

Press Release

For Immediate Release

13 November 2020, Hong Kong



Singapore-listed GP Industries announces 2020/2021 interim results

Gold Peak Industries (Holdings) Limited's (stock code: 40) 85.5% subsidiary, the Singapore-listed GP Industries Limited, today announced its unaudited interim results for the six months ended 30 September 2020.

Summary of results of GP Industries

	<i>(For the six months ended 30 September)</i>		% of change
	2020	2019	
Turnover	S\$576.2 million	S\$562.3 million	+ 2.5%
Profit attributable to equity holders of GP Industries	S\$13.72 million	S\$38.71 million	- 64.6%

Review of Results

GP Industries' revenue for the six-month period ended 30 September 2020 ("1HFY2021") was S\$576.2 million, a 2.5% increase compared to the revenue reported for the six-month period ended 30 September 2019 ("1HFY2020"). Revenue of the Batteries Business increased by 12.3% while revenue of the Electronics and Acoustics Business declined by 29.6% and the Automotive Wire Harness Business decreased by 27.8%.

Gross profit for 1HFY2021 increased by 3.5% to S\$153.0 million due to improvement in gross profit margin from 26.3% in 1HFY2020 to 26.6% in 1HFY2021.

GP Industries' other operating income decreased by S\$52.7 million from S\$58.4 million for 1HFY2020 to S\$5.7 million for 1HFY2021. In 1HFY2020, the S\$58.4 million gain included a gain of S\$48.4 million from the disposal of the property.

Appreciation of Chinese Renminbi (“Renminbi”) against United States (“US”) dollar during 1HFY2021 contributed to an exchange loss of S\$5.4 million for the period, compared to an exchange gain of S\$4.3 million for 1HFY2020. Other operating expenses decreased by S\$22.6 million in 1HFY2021 when compared to 1HFY2020 as, in 1HFY2020, GP Industries reported a provision for restructuring costs of S\$17.5 million for relocation of the operations of GP Electronics (Huizhou) Co., Ltd. and a S\$4.1 million realised loss on derivative financial instruments due to depreciation of Renminbi against US dollar.

Finance costs decreased from S\$13.3 million for 1HFY2020 to S\$10.0 million for 1HFY2021 due to a decrease in interest rates. Taxation expenses decreased by S\$9.8 million to S\$8.3 million in 1HFY2021 due mainly to taxation expense on the property disposal gain in 1HFY2020.

GP Industries’ profit after taxation attributable to equity holders for 1HFY2021 was S\$13.7 million, compared to S\$38.7 million reported for 1HFY2020.

The Directors do not declare any interim dividend for the financial year ending 31 March 2021, so as to conserve GP Industries’ financial resources in view of the uncertainties ahead.

Business Review of GP Industries

(for the six months ended 30 September 2020)

Batteries Business

The revenue of the Batteries Business for 1HFY2021 was S\$482.2 million, a 12.3% increase when compared to the revenue reported in 1HFY2020. Sales of primary batteries increased by 15.5% while sales of rechargeable batteries decreased by 4.1%. In geographical terms, sales in the Americas and Asia increased by 44.9% and 9.6% respectively while sales in Europe maintained. The increase in sales in the Americas was due mainly to increase in sales of primary batteries.

Gross profit margin for 1HFY2021 improved as a result of better cost management and customer mix, and increase in sales including Delivered Duty Paid (“DDP”) terms. Distribution costs increased due to higher customs duty, transportation, packaging and other distribution costs, as a result of increase in DDP sales, and increase in advertising and promotion expenses.

Aggregate profit contribution from associates of the Batteries Business increased by S\$1.1 million as compared to 1HFY2020.

Electronics and Acoustics Business

The revenue of the Electronics and Acoustics Business for 1HFY2021 was S\$80.1 million, a 29.6% decrease when compared to 1HFY2020. Sales of private label professional audio products decreased by 51.0% due to COVID-19 in key markets resulting in cessation of all public performances and significantly suppressed market demand. Sales of Celestion products decreased by 37.4%. Sales of KEF products to the Americas increased by 23.3% due to increase in on-line transactions. Sales of KEF products in Europe increased by 4.5% while sales to Asia decreased by 19.7%. However, capacity and cost cutting measures implemented helped to maintain overall profitability in this business.

Aggregate profit contributed from associated companies which manufacture parts and components increased slightly.

Automotive Wire Harness Business

The revenue of the Automotive Wire Harness Business for 1HFY2021 was S\$14.0 million, declined by 27.8%. Sales to the Americas decreased by 43.5% due mainly to reduced demand for passenger cars in the US as the market was locked down during the pandemic. Sales to China decreased by 2.4% as the lockdown order to prevent the spread of pandemic during the first few months of calendar year 2020 was removed in the later months and car sales recovered relatively quickly. Capacity and cost adjustment measures implemented also helped to maintain profitability in this business.

Other Industrial Investments

This business segment includes GP Industries' investments in Meiloon Industrial Co., Ltd. ("Meiloon") and Linkz Industries Limited ("Linkz"). During 1HFY2021, Meiloon reported a decrease in revenue and contributed less profit while Linkz reported a slight decrease in revenue but contributed more profit.

Prospect

Commenting on the prospects of GP Industries, Chairman and Chief Executive Officer, Victor Lo said, “The COVID-19 pandemic is still prevalent globally and is expected to continue disrupting the market demand for some of GP Industries’ products. The US China trade dispute, if remains unresolved, will continue to affect US market demand for some of the GP Industries’ China-made products due to the additional US import tariff.”

“Demand for GP Industries’ battery products is more resilient to the economic fluctuations. However, lockdown and supply chain problems faced by some competitors may cause more consolidation of the market and lead to more business opportunities for its battery products. Demand for GP Industries’ private label professional audio products may continue to be adversely affected if mass gatherings stay disallowed. Sales of KEF products remained robust so far and new speakers introduced by KEF received a number of major awards thus resulting in a strong order book. The proprietary Metamaterial Absorption Technology (MAT) developed by KEF has just won the “Innovation of the Year” award from What Hi-Fi? magazine of the United Kingdom. Revenue from the sales of battery products and KEF products accounted for 83.7% and 7.4% of GP Industries’ revenue for 1HFY2021 respectively.”

“Volatilities in raw material prices and currency exchange rates may continue to affect GP Industries’ results and price competition may intensify later on, hurting revenue and profitability.”

Lo continued, “Construction of the state-of-the-art manufacturing campus by GP Industries’ battery manufacturing subsidiaries in Ningbo, China, is nearing completion. The strategy to rebalance its manufacturing capacity among factories in China, Malaysia, Vietnam and Thailand is being delayed due to travel restrictions although its new Malaysian factory is making progress. Completion of the factory relocation projects in Southeast Asia will not only provide a more diverse supply base for GP Industries’ products but also free up some of its land and buildings in China for disposal, proceeds from which will strengthen its balance sheet and cash flow. GP Industries’ 20.27%-owned associate, Meiloon, started to build a new factory in Indonesia. On 23 October 2020, GP Industries had announced that a wholly owned subsidiary of Meiloon had accepted an offer to return its factory site located in Suzhou, China, to the Suzhou city government for a compensation equivalent to approximately S\$140.4 million.”

金山工業(集團)有限公司
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“Despite the very challenging business environment globally, GP Industries will continue to build its brands and its distribution networks. GP Industries is further strengthening its eCommerce infrastructure and capabilities, in order to benefit from the rapidly growing eCommerce channels. We will also continue to invest into technology, new products and automation of its factories to further enhance the competitiveness of our businesses.” Lo is also Chairman and Chief Executive of Gold Peak.

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