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金山工業(集團)有限公司
Gold Peak Industries (Holdings) Limited

(Incorporated in Hong Kong under the Companies Ordinance)
(Stock Code: 40)



PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board wishes to inform the Shareholders and potential investors of the Company that, based on the information currently available and the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 March 2020 by the Board, the Group expects to record a substantial decrease in profit attributable to shareholders for the year ended 31 March 2020 by approximately 50% to 80% as compared to the year ended 31 March 2019.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Gold Peak Industries (Holdings) Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”).

The board of directors of the Company (the “**Board**”) wishes to inform the Shareholders and potential investors of the Company that, based on the information currently available and the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 March 2020 by the Board, the Group expects to record a substantial decrease in profit attributable to shareholders for the year ended 31 March 2020 by approximately 50% to 80% as compared to the year ended 31 March 2019.

The expected decrease in the Group’s net profit for the year ended 31 March 2020 was mainly attributable to the COVID-19 pandemic and the continued trade dispute between the United States (the “**US**”) and the People’s republic of China (the “**PRC**”). A summary of the key impacts of the COVID-19 pandemic on the Group’s businesses is listed below:

- (a) as part of the lockdown measures of relevant governments to slow down the spread of COVID-19, the Group’s factories in PRC and Southeast Asia were shut down for an average of two to four weeks during the financial quarters ended 31 March 2020 (“**4QFY2020**”) and ending 30 June 2020 (“**1QFY2021**”). After the factories resumed operation, many workers in the Group’s PRC factories were further delayed by local travel restrictions which remained in effect. The resulting manpower shortages slowed the resumption of production, lowered output and reduced operating efficiency in 4QFY2020 and 1QFY2021. As at the date of this announcement, all of the Group’s factories resumed normal operations, except the factory in Thailand, which is still affected by the international travel ban in Thailand;
- (b) the lockdown and social distancing measures imposed by various countries also adversely affected the operations of the Group’s major suppliers and customers and caused supply chain disruptions for the Group. Some customer orders were cancelled or pushed out due to reduced consumer demand caused by the lockdown and social distancing measures in many countries. This led to reduced production output and delays in product delivery during 4QFY2020 and 1QFY2021; and
- (c) COVID-19 travel control measures imposed in various countries also adversely affected the Group’s efforts in relocating some of its manufacturing operations to Southeast Asia as the management and technical support teams, as well as customers’ representatives responsible for factory certification, could not travel to Malaysia and Thailand. In Vietnam, some new production equipment could not be commissioned after delivery. Delays in the Group’s factory relocation plans will increase the Group’s costs as a result of having to maintain dual manufacturing sites for a longer period than originally planned.

The Group’s businesses were also affected by the continued trade dispute between the US and the PRC. Higher import tariffs imposed by the US government on the Group’s PRC-made products, including some types of batteries, professional audio products and automotive wire harnesses, reduced consumer demand for some of these products in the US and further affected the Group’s profits for 4QFY2020.

The Group's management team is working closely with all stakeholders to reduce the negative impacts of the aforementioned developments while taking all possible steps to protect staff employment. A number of cost-reduction and cash conservation measures were taken, including the following:

- (a) Chairman and Chief Executive of the Company volunteered a 30% reduction in salary for 1QFY2021, as a symbol of solidarity with all stakeholders;
- (b) senior executives and management team of the Group took a 15% to 20% reduction in salary for 1QFY2021;
- (c) non-executive directors of the Company also volunteered a 20% reduction in director fees for 1QFY2021;
- (d) cash flow control tightened by inventory reduction and working with customers and suppliers on more favorable trading terms;
- (e) cash requirements reduced by scrutinizing all proposed capital expenditure and only proceeding with essential ones;
- (f) production capacity re-organised in response to reduced market demand by temporary facilities closure and office hours reduction;
- (g) staff hiring frozen and employees encouraged to take annual leave and no-pay leave; and
- (h) workflow further streamlined and productivity drives strengthened.

The Group is putting in place stringent health and safety measures in accordance with the COVID-19 social distancing and lockdown measures imposed in various countries and may make additional adjustments to the aforementioned cost-reduction and cash reservation measures to react according to the further development of the COVID-19 pandemic.

The Company is still in the process of finalizing the Group's annual results and the information contained in this announcement is only a preliminary assessment on the management accounts of the Group which has not been reviewed by the audit committee or confirmed by the auditors of the Company, and may be subject to audit adjustments. Shareholders and potential investors of the Company are advised to refer to the Group's annual results which is expected to be released in late June 2020.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Louis WONG Man Kon
Company Secretary

Hong Kong, 2 June 2020
www.goldpeak.com

As at the date of this announcement, the Board consists of Messrs. Victor LO Chung Wing (Chairman & Chief Executive), Richard KU Yuk Hing, Brian LI Yiu Cheung, Michael LAM Hin Lap and Brian WONG Tze Hang as Executive Directors, Mr. LEUNG Pak Chuen (Non-Executive Vice Chairman) and Ms. Karen NG Ka Fai as Non-Executive Directors, Messrs. LUI Ming Wah, Frank CHAN Chi Chung, CHAN Kei Bui and Timothy TONG Wai Cheung as Independent Non-Executive Directors.