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

Press Release

For Immediate Release

10 August 2018, Hong Kong

Singapore-listed GP Industries announces 2018/2019 Q1 results

Gold Peak Industries (Holdings) Limited's *(stock code: 40)* 85.5% subsidiary, the Singapore-listed GP Industries Limited, today announced its unaudited quarterly results for the three months ended 30 June 2018.

Summary of results of GP Industries

	(For the three months ended 30 June) 2018	2017	% of change
Turnover	S$287 million	S$275 million	+ 4.4%
Profit attributable to equity holders of GP Industries	S$7.20 million	S$5.40 million	+ 32.8%

Review of Results

GP Industries' revenue for the financial quarter ended 30 June 2018 ("Q1FY2019") was S$287.0 million, an increase of 4.4% over the revenue reported for the same financial quarter ended 30 June 2017 ("Q1FY2018"). The increase was mainly attributable to a 5.8% revenue growth reported by the *Batteries Business*. Comparing Q1FY2019 and Q1FY2018, the Singapore dollar appreciated by approximately 4.0% against US dollar, which is the principal trading currency of GP Industries' products. In US dollar terms, revenue for Q1FY2019 increased by 8.8% when compared to Q1FY2018.

Rapid cost increases, mainly caused by the rising labour costs in China, sharp metal price increase, a shortage of some electronic components and its corresponding price increase, and a strong Chinese Renminbi ("Renminbi") to US dollar exchange rate adversely affected the gross profit margin for the financial year ended 31 March 2018. This trend continued in Q1FY2019 and suppressed GP Industries' gross profit margin from 25.3% in Q1FY2018 to 21.8% in Q1FY2019. However, the strengthening of US dollar against Renminbi and against Singapore dollar since the later part Q1FY2019 resulted in a net exchange gain of S$4.1 million during Q1FY2019, compared with a net exchange loss of S$1.6 million for Q1FY2018. During Q1FY2019, GP Industries also reported an increase in other operating income due mainly to compensation income and property disposal gain of the *Batteries Business*.

During Q1FY2019, the Group reported less income tax expense, due mainly to a write-back of taxation expenses by certain subsidiary and associate operating in China.

Profit after taxation attributable to equity holders for Q1FY2019 increased by 32.8% to S$7.2 million when compared to the S$5.4 million reported for Q1FY2018.

Business Review of GP Industries

(for the three months ended 30 June 2018)

Batteries Business

The revenue of the *Batteries Business* for Q1FY2019 was S$219.2 million, a 5.8% increase over the revenue for Q1FY2018 in Singapore dollar terms or 10.1% in US dollar terms. In US dollar terms, sales of primary batteries increased by 14.2% while sales of rechargeable batteries decreased by 6.9%. In geographical terms, sales in the Americas and Asia increased by 9.0% and 17.0% respectively, while sales in Europe decreased by 2.5%, all in US dollar terms.

Gross profit margin for Q1FY2019 continued to be adversely affected by the high raw material cost, when compared to Q1FY2018.

During Q1FY2019, the *Batteries Business* reported an increase in other operating income due to compensation of S$7.9 million for damages caused by third parties to a property of the 70%-owned subsidiary, Zhongyin (Ningbo) Battery Co. Ltd, as announced by GP Industries and the Company on 15 May 2018, and a S$1.0 million gain from the disposal of a property located in Taiwan.

Electronics and Acoustics Business

Revenue from the *Electronics and Acoustics Business* in Q1FY2019 remained steady when compared to Q1FY2018 in Singapore dollar terms, or increased by 4.7% in US dollar terms. Sales of electronics products remained steady in US dollar terms. Sales of acoustics products continued to grow and reported an increase of 9.9%, all in US dollar terms. Sales to the US market increased by 14.3%, the Asian markets by 13.6% and the European market by 10.9%, all in US dollar terms. The associated companies which manufacture parts and components contributed more profit in aggregate due to higher revenue.

Automotive Wire Harness Business

Sales of the *Automotive Wire Harness Business* remained steady in Singapore dollar terms in Q1FY2019 when compared to Q1FY2018. In US dollar terms, revenue increased by 4.0%. Sales to US increased by 20.9% due to increased demand for new products. Sales to China decreased by 15.5% due mainly to delays in production of new car models by the automotive manufacturers. The appreciating Renminbi and increases in labour costs also affected manufacturing costs in this business.

Other Industrial Investments

This business segment includes GP Industries' investments in Meiloon Industrial Co., Ltd. ("Meiloon") and Linkz Industries Limited ("Linkz"). In Q1FY2019, Linkz reported revenue growth but profit contribution remained steady due partly to the profit shared by the non-controlling interests of a subsidiary which became listed on the Stock Exchange of Hong Kong Limited in February 2018 and partly to exchange losses. 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, "Significant business uncertainties arose from the trade disputes between the United States of America ("US") and some of its key trade partners. For GP Industries' businesses, based on the revenue for the financial year ended 31 March 2018, about 2% of the sales of the *Batteries Business* and about 17% of the sales of the *Automotive Wire Harness Business* are subjected to the 25% import tariffs imposed on products made in China imported to the US market effective July 2018. In aggregate, the two categories that are affected represent less than 3% of GP Industries' revenue for the financial year ended 31 March 2018. Other products from GP Industries' US business are not on any confirmed list of products subjected to additional US import tariff up to now."

"GP Industries is in contact with its customers in the US to discuss how to best respond to the increased import cost."

Lo continued, "Volatile currency exchange rates may also affect GP Industries' results. A weakened Renminbi is generally favourable to GP Industries' export-oriented businesses in China. Volatility in certain metal prices and the global shortage of certain electronic components are expected to continue to cause instability in profit margin of GP Industries' business."

"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 its brands and distribution networks in key markets." Lo is also Chairman and Chief Executive of Gold Peak.

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