

Press Release

For Immediate Release

11 September 2020, Hong Kong



Impact of the COVID-19 outbreak and business update of Singapore-listed GP Industries Limited

Gold Peak Industries (Holdings) Limited's (stock code: 40) 85.5% subsidiary, the Singapore-listed GP Industries Limited, today issued an announcement to update on the impact of the Coronavirus Disease 2019 ("COVID-19") pandemic on its operations as well as an overview on the business performance for the financial quarter ended 30 June 2020 ("Q1FY2021").

Impact of COVID-19 on GP Industries' Businesses for Q1FY2021

During Q1FY2021, GP Industries' factories in China resumed normal operations. In Malaysia, although the government's recovery movement control order has been extended to 31 December 2020, GP Industries' factories were allowed to resume operations subject to compliance with the required safety management measures. However, as most of GP Industries' markets in the Americas and Europe are still under various degree of movement control, some of the overseas sales offices were unable to resume normal operation.

Due to restrictions on international travel, GP Industries could not resume the relocations of part of its production facilities in China for rechargeable battery products and professional audio products to Malaysia and Thailand respectively.

COVID-19 also resulted in suspension of activities involving mass gathering in various countries, including concerts, conferences and major sports events on a global scale. As a result, demand for GP Industries' professional audio products, which comprised mainly audio systems for use in cinemas, concert halls, stadiums and schools, was adversely affected. Nevertheless, COVID-19 also provided a growth opportunity for GP Industries' on-line business. GP Industries' branded

acoustics business in the United States (“US”) outperformed other regions as revenue from e-commerce transactions increased rapidly.

Since the announcement of GP Industries dated 2 June 2020 on the Singapore Stock Exchange, the management of GP Industries have worked closely with all stakeholders to reduce the negative impact arising from COVID-19 while taking all possible steps to protect staff employment. A number of cost-reduction and cash conservation measures have been taken, including salary reduction and headcount freeze. The effectiveness of the cost-reduction and cash conservation measures is monitored closely and necessary refinements will be adopted from time to time as market situation changes. Salary reduction for executive directors and senior executives of GP Industries will continue until September 2020.

At the annual general meeting of GP Industries held on 11 September 2020, GP Industries’ shareholders approved the non-executive directors’ fees for the financial year ended 31 March 2020 (“FY2020”), which were based on the fee structure adopted in financial years ended 31 March 2018 and 2019, with a 20% voluntary reduction initiated by the non-executive directors in support of GP Industries’ cost-reduction measures.

Business Review of GP Industries for Q1FY2021

In addition to the impact of COVID-19 on GP Industries for Q1FY2021 as discussed above, demand for some of GP Industries’ products for Q1FY2021 continued to be adversely affected by the added US tariff imposed on made-in-China products.

GP Industries’ revenue for Q1FY2021 amounted to S\$265.7 million, a 3.0% decline when compared to the revenue for the financial quarter ended 30 June 2019 (“Q1FY2020”). In US dollar terms, revenue declined by 6.5% when comparing Q1FY2021 with Q1FY2020, as the Singapore dollar weakened by approximately 3.7% against the US dollar, the main trading currency of GP Industries.

Revenue of the batteries business increased by 5.2% in Singapore dollar terms, or by 1.4% in US dollar terms. However, revenue of the electronics and acoustics business decreased by 28.5% in Singapore dollar terms, or by 31.1% in US dollar

terms, attributable to a 47.9% decline in sales of electronics products, which comprises mainly professional audio products, and a 15.8% decline in sales of branded acoustics products, both in US dollar terms. Revenue of the automotive wire harness business decreased by 41.9% in Singapore dollar terms or 44.0% in US dollar terms.

Due mainly to lower sales of branded acoustics products, the gross profit margin for Q1FY2021 dropped slightly to 25.5% when compared to 26.1% for Q1FY2020.

Comparing Q1FY2021 to Q1FY2020, the Singapore dollar also weakened by 4.8% against the Hong Kong dollar, and a substantial portion of GP Industries Group's distribution costs and administrative expenses are denominated in Hong Kong dollar. As a result, the positive effect of some of the Management's cost-reduction measures were negated upon translating these expenses into Singapore dollar for reporting purpose.

During Q1FY2021, GP Industries reported a restructuring cost of approximately S\$1.4 million, mainly for the relocation of the rechargeable battery factory located in Huizhou, China.

Amid the very difficult business environment, GP Industries reported a net profit attributable to its equity holders for Q1FY2021, albeit a decline when compared with the net profit reported for Q1FY2020.

Prospect

Commenting on the prospects of GP Industries, Chairman and Chief Executive Officer, Victor Lo said, "The adverse impact of COVID-19 on the global economy and the on-going trade dispute between China and the US will likely continue to affect GP Industries' businesses. GP Industries' effort to rebalance its manufacturing facilities within Asia is expected to be impacted but it is committed to complete the exercise as soon as possible."

"GP Industries will continue to build its brands, its business network and its on-line sales capabilities. It will continue to invest into technology, developing new products

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and automating its factories to further enhance its competitiveness and businesses.”
Lo is also Chairman and Chief Executive of Gold Peak.

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