

## Press Release

For Immediate Release

13 June 2019, Hong Kong



### Gold Peak announces 2018/2019 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 2019.

#### **Financial highlights**

Revenue	: HK\$6,768 million, up 7.1%
Profit attributable to owners of the Company	: HK\$61.4 million, up 201.8% (2017/18: HK\$20.4 million)
Earnings per share	: 7.8 HK cents (2017/18: 2.6 HK cents )
Proposed final dividend per share	: 2.5 HK cents (2017/18 final dividend: 1.2 HK cents )

#### **Business Review**

**GP Industries** (85.5% owned by Gold Peak as at 31 March 2019)

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% to

25.0%, 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 Renminbi against the US dollar.

Other operating income decreased by 14.6% from S\$44.5 million to S\$38.0 million. 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 GP Industries' 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 to S\$135.7 million. 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 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.

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

### **Batteries Business**

- Revenue of the Batteries Business increased by 5.7% to S\$871.8 million.
- Sales of primary batteries increased by 8.5% while sales of rechargeable batteries decreased by 6.8%.
- 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 improve the gross profit margin.
- Factory expansion projects in Malaysia and Vietnam are on schedule. The expanded Alkaline 9V batteries manufacturing facilities in Malaysia, which has been fully operational since the second half of FY2018, started to contribute business and profitability.

### **Electronics and Acoustics Business**

- Revenue of the Electronics and Acoustics Business increased by 10.8%.
- Sales of electronics and acoustics products increased by 12.1% and 9.4% respectively.
- 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 associate companies which manufacture parts and components contributed more profit in aggregate.

### **Automotive Wire Harness Business**

- Sales of the Automotive Wire Harness Business 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**

- Linkz Industries Limited 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.
- Revenue of Meiloon Industrial Co., Ltd. decreased and contributed less profit.

### **Prospects**

Commenting on the prospects of the Group, Victor Lo, Chairman and Chief Executive of Gold Peak, said, “Faced with global challenges including the trade dispute between the USA and China, as well as issues regarding Brexit, significant uncertainties were cast on the Group’s business outlook. Demand for some of the Group’s products may also be affected by global economic slowdown.”

“Approximate 14.3% of the Group’s businesses are subjected to the current USA import tariff scheme effective from 10 May 2019. Affected products include some battery products, automotive wire harnesses and speaker products. The Group is working with its customers in the USA on the best response to the increased import costs. In case the proposed enlarged USA import tariff scheme is enacted to cover all products made in China, other products from the Group may also be affected.”

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

Lo continued, “Volatile currency exchange rates may also affect the Group’s results. In light of countries where the Group has significant manufacturing and distribution operations, a weakened Renminbi and currencies of other related countries against US dollar is generally favorable to its export-oriented businesses. Price volatility of certain raw material may continue to affect the Group’s profit margin. Meanwhile, global shortage of certain electronic components continued to ease gradually.”

“Investment in technology and new product development, further automation of its factories, as well as building its brands and distribution networks in key markets will continue to be the core strategies of the Group to enhance the competitiveness of its businesses.”

#### **Event after the reporting period**

At the general meeting of GP Industries 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.

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