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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)



2024/2025 Unaudited Interim Results Announcement (For the six months ended 30 September 2024)

The Board of Directors (the “**Board**”) of Gold Peak Technology Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2024.

HIGHLIGHTS

- Group revenue increased by 7.7% to HK\$3,535.6 million
- Battery Business revenue increased by 8.8% to HK\$2,780.3 million
- Branded Acoustics Business revenue increased 14.7% to HK\$510.4 million
- Gross profit margin improved from 27.4% to 29.4%
- Profit before finance costs and share of results of associates increased by 59.9% to HK\$201.3 million.
- Profit for the period attributable to owners of the Company increased by 648.3% to HK\$26.1 million
- Earnings per share: 2.86 Hong Kong cents (2023/24: 0.38 Hong Kong cents)
- The Board declared payment of an interim dividend of 1.5 Hong Kong cents per share (2023/24: Nil)
- Total equity improved by HK\$34.0 million including issuance of Perpetual Bonds by GP Industries

SUMMARY OF RESULTS

For the first half year (“1H”) ended 30 September 2024 (“1HFY2025”), the Group’s revenue increased by HK\$251.9 million or 7.7% to HK\$3,535.6 million, compared to the revenue reported for the first half last year (“1HFY2024”). The increment was mainly due to a 8.8% and 3.6% increase in revenue of the Battery Business and the Audio Business, respectively. In terms of geographical markets, sales to the Americas and Asia increased while sales to Europe decreased.

During 1HFY2025, the Group has enhanced factory efficiency, implemented strict cost control measures and monitored the optimal level and timing of commodities purchases. As a result, the Group’s gross profit margin increased from 27.4% in 1HFY2024 to 29.4% in 1HFY2025 and achieved an increase in gross profit for 1HFY2025 from HK\$898.3 million to HK\$1,038.8 million.

Other operating income for 1HFY2025 decreased to HK\$73.2 million, compared to HK\$73.5 million for 1HFY2024. During 1HFY2025, the Group reported a gain on de-registration of a dormant battery subsidiary in Malaysia of HK\$11.6 million.

Distribution costs increased by HK\$25.1 million or 6.2% to HK\$431.6 million, when compared to 1HFY2024, due mainly to increase global shipping cost in 1HFY2025 and was in line with the increase in sales volume for 1HFY2025 especially sales to the Americas.

Administrative costs increased by HK\$34.9 million or 8.0% to HK\$468.4 million, when compared to 1HFY2024, due to increase in running cost and research and development expenses for new generation rechargeable batteries, which were partially offset by the cost savings through strict expense control measures in 1HFY2025.

Other operating expenses for 1HFY2025 increased to HK\$10.6 million, compared to HK\$5.9 million for 1HFY2024. The increase in 1HFY2025 was due mainly to property, plant and equipment write-off for 1HFY2025 related to some aged production lines being upgraded to new production line in the Battery Business.

The Group’s operating earnings have improved significantly during 1HFY2025. The Group’s profit before finance costs and share of results of associate (“**PBFCRA**”) for 1HFY2025 increased by 59.9% to HK\$201.3 million, compared to HK\$125.9 million for 1HFY2024. The adjusted PBFCRA, calculated by adding back the “**Other Operating Expenses**” and deducting “**Other Operating Income**” from PBFCRA, increased by 138.0% to HK\$138.7 million for 1HFY2025, as compared to HK\$58.3 million in 1HFY2024, reflecting a substantial improvement in the operating results before other operating items in 1HFY2025 as compared to 1HFY2024.

Finance costs for 1HFY2025 was HK\$117.2 million, a decrease of HK\$3.4 million or 2.8% from HK\$120.6 million reported for 1HFY2024, due mainly to repayment of bank borrowings during 1HFY2025.

Share of results of associates excluding XIC Innovation Limited (“**XIC Innovation**”) for 1HFY2025 decreased by HK\$27 million to HK\$37.2 million. During 1HFY2024, there was a share of the one-off land disposal gain amounted to HK\$23.3m from Changzhou Lithium Batteries Ltd.

Total profit attributable to equity holders of the Company increased by HK\$22.6 million to HK\$26.1 million for 1HFY2025, as compared to HK\$3.5 million for 1HFY2024. Based on the weighted average of 915,475,110 (1HFY2024: 915,475,110) shares in issue, basic earnings per share for 1HFY2025 was 2.86 Hong Kong cents, as compared to 0.38 Hong Kong cents reported in 1HFY2024.

BUSINESS REVIEW

Battery Business - The revenue of the Battery Business for 1HFY2025 increased by 8.8% to HK\$2,780.3 million, as compared to that of 1HFY2024. The increase was mainly due to increase in sales of primary battery business by HK\$233.4 million. Sales of rechargeable battery business remain stable with a slight gross profit margin improvement during 1HFY2025.

In geographical terms, sales to Asia and the Americas increased by 7.3% and 38.0%, respectively, while sales to Europe decreased by 2.3%.

The gross profit margin of the Battery Business for 1HFY2025 improved to 25.2% when compared to 23.4% for 1HFY2024. The improvement in the gross profit margin was due mainly to improvement in factory efficiency, product mix and lower commodity costs. The increase in gross profit margin of the Battery Business contributed to the increase in profit contribution from the Battery Business in 1HFY2025.

Audio Business - The revenue of the Audio Business for 1HFY2025 was HK\$755.4 million, a 3.6% increase when compared to the HK\$729.5 million revenue reported for 1HFY2024.

The strong products program, successful dealer and distributor connections, and the opening of new experience centers in Tokyo and London have positively impacted the KEF branded acoustics business. In 1HFY2025, revenue from branded acoustics business increased by 14.7% compared to the same period in FY2024. This growth reflects the effectiveness of the strategic initiatives in enhancing market presence and customer engagement. Sales of KEF products increased by 16.3%, with sales improved in the Americas, Europe and Asia markets. The Celestion brand professional speaker driver business reported a 8.7% revenue increase in 1HFY2025 when compared to 1HFY2024.

Revenue of the professional audio manufacturing business decreased by 13.9% due mainly to the sales decline in the Americas and Europe.

Gross profit margin of the Audio Business for 1HFY2025 increased to 44.8%, an increment of 3.7% when compared with 1HFY2024. The increase in gross profit margin is mainly contributed by the increase in branded acoustics products with higher margin.

Other Industrial Investments - This business segment mainly includes the Group's investments in Meiloon Industrial Co., Ltd. ("**Meiloon**"), Shinwa Industries (H.K.) Limited ("**Shinwa**") and Wisefull Technology Limited. The contribution before taxation from this segment increased from HK\$24.8 million for 1HFY2024 to HK\$31.0 million for 1HFY2025, due mainly to the improvement in the share of results of Meiloon and Shinwa for 1HFY2025.

XIC Innovation and its subsidiaries (“XIC Group”) are maintaining and continuing its business operations with support from major customers and suppliers and continues to explore the possibility of obtaining new funding from third parties to overcome the financial distress. The Group’s 39.13% direct equity interest in XIC Innovation as at 31 March 2024 of HK\$267.8 million was classified as equity instruments at fair value through other comprehensive income. Starting from 1 April 2024, any fair value changes of XIC Group will be recognised in other comprehensive income (“OCI”) and will not affect the profit or loss of the Group.

Based on the valuation report prepared by an independent external valuer (“XIC Valuation Report”), the fair value of the Group’s interest in XIC Innovation as at 30 September 2024 was HK\$92.3 million, after considering the additional impairment on certain assets of XIC Group based on updated information obtained up to the date of this results announcement, and a fair value loss of HK\$175.5 million was recognized in OCI of the Group during 1HFY2025.

The independent external valuer used the asset-based approach, same approach as adopted for financial year ended 31 March 2024, in the preparation of the XIC Valuation Report. The asset-based approach involves estimating the price at which an orderly transaction would take place in the principal or most advantageous market. The concept of orderly transaction implies that the transaction is not forced, such as forced liquidation or distress sale, which aligns with the current condition of XIC Group.

Total Equity Enhancement of the Group

During 1HFY2025, the Group has strengthened its total equity by (i) GP Industries issuing perpetual subordinated bonds of an aggregate principal amount of US\$11,000,000 (HK\$85.0 million); (ii) transferring certain portion of an industrial complex located in China with carrying amount of HK\$47.2 million to investment properties after recognized a revaluation gain of HK\$34.3 million and (iii) enhancing the earnings with profit for 1HFY2025 of HK\$81.7 million. The total positive effect of these measures on net assets of the Group for 1HFY2025 was HK\$201.0 million.

The Group intends to speed up the divestment of another vacant land and buildings of the Group’s unused factories in China and generate rental income before the completion of the disposal, which would further strengthen the Group’s net asset position.

FINANCIAL REVIEW

During the period, the Group's net bank borrowings increased by HK\$148.4 million to HK\$2,397.3 million. As at 30 September 2024, the aggregate of the Group’s shareholders’ funds and non-controlling interests was HK\$2,188.5 million and the Group’s gearing ratio (the ratio of consolidated net bank borrowings to shareholders’ funds and non-controlling interests) was 1.10 (31 March 2024: 1.04). The gearing ratios of the Company and GP Industries were 0.40 (31 March 2024: 0.43) and 0.73 (31 March 2024: 0.72) respectively.

At 30 September 2024, 69.4% (31 March 2024: 58.0%) of the Group’s bank borrowings was revolving or repayable within one year whereas 30.6% (31 March 2024: 42.0%) was repayable from one to five years. Most of these bank borrowings are in US dollars, Singapore dollars and Hong Kong dollars.

At 30 September 2024, the Group's current liabilities exceeded its current assets by approximately HK\$426.2 million. The increase in net current liabilities as at 30 September 2024 was due mainly to the increase in loans repayable within one year after reclassification of non-current loans to current liabilities, the funding of capital expenditure and repayment of term loans and loan interest with cash and short term borrowings. Taking into consideration the Group's internally generated funds and available banking facilities, the Group has sufficient resources to settle its current liabilities as they fall due.

The Group's exposure to foreign currencies arises mainly from the net cash flow and the translation of net monetary assets or liabilities of its overseas subsidiaries. The Group continued to manage foreign exchange risks prudently. Forward contracts, borrowings in local currencies and local sourcing have been arranged to minimise the impact of currency fluctuation.

PROSPECTS

The global economy remains soft with high inflation and high interest rates persisting through 1HFY2025. These economic conditions may negatively impact consumer spending on electronic and acoustics products, potentially leading to slower growth in these sectors. Demand for the Group's battery products is expected to remain stable as major overseas customers' demand is stabilized following their inventory optimization processes that have been ongoing for the past few years.

With the new experience center in London opened in 1HFY2025 and combined with the strong products program, demand for KEF speakers is expected to gradually strengthen. Successful distribution channel expansion will further support this growth, enhancing customer engagement and product availability in the market.

Despite the interest rate reductions that began in September 2024, interest rates are expected to remain high throughout the year ending 31 March 2025, leading to significant finance costs which may continue to affect the profitability of the Group. The Group may explore funding some of its future expansions by other sources of financing, when appropriate, in order to reduce the Group's bank borrowing and finance costs.

The future developments of XIC Group, including the results of its restructuring program, the outcome of the winding up petitions and its efforts in obtaining new funding from third parties is uncertain. Management will closely monitor the future developments of XIC Group and make further announcements to keep its shareholders and potential investors informed of any progress, if and when appropriate.

The Group continues investing in developing rechargeable energy storage solutions for large scale data centres, smart cities and industrial applications. An advanced R&D center has been established in China to focus on the research and manufacturing of new generation Nickel-Zinc (NiZn) batteries for consumer and industrial applications.

The Group will further strengthen its capital structure and base and provide sufficient buffer to accommodate any possible adverse financial impact on the liquidity position of the Group resulted from the continued challenges in the global economic landscape and any adverse changes in the fair value of the assets of the Group by (i) speeding up the divestment of non-core assets including the vacant land and buildings after the relocation of the Group's unused factories and generate rental income before the conclusion of the sale agreements with potential buyers; (ii) implementing continuous cost reduction programs to enhance the financial resilience of the Group; and (iii) streamlining the corporate structure and simplify the work flows to increase the profitability of the Group.

No significant "Other Operating Income or Expenses" related to disposal of non-core assets is expected for the second half year ending 31 March 2025.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended	
		30 September	
		2024	2023
	Notes	HK\$'000	HK\$'000
Revenue	3 & 4	3,535,635	3,283,720
Cost of sales		(2,496,879)	(2,385,386)
Gross profit		1,038,756	898,334
Other income and other gains	5	73,214	73,496
Selling and distribution expenses		(431,621)	(406,509)
Administrative expenses		(468,406)	(433,532)
Other expenses and other losses	6	(10,646)	(5,906)
Profit before finance costs and share of results of associates		201,297	125,883
Finance costs	7	(117,175)	(120,583)
Share of results of XIC Innovation Limited ("XIC")		-	4,258
Share of results of associates, excluding XIC		37,176	64,171
Profit before taxation	8	121,298	73,729
Taxation	9	(39,580)	(33,824)
Profit for the period		81,718	39,905
Profit for the period attributable to			
Owners of the Company		26,138	3,493
Non-controlling interests		55,580	36,412
		81,718	39,905
Earnings per share - Basic	10	2.86 HK cents	0.38 HK cents

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
Profit for the period	81,718	39,905
Other comprehensive income (expense):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	23,204	(109,503)
Translation surplus reclassified to profit or loss upon deregistration of a subsidiary	(11,649)	-
Translation deficit reclassified to profit or loss upon disposal and deemed disposal of interest in associates	-	202
Share of other comprehensive income (expense) of associates	21,208	(73,400)
	32,763	(182,701)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value loss on equity instruments at fair value through other comprehensive income	(186,190)	(3,993)
Revaluation gain on property, plant and equipment upon transfer to investment properties	34,256	-
	(151,934)	(3,993)
Other comprehensive expense for the period	(119,171)	(186,694)
Total comprehensive expense for the period	(37,453)	(146,789)
Total comprehensive expense attributable to:		
Owners of the Company	(91,417)	(130,650)
Non-controlling interests	53,964	(16,139)
	(37,453)	(146,789)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2024	As at 31 March 2024
	Notes	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-current assets			
Investment properties	11	47,235	-
Property, plant and equipment	12	2,270,278	2,230,231
Right-of-use assets	13	282,439	301,559
Interests in associates		984,090	914,614
Equity instruments at fair value through other comprehensive income		166,797	347,043
Intangible assets		898	1,082
Goodwill		70,399	70,399
Non-current deposits		26,537	30,328
Deferred tax assets		26,954	28,567
		<u>3,875,627</u>	<u>3,923,823</u>
Current assets			
Inventories		1,239,296	1,105,380
Trade and other receivables and prepayments	14	1,666,882	1,291,816
Dividend receivable		3,000	15,059
Taxation recoverable		9,932	17,880
Equity instruments at fair value through profit or loss		538	1,267
Bank balances, deposits and cash		833,328	1,247,460
		<u>3,752,976</u>	<u>3,678,862</u>
Current liabilities			
Creditors and accrued charges	15	1,763,760	1,497,036
Contract liabilities		78,677	86,662
Taxation payable		14,888	10,365
Lease liabilities		81,235	75,982
Bank loans, import and other loans	16	2,240,605	2,026,331
		<u>4,179,165</u>	<u>3,696,376</u>
Net current liabilities		<u>(426,189)</u>	<u>(17,514)</u>
Total assets less current liabilities		<u>3,449,438</u>	<u>3,906,309</u>
Non-current liabilities			
Lease liabilities		221,821	241,516
Bank and other loans	17	990,033	1,470,147
Deferred tax liabilities		49,068	40,116
		<u>1,260,922</u>	<u>1,751,779</u>
Net assets		<u>2,188,516</u>	<u>2,154,530</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

		As at 30 September 2024	As at 31 March 2024
	Notes	HK\$'000	HK\$'000
Capital and reserves			
Share capital		998,666	998,666
Reserves		105,411	206,064
Equity attributable to owners of the Company		1,104,077	1,204,730
Non-controlling interests			
Perpetual bonds	18	84,959	-
Simple agreement for future equity		107,544	107,544
Share of net assets of subsidiaries		891,936	842,256
		1,084,439	949,800
Total equity		2,188,516	2,154,530

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial information relating to the year ended 31 March 2024 that is included in the half-year interim report 2024/2025 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

- The Company has delivered the financial statements for the year ended 31 March 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.
- The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. As at 30 September 2024, the Group’s current liabilities exceeded its current assets by approximately HK\$426.2 million. The increase in net current liabilities as at 30 September 2024 was due mainly to the increase in loans repayable within one year after reclassification of non-current loans to current liabilities, the funding of capital expenditure and repayment of term loans and loan interest with cash and short term borrowings. The Group’s current liabilities as at 30 September 2024 included bank loans, import and other loans of approximately HK\$2,240.6 million that are repayable within twelve months from the end of the reporting period. Taking into account of the Group’s internally generated funds and available banking facilities, the directors of the Company are confident that the Group will be able to meet their financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis.

2. Material Accounting Policies Information

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standard (“HKFRS”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 September 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2024.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's consolidated financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. Segment information

The following is an analysis of the Group's revenue and results by operating segments and reporting segments for the period under review:

Six months ended 30 September 2024

	Audio	Battery	Other industrial investments	Total reportable segments	Eliminations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External sales	755,388	2,780,247	-	3,535,635	-	3,535,635
Inter-segment sales	210	39	-	249	(249)	-
Segment revenue	<u>755,598</u>	<u>2,780,286</u>	-	<u>3,535,884</u>	<u>(249)</u>	<u>3,535,635</u>
RESULTS						
Segment results	12,996	226,173	14,042	253,211	-	253,211
Interest income						7,761
Other expenses and other losses						(10,646)
Finance costs						(117,175)
Unallocated expenses						(11,853)
Profit before taxation						<u>121,298</u>

Six months ended 30 September 2023 (restated)

	Audio	Battery	Other industrial investments	Total reportable segments	Eliminations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External sales	729,458	2,554,262	-	3,283,720	-	3,283,720
Inter-segment sales	345	47	-	392	(392)	-
Segment revenue	<u>729,803</u>	<u>2,554,309</u>	-	<u>3,284,112</u>	<u>(392)</u>	<u>3,283,720</u>
RESULTS						
Segment results	11,896	180,556	20,986	213,438	-	213,438
Interest income						9,718
Other expenses and other losses						(5,906)
Finance costs						(120,583)
Unallocated expenses						(22,938)
Profit before taxation						<u>73,729</u>

4. Revenue

The following is an analysis of the Group's revenue recognised at a point in time from its major products:

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
Audio segment:		
Audio products and related electronics and acoustics products	755,388	729,458
Battery segment:		
Batteries and battery related products	2,780,247	2,554,262
Revenue from contracts with customers	3,535,635	3,283,720

The following table provides an analysis of the Group's revenue from external customers based on location of customers:

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
The People's Republic of China		
- Hong Kong	174,189	156,700
- Mainland China	1,432,372	1,293,322
Other Asian countries	218,156	239,604
Europe	840,127	886,379
Americas	848,869	686,120
Others	21,922	21,595
	3,535,635	3,283,720

5. Other income and other gains

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	368	383
Interest income	7,761	9,718
Government grant	27,788	19,185
Realised gain on derivative financial instruments	-	24
Product development, engineering fee income and service income	1,055	18,230
Gain on disposal of interest in an associate	-	114
Management fee income received from associates	1,889	2,741
Gain on sales of parts, samples, scrap and surplus materials	3,093	2,376
Recovery of bad debts	9	9
Operating leases income	198	1,993
Net rental income from investment properties	1,829	-
Gain from de-registration of a subsidiary	11,648	-
Gain on bargain purchase arising from purchase of additional interest in associates	-	16
Royalty income	1,444	2,323
Exchange gain	14,809	16,288
Others	1,323	96
	<u>73,214</u>	<u>73,496</u>

6. Other expenses and other losses

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
Property, plant and equipment written off	6,708	1,684
Fair value loss on equity instruments at fair value through profit or loss	723	199
Realised loss on derivative financial instruments	-	193
Loss from deemed disposal of interest in an associate	-	1,201
Provision for loan and other receivables	2,094	2,161
Others	1,121	468
	<u>10,646</u>	<u>5,906</u>

7. Finance costs

	For the six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
Interest on bank and other loans	108,706	113,633
Interest on lease liabilities	8,469	6,950
	<u>117,175</u>	<u>120,583</u>

8. Profit before taxation

	For the six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	184	664
Depreciation of property, plant and equipment	101,511	96,929
Depreciation of right-of-use assets	42,173	39,052

9. Taxation

	For the six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
Hong Kong Profits Tax	477	7,654
Taxation in jurisdictions other than Hong Kong	31,505	23,980
Deferred taxation	7,598	2,190
	<u>39,580</u>	<u>33,824</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both period. Taxation in jurisdictions other than Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

9. Taxation (Continued)

The Group is subject to the global minimum top-up tax under the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the “Pillar Two Rules”). For the year ending 31 March 2025, the Pillar Two Rules have or will become effective in certain countries such as Germany, Japan, South Korea, Malaysia, the Netherlands, the United Kingdom (including Poland and the United States, the UK subsidiaries) and Vietnam in which the Group has operative subsidiaries. The top-up tax relates to the Group's operation in Vietnam, where the annual effective income tax rate is estimated to be below 15 per cent. Therefore, a top-up tax is accrued in the current interim period using the tax rate based on the estimated adjusted covered taxes and net GloBE income for the year. The Group has recognized a current tax expense of HK\$2,640,000 related to the top-up tax for the six months ended 30 September 2024 (six months ended 30 September 2023: n/a) which is expected to be levied on group entities. The Group has applied the temporary mandatory exception for recognizing and disclosing deferred tax assets and liabilities for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

10. Earnings per share

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
<u>Earnings</u>		
Profit for the period attributable to owners of the Company	26,138	3,493
<u>Number of shares</u>	'000	'000
Number of shares in issue during the period for the purpose of basic earnings per share	915,475	915,475

No computation of diluted earnings per share for the periods ended 30 September 2024 and 30 September 2023 is disclosed as there are no potential ordinary shares in issue during the periods ended 30 September 2024 and 30 September 2023.

11. Investment properties

During the period ended 30 September 2024, several units of an industrial complex located in China with fair value at the date of transfer of HK\$47,235,000 was transferred from owned properties to investment properties due to change in use of the properties. The valuation was carried out by an independent qualified professional valuer who is not connected with the Group and based on the income approach, which relies on market-observable recent rental income from similar properties in similar locations. The resulting revaluation surplus of HK\$34,256,000 has been credited to the properties revaluation reserve.

12. Property, plant and equipment

During the period ended 30 September 2024, the Group spent approximately HK\$109,432,000 (six months ended 30 September 2023: HK\$33,730,000) on property, plant and equipment to expand its business.

13. Right-of-use assets

During the period ended 30 September 2024, the Group entered into new lease agreements for the use of land and buildings and machinery and equipment. The Group is required to make periodic payments. On lease commencement, the Group recognised right-of-use assets of HK\$16,110,000 (six months ended 30 September 2023: HK\$71,007,000) and lease liabilities of HK\$16,110,000 (six months ended 30 September 2023: HK\$63,222,000).

14. Trade and other receivables and prepayments

	As at 30 September 2024	As at 31 March 2024
	HK\$'000	HK\$'000
Trade and bills receivables from contracts with customers	1,399,522	1,058,786
Less: Allowance for credit losses	(44,842)	(35,426)
	<u>1,354,680</u>	<u>1,023,360</u>
Other receivables, deposits and prepayments	338,739	298,784
	<u>1,693,419</u>	<u>1,322,144</u>
Less: Non-current portion of deposits		
Deposits paid for acquisition of property, plant and equipment	(15,149)	(18,807)
Non-current rental deposits	(11,388)	(11,521)
	<u>(26,537)</u>	<u>(30,328)</u>
	<u>1,666,882</u>	<u>1,291,816</u>

14. Trade and other receivables and prepayments (Continued)

The Group allows its trade customers with credit periods normally ranging from 30 days to 120 days. The following is an ageing of trade and bills receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period:

	As at 30 September 2024	As at 31 March 2024
	HK\$'000	HK\$'000
0 - 60 days	1,180,802	929,657
61 - 90 days	59,085	38,026
Over 90 days	114,793	55,677
	<u>1,354,680</u>	<u>1,023,360</u>

15. Creditors and accrued charges

The following is the ageing of creditors presented based on the invoice date at the end of the reporting period:

	As at 30 September 2024	As at 31 March 2024
	HK\$'000	HK\$'000
Trade creditors		
0 - 60 days	1,139,230	995,083
61 - 90 days	64,405	45,240
Over 90 days	24,646	22,317
	<u>1,228,281</u>	<u>1,062,640</u>
Other payables and accrued charges	535,479	434,396
	<u>1,763,760</u>	<u>1,497,036</u>

16. Bank loans, import and other loans

	As at 30 September 2024	As at 31 March 2024
	HK\$'000	HK\$'000
Unsecured short-term bank loans and import loans	1,578,963	1,555,333
Current portion of unsecured bank and other loans	661,475	470,842
Current portion of secured motor vehicle loan	167	156
	<u>2,240,605</u>	<u>2,026,331</u>

17. Bank and other loans

	As at 30 September 2024	As at 31 March 2024
	HK\$'000	HK\$'000
The unsecured bank and other loans are loans repayable:		
Within one year	661,475	470,842
Within a period of more than one year but not exceeding two years	338,624	678,651
Within a period of more than two years but not exceeding five years	650,638	790,679
The secured motor vehicle loan is repayable:		
Within one year	167	156
Within a period of more than one year but not exceeding two years	176	164
Within a period of more than two years but not exceeding five years	578	539
Within a period of more than five years	17	114
	<u>1,651,675</u>	<u>1,941,145</u>
Less: Amount due within one year shown under current liabilities		
Current portion of unsecured bank and other loans	(661,475)	(470,842)
Current portion of secured motor vehicle loan	(167)	(156)
	<u>990,033</u>	<u>1,470,147</u>

18. Perpetual bonds

On 30 September 2024, GP Industries has entered into subscription agreements with certain investors for the issue of fixed rate resetting perpetual subordinated bonds up to an aggregate principal amount of US\$11 million (approximately HK\$85.4 million) (the “perpetual bonds”). Incremental costs directly attributable to the issuance of perpetual bonds incurred amounting to HK\$0.4 million were recognised in equity, deducted against the principal amount.

In accordance with the terms and conditions of the subscription agreements, inter alia, (i) the distribution rate on the perpetual bonds is at 9.5% per annum and 8.5% per annum for the first and second year respectively and will reset annually thereafter; (ii) the distribution will be payable semi-annually in arrear, unless deferred at the discretion of GP Industries and will be cumulative; and (iii) the perpetual bonds have no fixed redemption date and are redeemable in whole at the option of GP Industries on the third anniversary of the issue date of the perpetual bonds or any anniversary of the issue date thereafter, at their principal amount, together with any accrued, unpaid or deferred distributions.

18. Perpetual bonds (Continued)

As a result, GP Industries is considered to have no contractual obligations to repay its principal or to pay any distributions and the perpetual bonds do not meet the definition for classification as a financial liability under HKAS 32 *Financial Instruments: Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

As at 30 September 2024, GP Industries has received proceeds of US\$2.5 million (approximately HK\$19.4 million) from the issuance of perpetual bonds. The investors of the perpetual bonds include certain connected person of the Company. The connected person have subscribed for an aggregate principal amount of US\$4.0 million (approximately HK\$31.1 million).

19. Fair value measurement of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement / valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
	30 September 2024	31 March 2024				
	HK\$'000	HK\$'000				
1. Listed equity securities classified as equity instrument at fair value through profit or loss	538	1,267	Level 1	The fair value of the equity securities is estimated by the price quotation available on the New York Stock Exchange in United States.	N/A	N/A
2. Equity instruments at FVTOCI	11,649	11,735	Level 2	The fair value of the equity instrument is estimated by market value of the recent investment transactions.	N/A	N/A

19. Fair value measurement of financial instruments (Continued)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement / valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
	30 September 2024	31 March 2024				
	HK\$'000	HK\$'000				
3. Equity instruments at FVTOCI	43,728	44,103	Level 3	Asset-based approach. The fair value of the target company was determined by the asset-based approach using the adjusted net asset value. Net asset value of the target company was adjusted through fair value adjustments held by the target company primarily by the direct comparison approach.	Price per square meter. Using market direct comparable and taking into account of location and other individual factors such as size, building facilities, levels, age of building, etc.	The higher the price per square meter, the higher the fair value.
4. Equity instruments at FVTOCI	14,373	16,210	Level 3	Market approach. The market approach was used to determine the valuation by the average estimated values using the following multiples: enterprise value to earnings before interest, taxes, depreciation and amortisation ratio, enterprise value to earnings before interest, taxes ratio and price to earning ratio of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.	The discount of lack of marketability and applied multiples.	The higher the discount of lack of marketability, the lower the fair value. The higher the applied multiples, the higher the fair value.
5. Equity instruments at FVTOCI	4,747	7,170	Level 3	Combination of asset-based approach and market approach. The fair value of the target company was determined by the asset-based approach using the adjusted net asset value with adjustments for the lack of marketability. Net asset value of the target company was adjusted through fair value adjustments of each sub-entity held by the target company primarily by the market approach using enterprise value to sales ratio or enterprise value to earnings before interest, taxes ratio of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.	The discount of lack of marketability and applied multiples.	The higher the discount of lack of marketability, the lower the fair value. The higher the applied multiples, the higher the fair value.

19. Fair value measurement of financial instruments (Continued)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement / valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
	30 September 2024	31 March 2024				
	HK\$'000	HK\$'000				
6. Equity instruments at FVTOCI	92,300	267,825	Level 3	<p>Asset-based approach.</p> <p>The approach considers the current fair values of all assets and liabilities of the target group, along with the net value attributable to shareholders. The fair value considers a market participant's ability to generate economic benefits by utilizing the asset in its highest and best use, and it involves estimating the price at which an orderly transaction would take place in the principal or most advantageous market.</p> <p>The fair value of the trade receivable, prepayments and deposits of the target group were assessed using the credit valuation adjustment ("CVA") method. Fair value of CVA is the present value of the expected credit loss, the independent external valuer adopts the commonly accepted credit model by using exposure at default, probability of default and loss given default to estimate the CVA.</p> <p>The fair value of the building and land of the target group were assessed using both income and market approach. Income approach was adopted to value the used property and market approach (direct comparison method) was adopted to value the unused property in market basis.</p> <p>The fair value of equipment and inventory ("E&I") of the target group were assessed using the combination of market approach (prices recently paid for similar E&I with adjustments made to the indicated market prices) and cost approach (depreciated replacement cost).</p>	<p>Probability of default ranging from 0.09% to 100% and loss given default ranging from 62.4% to 100%</p> <p>Capitalisation rate of land and building of 5.6%</p> <p>Discount rate on inventory, which is ranged from 0% to 100%</p>	<p>The higher the probability of default, the lower the fair value of receivable.</p> <p>The higher the loss given default, the lower the fair value of receivable.</p> <p>The higher the capitalisation rate of the land and building, the lower the fair unit value of the property.</p> <p>The higher the discount rate on the inventory replacement cost, the lower the fair value of inventory.</p>

19. Fair value measurement of financial instruments (Continued)

There is no transfer between different levels of the fair value hierarchy during the six months ended 30 September 2024 and the year ended 31 March 2024.

The fair value of other financial assets and financial liabilities are determined in accordance with general accepted pricing models based on discounted cash flow analysis. The directors of the Company consider that the carrying amounts of these financial assets and financial liabilities recorded at amortised cost approximate their fair values.

20. Contingencies and commitments

	As at 30 September 2024 HK\$'000	As at 31 March 2024 HK\$'000
(a) Contingent liabilities		
Others	<u>21,895</u>	<u>20,218</u>
(b) Capital commitments		
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the unaudited condensed consolidated financial statements	<u>1,067</u>	<u>2,536</u>

21. Related party transactions

(a) Continuing connected transactions

	For the six months ended 30 September	
	2024 HK\$'000	2023 HK\$'000
Sales to Light Engine Group	-	45
Purchases from Light Engine Group	-	274
Aggregate amount of continuing connected transactions	<u>-</u>	<u>319</u>

During 1HFY2025, there was no continuing connected transactions as business with Light Engine Group has ceased from 1 April 2024.

21. Related party transactions (Continued)

(b) Connected transactions

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
Subscription of perpetual bonds issued by GP Industries		
Brian Li Yiu Cheung (i)	7,767	-
Waltery Law Wang Chak (i)	19,415	-
Grace Lo Kit Yee (ii)	3,881	-

(i) an executive Director of the Company and a director of GP Industries

(ii) a director of GP Industries and the daughter of Mr. Victor Lo Chung Wing, the Chairman of the Board, the Chief Executive and an executive Director of the Company

(c) Other related party transactions

During the period, the Group entered into the following transactions with its associates:

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
Sales to associates	133,437	154,704
Purchases from associates	258,455	258,014
Management fee income received from associates	1,889	2,741

As at the end of the reporting period, the Group has the following balances with its associates included under trade and other receivables and prepayments and creditors and accrued charges:

	As at	As at
	30 September	31 March
	2024	2024
	HK\$'000	HK\$'000
Trade receivables due from associates	110,237	82,583
Other receivables due from associates	12,145	3,513
Trade payables due to associates	117,812	107,054
Other payables due to associates	748	711

DIVIDEND

A final dividend for the year ended 31 March 2024 of 1.0 HK cent per share with a total of approximately HK\$9,155,000 was paid to shareholders of the Company on 20 September 2024.

The Board declared an interim dividend of 1.5 HK cents (2023/24: nil) per share. This amounts to a total dividend payment of approximately HK\$13,732,000 (2023/24: nil) based on the total number of shares in issue as at 19 November 2024, being the latest practicable date prior to the publication of this announcement. The interim dividend will be paid to shareholders whose names appear on the register of members of the Company (the “Register of Members”) as at Tuesday, 31 December 2024 on Wednesday, 8 January 2025.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders’ entitlement to the interim dividend, the Register of Members will be closed from Monday, 30 December 2024 to Tuesday, 31 December 2024, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar and Transfer Office, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 27 December 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2024.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in Part 2 of Appendix C1 to the Listing Rules throughout the period, except for the deviation from Code Provision C.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Victor LO Chung Wing is currently the Chairman and Chief Executive of the Company. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Group’s principal businesses are separately listed and run by a different board of directors.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises four independent non-executive directors and one non-executive director of the Company. The unaudited condensed consolidated financial statements for the six months ended 30 September 2024 have been reviewed by the Company’s audit committee.

DIRECTORS' DEALING IN SECURITIES OF THE COMPANY

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix C3 to the Listing Rules (the “Model Code”) as its code of conduct regarding the directors’ securities transactions. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2024.

BOARD OF DIRECTORS

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, Waltery LAW Wang Chak and Christopher LAU Kwan 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.

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

Hong Kong, 20 November 2024
www.goldpeak.com