

## Press Release

For Immediate Release

1 February 2019, Hong Kong



### Singapore-listed GP Industries announces 2018/2019 Q3 results

Gold Peak Industries (Holdings) Limited's (stock code: 40) 85.5% subsidiary, the Singapore-listed GP Industries Limited, today announced its unaudited results for the nine months ended 31 December 2018.

#### Summary of results of GP Industries

	<i>(For the nine months ended 31 December)</i>		% of change
	2018	2017	
Turnover	S\$890 million	S\$837 million	+ 6.3%
Profit attributable to equity holders of GP Industries	S\$26.83 million	S\$30.23 million	-11.3 %

#### Review of Results

GP Industries' revenue for the 9-month period ended 31 December 2018 ("YTDFY2019") was S\$890.2 million, an increase of 6.3% over the revenue reported for the 9-month period ended on 31 December 2017 ("YTDFY2018"). The increase was mainly attributable to revenue growth reported by both the *Electronics and Acoustics Business* and the *Batteries Business*.

With softening global economy and the trade friction between China and the USA, the Chinese Renminbi against the US dollar exchange rate and the prices of certain raw materials reversed their appreciation trend. This contributed to improve GP Industries' gross profit margin from 23.9% for YTDFY2018 to 25.3% for YTDFY2019. In addition, strong sales carrying higher gross profit margin reported by the branded acoustics

businesses during the financial quarter ended 31 December 2018 (“Q3FY2019”) helped to improve GP Industries’ gross profit margin, from the 23.0% reported for the financial quarter ended in 31 December 2017 to 28.3% for Q3FY2019. Increase in sales and higher level of investment in brand building activities contributed to an increase in distribution costs. The strengthening of the US dollar against the Chinese Renminbi since the latter part of the financial quarter ended 30 June 2018 contributed to a net exchange gain of S\$6.7 million for YTD FY2019, compared with a net exchange loss of S\$6.6 million for YTD FY2018.

Other operating income decreased from S\$33.6 million for YTD FY2018 to S\$17.7 million for YTD FY2019. In YTD FY2019, GP Industries reported extraordinary income mainly from the compensation income of S\$7.9 million for damages caused by third parties to a property of the 70% owned subsidiary, Zhongyin (Ningbo) Battery Co Ltd, whereas in YTD FY2018, other operating income included gain from disposal of property, plant and equipment of S\$23.0 million.

Profit after taxation attributable to equity holders of GP Industries for YTD FY2019 decreased by 11.3% to S\$26.8 million when compared to the S\$30.2 million reported last year.

## **Business Review of GP Industries**

*(for the nine months ended 31 December 2018)*

### ***Battery Business***

The revenue of the *Batteries Business* for YTD FY2019 was S\$667.0 million, a 6.3% increase over last year. Sales of primary batteries increased by 10.3% while sales of rechargeable batteries decreased by 11.4%. In geographical terms, sales in the Americas, Europe and Asia increased by 2.2%, 13.3% and 4.5% respectively.

Softened raw material prices and more favorable exchange rates contributed to improve the gross profit margin of Q3FY2019 when compared to that reported in the three preceding financial quarters.

### **Electronics and Acoustics Business**

Revenue from the *Electronics and Acoustics Business* in YTD FY2019 increased by 9.5%. Sales of electronics products increased by 7.5% while sales of acoustics products grew by 11.6%. New KEF wireless speakers launched during YTD FY2019 were well received by the market. Sales of acoustics products increased by 23.2% in the US market, 3.9% in the Asian markets, and 6.7% in the European market. The associated companies which manufacture parts and components contributed more profit in aggregate from higher revenue.

### **Automotive Wire Harness Business**

Sales of the *Automotive Wire Harness Business* in YTD FY2019 decreased by 8.1%. Sales to the US market increased by 5.6% due mainly to the increased demand for new products before US trade tariff for automotive parts made in China was imposed. Sales to China decreased by 24.0% due mainly to the softening of the passenger car market in China.

### **Other Industrial Investments**

This business segment includes the Group's investments in Meiloon Industrial Co., Ltd. ("Meiloon") and Linkz Industries Limited ("Linkz"). In YTD FY2019, Linkz reported revenue growth but profit contribution decreased due partly to the profit shared by the non-controlling interests of a subsidiary which was listed on the Stock Exchange of Hong Kong Limited in February 2018, and partly to exchange losses and increase in finance cost. Revenue of Meiloon decreased and contributed less profit.

### **Prospects of GP Industries**

Commenting on the prospects of GP Industries, Chairman and Chief Executive Officer, Victor Lo said, "The trade dispute between the USA and China casts significant uncertainties on business outlook. The softening global economic growth may also affect the demand for some of GP Industries' products. Based on the latest announced US import tariff scheme, slightly less than 10.0% of GP Industries' businesses are affected. GP Industries' battery products, automotive wire harnesses and some speaker products made in China are subjected to import tariffs imposed by the US. GP Industries is working with its customers in the US on the best response to

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the increased import cost. It is also rapidly expanding the capacity of its manufacturing facilities in Malaysia and Vietnam to take up more of its US export businesses so as to minimize the impact of US import tariffs on its products.

Lo continued, “Volatile currency exchange rates may also affect GP Industries’ results. A weakened Chinese Renminbi is generally favorable to its export-oriented businesses from China. Volatility in certain raw material prices may continue to affect its profit margin. However, the global shortage of some electronic components started to show signs of easing recently.”

“GP Industries will continue to enhance the competitiveness of its businesses by investing in technology, new product development, further automating its factories and continue to build the Group’s brands and distribution networks in key markets.”

Lo is also Chairman and Chief Executive of Gold Peak.

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