

Press Release

For Immediate Release

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Singapore-listed GP Industries announces 2022/2023 interim results

Gold Peak Technology Group Limited's (stock code: 40) 85.59% subsidiary, the Singapore-listed GP Industries Limited, announced its unaudited interim results for the six months ended 30 September 2022 ("1HFY2023").

Summary of results of GP Industries

	<i>(For the six months ended 30 September)</i>		% of change
	2022	2021	
Revenue (Continuing operations)	S\$595.5 million	S\$619.0 million	- 3.8%
Profit attributable to equity holders of GP Industries (Continuing operations)	S\$17.07 million	S\$14.76 million	+ 15.6%

Review of Results

For the first half year ended 30 September 2022 ("1HFY2023"), GP Industries' revenue decreased by 3.8% when compared to the revenue reported for the first half last year ("1HFY2022"), due mainly to a 4.7% decrease in revenue of the Batteries Business. In terms of geographical markets, sales to Europe and the Americas decreased while sales to Asia increased.

Gross profit dropped by 6.1% to S\$151.6 million. Gross profit margin decreased slightly from 26.08% for 1HFY2022 to 25.46% for 1HFY2023. During 1HFY2023, GP Industries increased prices of some of its products to mitigate the adverse effects of rising material costs. However, increase in overheads absorption due to reduced sales volume partially eroded the effect of product price increase.

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Other operating income increased to S\$39.4 million when compared to S\$8.0 million for 1HFY2022. The increase was attributable to aggregate disposal gains of S\$23.0 million reported by the Batteries Business, and an S\$8.4 million foreign currency exchange gain due mainly to the appreciation of the United States (“US”) dollar.

Distribution costs increased by S\$1.5 million or 2.1% to S\$73.0 million due mainly to an increase in advertising and promotion cost despite global shipping cost declined in 1HFY2023.

Administrative expenses increased by 8.3% to S\$80.4 million due mainly to staff cost increases on a year-on-year comparison basis and an increase in depreciation charge after the new factory of the Ningbo GP & Sonluk Battery Co., Ltd in Ningbo, China started operation. In addition, rental charge and depreciation were reported by the new factory of GP Electronics (Huizhou) Co., Ltd. (“GPEHZ”) upon its becoming operational.

Other operating expenses increased to S\$10.0 million, compared to S\$4.6 million for 1HFY2022. The increase was due mainly to the S\$3.3 million cumulative translation deficit charged to profit or loss upon de-registration of a subsidiary of the Batteries Business and a S\$3.0 million adjustment to the estimated compensation receivable in relation to the disposal of the old GPEHZ factory of the Electronics and Acoustics Business during the financial year ended 31 March 2020 (“FY2020”).

Finance costs for 1HFY2023 was S\$12.4 million, an increase of S\$2.9 million or 30.3% from S\$9.5 million reported for 1HFY2022, due mainly to the rapidly increasing interest rates.

Total profit attributable to equity holders of GP Industries increased to S\$17.1 million for 1HFY2023, as compared to S\$11.7 million for 1HFY2022, which included a loss from discontinued operations of S\$3.05 million.

Business Review of GP Industries

(for the six months ended 30 September 2022)

Batteries Business

The revenue of the Batteries Business for 1HFY2023 was S\$464.6 million, a decrease of 4.7% as compared to that of 1HFY2022. Sales of primary batteries and rechargeable batteries decreased by 3.3% and 13.7%, respectively. In geographical terms, sales to the Americas and Europe decreased by 25.2% and 11.6%, respectively, while sales to Asia increased by 5.3%.

Gross profit margin of the Batteries Business continued to be adversely affected by the high material costs and low market demand. Despite an increase in selling prices, gross profit margin decreased due partly to an increased overheads absorption as sales volume decreased.

The decline in private label sales to US customers with Delivered Duty Paid terms and lower freight rates contributed to a lower distribution costs.

During 1HFY2023, the Batteries Business reported a total disposal gains of S\$23.0 million, representing a gain on disposal of S\$12.4 million for its entire 29.28% equity interest in the Taipei-listed STL Technology Co., Ltd, and the gain on disposal of S\$10.6 million for its entire 100% equity interest in Huizhou Modern Battery Limited (“Modern Battery”), after relocating its rechargeable battery production to the new manufacturing campus located at Xiegang, Dongguan, China. The gain from disposal of Modern Battery was mainly attributable to the value of the land owned by Modern Battery.

Electronics and Acoustics Business

The revenue of the Electronics and Acoustics Business was S\$130.9 million, compared to S\$131.4 million reported in 1HFY2022. Revenue of both the branded acoustics business and the professional audio manufacturing business decreased marginally.

Revenue of the branded acoustics business decreased by 0.3%. Sales of KEF products decreased by 4.0%, with sales to the Americas and European markets declined while sales to Asian markets increased. The Celestion brand professional speaker driver business reported an 18.4% revenue growth, due to increase in sales to Europe and Asia

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while sales to the Americas decreased. Revenue of the professional audio manufacturing business decreased by 0.5% with sales to the Americas decreased by 9.2% while sales to other markets increased.

Gross profit margin of the Electronic and Acoustics Business was also adversely affected by high material costs and flat sales. Despite an increase in selling prices, profit margin decreased due partly to increased overheads absorption and partly due to higher advertising and promotion expenses for new product introduction. In April 2022, the electronic factory in Huizhou relocated its manufacturing facilities to a new location at Dongjiang Industrial Park in Huizhou, China and production was disrupted by nearly two months. This also contributed to a drop in profitability of the Electronics and Acoustics Business in 1HFY2023.

Pursuant to the property disposal agreement for the old factory site owned by GPEHZ (the “Property”), GP Industries is entitled to an early removal compensation and incentive based on the actual handover date of the vacated Property before the expiry of a 60-month rent free period. An estimated compensation receivable (the “Compensation Receivable”) was included in determining the related property disposal gain in FY2020. Upon handing over the Property to the buyer during 1HFY2023, the parties agreed to a final compensation which is less than the Compensation Receivable by S\$3.0 million and the difference is recognized under other operating expenses in 1HFY2023.

Other Industrial Investments

This business segment includes GP Industries’ investments in Meiloon Industrial Co., Ltd. (“Meiloon”) and XIC Innovation Limited (“XIC”). Meiloon reported a loss during 1HFY2023 while XIC also reported a small loss during 1HFY2023 due to disposal of its major subsidiary, Time Interconnect Technology Limited, in March 2022.

Prospects of GP Industries

Commenting on the prospects of GP Industries, Chairman and Chief Executive Officer, Victor Lo said, “Business activities started to increase when more countries re-open from COVID-19 lockdowns as the pandemic started to subside. However, consumers in developed countries also started to refocus their demand on services such as holidays

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and dining out. Rapidly rising inflation and repeated interest rate hikes during 1HFY2023 may also adversely affect consumer spending on manufactured goods. Nevertheless, demands for GP Industries' battery products may gradually increase when the major overseas private label customers start to rebuild their inventories.”

“Rapidly rising interest rates are expected to significantly increase GP Industries' finance costs. Where appropriate, GP Industries may fund some of its future expansions by equity financing instead of by bank borrowings in order to reduce its borrowing level.”

“Recent strengthening of the US dollar against the Chinese Renminbi, if continues, may reduce some of GP Industries' cost pressure and allow more flexibility for GP Industries to price its products and optimize its capacity utilization.”

“The Batteries Business will continue to be affected by volatile raw material prices and shipping challenges. However, when the project to rebalance its manufacturing facilities is completed in FY2023, the business is expected to improve with reduced redundant operations and better economies of scale in FY2024.”

“With a strong product program and aggressive sales expansion, demands for GP Industries' KEF consumer speakers, Celestion professional speaker drivers and professional audio manufacturing businesses are expected to continue growing.”

“Disruption to global shipping services is improving but shortages of electronics components are expected to continue posing challenges to GP Industries in optimizing its inventory level and working capital requirements for meeting delivery commitments.”

“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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