Press Release

For Immediate Release

22 November 2023, Hong Kong

GOLD PEAK

Gold Peak announces 2023/2024 interim results

Gold Peak Technology Group Limited *(stock code: 40)* today announced its unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 September 2023.

Financial Highlights

Revenue	: HK$3,284 million, down 2.6%
Profit	: HK$39.9 million, down 64%
Profit attributable to owners of the Company	: HK$3.5 million, down 95.4%
Earnings per share	: 0.38 HK cents (2022/23: 8.27 HK cents)

The Board does not recommend an interim dividend (2022/23: Nil)

Business Review

For the first half year ("1H") ended 30 September 2023 ("1HFY2024"), the Group's revenue decreased by HK$89 million or 2.6% to HK$3,284 million, compared to the revenue reported for the first half last year ("1HFY2023"). The decline was mainly due to a 2.9% and 1.6% 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, the Group has enhanced its product mix, implemented stricter cost control measures and monitored the optimal level and timing of commodities purchases. As a result, the 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 4.6% to HK$898.3 million.

Other income for 1HFY2024 decreased by 68.3% to HK$73.5 million, compared to the HK$231.5 million registered in 1HFY2023. During 1HFY2023, the Group reported a gain on disposal of HK$70.7 million for its entire 29.28% equity interests in STL Technology Co., Ltd, and a gain on disposal of HK$60.2 million for its entire 100% equity interests in Huizhou Modern Battery Limited after relocating its rechargeable battery manufacturing facilities. The Group did not register similar one-off disposal gains in 1HFY2024.

Distribution costs decreased by HK$8.0 million or 1.9% to HK$406.5 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, the Group actively implemented operational efficiency enhancement and expense control measures. The Group's administrative expenses decreased by 6.6% to HK$433.5 million, compared to HK$464.0 million in 1HFY2023. The decline in 1HFY2024 was due mainly to a drop in staff cost after the 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 expenses for 1HFY2024 decreased to HK$5.9 million, compared to HK$51.3 million for 1HFY2023. The decrease in 1HFY2024 was due mainly to higher level of non-recurring charges recorded in 1HFY2023, which included a HK$18.9 million cumulative translation deficit charged to profit or loss upon de-registration of a subsidiary of the Batteries Business and a HK$17.0 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.

The Group's profit before finance costs and share of results of associate ("PBFCRA") for 1HFY2024 decreased to HK$125.9 million, compared to HK$160.4 million for 1HFY2023. The adjusted PBFCRA, calculated by adding back "Other Expenses" and deducting "Other Income" from PBFCRA, was a profit of HK$58.3 million for 1HFY2024, a significant improvement over the loss of HK$19.8 million reported in 1HFY2023, which reflected a substantial improvement in the operating results before other operating items of the Group in 1HFY2024 as compared to 1HFY2023.

Finance costs for 1HFY2024 was HK$120.6 million, an increase of HK$35.4 million or 41.5% from HK$85.2 million reported for 1HFY2023, due mainly to rapidly increasing global interest rates.

Share of results of associates for 1HFY2024 increased by HK$13.5 million to HK$68.4 million. The increase in 1HFY2024 was due mainly to the share of the land disposal gain from Changzhou Lithium Batteries Limited ("CZLB"), which was partly offset by the decrease in operating results of the Group's associates including Meiloon Industrial Co., Ltd. ("Meiloon"), Wisefull Technology Limited ("Wisefull").

Total profit attributable to equity holders of the Company decreased to HK$3.5 million for 1HFY2024, as compared to HK$75.7 million for 1HFY2023.

Batteries Business

- Revenue of the Batteries Business for 1HFY2024 was S$438.9 million, a decrease of 5.5% in Singapore dollar 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 improved to 23.4% from 20.7% for 1HFY2023. The improvement 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 incorporated in the last financial year ended 31 March 2023, was 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.

- Revenue of the KGG Group was S$125.3 million, a 4.3% decline in Singapore dollar when compared to the S$130.9 million revenue reported in 1HFY2023.
- Revenue of the branded acoustics business decreased by 13.1%. 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 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

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.

Prospects

Commenting on the prospects of the Group, Victor Lo, Chairman and Chief Executive of Gold Peak, said, "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 the Group's battery products may be affected when the major overseas customers continue to optimize their inventory level and reduce their inventories."

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

"Recent strengthening of the US dollars against RMB, if it continues, may reduce some of the Group's cost pressure and provide more flexibility 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 the 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 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 ("NiMH") rechargeable batteries manufacturing business to the shareholders of GP Industries, which is expected to be completed in the second half of FY2024, the Company will directly own the NiMH rechargeable batteries manufacturing business so the Company can focus more on its growth strategy and enhance access to equity and debt capital markets."

"GP Energy Tech, the rechargeable battery manufacturing business of the Group, has just been certified by the respected Carbon Trust Assurance Limited in London for successfully achieving carbon neutrality for its Scope 1, Scope 2 and Scope 3 category 6 (air travel) in accordance with the internationally recognized PAS 2060 standard. This is a very significant achievement and another milestone in the Group's persistent effort into environmentally friendly and sustainable manufacturing. This certification also opens up new opportunities for GP Batteries in providing environment-friendly products to global customers who are more advanced in their sustainability development."

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