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

Press Release

For Immediate Release

25 November 2020, Hong Kong

GOLD PEAK

Gold Peak announces 2020/2021 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 2020.

Financial Highlights

Revenue	: HK$ 3,208 million, down 0.3%
Profit attributable to owners of the Company	: HK$ 49.3 million, down 71.8%
Earnings per share	: HK 6.29 cents (2019/20 Earnings per share: 22.26 HK cents)
Interim dividend per share	: The Board does not recommend an interim dividend (2019/20: 2.0 HK cents)

Business Review

GP Industries *(85.5% owned by Gold Peak as at 30 September 2020)*

GP Industries' revenue for the six-month period ended 30 September 2020 ("1HFY2021") was S$576.2 million, a 2.5% increase compared to the revenue reported for the six-month period ended 30 September 2019 ("1HFY2020"). Revenue of the Batteries Business increased by 12.3% while revenue of the Electronics and Acoustics Business declined by 29.6% and the Automotive Wire Harness Business decreased by 27.8%.

Gross profit for 1HFY2021 increased by 3.5% to S$153.0 million due to improvement in gross profit margin from 26.3% in 1HFY2020 to 26.6% in 1HFY2021.

GP Industries' other operating income decreased by S$52.7 million from S$58.4 million for 1HFY2020 to S$5.7 million for 1HFY2021. In 1HFY2020, the S$58.4 million gain included a gain of S$48.4 million from the disposal of the property.

Appreciation of Chinese Renminbi ("Renminbi") against United States ("US") dollar during 1HFY2021 contributed to an exchange loss of S$5.4 million for the period, compared to an exchange gain of S$4.3 million for 1HFY2020. Other operating expenses decreased by S$22.6 million in 1HFY2021 when compared to 1HFY2020 as, in 1HFY2020, GP Industries reported a provision for restructuring costs of S$17.5 million for relocation of the operations of GP Electronics (Huizhou) Co., Ltd. and a S$4.1 million realised loss on derivative financial instruments due to depreciation of Renminbi against US dollar.

Finance costs decreased from S$13.3 million for 1HFY2020 to S$10.0 million for 1HFY2021 due to a decrease in interest rates. Taxation expenses decreased by S$9.8 million to S$8.3 million in 1HFY2021 due mainly to taxation expense on the property disposal gain in 1HFY2020.

GP Industries' profit after taxation attributable to equity holders for 1HFY2021 was S$13.7 million, compared to S$38.7 million reported for 1HFY2020.

Batteries Business

- Revenue of the Batteries Business increased by 12.3% to S$482.2 million.
- Sales of primary batteries increased by 15.5% while sales of rechargeable batteries decreased by 4.1%.
- Sales in the Americas and Asia increased by 44.9% and 9.6% respectively while sales in Europe maintained. Sales increase in the Americas was mainly due to increase in sales of primary batteries.
- Gross profit margin improved due to better cost management and customer mix, and increase in sales with Delivered Duty Paid ("DDP") terms. However, distribution costs was also increased because of higher customs duty, transportation, packaging and other distribution costs, as a result of increase in DDP sales, and increase in advertising and promotion expenses.

- Aggregate profit contribution from associates of the Batteries Business increased by S$1.1 million.

Electronics and Acoustics Business

- Revenue of the Electronics and Acoustics Business decreased by 29.6% to S$80.1 million.
- Sales of private-label professional audio products decreased by 51.0%. Sales of Celestion products decreased by 37.4%.
- Sales of KEF products to the Americas increased by 23.3% due to increase in on-line transactions. Sales in Europe increased by 4.5% while sales to Asia decreased by 19.7%.
- Capacity and cost-cutting measures implemented helped to maintain overall profitability in this business.
- Aggregate profit contributed from associated companies which manufacture parts and components increased slightly.

Automotive Wire Harness Business

- Revenue of the Automotive Wire Harness Business decreased by 27.8% to S$14.0 million.
- Sales to the Americas decreased by 43.5% due to reduced demand for passenger cars in the US during lockdown.
- Sales to China slightly decreased by 2.4% as the lockdown measure was soon removed after a few months in early 2020 so car sales recovered relatively quickly.
- Capacity and cost adjustment measures implemented helped to maintain profitability in this business.

Other Industrial Investments

- Meiloon Industrial Co., Ltd. ("Meiloon") reported a decrease in revenue.
- Linkz Industries Limited reported a slight decrease in revenue but contributed more profit.

Prospects

Commenting on the prospects of the Group, Victor Lo, Chairman and Chief Executive of Gold Peak, said, "The COVID-19 pandemic is still prevalent globally and is expected to continue disrupting the market demand for some of the Group's products. The US-China trade dispute, if remains unresolved, will continue to affect US market demand for some of the Group's China-made products due to the additional US import tariff."

"Demand for the Group's battery products is more resilient to the economic fluctuations. Lockdown and supply chain problems faced by some competitors may cause more consolidation of the market and lead to more business opportunities for our battery products. Demand for the Group's private-label professional audio products may continue to be adversely affected if mass gatherings continued to be disallowed. Sales of KEF products remained robust so far and new speakers introduced by KEF received a number of major awards thus resulting in a strong order book. The proprietary Metamaterial Absorption Technology (MAT) developed by KEF has just won the "Innovation of the Year 2020" award from What Hi-Fi? magazine of the United Kingdom. Revenue from the sales of battery products and KEF products accounted for 83.7% and 7.4% of the Group's revenue for 1HFY2021 respectively."

Lo continued, "Volatilities in raw material prices and currency exchange rates may continue to affect the Group's results and price competition may intensify later, hurting revenue and profitability."

"Construction of the state-of-the-art manufacturing campus by our battery manufacturing subsidiaries in Ningbo, China, is nearing completion. Although the strategy of rebalancing our manufacturing capacity among factories in China, Malaysia, Vietnam and Thailand is being delayed due to travel restrictions, the new Malaysian factory is making progress. Completion of the factory relocation projects in Southeast Asia will not only provide a more diverse supply base for the Group's products but also free up some of its land and buildings in China for disposal, proceeds from which will strengthen the Group's balance sheet and cash flow. The Group's 20.27%-owned associate, Meiloon, started to build a new factory in Indonesia. On 23 October 2020, the Group had announced that a wholly owned subsidiary of Meiloon had accepted an offer to return its factory site located in Suzhou, China, to the Suzhou city government for a compensation equivalent to approximately S$140.4 million."

"Despite the very challenging business environment globally, the Group will continue to build its brands and its distribution networks. We are further strengthening our eCommerce infrastructure and capabilities, in order to benefit from the rapidly growing eCommerce channels. We will also continue to invest into technology, new products and automation of its factories to further enhance the competitiveness of our businesses."

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