Gold Peak Industries (Holdings) Limited

金山工業(集團)有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code : 40)

GOLD PEAK

Interim Report 2018/2019

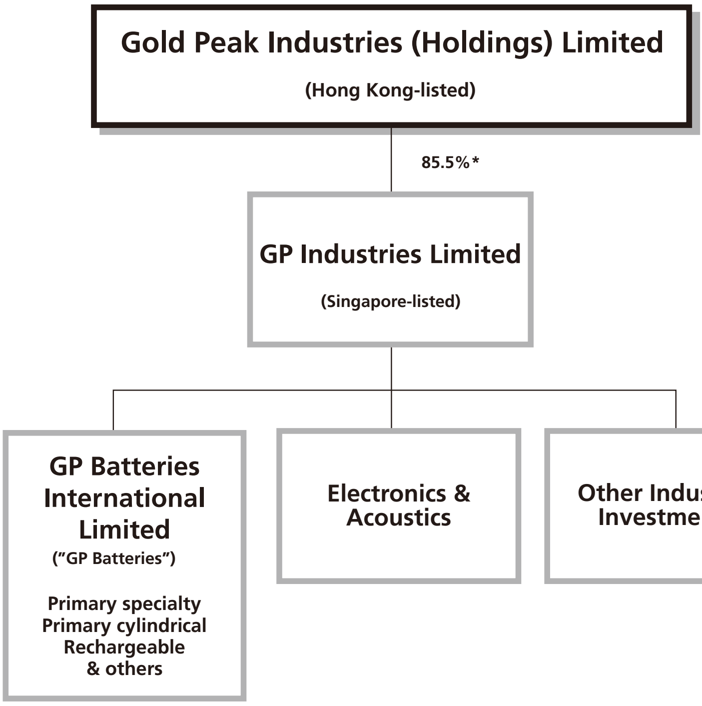
Corporate Information

BOARD OF DIRECTORS	**Executive** Victor LO Chung Wing, *Chairman & Chief Executive* LEUNG Pak Chuen Richard KU Yuk Hing Brian LI Yiu Cheung WONG Man Kit **Non-executive** LUI Ming Wah* Frank CHAN Chi Chung* CHAN Kei Biu* Karen NG Ka Fai * Independent Non-Executive Director
AUDIT COMMITTEE	LUI Ming Wah, *Chairman* Frank CHAN Chi Chung CHAN Kei Biu
REMUNERATION COMMITTEE	Frank CHAN Chi Chung, *Chairman* LUI Ming Wah CHAN Kei Biu Victor LO Chung Wing LEUNG Pak Chuen
NOMINATION COMMITTEE	Victor LO Chung Wing, *Chairman* LUI Ming Wah Frank CHAN Chi Chung CHAN Kei Biu LEUNG Pak Chuen
AUDITOR	Deloitte Touche Tohmatsu
SECRETARY AND REGISTERED OFFICE	WONG Man Kit 9/F, Building 12W, 12 Science Park West Avenue Phase 3, Hong Kong Science Park Pak Shek Kok, New Territories, Hong Kong Tel: (852) 2427 1133 Fax: (852) 2489 1879 E-mail: gp@goldpeak.com Website: www.goldpeak.com
SHARE REGISTRAR AND TRANSFER OFFICE	Tricor Abacus Limited Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong
STOCK CODES	Hong Kong Stock Exchange 40 Bloomberg 40 HK Reuters 0040 HK

KEY DATES

Closure of Register:	18 to 21 December 2018
Interim Dividend:	Payable on 11 January 2019

Group Structure



Group Profile

Gold Peak Group is an Asian multinational group which owns high-quality industrial investments via GP Industries Limited ("GP Industries"), its major industrial investment vehicle. The Group has built renowned brand names for its major product categories, such as **GP** batteries, **KEF** premium consumer speakers and **CELESTION** professional speaker drivers.

The parent company, Gold Peak Industries (Holdings) Limited, was established in 1964 and has been listed on the Stock Exchange of Hong Kong since 1984. Currently, Gold Peak holds an approximately 85.5%* interest in GP Industries which is publicly listed in Singapore.

GP Industries is engaged in the development, manufacture and distribution of a wide range of products including electronics and acoustics products, and automotive wire harness. GP Batteries is engaged in the development, manufacture and marketing of batteries and battery-related products.

* *As at 21 November 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 (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.

Employees and Remuneration Policies

As at 30 September 2018, the Group's major business divisions employed about 8,200 (31 March 2018: 8,500) people worldwide. Remuneration policies are reviewed regularly to ensure that compensation and benefit packages are in line with the market in the respective countries where the Group has operations.

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

	Notes	For the six months ended 30 September 2018 HK$'000	2017 HK$'000
Turnover	3	**3,469,997**	3,220,100
Cost of sales		**(2,643,274)**	(2,436,207)
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	**117,161**	118,041
Taxation	7	**(35,759)**	(42,898)
Profit for the period		**81,402**	75,143
Attributable to:			
Owners of the Company		**22,388**	13,278
Non-controlling interests		**59,014**	61,865
		81,402	75,143
Interim dividend		**13,340**	9,416
Earnings per share – Basic	8	**2.85 HK cents**	1.69 HK cents

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	**81,402**	75,143
Other comprehensive (expense) income:		
Items that will not be reclassified to profit or loss:		
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**	–
Items that may be reclassified subsequently to profit or loss:		
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	**–**	48
Other comprehensive (expense) income for the period	**(241,219)**	77,148
Total comprehensive (expense) income for the period	**(159,817)**	152,291
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(149,381)**	49,187
Non-controlling interests	**(10,436)**	103,104
	(159,817)	152,291

Unaudited Condensed Consolidated Statement of Financial Position

	Notes	30 September 2018 HK$'000	31 March 2018 HK$'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

Unaudited Condensed Consolidated Statement of Financial Position

(Continued)

	Notes	30 September 2018 HK$'000	31 March 2018 HK$'000
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	*13*	**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

Unaudited Condensed Consolidated Cash Flow Statement

	For the six months ended 30 September 2018 HK$'000	2017 HK$'000
Net cash (used in) from operating activities	**(64,529)**	42,824
Net cash from (used in) investing activities	**312,989**	(356,671)
Net cash from financing activities	**1,570**	173,544
Increase (decrease) in cash and cash equivalents	**250,030**	(140,303)
Cash and cash equivalents at beginning of the period	**1,059,224**	1,058,541
Effect of foreign exchange rate changes	**(37,872)**	2,430
Cash and cash equivalents at the end of the period	**1,271,382**	920,668
Cash and cash equivalents at the end of the period comprise:		
Bank balances, deposits and cash	**1,272,887**	1,050,253
Cash held in escrow account	**–**	(123,991)
Bank overdrafts	**(1,505)**	(5,594)
	1,271,382	920,668

Unaudited Condensed Consolidated Statement of Changes in Equity

	Share Capital *HK$'000*	Legal Reserve *HK$'000*	Properties Revaluation Reserve *HK$'000*	Translation Reserve *HK$'000*
For the six months ended 30 September 2018				
At 31 March 2018, as previously reported	**921,014**	**13,601**	**37,804**	**(166,679)**
Adjustments on the initial application of HKFRS 9 (Note 2)	**–**	**–**	**–**	**–**
At 1 April 2018, as restated	**921,014**	**13,601**	**37,804**	**(166,679)**
Acquisition of additional interests in a subsidiary	**–**	**–**	**–**	**–**
Dividend paid – 2018 final dividend	**–**	**–**	**–**	**–**
Dividend declared – 2019 interim dividend	**–**	**–**	**–**	**–**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**–**	**(165,129)**
At 30 September 2018	**921,014**	**13,601**	**37,804**	**(331,808)**
For the six months ended 30 September 2017				
At 1 April 2017	921,014	14,830	37,804	(323,939)
Dividend paid – 2017 final dividend	–	–	–	–
Dividend declared – 2018 interim dividend	–	–	–	–
Dividend paid to non-controlling interests	–	–	–	–
Total comprehensive income for the period	–	–	–	35,883
At 30 September 2017	921,014	14,830	37,804	(288,056)

Available-for-sale Investments Reserve *HK$'000*	Capital Reserve *HK$'000*	Dividend Reserve *HK$'000*	Hedging Reserve *HK$'000*	Retained Profits *HK$'000*	Attributable to Owners of the Company *HK$'000*	Non-controlling Interests *HK$'000*	Total *HK$'000*
22,929	**272,958**	**9,416**	**–**	**408,781**	**1,519,824**	**832,933**	**2,352,757**
(22,929)	**–**	**–**	**–**	**22,929**	**–**	**–**	**–**
–	**272,958**	**9,416**	**–**	**431,710**	**1,519,824**	**832,933**	**2,352,757**
–	**(802)**	**–**	**–**	**–**	**(802)**	**261**	**(541)**
–	**–**	**(9,416)**	**–**	**–**	**(9,416)**	**–**	**(9,416)**
–	**–**	**13,340**	**–**	**(13,340)**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**(52,428)**	**(52,428)**
(6,259)	**–**	**–**	**(387)**	**22,394**	**(149,381)**	**(10,436)**	**(159,817)**
(6,259)	**272,156**	**13,340**	**(387)**	**440,764**	**1,360,225**	**770,330**	**2,130,555**
2,816	212,571	9,416	–	393,820	1,268,332	1,185,484	2,453,816
–	–	(9,416)	–	–	(9,416)	–	(9,416)
–	–	9,416	–	(9,416)	–	–	–
–	–	–	–	–	–	(37,660)	(37,660)
26	–	–	–	13,278	49,187	103,104	152,291
2,842	212,571	9,416	–	397,682	1,308,103	1,250,928	2,559,031

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. Principal accounting policies *(Continued)*

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.

2. Principal accounting policies *(Continued)*

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 *(Continued)*

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.

2. Principal accounting policies *(Continued)*

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

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Classification and measurement of financial assets *(Continued)*

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.

2. **Principal accounting policies** *(Continued)*

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

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Impairment under ECL model *(Continued)*

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.

2. Principal accounting policies *(Continued)*

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

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Impairment under ECL model *(Continued)*

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. Principal accounting policies *(Continued)*

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

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 *HK$'000*	Financial assets at fair value through other comprehensive income *HK$'000*	Investment revaluation reserve *HK$'000*	Retained profits *HK$'000*
At 31 March 2018	87,514	–	(22,929)	(408,781)
Effect arising from initial application of HKFRS 9:				
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	**780,595**	**2,689,408**	**–**	**(6)**	**3,469,997**
Results					
Segment results	**61,487**	**181,445**	**(16)**	**–**	**242,916**
Interest income					**5,732**
Other expenses					**(6,800)**
Finance costs					**(87,272)**
Unallocated expenses					**(37,415)**
Profit before taxation					**117,161**

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	770,215	2,449,949	–	(64)	3,220,100
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					(38,179)
Profit before taxation					118,041

4. Other income

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Other income includes:		
Gain on disposal of property, plant and equipment	**3,286**	31,292
Compensation income	**46,308**	–
Exchange gain	**39,161**	–

5. Other expenses

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Other expenses include:		
Closure and relocation costs	**6,800**	–
Allowance for impairment loss on property, plant and equipment	**–**	8,000
Exchange loss	**–**	25,260

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	**81,376**	72,637

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*
Earnings		
Profit for the period attributable to owners of the Company	**22,388**	13,278
	'000	*'000*
Number of shares		
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	31 March 2018
	HK$'000	*HK$'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 payables		
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).

12. Fair value measurement of financial instruments *(Continued)*

Financial assets/ financial liabilities	Fair value as at 30 September 2018 *HK$'000*	Fair value as at 31 March 2018 *HK$'000*	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
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. Share Capital

	Number of shares *'000*	*HK$'000*
Issued and fully paid ordinary shares:		
At 1 April 2017, 30 September 2017, 31 March 2018 and 30 September 2018	784,693	921,014

There were no changes in the Company's issued and fully paid share capital in both periods.

14. 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	**7,822**	7,848

(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	**7,018**	20,384

15. 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	**762**	766

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 the announcement of the interim results. 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.

Disclosure of Interest

As at 30 September 2018, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Directors' and Chief Executive's Interests in Securities of the Company and its Associated Corporations

(a) Interests in shares of the Company (long positions)

As at 30 September 2018, the interests of the directors and the chief executive in the ordinary share of the Company were as follows:

Name of director	Number of ordinary shares held Personal interests	Percentage of issued share capital of the Company %
Victor LO Chung Wing	172,485,888	21.98
LEUNG Pak Chuen	4,575,114	0.58
Richard KU Yuk Hing	2,629,684	0.34
Brian LI Yiu Cheung	300,000	0.04
WONG Man Kit	150,012	0.02
LUI Ming Wah	–	–
Frank CHAN Chi Chung	–	–
CHAN Kei Biu	–	–
Karen NG Ka Fai	40,646,524	5.18

(b) Interests in shares of the Company's associated corporations (long positions)

As at 30 September 2018, the direct beneficial interests of the directors and the chief executive in the shares of Gold Peak Industries (Taiwan) Limited ("GPIT"), a 79.6% owned subsidiary of GP Industries Limited ("GP Ind"), and GP Ind, an 85.5% owned subsidiary of the Company, were as follows:

	Number of ordinary shares and percentage of their issued share capital held			
	GPIT		GP Ind	
Name of director	*Number*	*%*	*Number*	*%*
Victor LO Chung Wing	–	–	300,000	0.06
LEUNG Pak Chuen	–	–	1,608,000	0.33
Richard KU Yuk Hing	200,000	0.10	340,000	0.07
Brian LI Yiu Cheung	–	–	1,465,000	0.30
WONG Man Kit	–	–	72,000	0.01
LUI Ming Wah	–	–	–	–
Frank CHAN Chi Chung	–	–	–	–
CHAN Kei Biu	–	–	–	–
Karen NG Ka Fai	–	–	94,603	0.02

Saved as disclosed above, as at 30 September 2018, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers" set out in the Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

As at 30 September 2018, the following persons (not being a director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of issued share capital of the Company
TO May Mee	Beneficial owner	81,888,764 *(Note 1)*	10.44%
Jessica NG Sheen Fai	Beneficial owner	40,646,524 *(Note 1)*	5.18%
Ring Lotus Investment Limited (“Ring Lotus”)	Interests of controlled corporation	60,288,143 *(Note 2)*	7.68%
HSBC International Trustee Limited (“HSBC Trustee”)	Trustee	60,288,143 *(Note 2)*	7.68%

Notes:

1. *Madam TO May Mee and Ms. Jessica NG Sheen Fai are the mother and sister, respectively, of Ms. Karen NG Ka Fai, a non-executive director of the Company.*

2. *According to the two corporate substantial shareholder notices filed by Ring Lotus and HSBC Trustee respectively, HSBC Trustee was deemed to be interested in 60,288,143 shares in its capacity as the trustee of these shares, which were in turn owned by Ring Lotus, a company wholly-owned by HSBC Trustee, as interests of controlled corporation.*

Saved as disclosed above, as at 30 September 2018, the directors and the chief executive of the Company are not aware of any person (other than a director or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

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 run by a different board of directors.

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.

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.

Board of Directors

As at the date of this report, the Board of Directors of the Company 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
www.goldpeak.com