

## Press Release

For Immediate Release

28 May 2019, Hong Kong



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

Gold Peak Industries (Holdings) Limited's (stock code: 40) 85.5% subsidiary, the Singapore-listed GP Industries Limited, today announced its unaudited consolidated results for the year ended 31 March 2019.

#### Summary of results of GP Industries

	<i>(For the year ended 31 March)</i>		% of change
	2019	2018	
Turnover	S\$1,167 million	S\$1,100 million	+ 6.1%
Profit attributable to equity holders of GP Industries	S\$29.16 million	S\$23.23 million	+ 25.5%

#### Review of Results

GP Industries' revenue for the financial year ended 31 March 2019 ("FY2019") was S\$1,167.1 million, representing an increase of 6.1% over the revenue reported for the financial year ended 31 March 2018 ("FY2018"). The increase was mainly attributable to revenue growth reported by both the *Batteries Business* and the *Electronics and Acoustics Business*, and was partially offset by the decrease in revenue of the *Automotive Wire Harness Business*.

GP Industries' gross profit increased by 13.6% from S\$256.8 million for FY2018 to S\$291.7 million for FY2019. The overall gross profit margin improved from 23.3% for FY2018 to 25.0% for FY2019, mainly from the combined effects of higher contribution from strong sales of new acoustics products introduced during FY2019, softened prices for certain raw materials and a weaker Chinese Renminbi against the US dollar.

Other operating income decreased by 14.6% from S\$44.5 million for FY2018 to S\$38.0 million for FY2019. Other operating income for FY2019 included compensation for relocation of S\$17.2 million and a compensation income of S\$7.9 million for damages to certain plant and buildings, both of which were attributable to its 70%-owned subsidiary, Zhongyin (Ningbo) Battery Co Ltd. In FY2018, other operating income included gain from disposal of property, plant and equipment of S\$28.5 million.

Distribution costs increased substantially by 20.1% from S\$113.0 million for FY2018 to S\$135.7 million for FY2019. The increase was mainly attributable to a higher level of brand building activities and higher cost due to increased battery sales with DDP (Incoterm for Delivered Duty Paid) and a higher level of vendor managed inventory.

The strengthening of the US dollar against the Chinese Renminbi since the financial quarter ended 30 June 2018 contributed to a net exchange gain of S\$6.6 million for FY2019 while a net exchange loss of S\$11.4 million was recorded in FY2018.

GP Industries' profit after taxation attributable to equity holders for FY2019 increased by 25.5% to S\$29.2 million when compared to S\$23.2 million for FY2018.

## **Business Review of GP Industries**

*(for the year ended 31 March 2019)*

### ***Batteries Business***

The revenue of the *Batteries Business* for FY2019 was S\$871.8 million, representing a 5.7% increase over the revenue recorded in FY2018. Sales of primary batteries increased by 8.5% while sales of rechargeable batteries decreased by 6.8%. In geographical terms, sales in Europe, Asia and the Americas increased by 12.5%, 3.6% and 2.8% respectively.

Softened raw material prices and more favorable exchange rates contributed to the improvement of the gross profit margin in FY2019. GP Industries' factory expansion projects in Malaysia and Vietnam are progressing as planned and the expanded Alkaline 9V batteries manufacturing facilities in Malaysia, which has been fully

operational since the second half of FY2018, started to contribute to its business and profitability.

### ***Electronics and Acoustics Business***

Revenue from the *Electronics and Acoustics Business* in FY2019 increased by 10.8%. Sales of electronics products increased by 12.1% while sales of acoustics products grew by 9.4%. The new KEF wireless speakers launched during the second half of FY2019 were well received by the market. Sales of acoustics products increased by 20.9% in the American market and 8.5% in the European market, while sales remained steady in Asia. The associated companies which manufacture parts and components contributed more profit in aggregate.

### ***Automotive Wire Harness Business***

Sales of the *Automotive Wire Harness Business* in FY2019 decreased by 9.5%. Sales to the American market increased by 3.5% due mainly to the demand for new products despite the USA import tariff imposed on automotive parts made in China. Sales to China decreased by 25.7% due mainly to the softening of the passenger car market in China.

### ***Other Industrial Investments***

This business segment includes GP Industries' investments in Meiloon Industrial Co., Ltd. ("Meiloon") and Linkz Industries Limited ("Linkz"). In 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 in February 2018, and partly to exchange losses and increase in finance cost in FY2019. Revenue of Meiloon decreased and contributed less profit to GP Industries in FY2019.

### **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 cast significant uncertainties on business outlook. Development regarding Brexit may also bring uncertainties. Softening global economic growth may affect the demand for some of GP Industries' products."

“Based on the current USA import tariff scheme effective from 10 May 2019, approximately 14.3% of GP Industries’ businesses are subjected to such import tariffs, including some battery products, automotive wire harnesses and speaker products. GP Industries is working with its customers in the USA on the best response to the increased import costs. The proposed enlarged USA import tariff scheme for all made in China products, if implemented, may affect other products from GP Industries.”

“To minimize the impact of the USA import tariffs, GP Industries is rapidly expanding the capacity of its manufacturing facilities in Malaysia and Vietnam and exploring other cooperation opportunities outside China to take up more of its USA export businesses.”

“Volatile currency exchange rates may also affect GP Industries’ results. A weakened Chinese Renminbi and currencies of other countries, where GP Industries has significant manufacturing and distribution operations, against US dollar is generally favorable to its export-oriented businesses. Volatility in certain raw material prices may continue to affect its profit margin. The global shortage of certain electronic components continued to ease gradually.”

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

“At the general meeting held on 7 September 2018, members of GP Industries approved the disposal of certain land and buildings in Huizhou, PRC by GP Electronics (Huizhou) Co., Ltd., a wholly owned subsidiary of GP Industries. Part of the Disposal Consideration and Compensation (as defined in the circular of GP Industries dated 23 August 2018) was received by GP Industries during FY2019, and certain balances were still outstanding as at 31 March 2019. On 27 May 2019, GP Industries has received the remaining balance of the Disposal Consideration and Compensation and is in the process of transferring the titles of the concerned land and buildings to the purchaser. Accordingly, it is expected that GP Industries will recognize the disposal gain during the financial year ending 31 March 2020.” Lo is also Chairman and Chief Executive of Gold Peak.

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