



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

## VOLUNTARY ANNOUNCEMENT – LEASE AGREEMENT

This announcement is made by GP Industries Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) on a voluntary basis.

### 1. INTRODUCTION

The board of directors of the Company (the “**Board**” or “**Directors**”) wishes to announce that 东莞超霸电池有限公司 (Dongguan Chao Ba Batteries Co Ltd, “**Dongguan Chao Ba**” or the “**Lessee**”), an indirect wholly-owned subsidiary of the Company, has entered into a lease agreement with 东莞市谢岗资产管理有限公司 (Dongguan City Xiegang Asset Management Limited) (the “**Lessor**”) in respect of the Leased Premises (as defined below) for a term of 10 years, with an option to renew for a further term of 5 years at the discretion of Dongguan Chao Ba (the “**Lease Agreement**”).

### 2. THE LEASE AGREEMENT

The principal terms of the Lease Agreement are as follows:

<b>Date:</b>	5 January 2021
<b>Lessor:</b>	东莞市谢岗资产管理有限公司 (Dongguan City Xiegang Asset Management Limited)
<b>Lessee:</b>	Dongguan Chao Ba, an enterprise established in the People’s Republic of China (the “ <b>PRC</b> ”) and an indirect wholly-owned subsidiary of the Company.
<b>Leased premises:</b>	The factory premises, dormitories and other ancillary facilities located at (i) 东莞市谢岗镇银湖工业区银兴路 16 号 (No. 16, Yinxing Road, Yinhu Industrial Zone, Xiegang Town, Dongguan City, Guangdong Province, the PRC)(“ <b>Zone A</b> ”); and (ii) 东莞市谢岗镇银湖工业区银泰路 2 号 (No. 2, Yintai Road, Yinhu Industrial Zone, Xiegang Town, Dongguan City, Guangdong Province, the PRC)(“ <b>Zone B</b> ”) (collectively, the “ <b>Leased Premises</b> ”).
<b>Total gross area:</b>	The total gross area of the Leased Premises is 46,434 square metres (“ <b>sq m</b> ”) comprising (i) the factory premises, dormitories and ancillary facilities in Zone A of approximately 16,606 sq m; and (ii) the factory premises, dormitories and ancillary facilities in Zone B of approximately 29,828 sq m.
<b>Intended use:</b>	For the manufacturing and sales of alkaline batteries, carbon zinc batteries, nickel-metal hydride rechargeable batteries, nickel-metal electrode and lithium batteries.
<b>Term:</b>	An initial term of 10 years commencing from the date on which the approval for environmental impact assessment having been obtained (the “ <b>Lease Commencement Date</b> ”), with an option to renew for a further term of 5 years (the “ <b>Extended Term</b> ”) at the discretion of Dongguan Chao Ba.
<b>Rent:</b>	The monthly rent payable under the Lease Agreement for the initial term of 10 years is as follows:  For the 1st to 5th year: RMB557,208 (equivalent to approximately S\$113,169) <sup>1</sup> per month, representing RMB12 per sq m; and

	For the 6th to 10th year: RMB603,642 (equivalent to approximately S\$122,599) per month, representing RMB13 per sq m.
<b>Adjustment to rent:</b>	<p>Dongguan Chao Ba estimated that the annual production value of the Leased Premises would be RMB600,000,000. If the annual production value is less than RMB510,000,000, the monthly rent for the initial term of 10 years will be adjusted upward as follows:</p> <p>For the 1st to 5th year: RMB603,642 (equivalent to approximately S\$122,599) per month, representing RMB13 per sq m; and</p> <p>For the 6th to 10th year: RMB650,076 (equivalent to approximately S\$132,030) per month, representing RMB14 per sq m.</p>
<b>Rent free period:</b>	A period of 3 months from the Lease Commencement Date.
<b>Rental deposit:</b>	RMB1,671,624 (equivalent to approximately S\$339,506), which is non-refundable if the Lease Agreement is terminated within the initial term of 10 years under the Lease Agreement but will be refunded to Dongguan Chao Ba without interest for any early termination after the expiration of the initial term of 10 years under the Lease Agreement, subject to no outstanding rental payments and no antecedent breach of the Lease Agreement.
<b>Option to renew and rent during the Extended Term:</b>	Dongguan Chao Ba has the discretion to exercise the option to renew for the Extended Term by notifying the Lessor at the commencement of the 9th year of the Lease Agreement. The monthly rent payable by Dongguan Chao Ba during the Extended Term (if the option to renew is exercised) would be RMB742,944 (equivalent to approximately S\$150,891) per month, representing RMB16 per sq m. If the annual production value of the Leased Premises is less than RMB510,000,000, the monthly rent will be adjusted upward to RMB789,378 (equivalent to approximately S\$160,322) per month, representing RMB17 per sq m.
<b>Additional terms:</b>	<p>Dongguan Chao Ba shall obtain the approval for environmental impact assessment within 6 months from the date of the Lease Agreement, failing which the Lessor shall have the right to terminate the Lease Agreement and return the rental deposit to Dongguan Chao Ba, without interest, within 1 month after such termination.</p> <p>Upon obtaining the approval for environmental impact assessment, the Lessor and Dongguan Chao Ba shall enter into a supplemental lease agreement to confirm the Lease Commencement Date and the rent free period.</p> <p>The Lessor shall handover the Leased Premises to Dongguan Chao Ba within 5 days from the Lease Commencement Date.</p> <p>The Lessee shall be responsible for the repair and maintenance works including rain and sewage diversion system of the Leased Premises, electricity network, external walls, environmental and road systems within the factory area in Zone B and all related costs to be incurred will be set off against rent payable by the Lessee for the 4th to 11th month from the Lease Commencement Date. Accordingly, the Lessee shall only be required to pay rent starting from the 12th month from the Lease Commencement Date.</p>

The terms of the Lease Agreement have been arrived at after arm's length negotiations between the Lessor and the Lessee and having taken into account of the market rent for similar properties in the nearby area.

The estimated value of the right-of-use asset to be recognised by the Group under the Lease Agreement is approximately RMB73,791,000 (equivalent to approximately S\$14,986,900), which is the present value of the aggregate rent payable during the term of the Lease Agreement determined in accordance with Singapore Financial Reporting Standards (International) 16 *Leases*.

### **3. INFORMATION ON THE PARTIES**

#### *Dongguan Chao Ba*

Dongguan Chao Ba is principally engaged in manufacturing of batteries.

#### *The Lessor*

To the best of the Directors' information, knowledge and belief having made all reasonable enquiries, (i) the Lessor is established in the PRC whose scope of business is asset management; and (ii) the Lessor and its ultimate owners are independent third parties.

### **4. REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT**

Recently, the Group has dedicated to rebalancing its manufacturing capacity among factories in the PRC and Southeast Asia. The Board is considering plans to consolidate and relocate the battery manufacturing facilities in Guangdong Province to the Leased Premises in order to achieve economies of scale and improve efficiency. Following completion of the relocation, it is expected that the land and buildings in Guangdong Province on which the Group's existing manufacturing facilities are currently located will become available for disposal and the proceeds generated will strengthen the Group's cash flow. Taking into account of the location, site area and the infrastructure in the proximity of the Leased Premises, the Board considers the entering of the Lease Agreement represents a good opportunity for the Group to obtain a conveniently-located site in Dongguan at a reasonable cost to continue its production activities in the PRC after relocation.

### **5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Lease Agreement.

By Order of the Board

Kelly Kiar Lee Noi  
Company Secretary  
5 January 2021

<sup>1</sup> Unless otherwise stated, the approximate S\$ equivalent of RMB amounts in this announcement are based on an exchange rate of S\$1: RMB4.9237.