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## K & P INTERNATIONAL HOLDINGS LIMITED

堅寶國際控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 675)

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

#### RESULTS

The Board of Directors (the “Board”) of K & P International Holdings Limited (the “Company”) herein announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008 together with the comparative figures for the corresponding year in 2007 as follows:

#### CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK\$	2007 HK\$
REVENUE	4	411,754,404	390,487,370
Cost of sales		<u>(332,777,965)</u>	<u>(307,152,131)</u>
Gross profit		78,976,439	83,335,239
Other income and gains	4	9,941,036	9,028,934
Selling and distribution costs		(41,021,930)	(40,878,628)
Administrative expenses		(36,625,307)	(35,070,921)
Other expenses		(3,836,268)	(1,507,474)
Finance costs	6	<u>(5,438,490)</u>	<u>(6,187,011)</u>
PROFIT BEFORE TAX	5	1,995,480	8,720,139
Tax	7	<u>(1,597,696)</u>	<u>(2,206,440)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u><u>397,784</u></u>	<u><u>6,513,699</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u><u>0.15 cent</u></u>	<u><u>2.45 cents</u></u>
Diluted		<u><u>0.15 cent</u></u>	<u><u>2.45 cents</u></u>

**CONSOLIDATED BALANCE SHEET**

31 December 2008

	<i>Notes</i>	<b>2008</b> <b>HK\$</b>	2007 <b>HK\$</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>154,274,311</b>	108,003,007
Prepaid land lease payments		<b>21,335,443</b>	20,840,531
Other intangible assets		<b>10,038,329</b>	10,578,329
Available-for-sale investment		<b>680,000</b>	680,000
Prepaid rent		<b>702,000</b>	—
		<hr/>	<hr/>
Total non-current assets		<b>187,030,083</b>	140,101,867
<b>CURRENT ASSETS</b>			
Inventories		<b>45,476,715</b>	48,387,597
Prepayments, deposits and other receivables		<b>17,620,388</b>	24,918,465
Trade and bills receivables	9	<b>64,630,967</b>	87,627,217
Derivative financial instrument		—	34,962
Cash and cash equivalents		<b>51,510,355</b>	32,843,997
		<hr/>	<hr/>
Total current assets		<b>179,238,425</b>	193,812,238
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>61,748,249</b>	44,759,641
Accrued liabilities and other payables		<b>34,158,844</b>	41,600,441
Derivative financial instrument		<b>106,627</b>	—
Interest-bearing bank and other borrowings		<b>70,967,824</b>	81,161,641
Tax payable		<b>2,636,232</b>	2,990,224
Provision for product warranties		<b>355,774</b>	527,210
		<hr/>	<hr/>
Total current liabilities		<b>169,973,550</b>	171,039,157
<b>NET CURRENT ASSETS</b>			
		<b>9,264,875</b>	22,773,081
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>196,294,958</b>	162,874,948

	<b>2008</b>	2007
	<b>HK\$</b>	<b>HK\$</b>
<b>NON-CURRENT LIABILITIES</b>		
Other long term payables	<b>4,108,231</b>	–
Interest-bearing bank and other borrowings	<b>24,504,712</b>	16,482,316
Deferred tax liability	<b>1,509,031</b>	1,308,449
Loan from a director	<b>12,000,000</b>	–
	<u><b>42,121,974</b></u>	<u>17,790,765</u>
Net assets	<u><b>154,172,984</b></u>	<u>145,084,183</u>
 <b>EQUITY</b>		
Issued capital	<b>26,550,480</b>	26,550,480
Reserves	<u><b>127,622,504</b></u>	<u>118,533,703</u>
Total equity	<u><b>154,172,984</b></u>	<u>145,084,183</u>

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for buildings, a derivative financial instrument and an available-for-sale investment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

## 2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of adopting these new and revised HKFRSs are as follows:

### **(a) Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets**

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

**(b) HK(IFRIC)-Int 11 HKFRS 2 – Group and Treasury Share Transactions**

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

**(c) HK(IFRIC)-Int 12 Service Concession Arrangements**

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

**(d) HK(IFRIC)-Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

### 3. SEGMENT INFORMATION

#### (a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

	Precision parts and components		Consumer electronic products		Corporate and others		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Segment revenue:</b>										
Sales to external customers	243,101,328	207,229,134	168,653,076	183,258,236	-	-	-	-	411,754,404	390,487,370
Intersegment sales	3,033,265	4,729,798	546	-	-	-	(3,033,811)	(4,729,798)	-	-
Other income and gains	7,308,323	7,127,846	2,499,978	654,310	4,168	311,365	-	-	9,812,469	8,093,521
<b>Total</b>	<b>253,442,916</b>	<b>219,086,778</b>	<b>171,153,600</b>	<b>183,912,546</b>	<b>4,168</b>	<b>311,365</b>	<b>(3,033,811)</b>	<b>(4,729,798)</b>	<b>421,566,873</b>	<b>398,580,891</b>
<b>Segment results</b>	<b>21,172,387</b>	<b>19,473,446</b>	<b>(13,608,390)</b>	<b>(5,297,506)</b>	<b>(258,594)</b>	<b>(204,203)</b>	<b>-</b>	<b>-</b>	<b>7,305,403</b>	<b>13,971,737</b>
Bank interest income									128,567	935,413
Finance costs									(5,438,490)	(6,187,011)
Profit before tax									1,995,480	8,720,139
Tax									(1,597,696)	(2,206,440)
Profit for the year									397,784	6,513,699
<b>Assets and liabilities</b>										
Segment assets	199,142,010	189,153,981	102,259,086	98,579,330	15,739,240	16,447,563	(2,473,152)	(3,110,766)	314,667,184	301,070,108
Unallocated assets									51,601,324	32,843,997
Total assets									366,268,508	333,914,105
Segment liabilities	65,299,179	52,653,340	36,771,575	31,426,646	486,646	2,807,290	(570,644)	16	101,986,756	86,887,292
Unallocated liabilities									110,108,768	101,942,630
Total liabilities									212,095,524	188,829,922
<b>Other segment information:</b>										
Depreciation and amortisation	11,674,274	12,078,759	13,312,563	12,392,992	725,347	497,584	-	-	25,712,184	24,969,335
Impairment of trade receivables	1,677,082	634,043	82,843	-	-	-	-	-	1,759,925	634,043
Provision/(reversal of provision) for slow-moving inventories	303,997	291,936	(1,260,510)	480,000	-	-	-	-	(956,513)	771,936
Surplus on revaluation of buildings credited to the asset revaluation reserve	-	-	-	-	1,739,087	1,890,438	-	-	1,739,087	1,890,438
Recognition of prepaid land lease payments	271,719	296,073	-	-	199,602	199,601	-	-	471,321	495,674
Capital expenditure	37,832,800	41,296,805	26,964,080	11,898,584	129,155	55,480	-	-	64,926,035	53,250,869
Product warranty provision	-	-	768,324	1,058,483	-	-	-	-	768,324	1,058,483

**(b) Geographical segments**

The following table presents revenue, and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

	Segment revenue		Other segment information			
	Sales to		Segment assets		Capital expenditure	
	external customers					
	2008	2007	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Hong Kong	85,373,514	93,270,954	83,185,931	85,507,520	4,546,768	4,885,490
Mainland China	24,532,479	22,079,691	228,832,050	179,671,640	60,359,344	48,064,215
Total in the People's Republic of China (the "PRC")	109,905,993	115,350,645	312,017,981	265,179,160	64,906,112	52,949,705
Japan	19,434,587	26,853,169	4,068,486	4,179,438	-	-
Other Asian countries*	38,223,527	27,626,622	11,063,755	17,147,090	13,257	60,170
Total in Asia	167,564,107	169,830,436	327,150,222	286,505,688	64,919,369	53,009,875
Germany	54,824,293	54,897,238	8,961,791	8,772,055	-	-
Austria	64,786,245	34,135,515	11,342,172	10,495,162	-	-
Other European countries**	64,568,074	72,702,372	5,031,740	10,835,278	-	-
Total in Europe	184,178,612	161,735,125	25,335,703	30,102,495	-	-
North America	46,234,240	50,084,919	11,434,629	15,871,406	6,666	240,994
Others***	13,777,445	8,836,890	2,347,954	1,434,516	-	-
Consolidated	411,754,404	390,487,370	366,268,508	333,914,105	64,926,035	53,250,869

\* Other Asian countries mainly comprise Taiwan, Singapore, Malaysia, Thailand, Indonesia and Korea.

\*\* Other European countries mainly comprise Italy, the United Kingdom, France, the Netherlands, Switzerland, Denmark, Sweden and Spain.

\*\*\* Others mainly comprise South America, Australia and New Zealand.

#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2008 <i>HK\$</i>	2007 <i>HK\$</i>
<b>Revenue</b>		
Sale of goods	<u><b>411,754,404</b></u>	<u><b>390,487,370</b></u>
<b>Other income and gains</b>		
Bank interest income	<b>128,567</b>	935,413
Tooling charge income	<b>3,712,864</b>	3,609,088
Sale of scrap	<b>2,049,220</b>	159,609
Fair value gain on a derivative instrument – transaction not qualifying as a hedge	–	1,479,647
Gain on disposal of items of property, plant and equipment	<b>1,872,296</b>	–
Foreign exchange gains, net	–	1,109,217
Others	<u><b>2,178,089</b></u>	<u><b>1,735,960</b></u>
	<u><b>9,941,036</b></u>	<u><b>9,028,934</b></u>

#### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2008 <i>HK\$</i>	2007 <i>HK\$</i>
Cost of inventories sold	<b>328,794,478</b>	301,752,691
Auditors' remuneration	<b>1,602,002</b>	1,915,434
Depreciation	<b>20,772,184</b>	20,341,831
Recognition of prepaid land lease payments	<b>471,321</b>	495,674
Minimum lease payments under operating leases on land and buildings	<b>4,103,428</b>	3,545,064
Amortisation of other intangible assets*	<b>4,940,000</b>	4,627,504
Provision/(reversal of provision) for slow-moving inventories*	<b>(956,513)</b>	771,936
Staff costs (including directors' other emoluments):		
Wages and salaries	<b>101,490,475</b>	97,252,697
Equity-settled share option expense	<b>12,302</b>	57,881
Pension scheme contributions	<u><b>702,333</b></u>	<u><b>686,373</b></u>
	<b>102,205,110</b>	97,996,951
<i>Less:</i> Amount capitalised in deferred development costs	<u><b>(4,400,000)</b></u>	<u><b>(4,800,000)</b></u>
	<u><b>97,805,110</b></u>	<u><b>93,196,951</b></u>



	<b>2008</b> <i>HK\$</i>	2007 <i>HK\$</i>
Product warranty provision	<b>768,324</b>	1,058,483
Fair value loss/(gain) on a derivative instrument – transaction not qualifying as a hedge	<b>141,589</b>	(1,479,647)
Foreign exchange differences, net	<b>1,934,754</b>	(1,109,217)
Impairment of trade receivables	<b>1,759,925</b>	634,043
Loss/(gain) on disposal of items of property, plant and equipment	<b><u>(1,872,296)</u></b>	<b><u>873,431</u></b>

\* The amortisation of other intangible assets and the provision/(reversal of provision) for slow-moving inventories for the year are included in “Cost of sales” on the face of the consolidated income statement.

## 6. FINANCE COSTS

	<b>Group</b>	
	<b>2008</b> <i>HK\$</i>	2007 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	<b>5,173,431</b>	6,060,345
Interest on finance leases	<b><u>265,059</u></b>	<u>126,666</u>
	<b><u><u>5,438,490</u></u></b>	<b><u><u>6,187,011</u></u></b>

## 7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>2008</b> <i>HK\$</i>	2007 <i>HK\$</i>
Group:		
Current – Hong Kong		
Charge for the year	<b>894,316</b>	3,017,824
Overprovision in prior years	<b>(1,278,093)</b>	(434,792)
Current – Elsewhere		
Charge for the year	<b>680,891</b>	1,266,440
Underprovision in prior years	<b>1,100,000</b>	–
Deferred	<b><u>200,582</u></b>	<u>(1,643,032)</u>
Total tax charge for the year	<b><u><u>1,597,696</u></u></b>	<b><u><u>2,206,440</u></u></b>

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

**Group**

	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Profit before tax	<u><b>1,995,480</b></u>	<u>8,720,139</u>
Tax at the statutory tax rate of 16.5% (2007: 17.5%)	<b>329,254</b>	1,526,024
Adjustments in respect of current tax of previous periods	<b>(178,093)</b>	(434,792)
Effect of different rates for companies operating in other jurisdictions	<b>604,012</b>	405,498
Income not subject to tax	<b>(2,483,795)</b>	(1,533,294)
Expenses not deductible for tax	<b>2,040,577</b>	879,371
Tax losses utilised from previous periods	<b>(489,190)</b>	(48,974)
Tax losses not recognised	<b>415,748</b>	249,068
Others	<u><b>1,359,183</b></u>	<u>1,163,539</u>
Tax charge at the Group's effective rate of 80.1% (2007: 25.3%)	<u><b>1,597,696</b></u>	<u>2,206,440</u>

**8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	<u><b>397,784</b></u>	<u>6,513,699</u>
<b>Shares</b>		
Number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>265,504,800</b>	265,504,800
Effect of dilution – weighted average number of ordinary shares: Share options	<u><b>18,570</b></u>	<u>656,133</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u><b>265,523,370</b></u>	<u>266,160,933</u>

## 9. TRADE AND BILLS RECEIVABLES

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	<b>63,920,848</b>	90,190,699
Impairment	<u><b>(4,336,638)</b></u>	<u>(2,633,682)</u>
	<b>59,584,210</b>	87,557,017
Bills receivable discounted with recourse	<u><b>5,046,757</b></u>	<u>70,200</u>
	<u><b>64,630,967</b></u>	<u>87,627,217</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, where the terms are extended from 60 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. Bills receivable discounted with recourse are interest-bearing. The carrying amounts of these balances approximate to their fair values.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Within 90 days	<b>54,323,240</b>	79,273,304
Between 91 and 180 days	<b>4,656,136</b>	6,690,952
Over 180 days	<b>604,834</b>	1,592,761
	<u><b>59,584,210</b></u>	<u>87,557,017</u>

An aged analysis of the bills receivable as at the balance sheet date, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Within 90 days	<u><b>5,046,757</b></u>	<u>70,200</u>

The movements in provision for impairment of trade receivables are as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
At 1 January	<b>2,633,682</b>	2,139,005
Impairment losses recognised	<b>1,759,925</b>	634,043
Amount written off as uncollectible	<b>(56,969)</b>	(125,366)
Impairment losses reversed	<u>–</u>	<u>(14,000)</u>
	<u><b>4,336,638</b></u>	<u>2,633,682</u>

The above provisions are for individually impaired trade receivables which related to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Neither past due nor impaired	<b>46,342,074</b>	53,552,273
Less than 1 month past due	<b>7,315,940</b>	21,758,816
1 to 3 months past due	<b>4,795,951</b>	10,256,736
3 to 6 months past due	<b>1,130,245</b>	1,989,192
	<u><b>59,584,210</b></u>	<u>87,557,017</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

#### **10. TRADE PAYABLES**

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2008</b>	2007
	<i>HK\$</i>	<i>HK\$</i>
Within 90 days	<b>39,654,629</b>	42,263,060
Between 91 and 180 days	<b>17,480,459</b>	2,434,994
Over 180 days	<b>4,613,161</b>	61,587
	<u><b>61,748,249</b></u>	<u>44,759,641</u>

The trade payables are non-interest-bearing and are normally settled on terms varying from 60 to 120 days.

## **FINANCIAL RESULTS**

The Group turnover for the year ended 31 December 2008 amounted to approximately HK\$411.8 million representing 5.4% increased from the previous year. Overall gross profit decreased by 5.2% to approximately HK\$79.0 million this year. Profit attributable to equity holders was approximately HK\$0.4 million (2007: HK\$6.5 million).

Basic earnings per share for the year ended 31 December 2008 was HK0.15 cent (2007: HK2.45 cents) per share.

## **BUSINESS REVIEW**

Despite the challenging business environment in 2008, the Group has delivered a growth of the component business by 17.3% to approximately HK\$243.1 million. It was a record high since our inception in 1985. The operation profit increased by 8.7% to approximately HK\$21.2 million.

The consumer electronic products business has dropped by 8.0% to approximately HK\$168.7 million. The operating loss of this segment increased to approximately HK\$13.6 million (2007: HK\$5.3 million). We have applied immediate remedial actions to this segment in reorganising and streamlining procedures, reducing operating costs by downsizing and utilising resources effectively.

With the launch of new products and execution of cost saving strategies in the second half of 2008, the gross profit margin improved from 17.1% in the first half of the year to 19.2% at the end of the year, which dropped by 2.1% when compared with the gross profit margin of 21.3% at 2007 due to the continuously increasing operating costs in Mainland China.

## **FUTURE PLANS AND PROSPECTS**

Looking ahead, we will continue our focus on developing our core business, the precision parts and components and consumer electronic products.

For the past two years, the Group had continuously invested in our core business area. The construction of the new manufacturing facility of the precision parts and components segment in Zhongshan, the People's Republic of China ("PRC") was completed in the second quarter of 2008 and has been fully operational since then. Furthermore, we also completed the relocation of manufacturing facility of the consumer electronic products segment to a new factory premise in Shenzhen, PRC, which began production in the third quarter. We believe the new facilities will bring in a positive impact to the Group by enhancing our competitive edge, and pave the way for us to grow our business. In the near future, we do not have any plans for any major investments.

As the global economy is still full of uncertainties and with the drop in demand in the consumer market, we are determined to minimize our financial burden. On manufacturing side, we have implemented a series of cost control measures, including streamlining of the production processes, closely monitoring daily expenditures and restructuring of human resources, so as to cope with the challenge in an adverse environment. On the other hand, we will continue to improve the production flow, enhance the production efficiency, invest on research and development of new products, further strengthen our leadership in our core business to increase profitability. Meanwhile, we also achieve initial success after the restructuring of the precision parts and components segment. In fact, we can expect and forecast a steady business growth in this segment for the years to come.

We firmly believe that we are ready to face the tough challenge ahead in this difficult economic condition and are confident to capture the business opportunities from the recovery of the economy after this global recession.

## **OPERATIONS REVIEW**

The following highlights the Group's results for the year ended 31 December 2008.

- Turnover increased by 5.4% from the prior year to HK\$411.8 million for the year.
- Gross profit decreased by approximately HK\$4.4 million from 2007 to approximately HK\$79.0 million in 2008.
- Profit from operating activities before finance costs was HK\$7.4 million, decreased by HK\$7.5 million from the last financial year.
- Finance costs decreased by HK\$0.7 million from last year to HK\$5.4 million.
- Profit for the year was approximately HK\$0.4 million.

In the year under review, turnover of the precision parts and components segment has increased by approximately 17.3% as compared with the previous financial year. On the other hand, turnover of the consumer electronic products segment has decreased by approximately 8.0%.

The Group's overall gross profit has decreased by approximately 5.2% from the previous year.

The Group's finance costs decreased to HK\$5.4 million for the year due to the falling in interest rates.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers and other financial institutions in Hong Kong.

The total borrowings from banks and financial institutions include long term loans, finance leases, import and export loans, amounted to approximately HK\$95.5 million as at 31 December 2008, of which HK\$71.0 million is repayable in 2009.

The Group's financial position remains healthy. At the balance sheet date, the aggregate balance of cash and cash equivalents of the Group amounted to approximately HK\$51.5 million.

The Group's borrowings are on a floating rate basis and are mainly denominated in Hong Kong dollars, Renminbi or United States dollars. These match with the principal currencies in which the Group conducts its business. Currently, the Group has Renminbi-denominated loan amounting to approximately RMB10 million that are used by the Group's Zhongshan plants for working capital purposes.

The gearing ratio on the basis of total debts to total assets as at 31 December 2008 is 57.9% (2007: 56.6%).

## **CHARGE ON THE GROUP ASSETS**

At 31 December 2008, certain of the Group's buildings with a net carrying value of approximately HK\$50,000,000 (2007: Nil) and one of the Group's land with a net book value of approximately HK\$10,548,000 (2007: HK\$9,796,000) were pledged to secure a bank loan to the Group.

## **CONTINGENT LIABILITIES**

Except for corporate guarantees given to banks and other financial institutions in relation to facilities granted to the subsidiaries, a subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the subsidiary had breached a sales and purchase contract to deliver certain goods. The directors, based on the advice from the Group's external legal counsel, believe that the subsidiary has a reasonably good defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal costs.

## **CAPITAL STRUCTURE**

As at 31 December 2008, the Company had approximately 265.5 million shares in issue with total shareholders' funds of the Group amounting to approximately HK\$154.2 million.



Pursuant to the share option scheme, the Board granted share options to certain supplier of services, senior executives and employees of the Group. The exercise in full of those share options granted but remaining not exercised would result in the issue of 1.9 million additional shares and proceeds of approximately HK\$0.49 million.

## **FUND RAISING**

Other than obtaining additional general banking facilities, the Group obtained a loan from a director of HK\$12 million to finance the Group's business operations in 2008.

## **EMPLOYEES**

As at 31 December 2008, the Group had a total workforce of approximately 2,380 of which approximately 65 were based in Hong Kong, approximately 15 were based overseas and approximately 2,300 were based in the PRC.

The Group remunerates its employees largely based on the prevailing industry practice and labor laws. Since December 1996, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to the employees of the Group.

Moreover, under the Mandatory Provident Fund Scheme Ordinance of Hong Kong, the Group has operated a defined contribution Mandatory Provident Fund retirement benefits scheme for all its Hong Kong employees. For overseas and PRC employees, the Group is required to contribute a certain percentage of its payroll costs to the central pension scheme operated by the respective local government.

## **FINAL DIVIDENDS**

The directors have resolved not to recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Nil).

## **CLOSURE OF REGISTERS**

The Register of Members of the Company will be closed from Wednesday, 27 May 2009 to Tuesday, 2 June 2009, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 May 2009.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the year ended 31 December 2008 except for the deviation in respect of the separation of the roles of chairman and chief executive officer. Further information will also be included in the 2008 Annual Report.

## **REVIEW OF ACCOUNTS**

The Audit committee has reviewed the Group's 2008 final results before they were tabled for the Board's review and approval.

On behalf of the Board  
K & P International Holdings Limited  
**Lai Pei Wor**  
*Chairman*

Hong Kong, 23 April 2009

*As at the date of this announcement, the Board comprises Messrs. Lai Pei Wor and Chan Yau Wah (being executive directors) and Messrs. Kung Fan Cheong, Leung Man Kay and Li Yuen Kwan, Joseph (being independent non-executive directors).*

\* *For identification purposes only*