

Press Release

For Immediate Release

30 May 2022, Hong Kong



Singapore-listed GP Industries announces 2021/2022 final results Operating profits increased 11.2%

Gold Peak Technology Group Limited's (stock code: 40) 85.59% subsidiary, the Singapore-listed GP Industries Limited, today announced its unaudited consolidated results for the year ended 31 March 2022.

Summary of results of GP Industries

	<i>(For the year ended 31 March)</i>		% of change
	2022	2021	
Revenue	S\$1,222 million	S\$1,149 million	+ 6.5%
Profit attributable to equity holders of GP Industries	S\$35.26 million	S\$31.72 million	+ 11.2%

Review of Results

During the financial year ended 31 March 2022 ("FY2022"), revenue of the GP Industries' continuing operations increased by S\$74.2 million or 6.5% to S\$1,222.7 million, due mainly to a S\$79.0 million or 38.9% increase in revenue of the Electronics and Acoustics Business.

On 31 August 2021, GP Industries completed the disposal of the subsidiaries in the Automotive Wire Harness Business. Accordingly, results of the disposed Automotive Wire Harness Business for FY2022 and prior period comparative figures for the financial year ended on 31 March 2021 ("FY2021") were presented separately under discontinued operations.

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Gross profit margin decreased from 27.0% in FY2021 to 25.9% in FY2022. The decrease was due mainly to significant increases in material costs across a wide range of raw materials and components. However, increase of selling price to customers, improvements in sales mix and increase in sales of KEF's acoustic systems partially offset the adverse effects of the cost increases on the gross profit margin of GP Industries.

Administrative expenses increased by S\$18.6 million or 14.3% to S\$148.7 million due partly to staff costs increases on a year-on-year comparison basis and partly to depreciation of new facilities which have become operational during FY2022. In addition, GP Industries implemented aggressive short-term cost control measures and received some government subsidies from various countries during the COVID-19 lockdown period, which reduced staff costs in FY2021.

Other operating income increased by S\$29.6 million to S\$48.7 million due mainly to write-back of excess provision for restructuring of the Electronics and Acoustics Business relating to its factory relocation, and disposal gain together with compensation income of the Batteries Business.

Other operating expenses increased by S\$14.1 million to S\$37.1 million in FY2022, due mainly to the impairment charges for the business in Russia and the cost of relocating the factories of the Batteries Business from Huizhou to Dongguan, PRC, despite a decrease in exchange losses and other impairment charges.

Profit from continuing operations attributable to equity holders of GP Industries increased by S\$7.8 million to S\$38.3 million, or 25.7% over the profit last year.

Net loss from discontinued operations attributable to the disposed Automotive Wire Harness Business in FY2022 amounted to S\$3.05 million.

Including contributions from discontinued operations, total profit attributable to equity holders of GP Industries increased from S\$31.7 million for FY2021 to S\$35.3 million for FY2022.

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The Directors have proposed a final dividend of 2.0 Singapore cents per share.

Business Review of GP Industries

(for the year ended 31 March 2022)

Batteries Business

The revenue of the Batteries Business for FY2022 was S\$940.9 million, a decrease of 0.5% when compared to FY2021. Sales of primary batteries decreased by 1.1% while sales of rechargeable batteries increased by 0.7%. In geographical terms, sales to Europe and Asia increased by 3.4% and 2.5% respectively while sales to the Americas decreased by 10.1%.

Gross profit margin of the Batteries Business, particularly the rechargeable battery products, has been affected by the rapidly increasing material costs. Disruptions to global shipping also continued to cause significant shipment delays and drastic increases in shipping costs. Although the Management worked closely with customers to increase product prices, the time delay for customers accepting the price increases lagged behind the time when material prices actually increased and this resulted in reduced gross profit margin for FY2022.

During FY2022, GP Industries made a total of S\$14.1 million impairment on the investment in a Russia-based business and allowance for credit loss against the receivables therefrom, represented full provision against the investment and approximately 52% of the unsettled receivables.

During FY2022, GP Industries completed the disposal of GP Batteries China Limited ("GPBC"), a wholly-owned subsidiary, after relocating the production facilities of GPBC for manufacturing Carbon Zinc 9-volt primary batteries to the new manufacturing campus located at Xiegang, Dongguan. The relocation of the Nickel Metal Hydride rechargeable batteries manufacturing facilities from Huizhou to Xiegang also started during FY2022 and is expected to be completed in the first half of the financial year ending 31 March 2023 ("FY2023"). The gain from disposal of GPBC amounted to S\$8.2 million in FY2022. On

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the other hand, costs related to the relocation of the above-mentioned manufacturing facilities amounted to approximately S\$12.7 million in FY2022, comprised mainly of severance payments to employees in accordance with the Labor Laws in China.

During FY2022, the 70%-owned subsidiary in Ningbo, Zhongyin (Ningbo) Battery Co Ltd (“ZYNB”) has started relocating its manufacturing facilities to a new campus. Such relocation is expected to be substantially completed in FY2023, after which GP Industries will dispose the land currently occupied by ZYNB. During FY2022, ZYNB reported a compensation income of S\$6.7 million for certain factory buildings of the existing campus returned to the government and costs incurred in relocating the affected operations, and a write-back of relocation costs of S\$4.2 million.

Despite the gain from disposal of GPBC, ZYNB’s compensation income and write-back of provisions, the exceptional impairment charges, relocation costs and a decrease in share of profit from associates contributed to a decline in profit contribution from the Battery Business in FY2022.

Rapid material price increases and continued disruption to the supply chain during FY2022 resulted in an increase in raw materials and finished products being held in inventory at 31 March 2022.

Electronics and Acoustics Business

The revenue of the Electronics and Acoustics Business for FY2022 was S\$281.8 million, a 38.9% increase when compared to the revenue reported in FY2021 with strong growth in both the professional audio manufacturing business and the branded acoustics business.

The professional audio manufacturing business reported a 37.9% increase in revenue in FY2022 with increased sales to all major geographical markets, including a 52.8% increase to the Americas. The increase was mainly driven by the recovery of the professional audio business after key global markets started to reopen as the pandemic gradually subsided.

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Sales of KEF products increased by 37.1% in FY2022, with increases across all major geographical markets. KEF reported 49.4%, 23.8% and 37.6% revenue growth in the Americas, Europe and Asia respectively. The Celestion brand professional speaker driver business also reported a 51.6% revenue growth, as a result of a 66.3% and a 58.1% 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.

The relocation of the manufacturing facilities of the Electronics and Acoustics Business to the new location at Dongjiang Industrial Park in Huizhou was completed in May 2022. Due to the proximity of the old and new factory sites, the costs incurred for the factory removal was less than the provision for restructuring made. Accordingly, GP Industries wrote back a S\$13.1 million restructuring provision previously provided.

Production at the 51%-owned subsidiary in Thailand increased during FY2022 as the COVID-19 situation in Thailand improved gradually and demand for made-in-Thailand professional audio products also increased.

Strong revenue growth of the subsidiaries, write back of excess restructuring provision and an increase in aggregate share of profit from associated companies resulted in a significant increase in profit contribution from the Electronics and Acoustics Business. GP Industries maintained a higher level of inventory for this business segment to support the strong sales and to prepare for the launch of new KEF products such as LS60 Wireless in the first quarter of FY2023, and to safeguard against the global supply shortages of critical electronics components and reduced global shipping capacity. While this strategy helped to support the revenue growth achieved, it also required significantly higher working capital for the business.

Other Industrial Investments

This business segment includes GP Industries' investments in Meiloon Industrial Co., Ltd. ("Meiloon") and XIC Innovation Limited ("XIC Innovation" which was formerly known as Linkz Industries Limited). During FY2022, Meiloon reported an increase in revenue but contributed less profit, due to the FY2021 results included a S\$13.7 million property

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disposal gain. In March 2022, XIC Innovation completed the disposal of its 63.58%-owned subsidiary, Time Interconnect Technology Limited, and reported a disposal gain. Therefore, profit contribution from XIC Innovation increased.

Automotive Wire Harness Business

During FY2022, profit after taxation of the Automotive Wire Harness Business amounted to S\$0.16 million, compared to S\$1.25 million in FY2021. 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 FY2022, which included S\$2.07 million exchange translation deficit charged to profit and loss and goodwill written-off amounted to S\$0.27 million.

Prospects of GP Industries

Commenting on the prospects of GP Industries, Chairman and Chief Executive Officer, Victor Lo said, “The gradual re-opening of travelling and other economic activities at major global economies after COVID-19 lockdown improves business sentiment. Rapid and continued cost increases across a wide spectrum of materials and record-high shipping and logistics costs put significant pressure on GP Industries’ businesses. However, recent strengthening of the US dollar against the Chinese Renminbi, if it continues, may help to reduce some of GP Industries’ cost pressure.”

“The Electronics and Acoustics Business is expected to continue its revenue growth trajectory with the launch of new products but inflation in key markets may affect consumers’ discretionary spending and slowing down revenue growth. Component supply shortages and global shipping capacity shortages may also affect the businesses’ ability in supplying products to meet market needs.”

“The Batteries Business will continue to be affected by material supply disruptions and steep cost increases. On the other hand, stabilizing sea freight rates might help to slow down shipping costs increases. When the project to rebalance GP Industries’ manufacturing facilities is completed in the early part of FY2023, the business is expected to improve from better economy of scale and reduced redundant operations.”

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“Disruptions to global shipping services and shortages of electronics components are expected to continue to pose challenges to GP Industries in optimizing inventory level and working capital requirements in order to meet delivery commitments. Higher interest rates may also increase GP Industries’ finance costs.”

“GP Industries’ 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 it maintain relatively stable business performance during the COVID-19 pandemic. GP Industries will continue this strategy to further strengthen the competitiveness of its brands and products in key priority markets.”

“On 28 December 2021, GP Industries announced the proposed distribution in-specie of the rechargeable batteries manufacturing business (the “Proposed Distribution”). The Proposed Distribution is conditional, inter alia, on the completion of the restructuring of the rechargeable batteries manufacturing business, which is still in progress. GP Industries will make further announcement to update the shareholders on the Proposed Distribution.”
Lo is also Chairman and Chief Executive of Gold Peak.

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