PEAK INTERNATIONAL LTD
Form 10-Q
February 08, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Quarter Ended December 31, 2001

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

PEAK INTERNATIONAL LIMITED
(Exact Name of Registrant as Specified in its Charter)

Incorporated in Bermuda with limited liability (State or other jurisdiction of incorporation or organization)	None (I.R.S. Employer Identification Number)
44091 Nobel Drive, P.O. Box 1767, Fremont, California (Address of principal executive offices)	94538 (Zip Code)

(510) 449-0100
(Registrant's telephone number)

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 [X] No [_]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of February 6, 2002.

Class	Outstanding at February 6, 2002.
Common Stock, $0.01 Par Value	12,661,724

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Statements of Operations

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

	Three Months Ended December 31, 2001 (Unaudited)	Three Months Ended December 31, 2000 (Unaudited)
Net Sales:		
- Third parties	$ 12,189	$ 21,817
- Related companies	-	2,229
	12,189	24,046
Cost of Goods Sold	8,380	13,457
Gross Profit	3,809	10,589
General and Administrative	2,000	2,704
Research and Development	24	42
Selling and Marketing	2,007	2,442
Operating (Loss) Income	(222)	5,401
Other (Expense) Income - net	(50)	3
Interest Income	127	448
(Loss) Income Before Tax	(145)	5,852
Taxation	85	480
NET (LOSS) INCOME	$ (230)	$ 5,372
(LOSS) EARNINGS PER SHARE		
- Basic	$ (0.02)	$ 0.39
- Diluted	$ (0.02)	$ 0.39
Weighted Average Number of Shares		
- Basic	12,740	13,691
- Diluted	12,740	13,929

	Nine Months Ended December 31, 2001 (Unaudited)	Nine Months Ended December 31, 2000 (Unaudited)
Net Sales:		
- Third parties	$ 32,561	$ 64,524
- Related companies	1,120	6,336
	33,681	70,860
Cost of Goods Sold	27,397	39,679
Gross Profit	6,284	31,181
General and Administrative	6,885	8,225
Research and Development	119	98
Selling and Marketing	6,002	7,279
Operating (Loss) Income	(6,722)	15,579
Other (Expense) Income - net	(148)	79

Interest Income	631	1,117
(Loss) Income Before Tax	(6,239)	16,775
Taxation	(5)	1,387
NET (LOSS) INCOME	$ (6,234)	$ 15,388
(LOSS) EARNINGS PER SHARE		
- Basic	$ (0.48)	$ 1.12
- Diluted	$ (0.48)	$ 1.10
Weighted Average Number of Shares		
- Basic	12,997	13,733
- Diluted	12,997	14,022

Consolidated Balance Sheets
(in thousands of United States Dollars)

	December 31, 2001 (Unaudited)	March 31,
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 28,145	$ 3
Accounts receivable - net of allowance for doubtful accounts of $277 at December 31, 2001 and $344 at March 31, 2001	7,978	
Inventories - net (Note 2)	14,263	1
Other receivables, deposits and prepayments	1,222	
Income tax receivable	154	
Amounts due from related companies	-	
Total Current Assets	51,762	6
Deposits for Acquisition of Plant and Equipment	29	
Property, Plant and Equipment - net	53,258	5
TOTAL	$ 105,049	$ 11
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable:		
- Trade	$ 2,206	$
- Property, plant and equipment	699	
Accrued payroll and employee benefits	1,241	
Accrued other expenses	1,121	
Income tax payable	4,795	
Total Current Liabilities	10,062	1
Deferred Income Tax	2,541	
Total Liabilities	12,603	1

Commitments and Contingencies (Note 8)

Stockholders' Equity:		
Share capital	127	
Additional paid-in capital	27,918	3
Retained earnings	65,470	7
Accumulated other comprehensive loss	(1,069)	(
Total stockholders' equity	92,446	10
TOTAL	$ 105,049	$ 11

Consolidated Statements of Cash Flows
(in thousands of United States Dollars)

	Nine Months Ended December 31,	
	2001	2000
	(Unaudited)	(Unaudi
Operating activities:		
Net (loss) income:	$ (6,234)	$ 15
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	4,599	4
Deferred income tax	171	
Loss (Gain) on disposal/write-off of property, plant and equipment	73	
Allowance for doubtful accounts	(16)	
Changes in operating assets and liabilities:		
Accounts receivable	1,386	(1
Inventories	2,064	2
Other receivables, deposits and prepayments	(8)	
Income tax receivable	(7)	
Accounts payable-trade	(538)	
Accrued payroll and other expenses	167	
Amounts due from/to related companies	589	
Income tax payable	(293)	
Net cash provided by operating activities	1,953	22
Investing activities:		
Proceeds on sale of property, plant and equipment	-	
Acquisition of property, plant and equipment	(1,614)	(8
Decrease (Increase) in deposits for acquisition of property, plant and equipment	86	
Net cash used in investing activities	(1,528)	(8
Financing activities:		
Payment for TrENDS	(3,080)	
Payment for share buyback	(3,526)	(1

Proceeds from issue of common stock.....................	291	
Net cash used in financing activities...............	(6,315)	(1
Net (decrease) increase in cash and cash equivalents..........	(5,890)	12
Cash and cash equivalents at beginning of period.............	33,901	18
Effects of exchange rate changes on cash.....................	134	
Cash and cash equivalents at end of period...................	$ 28,145	$ 31
Supplemental cash flow information:		
Cash paid during the period		
Interest..	$ -	$
Income tax..	136	

Notes to Consolidated Financial Statements
(in thousands of United States Dollars, except share data)

(1) Organization and basis of presentation

Peak International Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on January 3, 1997. The subsidiaries of the Company are principally engaged in the manufacture and sale of precision engineered packaging products, such as matrix trays, shipping tubes, reels and carrier tape, leadframe boxes and interleaves used in the storage and transportation of semiconductor devices and other electronic components. The Company's principal production facilities are located in the People's Republic of China (the "PRC") and the Company maintains sales offices in Hong Kong, the United States of America, Singapore, Malaysia, the PRC, Taiwan and the Philippines.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company and its subsidiaries. All significant intra-group balances and transactions have been eliminated on consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses as of and for the reporting periods. Actual results could differ from those estimates. Differences from those estimates are reported in the period they become known.

The unaudited consolidated financial statements reflect all adjustments (including normal recurring adjustments) which in the opinion of management are required for a fair presentation of the Company's interim results. The results for interim periods are not necessarily indicative of the results that may be achieved in the entire year.

(2) Inventories

	December 31, 2001 (Unaudited)	March 31, 2001
Raw materials	$ 8,791	$ 8,589

Finished goods	5,472	7,738
	$ 14,263	$ 16,327

(3) Statement of Comprehensive Income

	Three Months Ended December 31,	
	2001	2000
	(Unaudited)	(Unaudited)
Net (Loss) Income	$ (230)	$ 5,372
Foreign currency translation adjustment	37	71
Comprehensive (Loss) Income	$ (193)	$ 5,443

	Nine Months Ended December 31,	
	2001	2000
	(Unaudited)	(Unaudited)
Net (Loss) Income	$ (6,234)	$ 15,388
Foreign currency translation adjustment	134	69
Comprehensive (Loss) Income	$ (6,100)	$ 15,457

(4) Stock Options

Option activity relating to the Company's stock option plan is summarized as follows (unaudited):

	Outstanding Options	
	Number of Shares	Weighted average exercise price per share
Outstanding at April 1, 2001	2,498,593	$ 7.67
Exercised	(2,083)	5.38
Forfeited	(73,149)	8.09
Outstanding at June 30, 2001	2,423,361	7.66
Granted	380,868	6.21
Exercised	(2,906)	4.15
Forfeited	(38,610)	7.95

Outstanding at September 30, 2001	2,762,713	7.46
Granted	49,000	5.79
Forfeited	(85,814)	10.16
Outstanding at December 31, 2001	2,725,899	7.34

(5) (Loss) Earnings Per Share

The following is a reconciliation of the numerator and the denominators of the basic and diluted (loss) earnings per share:

	Three Months Ended December 31,	
	2001	2000
	(Unaudited)	(Unaudited)
Net (Loss) Income (numerator)	$ (230)	$ 5,372
Shares - Weighted average (denominator)		
Basic	12,740	13,691
Options	-	238
Diluted	12,740	13,929

	Nine Months Ended December 31,	
	2001	2000
	(Unaudited)	(Unaudited)
Net (Loss) Income (numerator)	$ (6,234)	$ 15,733
Shares - Weighted average (denominator)		
Basic	12,997	13,733
Options	-	289
Diluted	12,997	14,022

(6) Employee Stock Purchase and Option Plans

During the quarter ended December 31, 2001, the Company issued 34,000 shares to outside directors under the 1997 Stock Option Plan at $5.91 and 15,000 shares to employees under the 1998 Stock Option Plan at $5.51. The Company issued 10,226 shares to employees for purchases made in the third calendar quarter, and authorized the issuance of 7,332 shares to employees for purchases made in the fourth calendar quarter, under the 1998 Employee

Stock Purchase Plan.

(7) Share Repurchase

The Board of Directors of the Company has authorized the repurchase by the Company of up to $10,000,000 of its common stock at prices not to exceed 150% of the Company's net asset value per share. In the quarters ended December 31, 2001, September 30, 2001 and June 30, 2001, the Company repurchased 131,600, 212,698 and 194,668 shares at an average price of $6.56, $6.33 and $6.76 respectively. In addition, pursuant to authority granted by the Board of Directors, the Company purchased 473,876 units of Trust Enhanced Dividend Securities of Peak TrENDS Trust ("TrENDS") at an average price of $6.50 per TrENDS through a tender offer. In May 2001, the shares obtained as a result of the automatic conversion of TrENDS into common shares were cancelled. The Company engaged SWS Securities and Tucker Anthony Sutro Capital Markets for the repurchase activities in the December 31, 2001 Quarter and Tucker Anthony Sutro Capital Markets for the September 30, 2001 and June 30, 2001 quarters.

(8) Commitments and Contingencies

(a) Litigation

On June 29, 1999, Dorchester Investors commenced a purported securities class action suit in the United States District Court for the Southern District of New York on behalf of all TrENDS purchasers against the Company, the Peak TrENDS Trust ("the Trust"), Mr. T.L. Li, Mr. Jerry Mo, Luckygold 18A Limited ("Luckygold") and Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"). On June 5, 2000, the court dismissed the Company and Mr. Mo from the class action.

However, the Company has indemnity obligations to DLJ and the Trust (the "primary indemnity") against loss in connection with the TrENDS offering. The exposure of this indemnity may ultimately have material impact to the financial statements of the Company. Mr. T.L. Li and Luckygold have provided a separate indemnity to the Company from liabilities (the "counter indemnity") related to the TrENDS offering, including the exposure in relation to the indemnity obligations provided to DLJ and the Trust. The counter indemnity may partially, or even fully, cover the primary indemnity provided by the Company to certain defendants.

As of this date, the outcome of the class action and hence the effect of the primary and counter indemnity, is still contingent. The Company considers that it is not possible to reasonably estimate with any certainty the potential damages, if any, arising from this litigation. The Company has therefore not made any provision in the financial statements in this respect.

The Company is also involved in an arbitration with Mr. Richard Brook, a former Chief Executive Officer. The result of the arbitration was a judgment in the amount of approximately $520,000 in favor of the Company against Mr. Brook. However, Mr. Brook challenged the arbitration award in Federal Court in Texas, which vacated the arbitrator's award on the grounds that the arbitrator was not selected in accordance with the terms of the contract between the parties. The Company has appealed the decision to the Fifth Circuit Court of Appeals which has scheduled oral argument of the case for February 6, 2002. At present, the outcome of this matter cannot be predicted with reasonable particularity and no impact to the financial statements has been reflected in this respect.

(b) Commitments

At December 31, 2001, the Company had no outstanding foreign currency exchange contracts. At December 31, 2001, the Company had commitments for capital expenditures of $2.2 million.

(9) Segmental Information

	Hong Kong & the PRC	United States	Other Asian countries
Quarter ended Dec 31, 2001(unaudited)			
Net sales to third parties	$ 6,791	$ 990	$ 4,408
Net sales to related companies	-	-	-
Transfer between geographic areas	4,926	196	581
Total net sales	$ 11,717	$ 1,186	$ 4,989
Income (Loss) before tax	$ 439	$ (424)	$ (38)
Quarter ended Dec 31, 2000 (unaudited)			
Net sales to third parties	$ 14,244	$ 2,995	$ 4,578
Net sales to related companies	2,229	-	-
Transfer between geographic areas	6,664	-	370
Total net sales	$ 23,137	$ 2,995	$ 4,948
Income (Loss) before tax	$ 5,953	$ (32)	$ (51)
Nine months ended Dec 31, 2001 (unaudited)			
Net sales to third parties	$ 18,955	$ 2,965	$ 10,641
Net sales to related companies	1,120	-	-
Transfer between geographic areas	12,472	203	1,429
Total net sales	$ 32,547	$ 3,168	$ 12,070
(Loss) Income before tax	$ (3,115)	$ (2,470)	$ (948)
Nine months ended Dec 31, 2000 (unaudited)			
Net sales to third parties	$ 41,680	$ 9,087	$ 13,757
Net sales to related companies	6,336	-	-
Transfer between geographic areas	20,442	-	980
Total net sales	$ 68,458	$ 9,087	$ 14,737
Income (Loss) before tax	$ 16,950	$ (238)	$ 34

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion and analysis of financial condition and results of operations is based upon and should be read in conjunction with the consolidated financial statements of the Company and notes thereto included in this Report and the Registrant's Annual Report on Form 10-K for the year ended March 31, 2001.

Forward-Looking Statements

Management's discussion and analysis of financial condition and results of operations and other sections of this Report contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend for the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. These statements include statements regarding the Company's expected financial position, business and financing plans, statements regarding possible shortages in PVC Resin and price increases in PVC Resin, statements regarding our capital expenditures, statements regarding the validity of lawsuits against the Company are forward-looking statements. Such forward-looking statements are identified by use of forward-looking words such as "anticipates," "believes," "plans," "estimates," "expects," and "intends" or words or phrases of similar expression. These forward-looking statements are subject to various assumptions, risks and uncertainties, including but not limited to, changes in political and economic conditions in general, the economic conditions in the semiconductor packaging industry, demand for the Company's products, acceptance of new products, technology developments affecting the Company's products, the price and availability of raw materials, fluctuations in currency markets, the outcome of lawsuits against the Company and to those discussed in the Company's filings with the Securities and Exchange Commission, including those risks discussed under the heading "Business--Risks and Uncertainties" in Item 1 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001 filed with the Securities and Exchange Commission on June 19, 2001. Accordingly, actual results could differ materially from those contemplated by the forward-looking statements. These forward-looking statements speak only as of the date hereof. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard hereto or any change in events, conditions or circumstances on which any such statement is based.

Results of Operations

Net Sales. Net sales decreased by 49.3% to $12.2 million in the third quarter of fiscal 2002 from $24.0 million in the third quarter of fiscal 2001. Net sales of trays decreased by 53.9% over the period reflecting a 39.0% decrease in sales volume, and a 24.5% drop in average realized sales price. Net sales of carrier tapes decreased by 53.1% over the period, driven by a 23.4% decrease in sales volume, and a 38.7% drop in average realized sales price. Net sales for tubes decreased by 66.9% over the period. Sales volume for tubes decreased by 58.9%, the average realized sales price of tubes decreased 19.5% over the same period.

Net sales decreased by 52.5% to $33.7 million for the nine months ended December 31, 2001 from $70.9 million for the nine months ended December 31, 2000. Net sales of trays decreased by 54.8% due to a decrease in sales volume by 43.8% and a decrease in average realized sales price by

19.6%. Net sales of carrier tapes decreased by 61.7% reflecting a 47.5% decrease in sales volume and a 27.0% drop in average realized sales price. Net sales for tubes decreased by 61.1% with sales volume decreased by 58.2% and the average realized sales price of tubes decreased by 6.9%.

The decrease in revenue reflected the significant down-turn in the business environment of the semiconductor industry.

Gross Profit. Gross profit decreased by 64.0% to $3.8 million in the third quarter of fiscal 2002 from $10.6 million in the third quarter of fiscal 2001. Our gross margin dropped to 31.2% in the third quarter of fiscal 2002 from 44.0% in the third quarter of fiscal 2001.

Gross profit decreased by 79.9% to $6.3 million for the nine months ended December 31, 2001 from $31.2 million for the nine months ended December 31, 2000.

The drop in gross margin compared to last year was mainly the result of the drop in business volume as well as the average realized sales price of our products over the period.

Operating (Loss) Income. An operating loss of $222,000 was recorded in the third quarter of fiscal 2002 compared to an operating profit of $5.4 million in the third quarter of fiscal 2001. Our operating margin dropped from 22.5% to -1.8%.

An operating loss of $6.7 million was recorded for the nine months ended December 31, 2001 compared to an operating profit of $15.6 million for the nine months ended December 31, 2000. The operating margin decreased to -20.0% from 22.0%.

General and Administrative. General and administrative expenses decreased by 26.0% to $2.0 million in the third quarter of fiscal 2002 from $2.7 million in the third quarter of fiscal 2001 as a result of cost savings due to downsizing.

General and administrative expenses decreased by 16.3% to $6.9 million for the nine months ended December 31, 2001 comparing to $8.2 million for the nine months ended December 31, 2000 as a result of cost savings due to downsizing.

Selling and Marketing. Selling and marketing expenses decreased by 17.8% to $2.0 million in the third quarter of fiscal 2002 from $2.4 million in the third quarter of fiscal 2001, primarily because of savings in commissions and freight charges as business volume dropped.

Selling and marketing expenses decreased by 17.5% to $6.0 million for the nine months ended December 31, 2001 from $7.3 million for the nine months ended December 31, 2001. This is primarily the result of savings in commissions, freight charges as well as traveling expenses as sales volume dropped.

Interest Income. Interest income decreased by 43.5% to $631,000 for the nine months ended December 31, 2001 from $1.1 million for the nine months ended December 31, 2000 due primarily to the reduction in bank deposit balances and the reduction of interest rates.

Net (Loss) Income. Peak had a net loss of $230,000 for the third fiscal quarter of 2002, compared to a net income of $5.4 million for the same fiscal quarter of 2001, reflecting the effects of the foregoing factors.

Net loss of $6.2 was recorded for the nine months ended December 31, 2001 comparing to net profit of $15.4 million for the nine months ended December 31, 2000 because of the above reasons.

EPS. Fully Diluted EPS for the third quarter of fiscal 2002 was -2 cents, compared to 39 cents for the same period last year.

Fully Diluted EPS for the nine months ended December 31, 2001 was -48 cents, compared to 110 cents for the nine months ended December 31, 2000.

Liquidity and Capital Resources

Our net cash provided by operating activities was $606,000 for the three months ended December 31, 2001, compared to $6.0 million for the three months ended December 31, 2000. A total of $863,000 was used for the repurchase of shares. We incurred capital expenditure of $485,000 for the acquisition of new equipment in

our current facility during the three months ended December 31, 2001, compared to $3.9 million for the same period last year. As of December 31, 2001, we had commitments for capital expenditures of $2.2 million. As of December 31,2001, we had no outstanding bank borrowings. The net cash balance of the Company at December 31, 2001 was $28.1 million.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

PVC Resin Price

PVC resin, the principal raw material used in the manufacture of tubes, together with additives used in the manufacture of tubes accounted for 7.4% of our total raw material costs for the three months ended December 31, 2001. While we believe that a severe shortage in the supply of PVC resin is unlikely to occur in the foreseeable future because of the increased production capacity by suppliers, there can be no assurance that such shortage will not occur. Any price increases would result in higher costs, which could have a material adverse effect on our results of operations and financial condition. We currently maintain approximately two to three months' stock of PVC resin and other raw materials used in our production processes, and increase such stock when we believe prices are favorable. We do not, and do not intend to, enter into future contracts or use any financial instruments to hedge our exposure to fluctuations in the price of PVC resin or other raw materials used in our production processes.

Currency Exchange Rate Fluctuations

Our sales are primarily denominated in United States Dollars while our costs of goods sold are generally incurred in US Dollars, Hong Kong Dollars and Renminbi, and our operating expenses are generally denominated in Renminbi, Hong Kong Dollars and US Dollars. In addition, a substantial portion of our capital expenditures, primarily for the purchase of equipment, has been and is expected to continue to be denominated in US Dollars and Japanese Yen. Consequently, a portion of our costs and operating margins may be affected by fluctuations in exchange rates, primarily between the US Dollar and other currencies. Our results of operations and financial condition could be adversely affected by fluctuations in currency exchange rates or the imposition of new or additional currency controls in the jurisdictions in which we operate. Primarily in response to recent developments in the Southeast Asian currency markets, from time to time, we engage in derivatives trading activities, such as entering into forward contracts, to hedge our currency exchange exposure. The Company does not utilize market-risk sensitive instruments for speculative purposes. At December 31, 2001, we had no outstanding foreign currency exchange contracts.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

On or about July 2, 1999, the Company received an Amended and Restated Demand for Arbitration filed on behalf of the Company's former Chief Executive Officer, Richard Brook. Mr. Brook sought payment of US$32,400 per month or a lump sum payment of US$1,036,800 pursuant to his employment agreement with the Company, which was terminated on or about December 1, 1998. Mr. Brook also asserted various tort claims for damages against the Company. The Company opposed Mr. Brook's claim and asserted counterclaims against Mr. Brook for breach of contract, libel and breach of fiduciary duty. Mr. Brook's claims against the Company were tried before an arbitrator in June 2000. On August 4, 2000, a decision was rendered in the arbitration. The arbitrator denied the bulk of Mr. Brook's breach of contract claim, finding that the Company was justified in terminating him for cause. However, the arbitrator found that Mr. Brook's termination for cause was not effective until May 1999 and that Mr. Brook was entitled to certain additional compensation of approximately $70,000. The arbitrator denied all of Mr. Brook's tort claims. On the Company's breach of contract counterclaim, the arbitrator found Mr. Brook liable for over $400,000

in actual damages and $100,000 in exemplary damages. The award of exemplary damages was based on a finding that Brook acted with malice towards the Company. The arbitrator denied the Company's defamation claim and did not specifically address the Company's breach of fiduciary duty claim, which had previously been bifurcated. The arbitrator then awarded certain attorney's fees to each party. The net result of the arbitration was a judgment in the amount of approximately $520,000 in favor of the Company and against Mr. Brook. Mr. Brook challenged the arbitration award in United States District Court in Austin, Texas, which vacated the arbitrator's award on the grounds that the arbitrator was not selected in accordance with the terms of the contract between the parties. The Company has appealed the District Court's action to the United States Court of Appeals for the Fifth Circuit, which has scheduled oral argument for February 6, 2002. At present, we cannot predict the outcome of this matter with reasonable particularity.

On June 29, 1999, plaintiff Dorchester Investors commenced a purported securities class action suit in the United States District Court for the Southern District of New York on behalf of all TrENDS purchasers against the Company, the Peak TrENDS Trust ("the Trust"), Mr. T.L. Li, Mr. Jerry Mo, Luckygold 18A Limited ("Luckygold") and Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"). On January 27, 2000, the plaintiff filed an amended complaint. On March 20, 2000, all defendants moved to dismiss the amended complaint. While those motions were pending, plaintiff and defendants stipulated to the dismissal with prejudice from the action of the Company and Mr. Mo. Pursuant to the stipulation, the court dismissed the Company and Mr. Mo from the action with prejudice on June 5, 2000. On March 28, 2001, the court ruled on the motion to dismiss. The court dismissed a significant number of the claims. The principal remaining claims relate to the alleged failure of the TrENDS prospectus to disclose that significant short selling of the Company's common stock was certain to occur at the time of the TrENDS offering.

Plaintiff filed an amended complaint on April 13, 2001. This case is still in its preliminary stages. Accordingly, we cannot predict the outcome of this matter with reasonable particularity.

Additionally, the Company, Mr. Li and Luckygold entered into certain indemnification agreements with the Trust and DLJ in connection with the TrENDS offering. Certain of these indemnification agreements may require that under certain circumstances the Company, Luckygold and/or Mr. Li indemnify the Trust and/or DLJ from certain liabilities that the Trust and/or DLJ may incur to plaintiff or to the purported plaintiff class. Mr. T.L. Li and Luckygold have, in turn, provided a deed of indemnity to the Company pursuant to which Mr. Li and Luckygold have agreed to indemnify the Company from liabilities related to the TrENDS offering.

R.H. Murphy Co., Inc. ("Murphy") is the owner of U.S. Reexamined Patent 5,400,904 C1 and certain related foreign patents, which patents are directed to specific features in trays used to carry integrated circuits. Murphy has notified Peak and certain of Peak's customers that it believes these patents are infringed by certain integrated circuit trays that Peak provides to its customers, and indicated that licenses to these patents are available. Peak does not believe that any valid claim of these patents is infringed, and is proceeding consistent with that belief.

Item 2. Changes in Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Shareholders held on October 10, 2001, the following proposals were adopted by the margins indicated:

1. To elect a Board of Directors to hold office until their successors are elected and qualified.

Name of Director	Number of Shares For	Withheld
Calvin Reed	6,755,101	18,704
Jack Menache	6,755,101	18,704

The following directors continued their term of office as directors after the Annual Meeting: Douglas Broyles, Christine Russell, and William Snyder.

2. To authorize the Board of Directors to fix the remuneration for the directors with respect to their services to the Company as directors.

For	6,580,799
Against	165,505
Abstain	27,500
Broker Non-Votes	0

3. To receive the financial statements and the reports of the directors and the independent auditors of the Company for the financial year ended March 31, 2001.

For	6,758,201
Against	13,703
Abstain	1,900
Broker Non-Votes	0

4. To approve the appointment of the firm of Arthur Andersen & Co. as independent auditors for the Company for the financial year ending March 31, 2002.

For	6,758,301
Against	14,703
Abstain	800
Broker Non-Votes	0

5. To authorize the Board of Directors to fix the remuneration for the Company's independent auditors for Fiscal 2002.

For	5,824,951
Against	941,203
Abstain	7,650
Broker Non-Votes	0

6. To approve an increase in the number of Shares reserved for issuance under the Company's 2000 Employee Stock Purchase Plan from 200,000 to 400,000.

For	6,676,039
Against	67,965
Abstain	29,800
Broker Non-Votes	0

Item 5. Other Information

The Board of Directors of the Company has authorized the repurchase by the Company of up to $10,000,000 of its common stock at prices not to exceed 150% of the Company's net asset value per share. In the quarters ended December 31, 2001, September 30, 2001 and June 30, 2001, the Company repurchased 131,600, 212,698 and 194,668 shares at an average price of $6.56, $6.33 and $6.76 respectively. In addition, pursuant to authority granted by the Board of Directors, the Company purchased 473,876 units of Trust Enhanced Dividend Securities of Peak TrENDS Trust ("TrENDS") at an average price of $6.50 per TrENDS through a tender offer. In May 2001, the shares obtained as a result of the automatic conversion of TrENDS into common shares were cancelled. The Company engaged SWS Securities and Tucker Anthony Sutro Capital Markets for the repurchase activities in the December 31, 2001 Quarter and Tucker Anthony Sutro Capital Markets for the September 30, 2001 and June 30, 2001 quarters.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

3.1(a) Memorandum of Association and By-Laws of the Registrant (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-1, Registration No. 333-6652, filed on March 19, 1997 and declared effective by the Commission on June 20, 1997 (the "Company's Initial Public Offering Registration Statement on Form F-1"))

3.1(b) By-laws of the Registrant (incorporated by reference to Exhibit 3.1(b) of the Company's Annual Report on Form 10-K for the year ended March 31, 2001)

4.1 Specimen of Share Certificate for the Shares of the Registrant (incorporated by reference to Exhibit 4.1 to the Company's Amendment No. 1 to the Company's Initial Public Offering Registration Statement on Form F-1)

b. Reports on Form 8-K.

The Company filed a current report on Form 8-K on October 11, 2001, under Item 4, regarding a change in the Company's independent auditors.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PEAK INTERNATIONAL LIMITED

Date:	February 8, 2002	By	/s/ Calvin Reed Calvin Reed President and Chief Executive Officer
Date:	February 8, 2002	By	/s/ Jerry Mo Jerry Mo Chief Financial Officer