



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

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## UPDATE ON THE IMPACT OF THE COVID-19 OUTBREAK AND BUSINESS UPDATE

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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 Coronavirus Disease 2019 (“**COVID-19**”) pandemic on the Group’s businesses for the financial quarter ended 30 June 2020 (“**Q1FY2021**”) and provide an overview of the Group’s business performance for Q1FY2021.

### **Update on impact of COVID-19 on the Group’s businesses for Q1FY2021**

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

Due to restrictions on international travel, the Group 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 the Group’s 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 the Group’s on-line business. The Group’s branded acoustics business in the United States (“**US**”) outperformed other regions as revenue from e-commerce transactions increased rapidly.

Since the Company’s announcement dated 2 June 2020, the Management worked closely with all stakeholders to reduce the negative impacts arising from COVID-19 while taking all possible steps to protect staff employment. A number of cost-reduction and cash conservation measures was 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 the Group will continue until September 2020.

At the annual general meeting of the Company held on 11 September 2020, the 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 the Group’s cost-reduction measures.

## **Overview of the Group's business performance for Q1FY2021**

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

The Group's 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, the Group's 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 the Group.

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 the 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, the Group 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, the Group reported a net profit attributable to its equity holders for Q1FY2021, albeit a decline when compared with the net profit reported for Q1FY2020.

## **Outlook**

The adverse impact of COVID-19 on the global economy and the on-going trade dispute between China and US will likely continue to affect the Group's businesses. The Group's effort to rebalance its manufacturing facilities within Asia is expected to be impacted but the Group is committed to complete the exercise as soon as possible.

The Group will continue to build its brands, its business network and its on-line sales capabilities. The Group will continue to invest into technology, developing new products and automating its factories to further enhance the Group's competitiveness and its businesses.

By Order of the Board

Kelly Kiar Lee Noi  
Company Secretary  
11 September 2020