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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 Final 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 year ended 31 March 2023. Revenue of GP Industries Group's continuing operations decreased by 5.9% to S\$1,150.0 million. Profit from continuing operations attributable to equity holders of GP Industries decreased by 48.8% to S\$22.0 million. Including discontinued operations, total profit attributable to equity holders of GP Industries Limited decreased from S\$40.0 million for the year ended 31 March 2022 to S\$22.0 million for the year ended 31 March 2023.

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 year ended 31 March 2023. At the date of this announcement, 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 year ended 31 March 2023		Restated	
			For the year ended 31 March 2022	
	S\$'000	HK\$'000 (Note)	S\$'000	HK\$'000 (Note)
<u>Continuing operations</u>				
Revenue	1,150,046	6,581,026	1,222,749	7,061,620
Cost of sales	(844,054)	(4,830,018)	(905,484)	(5,229,351)
Gross profit	305,992	1,751,008	317,265	1,832,269
Other operating income	45,939	262,881	48,678	281,125
Distribution costs	(145,287)	(831,390)	(154,692)	(893,377)
Administrative expenses	(144,166)	(824,976)	(148,699)	(858,766)
Allowance for expected credit losses, net	(6,978)	(39,931)	(4,519)	(26,098)
Other operating expenses	(20,450)	(117,023)	(37,086)	(214,179)
Profit from operations	35,050	200,569	20,947	120,974
Finance costs	(29,264)	(167,460)	(19,332)	(111,646)
Share of results of associates *	24,128	138,070	54,301	313,599
Profit before taxation *	29,914	171,179	55,916	322,927
Taxation	(2,477)	(14,174)	(6,738)	(38,913)
Profit after taxation from continuing operations *	27,437	157,005	49,178	284,014
<u>Discontinued operations</u>				
Loss after taxation from discontinued operations	-	-	(3,050)	(17,614)
Profit after taxation *	27,437	157,005	46,128	266,400
Attributable to:				
Equity holders of GP Industries				
Continuing operations *	22,044	126,145	43,066	248,716
Discontinued operations	-	-	(3,050)	(17,614)
	22,044	126,145	40,016	231,102
Non-controlling interests				
Continuing operations	5,393	30,860	6,112	35,298
Discontinued operations	-	-	-	-
	5,393	30,860	6,112	35,298
	27,437	157,005	46,128	266,400
	S cents	HK cents	S cents	HK cents
Earnings per share				
From continuing operations *	4.56	26.09	8.90	51.39
From discontinued operations	-	-	(0.63)	(3.64)
	4.56	26.09	8.27	47.75
	S cents	HK cents	S cents	HK cents
Interim dividend per share	1.00	5.72	1.25	7.21
Final dividend per share	1.50	8.58	2.00	11.55
	2.50	14.30	3.25	18.76

* The comparative figures have been restated due to the effect of equity accounting of an associate, XIC Innovation Limited (“XIC”).

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 31 March 2023		Restated As at 31 March 2022		Restated As at 1 April 2021	
	SS'000	HK\$'000 (Note)	SS'000	HK\$'000 (Note)	SS'000	HK\$'000 (Note)
Non-current assets						
Property, plant and equipment	392,085	2,317,850	411,572	2,382,179	386,321	2,230,772
Right-of-use assets	43,802	258,940	47,749	276,371	44,206	255,263
Interests in associates *	268,581	1,587,743	355,145	2,055,579	354,653	2,047,908
Financial assets at fair value through other comprehensive income	4,191	24,776	6,739	39,005	1,968	11,364
Non-current receivables	-	-	3,226	18,672	14,924	86,177
Deferred tax assets	5,829	34,459	5,937	34,363	4,812	27,786
Deposits and prepayments	3,333	19,703	4,286	24,807	5,843	33,740
Intangible assets	10,387	61,404	10,696	61,908	12,551	72,474
	<u>728,208</u>	<u>4,304,875</u>	<u>845,350</u>	<u>4,892,884</u>	<u>825,278</u>	<u>4,765,484</u>
Current assets						
Inventories	208,484	1,232,474	254,500	1,473,046	206,443	1,192,084
Receivables and prepayments	215,450	1,273,654	278,004	1,609,087	276,294	1,595,432
Dividend receivable	4,382	25,905	4,858	28,118	4,299	24,824
Taxation recoverable	5,807	34,329	3,837	22,209	4,729	27,307
Derivative financial instruments	-	-	165	955	-	-
Short-term investments	162	958	729	4,219	1,291	7,455
Bank balances, deposits and cash	209,513	1,238,557	188,263	1,089,666	226,067	1,305,401
	<u>643,798</u>	<u>3,805,877</u>	<u>730,356</u>	<u>4,227,300</u>	<u>719,123</u>	<u>4,152,503</u>
Assets classified as held for sale	-	-	7,413	42,906	7,311	42,217
	<u>643,798</u>	<u>3,805,877</u>	<u>737,769</u>	<u>4,270,206</u>	<u>726,434</u>	<u>4,194,720</u>
Current liabilities						
Trade and other payables	264,440	1,563,264	302,851	1,752,902	336,422	1,942,635
Contract liabilities	14,911	88,148	18,883	109,295	8,910	51,450
Provision for restructuring	-	-	4,250	24,599	-	-
Lease liabilities	9,767	57,739	11,264	65,196	10,490	60,573
Income tax payable	8,654	51,159	8,070	46,709	10,664	61,578
Derivative financial instruments	-	-	19	110	1,233	7,120
Bank and other loans	363,200	2,147,093	461,611	2,671,804	411,191	2,374,381
	<u>660,972</u>	<u>3,907,403</u>	<u>806,948</u>	<u>4,670,615</u>	<u>778,910</u>	<u>4,497,737</u>
Net current liabilities	<u>(17,174)</u>	<u>(101,526)</u>	<u>(69,179)</u>	<u>(400,409)</u>	<u>(52,476)</u>	<u>(303,017)</u>
Non-current liabilities						
Bank and other loans	138,659	819,697	99,823	577,776	150,196	867,292
Lease liabilities	38,379	226,881	41,681	241,250	34,525	199,361
Provision for restructuring	-	-	-	-	17,318	100,001
Deferred tax liabilities	6,190	36,593	10,806	62,545	10,051	58,038
	<u>183,228</u>	<u>1,083,171</u>	<u>152,310</u>	<u>881,571</u>	<u>212,090</u>	<u>1,224,692</u>
Net assets	<u>527,806</u>	<u>3,120,178</u>	<u>623,861</u>	<u>3,610,904</u>	<u>560,712</u>	<u>3,237,775</u>
Represented by:						
Issued capital	286,307	1,385,631	286,307	1,385,631	286,307	1,385,631
Treasury shares	(20,978)	(124,987)	(20,978)	(124,987)	(20,865)	(124,334)
Reserves *	150,807	1,199,385	258,484	1,771,183	204,125	1,450,168
Equity attributable to equity holders of GP						
Industries	416,136	2,460,029	523,813	3,031,827	469,567	2,711,465
SAFE	18,793	111,097	-	-	-	-
Share of net assets of subsidiaries	92,877	549,052	100,048	579,077	91,145	526,310
Non-controlling interests	111,670	660,149	100,048	579,077	91,145	526,310
Total equity	<u>527,806</u>	<u>3,120,178</u>	<u>623,861</u>	<u>3,610,904</u>	<u>560,712</u>	<u>3,237,775</u>

* The comparative figures have been restated due to the effect of equity accounting of an associate, XIC Innovation Limited ("XIC").

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

During the financial year which ended on 31 March 2023 (“FY2023”), revenue of GP Industries Group 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 Group’s products to mitigate the adverse effects of higher material costs.

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 FY 2022. Other operating income for FY2023 mainly consisted of disposal gain from GP Industries Group’s 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 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. Based on the weighted average of 483,843,482 (FY2022: 483,853,969) GP Industries shares in issue, basic earnings per GP Industries share for FY2023 was 4.56 Singapore cents, compared to 8.27 Singapore cents for FY2022.

The Directors of GP Industries have proposed a final dividend of 1.5 Singapore cents per GP Industries share.

BUSINESS REVIEW

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 Group disposed 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 Group disposed of all the remaining interest in STL during FY2023.

During FY2023, GP Industries Group 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 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 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 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 to improved operation efficiency mentioned above.

Pursuant to the property disposal agreement for the old factory site owned by a subsidiary (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 the financial year ended 31 March 2020. Upon handing over the Property to the buyer during FY2023, 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 Group’s investments in Meiloon Industrial Co., Ltd. (“Meiloon”) and XIC Innovation Limited (“XIC” which was formerly known as Linkz Industries Limited, together with its subsidiaries “XIC Group”). In March 2022, XIC 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 of Time Interconnect. During FY2023, XIC completed the acquisition of Light Engine Technologies Limited (“Light Engine”, 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 previously reported.

OUTLOOK

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 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 GP Industries Group’s finance costs. GP Industries 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 have been completed in FY2023. As a result, GP Industries 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 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.

The project to rebalance GP Industries Group's 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 Group's 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 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, 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 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.

By Order of the Board
Gold Peak Technology Group Limited
Louis WONG Man Kon
Company Secretary

Hong Kong, 29 May 2023

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.