

ACQUISITIONS AND DISPOSALS :: DISCLOSEABLE TRANSACTION :: INCREASE OF EQUITY INTEREST IN AN ASSOCIATED COMPANY

* Asterisks denote mandatory information

Name of Announcer *	GP BATTERIES INT LTD
Company Registration No.	199002111N
Announcement submitted on behalf of	GP BATTERIES INT LTD
Announcement is submitted with respect to *	GP BATTERIES INT LTD
Announcement is submitted by *	Caroline Yeo
Designation *	Company Secretary
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>> ANNOUNCEMENT DETAILS

The details of the announcement start here ...

Announcement Title *	INCREASE OF EQUITY INTEREST IN AN ASSOCIATED COMPANY
Description	

GP BATTERIES INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

Company Registration Number 199002111N

INCREASE OF EQUITY INTEREST IN AN ASSOCIATED COMPANY

The Board of Directors of GP Batteries International Limited (the "**Company**") wishes to announce that the Company and its subsidiary, Zhongyin (Ningbo) Battery Co., Ltd ("**ZYNB**"), have each entered into a sale and purchase agreement ("S&P Agreement") for (1) the Company to acquire 30% equity interest in Ningbo Fubang Battery Co., Ltd ("**Fubang**") and (2) ZYNB to acquire 20% equity interest (collectively, the "**Equity Interest**") in Fubang (collectively the "**Acquisition**").

Pursuant to the Acquisition, the Company's effective interest in Fubang will increase from 30% to 75%. This will comprise a direct interest of 30% and an increase of its deemed interest through ZYNB from 40% to 60%. On completion of the Acquisition, Fubang will cease to be an associated company and become a subsidiary of the Company.

Information relating to Ningbo Fubang Battery Co Ltd

Fubang has an issued and paid up capital of RMB30 million and is engaged in the business of manufacturing primary alkaline cylindrical batteries.

Consideration and other material terms

The aggregate consideration for the Acquisition is RMB26.1 million (equivalent to approximately S\$5.1 million at an exchange rate of S\$1:RMB5.117) ("**Consideration**"). The Consideration was arrived at on a willing buyer willing seller basis after taking into account the net tangible asset value of Fubang as of 30 September 2010, which comprises *inter alia*, plant and machinery, a piece of land owned by Fubang ("**Property**") and the deduction of retained earnings which will be distributed to the previous shareholders. Completion of the sale and purchase of the Equity Interest is conditional upon the approval of the authorities in the People's Republic of China and the Consideration shall be payable in cash within 7 days of such approval.

The Value of the Equity Interest

No person was commissioned to value the Equity Interest and the Property.

Based on the unaudited financial statements of Fubang drawn up to 30 September 2010 (after adjusting for distribution of retained earnings to previous shareholders) the net asset value of the Equity Interest was about RMB22.2 million (equivalent to approximately S\$4.3 million) and profits attributable to the Equity Interest was approximately RMB16.4 million (equivalent to approximately S\$3.2 million).

Funding for the Acquisition

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

Rationale for the Acquisition

The Acquisition will enable the Company and its subsidiaries (the “Group”) to gain a controlling stake in Fubang. This will in turn expand the Group’s production and customer base for future growth and profitability.

Financial Effects of the Acquisition

The financial effects of the Acquisition are for illustration purposes only and do not reflect the future financial position of the Group after completion of this transaction. The financial effects of the Acquisition are based on the latest audited financial statements of the Group for the financial year ended 31 March 2010 and are set out below.

(a) Net tangible assets (“NTA”)

Assuming that the Acquisition had been completed on 31 March 2010, the effect of the Acquisition on the Group’s net tangible assets for the financial year ended 31 March 2010 is as follows:

	Before Acquisition	After Acquisition
NTA (S\$ million)	283.3	282.1
No. of Shares	109,690,168	109,690,168
NTA per share (S\$)	2.58	2.57

(b) Earnings per share (“EPS”)

Assuming that the Acquisition had been completed on 1 April 2009, the effect of the Acquisition on the Group’s EPS for the financial year ended 31 March 2010 is as follows:

	Before Acquisition	After Acquisition
Profit attributable to Shareholders (S\$ million)	37.1	42.8
No. of Shares (Weighted Average)	109,687,275	109,687,275
EPS (Singapore cents)	33.82	39.02

Relative Figures under Rule 1006 of the Listing Manual

The relative figures under Rule 1006 of the Listing Manual based on the latest announced consolidated results for the 6 months ended 30 September 2010 are:

Listing Manual Rule	Net asset value of the assets	Net asset value of the Group	Relative Figure
Rule 1006(a)	Not applicable to an acquisition	Not applicable to an acquisition	Not applicable to an acquisition
	Net profits attributable to the assets	Net profits of the Group	Relative figure
Rule 1006(b)	Approximately RMB16.4 million (equivalent to approximately S\$3.2 million)	S\$24.4 million	13.1%
	Aggregate value of consideration	Market capitalization of the Group as at 18 January 2011	Relative figure
Rule 1006(c)	RMB 26.1 million (equivalent to approximately S\$5.1 million)	S\$176.9 million	2.9%
Rule 1006(d)	Not applicable as no Shares will be issued	Not applicable as no Shares will be issued	Not applicable as no Shares will be issued

Interest of Directors and controlling Shareholders

None of the directors or controlling shareholders of the Company has any direct or indirect interest in the aforesaid transaction except through their shareholdings (if any) in the Company.

Inspection of documents

A copy of the S&P Agreement is available for inspection during normal business hours at the Company's registered office at 97 Pioneer Road, Singapore 639579 for three months from the date of this announcement.

By Order of the Board
Caroline Yeo
Company Secretary
24 January 2011