul Lo Chung Wai (“**Mr Paul Lo**”), has an effective indirect interest of approximately 38.20% of the share capital of the Purchaser, as explained below:

- (i) Mr Paul Lo has an aggregate direct and indirect interest in approximately 59.82% of the issued shares of Linkz Industries Limited (“**Linkz**”) and is a director of Linkz;
- (ii) Linkz owns approximately 63.85% of the issued shares of Time Interconnect through a wholly-owned subsidiary; and
- (iii) Time Interconnect owns all the issued shares of the Purchaser.

In addition, as at the date of this Announcement, Mr Paul Lo is the Non-executive Chairman of Time Interconnect, and the Company has a direct interest in approximately 38.13% of the issued shares of Linkz.

The Purchaser is regarded as an associate of Mr Victor Lo under the Listing Manual. Accordingly, the Purchaser would constitute an “interested person” vis-à-vis the Company, and the Proposed Disposal constitutes an “interested person transaction” under Chapter 9 of the Listing Manual.

4.2 **NTA.** As at 31 March 2020, being the date of the latest available audited consolidated financial statements, net tangible assets (“**NTA**”) of the Group was approximately S\$360,788,000, and 5.0% and 3.0% of such NTA was approximately S\$18,039,000 and S\$10,824,000 respectively.

4.3 **No Shareholder’s Approval Required.** Approval of the shareholders of the Company is not required for the Proposed Disposal under Chapter 9 of the Listing Manual as the value of the transaction is below 5.0% of the latest audited consolidated NTA of the Group as set out in paragraph 4.2 above, as:

- (i) the ratio is approximately 3.5% if the value of the transaction is the Unaudited Book Value of S\$12,613,000, which is higher than the Consideration without any Adjustment; and
- (ii) the ratio is approximately 3.8% if the value of the transaction is the Consideration with the maximum amount of Adjustment of S\$13,682,000.

Audit and Risk Committee. The Audit and Risk Committee has considered the terms of the Proposed Disposal and is of the view that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

4.4 **Total Value of Interested Person Transactions.** As at the date of this Announcement, other than in connection with the Proposed Disposal, the Group has not entered into any transactions with the Purchaser (excluding transactions which are less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) since the beginning of the current financial year, 1 April 2021. Save for the Proposed Disposal, the Group has not entered into any other interested person transactions (excluding transactions which are less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) since the beginning of the current financial year, 1 April 2021.

5. FURTHER INFORMATION

5.1 **Financial Impact of the Proposed Disposal.** Save for:

- (i) the difference between the Consideration and the book value of the Target Group, being a deficit of S\$813,000 based on the Unaudited Book Value as at 31 March 2021, which will be recognised in profit or loss; and
- (ii) the aggregate cumulative exchange translation deficit attributable to GPIM and GPWT, amounted to S\$2,037,000 as at 31 March 2021, which will be recycled to profit or loss,

the Proposed Disposal will not have a material impact on the Company's earnings per share nor its net tangible assets per share for the current financial year ending 31 March 2022.

5.2 **Document for Inspection.** A copy of the Disposal Agreement is 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.

By Order of the Board

Kelly Kiar Lee Noi
Company Secretary
31 May 2021