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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 2023/2024 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 2023. Revenue of GP Industries Group decreased by 5.3% to S\$564.2 million. Total profit attributable to equity holders of GP Industries Limited decreased to S\$8.9 million for 1HFY2024, as compared to S\$19.8 million for 1HFY2023.

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 2023. 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		For the six months ended	
	30 September 2023		30 September 2022	
	SS'000	HK\$'000	SS'000	HK\$'000
		(Note)	(restated)	(restated)
				(Note)
Revenue	564,184	3,283,720	595,499	3,372,728
Cost of sales	(409,839)	(2,385,386)	(443,882)	(2,514,014)
Gross profit	154,345	898,334	151,617	858,714
Other operating income *	12,827	74,657	40,919	231,753
Distribution costs	(69,768)	(406,071)	(72,985)	(413,365)
Administrative expenses	(70,930)	(412,834)	(80,410)	(455,418)
(Allowance for) Write-back of expected credit losses, net	(351)	(2,043)	153	867
Other operating expenses	(1,555)	(9,051)	(10,045)	(56,892)
Profit before finance costs and share of results of associates *	24,568	142,992	29,249	165,659
Finance costs	(16,668)	(97,013)	(12,407)	(70,270)
Share of results of associates *	11,757	68,429	9,692	54,893
Profit before taxation *	19,657	114,408	26,534	150,282
Taxation	(5,811)	(33,822)	(3,385)	(19,172)
Profit after taxation *	13,846	80,586	23,149	131,110
Attributable to:				
Equity holders of GP Industries *	8,894	51,765	19,798	112,131
Non-controlling interests	4,952	28,821	3,351	18,979
	13,846	80,586	23,149	131,110
	S cents	HK cents	S cents	HK cents
Earnings per share *	1.84	10.71	4.09	23.16
	S cents	HK cents	S cents	HK cents
Interim dividend per share	1.00	5.82	1.00	5.66

Note:-

The Hong Kong dollar equivalents as shown above for illustrative purposes are converted at the average exchange rates for the respective periods.

The unaudited condensed interim consolidated statement of profit and loss for the first half year ended 30 September 2022 (“1HFY2023”) was restated due to the effect of equity accounting of an associate, XIC Innovation Limited (“XIC”).

* Asterisk denotes restated figures for 1HFY2023 in this unaudited condensed interim consolidated financial statements, where applicable.

GP INDUSTRIES LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 Sept 2023		As at 31 March 2023	
	S\$'000	HK\$'000 (Note)	S\$'000	HK\$'000 (Note)
Non-current assets				
Property, plant and equipment	370,742	2,126,057	392,085	2,317,850
Right-of-use assets	45,721	262,192	43,802	258,940
Interests in associates	274,216	1,572,519	268,581	1,587,743
Financial assets at fair value through other comprehensive income	4,320	24,773	4,191	24,776
Deferred tax assets	5,695	32,659	5,829	34,459
Deposits and prepayments	4,477	25,674	3,333	19,703
Intangible assets	10,434	59,835	10,387	61,404
	<u>715,605</u>	<u>4,103,709</u>	<u>728,208</u>	<u>4,304,875</u>
Current assets				
Inventories	201,758	1,157,001	208,484	1,232,474
Receivables and prepayments	237,858	1,364,020	215,450	1,273,654
Dividend receivable	819	4,697	4,382	25,905
Taxation recoverable	5,676	32,550	5,807	34,329
Short-term investments	123	705	162	958
Bank balances, deposits and cash	157,564	903,567	209,513	1,238,557
	<u>603,798</u>	<u>3,462,540</u>	<u>643,798</u>	<u>3,805,877</u>
Current liabilities				
Trade and other payables	266,220	1,526,665	264,440	1,563,264
Contract liabilities	12,410	71,166	14,911	88,148
Lease liabilities	9,998	57,335	9,767	57,739
Income tax payable	3,318	19,027	8,654	51,159
Bank and other loans	425,475	2,439,929	363,200	2,147,093
	<u>717,421</u>	<u>4,114,122</u>	<u>660,972</u>	<u>3,907,403</u>
Net current liabilities	<u>(113,623)</u>	<u>(651,582)</u>	<u>(17,174)</u>	<u>(101,526)</u>
Non-current liabilities				
Bank and other loans	44,856	257,231	138,659	819,697
Lease liabilities	38,296	219,612	38,379	226,881
Deferred tax liabilities	6,478	37,149	6,190	36,593
	<u>89,630</u>	<u>513,992</u>	<u>183,228</u>	<u>1,083,171</u>
Net assets	<u>512,352</u>	<u>2,938,135</u>	<u>527,806</u>	<u>3,120,178</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	138,763	1,056,890	150,807	1,199,385
Equity attributable to equity holders of GP Industries	<u>404,092</u>	<u>2,317,534</u>	<u>416,136</u>	<u>2,460,029</u>
Simple agreements for future equity	18,793	107,544	18,793	107,544
Share of net assets of subsidiaries	89,467	513,057	92,877	552,605
Non-controlling interests	<u>108,260</u>	<u>620,601</u>	<u>111,670</u>	<u>660,149</u>
Total equity	<u>512,352</u>	<u>2,938,135</u>	<u>527,806</u>	<u>3,120,178</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 (“1H”) ended 30 September 2023 (“1HFY2024”), GP Industries Group’s revenue decreased by S\$31.3 million or 5.3% to S\$564.2 million, compared to the revenue reported for the first half last year (“1HFY2023”). The decline was mainly due to a 5.5% and 4.3% decrease in revenue of the Batteries Business and the Electronics and Acoustics Business, respectively. In terms of geographical markets, sales to Europe and Asia decreased while sales to the Americas increased.

During 1HFY2024, GP Industries Group has enhanced its product mix, implemented stricter cost control measures and monitored the optimal level and timing of commodities purchases. As a result, GP Industries Group’s gross profit margin increased from 25.5% in 1HFY2023 to 27.4% in 1HFY2024.

The improved profit margin outweighed the decrease in revenue and achieved an increase in gross profit for 1HFY2024 by 1.8% to S\$154.3 million.

Other operating income for 1HFY2024 decreased by 68.7% from S\$40.9 million to S\$12.8 million, compared to 1HFY2023. During 1HFY2023, GP Industries Group reported a gain on disposal of S\$12.4 million for its entire 29.28% equity interests in STL Technology Co., Ltd, an indirectly held associate of GP Industries, and a gain on disposal of S\$10.6 million for its entire 100% equity interests in Huizhou Modern Battery Limited, an indirectly wholly-owned subsidiary of GP Industries, after relocating its rechargeable battery manufacturing facilities. GP Industries Group did not have such one-off disposal gains in 1HFY2024.

Distribution costs decreased by S\$3.2 million or 4.4% to S\$69.8 million, when compared to 1HFY2023 due mainly to reduced global shipping cost in 1HFY2024 and was in line with the drop in sales volume for 1HFY2024.

During 1HFY2024, GP Industries Group has also actively implemented operational efficiency enhancement and expense control measures. GP Industries Group’s administrative expenses decreased by 11.8% to S\$70.9 million, compared to S\$80.4 million in 1HFY2023. The decline in 1HFY2024 was due mainly to a drop in staff cost after GP Industries Group’s headcount reduction, salary reduction for senior management and a reduction in rental expense and back-office expense after the completion of efficiency enhancement procedures.

Other operating expenses for 1HFY2024 decreased to S\$1.6 million, compared to S\$10.0 million for 1HFY2023. The decrease in 1HFY2024 was due mainly to non-recurring charges recorded in 1HFY2023, which included a 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 GP Electronics (Huizhou) Co., Ltd.’s factory of the Electronics and Acoustics Business.

GP Industries Group's profit before finance costs and share of results of associate ("PBF CRA") for 1HFY2024 decreased to S\$24.6 million, compared to S\$29.2 million for 1HFY2023. The adjusted PBF CRA, calculated by adding back the "Other Operating Expenses" and deducting "Other Operating Income" from PBF CRA, was a profit of S\$13.3 million for 1HFY2024 and a loss of S\$1.6 million for 1HFY2023, reflecting a substantial improvement in the operating results before other operating items of GP Industries Group in 1HFY2024 as compared to 1HFY2023.

Finance costs for 1HFY2024 was S\$16.7 million, an increase of S\$4.3 million or 34.3% from S\$12.4 million reported for 1HFY2023, due mainly to rapidly increasing global interest rates.

Share of results of associates for 1HFY2024 increased by S\$2.1 million to S\$11.8 million. The increase in 1HFY2024 was due mainly to the share of the land disposal gain from Changzhou Lithium Batteries Limited ("CZLB"), offset with decrease in operating results of GP Industries Group's associates including Meiloon Industrial Co., Ltd. ("Meiloon"), Wisefull Technology Limited ("Wisefull").

Total profit attributable to equity holders of GP Industries decreased to S\$8.9 million for 1HFY2024, as compared to S\$19.8 million for 1HFY2023. Based on the weighted average of 483,843,482 (1HFY2023: 483,843,482) shares in issue, basic earnings per share for 1HFY2024 was 1.84 Singapore cents, as compared to 4.09 Singapore cents reported in 1HFY2023.

BUSINESS REVIEW

Business Segment Performance - GP Industries Group has three main business segments – Batteries Business, Electronics and Acoustics Business and Other Industrial Investments. For 1HFY2024, GP Industries Group recorded a revenue of S\$564.2 million, of which approximately 77.8% was contributed by the Batteries Business, while Electronics and Acoustics Business contributed the remaining 22.2%.

Batteries Business - The revenue of the Batteries Business for 1HFY2024 was S\$438.9 million, a decrease of 5.5% as compared to that of 1HFY2023. Sales of primary batteries and rechargeable batteries decreased by 3.8% and 14.6%, respectively. In geographical terms, sales to Asia and Europe decreased by 5.9% and 8.0%, respectively, while sales to the Americas increased slightly by 1.7%.

Gross profit margin of the Batteries Business for 1HFY2024 improved to 23.4% when compared to 20.7% for 1HFY2023. The improvement of gross profit margin was due mainly to lower cost for some commodities, improvement in product mix and the strengthening of the United States dollars ("US dollars") against the Chinese Renminbi ("RMB").

Electronics and Acoustics Business - KEF GP Group Limited ("KGG"), a wholly-owned subsidiary of GP Industries, was incorporated in the last financial year ended 31 March 2023 to act as the intermediate holding company for GP Industries Group's principal subsidiaries in the Electronics and Acoustics Business. Under the new holding structure, KGG and its subsidiaries ("KGG Group") will better reflect the synergies and mutually reinforcing relationships of the principal subsidiaries of the Electronics and Acoustics Business in research and development, product design, manufacturing, branding, marketing and sales activities.

The revenue of the KGG Group for 1HFY2024 was S\$125.3 million, a 4.3% decline when compared to the S\$130.9 million revenue reported in 1HFY2023.

Revenue of the branded acoustics business in 1HFY2024 decreased by 13.1% when compared to 1HFY2023. Sales of KEF products decreased by 14.2%, with sales declined in the Asian and European markets while sales to the Americas markets remained stable. The Celestion brand professional speaker driver business reported an 8.7% revenue decline in 1HFY2024 when compared to 1HFY2023, due to a decrease in sales to Europe and Americas while sales to Asia increased.

Revenue of the professional audio manufacturing business increased by 13.7% due mainly to a 20.1% sales increase to the Americas.

Gross profit margin of the KGG Group for 1HFY2024 decreased slightly to 41.1%, a decline of 1.4% when compared with 1HFY2023. Despite a more favourable RMB exchange rate, the decrease in gross profit margin of KGG Group was adversely affected by revenue drop of the branded acoustics business which has a higher gross profit margin compared to professional audio manufacturing business. This also contributed to a drop in profitability of the Electronics and Acoustics Business in 1HFY2024.

Other Industrial Investments - This business segment mainly includes GP Industries Group's investments in Meiloon, XIC Innovation Limited, Shinwa Industries (H.K.) Limited and Wisefull. The drop in the contribution before taxation of Other Industrial Investments from S\$10.2 million for 1HFY2023 to S\$4.3 million for 1HFY2024 was due mainly to the decrease in the share of results of Meiloon and Wisefull for 1HFY2024.

PROSPECTS

The global economy remains soft with high inflation and repeated interest rate hikes during 1HFY2024. It may adversely affect consumer spending on electronic and acoustics products. Also, demand for GP Industries Group's batteries products may be affected when the major overseas customers continue to optimize their inventory level and reduce their inventories.

High interest rates is expected to significantly increase GP Industries Group's finance costs. GP Industries Group may explore funding some of its future expansions by other sources of financing, when appropriate, in order to reduce GP Industries Group's bank borrowing and finance costs.

Recent strengthening of the US dollars against RMB, if it continues, may reduce some of GP Industries Group's cost pressure and provide more flexibility for GP Industries Group to price its products and optimize its production capacity.

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 in reducing its working capital requirements for fulfilling its delivery commitments.

With a strong product program and new experience centres in Tokyo and London to be opened in the second half of the financial year ending 31 March 2024 (“**FY2024**”), demand for KEF consumer speakers is expected to gradually strengthen. Demand for Celestion professional speaker drivers and professional audio manufacturing businesses is expected to benefit from strong consumer reception for public performance events and the ending of inventory adjustments at the trade level.

No significant “Other Operating Income or Expenses” related to disposal of non-core assets is expected for FY2024.

Upon completion of the proposed distribution in-specie for the Nickel Metal Hydride rechargeable batteries manufacturing business to the shareholders of GP Industries, which is expected to be completed in the second half of FY2024, GP Industries’ Batteries Business will focus on manufacturing consumer batteries and marketing its own GP brand products for the global consumer market.

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, 14 November 2023
www.goldpeak.com