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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 2014

#### 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 2014 together with the comparative figures for the corresponding year in 2013 as follows:

#### CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014

	Notes	2014 HK\$	2013 HK\$
<b>REVENUE</b>	4	<b>465,277,228</b>	419,519,846
Cost of sales		<b>(390,494,890)</b>	(346,494,494)
Gross profit		<b>74,782,338</b>	73,025,352
Other income and gains	4	<b>6,879,494</b>	17,186,488
Selling and distribution costs		<b>(33,618,459)</b>	(32,548,289)
Administrative expenses		<b>(33,220,901)</b>	(32,265,324)
Other expenses	5	<b>(1,850,369)</b>	(700,625)
Finance costs	7	<b>(1,420,299)</b>	(1,002,764)
<b>PROFIT BEFORE TAX</b>	6	<b>11,551,804</b>	23,694,838
Income tax (expense)/credit	8	<b>(1,029,115)</b>	2,330,387
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>10,522,689</b>	26,025,225
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	10		
Basic		<b>HK3.94 cents</b>	HK9.75 cents
Diluted		<b>HK3.94 cents</b>	HK9.75 cents

\* For identification purposes only

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2014*

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
<b>PROFIT FOR THE YEAR</b>	<u><b>10,522,689</b></u>	<u>26,025,225</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Surplus arising from revaluation of land and buildings	<b>3,801,624</b>	12,488,713
Income tax effect	<b>(791,416)</b>	(2,863,480)
	<u><b>3,010,208</b></u>	<u>9,625,233</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	<b>(244,187)</b>	3,581,217
	<u><b>(244,187)</b></u>	<u>3,581,217</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u><b>2,766,021</b></u>	<u>13,206,450</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<u><u><b>13,288,710</b></u></u>	<u><u>39,231,675</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$</b>	2013 <b>HK\$</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>214,615,320</b>	186,415,614
Prepaid land lease payments		<b>13,038,330</b>	13,350,738
Other intangible assets		-	-
Available-for-sale financial investment		<b>680,000</b>	680,000
Deferred tax assets		-	434,200
Prepaid rent		-	156,850
		<hr/>	<hr/>
Total non-current assets		<b>228,333,650</b>	201,037,402
<b>CURRENT ASSETS</b>			
Inventories		<b>56,553,529</b>	60,670,528
Derivative financial instruments	<i>13</i>	-	3,153,075
Prepayments, deposits and other receivables		<b>10,533,192</b>	8,031,631
Trade and bills receivables	<i>11</i>	<b>79,852,656</b>	71,447,340
Cash and cash equivalents		<b>35,305,971</b>	55,645,830
		<hr/>	<hr/>
Total current assets		<b>182,245,348</b>	198,948,404
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>43,998,205</b>	48,497,085
Accrued liabilities and other payables		<b>51,138,294</b>	48,106,038
Derivative financial instruments	<i>13</i>	<b>256,447</b>	-
Interest-bearing bank and other borrowings		<b>28,395,144</b>	29,112,005
Tax payable		<b>6,299,396</b>	9,122,965
		<hr/>	<hr/>
Total current liabilities		<b>130,087,486</b>	134,838,093
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>52,157,862</b>	64,110,311
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>280,491,512</b>	265,147,713
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>18,961,148</b>	1,677,187
Deferred tax liabilities		<b>9,295,324</b>	8,503,908
		<hr/>	<hr/>
Total non-current liabilities		<b>28,256,472</b>	10,181,095
		<hr/>	<hr/>
Net assets		<b>252,235,040</b>	254,966,618
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Issued capital		<b>26,700,480</b>	26,700,480
Reserves		<b>220,194,464</b>	217,585,946
Proposed final dividend	<i>9</i>	<b>5,340,096</b>	10,680,192
		<hr/>	<hr/>
Total equity		<b>252,235,040</b>	254,966,618
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## 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 predecessor Hong Kong Companies Ordinance (Cap. 32). 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 Company 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 Company.

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 are accounted for 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 are accounted for as a financial asset, associate, joint venture 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 2013 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

In the current year, the Group has applied the following new/revised HKFRSs for the first time. Other than as further explained, the adoption of the new/revised HKFRSs has had no significant impact on the financial statements of the Group.

### *Amendments to HKAS 32: Presentation – Offsetting Financial Assets and Financial Liabilities*

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. These amendments do not have an impact on the consolidated financial statements as they are consistent with the policies already adopted by the Group.

### *Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of impaired assets is based on fair value less costs of disposal. These amendments do not have an impact on the consolidated financial statements.

## 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 results, 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.

Intersegment management fee is eliminated on consolidation.

### 3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014	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	361,534,189	103,743,039	-	465,277,228
Intersegment sales	895,226	392,358	-	1,287,584
Intersegment management fee	-	-	4,920,000	4,920,000
Other income and gains, excluding bank interest income	5,002,835	1,189,627	6,611	6,199,073
	<u>367,432,250</u>	<u>105,325,024</u>	<u>4,926,611</u>	<u>477,683,885</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(1,287,584)
Elimination of intersegment management fee				(4,920,000)
Total segment revenue				<u>471,476,301</u>
<b>Segment results:</b>				
	23,202,956	(9,407,311)	(1,503,963)	12,291,682
<i>Reconciliation:</i>				
Bank interest income				680,421
Finance costs				(1,420,299)
Profit before tax				<u>11,551,804</u>
<b>Other segment information:</b>				
Depreciation	(9,348,896)	(2,665,571)	(2,886,741)	(14,901,208)
Impairment of trade receivables	(49,491)	-	-	(49,491)
Gain on disposal of items of property, plant and equipment, net	292,949	91,000	10,000	393,949
Reversal of provision/(provision) for slow-moving inventories, net	138,324	(396,471)	-	(258,147)
Surplus on revaluation of land and buildings credited to other comprehensive income	-	-	3,801,624	3,801,624
Amortisation of prepaid land lease payments	(312,408)	-	-	(312,408)
Fair value loss on derivative financial instruments – transactions not qualified for hedge accounting	(194,900)	(61,547)	-	(256,447)
Realised loss arising from derivative financial instruments – transactions not qualified for hedge accounting	(1,301,492)	(292,430)	-	(1,593,922)
Capital expenditure - additions	<u>(38,561,084)</u>	<u>(823,579)</u>	<u>(173,490)</u>	<u>(39,558,153)</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	Precision parts and components HK\$	Consumer electronic products HK\$	Corporate and others HK\$	Total HK\$
<b>Segment revenue:</b>				
Sales to external customers	305,648,247	113,871,599	-	419,519,846
Intersegment sales	1,219,706	417,360	-	1,637,066
Intersegment management fee	-	-	4,200,000	4,200,000
Other income and gains, excluding bank interest income	11,352,789	5,755,337	(192,943)	16,915,183
	318,220,742	120,044,296	4,007,057	442,272,095
<i>Reconciliation:</i>				
Elimination of intersegment sales				(1,637,066)
Elimination of intersegment management fee				(4,200,000)
Total segment revenue				436,435,029
<b>Segment results:</b>				
	19,390,761	6,432,974	(1,397,438)	24,426,297
<i>Reconciliation:</i>				
Bank interest income				271,305
Finance costs				(1,002,764)
Profit before tax				23,694,838
<b>Other segment information:</b>				
Depreciation and amortisation of other intangible assets	(8,436,018)	(3,177,336)	(2,051,177)	(13,664,531)
Impairment of trade receivables	(201,318)	-	-	(201,318)
Loss on disposal of items of property, plant and equipment, net	(1,314)	-	-	(1,314)
Reversal of provision for slow-moving inventories, net	228,043	1,704,948	-	1,932,991
Surplus on revaluation of land and buildings credited to other comprehensive income	-	-	12,488,713	12,488,713
Amortisation of prepaid land lease payments	(312,408)	-	-	(312,408)
Fair value gain on derivative financial instruments – transactions not qualified for hedge accounting	2,605,305	547,770	-	3,153,075
Realised gain arising from derivative financial instruments – transactions not qualified for hedge accounting	5,131,092	1,620,345	-	6,751,437
Gain on bargain purchase	2,799,926	-	-	2,799,926
Capital expenditure				
- additions	(12,044,343)	(1,302,234)	(2,415,944)	(15,762,521)
- additions – business combination	(9,521,674)	-	-	(9,521,674)

### 3. OPERATING SEGMENT INFORMATION (continued)

#### Geographical information

(a) Revenue from external customers

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Hong Kong	66,927,139	82,060,176
Mainland China	76,237,372	43,002,309
Japan and other Asian countries	68,854,074	62,569,013
North America	47,828,516	57,476,008
South America	23,546,675	16,924,813
Europe	176,345,058	149,069,394
Other countries	5,538,394	8,418,133
	<u>465,277,228</u>	<u>419,519,846</u>

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

(b) Non-current assets

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Hong Kong	50,231,789	49,509,858
Mainland China	177,412,407	150,377,583
Other countries	9,454	35,761
	<u>227,653,650</u>	<u>199,923,202</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

During the year ended 31 December 2014 and 2013, no customer contributed over 10% of the total sales of the Group.



#### 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:

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
<b>Revenue</b>		
Sale of goods	<u>465,277,228</u>	<u>419,519,846</u>
<b>Other income and gains</b>		
Bank interest income	680,421	271,305
Tooling charge income	729,943	634,406
Sale of scrap	1,022,296	989,794
Sale of samples	1,284,514	1,505,383
Gain on disposal of items of property, plant and equipment, net	393,949	-
Fair value gain on derivative financial instruments – transactions not qualified for hedge accounting	-	3,153,075
Realised gain arising from derivative financial instruments – transactions not qualified for hedge accounting	-	6,751,437
Gain on bargain purchase	-	2,799,926
Foreign exchange gain, net	2,167,597	-
Others	600,774	1,081,162
	<u>6,879,494</u>	<u>17,186,488</u>

#### 5. OTHER EXPENSES

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
Foreign exchange loss, net	-	696,465
Fair value loss on derivative financial instruments – transactions not qualified for hedge accounting	256,447	-
Realised loss arising from derivative financial instruments – transactions not qualified for hedge accounting	1,593,922	-
Others	-	4,160
	<u>1,850,369</u>	<u>700,625</u>

## 6. PROFIT BEFORE TAX

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

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Staff costs (including directors' remuneration) <sup>#</sup> :		
Wages and salaries	147,848,944	135,898,207
Contributions to retirement benefit schemes	14,308,141	12,103,579
	<u>162,157,085</u>	<u>148,001,786</u>
Cost of inventories sold	390,236,743	348,109,989
Provision/(reversal of provision) for slow-moving inventories, net*	258,147	(1,932,991)
Auditor's remuneration	1,222,335	1,187,175
Depreciation <sup>#</sup>	14,901,208	13,347,035
Amortisation of prepaid land lease payments	312,408	312,408
Minimum lease payments under operating leases on land and buildings <sup>#</sup>	5,843,229	5,867,007
Amortisation of other intangible assets*	-	317,496
Fair value loss/(gain) on derivative financial instruments – transactions not qualified for hedge accounting	256,447	(3,153,075)
Realised loss/(gain) arising from derivative financial instruments – transactions not qualified for hedge accounting	1,593,922	(6,751,437)
Foreign exchange (gain)/loss, net	(2,167,597)	696,465
Impairment of trade receivables	49,491	201,318
(Gain)/loss on disposal of items of property, plant and equipment, net	<u>(393,949)</u>	<u>1,314</u>

<sup>#</sup> The staff cost amounting to HK\$130,836,826 (2013: HK\$117,349,588), depreciation amounting to HK\$12,209,703 (2013: HK\$11,698,848) and minimum lease payments under operating leases on land and buildings amounting to HK\$5,371,521 (2013: HK\$5,437,031) for the year are included in "Cost of sales" in the consolidated income statement respectively.

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

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	1,055,881	840,689
Interest on finance leases	364,418	162,075
	<u>1,420,299</u>	<u>1,002,764</u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on assessable profits outside Hong Kong have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	<b>2014</b>	2013
	<i>HK\$</i>	<i>HK\$</i>
Current – Hong Kong		
Charge for the year	<b>1,728,207</b>	1,787,178
Provision written back	-	(5,326,802)
Over provision in prior years	<b>(1,064,566)</b>	(158,812)
Current – outside Hong Kong		
Charge for the year	<b>2,314,257</b>	1,311,208
Over provision in prior years	<b>(2,382,983)</b>	(42,916)
Deferred	<b>434,200</b>	99,757
	<u><b>1,029,115</b></u>	<u>(2,330,387)</u>
Tax charge/(credit) for the year		

During the year ended 31 December 2013, a provision of HK\$5,326,802 was written back as the corresponding tax issue was settled with the tax authority in favour of the Group.

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>2014</b>	2013
	<i>HK\$</i>	<i>HK\$</i>
Profit before tax	<u><b>11,551,804</b></u>	<u>23,694,838</u>
Tax at the statutory tax rate of 16.5% (2013: 16.5%)	<b>1,906,048</b>	3,909,648
Effect of different rates for companies operating in other jurisdictions	<b>853,579</b>	28,091
Income not subject to tax	<b>(732,529)</b>	(2,090,663)
Expenses not deductible for tax	<b>1,162,318</b>	2,158,387
Unrecognised temporary differences	<b>216,408</b>	(68,736)
Utilisation of previously unrecognised tax losses	-	(745,276)
Recognition of previously unrecognised deferred tax assets	-	(434,200)
Provision written back	-	(5,326,802)
Over provision in prior years	<b>(3,447,549)</b>	(201,728)
Tax losses not recognised	<b>1,034,531</b>	365,890
Write-down of deferred tax asset	-	30,388
Others	<b>36,309</b>	44,614
	<u><b>1,029,115</b></u>	<u>(2,330,387)</u>
Tax charge/(credit) for the year		

## 9. DIVIDENDS

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Attributable to the current year:		
Proposed final dividend –		
HK2 cents (2013: HK4 cents) per ordinary share	5,340,096	10,680,192
Interim dividend paid –		
HK2 cents (2013: HK2 cents) per ordinary share	5,340,096	5,340,096
	<u>10,680,192</u>	<u>16,020,288</u>
Attributable to previous years, approved and paid during the year:		
Final dividend – HK4 cents (2013: HK4 cents) per ordinary share	<u>10,680,192</u>	<u>10,680,192</u>

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

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

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

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
<b>Earnings</b>		
Profit attributable to owners of the Company		
used in the basic and diluted earnings per share calculations	<u>10,522,689</u>	<u>26,025,225</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year		
used in the basic and diluted earnings per share calculation	<u>267,004,800</u>	<u>267,004,800</u>

As there were no dilutive potential ordinary shares, diluted earnings per share was the same as basic earnings per share in 2014 and 2013.

## 11. TRADE AND BILLS RECEIVABLES

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
Trade receivables	<b>79,918,266</b>	71,534,384
Allowance for doubtful debts	<b>(822,410)</b>	(822,410)
	<b>79,095,856</b>	70,711,974
Bills receivable discounted with recourse	<b>756,800</b>	735,366
	<b>79,852,656</b>	71,447,340

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. As at 31 December 2014, there is a significant concentration of credit risk as 15.0% (2013: 15.0%) of the balance representing a receivable from a single customer (2013: 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 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>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
Within 90 days	<b>75,175,673</b>	67,660,689
91 to 180 days	<b>3,734,894</b>	3,003,877
Over 180 days	<b>185,289</b>	47,408
	<b>79,095,856</b>	70,711,974

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

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
Within 90 days	<b>756,800</b>	735,366

## 11. TRADE AND BILLS RECEIVABLES (continued)

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

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
At 1 January	822,410	-
Additions – business combination	-	822,410
Impairment losses recognised	49,491	201,318
Amount written off as uncollectible	(49,491)	(201,318)
	<u>822,410</u>	<u>822,410</u>
At 31 December	<u>822,410</u>	<u>822,410</u>

During the year ended 31 December 2014, trade receivables amounted to HK\$49,491 (2013: HK\$201,318) was written off, which is related to customers that were in financial difficulties.

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

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Neither past due nor impaired	58,884,105	52,014,867
Less than 1 month past due	15,340,896	14,451,922
1 to 3 months past due	5,114,812	3,986,808
3 to 6 months past due	512,843	993,743
	<u>79,852,656</u>	<u>71,447,340</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.

## 12. 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:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Within 90 days	42,645,750	44,674,862
91 to 180 days	1,331,283	3,513,618
Over 180 days	21,172	308,605
	<u>43,998,205</u>	<u>48,497,085</u>

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

### 13. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>2014</b>	2013
	<b>HK\$</b>	<b>HK\$</b>
Current assets:		
Forward currency contracts	-	3,153,075
Current liabilities:		
Forward currency contracts	<b>256,447</b>	-

The carrying amount of forward currency contracts are the same as their fair values. The Group entered into two forward currency contracts of US\$7,250,000 each (2013: three forward currency contracts of US\$14,500,000, US\$6,423,742 and US\$7,250,000 respectively) for the exchange of United States Dollars (“US\$”) with Renminbi (“RMB”). The maturity dates of these forward currency contracts are 18 February 2015 and 19 March 2015 respectively (2013: 6 June 2014, 29 August 2014 and 17 October 2014 respectively). The forward rates of these forward currency contracts range from RMB6.1150 to RMB6.2150 (2013: RMB6.1365 to RMB6.2320) per US\$1.

As at 31 December 2014, 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 loss of HK\$256,447 was recognised in the income statement for the year ended 31 December 2014 (2013: gain of HK\$3,153,075).

### 14. COMPARATIVE FIGURES

Conforming to current year’s presentation, deposits and other receivables of HK\$7,847,166 that was included in prepayments, deposits and other receivables has been reclassified under inventories. The revised presentation reflects more appropriately the nature of this item. The reclassification has no effect on the reported financial position, results or cash flows of the Group.

## **FINANCIAL RESULTS**

The Group turnover for the year ended 31 December 2014 amounted to approximately HK\$465.3 million representing an 10.9% increase from the previous year. Overall gross profit amounted to approximately HK\$74.8 million this year representing an 2.4% increase from the previous year. Profit attributable to owners of the Company was approximately HK\$10.5 million (2013: HK\$26.0 million).

Basic earnings per share for the year ended 31 December 2014 was HK3.94 cents (2013: HK9.75 cents).

## **DIVIDEND**

The directors recommend the payment of a final dividend of HK2 cents (2013: HK4 cents) per ordinary share on Friday, 3 July 2015 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 11 June 2015. 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 Friday, 29 May 2015 to Tuesday, 2 June 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 28 May 2015.

## **CLOSURE OF REGISTERS FOR DIVIDEND**

The Register of Members of the Company will be closed from Tuesday, 9 June 2015 to Thursday, 11 June 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 June 2015.

## **BUSINESS REVIEW**

Benefited from the increasing demand of the major customers, along with the business came from the new established customers, the sales turnover of the precision parts and components segment in 2014 increased by 18.3% to approximately HK\$361.5 million. The operating profit increased by 19.7% to approximately HK\$23.2 million. This included the loss of approximately HK\$1.5 million from the derivative financial instruments purchased to manage the impact of appreciation of Renminbi needed for the operating expenses of our factories in Mainland China.

Due to the continuous weaken demand from the market, the sales turnover of the consumer electronic products segment dropped by 8.9% to approximately HK\$103.7 million. Because of the change of product mix and the increase in manufacturing costs, the segment had turned from a gain into loss of approximately HK\$9.4 million. This included the loss of approximately HK\$0.4 million from the derivative financial instruments purchased to manage the impact of appreciation of Renminbi needed for the operating expenses of our factory in Mainland China.

Due to the uncertainty in the market and the high volatility of Renminbi exchange rate, the Group has decided to temporarily stop utilising the derivative financial instrument to manage the impact of appreciation of Renminbi needed for the operating expenses.



## **BUSINESS REVIEW (continued)**

In 2014, the Group continued to record growth in business. The increase from the precision parts and components segment offset the decrease in business from the consumer electronic products segment. The rise in production costs and the operating loss in the consumer electronic products segment had driven the gross profit margin down by 1.3% to 16.1%. The sales and distribution costs increased by 3.3% to approximately HK\$33.6 million and administrative expenses also increased by 3.0% to approximately HK\$33.2 million. Due to the increase in debts financing, the finance costs had increased by 41.6% to approximately HK\$1.4 million.

Cash and cash equivalents for the Group at the end of reporting period were approximately HK\$35.3 million. The outstanding bank borrowings and finance lease payables was HK\$47.4 million. The shareholders' equity of the Group at the end of reporting period was approximately HK\$252.2 million (2013: HK\$255.0 million).

## **FUTURE PLANS AND PROSPECTS**

Due to the increasing dominance of smartphones as an important personal electronics tool, the consumer electronic products segment will continue to face stiff challenge. The precision parts and components segment has successfully expanded the customer network in the past two years and continues to achieve steady growth in business. In order to fulfill customer needs, the Group had invested approximately HK\$38.6 million for the installation of new machines, equipments and facilities in the production of precision parts and components segment to enhance the production capability and efficiency. The investment was financed by internal resources and bank and other borrowings. The Group's financial position remains healthy, and is strong enough to finance its daily operation and invest to expand the business if needed. We can expect that the production costs in Mainland China will continue to rise and the production workers will be in shortage. Therefore, we will actively research and invest in production automation to increase production capability and improve profitability. In the coming year, we are still facing many uncertainties and would be very cautious but optimistic in our business.

## **OPERATIONS REVIEW**

The following highlights the Group's results for the year ended 31 December 2014.

- Turnover increased by 10.9% from the prior year to approximately HK\$465.3 million for the year.
- Gross profit increased by HK\$1.8 million from 2013 to approximately HK\$74.8 million in 2014.
- Profit from operating activities before finance costs was approximately HK\$13.0 million, a decrease of HK\$11.7 million from the last financial year.
- Finance costs increased by HK\$0.4 million from last year to approximately HK\$1.4 million.
- Profit after tax for the year was approximately HK\$10.5 million.

In the year under review, turnover of the precision parts and components segment has increased by approximately 18.3% as compared with the previous financial year. Turnover of the consumer electronic products segment has decreased by approximately 8.9% as compared with the prior year.

The Group's overall gross profit has increased by approximately 2.4% from the previous year.

The Group's finance costs have increased to approximately HK\$1.4 million for the year due to the increase in borrowings from banks and other financial institution.

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

The total borrowings from banks and other financial institution include all term loans, finance leases, import and export loans, which amounted to approximately HK\$47.4 million as at 31 December 2014.

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\$35.3 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 net debt divided by the total capital plus net debt as at 31 December 2014 is 29.8% (2013: 22.0%).

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

At 31 December 2014, the carrying amount of the Group's property, plant and equipment of approximately HK\$35.5 million (2013: HK\$6.7 million) was pledged under finance leases.

## **CONTINGENT LIABILITIES**

Except for corporate guarantees given to banks and other financial institution in relation to loan facilities granted to the subsidiaries, the Company had no other contingent liabilities as at 31 December 2014.

## **CAPITAL STRUCTURE**

As at 31 December 2014, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounting to approximately HK\$252.2 million.

## **FUND RAISING**

Other than obtaining general loan facilities to finance the Group's trading requirements and finance leases to finance the acquisition of machines and equipments, the Group did not have any special fund raising activities in 2014.

## **EMPLOYEES**

As at 31 December 2014, the Group had a total workforce of approximately 2,111 of which approximately 59 were based in Hong Kong, approximately 5 were based overseas and approximately 2,047 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.

## **CORPORATE GOVERNANCE CODE**

In the opinion of the directors, the Company has complied with all the code provisions of the Corporate Governance Code, 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 2014, except for the following deviation:

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.

## **REVIEW OF ACCOUNTS**

The consolidated financial statements of the Group for the year ended 31 December 2014 have been reviewed by audit committee and approved by the Board and audited by the external auditor of the Company.

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

Hong Kong, 24 March 2015

*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).*