



GP Industries Limited
(Incorporated in the Republic of Singapore)
Co. Reg. No. 199502128C

BUSINESS UPDATE ON THE IMPACT OF THE COVID-19 OUTBREAK

The board of directors (the “**Board**”) of GP Industries Limited (the “**Company**”) and its subsidiaries (the “**Group**”) wishes to update the shareholders and potential investors of the Company on the impacts of the COVID-19 pandemic on the Group’s businesses.

A summary of the key impacts on the Group’s businesses is set out below:

- (a) as part of the lockdown measures of relevant governments to slow down the spread of COVID-19, the Group’s factories in the People’s Republic of China (the “**PRC**”) and Southeast Asia were shut down for an average of two to four weeks during the financial quarters ended 31 March 2020 (“**4QFY2020**”) and ending 30 June 2020 (“**1QFY2021**”). After the factories resumed operation, many workers in the Group’s PRC factories were further delayed by local travel restrictions which remained in effect. The resulting manpower shortages slowed the resumption of production, lowered output and reduced operating efficiency in 4QFY2020 and 1QFY2021. As at the date of this Announcement, all of the Group’s factories resumed normal operations, except the factory in Thailand, which is still affected by the international travel ban in Thailand;
- (b) the lockdown and social distancing measures imposed by various countries also adversely affected the operations of the Group’s major suppliers and customers and caused supply chain disruptions for the Group. Some customer orders were cancelled or pushed out due to reduced consumer demand caused by the lockdown and social distancing measures in many countries. This led to reduced production output and delays in product delivery during 4QFY2020 and 1QFY2021; and
- (c) COVID-19 travel control measures imposed in various countries also adversely affected the Group’s efforts in relocating some of its manufacturing operations to Southeast Asia as the management and technical support teams, as well as customers’ representatives responsible for factory certification, could not travel to Malaysia and Thailand. In Vietnam, some new production equipment could not be commissioned after delivery. Delays in the Group’s factory relocation plans will increase the Group’s costs as a result of having to maintain dual manufacturing sites for a longer period than originally planned.

The Group’s businesses were also affected by the continued trade dispute between the United States (the “**US**”) and the PRC. Higher import tariffs imposed by the US government on the Group’s PRC-made products, including some types of batteries, professional audio products and automotive wire harnesses, reduced consumer demand for some of these products in the US and further affected the Group’s profits for 4QFY2020.

The Group’s management team is working closely with all stakeholders to reduce the negative impacts of the aforementioned developments while taking all possible steps to protect staff employment. A number of cost-reduction and cash conservation measures were taken, including the following:

- (a) Chairman and Chief Executive Officer of the Group volunteered a 30% reduction in salary for Q1FY2021, as a symbol of solidarity with all stakeholders;
- (b) senior executives and management team of the Group took a 15% to 20% reduction in salary for Q1FY2021;

- (c) non-executive directors of the Company also volunteered a 20% reduction in director fees for the financial year ended 31 March 2020 (“**FY2020**”), to be tabled at the upcoming annual general meeting for shareholder’s approval before implementation;
- (d) cash flow control tightened by inventory reduction and working with customers and suppliers on more favorable trading terms;
- (e) cash requirements reduced by scrutinizing all proposed capital expenditures and only proceeding with essential ones;
- (f) production capacity re-organised in response to reduced market demand by temporary facilities closure and office hours reduction;
- (g) staff hiring frozen and employees encouraged to take annual leave and no-pay leave; and
- (h) workflow further streamlined and productivity drives strengthened.

The Group is putting in place stringent health and safety measures in accordance with the COVID-19 social distancing and lockdown measures imposed in various countries and may make additional adjustments to the aforementioned cost-reduction and cash reservation measures to react according to the further development of the COVID-19 pandemic.

For FY2020, the Group expects its annual revenue to decline by approximately 12% when compared to the annual revenue for the financial year ended 31 March 2019 (“**FY2019**”). The net profit attributable to shareholders of the Company for FY2020 is also expected to be less than the net profit attributable to shareholders of the Company for FY2019. This preliminary assessment is based on the unaudited consolidated management accounts of the Group for FY2020 and have not been reviewed by the Company’s audit and risk committee nor confirmed by the auditors of the Company.

The Company is still in the process of finalising the FY2020 financial results and the information contained in this Announcement is an update of the Group’s response to the current challenging market environment. The Group’s financial performance for FY2020 will be disclosed when the Company announces the unaudited consolidated financial results on or before 30 July 2020. The Company will make further announcements if and when there are any material development which warrant disclosure, in accordance with its obligations under the Listing Manual of the Singapore Exchange Securities Trading Limited.

Meanwhile, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company (“**Shares**”) and to refrain from taking any action in relation to their Shares which may be prejudicial to their interests.

By Order of the Board

Kelly Kiar Lee Noi
Company Secretary
2 June 2020