

PEAK INTERNATIONAL LTD  
Form 10-Q  
February 13, 2006

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended December 31, 2005

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission File Number 0-29332

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**PEAK INTERNATIONAL LIMITED**

(Exact Name of Registrant as Specified in its Charter)

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**Incorporated in Bermuda with limited liability**  
(State or other jurisdiction of  
incorporation or organization)

**None**  
(I.R.S. Employer  
Identification Number)

**38507 Cherry Street,**  
**Unit G, Newark,**

**California**  
(Address of principal executive offices)

**94560**  
(Zip Code)

**(510) 449-0100**

(Registrant's telephone number)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of February 7, 2006

<u>Class</u>	<u>Outstanding at February 7, 2006</u>
Common Stock, \$0.01 Par Value	12,420,389

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## PART I

## FINANCIAL INFORMATION

## Item 1. Financial Statements

## Condensed Consolidated Statements of Operations

(in thousands of United States Dollars, except share and per share data)

	Three Months Ended December 31,			
	2005		2004	
	(Unaudited)		(Unaudited)	
Net Sales	\$ 17,185	100.0%	\$ 16,785	100.0%
Cost of Goods Sold (Note 2)	12,690	73.8%	16,858	100.4%
Gross Profit (Loss)	4,495	26.2%	(73)	(0.4)%
Selling and Marketing (Note 3)	2,605	15.2%	3,028	18.0%
General and Administrative	1,816	10.6%	1,690	10.1%
Research and Development	33	0.2%	37	0.2%
Income (Loss) from operations	41	0.2%	(4,828)	(28.7)%
Other Income net	107	0.6%	212	1.3%
Interest Income	68	0.4%	68	0.4%
Income (Loss) Before Income Taxes	216	1.2%	(4,548)	(27.0)%
Income Tax (Expense) Benefit (Note 4)	(4)	%	378	2.3%
Net Income (Loss)	\$ 212	1.2%	\$ (4,170)	(24.7)%
EARNING (LOSS) PER SHARE (Note 8)				
Basic	\$ 0.02		\$ (0.34)	
Diluted	\$ 0.02		\$ (0.34)	
Weighted Average Number of Shares Outstanding				
Basic	12,420,000		12,408,000	
Diluted	12,421,000		12,408,000	

(See accompanying notes to Unaudited Condensed Consolidated Financial Statements)

**Condensed Consolidated Statements of Operations**

(in thousands of United States Dollars, except share and per share data)

	Nine Months Ended December 31,			
	2005		2004	
	(Unaudited)		(Unaudited)	
Net Sales	\$ 49,226	100.0%	\$ 51,366	100.0%
Cost of Goods Sold (Note 2)	42,379	86.1%	43,321	84.3%
<b>Gross Profit</b>	<b>6,847</b>	<b>13.9%</b>	<b>8,045</b>	<b>15.7%</b>
Selling and Marketing (Note 3)	7,901	16.1%	9,212	17.9%
General and Administrative	5,213	10.6%	5,064	9.9%
Research and Development	108	0.2%	122	0.2%
<b>Loss from operations</b>	<b>(6,375)</b>	<b>(13.0)%</b>	<b>(6,353)</b>	<b>(12.3)%</b>
Other Income net (Note 14)	2,005	4.1%	48	0.1%
Interest Income	285	0.6%	145	0.3%
<b>Loss Before Income Taxes</b>	<b>(4,085)</b>	<b>(8.3)%</b>	<b>(6,160)</b>	<b>(11.9)%</b>
Income Tax Benefit (Note 4)	529	1.1%	817	1.6%
<b>Net Loss</b>	<b>\$ (3,556)</b>	<b>(7.2)%</b>	<b>\$ (5,343)</b>	<b>(10.3)%</b>
<b>LOSS PER SHARE (Note 8)</b>				
Basic	\$ (0.29)		\$ (0.43)	
Diluted	\$ (0.29)		\$ (0.43)	
<b>Weighted Average Number of Shares Outstanding</b>				
Basic	12,420,000		12,388,000	
Diluted	12,420,000		12,388,000	

(See accompanying notes to Unaudited Condensed Consolidated Financial Statements)

## Condensed Consolidated Balance Sheets

(in thousands of United States Dollars, except share and per share data)

	December 31, 2005	March 31, 2005
	(Unaudited)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 18,855	\$ 22,301
Restricted cash (Note 15)	3,783	
Accounts receivable net of allowance for doubtful accounts of \$281 at December 31, 2005 and \$257 at March 31, 2005	13,318	12,578
Inventories (Note 5)	12,919	13,739
Other receivables, deposits and prepayments	807	1,121
Income taxes receivable		3
	<u>          </u>	<u>          </u>
Total Current Assets	49,682	49,742
	<u>          </u>	<u>          </u>
Asset to be disposed of by sale (Note 14)		5,230
Property, Plant and Equipment net	22,939	24,611
Land Use Right	727	742
Deposits for Acquisition of Property, Plant and Equipment	52	33
Other deposit (Note 6)	301	301
	<u>          </u>	<u>          </u>
TOTAL ASSETS	\$ 73,701	\$ 80,659
	<u>          </u>	<u>          </u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current Liabilities:		
Accounts payable:		
-trade	\$ 6,854	\$ 8,288
-property, plant and equipment	407	210
Accrued payroll and employee benefits	3,755	1,562
Accrued other expenses	2,084	5,786
Income taxes payable	97	127
	<u>          </u>	<u>          </u>
Total Current Liabilities	13,197	15,973
Deferred Income Taxes	268	875
	<u>          </u>	<u>          </u>
Total Liabilities	13,465	16,848
	<u>          </u>	<u>          </u>
Commitments and Contingencies (Note 12)		
Shareholders' Equity:		
Common stock, \$0.01 par value; authorized 100,000,000 shares; issued and outstanding 12,420,388 shares at December 31, 2005 and at March 31, 2005	124	124
Additional paid-in capital	27,135	27,135
Retained earnings	34,257	37,813
Accumulated other comprehensive loss	(1,280)	(1,261)
	<u>          </u>	<u>          </u>
Total shareholders' equity	60,236	63,811
	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 73,701	\$ 80,659
	<u>          </u>	<u>          </u>

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(See accompanying notes to Unaudited Condensed Consolidated Financial Statements)

**Condensed Consolidated Statements of Cash Flows**

(in thousands of United States Dollars)

	Nine Months Ended December 31,	
	2005	2004
	(Unaudited)	(Unaudited)
<b>Operating activities:</b>		
Net loss	\$ (3,556)	\$ (5,343)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,819	5,103
Deferred income taxes	(607)	(488)
Loss on disposal/write-off of property, plant and equipment	385	82
Allowance for doubtful accounts	24	(20)
Gain on disposal of a subsidiary	(2,189)	
Changes in operating assets and liabilities:		
Accounts receivable	(764)	781
Inventories	820	550
Other receivables, deposits and prepayments	41	(352)
Income taxes receivable	3	5,062
Accounts payable-trade	(1,434)	1,838
Accrued payroll, employee benefits and other expenses	2,647	5,684
Income taxes payable	(30)	(5,732)
Cash held in escrow for funding of certain contingent obligations under existing contracts with senior management	(2,501)	
	(2,342)	7,165
<b>Investing activities:</b>		
Net proceeds on disposal of a subsidiary	2,254	
Net proceeds on disposal of property, plant and equipment	15	
Acquisition of property, plant and equipment	(3,335)	(4,543)
Decrease in deposits for acquisition of property, plant and equipment	(19)	791
	(1,085)	(3,752)
<b>Financing activities:</b>		
Proceeds from issuance of common stock		394