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金山科技工業有限公司

Gold Peak Technology Group Limited

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 40)



Announcement of 2022/2023 Interim Results of GP Industries Limited

Pursuant to Paragraph 13.09(2) of the Listing Rules, the Board of Directors of Gold Peak Technology Group Limited is pleased to announce the unaudited consolidated results of GP Industries Limited for the six months ended 30 September 2022. Revenue of GP Industries Group's continuing operations decreased by 3.8% to S\$595.5 million. Total profit attributable to equity holders of GP Industries Limited 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.

Pursuant to Paragraph 13.09(2) of the Listing Rules, the Board of Directors of Gold Peak Technology Group 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 2022. 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 2022		For the six months ended 30 September 2021	
	S\$'000	HK\$'000 (Note)	S\$'000	HK\$'000 (Note)
<u>Continuing operations</u>				
Revenue	595,499	3,372,728	618,955	3,583,564
Cost of sales	(443,882)	(2,514,014)	(457,546)	(2,649,054)
Gross profit	151,617	858,714	161,409	934,510
Other operating income	39,399	223,144	8,023	46,451
Distribution costs	(72,985)	(413,365)	(71,464)	(413,755)
Administrative expenses	(80,410)	(455,418)	(74,273)	(430,018)
Write-back of (Allowance for) expected credit losses, net	153	867	(56)	(324)
Other operating expenses	(10,045)	(56,892)	(4,591)	(26,581)
Profit from operations	27,729	157,050	19,048	110,283
Finance costs	(12,407)	(70,270)	(9,521)	(55,124)
Share of results of associates	8,482	48,040	11,921	69,019
Profit before taxation	23,804	134,820	21,448	124,178
Taxation	(3,385)	(19,172)	(4,235)	(24,519)
Profit after taxation from continuing operations	20,419	115,648	17,213	99,659
<u>Discontinued operations</u>				
Loss after taxation from discontinued operations	-	-	(3,050)	(17,659)
Profit after taxation	20,419	115,648	14,163	82,000
Attributable to:				
Equity holders of GP Industries				
Continuing operations	17,068	96,669	14,763	85,474
Discontinued operations	-	-	(3,050)	(17,659)
	17,068	96,669	11,713	67,815
Non-controlling interests				
Continuing operations	3,351	18,979	2,450	14,185
Discontinued operations	-	-	-	-
	3,351	18,979	2,450	14,185
	20,419	115,648	14,163	82,000
Earnings per share				
	S cents	HK cents	S cents	HK cents
From continuing operations	3.53	19.99	3.05	17.65
From discontinued operations	-	-	(0.63)	(3.65)
	3.53	19.99	2.42	14.00
Interim dividend per share				
	S cents	HK cents	S cents	HK cents
	1.00	5.66	1.25	7.23

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 September 2022		As at 31 March 2022	
	US\$'000	HK\$'000 (Note)	US\$'000	HK\$'000 (Note)
Non-current assets				
Property, plant and equipment	406,502	2,227,062	411,572	2,382,179
Right-of-use assets	43,969	240,889	47,749	276,371
Interests in associates	293,202	1,606,336	298,892	1,729,987
Financial assets at fair value through other comprehensive income	6,754	37,002	6,739	39,005
Non-current receivables	-	-	3,226	18,672
Deferred tax assets	6,281	34,411	5,937	34,363
Deposits and prepayments	4,095	22,435	4,286	24,807
Intangible assets	11,127	60,960	10,696	61,908
	<u>771,930</u>	<u>4,229,095</u>	<u>789,097</u>	<u>4,567,292</u>
Current assets				
Inventories	243,148	1,332,111	254,500	1,473,046
Receivables and prepayments	284,287	1,557,495	278,004	1,609,087
Dividend receivable	3,097	16,967	4,858	28,118
Taxation recoverable	4,723	25,875	3,837	22,209
Derivative financial instruments	-	-	165	955
Short-term investments	94	515	729	4,219
Bank balances, deposits and cash	206,708	1,132,470	188,263	1,089,666
	<u>742,057</u>	<u>4,065,433</u>	<u>730,356</u>	<u>4,227,300</u>
Assets classified as held for sale	-	-	7,413	42,906
	<u>742,057</u>	<u>4,065,433</u>	<u>737,769</u>	<u>4,270,206</u>
Current liabilities				
Trade and other payables	298,413	1,634,885	302,851	1,752,902
Contract liabilities	16,174	88,611	18,883	109,295
Provision for restructuring	2,300	12,601	4,250	24,599
Lease liabilities	10,777	59,043	11,264	65,196
Income tax payable	9,343	51,187	8,070	46,709
Derivative financial instruments	513	2,811	19	110
Bank overdrafts, bank and other loans	425,578	2,331,572	461,611	2,671,804
	<u>763,098</u>	<u>4,180,710</u>	<u>806,948</u>	<u>4,670,615</u>
Net current liabilities	<u>(21,041)</u>	<u>(115,277)</u>	<u>(69,179)</u>	<u>(400,409)</u>
Non-current liabilities				
Bank and other loans	144,457	791,422	99,823	577,776
Lease liabilities	36,861	201,947	41,681	241,250
Deferred tax liabilities	7,778	42,613	10,806	62,545
	<u>189,096</u>	<u>1,035,982</u>	<u>152,310</u>	<u>881,571</u>
Net assets	<u>561,793</u>	<u>3,077,836</u>	<u>567,608</u>	<u>3,285,312</u>
Represented by:				
Issued capital	286,307	1,385,631	286,307	1,385,631
Treasury shares	(20,978)	(124,987)	(20,978)	(124,987)
Reserves	200,912	1,293,699	202,231	1,445,590
Equity attributable to owners of GP Industries	<u>466,241</u>	<u>2,554,343</u>	<u>467,560</u>	<u>2,706,234</u>
Non-controlling interests	<u>95,552</u>	<u>523,493</u>	<u>100,048</u>	<u>579,078</u>
Total equity	<u>561,793</u>	<u>3,077,836</u>	<u>567,608</u>	<u>3,285,312</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

For the first half year ended 30 September 2022 (“1HFY2023”), GP Industries Group’s 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 for 1HFY2023 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 Group 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 eroded part of the effect of product price increase.

Other operating income for 1HFY2023 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 for 1HFY2023 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. Based on the weighted average of 483,843,482 (1HFY2022: 483,864,398) shares in issue, basic earnings per share for 1HFY2023 was 3.53 Singapore cents, as compared to 2.42 Singapore cents reported in 1HFY2022.

The Directors of GP Industries have declared an interim dividend of 1.00 Singapore cents per GP Industries share.

BUSINESS REVIEW

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 for 1HFY2023 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 for 1HFY2023 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 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 for 1HFY2023 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 Group 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 Group’s 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

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 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 Group’s 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 Group’s finance costs. Where appropriate, GP Industries Group may fund some of its future expansions by equity financing instead of by bank borrowings in order to reduce GP Industries Group’s borrowing level.

Recent strengthening of the US dollar against the Chinese Renminbi, if continues, may reduce some of GP Industries Group’s cost pressure and allow more flexibility for GP Industries Group 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 Group’s 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 Group 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.

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
Gold Peak Technology Group Limited
Louis WONG Man Kon
Company Secretary

Hong Kong, 8 November 2022
www.goldpeak.com