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

(Incorporated in Hong Kong under the Companies Ordinance)
(Stock Code: 40)



**Announcement of 2021/2022 Interim Results of
GP Industries Limited**

Pursuant to Paragraph 13.09(2) of the Listing Rules, the Board of Directors of Gold Peak Industries (Holdings) Limited is pleased to announce the unaudited consolidated results of GP Industries Limited for the six months ended 30 September 2021. Revenue of GP Industries Group's continuing operations increased by 10.1% to S\$619.0 million. Profit from continuing operations attributable to equity holders of GP Industries increased by 14.6% to S\$14.8 million. Including discontinued operations, total profit attributable to equity holders of GP Industries decreased from S\$13.7 million for 1HFY2021 to S\$11.7 million for 1HFY2022.

Pursuant to Paragraph 13.09(2) of the Listing Rules, the Board of Directors of Gold Peak Industries (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of GP Industries Limited ("GP Industries" and together with its subsidiaries, "GP Industries Group") for the six months ended 30 September 2021. GP Industries is an 85.59%-owned subsidiary of the Company and is listed on the Singapore Exchange Securities Trading Limited.

GP INDUSTRIES LIMITED
UNAUDITED CONSOLIDATED RESULTS

	For the six months ended 30 September 2021		For the six months ended 30 September 2020 *	
	S\$'000	HK\$'000 (Note)	S\$'000	HK\$'000 (Note)
<u>Continuing operations</u>				
Revenue	618,955	3,583,564	562,207	3,130,312
Cost of sales	(457,546)	(2,649,054)	(411,808)	(2,292,906)
Gross profit	161,409	934,510	150,399	837,406
Other operating income	8,023	46,451	5,277	29,382
Distribution costs	(71,464)	(413,755)	(65,664)	(365,611)
Administrative expenses	(74,273)	(430,018)	(61,298)	(341,300)
Allowance for expected credit losses, net	(56)	(324)	(79)	(440)
Other operating expenses #	(4,591)	(26,581)	(8,376)	(46,637)
Profit from operations	19,048	110,283	20,259	112,800
Finance costs	(9,521)	(55,124)	(9,979)	(55,562)
Share of results of associates #	11,921	69,019	15,654	87,160
Profit before taxation	21,448	124,178	25,934	144,398
Taxation #	(4,235)	(24,519)	(5,925)	(32,990)
Profit after taxation from continuing operations	17,213	99,659	20,009	111,408
<u>Discontinued operations</u>				
(Loss) Profit after taxation from discontinued operations	(3,050)	(17,659)	837	4,660
Profit after taxation	14,163	82,000	20,846	116,068
Attributable to:				
Equity holders of GP Industries				
Continuing operations	14,763	85,474	12,879	71,709
Discontinued operations	(3,050)	(17,659)	837	4,660
	11,713	67,815	13,716	76,369
Non-controlling interests				
Continuing operations	2,450	14,185	7,130	39,699
Discontinued operations	-	-	-	-
	2,450	14,185	7,130	39,699
	14,163	82,000	20,846	116,068
	S cents	HK cents	S cents	HK cents
Earnings per share				
From continuing operations	3.05	17.65	2.66	14.81
From discontinued operations	(0.63)	(3.65)	0.17	0.94
	2.42	14.00	2.83	15.75
	S cents	HK cents	S cents	HK cents
Interim dividend per share				
	1.25	7.23	-	-

* The comparative figures have been re-presented due to discontinued operations.

Prior period comparative figures have been reclassified to conform to current period's presentation.

Note:-

The Hong Kong dollar equivalents as shown above for illustrative purposes are converted at the average exchange rates for the respective periods.

GP INDUSTRIES LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 Sept 2021		As at 31 March 2021	
	S\$'000	HK\$'000 (Note)	S\$'000	HK\$'000 (Note)
Non-current assets				
Property, plant and equipment	395,599	2,263,855	386,321	2,230,770
Right-of-use assets	48,368	276,791	44,206	255,263
Interests in associates	316,223	1,809,618	304,316	1,757,242
Financial assets at fair value through other comprehensive income	1,987	11,371	1,968	11,364
Non-current receivables	1,948	11,148	14,924	86,177
Deferred tax assets	4,833	27,657	4,812	27,786
Deposits and prepayments	4,362	24,962	5,843	33,740
Intangible assets	12,223	69,947	12,551	72,474
	<u>785,543</u>	<u>4,495,349</u>	<u>774,941</u>	<u>4,474,816</u>
Current assets				
Inventories	245,171	1,403,015	206,443	1,192,084
Receivables and prepayments	301,238	1,723,863	276,294	1,595,432
Dividend receivable	1,225	7,010	4,299	24,824
Taxation recoverable	4,806	27,503	4,729	27,307
Derivative financial instruments	335	1,917	-	-
Short-term investments	1,151	6,587	1,291	7,455
Bank balances, deposits and cash	165,185	945,288	226,067	1,305,401
	<u>719,111</u>	<u>4,115,183</u>	<u>719,123</u>	<u>4,152,503</u>
Assets classified as held for sale	7,453	42,651	7,311	42,217
	<u>726,564</u>	<u>4,157,834</u>	<u>726,434</u>	<u>4,194,720</u>
Current liabilities				
Trade and other payables	327,267	1,872,818	336,422	1,942,636
Contract liabilities	10,992	62,903	8,910	51,450
Provision for restructuring	17,475	100,002	-	-
Lease liabilities	8,351	47,789	10,490	60,573
Income tax payable	8,262	47,280	10,664	61,578
Derivative financial instruments	80	458	1,233	7,120
Bank and other loans	388,825	2,225,090	411,191	2,374,381
	<u>761,252</u>	<u>4,356,340</u>	<u>778,910</u>	<u>4,497,738</u>
Net current liabilities	<u>(34,688)</u>	<u>(198,506)</u>	<u>(52,476)</u>	<u>(303,018)</u>
Non-current liabilities				
Bank and other loans	157,585	901,796	150,196	867,292
Lease liabilities	42,616	243,874	34,525	199,361
Provision for restructuring	-	-	17,318	100,001
Deferred tax liabilities	9,856	56,402	10,051	58,038
	<u>210,057</u>	<u>1,202,072</u>	<u>212,090</u>	<u>1,224,692</u>
Net assets	<u>540,798</u>	<u>3,094,771</u>	<u>510,375</u>	<u>2,947,106</u>
Represented by:				
Issued capital	286,307	1,385,631	286,307	1,385,631
Treasury shares	(20,978)	(124,991)	(20,865)	(124,334)
Reserves	180,037	1,288,010	153,788	1,159,502
Equity attributable to owners of GP Industries	<u>445,366</u>	<u>2,548,650</u>	<u>419,230</u>	<u>2,420,799</u>
Non-controlling interests	<u>95,432</u>	<u>546,121</u>	<u>91,145</u>	<u>526,307</u>
Total equity	<u>540,798</u>	<u>3,094,771</u>	<u>510,375</u>	<u>2,947,106</u>

Note:-

The Hong Kong dollar equivalents as shown above for illustrative purposes are converted at the closing exchange rates for the respective periods.

REVIEW OF RESULTS

During the financial half year ended 30 September 2021 (“1HFY2022”), revenue of GP Industries Group’s continuing operations increased by S\$56.7 million or 10.1% to S\$619.0 million, due mainly to a S\$51.4 million or 64.2% increase in revenue of the Electronics and Acoustics Business.

On 31 August 2021, GP Industries Group completed the disposal of the subsidiaries in the Automotive Wire Harness Business. Pursuant to the prevailing financial reporting standards, results of operations of the disposed Automotive Wire Harness Business for 1HFY2022 and prior period comparative figures for the financial half year ended 30 September 2020 (“1HFY2021”) are presented separately under discontinued operations.

Gross profit margin decreased slightly from 26.8% in 1HFY2021 to 26.1% in 1HFY2022. The decrease was due mainly to appreciation of Chinese Renminbi (“RMB”) and significant increases in material costs across a wide range of raw materials and components. Comparing 1HFY2022 and 1HFY2021, RMB appreciated by more than 7% against the United States (“US”) Dollar. While material and component price increases varied from type to type, it is common to find 15% to 25% cost increase for some materials and components in higher demand. However, selling price increases to customers and improvements in sales mix with increase in sales of the KEF acoustic systems partially offset the adverse effects of RMB appreciation and material price increase on gross profit margin of GP Industries Group.

Distribution costs increased by S\$5.8 million or 8.8% to S\$71.5 million, due partly to rapid and substantial increases in global shipping costs. The standard container shipping cost from key Chinese ports to the key USA ports increased from approximately US\$2,500 per container in past years to its peak of around US\$23,000 per container in 1HFY2022.

Administrative expenses increased by S\$13.0 million or 21.2% to S\$74.3 million due mainly to staff costs increases on a year-on-year comparison basis. During 1HFY2021, GP Industries Group implemented aggressive cost control measures and received some government subsidies from various countries during COVID-19 lockdown period, which contributed to reduce staff cost for comparison basis in 1HFY2021.

Profit from continuing operations attributable to equity holders of GP Industries increased by S\$1.9 million to S\$14.8 million, or 14.6% over the profit same period last year.

Net loss from discontinued operations arose from disposal of the Automotive Wire Harness Business in 1HFY2022 amounted to S\$3.05 million, which included the cumulative translation deficit of S\$2.07 million charged back to profit or loss.

Including discontinued operations, total profit attributable to equity holders of GP Industries decreased from S\$13.7 million for 1HFY2021 to S\$11.7 million for 1HFY2022. Basing on the weighted average of 483,864,398 shares in issue of GP Industries, basic earnings per share of GP Industries for 1HFY2022 was 2.42 Singapore cents, compared to 2.83 Singapore cents reported in 1HFY2021.

The Directors of GP Industries have declared an interim dividend of 1.25 Singapore cents per GP Industries share.

BUSINESS REVIEW

Batteries Business – The revenue of the Batteries Business for 1HFY2022 was S\$487.6 million, an increase of 1.1% when compared to 1HFY2021. Sales of primary and rechargeable batteries in 1HFY2022 increased by 0.7% and 0.6% respectively. In geographical terms, sales to Europe and Asia increased by 9.4% and 5.7% respectively while sales to the Americas decreased by 16.7%.

The relocation of the Nickel Metal Hydride rechargeable and Carbon Zinc 9-volt batteries manufacturing facilities from Huizhou to the new manufacturing campus located at Xiegang, Dongguan is expected to be completed in the early half of the next financial year commencing on 1 April 2022 (“FY2023”). Renovation of the Malaysian and Vietnam factories were delayed by the surge of domestic COVID-19 cases and the resulting lockdown measures which delayed the factories’ achieving normal production capacity in 1HFY2022. However, the capital investments required for setting up the new factories are expected to be mostly completed in the early part of FY2023, significantly reducing the investment needed for this business thereafter.

Gross profit margin of the Batteries Business has been affected by the rapidly increased material costs and the strengthened RMB. Although the Management worked closely with customers to increase product prices, the delay between contract renewal negotiations and customer’s acceptance of price increases against the time when material prices actually increased resulted in reduced gross profit margin for the period. During 1HFY2022, disruptions to global shipping caused significant delays and drastic increases in shipping costs. The combined impact of these adverse factors and a decrease in aggregate share of profit from associates led to a decline in profit contribution from the Battery Business.

Electronics and Acoustics Business – The revenue of the Electronics and Acoustics Business for 1HFY2022 was S\$131.4 million, a 64.2% increase when compared to the revenue reported in 1HFY2021 with strong growth in both the professional audio manufacturing business and the branded acoustics business.

The professional audio manufacturing business reported a 54.6% increase in revenue in 1HFY2022 with increased sales to all major geographical markets, including a 97.8% increase to the Americas. The increase was mainly driven by the recovery of the professional audio business after key global markets started to reopen when the pandemic gradually subsided.

Sales of KEF products increased by 73.4%, with growth in sales of both traditional premium loudspeakers and wireless music systems. KEF achieved its highest revenue ever reported in 1HFY2022. KEF’s new products launched in the last financial year continued to achieve impressive sales increases in all major geographical markets. For 1HFY2022, KEF reported a 74.6% growth in revenue in the Americas, an 80.3% revenue growth in Europe and a 53.6% revenue growth in Asia when compared to 1HFY2021. The Celestion brand professional speaker driver business also reported a revenue growth of 51.0%, with 67.3% and 65.0% increase in sales to the Americas and Asia respectively, also mainly driven by a recovery of the professional audio market after COVID-19 started to subside in these markets.

Strong revenue growth of the subsidiaries and an increase in aggregate share of profit of associated companies resulted in a significant increase in profit contribution from the Electronics and Acoustics Business. The inventory holding level of this business segment increased due to the strong sales leading to the need for maintaining a higher level of inventory for products and critical components to safeguard against the global shortages in electronics components and shipping capacity. While this strategy helped to support the revenue growth achieved, it also required significantly higher working capital for the business.

Automotive Wire Harness Business – During 1HFY2022, profit after taxation of the Automotive Wire Harness Business amounted to S\$0.16 million, compared to S\$0.84 million in 1HFY2021. The Automotive Wire Harness Business was disposed of on 31 August 2021 and the disposal resulted in a loss of S\$3.21 million in 1HFY2022, which included S\$2.07 million translation deficit charged back to profit or loss and goodwill written-off amounted to S\$0.27 million.

Other Industrial Investments – This business segment includes GP Industries Group’s investments in Meiloon Industrial Co., Ltd. (“Meiloon”) and Linkz Industries Limited (“Linkz”). During 1HFY2022, Meiloon reported an increase in revenue and contributed more profit while profit contribution from Linkz decreased.

PROSPECTS

More global economies are re-opening for domestic activities and foreign visitors when COVID-19 starts to subside and general business sentiment improves. However, the Batteries Business will continue to be affected by material supply disruptions, steep cost increases and shipping challenges. When the project to rebalance GP Industries Group’s manufacturing facilities is completed in the early part of FY2023, the business is expected to improve from reduced redundant operations and better economies of scale. The demands for GP Industries Group’s professional audio manufacturing business and Celestion professional speaker driver business, which were hard-hit during the outbreak of COVID-19 as activities involving crowd gatherings were banned, are expected to continue to recover. With a strong product program and aggressive sales expansion, revenue of KEF is expected to continue to grow.

Disruptions to global shipping services and shortages of electronics components are expected to continue to pose challenges to GP Industries Group in optimizing inventory level and working capital requirements in order to meet delivery commitments.

GP Industries Group’s strategy to invest into building its brands, its sales and distribution capabilities, into technology and product development and into rebalancing its production capacity in China and South East Asia helped GP Industries Group maintain relatively stable business performance during the COVID-19 pandemic. GP Industries Group will continue this strategy to further strengthen the competitiveness of its brands and products in key priority markets.

BOARD OF DIRECTORS

As at the date of this announcement, the Board consists of Messrs. Victor LO Chung Wing (Chairman & Chief Executive), Brian LI Yiu Cheung (Vice Chairman & Executive Vice President), Michael LAM Hin Lap, Brian WONG Tze Hang, Victor CHONG Toong Ying and Waltery LAW Wang Chak as Executive Directors, Ms. Karen NG Ka Fai as Non-Executive Director and Messrs. LUI Ming Wah, Frank CHAN Chi Chung, CHAN Kei Bui and Timothy TONG Wai Cheung as Independent Non-Executive Directors.

By Order of the Board
Louis WONG Man Kon
Company Secretary

Hong Kong, 12 November 2021
www.goldpeak.com