

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)



2008/2009 Unaudited Interim Results Announcement (For the six months ended 30 September 2008)

The Board of Directors of Gold Peak Industries (Holdings) 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 2008.

HIGHLIGHTS

- Consolidated turnover decreased by 2% to HK\$677 million
- Turnover for all divisions decreased by 2% to HK\$3,556 million
- Profit attributable to shareholders decreased by 39% to HK\$30.5 million
- Earnings per share decreased from 9.2 Hong Kong cents to 5.5 Hong Kong cents
- Interim dividend per share: 1.0 Hong Kong cent (2007/08: 3.0 Hong Kong cents)

BUSINESS REVIEW

GP Industries (69.3% owned by Gold Peak as at 30 September 2008)

1. Electronics Division

- *Electronics & components* – Slightly lower revenue and higher operating costs in China have adversely affected its profitability. The components associates, however, maintained their profit contribution. Overall, operating profit before interest and taxation (“PBIT”) excluding exceptional items from the electronics and components business decreased.
- *Acoustics* – Sales of branded acoustics business decreased slightly in Singapore dollar terms, but increased in US dollar terms with growth in sales to Europe, America and Asia. However, higher manufacturing costs continued to affect its profitability. The OEM and ODM acoustics business under the 20%-owned Meiloon Industrial Co., Ltd. incurred a small net loss also due to lower sales and higher costs.

- *Cables & wire harness* – The 47%-owned cable associate, Linkz Industries Limited, continued to report satisfactory sales growth, but profit contribution decreased mainly due to higher material and manufacturing costs. Profit contribution from the wire harness business, which mainly comprises the 20%-owned associates, was also lower. As a result, PBIT excluding exceptional items from the cables and wire harness business decreased.

2. *GP Batteries (49.2% owned by GP Industries as at 30 September 2008)*

- GP Batteries returned to profit despite a decrease in turnover. Sales of Nickel Metal Hydride (“NiMH”) rechargeable batteries decreased while sales of primary cylindrical batteries remained steady. Asia reported steady turnover while exports to other regions experienced a slight decrease.
- It continued to operate in a challenging environment with global economic slowdown, volatile currencies and material prices, and rising operating costs in China.
- The newly formed joint-venture to produce NiMH batteries for hybrid electric vehicles in China has progressed well, with pilot production expected to commence in the last quarter of this financial year. The production facilities in Taiwan to produce batteries for notebook computers have been audited and approved by one of the major notebook computer makers, and commercial shipment is expected to commence in early 2009.
- During the period under review, realized and unrealized losses arising from commodity contracts amounted to S\$14.7 million and S\$1.4 million respectively. All outstanding commodity contracts will expire before the end of this financial year.

Technology & Strategy Division

Lighthouse Technologies Limited, 29.8%-owned by Gold Peak and 19.3%-owned by GP Industries, achieved growth in both revenue and profit. The growth in turnover was mainly attributed to the significant increase in sales of the rental segment. Sales grew particularly in Europe and Asia.

FINANCIAL REVIEW

During the period, the Group’s net bank borrowings decreased by HK\$288 million to HK\$1,936 million. As at 30 September 2008, the aggregate of the Group's shareholders' funds and minority interests was HK\$2,039 million and the Group's gearing ratio (the ratio of consolidated net bank borrowings to shareholders' fund and minority interests) was 0.95 (31 March 2008: 1.05). The gearing ratios of the Company, GP Industries and GP Batteries were 0.75 (31 March 2008: 0.73), 0.49 (31 March 2008: 0.60) and 0.70 (31 March 2008: 0.75) respectively.

At 30 September 2008, 57% (31 March 2008: 52%) of the Group's bank borrowings was revolving or repayable within one year whereas 43% (31 March 2008: 48%) was mostly repayable between one to five years. Most of these Group's bank borrowings are in US dollars, Singapore dollars and Hong Kong dollars.

The Group's exposure to foreign currency arises mainly from the net cash flow and the translation of net monetary assets or liabilities of its overseas subsidiaries. The Group and its major associates 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 recession in the US and Europe together with reduced growth expectations in the Asian markets have caused negative market sentiments. The unusual currency fluctuations and sharp declines in commodity prices added volatility to the market. However, raw material prices and energy cost have come down substantially in recent months which is helpful to reduce production costs. The rapid cost increases for manufacturing in China is also expected to reverse its trend, as the Chinese government has started to offer cost relief to export manufacturers. The significantly lower material prices will benefit GP Batteries as well as the Group's components and cable businesses, especially Linkz.

GP Batteries expects that business outlook for the coming year to be fluctuating. Profit margin will be unstable due to the volatility of currencies and commodity prices. It will take every necessary measure to weather this storm and aims to maintain the market position of the "GP" brand for consumer batteries in its key markets. In the meantime, Lighthouse plans to put more efforts into growing the Asian markets, especially China.

The Group has implemented rigorous measures to reduce cost, increase flexibility to respond speedily to change in market demand and preserve its financial resources to cope with the turbulent business environment. It will focus its resources on managing its core businesses and take a prudent approach in exploring various means to further strengthen its financial position including further disposal of non-core assets. The Group is reducing its bank debt and will continue to do so in the coming year. Interest cost is expected to come down as interest rates are lowered in many countries.

The Group has invested significantly in building brands, global distribution and product development in the past years, and such efforts will put the Group in a favorable position to compete in a tough market environment.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
Turnover	3	676,705	692,363
Cost of sales		(499,390)	(507,931)
Gross profit		177,315	184,432
Other income		79,582	90,441
Selling and distribution expenses		(93,000)	(88,842)
Administrative expenses		(131,886)	(131,338)
Other expenses	4	-	(37,137)
Net investment gain	5	-	85,512
Finance costs		(36,867)	(66,681)
Share of results of associates		50,681	57,090
Loss on deemed partial disposal of a subsidiary		-	(130)
Gain on disposal/partial disposal/deemed partial disposal of associates		3,184	700
Profit before taxation	6	49,009	94,047
Taxation	7	(6,986)	(13,683)
Profit after taxation		42,023	80,364
Attributable to:			
Equity shareholders of the Company		30,460	50,281
Minority interests		11,563	30,083
		42,023	80,364
Interim dividend		5,493	16,479
Earnings per share	8		
Basic		5.5 cents	9.2 cents
Diluted		5.5 cents	9.1 cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
	Notes		
Non-current assets			
Investment properties		115,030	117,210
Property, plant and equipment	9	262,761	270,196
Prepaid lease payments		32,702	36,156
Interests in associates		1,831,046	1,882,167
Available-for-sale investments		433,205	416,164
Trademarks		37,645	39,736
Long term receivables		57,507	371,658
Technical know-how		5,755	7,737
Goodwill		60,161	58,166
		2,835,812	3,199,190
Current assets			
Inventories		364,194	382,572
Debtors, bills receivable and prepayments	10	1,238,867	1,197,599
Prepaid lease payments		872	951
Dividends receivable		3,362	2,087
Taxation recoverable		540	213
Bank balances, deposits and cash		343,607	312,191
		1,951,442	1,895,613
Current liabilities			
Creditors and accrued charges	11	410,359	380,774
Obligations under finance leases		1,499	11
Taxation payable		41,465	43,405
Bank loans and import loans		1,295,197	1,311,109
Bank overdrafts		9,360	6,894
		1,757,880	1,742,193
Net current assets		193,562	153,420
Total assets less current liabilities		3,029,374	3,352,610
Non-current liabilities			
Borrowings		973,525	1,217,954
Deferred taxation liabilities		17,266	16,808
		990,791	1,234,762
Net assets		2,038,583	2,117,848

Capital and reserves

Share capital	274,643	274,643
Reserves	<u>1,059,713</u>	<u>1,108,585</u>
Equity attributable to shareholders of the Company	1,334,356	1,383,228
Share option reserve of a listed subsidiary	10,137	8,618
Minority interests	<u>694,090</u>	<u>726,002</u>
Total equity	<u>2,038,583</u>	<u>2,117,848</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**1. Basis of preparation**

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“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”).

2. Principal Accounting Policies

The unaudited condensed financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate. The accounting policies adopted in the preparation of the unaudited condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2008.

During this period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and interpretations issued by the HKICPA, which are effective for accounting periods commencing on or after 1 April 2008. The adoption of these new standards had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT13	Customer loyalty programmes ³

HK(IFRIC) – INT15
HK(IFRIC) – INT16

Agreements for the construction of real estate¹
Hedges of a net investment in a foreign operation⁴

- ¹ Effective for annual periods beginning on or after 1 January 2009
² Effective for annual periods beginning on or after 1 July 2009
³ Effective for annual periods beginning on or after 1 July 2008
⁴ Effective for annual periods beginning on or after 1 October 2008

3. Segment information

The analysis of the Group's segment information is as follows:

(a) Business segments

The following is an analysis of the turnover and profit before taxation by principal activity:

For the six months ended 30 September 2008

	Technology & Strategic HK\$'000	Electronics HK\$'000	Batteries HK\$'000	Total HK\$'000
Turnover				
External sales	-	676,705	-	676,705
Results				
Segmental results	4,976	(11,937)	-	(6,961)
Interest income and dividend income				
Segment	3,000	33,836	-	36,836
Corporate				3,117
Unallocated corporate expenses				(19,315)
Other corporate income				18,334
Finance costs				
Segment	-	(20,543)	-	(20,543)
Corporate				(16,324)
Share of results of associates	8,574	33,729	8,378	50,681
Gain on disposal/deemed partial disposal of associates				3,184
Profit before taxation				49,009
Taxation				(6,986)
Profit after taxation				42,023
Attributable to:				
Equity shareholders of the Company				30,460
Minority interests				11,563
				42,023

For the six months ended 30 September 2007

	Technology & Strategic HK\$'000	Electronics HK\$'000	Batteries HK\$'000	Total HK\$'000
Turnover				
External sales	-	692,363	-	692,363
Results				
Segmental results	4,020	7,278	-	11,298
Interest income and dividend income				
Segment	9,000	39,533	-	48,533
Corporate				7,349
Unallocated corporate expenses				(24,741)
Other corporate income				12,254
Other expenses				(37,137)
Net investment gain				85,512
Finance costs				
Segment	(2)	(34,161)	-	(34,163)
Corporate				(32,518)
Share of results of associates	7,397	63,880	(14,187)	57,090
Loss on deemed partial disposal of a subsidiary				(130)
Gain on disposal/partial disposal/deemed partial disposal of associates				700
Profit before taxation				94,047
Taxation				(13,683)
Profit after taxation				80,364
Attributable to:				
Equity shareholders of the Company				50,281
Minority interests				30,083
				80,364

(b) Geographical segments

The following is an analysis of the turnover by geographical market:

	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
The People's Republic of China		
Hong Kong	51,600	86,738
Mainland China	85,137	63,266
Other Asian countries	39,762	34,862
Europe	236,403	237,452
Americas	216,460	223,386
Australia and New Zealand	33,400	38,783
Others	13,943	7,876
	<u>676,705</u>	<u>692,363</u>

4. Other expenses

	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Allowance for impairment loss on intangible assets	-	27,137
Provision for expenses on liquidation of a subsidiary	-	10,000
	<u>-</u>	<u>37,137</u>

5. Net investment gain

	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Realised gain on disposal of an available-for-sale investment	<u>-</u>	<u>85,512</u>

6. Profit before taxation

	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of technical know-how	1,940	1,940
Amortisation of prepaid lease payments	443	476
Amortisation of trademarks	2,091	2,091
Depreciation of property, plant and equipment	22,721	23,399
Loss on disposal of investment properties	677	1,421

7. Taxation

	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong Profits Tax	12	82
Taxation in jurisdictions other than Hong Kong	6,300	7,237
Deferred taxation	674	6,364
	<u>6,986</u>	<u>13,683</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period.

Taxation in jurisdictions other than Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

8. Earnings per share

The calculation of the basic and diluted earnings per share is computed based on the following data:

	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Earnings		
Net profit for the period and earnings for the purpose of basic earnings per share	30,460	50,281
Effect of dilutive potential shares on share of results of subsidiaries and associates based on the dilution of their earnings per share	-	(14)
Earnings for the purpose of diluted earnings per share	<u>30,460</u>	<u>50,267</u>
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	549,285	549,285
Effect of dilutive potential shares on share options	-	410
Weighted average number of shares for the purpose of diluted earnings per share	<u>549,285</u>	<u>549,695</u>

9. Property, plant and equipment

During the period, the Group spent approximately HK\$16,697,000 (six months ended 30 September 2007: HK\$15,887,000) on property, plant and equipment to expand its business.

10. Debtors, bills receivable and prepayments

The Group allows its trade customers with credit periods normally ranging from 30 days to 120 days. The following is an aging analysis of debtors and bills receivable at the reporting date:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Trade and bills receivables		
0-60 days	180,607	151,976
61-90 days	21,022	15,568
Over 90 days	49,922	61,049
	251,551	228,593
Other receivables, deposits and prepayments	595,962	505,224
Consideration receivable for the disposal of the Group's electrical business in Australia	106,989	463,782
Consideration receivable for the disposal of partial interest of investment in Gerard Corporation	284,365	-
	1,238,867	1,197,599

11. Creditors and accrued charges

The following is an aging analysis of creditors at the reporting date:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Trade payables		
0-60 days	141,966	115,445
61-90 days	31,807	17,384
Over 90 days	9,959	20,191
	183,732	153,020
Other payables and accrued charges	226,627	227,754
	410,359	380,774

12. Contingencies and commitments

(a) Contingent liabilities

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Guarantees given to banks in respect of banking facilities utilised by associates	<u>200,220</u>	<u>189,085</u>

(b) Capital commitment

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>1,954</u>	<u>1,350</u>

13. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	For the six months ended 30 September 2008 HK\$'000	2007 HK\$'000
Sales to associates	6,454	12,720
Purchases from associates	7,320	26,522
Management fee income received from associates	5,212	5,391
Rental income received from associates	<u>4,611</u>	<u>4,507</u>

As at the reporting date, the Group has the following balances with its associates under debtors, bills receivable and prepayments and creditors and accrued charges:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Trade receivables due from associates	2,931	4,285
Other receivables due from associates	47,636	91,479
Trade payables due to associates	4,753	3,505
Other payables due to associates	<u>6,318</u>	<u>10,852</u>

SUMMARY OF RESULTS

For the six months ended 30 September 2008, the Group's turnover amounted to HK\$677 million, a decrease of 2% as compared with HK\$692 million for the same period last year. The unaudited consolidated profit attributable to shareholders amounted to HK\$30.5 million, a decrease of 39% compared to the corresponding period in the previous year. The basic earnings per share for the period amounted to 5.5 cents as compared with 9.2 cents for the same period last year.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 1.0 cent (2007: 3.0 cents) per share. This amounts to a total dividend payment of approximately HK\$5,493,000 (2007: HK\$16,479,000) based on the total number of shares in issue as at 25 November 2008, being the latest practicable date prior to the announcement of the interim results. Dividend will be paid on 22 January 2009 to registered shareholders of the Company as at 9 January 2009.

CLOSURE OF REGISTER

The Register of Shareholders of the Company will be closed from 6 to 9 January 2009, both days inclusive, during which period no transfer 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 Registrars, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 5 January 2009.

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 period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of Listing Rules throughout the period, except for the following deviations:

Code Provision A.2.1 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 the Chairman & 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 each business is run by a different board of directors.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company's non-executive directors are not appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of article of association of the Company. Since their appointments will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the Code.

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 three independent non-executive directors and one non-executive director of the Company. The unaudited interim financial statements for the six months ended 30 September 2008 have been reviewed by the Company's audit committee.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company consists of Messrs. Victor LO Chung Wing (Chairman & Chief Executive), Andrew NG Sung On (Vice Chairman), Kevin LO Chung Ping, Paul LO Chung Wai, LEUNG Pak Chuen, Richard KU Yuk Hing, Andrew CHUANG Siu Leung and CHAU Kwok Wai as Executive Directors, Messrs. Raymond WONG Wai Kan and Vincent CHEUNG Ting Kau as Non-Executive Directors, and Messrs. LUI Ming Wah, Frank CHAN Chi Chung and CHAN Kei Bui as Independent Non-Executive Directors.

By Order of the Board
WONG Man Kit
Company Secretary

Hong Kong, 26 November 2008

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