金山工業(集團)有限公司
Gold Peak Industries (Holdings) Limited

Press Release

For Immediate Release

30 June 2020, Hong Kong

GOLD PEAK

Gold Peak announces 2019/2020 final results

Gold Peak Industries (Holdings) Limited *(SEHK: 40)* today announced its audited consolidated results of the Company and its subsidiaries for the year ended 31 March 2020.

Financial highlights

Revenue	: HK$ 6,051.5 million, down 10.6%
Profit attributable to owners of the Company	: HK$ 20.9 million, down 66% (2018/19: HK$61.4 million)
Earnings per share	: 2.7 HK cents (2018/19: 7.8 HK cents)
The Board does not propose a final dividend	(2018/19 final dividend: 2.5 HK cents)

Business Review

GP Industries *(85.5% owned by Gold Peak as at 31 March 2020)*

The financial year ended 31 March 2020 ("FY2020") has been a most challenging year for GP Industries. The trade dispute between China and the United States ("US"), and increased tariff, contributed to reduced demand from the US markets for some of GP Industries' products. The outbreak of COVID-19 in January 2020 led to the closure of its factories in China from two to four weeks in February and March 2020. After the factories resumed operation, some of the workers were further delayed in their return journey to the factory by local travel restrictions. The resulting manpower shortages slowed the resumption of production, lowered output and reduced operating efficiency in the financial quarter ended on 31 March 2020 ("4QFY2020"). As a result, GP Industries' revenue in 4QFY2020 decreased by 15.1% when compared to the corresponding financial quarter in the last financial year ended 31 March 2019 ("4QFY2019"). Revenue for FY2020 decreased by 9.0% when compared to the last financial year ended 31 March 2019 ("FY2019").

Despite a decline in revenue, gross profit margin improved from 25.0% in FY2019 to 26.3% in FY2020. This increase was mainly the result of a more favorable Renminbi versus US dollar exchange rate, lower price for some raw materials and the Management's focus on cost reduction and efficiency improvements as well as their focus on better quality businesses. Nevertheless, total gross profit decreased by S$12.2 million as annual revenue decreased by 9.0%.

During 4QFY2020, despite the Management's effort to quickly adjust GP Industries' operations to counter the impact of the unexpected disruptions caused by the COVID-19 outbreak, administrative expenses for FY2020 increased by 0.2% while distribution costs decreased by 6.6%.

For FY2020, GP Industries reported other operating income of S$66.0 million and other operating expenses of S$36.9 million, resulted in a net other operating income of S$29.1 million. For FY2019, a net income of S$29.4 million was reported as a result of other operating income of S$38.0 million and other operating expenses of S$8.6 million. In FY2020, while GP Industries reported an increase in asset disposal gain net of restructuring cost due mainly to the disposal of land and buildings by GP Electronics (Huizhou) Co., Ltd. ("GPEHZ") which is a wholly-owned subsidiary, the *Batteries Business* reported an increase in other operating expenses.

Profit before taxation decreased by S$9.0 million, from S$64.3 million in FY2019 to S$55.3 million in FY2020. Taxation expenses for FY2020 increased by S$8.0 million to S$26.3 million due mainly to taxation expense on GPEHZ's property disposal gain and a net under-provision of S$2.1 million in FY2020, compared to a net over-provision of S$3.3 million in FY2019. As a result, profit after taxation attributable to equity holders of GP Industries for FY2020 was S$19.5 million, a decrease of S$9.7 million or 33.2% when compared to the S$29.2 million reported in FY2019.

The Directors of GP Industries do not propose a final dividend for FY2020 in order to conserve its financial resources in view of the uncertainties ahead.

Batteries Business

- Revenue of the Batteries Business declined by 8.7% to S$796.3 million.
- Revenue of 4QFY2020 declined by 15.7% to S$172.6 million.
- Sales of primary batteries decreased by 10.6% while sales of rechargeable batteries increased by 2.6%.
- Sales in Asia and Americas decreased by 14.4% and 12.0% respectively while sales in Europe increased by 4.1%.
- In FY2020 the Batteries Business reported a S$4.8 million realised loss on derivative financial instruments due to Renminbi depreciation, a S$5.7 million closure cost for a factory in Dongguan, China and a S$5.6 million translation deficit recognized as a loss upon liquidation of a subsidiary. In FY2019, a net other operating income was reported due mainly to a total compensation for relocation of S$25.2 million.
- Aggregate profit contribution from associates increased by S$1.9 million.

Electronics and Acoustics Business

- Revenue of the Electronics and Acoustics Business decreased by 9.6% to S$230.3 million.
- Revenue of 4QFY2020 dropped by 13.2% to S$55.1 million.
- Sales of electronics products decreased by 17.9% while sales of acoustics products had a marginal drop of 0.7%.
- Sales of acoustics products to Europe and Americas decreased by 2.2% and 0.8% respectively, while sales to Asia increased by 2.8%.
- During FY2020, GPEHZ reported a property disposal gain of S$48.6 million and a provision for restructuring costs of S$17.6 million in connection with the disposal of the land and building of the current GPEHZ factory, relocation of part of its operations to Thailand and to set up another factory in a new location in China.
- Aggregate profit contributed from associated companies which manufacture parts and components decreased by S$1.8 million.

Automotive Wire Harness Business

- Revenue of the Automotive Wire Harness Business declined by 11.8% to S$35.8 million.
- Revenue of 4QFY2020 dropped by 13.8% to S$7.4 million.
- Sales to the Americas and China decreased by 10.2% and 17.5% respectively mainly due to the softening of passenger car market in the US and China.

Other Industrial Investments

- Profit contribution from Linkz Industries Limited decreased due mainly to the drop in revenue and provision of an exceptional impairment charge relating to its intangible assets.
- Profit contribution from Meiloon Industrial Co., Ltd. increased.

Prospects

Commenting on the prospects of the Group, Victor Lo, Chairman and Chief Executive of Gold Peak, said, “The COVID-19 outbreak severely disrupted the global economy. The social distancing and travel control measures imposed by countries around the world adversely affect business activities, global supply and logistics, and substantially reduced consumer demand in some of the Group’s businesses. While some major global economies are starting to gradually relax these control measures, it is still uncertain when market conditions will return to normal, or how the “new norm” in business will be like.”

“Meanwhile, the US China trade dispute continues to affect some of the Group’s businesses. The added import tariff will either suppress market demand as a result of higher US consumer prices or increase the cost of supplying to the US market, if the added import tariff is somehow absorbed by the Group or its US customers. If the US China trade dispute continues for a prolonged period, it is expected that some of the Group’s products manufactured in China for the US market may see reduced demand and intense competition from comparable products manufactured in other countries.”

"Demand for the Group's battery products is expected to be less susceptible to the negative impacts of a slowed down economy although demand may fluctuate from time to time. In addition, price competition may intensify which may affect revenue and profitability. Demand for the Group's electronics and acoustics products may continue to be adversely affected if the negative economic sentiments caused by the US China trade dispute and the COVID-19 pandemic persist."

"Volatilities in raw material prices and currency exchange rates may continue to affect the Group's results."

Lo continued, "The Group has implemented a series of stringent cost control measures to mitigate the negative financial impact attributable to the COVID-19 outbreak and the US China trade dispute. The measures include the salary reduction of Chairman and Chief Executive by 30%, senior executives and management team by 15% to 20% and Non-executive Directors of the Company by 20% for the financial quarter ended 30 June 2020, as a symbol of solidarity with all stakeholders. Management will monitor closely the effectiveness of such measures and make necessary adjustments."

"A major state-of-the-art manufacturing campus under the Group's battery manufacturing subsidiaries in Ningbo is close to completion. The Group is also rebalancing its manufacturing capacity among factories in China, Malaysia, Vietnam and Thailand. The completion of the Ningbo project will further strengthen the Group's competitive advantages as a major global supplier. Completion of the factory relocation projects in Southeast Asia will also free up some of the Group's land and buildings in China for disposal which will enhance the Group's balance sheet and cash flow."

"Despite the very challenging business environment globally, the Group will continue to build its brands and its distribution networks. The Group plans to further strengthen its eCommerce infrastructure and capabilities, in order to meet the needs of rapidly growing eCommerce channels. It will also continue to invest into technology, new products and factory automation to further enhance the competitiveness of its businesses."

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