

## Press Release

For Immediate Release

29 May 2023, Hong Kong



### Singapore-listed GP Industries announces 2022/2023 final results

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 2023.

#### Summary of results of GP Industries

	<i>(For the year ended 31 March)</i>		% of change
	2023	2022	
Revenue	S\$1,150 million	S\$1,222 million	- 5.9%
Profit attributable to equity holders of GP Industries	S\$22.0 million	S\$40.0 million	- 45.0%

#### Review of Results

During the financial year which ended on 31 March 2023 ("FY2023"), revenue of GP Industries declined by S\$72.7 million or 5.9% to S\$1,150.0 million when compared to the last financial year which ended on 31 March 2022 ("FY2022"). The decline was mainly due to a S\$70.8 million or 7.5% decrease in revenue reported by Batteries Business when compared to FY2022. In terms of geographical markets, sales to Europe and the Americas decreased while sales to Asia increased.

Gross profit margin increased from 25.9% in FY2022 to 26.6% in FY2023. The increase was due mainly to improvements in the sales mix and an increase in selling prices for some of GP Industries' products to mitigate the adverse effects of higher material costs.

# Gold Peak Technology Group Limited

## 金山科技工業有限公司

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Distribution costs decreased by S\$9.4 million or 6.1% to S\$145.3 million when compared to FY2022 due mainly to a reduction in freight cost and custom duties for the Batteries Business and the reduced advertising and promotion expenses. Administrative expenses decreased by S\$4.5 million or 3.0% to S\$144.2 million due mainly to a decrease in staff costs.

Other operating income decreased by S\$2.7 million to S\$45.9 million in FY2023 when compared to FY2022. Other operating income for FY2023 mainly consisted of disposal gain from GP Industries' disposal of shareholding in STL Technology Co., Ltd ("STL") from 29.28% to 15.14%, a fair value gain on the 15.14% interest in STL after disposal, and a gain from disposal of Huizhou Modern Battery Limited ("Modern Battery"), a wholly-owned subsidiary.

Other operating expenses decreased by S\$16.6 million to S\$20.5 million in FY2023 when compared to FY2022. Other operating expenses included the impairment charges for the property, plant and equipment of Lithium rechargeable business and cumulative translation deficit charged to profit or loss account upon de-registration of a subsidiary. The decrease in FY2023 was also contributed by the one-off impairment charges for the business in Russia and the cost of relocating the factories of the Batteries Business from Huizhou to Dongguan, China recognised in FY2022.

Profit from continuing operations attributable to equity holders of GP Industries decreased by S\$21.0 million to S\$22.0 million, or 48.8% over the restated profit last year.

Including contributions from discontinued operations, total profit attributable to equity holders of GP Industries decreased from S\$40.0 million for FY2022 to S\$22.0 million for FY2023. The Directors have proposed a final dividend of 1.5 Singapore cents per share.

## **Business Review of GP Industries**

*(for the year ended 31 March 2023)*

### **Batteries Business**

The revenue of the Batteries Business for FY2023 was S\$870.1 million, a decline of 7.5% when compared to FY2022. Sales of primary batteries and rechargeable batteries decreased by 6.2% and 15.5%, respectively. In geographical terms, sales to America, Europe and Asia decreased by 17.5%, 13.4% and 1.4%, respectively.

Gross profit margin of the Batteries Business for FY2023 remained at approximately the same level as in FY2022. Management worked closely with customers to increase product prices and improved product mix. However, those improvements were offset by rapidly increasing material costs and lower market demand.

GP Industries disposed of part of its shareholding in STL from 29.28% to 15.14% on 6 April 2022. The gain from disposal of interest in STL amounted to S\$4.3 million in FY2023 and the remaining 15.14% interest of STL was accounted for as financial assets at fair value through profit of loss with a fair value gain of S\$8.2 million in FY2023. GP Industries disposed of all the remaining interest in STL during FY2023.

During FY2023, GP Industries completed the disposal of 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 amounted to S\$10.6 million in FY2023.

Despite the decrease in revenue of Batteries Business and impairment charges for the property, plant and equipment of lithium rechargeable business, the disposal of STL and Modern Battery contributed to the increase in profit contribution from the Battery Business in FY2023.

Rapid material price increases and continued disruption to the supply chain during FY2022 resulted in an increase in raw materials and finished products held in inventory

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## 金山科技工業有限公司

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as at 31 March 2022. The inventory was reduced back to a normal level as at 31 March 2023 due to the improvement in global supply chain.

### **Electronics and Acoustics Business**

The revenue of the Electronics and Acoustics Business for FY2023 was S\$279.9 million, a 0.7% decrease when compared to the revenue reported in FY2022.

KEF's sales decreased by 3.1% in FY2023, with decrease in sales to the Americas by 10.8% outweighing the 15.5% increase in sales to Asia. The Celestion brand professional speaker driver business reported a 6.1% revenue growth, as a result of a 17.6% and a 15.9% increase in sales to the Europe and Asia, respectively and a 11.4% decrease in sales to the Americas.

The professional audio manufacturing business reported a 1.1% increase in revenue in FY2023 with increased sales to major geographical markets, including a 15.6% and 10.9% increase to the Europe and Asia, respectively while sales to America decreased by 8.0%.

In April 2022, the electronics factory in Huizhou, China relocated its manufacturing facilities to a new location at Dongjiang Industrial Park in Huizhou and production was disrupted by nearly two months. The operation efficiency of the factory was subsequently rebuilt after reallocation and contributed to an increase in profitability of the Electronics and Acoustics Business.

Despite the Electronics and Acoustics Business was adversely affected by high material costs and flat sales, the gross profit margin increased due partly to new product introduction and partly due improved operation efficiency mentioned above.

Pursuant to the property disposal agreement for the old factory site owned by a subsidiary (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 the financial year ended 31 March 2020. Upon handing over the Property to the buyer during FY2023,

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## 金山科技工業有限公司

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the parties agreed to a final compensation which was less than the Compensation Receivable by S\$2.9 million and the difference was recognized under other operating expenses in FY2023.

### **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, together with its subsidiaries "XIC innovation Group"). In March 2022, XIC Innovation completed the disposal of its 63.58% owned subsidiary, Time Interconnect Technology Limited ("Time Interconnect"), and reported a disposal gain in FY2022. Profit contribution from XIC Innovation decreased in FY2023 after the disposal of Time Interconnect. During FY2023, XIC Innovation completed the acquisition of Light Engine Technologies Limited ("Light Engine", together with its subsidiaries "Light Engine Group") of which XIC Innovation and Light Engine were under the common control of their controlling shareholder preceding to this acquisition. As a result, the consolidated financial statements of XIC Innovation Group for FY2022 have been restated to include assets and liabilities and the operating results of Light Engine Group, as if Light Engine Group had been in existence as at 1 April 2021. GP Industries' restated profit attributable to shareholders for FY2022 increased to S\$40.0 million from S\$35.3 million previously reported.

### **Prospects of GP Industries**

Commenting on the prospects of GP Industries, Chairman and Chief Executive Officer, Victor Lo said, "Business activities started to increase as more countries re-opened from COVID-19 lockdowns after the pandemic started to subside. However, consumers in developed countries also started to shift more of their spending to services such as holidays and dining out. Rapidly rising inflation and repeated interest rate hikes during FY2023 may have also adversely affected consumer spending on manufactured goods. Nevertheless, demands for GP Industries' battery products slowed in FY2023 may gradually increase when the major overseas private label customers start to rebuild their inventories in latter part of the financial year ending 31 March 2024 ("FY2024")."

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## 金山科技工業有限公司

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“Rapidly rising interest rates are expected to significantly increase GP Industries’ finance costs. GP Industries may fund some of its future expansions by equity financing, where appropriate, to reduce its borrowing level.”

“The Batteries Business will continue to be affected by volatile raw material prices and shipping challenges. The manufacturing capacity rebalancing project have been completed in FY2023. As a result, GP Industries’ manufacturing efficiency is expected to improve with reduced redundant operations and better economies of scale in FY2024.”

“Combining the strong and differentiated product program with 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.”

“The project to rebalance GP Industries’ manufacturing facilities is substantially completed in FY2023. With the relocation of Zhongyin (Ningbo) Battery Co Ltd’s operations to the new factory site completed by the end of FY2024, the existing factory site will be disposed of and the proceeds will generate more fundings for GP Industries’ deleveraging program and no significant other operating income or expenses related to disposal of non-core assets is expected for FY2024.”

“During FY2023, GP Industries has entered into simple agreements for future equity (“SAFE”) with various investors, being the long-term trade partners and business associates of GP Industries and supporters of KEF and Celestion branded products with an aggregate amount of US\$13.7 million. The SAFE is a kind of equity financing and classified as non-controlling interests in GP Industries’ consolidated statement of financial position.”

“On 28 December 2021, GP Industries announced the proposed distribution in-specie of the rechargeable batteries manufacturing business (the “Proposed Distribution”). The

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Proposed Distribution is conditional, inter alia, on the completion of the restructuring of the rechargeable batteries manufacturing business and obtaining all necessary waivers, consents and approval from third parties and regulatory authorities, 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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