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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)



2018/2019 Unaudited Interim Results Announcement (For the six months ended 30 September 2018)

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 2018.

HIGHLIGHTS

- Turnover increased by 7.8% to HK\$3,470 million
- Profit for the period attributable to owners of the Company increased by 68.6% to HK\$22.4 million
- Earnings per share: 2.85 Hong Kong cents (2017/18: 1.69 Hong Kong cents)
- Interim dividend per share: 1.7 Hong Kong cents (2017/18: 1.2 Hong Kong cents)

SUMMARY OF RESULTS

For the six months ended 30 September 2018, the Group’s turnover amounted to HK\$3,470 million, an increase of 7.8% as compared with HK\$3,220 million for the same period last year. The unaudited consolidated profit attributable to owners of the Company amounted to HK\$22.4 million, an increase of 68.6% compared to the corresponding period in the previous year. The earnings per share for the period amounted to 2.85 HK cents as compared with 1.69 HK cents for the same period last year.

BUSINESS REVIEW

GP Industries Limited (“GP Industries”) (85.5% owned by Gold Peak as at 30 September 2018)

GP Industries’ revenue for the 6-month period ended 30 September 2018 (“H1FY2019”) was S\$595.0 million, an increase of 4.5% over the revenue reported for the 6-month period ended 30 September 2017 (“H1FY2018”). The increase was mainly attributable to a 6.4% revenue growth reported by the Batteries Business.

The Chinese Renminbi (“Renminbi”) weakened against the US dollar and some raw material prices declined during the financial quarter ended 30 September 2018 (“Q2FY2019”). This contributed to improve GP Industries’ gross profit margin, from 21.8% for the first financial quarter ended 30 June 2018 (“Q1FY2019”), to 25.7% for Q2FY2019. However, GP Industries’ gross profit margin for H1FY2019 was 23.8%, compared to 24.3% for H1FY2018. The lower gross profit margin for H1FY2019 was due to the lower gross profit margin for Q1FY2019 attributable to a stronger Renminbi and the high prices of some raw material. The US dollar strengthened against the Renminbi since the latter part of Q1FY2019 and contributed to a net exchange gain of S\$6.7 million for H1FY2019, compared to a net exchange loss of S\$4.5 million for H1FY2018.

During H1FY2019, GP Industries reported lower income tax expense, due partly to a write-back of taxation expense by certain subsidiary and associate operating in China.

Profit after taxation attributable to equity holders of GP Industries increased by 12.0% to S\$14.0 million when compared to the S\$12.5 million reported last year.

Batteries Business

- Revenue of the Batteries Business increased 6.4% to S\$461.1 million.
- Sales of primary batteries increased by 11.4% while sales of rechargeable batteries decreased by 13.8%.
- Sales in the Americas, Europe and Asia increased by 2.1%, 5.3% and 8.5% respectively.
- Gross profit margin for Q2FY2019 improved due to lower material costs and the lower Renminbi exchange rate against the US dollar.

Electronics and Acoustics Business

- Revenue from the Electronics and Acoustics Business decreased by 1.6%.
- Sales of electronics products decreased by 7.3% while sales of acoustics products grew by 5.3%.
- Sales of acoustics products in the US, Asia and Europe increased by 11.2%, 1.8% and 4.8% respectively.
- The associated companies which manufacture parts and components contributed more profit in aggregate.

Automotive Wire Harness Business

- Sales of the Automotive Wire Harness Business decreased by 2.5%.
- Sales to the US increased by 14.8% while sales to China decreased by 22.8%.

Other Industrial Investments

- Linkz Industries Limited reported revenue growth but profit contribution decreased due partly to the profit shared by the non-controlling interests of a subsidiary which was listed on the Stock Exchange of Hong Kong Limited in February 2018, and partly to exchange losses and increase in finance cost.
- Revenue of Meiloon Industrial Co., Ltd. decreased and contributed less profit.

FINANCIAL REVIEW

During the period, the Group's net bank borrowings decreased by HK\$17 million to HK\$1,973 million. As at 30 September 2018, the aggregate of the Group's shareholders' funds and non-controlling interests was HK\$2,131 million and the Group's gearing ratio (the ratio of consolidated net bank borrowings to shareholders' funds and non-controlling interests) was 0.93 (31 March 2018: 0.85). The gearing ratios of the Company and GP Industries were 0.59 (31 March 2018: 0.58) and 0.56 (31 March 2018: 0.53) respectively.

At 30 September 2018, 54% (31 March 2018: 67%) of the Group's bank borrowings was revolving or repayable within one year whereas 46% (31 March 2018: 33%) was repayable from one to five years. Most of these bank borrowings are in US dollars, Singapore dollars and Hong Kong dollars.

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 trade disputes between the US and China cast significant uncertainties on business outlook. Based on the announced US import tariff scheme, slightly less than 10.0% of the Group's businesses, comprising battery products and automotive wire harnesses, are subjected to additional tariffs imposed by the US. The Group is working with its customers in the US on the best response to the increased import cost. The Group is also rapidly expanding the capacity of its manufacturing facilities in Malaysia and Vietnam to take up more of its US export businesses so as to minimize the impact on the Group's businesses from the US import tariffs on products made in China.

Volatile currency exchange rates may also affect the Group's results. A weakened Renminbi is generally favourable to the Group's export-oriented businesses from China. Volatility in certain raw material prices and the global shortage of some electronic components are expected to continue to cause instability in the Group's profit margin.

As announced on 28 June 2018, the proposed disposal of GPE (Huizhou)'s property is in progress and on schedule. On the other hand, as announced on 29 October 2018, the proposed disposals of properties in Huizhou by GPB (China) and Modern Battery were terminated. The Group is working on relaunching the sale of these properties.

The Group will continue to enhance the competitiveness of its businesses by investing in technology, new product development, further automating its factories and continue to build its brands and distribution networks in key markets.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended	
		30 September	
		2018	2017
	Notes	HK\$'000	HK\$'000
Turnover	3	3,469,997	3,220,100
Cost of sales		<u>(2,643,274)</u>	<u>(2,436,207)</u>
Gross profit		826,723	783,893
Other income	4	113,661	60,879
Selling and distribution expenses		(403,827)	(327,911)
Administrative expenses		(395,628)	(383,638)
Other expenses	5	(6,800)	(33,260)
Finance costs		(87,272)	(55,995)
Share of results of associates		70,304	74,073
Profit before taxation	6	<u>117,161</u>	<u>118,041</u>
Taxation	7	<u>(35,759)</u>	<u>(42,898)</u>
Profit for the period		<u><u>81,402</u></u>	<u><u>75,143</u></u>
Attributable to:			
Owners of the Company		22,388	13,278
Non-controlling interests		<u>59,014</u>	<u>61,865</u>
		<u><u>81,402</u></u>	<u><u>75,143</u></u>
Interim dividend			
		<u><u>13,340</u></u>	<u><u>9,416</u></u>
Earnings per share - Basic			
	8	<u><u>2.85 HK cents</u></u>	<u><u>1.69 HK cents</u></u>

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

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Profit for the period	<u>81,402</u>	<u>75,143</u>
Other comprehensive (expense) income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	(7,322)	-
Share of other comprehensive income of associates	8	-
<i>Items that may be reclassified subsequently to profit or loss :</i>		
Share of other comprehensive (expense) income of associates	(73,375)	14,477
Exchange differences arising from translation of foreign operations	(160,077)	62,623
Net change in fair value of cash flow hedges	(453)	-
Fair value gain on available-for-sale investments	<u>-</u>	<u>48</u>
Other comprehensive (expense) income for the period	<u>(241,219)</u>	<u>77,148</u>
Total comprehensive (expense) income for the period	<u>(159,817)</u>	<u>152,291</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(149,381)	49,187
Non-controlling interests	<u>(10,436)</u>	<u>103,104</u>
	<u>(159,817)</u>	<u>152,291</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2018	As at 31 March 2018
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	9	1,446,579	1,755,126
Interests in associates		1,471,090	1,489,840
Financial assets at fair value through other comprehensive income / Available-for-sale investments		80,192	87,514
Intangible assets		1,363	1,401
Goodwill		102,066	102,066
Deferred tax assets		22,908	21,889
Non-current deposits		11,180	14,302
		3,135,378	3,472,138
Current assets			
Inventories		1,081,516	1,091,107
Trade and other receivables and prepayments	10	1,472,104	1,214,094
Dividend receivable		-	28,538
Taxation recoverable		26,871	34,564
Derivative financial instruments		-	1,456
Available-for-sale investments		-	24,942
Time deposits		-	122,553
Bank balances, deposits and cash		1,272,887	1,059,224
		3,853,378	3,576,478
Assets classified as held for sale		221,399	55,783
		4,074,777	3,632,261
Current liabilities			
Creditors and accrued charges	11	1,774,974	1,530,508
Taxation payable		39,411	27,334
Obligations under finance leases – amount due within one year		1,171	498
Bank overdrafts, bank loans and import loans		1,738,102	2,013,789
Notes		-	118,985
		3,553,658	3,691,114
Net current assets (liabilities)		521,119	(58,853)
Total assets less current assets (liabilities)		3,656,497	3,413,285
Non-current liabilities			
Obligations under finance leases – amount due after one year		2,820	619
Bank and other loans		1,503,505	1,037,540
Deferred tax liabilities		19,172	22,369
Derivative financial instruments		445	-
		1,525,942	1,060,528
Net assets		2,130,555	2,352,757
Capital and reserves			
Share capital		921,014	921,014
Reserves		439,211	598,810
Equity attributable to owners of the Company		1,360,225	1,519,824
Non-controlling interests		770,330	832,933
Total equity		2,130,555	2,352,757

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 (“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 2018 that is included in the half-year interim report 2018/2019 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 required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2018 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 the financial statements for the year ended 31 March 2018. 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.

2. Principal accounting policies

The unaudited 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 changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the trading of batteries, electronics and acoustics products, and automotive wire harness products. The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from the sales of goods

The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from sales of product is generally recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the product and obtain substantially all of the remaining benefits of the product.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The Group has performed an assessment on the impact of the adoption of HKFRS 15 and concluded that there were no material financial impact on the amounts reported and / or disclosures set out in these condensed consolidated financial statements.

2.2 Impacts and changes in accounting policies on application of HKFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transitional provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

In addition, the Group applied hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

Equity instruments designated as at fair value through other comprehensive income (“FVTOCI”)

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.

The management reviewed and assessed the Group’s financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The financial assets of trade and other receivables of the Group are subject to impairment assessment under ECL model in HKFRS 9. The assessment is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

The management reviewed and assessed the Group's existing financial assets as at 1 April 2018 for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact are considered as immaterial.

Hedge accounting

The Group has elected to adopt the new general hedge accounting in HKFRS 9. This requires the Group to ensure the hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The adoption of HKFRS 9 does not have a significant impact on the Group's accounts in this regard.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets at the date of initial application, i.e. 1 April 2018.

	Available-for-sale investments	Financial assets at fair value through other comprehensive income	Investment revaluation reserve	Retained profits
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2018	87,514	-	(22,929)	(408,781)
<i>Effect arising from initial application of HKFRS 9:</i>				
Reclassification	(87,514)	87,514	22,929	(22,929)
At 1 April 2018	-	87,514	-	(431,710)

Upon adoption of HKFRS 9 effective 1 April 2018, available-for-sale-financial assets as at 31 March 2018 have been re-designated as financial assets at fair value through other comprehensive income.

Except as described above, the application of the new and amendments to HKFRSs and the interpretation in the current period has had no material impact on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. Segment information

The following is an analysis of the turnover and results by operating segments for the period under review:

For the six months ended 30 September 2018

	Electronics HK\$'000	Batteries HK\$'000	Other investments HK\$'000	Eliminations HK\$'000	Total HK\$'000
Turnover					
External sales	780,589	2,689,408	-	-	3,469,997
Inter-segment sales	6	-	-	(6)	-
Segment revenue	<u>780,595</u>	<u>2,689,408</u>	<u>-</u>	<u>(6)</u>	<u>3,469,997</u>
Results					
Segment results	61,487	181,445	(16)	-	242,916
Interest income					5,732
Other expenses					(6,800)
Finance costs					(87,272)
Unallocated expenses					<u>(37,415)</u>
Profit before taxation					<u>117,161</u>

For the six months ended 30 September 2017

	Electronics HK\$'000	Batteries HK\$'000	Other investments HK\$'000	Eliminations HK\$'000	Total HK\$'000
Turnover					
External sales	770,151	2,449,949	-	-	3,220,100
Inter-segment sales	64	-	-	(64)	-
Segment revenue	<u>770,215</u>	<u>2,449,949</u>	<u>-</u>	<u>(64)</u>	<u>3,220,100</u>
Results					
Segment results	71,122	172,084	(1,257)	-	241,949
Interest income					3,526
Other expenses					(33,260)
Finance costs					(55,995)
Unallocated expenses					<u>(38,179)</u>
Profit before taxation					<u>118,041</u>

4. Other income

**For the six months ended
30 September**
2018 2017
HK\$'000 HK\$'000

Amounts included in other income:

Gain on disposal of property, plant and equipment	3,286	31,292
Compensation income	46,308	-
Exchange gain	<u>39,161</u>	<u>-</u>

5. Other expenses

**For the six months ended
30 September**
2018 2017
HK\$'000 HK\$'000

Amounts included in other expenses:

Closure and relocation costs	6,800	-
Allowance for impairment loss on property, plant and equipment	-	8,000
Exchange loss	<u>-</u>	<u>25,260</u>

6. Profit before taxation

**For the six months ended
30 September**
2018 2017
HK\$'000 HK\$'000

Profit before taxation has been arrived at after charging:

Amortisation of intangible assets	38	2,130
Depreciation of property, plant and equipment	<u>81,376</u>	<u>72,637</u>

7. Taxation

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong Profits Tax	1,199	3,954
Taxation in jurisdictions other than Hong Kong	39,708	34,641
Deferred taxation	(5,148)	4,303
	35,759	42,898

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2017: 16.5%) 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 earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
<u>Earnings</u>		
Profit for the period attributable to owners of the Company	22,388	13,278
	'000	'000
<u>Number of shares</u>		
Number of shares in issue during the period for the purpose of basic earnings per share	784,693	784,693

No computation of diluted earnings per share for the periods ended 30 September 2018 and 30 September 2017 is disclosed as there are no potential ordinary shares in issue during both periods.

9. Property, plant and equipment

During the period, the Group spent approximately HK\$98,388,000 (six months ended 30 September 2017: HK\$352,250,000) on property, plant and equipment to expand its business.

10. Trade and other receivables 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 trade and bills receivables at the end of the reporting period:

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Trade and bills receivables		
0 - 60 days	884,891	701,942
61 - 90 days	85,810	87,871
Over 90 days	148,465	119,773
	1,119,166	909,586
Other receivables, deposits and prepayments	364,118	318,810
	1,483,284	1,228,396
Less: Non current portion of deposits	(11,180)	(14,302)
	1,472,104	1,214,094

11. Creditors and accrued charges

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

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Trade creditors		
0 - 60 days	904,494	831,827
61 - 90 days	118,367	129,738
Over 90 days	71,109	98,590
	1,093,970	1,060,155
Other payables and accrued charges	681,004	470,353
	1,774,974	1,530,508

12. 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 categorised (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 2018 HK\$'000	31 March 2018 HK\$'000				
1. Listed equity securities classified as financial assets at fair value through other comprehensive income	31,622	-	Level 2	The fair value of the equity securities is estimated by the price quotation available on the Emerging Market Board in Taiwan, which does not trade actively.	N/A	N/A
2. Listed equity securities classified as available-for-sale investments	-	38,944	Level 2	The fair value of the equity securities is estimated by the price quotation available on the Emerging Market Board in Taiwan, which does not trade actively.	N/A	N/A
3. Foreign currency forward contracts classified as derivative financial instruments	-	107	Level 2	Discounted cash flow. Future cash flows are estimated based on closing forward price (from observable forward exchange rate at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
4. Cross currency swaps classified as derivative financial instruments	-	1,349	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rate (from observable forward exchange rate of related currency at the end of the reporting period) and contract exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
5. Interest rate swaps classified as derivative financial instruments	(445)	-	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contracted rates discounted at a rate that reflects the credit risk of the counterparties.	N/A	N/A

There is no transfer between different levels of the fair value hierarchy during the six months ended 30 September 2018 and the year ended 31 March 2018.

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.

13. Contingencies and commitments

(a) Contingent liabilities

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Guarantees given to banks in respect of banking facilities to associates	16,480	16,534
Others	<u>7,822</u>	<u>7,848</u>

(b) Capital commitments

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the unaudited condensed consolidated financial statements	<u>7,018</u>	<u>20,384</u>

14. Related party transactions

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

	For the six months ended 30 September 2018 HK\$'000	2017 HK\$'000
Sales to associates	90,608	74,560
Purchases from associates	250,170	265,432
Management fee income received from associates	<u>762</u>	<u>766</u>

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

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Trade receivables due from associates	109,555	67,432
Other receivables due from associates	4,200	4,116
Trade payables due to associates	118,305	123,480
Other payables due to associates	917	2,539

INTERIM DIVIDEND

The Directors have declared an interim dividend of 1.7 HK cents (2017/18: 1.2 HK cents) per share. This amounts to a total dividend payment of approximately HK\$13,340,000 (2017/18: HK\$9,416,000) based on the total number of shares in issue as at 21 November 2018, being the latest practicable date prior to the publication of this announcement. Dividend will be paid on 11 January 2019 to registered shareholders of the Company as at 21 December 2018.

CLOSURE OF REGISTER

The Register of Shareholders of the Company will be closed from 18 to 21 December 2018, 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 Registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 17 December 2018.

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 2018.

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 the Listing Rules during the six months ended 30 September 2018, except for the deviation from Code Provision A.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 each business is 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 three independent non-executive directors of the Company. The unaudited condensed consolidated financial statements for the six months ended 30 September 2018 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 10 to the Listing Rules (the “Model Code”) as its code of conduct regarding the directors’ securities transactions. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors have complied with the required standards set out in the Model Code during the six months ended 30 September 2018.

BOARD OF DIRECTORS

As at the date of this announcement, the Board consists of Messrs. Victor LO Chung Wing (Chairman & Chief Executive), LEUNG Pak Chuen, Richard KU Yuk Hing, Brian LI Yiu Cheung and WONG Man Kit as Executive Directors, Messrs. LUI Ming Wah, Frank CHAN Chi Chung and CHAN Kei Biu as Independent Non-Executive Directors and Ms. Karen NG Ka Fai as Non-Executive Director.

By Order of the Board
WONG Man Kit
Company Secretary

Hong Kong, 22 November 2018
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