

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2015

#### 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 2015 together with the comparative figures for the corresponding year in 2014 as follows:

#### CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
<b>REVENUE</b>	4	<b>431,756,667</b>	465,277,228
Cost of sales		<b>(371,068,152)</b>	(390,494,890)
Gross profit		<b>60,688,515</b>	74,782,338
Other income and gains	4	<b>10,976,365</b>	6,879,494
Selling and distribution costs		<b>(34,576,612)</b>	(33,618,459)
Administrative expenses		<b>(35,078,662)</b>	(33,220,901)
Other expenses	5	-	(1,850,369)
Finance costs	7	<b>(1,804,670)</b>	(1,420,299)
<b>PROFIT BEFORE TAX</b>	6	<b>204,936</b>	11,551,804
Income tax expense	8	<b>(50,822)</b>	(1,029,115)
<b>PROFIT FOR THE YEAR</b> <b>ATTRIBUTABLE TO OWNERS</b> <b>OF THE COMPANY</b>		<b>154,114</b>	10,522,689
<b>EARNINGS PER SHARE</b> <b>ATTRIBUTABLE TO OWNERS</b> <b>OF THE COMPANY</b>	10		
Basic		<b>HK0.06 cent</b>	HK3.94 cents
Diluted		<b>HK0.06 cent</b>	HK3.94 cents

\* For identification purposes only

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2015*

	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
<b>PROFIT FOR THE YEAR</b>	<u>154,114</u>	<u>10,522,689</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Surplus arising from revaluation of land and buildings	<b>5,820,648</b>	3,801,624
Income tax effect	<b>(582,672)</b>	(791,416)
	<u>5,237,976</u>	<u>3,010,208</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	<b>(6,137,548)</b>	(244,187)
	<u>(6,137,548)</u>	<u>(244,187)</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<u><b>(899,572)</b></u>	<u>2,766,021</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<u><u><b>(745,458)</b></u></u>	<u><u>13,288,710</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$</b>	2014 <b>HK\$</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>210,287,742</b>	214,615,320
Prepaid land lease payments		<b>12,335,607</b>	13,038,330
Other intangible assets		-	-
Available-for-sale financial investment		<b>680,000</b>	680,000
Prepaid rent		<b>155,550</b>	-
Total non-current assets		<b>223,458,899</b>	228,333,650
<b>CURRENT ASSETS</b>			
Inventories		<b>65,009,896</b>	56,553,529
Prepayments, deposits and other receivables		<b>9,643,532</b>	10,533,192
Trade and bills receivables	<i>11</i>	<b>74,509,281</b>	79,852,656
Cash and cash equivalents		<b>26,303,950</b>	35,305,971
Total current assets		<b>175,466,659</b>	182,245,348
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>45,751,871</b>	43,998,205
Accrued liabilities and other payables		<b>52,220,561</b>	51,138,294
Derivative financial instruments	<i>13</i>	-	256,447
Interest-bearing bank and other borrowings		<b>28,640,910</b>	28,395,144
Tax payable		<b>2,578,712</b>	6,299,396
Total current liabilities		<b>129,192,054</b>	130,087,486
<b>NET CURRENT ASSETS</b>		<b>46,274,605</b>	52,157,862
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>269,733,504</b>	280,491,512
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>13,706,022</b>	18,961,148
Deferred tax liabilities		<b>9,877,996</b>	9,295,324
Total non-current liabilities		<b>23,584,018</b>	28,256,472
Net assets		<b>246,149,486</b>	252,235,040
<b>EQUITY</b>			
Issued capital		<b>26,700,480</b>	26,700,480
Reserves		<b>219,449,006</b>	220,194,464
Proposed final dividend	<i>9</i>	-	5,340,096
Total equity		<b>246,149,486</b>	252,235,040

## 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 HKFRSs, 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 Company 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 2014 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

### **New Hong Kong Companies Ordinance (Cap. 622) (“HKCO”)**

The financial-reporting requirements of Part 9 “Accounts and Audit” of the HKCO comes into operation for the preparation of these financial statements and as a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

### **New/revised HKFRSs**

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.

#### *Annual Improvements Project: 2010-2012 Cycle*

The amendments relevant to the Group include the followings:

#### *HKFRS 2 Share-based Payment*

The amendments add definitions for “performance condition” and “service condition” which were previously part of the definition of “vesting condition” and update the definitions of “vesting condition” and “market condition”. It specifies in the definition of performance condition that a vesting condition requires specified performance target(s) to be met. A performance target can be defined not only by reference to the operations (or activities) of the entity or the price (or value) of its equity instruments, but also the operations (activities) of another entity in the same group or the price (or value) of the equity instruments of that entity. Further, the performance target can also be related to the performance of the entity as a whole or a part of it or the group, including a division or an individual employee. The period for achieving the performance target shall not extend beyond the end of the service period but may start before (provided not substantially before the commencement of) the service period.

#### *HKFRS 8 Operating Segments*

HKFRS 8 is updated as follows:

- (a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.
  
- (b) It is clarified that the reconciliation of the total reportable segments’ assets to the entity’s assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

#### *HKFRS 13 Fair Value Measurement*

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity’s ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial.

#### *HKAS 16 Property, Plant and Equipment*

HKAS 16 originally required the revalued accumulated depreciation to be restated proportionately with the change in the gross carrying amount. However, it is noted that accumulated depreciation would not be restated proportionately to the gross carrying amount in situations in which both the gross carrying amount and the carrying amount are revalued non-proportionately to each other. Consequently, the Standard is amended such that a) the gross carrying amount of the revalued asset should be adjusted in a manner that is consistent with the revaluation of its carrying amount; and b) the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### *HKAS 24 Related Party Disclosures*

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the “management entity”) to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed.

### *Annual Improvements Project – 2011-2013 Cycle*

The amendments relevant to the Group include the followings:

### *HKFRS 13 Fair Value Measurement*

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32.

## 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;
- (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 2015	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	344,599,023	87,157,644	-	431,756,667
Intersegment sales	4,998,885	421,133	-	5,420,018
Intersegment management fee	-	-	5,760,000	5,760,000
Other income and gains, excluding bank interest income	8,761,588	2,124,053	48,339	10,933,980
	<u>358,359,496</u>	<u>89,702,830</u>	<u>5,808,339</u>	<u>453,870,665</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(5,420,018)
Elimination of intersegment management fee				(5,760,000)
Total segment revenue				<u>442,690,647</u>
<b>Segment results:</b>				
	14,209,733	(11,348,762)	(893,750)	1,967,221
<i>Reconciliation:</i>				
Bank interest income				42,385
Finance costs				(1,804,670)
Profit before tax				<u>204,936</u>
<b>Other segment information:</b>				
Depreciation	(11,501,713)	(2,650,208)	(3,008,103)	(17,160,024)
Gain on disposal of items of property, plant and equipment, net	122,368	41,608	-	163,976
Provision for slow-moving inventories, net	(58,905)	(410,611)	-	(469,516)
Surplus on revaluation of land and buildings credited to other comprehensive income	-	-	5,820,648	5,820,648
Amortisation of prepaid land lease payments	(310,148)	-	-	(310,148)
Realised gain arising from derivative financial instruments – transactions not qualified for hedge accounting	502,128	158,567	-	660,695
Capital expenditure	<u>(12,622,409)</u>	<u>(25,169)</u>	<u>(38,092)</u>	<u>(12,685,670)</u>

### 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
	367,432,250	105,325,024	4,926,611	477,683,885
<i>Reconciliation:</i>				
Elimination of intersegment sales				(1,287,584)
Elimination of intersegment management fee				(4,920,000)
Total segment revenue				471,476,301
<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				11,551,804
<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	(38,561,084)	(823,579)	(173,490)	(39,558,153)



### 3. OPERATING SEGMENT INFORMATION (continued)

#### Geographical information

(a) Revenue from external customers

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Hong Kong	56,719,130	66,927,139
Mainland China	64,263,195	76,237,372
Japan and other Asian countries	65,116,420	68,854,074
North America	41,413,546	47,828,516
South America	12,092,106	23,546,675
Europe	184,728,799	176,345,058
Other countries	7,423,471	5,538,394
	<u>431,756,667</u>	<u>465,277,228</u>

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

(b) Non-current assets

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Hong Kong	50,704,901	50,231,789
Mainland China	171,714,129	177,412,407
Other countries	204,319	9,454
	<u>222,623,349</u>	<u>227,653,650</u>

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

#### Information about a major customer

During the years ended 31 December 2015 and 2014, 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>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
<b>Revenue</b>		
Sale of goods	<u><b>431,756,667</b></u>	<u>465,277,228</u>
<b>Other income and gains</b>		
Bank interest income	<b>42,385</b>	680,421
Tooling charge income	<b>1,048,323</b>	729,943
Sale of scrap	<b>767,938</b>	1,022,296
Sale of samples	<b>1,254,393</b>	1,284,514
Gain on disposal of items of property, plant and equipment, net	<b>163,976</b>	393,949
Realised gain arising from derivative financial instruments – transactions not qualified for hedge accounting	<b>660,695</b>	-
Foreign exchange gain, net	<b>5,653,606</b>	2,167,597
Write back of overpayment from customers	<b>699,173</b>	-
Others	<b>685,876</b>	600,774
	<u><b>10,976,365</b></u>	<u>6,879,494</u>

#### 5. OTHER EXPENSES

	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
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
	<u>-</u>	<u>1,850,369</u>

## 6. PROFIT BEFORE TAX

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

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Staff costs (including directors' remuneration) <sup>#</sup> :		
Wages and salaries	151,560,946	147,848,944
Contributions to retirement benefit schemes	16,729,352	14,308,141
	<u>168,290,298</u>	<u>162,157,085</u>
Cost of inventories sold	370,598,636	390,236,743
Provision for slow-moving inventories, net*	469,516	258,147
Auditor's remuneration	1,191,547	1,222,335
Depreciation <sup>#</sup>	17,160,024	14,901,208
Amortisation of prepaid land lease payments	310,148	312,408
Minimum lease payments under operating leases on land and buildings <sup>#</sup>	5,848,325	5,843,229
Fair value loss on derivative financial instruments – transactions not qualified for hedge accounting	-	256,447
Realised (gain)/loss arising from derivative financial instruments – transactions not qualified for hedge accounting	(660,695)	1,593,922
Foreign exchange gain, net	(5,653,606)	(2,167,597)
Gain on disposal of items of property, plant and equipment, net	<u>(163,976)</u>	<u>(393,949)</u>

<sup>#</sup> The staff cost amounting to HK\$135,978,026 (2014: HK\$130,836,826), depreciation amounting to HK\$14,475,580 (2014: HK\$12,209,703) and minimum lease payments under operating leases on land and buildings amounting to HK\$5,377,140 (2014: HK\$5,371,521) for the year are included in "Cost of sales" in the consolidated income statement respectively.

\* The provision for slow-moving inventories for the year is included in "Cost of sales" in the consolidated income statement.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	839,660	1,055,881
Interest on finance leases	965,010	364,418
	<u>1,804,670</u>	<u>1,420,299</u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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>2015</b>	2014
	<b>HK\$</b>	<b>HK\$</b>
Current – Hong Kong		
Charge for the year	<b>1,699,833</b>	1,728,207
Over provision in prior years	<b>(695,143)</b>	(1,064,566)
Current – outside Hong Kong		
Charge for the year	<b>1,087,335</b>	2,314,257
Over provision in prior years	<b>(2,041,203)</b>	(2,382,983)
Deferred	-	434,200
	<u>50,822</u>	<u>1,029,115</u>
Tax charge for the year	<u><b>50,822</b></u>	<u>1,029,115</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>2015</b>	2014
	<b>HK\$</b>	<b>HK\$</b>
Profit before tax	<u><b>204,936</b></u>	<u>11,551,804</u>
Tax at the statutory tax rate of 16.5% (2014: 16.5%)	<b>33,814</b>	1,906,048
Effect of different rates for companies operating in other jurisdictions	<b>102,456</b>	853,579
Income not subject to tax	<b>(732,664)</b>	(732,529)
Expenses not deductible for tax	<b>1,572,953</b>	1,162,318
Unrecognised temporary differences	<b>(427,836)</b>	216,408
Utilisation of previously unrecognised tax losses	<b>(14,741)</b>	-
Over provision in prior years	<b>(2,736,346)</b>	(3,447,549)
Tax losses not recognised	<b>2,321,718</b>	1,034,531
Others	<b>(68,532)</b>	36,309
	<u>50,822</u>	<u>1,029,115</u>
Tax charge for the year	<u><b>50,822</b></u>	<u>1,029,115</u>

## 9. DIVIDENDS

	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
Attributable to the current year:		
Proposed final dividend – Nil (2014: HK2 cents per ordinary share)	-	5,340,096
Interim dividend paid – Nil (2014: HK2 cents per ordinary share)	-	5,340,096
	<u>-</u>	<u>10,680,192</u>
Attributable to previous years, approved and paid during the year:		
Final dividend – HK2 cents (2014: HK4 cents) per ordinary share	<u><b>5,340,096</b></u>	<u>10,680,192</u>

## 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:

	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
<b>Earnings</b>		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculations	<u><b>154,114</b></u>	<u>10,522,689</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><b>267,004,800</b></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 2015 and 2014.

## 11. TRADE AND BILLS RECEIVABLES

	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
Trade receivables	<b>75,331,691</b>	79,918,266
Allowance for doubtful debts	<b>(822,410)</b>	(822,410)
	<b>74,509,281</b>	79,095,856
Bills receivable discounted with recourse	-	756,800
	<b>74,509,281</b>	79,852,656

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 2015, there is a significant concentration of credit risk as 17.0% (2014: 15.0%) of the balance representing a receivable from two customers (2014: a 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>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
Within 90 days	<b>70,317,648</b>	75,175,673
91 to 180 days	<b>3,845,130</b>	3,734,894
Over 180 days	<b>346,503</b>	185,289
	<b>74,509,281</b>	79,095,856

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

	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
Within 90 days	-	756,800

The movements in allowance for doubtful debts of trade receivables are as follows:

	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
At 1 January	<b>822,410</b>	822,410
Impairment losses recognised	-	49,491
Amount written off as uncollectible	-	(49,491)
At 31 December	<b>822,410</b>	822,410

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

## 11. TRADE AND BILLS RECEIVABLES (continued)

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

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Neither past due nor impaired	53,012,135	58,884,105
Less than 1 month past due	14,456,896	15,340,896
1 to 3 months past due	5,671,130	5,114,812
3 to 6 months past due	1,369,120	512,843
	<u>74,509,281</u>	<u>79,852,656</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:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Within 90 days	44,262,025	42,645,750
91 to 180 days	1,301,367	1,331,283
Over 180 days	188,479	21,172
	<u>45,751,871</u>	<u>43,998,205</u>

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

## 13. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Current liabilities:		
Forward currency contracts	<u>-</u>	<u>256,447</u>

During the year ended 31 December 2014, the Group entered into two forward currency contracts of US\$7,250,000 each for the exchange of United States Dollars (“US\$”) with Renminbi (“RMB”) with the forward rates ranged from RMB6.1150 to RMB6.2150 per US\$1. All of the forward currency contracts matured during the year.

## **FINANCIAL RESULTS**

The Group turnover for the year ended 31 December 2015 amounted to approximately HK\$431.8 million, representing a 7.2% decrease from the previous year. Overall gross profit amounted to approximately HK\$60.7 million this year, representing a 18.8% decrease from the previous year. Profit attributable to owners of the Company was approximately HK\$0.2 million (2014: HK\$10.5 million). The income tax expense for the year under review which included a reversal of provision on tax, amounted to approximately HK\$2.7 million (2014: HK\$3.4 million).

Basic earnings per share for the year ended 31 December 2015 was HK0.06 cent (2014: HK3.94 cents).

## **DIVIDEND**

The directors do not recommend the payment of a final dividend (2014: HK2 cents) for the year ended 31 December 2015.

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

The Register of Members of the Company will be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016, 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, 26 May 2016.

## **BUSINESS REVIEW**

Business from the precision parts and components segment had slowed down in the second half of year 2015, despite the fact that turnover from new customers increased, purchase orders from most of the existing customers had decreased. As such, the turnover of the segment in 2015 decreased by 4.7% to approximately HK\$344.6 million. Due to the rise of production cost, the operating profit was decreased by 38.8% to approximately HK\$14.2 million.

Due to the continuous weaken demand from the market, the turnover of the consumer electronic products segment dropped by 16.0% to approximately HK\$87.2 million. Because of the under-utilisation of the production capacity and the increase in manufacturing costs, the segment loss was increased to approximately HK\$11.3 million.

As production costs continued to rise and the loss increased in the consumer electronic products segment, the overall gross profit margin of the Group in 2015 had gone down by 2.0% to 14.1%. The selling and distribution costs was increased by 2.9% to approximately HK\$34.6 million, administrative expenses was also increased by 5.6% to approximately HK\$35.1 million. Due to the increase in financing activities, the finance costs had increased by 27.1% to approximately HK\$1.8 million.

Cash and cash equivalents for the Group at the end of reporting period were approximately HK\$26.3 million. The outstanding bank borrowings and finance lease payables was approximately HK\$42.3 million. The shareholders' equity of the Group at the end of reporting period was approximately HK\$246.1 million (2014: HK\$252.2 million).

## **FUTURE PLANS AND PROSPECTS**

Due to the lessened demand of the consumer electronic products, we would continue to strive hard on developing new products and expand new customer base. At the same time, we have streamlined our operation and found ways to lower the costs, so as to achieve break-even as soon as possible.



## **FUTURE PLANS AND PROSPECTS (continued)**

The precision parts and components segment has continued to grow steadily, the customer base has been continuously expanded and purchase orders' intake was stable, as the situation of labour shortage has improved currently and the depreciation of Renminbi also helped to ease the pressure of manufacturing costs, along with the investment for the new machines and equipments in the past years to enhance the production capability and efficiency, we will be able to cope with the future increase in sales orders and improve our profitability.

The capital investment of the Group will be decreased for the coming year. The Group's financial position remains healthy, and is strong enough to finance our daily operation and expand the business in the future.

## **OPERATIONS REVIEW**

The following highlights the Group's results for the year ended 31 December 2015.

- Turnover decreased by 7.2% from the prior year to approximately HK\$431.8 million for the year.
- Gross profit decreased by HK\$14.1 million from 2014 to approximately HK\$60.7 million in 2015.
- Profit from operating activities before finance costs was approximately HK\$2.0 million, a decrease of HK\$11.0 million from the last financial year.
- Finance costs increased by HK\$0.4 million from last year to approximately HK\$1.8 million.
- Profit after tax for the year was approximately HK\$0.2 million.

In the year under review, turnover of the precision parts and components segment had decreased by 4.7% as compared with the previous financial year. Turnover of the consumer electronic products segment had decreased by 16.0% as compared with the prior year.

The Group's overall gross profit had decreased by 18.8% from the previous year.

The Group's finance costs had increased to approximately HK\$1.8 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 included all term loans, finance leases, import and export loans, which amounted to approximately HK\$42.3 million as at 31 December 2015.

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\$26.3 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 2015 was 31.7% (2014: 29.8%).

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

At 31 December 2015, the Group's machines and equipment with carrying amount of approximately HK\$33.5 million (2014: HK\$35.5 million) were pledged under finance leases.

## **CAPITAL STRUCTURE**

As at 31 December 2015, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$246.1 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 fund raising activities in 2015.

## **EMPLOYEES**

As at 31 December 2015, the Group had a total workforce of approximately 2,102 of which approximately 55 were based in Hong Kong, approximately 5 were based in overseas and approximately 2,042 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 governments.

## **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 2015, 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.

## **SCOPE OF WORK OF MAZARS CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

## **REVIEW OF ACCOUNTS**

The consolidated financial statements of the Group for the year ended 31 December 2015 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, 23 March 2016

*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).*