

Press Release

For Immediate Release

20 June 2023, Hong Kong



Gold Peak announces 2022/2023 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 2023.

Financial highlights

Revenue from continuing operations : HK\$6,581 million, down 6.8%

Profit for the year attributable to owners of the Company : HK\$36.9 million, down 76.5%

Gross profit margin : 26.6%, up 0.7%

Earnings per share : 4.0 HK cents
(2021/22: 19.8 HK cents)

The Board does not propose the payment of final dividend (2021/22: Nil)

Business Review

During the financial year which ended on 31 March 2023 (“FY2023”), revenue of the Group declined by HK\$480.6 million or 6.8% to HK\$6,581.0 million when compared to the last financial year which ended on 31 March 2022 (“FY2022”). The decline was mainly due to a HK\$454.9 million or 8.4% 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 China 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, margin accretive new products and higher manufacturing productivity, mitigating the adverse effects of higher materials costs.

The Group continued to execute on operational excellence. Distribution costs decreased by HK\$87.1 million or 9.5% to HK\$829.6 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 HK\$19.0 million or 2.1% to HK\$866.4 million due mainly to a decrease in staff costs.

Other operating income decreased by HK\$17.5 million to HK\$263.4 million in FY2023 when compared to FY 2022. Other operating income for FY2023 mainly consisted of the gain from disposal of the whole 29.28% shareholding in STL Technology Co., Ltd (“STL”) and the gain from disposal of Huizhou Modern Battery Limited (“Modern Battery”), a wholly-owned subsidiary of GP Industries Limited (“GP Industries”, and together with its subsidiaries, “GP Industries Group”).

As at the date of this announcement, GP Industries is owned as to 85.59% by the Company and is a company incorporated in the Republic of Singapore with limited liabilities whose shares are listed on the Singapore Exchange Securities Trading Limited.

Other operating expenses decreased by HK\$53.7 million to HK\$150.9 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 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.

Including contributions from discontinued operations, total profit attributable to owners of the Company decreased from HK\$156.9 million for FY2022 to HK\$36.9 million for FY2023.

Batteries Business

- Revenue of the Batteries Business dropped by 7.5% to S\$870.1 million.
- Sales of primary batteries and rechargeable batteries decreased by 6.2% and 15.5%, respectively. In geographical terms, sales to the Americas, Europe and

Asia decreased by 17.5%, 13.4% and 1.4%, respectively.

- Gross profit margin remained at approximately the same level as in FY2022.
- The Group continued to devote more resources to its core businesses and to enhance its capital strength. GP Industries Group disposed of all interests in STL during FY2023 with a gain of S\$12.5 million in aggregate. Also, after relocating the rechargeable battery production to Xiegang, Dongguan, China, gain from disposal of the old factory plant amounted to S\$10.6 million was recorded. The disposal of STL and Modern Battery contributed to the increase in profit contribution from the Battery Business.
- 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 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

- Revenue of the Electronics and Acoustics Business slightly decreased by 0.7% to S\$279.9 million.
- KEF's sales decreased by 3.1%. The 15.5% increase in sales to Asia was outweighed by the decrease in the Americas by 10.8%.
- The Celestion brand professional speaker driver business reported a 6.1% revenue growth. Sales to Europe and Asia increased by 17.6% and 15.9% respectively, while sales to the Americas dropped by 11.4%.
- The professional audio manufacturing business reported a 1.1% increase in revenue with increased sales to major geographical markets, including a 15.6% and a 10.9% increase to Europe and Asia respectively, while sales to the Americas 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 high material costs and flat sales, gross profit margin increased due to new product introduction and improved operation efficiency.
- An estimated compensation receivable (the “Compensation Receivable”) for returning a sold old factory plant (“Property”) to the buyer within a 60-month rent-free period was included in determining the related property disposal gain in the financial year ended 31 March 2020. Upon handing over the Property in FY2023, the parties agreed to a final compensation which was less than the Compensation Receivable by S\$2.9 million and the difference was recognised under other operating expenses in FY2023.

Other Industrial Investments

- In March 2022, XIC Innovation Limited (“XIC” which was formerly known as Linkz Industries Limited, and together with its subsidiaries “XIC Group”) 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 decreased in FY2023 after the disposal.
- During FY2023, XIC completed the acquisition of Light Engine Technologies Limited (“Light Engine”, and together with its subsidiaries “Light Engine Group”) of which XIC 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 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 Group’s restated profit attributable to shareholders for FY2022 increased to S\$40.0 million from S\$35.3 million. As a result, the profit attributable to owners of the Company was adjusted up to HK\$156.9 million from HK\$133.4 million previously reported.

Prospects

Commenting on the prospects of the Group, Victor Lo, Chairman and Chief Executive of Gold Peak, 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 the Group's battery products slowed in FY2023 but may gradually increase when the major overseas private label customers start to rebuild their inventories in the latter part of the financial year ending 31 March 2024 ("FY2024")."

"Rapidly rising interest rates are expected to significantly increase the Group's finance costs. The Group 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 has been completed in FY2023. As a result, the Group's 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 the Group's KEF consumer speakers, Celestion professional speaker drivers and professional audio manufacturing businesses are expected to expand its addressable market with groundbreaking innovation."

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

"The project to rebalance the Group's manufacturing facilities was substantially completed in FY2023. With the relocation of Zhongyin (Ningbo) Battery Co Ltd's operations to the new and world-class facility to be completed by the end of FY2024, the subsequent disposal of the existing factory site will generate more fundings for the Group's deleveraging program. No significant other operating income or expenses related to disposal of non-core assets is expected for FY2024."

“During FY2023, GP Industries Group has entered into simple agreements for future equity (“SAFE”) with various investors, being the long-term trade partners and business associates of GP Industries Group 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 Group’s consolidated statement of financial position.”

“On 28 December 2021, the Group 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 and obtaining all necessary waivers, consents and approval from third parties and regulatory authorities, which is still in progress. The Group will make further announcement to update the shareholders on the Proposed Distribution.”

“Introducing innovative new products is the centerpiece of the Group’s long-term strategy. The Group continues to invest in building a product development process, enabling the Group to respond faster to customer requests and emerging opportunities, thus gaining a vigorous competitive advantage.”

“The Group will continue its strategy in operational excellence to drive further improvement in efficiency across its manufacturing operations, supporting further margin improvement.”

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