

## Press Release

For Immediate Release

24 November 2021, Hong Kong



### Gold Peak announces 2021/2022 interim results

Gold Peak Industries (Holdings) Limited (SEHK: 40) today announced its unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 September 2021.

#### **Financial Highlights**

Revenue from continuing operations	: HK\$3,584 million, up 14.5%
Profit from continuing operations for the period attributable to owners of the Company	: HK\$55.5 million, up 22.5%
Including discontinued operations, profit for the period attributable to owners of the Company	: HK\$40.4 million, down 18.0%
Earnings per share from continuing operations	: 7.08 HK cents (2020/21: 5.78 HK cents)
Including discontinued operations, earnings per share	: 5.15 HK cents (2020/21: 6.29 HK cents)
The Board does not recommend an interim dividend (2020/21: Nil)	

#### **Business Review**

**GP Industries** (85.59% owned by Gold Peak as at 30 September 2021)

During the financial half year ended 30 September 2021 ("1HFY2022"), revenue of GP Industries' continuing operations increased by S\$56.7 million or 10.1% to S\$619.0 million, due mainly to a S\$51.4 million or 64.2% increase in revenue of the Electronics and Acoustics Business.

On 31 August 2021, GP Industries completed the disposal of the subsidiaries in the Automotive Wire Harness Business. Pursuant to the prevailing financial reporting standards, results of operations of the disposed Automotive Wire Harness Business for 1HFY2022 and prior period comparative figures for the financial half year ended 30 September 2020 (“1HFY2021”) are presented separately under discontinued operations.

Gross profit margin decreased slightly from 26.8% in 1HFY2021 to 26.1% in 1HFY2022. The decrease was due mainly to appreciation of Chinese Renminbi (“RMB”) as well as significant increases in material costs across a wide range of raw materials and components. Comparing 1HFY2022 and 1HFY2021, RMB appreciated by more than 7% against the United States (“US”) Dollar. While material and component price increases varied from type to type, it is common to find 15% to 25% cost increase for some materials and components in higher demand. However, selling price increases to customers and improvements in sales mix with increase in sales of the KEF acoustic systems partially offset the adverse effects of RMB appreciation and material price increase on gross profit margin of GP Industries.

Distribution costs increased by S\$5.8 million or 8.8% to S\$71.5 million, due partly to rapid and substantial increases in global shipping costs. The standard container shipping cost from key Chinese ports to the key USA ports increased from approximately US\$2,500 per container in past years to its peak of around US\$23,000 per container in 1HFY2022.

Administrative expenses increased by S\$13.0 million or 21.2% to S\$74.3 million due mainly to staff costs increases on a year-on-year comparison basis. During 1HFY2021, GP Industries implemented aggressive cost control measures and received some government subsidies from various countries during COVID-19 lockdown period, which contributed to reduce staff cost for comparison basis in 1HFY2021.

Profit from continuing operations attributable to equity holders of GP Industries increased by S\$1.9 million to S\$14.8 million, or 14.6% over the profit same period last year.

Net loss from discontinued operations arose from disposal of the Automotive Wire Harness Business in 1HFY2022 amounted to S\$3.05 million, which included the cumulative translation deficit of S\$2.07 million charged back to profit or loss.

Including discontinued operations, total profit attributable to equity holders of the GP Industries decreased from S\$13.7 million to S\$11.7.

### **Batteries Business**

- Revenue of the Batteries Business increased by 1.1% to S\$487.6 million.
- Sales of primary and rechargeable batteries increased by 0.7% and 0.6% respectively.
- Sales to Europe and Asia increased by 9.4% and 5.7% respectively while sales to the Americas decreased by 16.7%.
- The relocation of the Nickel Metal Hydride rechargeable and Carbon Zinc 9-volt batteries manufacturing facilities from Huizhou, China to the new manufacturing campus located at Xiegang, Dongguan is expected to be completed in the early half of the next financial year commencing on 1 April 2022 (“FY2023”).
- Renovation of the Malaysian and Vietnam factories were delayed by the surge of domestic COVID-19 cases and the resulting lockdown measures which delayed the factories’ achieving normal production capacity in 1HFY2022.
- The capital investments required for setting up the new factories are expected to be mostly completed in the early part of FY2023, significantly reducing the investment needed for this business thereafter.
- Gross profit margin of the Batteries Business has been affected by the rapidly increased material costs, the strengthened RMB and the delay between contract renewal negotiations and customer’s acceptance of price increases.
- The combined impact of (i) decrease in gross profit margin, (ii) disruptions to global shipping causing significant delays and drastic increases in shipping costs and (iii) the decrease in share of profit from associates led to a decline in profit contribution from the Battery Business.

### **Electronics and Acoustics Business**

- Due to strong growth in professional audio manufacturing business and branded acoustics business, revenue of the Electronics and Acoustics Business increased by 64.2% to S\$131.4 million.

- The professional audio manufacturing business grew in all major geographical markets and reported a 54.6% increase in revenue, including a 97.8% increase to the Americas, mainly driven by the recovery of the professional audio business after key global markets started to reopen when the pandemic gradually subsided.
- Sales of KEF products increased by 73.4% with growth in sales of both traditional premium loudspeakers and wireless music systems achieving a record high in revenue in 1HFY2022.
- KEF reported revenue growth of 74.6%, 80.3% and 53.6% in the Americas, Europe and Asia respectively.
- The Celestion brand professional speaker driver business also reported a revenue growth of 51.0%, with 67.3% and 65.0% increase in sales to the Americas and Asia respectively.
- Strong revenue growth of the subsidiaries and an increase in aggregate share of profit of associated companies resulted in a significant increase in profit contribution from the Electronics and Acoustics Business.
- The inventory holding level of this business segment increased due to the strong sales leading to the need for maintaining a higher level of inventory for products and critical components to safeguard against the global shortages in electronics components and shipping capacity. While this strategy helped to support the revenue growth achieved, it also required significantly higher working capital for the business.

### **Automotive Wire Harness Business**

- Profit after taxation of the Automotive Wire Harness Business amounted to S\$0.16 million, compared to S\$0.84 million in 1HFY2021.
- The Automotive Wire Harness Business was disposed of on 31 August 2021 and the disposal resulted in a loss of S\$3.21 million in 1HFY2022, which included S\$2.07 million translation deficit charged back to profit or loss and goodwill written-off amounted to S\$0.27 million.

### **Other Industrial Investments**

- Meiloon Industrial Co., Ltd. reported an increase in revenue and contributed more profit.
- Profit contribution from Linkz Industries Limited decreased.

## **Prospects**

Commenting on the prospects of the Group, Victor Lo, Chairman and Chief Executive of Gold Peak, said, “More global economies are re-opening for domestic activities and foreign visitors when COVID-19 starts to subside and general business sentiment improves. However, the Batteries Business will continue to be affected by material supply disruptions, steep cost increases and shipping challenges. When the project to rebalance the Group’s manufacturing facilities is completed in the early part of FY2023, the business is expected to improve from reduced redundant operations and better economies of scale. The demands for the Group’s professional audio manufacturing business and Celestion professional speaker driver business, which were hard-hit during the outbreak of COVID-19 as activities involving crowd gatherings were banned, are expected to continue to recover. With a strong product program and aggressive sales expansion, revenue of KEF is expected to continue to grow.”

“Disruptions to global shipping services and shortages of electronics components are expected to continue to pose challenges to the Group in optimizing inventory level and working capital requirements in order to meet delivery commitments.”

“The Group’s strategy to invest into building its brands, its sales and distribution capabilities, into technology and product development and into rebalancing its production capacity in China and South East Asia helped the Group maintain relatively stable business performance during the COVID-19 pandemic. It will continue this strategy to further strengthen the competitiveness of its brands and products in key priority markets.”

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