

Gold Peak Technology Group Limited
金山科技工業有限公司

Press Release

For Immediate Release

29 June 2022, Hong Kong



Gold Peak announces 2021/2022 final results

Gold Peak Technology Group Limited (SEHK: 40) today announced its audited consolidated results of the Company and its subsidiaries for the year ended 31 March 2022.

Financial highlights

Revenue from continuing operations	: HK\$7,062 million, up 8.4%
Profit from continuing operations for the year attributable to owners of the Company	: HK\$148.5 million, up 28.2%
Including discontinued operations, profit for the year attributable to owners of the Company	: HK\$133.4 million, up 9.5%
Earnings per share from continuing operations	: 18.8 HK cents (2020/21: 14.7 HK cents)
Including discontinued operations, earnings per share	: 16.9 HK cents (2020/21: 15.5 HK cents)

The Board does not propose the payment of final dividend (2020/2021: Nil)

It has been announced that with effect from 23 March 2022, the Company has changed its Company name from “Gold Peak Industries (Holdings) Limited 金山工業(集團)有限公司” to “Gold Peak Technology Group Limited 金山科技工業有限公司”. The change of name is part of the journey to reshape the Group’s future direction as a progressive group in advanced technologies and manufacturing of batteries and acoustic electronics, as well as the Group’s investment strategies in R&D, innovation, design and brands.

Business Review

GP Industries (85.59% owned by Gold Peak as at 31 March 2022)

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.

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.

Batteries Business

- Revenue of the Batteries Business for FY2022 was S\$940.9 million, decreased by 0.5%.
- 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, particularly the rechargeable battery products, has been affected by the rapidly increasing material costs 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.
- GP Industries made a 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.

- GP Industries completed the disposal of GP Batteries China Limited (“GPBC”), a wholly-owned subsidiary. The gain from disposal was S\$8.2 million. 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 total relocation costs of the above-mentioned manufacturing facilities amounted to approximately S\$12.7 million in FY2022.
- The 70%-owned subsidiary in Ningbo, Zhongyin (Ningbo) Battery Co Ltd (“ZYNB”) has started relocating its manufacturing facilities to a new campus during FY2022. It 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.
- Rapid material price increases and continued disruption to the supply chain resulted in an increase in raw materials and finished products being held in inventory at 31 March 2022.

Electronics and Acoustics Business

- Revenue of the Electronics and Acoustics Business was S\$281.8 million, increased by 38.9%, due to 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 with increased sales to all major geographical markets, including a 52.8% increase to the Americas. The recovery of the professional audio business after key global

markets started to reopen as the pandemic gradually subsided was the main driver of the sales.

- Sales of KEF products increased by 37.1% with increases across all major markets. Revenue increased by 49.4%, 23.8% and 37.6% in the Americas, Europe and Asia respectively.
- The Celestion brand professional speaker driver business also reported a 51.6% revenue growth, including sales growth of 66.3% and 58.1% to the Americas and Asia respectively. The increase was also mainly driven by the recovery of the professional audio market after COVID-19 started to subside.
- 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 prepare for new product launch in FY2023, and to safeguard against the global supply shortages of critical electronics components and reduced global shipping capacity. With this strategy, significantly higher working capital was required for the business.

Other Industrial Investments

- Meiloon Industrial Co., Ltd. reported an increase in revenue but contributed less profit due to a S\$13.7 million property disposal gain in FY2021.

- In March 2022, XIC Innovation Limited (“XIC Innovation” formerly Linkz Industries Limited) 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

- Profit after taxation of the Automotive Wire Harness Business decreased from S\$1.25 million to S\$0.16 million.
- The business was disposed of on 31 August 2021 and the disposal resulted in a loss of S\$3.21 million, including a S\$2.07 million exchange translation deficit charged to profit and loss and goodwill written-off amounted to S\$0.27 million.

Prospects

Commenting on the prospects of the Group, Victor Lo, Chairman and Chief Executive of Gold Peak, 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 the Group’s businesses. However, recent strengthening of the US dollar against the Chinese Renminbi, if it continues, may help to reduce some of the Group’s 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 the Group’s 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.”

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

“The 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 it maintain relatively stable business performance during the COVID-19 pandemic. It will continue with 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. The Group will make further announcement to update the shareholders on the Proposed Distribution.”

“In April 2022, the Group entered into a subscription agreement with ZincFive Inc., a leading global Nickel-Zinc (NiZn) battery and parts company in the growing sustainable energy storage technology and Nickel-Zinc (NiZn) battery and parts market. The Group will be committed to the development of sustainable energy storage solutions and will continue to invest in strengthening the Group’s research and development capabilities in Nickel-based battery systems.”

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