

## GP BATTERIES INTERNATIONAL LIMITED

### PROPOSED ACQUISITION OF 75% OF THE EQUITY INTEREST IN THE ISSUED CAPITAL OF ZHONGYIN (NINGBO) BATTERY CO. LTD.

#### 1. Introduction

The Board of Directors of GP Batteries International Limited (“**GP Batteries**” or the “**Company**”) wishes to announce that the Company has entered into conditional sale and purchase agreements (“**Agreements**”) to acquire 75% of the issued capital of Zhongyin (Ningbo) Battery Co. Ltd (“**Ningbo Batteries**”) for a total cash consideration of Rmb230 million (approximately S\$48.7 million) (the “**Acquisition**”).

#### 2. Information on Ningbo Batteries

Ningbo Batteries was established in Ningbo City of Zhejiang Province, the People’s Republic of China (“**PRC**”) in 1993 as a Chinese-foreign joint venture company with limited liability. It is an industrial enterprise in the PRC and has a registered capital of US\$15 million (approximately S\$26.2 million), of which 49% is held by Ningbo Pairdeer Battery Co. Ltd (“**NPBC**”) and the remainder by an investment bank (collectively, the “**Vendors**”). NPBC would continue to retain the remaining 25% of Ningbo Batteries after the Acquisition.

Ningbo Batteries is principally engaged in the manufacture of cylindrical alkaline batteries. It is one of the leading battery manufacturers in the PRC with an annual turnover over Rmb380 million. A significant portion of its output is sold in the PRC under the “Pairdeer” brand name with the rest exported primarily to private-label and OEM customers. The “Pairdeer” trademark, which is one of the well-known brand names in the PRC, is presently owned by NPBC. As part of the terms of the Agreements, the “Pairdeer” trademark shall be transferred from NPBC to Ningbo Batteries free of consideration upon completion of the Acquisition.

The summarised financial results and position of Ningbo Batteries for the financial year ended 31 December 2000 and 2001, prepared in accordance with PRC’s “accounting standards for business enterprises” and “accounting system for foreign investment enterprises” (collectively the “**PRC Accounting Standards and System**”), are tabulated below:

Rmb 'millions	Financial Year ended	
	31 December 2000	31 December 2001
Turnover	328.3	387.6
Operating Profit Before tax	53.9	66.1
Net Profit	46.4	57.5
Net Tangible Assets	190.3	217.4

### **3. Purchase Consideration**

The total cash purchase consideration of Rmb230 million (approximately S\$48.7 million) for the Acquisition was negotiated on a willing buyer, willing seller basis, and was arrived at after taking into account factors such as the net tangible assets (“NTA”) value of Ningbo Batteries, its earnings potential and the “Pairdeer” brand name and trademark of Ningbo Batteries.

The payment terms of the Acquisition are as follows:

- (i) a first 20% of the consideration to be paid upon the signing of the respective Agreements;
- (ii) a next 60% payable upon completion;
- (iii) another next 10% payable 6 months after completion; and
- (iv) a final 10% payable 12 months after completion.

Based on financial statements of Ningbo Batteries for the year ended 31 December 2001 prepared in accordance with the PRC Accounting Standards and System, the operating profit before tax attributable to the Acquisition was approximately Rmb49.6 million (about S\$10.5 million). The total purchase consideration of Rmb230 million (approximately S\$48.7 million) represents, based on financial statements prepared in accordance with the PRC Accounting Standards and System, a multiple of 5.3 times the historical operating profits after tax of Ningbo Batteries for the year end 31 December 2001 and a premium of 41% over the NTA of Ningbo Batteries as at 31 December 2001.

### **4. Conditions Precedent**

The Acquisition is conditional upon, amongst others, the following:-

- (a) the approval of the board of directors and/or shareholders of the Vendors;
- (b) other requisite approvals of any relevant PRC authorities or persons required; and
- (c) the approval of GP Batteries’ shareholders, if required; and
- (d) the execution of the trademark transfer agreement by the relevant parties for the transfer of the “Pairdeer” trademark from NPBC to Ningbo Batteries free of consideration.

Under the terms of the Agreements, GP Batteries has the right to waive any of the conditions precedent in part or in whole. In the event that any of the conditions precedent has not been fulfilled or waived as appropriate before 31 October 2002, or such later date as may be agreed upon by the parties, and the transactions contemplated cannot be completed, the Vendors will return to the Company the 20% consideration paid up-front, plus interests for the intervening period.

Furthermore, GP Batteries has the right to withdraw from the Acquisition should the net tangible assets of Ningbo Batteries falls below Rmb220 million as reflected in its completion account to be prepared in accordance with the PRC Accounting Standards and System upon completion of the Acquisition.

## 5. Rationale

GP Batteries and its subsidiaries (the “**Group**”) develop, manufacture and sell batteries and battery related products. The Group supplies an extensive range of battery products to original equipment manufacturers, leading battery manufacturers as well as consumer retail markets under its own “GP” brand name. Currently, the Group has major production facilities in Hong Kong, China, Singapore, Taiwan, Malaysia, Denmark and Poland.

The Group has established strong positions in the manufacture of NiMH and NiCd rechargeable batteries, high-voltage batteries, primary cylindrical and 9-volt batteries and miniature cells. Currently, it has two plants manufacturing primary carbon-zinc and alkaline cylindrical batteries in China. The Group has been looking for opportunity to expand its capacity and market position in the primary battery sector in the PRC.

Ningbo Batteries is currently the second largest alkaline battery producer in China and its “Pairdeer” brand is recognised as one of China’s top brands in the primary battery market. In addition to possessing a cost competitive and high-performance alkaline battery manufacturing facilities, Ningbo Batteries also has a strong distribution network in over 80 major cities throughout China.

The Group considers that both companies are highly complementary in manufacturing, customer base, product range and distribution network. Accordingly, GP Batteries views the proposed acquisition of 75% of Ningbo Batteries as an opportunity to expand its market position in China through the “Pairdeer” brand name as well as the “GP” brand. Furthermore, the Acquisition would increase its production capacities and enable it to have access to Ningbo Batteries’ extensive distribution network in China. The Acquisition will significantly increase the Group’s market share in China and will enhance its earnings base.

## 6. Financial Resources

The Acquisition will be funded from both internal resources and bank borrowings.

## 7. Financial Effects

Assuming that the proposed Acquisition had been completed on 1 April 2001 for the purpose of the profit & loss account, and 31 March 2002 for the purpose of the balance sheet and taking into account, as far as applicable, adjustments considered necessary to conform to the Group’s accounting policies: -

- (a) the Group’s earnings per share (“EPS”) would have risen by 2.33 cents or 14% to 18.95 cents;
- (b) the Group’s NTA per share would have declined by 15 cents or 7% to S\$2.15; and
- (c) the Group’s gearing (defined as net debt divided by shareholders’ equity) would have increased from 79% to 102%.

The above computation of financial effects is for **illustrative purposes only** and is based on:-

- (i) the audited financial statements of the Group (prepared in accordance with Singapore accounting standards) for the year ended 31 March 2002; and

- (ii) the audited financial statements of Ningbo Batteries (prepared in accordance with PRC Accounting Standards and System) for the year ended 31 December 2001. Audited financial statements for the year end 31 December 2001 are used for the computation because no audited financial statements for the twelve months period ended 31 March 2002 had been prepared; and no adjustment or revision is considered necessary to effect any significant transactions that had occurred between the financial year end date of 31 December 2001 and 31 March 2002, based on a review of the management accounts of Ningbo Batteries.

## **8. Interests of Directors and Controlling Shareholders**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the proposed Acquisition.

## **9. Waiver Application**

GP Batteries intends to apply for a waiver from seeking shareholders' approval from the Singapore Exchange Securities Trading Limited in respect of the Acquisition under Practice Note 10.1 of the SGX-ST Listing Manual. The substantial shareholder of GP Batteries, namely GP Industries Limited, which holds 49,556,096, representing 47.88% of the issued share capital of GP Batteries, has given its confirmation that it will undertake to vote in favour of the Acquisition at the Extraordinary General Meeting (if required to be convened).

## **10. Documents available for Inspection**

In compliance with Clause 1011 of the Listing Manual, copies of the Agreements are available for inspection during normal business hours at the registered office of the Company at 50 Gul Crescent, Singapore 629543, for a period of three months from the date of this announcement.

By Order of the Board

GP Batteries International Limited  
Tan San-Ju  
Company Secretary

Submitted by Tan San-Ju, Company Secretary on 17/09/2002 to the SGX