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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 2012

#### RESULTS

The Board of Directors (the “Board”) of K & P International Holdings Limited (the “Company”) herein announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012 together with the comparative figures for the corresponding year in 2011 as follows:

#### CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 HK\$	2011 HK\$
<b>REVENUE</b>	4	<b>406,872,156</b>	413,838,845
Cost of sales		<b>(327,267,327)</b>	(336,229,677)
Gross profit		<b>79,604,829</b>	77,609,168
Other income and gains	4	<b>5,522,912</b>	5,258,182
Selling and distribution costs		<b>(29,188,796)</b>	(29,115,735)
Administrative expenses		<b>(24,805,338)</b>	(23,027,902)
Other expenses		<b>(163,916)</b>	(319,369)
Finance costs	6	<b>(647,541)</b>	(854,014)
<b>PROFIT BEFORE TAX</b>	5	<b>30,322,150</b>	29,550,330
Income tax expense	7	<b>(4,074,421)</b>	(3,792,440)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b><u>26,247,729</u></b>	<u>25,757,890</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	9		
Basic		<b><u>HK9.85 cents</u></b>	<u>HK9.70 cents</u>
Diluted		<b><u>HK9.85 cents</u></b>	<u>HK9.67 cents</u>

\* For identification purposes only

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2012*

	<b>2012</b> <i>HK\$</i>	2011 <i>HK\$</i>
<b>PROFIT FOR THE YEAR</b>	<u><b>26,247,729</b></u>	<u>25,757,890</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Surplus arising from revaluation of land and buildings	<b>21,498,191</b>	6,689,229
Income tax effect	<b>(2,958,312)</b>	(837,517)
	<u><b>18,539,879</b></u>	<u>5,851,712</u>
Exchange differences on translation of foreign operations	<u><b>(273,607)</b></u>	<u>3,765,127</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u><b>18,266,272</b></u>	<u>9,616,839</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u><b>44,514,001</b></u></u>	<u><u>35,374,729</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	<i>Notes</i>	<b>2012</b> <i>HK\$</i>	2011 <i>HK\$</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		159,467,363	145,290,969
Prepaid land lease payments		13,329,193	13,634,367
Other intangible assets		317,496	1,602,496
Available-for-sale financial investment		680,000	680,000
Deferred tax assets		514,989	2,521,406
Prepaid rent		313,700	191,943
		<b>174,622,741</b>	163,921,181
<b>CURRENT ASSETS</b>			
Inventories		35,684,612	33,783,152
Derivative financial instruments	12	1,051,412	-
Prepayments, deposits and other receivables		12,846,245	9,540,849
Trade and bills receivables	10	60,995,563	72,262,824
Cash and cash equivalents		59,277,670	27,604,333
		<b>169,855,502</b>	143,191,158
<b>CURRENT LIABILITIES</b>			
Trade payables	11	34,410,318	42,549,842
Accrued liabilities and other payables		44,839,901	32,861,926
Derivative financial instrument	12	-	319,369
Interest-bearing bank and other borrowings		12,148,444	12,663,868
Tax payable		13,146,766	13,232,767
		<b>104,545,429</b>	101,627,772
<b>NET CURRENT ASSETS</b>		<b>65,310,073</b>	41,563,386
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>239,932,814</b>	205,484,567
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		2,556,123	-
Deferred tax liabilities		5,621,460	2,613,049
		<b>8,177,583</b>	2,613,049
Net assets		<b>231,755,231</b>	202,871,518
<b>EQUITY</b>			
Issued capital		26,700,480	26,550,480
Reserves		194,374,559	165,700,846
Proposed final dividend	8	10,680,192	10,620,192
		<b>231,755,231</b>	202,871,518

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These financial statements have been prepared under the historical cost convention, except for land and buildings, derivative financial instruments and an available-for-sale financial investment, which have been measured at revalued amount/fair value. These financial statements are presented in Hong Kong dollars.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

### *Allocation of total comprehensive income*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

### *Changes in ownership interest*

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset/liability, associate, jointly controlled entity or others as appropriate from the date when control is lost.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2011 financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in note 2.

## **2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. These new and revised HKFRSs have no significant impact on the financial statements of the Group and the Company for current and prior year.

## **3. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- (a) the precision parts and components segment comprises the manufacture and sale of precision parts and components comprising keypads, synthetic rubber and plastic components and parts, and liquid crystal displays;
- (b) the consumer electronic products segment comprises the design, manufacture and sale of consumer electronic products comprising time, weather forecasting and other products; and
- (c) the corporate and others segment comprises the Group's long term investments, together with corporate income and expense items.

Management, the chief decision makers, monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income and finance costs are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the cost of sales.

### 3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012	Precision parts and components <i>HK\$</i>	Consumer electronic products <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
<b>Segment revenue:</b>				
Sales to external customers	254,007,790	152,864,366	-	406,872,156
Intersegment sales	2,229,758	1,025,107	-	3,254,865
Other income and gains	4,368,152	971,008	21,584	5,360,744
	<u>260,605,700</u>	<u>154,860,481</u>	<u>21,584</u>	<u>415,487,765</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(3,254,865)</u>
Total segment revenue				<u><u>412,232,900</u></u>
<b>Segment results:</b>				
	20,294,426	13,503,527	(2,990,430)	30,807,523
<i>Reconciliation:</i>				
Bank interest income				162,168
Finance costs				<u>(647,541)</u>
Profit before tax				<u><u>30,322,150</u></u>
<b>Other segment information:</b>				
Depreciation and amortisation of other intangible assets	6,635,948	4,898,318	1,258,993	12,793,259
Impairment of trade receivables	10,657	-	-	10,657
(Reversal of provision)/provision for slow-moving inventories	(535,606)	854,638	-	319,032
Surplus on revaluation of land and buildings credited to other comprehensive income	-	-	21,498,191	21,498,191
Amortisation of prepaid land lease payments	305,174	-	-	305,174
Capital expenditure	<u>3,443,244</u>	<u>146,444</u>	<u>596,442</u>	<u>4,186,130</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011	Precision parts and components <i>HK\$</i>	Consumer electronic products <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
<b>Segment revenue:</b>				
Sales to external customers	286,464,455	127,374,390	-	413,838,845
Intersegment sales	2,479,955	873,441	-	3,353,396
Other income and gains	3,126,462	2,040,044	(28,561)	5,137,945
	292,070,872	130,287,875	(28,561)	422,330,186
<i>Reconciliation:</i>				
Elimination of intersegment sales				(3,353,396)
Total segment revenue				418,976,790
<b>Segment results:</b>	31,066,540	2,304,740	(3,087,173)	30,284,107
<i>Reconciliation:</i>				
Bank interest income				120,237
Finance costs				(854,014)
Profit before tax				29,550,330
<b>Other segment information:</b>				
Depreciation and amortisation of other intangible assets	7,579,498	7,485,142	1,053,495	16,118,135
Write back of impairment of trade receivables	(78,062)	-	-	(78,062)
Provision/(reversal of provision) for slow-moving inventories	58,026	(193,267)	-	(135,241)
Surplus on revaluation of land and buildings credited to other comprehensive income	-	-	6,689,229	6,689,229
Amortisation of prepaid land lease payments	305,175	-	-	305,175
Capital expenditure	8,324,039	212,621	75,500	8,612,160

### GEOGRAPHICAL INFORMATION

#### (a) Revenue from external customers

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Hong Kong	52,364,778	55,134,911
Mainland China	48,942,626	36,351,471
Japan and other Asian countries	60,124,774	62,890,182
North America	33,187,145	25,995,528
Europe	198,784,141	227,857,820
Other countries	13,468,692	5,608,933
	406,872,156	413,838,845

The revenue information above is based on the geographical location of the customers.

### 3. OPERATING SEGMENT INFORMATION (continued)

#### GEOGRAPHICAL INFORMATION (continued)

(b) Non-current assets

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Hong Kong	39,217,860	22,770,351
Mainland China	134,141,582	137,930,181
Other countries	68,310	19,243
	<u>173,427,752</u>	<u>160,719,775</u>

The non-current asset information above is based on the geographical location of assets and excludes an available-for-sale financial investment and deferred tax assets.

#### Information about a major customer

Revenue of approximately HK\$59.0 million (2011: HK\$97.5 million), contributing over 10% of the total sales of the Group, was derived from sales by the precision parts and components segment to a single customer.

### 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:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
<b>Revenue</b>		
Sale of goods	<u>406,872,156</u>	<u>413,838,845</u>
<b>Other income and gains</b>		
Bank interest income	162,168	120,237
Tooling charge income	558,139	847,279
Sale of scrap	772,440	1,064,083
Sale of samples	1,359,329	2,396,372
Gain on disposal of items of property, plant and equipment	33,380	21,644
Fair value gain on derivative financial instrument – transactions not qualified for hedge accounting	1,755,892	-
Foreign exchange differences, net	-	435,375
Others	881,564	373,192
	<u>5,522,912</u>	<u>5,258,182</u>



## 5. PROFIT BEFORE TAX

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

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Staff costs (including directors' remuneration) <sup>#</sup> :		
Wages and salaries	<b>114,125,828</b>	105,039,667
Pension scheme contributions	<b>506,458</b>	468,281
	<b>114,632,286</b>	105,507,948
Cost of inventories sold	<b>325,885,729</b>	333,896,585
Auditors' remuneration	<b>991,825</b>	962,721
Depreciation <sup>#</sup>	<b>11,508,259</b>	13,649,802
Amortisation of prepaid land lease payments	<b>305,174</b>	305,175
Minimum lease payments under operating leases on land and buildings	<b>3,957,537</b>	3,916,235
Amortisation of other intangible assets*	<b>1,285,000</b>	2,468,333
Provision/(reversal of provision) for slow-moving inventories*	<b>319,032</b>	(135,241)
Fair value (gain)/loss on derivative financial instrument – transactions not qualified for hedge accounting	<b>(1,755,892)</b>	319,369
Foreign exchange differences, net	<b>157,606</b>	(435,375)
Impairment/(write back) of trade receivables	<b>10,657</b>	(78,062)
Gain on disposal of items of property, plant and equipment	<b>(33,380)</b>	(21,644)

<sup>#</sup> The staff costs amounting to HK\$86,531,165 (2011: HK\$80,261,178) and depreciation amounting to HK\$10,630,149 (2011: HK\$12,967,045) for the year are included in "Cost of sales" in the consolidated income statement, respectively.

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

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	<b>411,149</b>	837,020
Interest on finance leases	<b>236,392</b>	16,994
	<b>647,541</b>	854,014

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	<b>2012</b>	2011
	<b>HK\$</b>	<b>HK\$</b>
Current – Hong Kong		
Charge for the year	<b>1,500,393</b>	1,623,517
Under/(over) provision in prior years	<b>983</b>	(551,889)
Current – Elsewhere		
Charge for the year	<b>464,067</b>	1,123,240
Under/(over) provision in prior years	<b>3,844</b>	(90,761)
Deferred	<b>2,105,134</b>	1,688,333
	<u><b>4,074,421</b></u>	<u>3,792,440</u>
Tax charge for the year	<u><b>4,074,421</b></u>	<u>3,792,440</u>

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

	<b>2012</b>	2011
	<b>HK\$</b>	<b>HK\$</b>
Profit before tax	<u><b>30,322,150</b></u>	<u>29,550,330</u>
Tax at the statutory tax rate of 16.5% (2011: 16.5%)	<b>5,003,155</b>	4,875,804
Effect of different rates for companies operating in other jurisdictions	<b>902,418</b>	936,984
Income not subject to tax	<b>(2,667,012)</b>	(2,083,068)
Expenses not deductible for tax	<b>1,212,467</b>	1,109,789
Unrecognised temporary differences	<b>(41,563)</b>	63,962
Utilisation of previously unrecognised tax losses	<b>(15,535)</b>	(452,489)
Under/(over) provision in prior years	<b>4,827</b>	(642,650)
Tax losses not recognised	<b>4,035</b>	23,914
Tax concessions	<b>(344,678)</b>	(184,140)
Others	<b>16,307</b>	144,334
	<u><b>4,074,421</b></u>	<u>3,792,440</u>
Tax charge for the year	<u><b>4,074,421</b></u>	<u>3,792,440</u>

## 8. DIVIDENDS

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Attributable to the current year:		
Proposed final dividend –		
HK4 cents (2011: HK4 cents) per ordinary share	10,680,192	10,620,192
Interim dividend paid –		
HK2 cents (2011: HK2 cents) per ordinary share	5,340,096	5,310,096
	<u>16,020,288</u>	<u>15,930,288</u>
Attributable to previous years, approved and paid during the year:		
Final dividend – HK4 cents (2011: HK3 cents) per ordinary share	10,680,192	7,965,144
Special dividend – Nil (2011: HK2 cents) per ordinary share	-	5,310,096
	<u>10,680,192</u>	<u>13,275,240</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company and the adjusted weighted average number of ordinary shares in issue during the year. The adjusted weighted average number of ordinary shares used in the calculation is the weighted average 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:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
<b>Earnings</b>		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculations	<u>26,247,729</u>	<u>25,757,890</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	266,476,111	265,504,800
Effect of dilution – weighted average number of ordinary shares:		
Share options	-	769,397
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>266,476,111</u>	<u>266,274,197</u>

## 10. TRADE AND BILLS RECEIVABLES

	<b>2012</b> <i>HK\$</i>	2011 <i>HK\$</i>
Trade receivables	<b>60,995,563</b>	71,111,151
Bills receivable discounted with recourse	-	1,151,673
	<u><b>60,995,563</b></u>	<u>72,262,824</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. There is a significant concentration of credit risk as 19.7% (2011: 38.3%) of the balance representing a receivable from a single customer (2011: single customer), which was derived from sales by the precision parts and components segment. Trade receivables are non-interest-bearing. The carrying amounts of these balances are approximate to their fair values.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>2012</b> <i>HK\$</i>	2011 <i>HK\$</i>
Within 90 days	<b>59,048,521</b>	65,328,723
Between 91 and 180 days	<b>1,842,760</b>	5,557,351
Over 180 days	<b>104,282</b>	225,077
	<u><b>60,995,563</b></u>	<u>71,111,151</u>

An ageing analysis of the bills receivable as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2012</b> <i>HK\$</i>	2011 <i>HK\$</i>
Within 90 days	-	1,151,673

## 10. TRADE AND BILLS RECEIVABLES (continued)

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

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
At 1 January	-	78,062
Impairment losses recognised	<b>10,657</b>	-
Amount written off as uncollectible	<b>(10,657)</b>	-
Write back of impairment losses	-	(78,062)
	<hr/>	<hr/>
At 31 December	<u>-</u>	<u>-</u>

During the year ended 31 December 2012, trade receivables amounted to HK\$10,657 (2011: Nil) was written off related to customers that were in financial difficulties.

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

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Neither past due nor impaired	<b>50,776,944</b>	54,816,761
Less than 1 month past due	<b>8,405,299</b>	14,367,300
1 to 3 months past due	<b>1,527,553</b>	1,322,128
3 to 6 months past due	<b>285,767</b>	604,962
	<hr/>	<hr/>
	<b><u>60,995,563</u></b>	<b><u>71,111,151</u></b>

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.

## 11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Within 90 days	<b>33,040,573</b>	34,252,872
Between 91 and 180 days	<b>1,298,552</b>	7,762,216
Over 180 days	<b>71,193</b>	534,754
	<hr/>	<hr/>
	<b><u>34,410,318</u></b>	<b><u>42,549,842</u></b>

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

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>2012</b> <i>HK\$</i>	2011 <i>HK\$</i>
Current asset:		
Forward currency contracts	<u><u>1,051,412</u></u>	<u><u>-</u></u>
Current liability:		
Forward currency contract	<u><u>-</u></u>	<u><u>319,369</u></u>

The carrying amount of forward currency contracts are the same as their fair values. The Group entered into two forward currency contracts of US\$14,500,000 each (2011: a forward currency contract of US\$15,710,000) for the exchange of United States Dollars (“US\$”) with Renminbi (“RMB”). The maturity date of these forward currency contracts are 25 July 2013 and 19 December 2013, respectively (2011: 27 September 2012). The forward rate of these forward currency contracts are US\$1 to RMB6.412 and to RMB6.294, respectively (2011: US\$1 to RMB6.365).

As at 31 December 2012, the forward currency contracts did not meet the criteria for hedge accounting. The change in the fair value of these non-hedging currency derivatives amounting to a gain of HK\$1,051,412 was recognised to the income statement for the year ended 31 December 2012 (2011: loss of HK\$319,369).

## **FINANCIAL RESULTS**

The Group turnover for the year ended 31 December 2012 amounted to approximately HK\$406.9 million representing a 1.7% decrease from the previous year. Overall gross profit increased by 2.6% to approximately HK\$79.6 million this year. Profit attributable to owners of the Company was approximately HK\$26.2 million (2011: HK\$25.8 million).

Basic earnings per share for the year ended 31 December 2012 was HK9.85 cents (2011: HK9.70 cents) per share.

## **DIVIDEND**

The directors recommend the payment of a final dividend of HK4 cents (2011: HK4 cents) per ordinary share on Wednesday, 3 July 2013 to the shareholders whose names appear on the Register of Members of the Company on Monday, 3 June 2013. This recommendation has been incorporated in the financial statements as an allocation of retained profit within the equity section of the statement of financial position.

## **CLOSURE OF REGISTERS FOR ANNUAL GENERAL MEETING**

The Register of Members of the Company will be closed from Tuesday, 21 May 2013 to Thursday, 23 May 2013, 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 Monday, 20 May 2013.

## **CLOSURE OF REGISTERS FOR DIVIDEND**

The Register of Members of the Company will be closed from Thursday, 30 May 2013 to Monday, 3 June 2013, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the above dividend 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 Wednesday, 29 May 2013.

## **BUSINESS REVIEW**

Due to the sharp fall in business from the single largest customer and the weaker demand from Europe in the second half of the year, the sales turnover of the precision parts and components segment in 2012 decreased by 11.3% to approximately HK\$254.0 million. The combination of drop in business, appreciation in Renminbi and the rise in production costs resulted in decreasing the operating profit by 34.7% to approximately HK\$20.3 million.

For the consumer product segment, the growth in business from North America in the second half of the year, and also the success in change of product mix to increase the selling price of the product and to improve the profit margin, the sales turnover of this segment went up by 20.0% to approximately HK\$152.9 million. The operating profit increased by 485.9% to approximately HK\$13.5 million.

As the growth in business from the consumer product segment offset the downfall in sales of the precision parts and components segment, and the improvement of the gross profit margin of the consumer product segment arising from the change of the product mix offset the increase in manufacturing cost, the Group in 2012 recorded an increase of overall gross profit ratio by 0.8% to 19.6%. Comparing with the previous year, the selling and distribution costs slightly increased by 0.3% equivalent to approximately HK\$0.1 million, administrative expenses also increased by 7.7% equivalent to approximately HK\$1.8 million. As the overall average borrowings decreased, so the finance costs decreased by approximately HK\$0.2 million, a drop of 24.2%. The profit after taxation of the group was approximately HK\$26.2 million. (2011: HK\$25.8 million)

Cash and cash equivalents for the group at the end of the reporting period were HK\$59.3 million, netting the outstanding bank borrowings and finance lease payable of HK\$14.7 million, the net cash balance of the group was HK\$44.6 million (2011: HK\$14.9 million). The shareholders' funds of the Group at the end of reporting period were approximately HK\$231.8 million (2011: HK\$202.9 million).

## **INVESTMENT**

On 2 January 2013, Hi-Tech Investment Holdings Limited (“Hi-Tech”), a wholly owned subsidiary of the Group entered into a sales and purchasing agreement with an independent third party for the acquisition of Sun Ngai Plastic Products Factory Limited (“Sun Ngai”) and Hunpex Limited (“Hunpex”). According to the agreement, Hi-Tech would purchase the entire issued share of capital of Sun Ngai and Hunpex for a sum of HK\$7.0 million. The above purchased sum did not take into consideration of the values of inventory, prepayments, the account receivables and payables of the companies. All the payment would be settled within six months after completion.

Sun Ngai and Hunpex have been established for over thirty years and are principally engaged in trading and manufacturing of double injection plastic mould and products. This perfectly complements the precision parts and components business of the Group. They can leverage on one another and expand our business scope. At the same time, the Group has secured a loan of HK\$26.0 million from the principal bankers for the above mentioned acquisition. As a result, financial costs in 2013 would be expected to increase.

## **FUTURE PLANS AND PROSPECTS**

As the economy in United States recovers slowly, and the financial crisis does not seem to be worsened at this moment, we are cautiously optimistic on the business environment in the near future.

The Group, on 3 January 2013, had took over Sun Ngai and Hunpex, and gradually streamline the operation to save costs, restructure the sales force and strengthen the sales distribution, purchase of new equipment to replace the old ones. At the same time, we are taking step to improve the quality and enhance the production efficiency, strengthen the automation to lower the production costs. Furthermore, we will establish the new enterprise resource planning system to improve the communication and logistics so as to lower the production costs. With this acquisition that can leverage with the precision parts and components segment to strengthen our core competence, expand our customer base and business scope so as to enhance our profitability and capability.

Looking forward to the next few years, economy in China will continue to grow, we expect the on-going inflation with rising in living standard and shortage in labour leads to the rise in production cost. We will continue to strengthen the research and development, streamline the operation, enhance the production efficiency and control the production cost. We will speed up the new product development according to the market demand. With the strong and healthy financial situation, we are confident that the Group will continue to achieve steady business growth.

## **OPERATIONS REVIEW**

The following highlights the Group’s results for the year ended 31 December 2012.

- Turnover decreased by 1.7% from the prior year to HK\$406.9 million for the year.
- Gross profit increased by approximately HK\$2.0 million from 2011 to approximately HK\$79.6 million in 2012.
- Profit from operating activities before finance costs was HK\$31.0 million, an increase of HK\$0.6 million from the last financial year.
- Finance costs decreased by HK\$0.2 million from last year to HK\$0.6 million.
- Profit after tax for the year was approximately HK\$26.2 million.

In the year under review, turnover of the precision parts and components segment has decreased by approximately 11.3% as compared with the previous financial year. Turnover of the consumer electronic products segment has increased by approximately 20.0%.

The Group’s overall gross profit has increased by approximately 2.6% from the previous year.



The Group's finance costs have decreased to HK\$0.6 million for the year due to the decrease in average bank borrowings.

## **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 all term loans, import and export loans, which amounted to approximately HK\$14.7 million as at 31 December 2012.

The Group's financial position remains healthy. At the end of the reporting period, the aggregate balance of cash and cash equivalents of the Group amounted to approximately HK\$59.3 million.

The Group's borrowings are on a floating rate basis and are mainly denominated in Hong Kong dollars, or United States dollars. These match with the principal currencies in which the Group conducts its business.

The gearing ratio on the basis of total debts to total assets as at 31 December 2012 is 32.7% (2011: 33.9%).

## **CHARGE ON THE GROUP'S ASSETS**

At 31 December 2012, none of the bank borrowings were secured by charges over the Group's assets.

## **CONTINGENT LIABILITIES**

Except for corporate guarantees given to banks and other financial institutions in relation to facilities granted to the subsidiaries, the Company had no other contingent liabilities as at 31 December 2012.

## **CAPITAL STRUCTURE**

As at 31 December 2012, the Company had 267,004,800 ordinary shares in issue with total shareholders' funds of the Group amounting to approximately HK\$231.8 million.

Pursuant to the 2002 share option scheme, the Board granted share options to certain senior executives and employees of the Group. In May 2012, the exercise in full of those share options granted was result in the issue of 1,500,000 additional ordinary shares and proceeds of HK\$0.39 million before issue expenses.

## **FUND RAISING**

Other than obtaining additional general banking facilities to finance the Group's trading requirements, the Group did not have any special fund raising activities in 2012.

## **EMPLOYEES**

As at 31 December 2012, the Group had a total workforce of approximately 1,716 of which approximately 52 were based in Hong Kong, approximately 5 were based overseas and approximately 1,659 were based in Mainland China.

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 Mainland China 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.

## **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.

## **EVENT AFTER THE REPORTING PERIOD**

On 2 January 2013, Hi-Tech Investment Holdings Limited ("Hi-Tech"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Agreement") for the acquisition (the "Acquisition") of entire issued share capital of each of Sun Ngai Plastic Products Factory Limited ("Sun Ngai") and Hunpex Limited ("Hunpex (HK)") ("Target Companies") at a total consideration of HK\$7,000,000 ("Purchase Consideration") in cash, with the shareholders of the Target Companies. And on the same date, the Group obtained the control of the Target Companies through the appointment of directors into the board of directors of the Target Companies. Pursuant to the Agreement, certain assets and liabilities of the Target Companies would be excluded in the Purchase Consideration, which are rental and utility deposits, bank balances, inventories, the accounts receivables and payables of the Target Companies, up to the date of the Agreement. The Purchase Consideration paid is mainly for the plant and machineries and the sale network of the Target Companies for the manufacture and sale of double injection plastic moulds, double injection plastic part and plastic products. The directors are of the view that the business of the Target Companies is complementary to and a natural extension of the Group's business. As the initial accounting for the acquisition of the Target Companies is not yet finalised, it is not practicable to reliably estimate its financial effect.

## **CORPORATE GOVERNANCE CODE**

In the opinion of the directors, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012), 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 2012, except for the following deviations:

1. Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The roles of the Chairman and the Chief Executive Officer are not separate and are performed by Mr. Lai Pei Wor. Since the Board will meet regularly to consider major matters affecting the operations of the Company, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and believes that this structure will enable the Company to make and implement decisions promptly and efficiently.
2. Code Provision C.3.3 stipulates that members of the Audit Committee should meet at least twice a year with the Company's auditors. During the year, there was one meeting held between the Audit Committee and the Company's auditors. In addition, the 2012 audit plan has been circulated to all members of the Audit Committee for comments. Since the Audit Committee and the auditors were busy with the acquisition during the last quarter of 2012, they have got no time to hold the second meeting. The Audit Committee and the Company's auditors will meet twice for year 2013 to comply with the Code.

## **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed the Group's 2012 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, 26 March 2013

*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).*