

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 2016

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 2016 together with the comparative figures for the corresponding year in 2015 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
REVENUE	4	431,017,389	431,756,667
Cost of sales		(378,419,345)	(371,068,152)
Gross profit		52,598,044	60,688,515
Other income and gains	4	12,564,077	10,976,365
Selling and distribution costs		(35,361,815)	(34,576,612)
Administrative and other expenses		(36,427,010)	(35,078,662)
Finance costs	5	(1,675,059)	(1,804,670)
(LOSS)/PROFIT BEFORE TAX	6	(8,301,763)	204,936
Income tax credit/(expense)	7	191,614	(50,822)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(8,110,149)	154,114
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		(HK3.04 cents)	HK0.06 cent
Diluted		(HK3.04 cents)	HK0.06 cent

* For identification purposes only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2016*

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(8,110,149)</u>	<u>154,114</u>
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified to profit or loss:		
Surplus arising from revaluation of land and buildings	12,190,768	5,820,648
Income tax effect	(4,441,346)	(582,672)
	<u>7,749,422</u>	<u>5,237,976</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(12,727,767)	(6,137,548)
	<u>(4,978,345)</u>	<u>(899,572)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(4,978,345)</u>	<u>(899,572)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(13,088,494)</u>	<u>(745,458)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 HK\$	2015 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		195,460,747	210,287,742
Prepaid land lease payments		11,269,694	12,335,607
Other intangible assets		-	-
Available-for-sale financial investment		680,000	680,000
Prepaid rent		-	155,550
		<hr/>	<hr/>
Total non-current assets		207,410,441	223,458,899
CURRENT ASSETS			
Inventories		60,358,767	65,009,896
Prepayments, deposits and other receivables		9,977,939	9,643,532
Trade and bills receivables	<i>10</i>	76,658,999	74,509,281
Cash and cash equivalents		24,384,156	26,303,950
		<hr/>	<hr/>
Total current assets		171,379,861	175,466,659
CURRENT LIABILITIES			
Trade payables	<i>11</i>	46,443,046	45,751,871
Accrued liabilities and other payables		42,490,503	52,220,561
Interest-bearing bank and other borrowings		36,399,168	28,640,910
Tax payable		119,426	2,578,712
		<hr/>	<hr/>
Total current liabilities		125,452,143	129,192,054
NET CURRENT ASSETS		45,927,718	46,274,605
TOTAL ASSETS LESS CURRENT LIABILITIES		253,338,159	269,733,504
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		5,894,556	13,706,022
Deferred tax liabilities		14,382,611	9,877,996
		<hr/>	<hr/>
Total non-current liabilities		20,277,167	23,584,018
		<hr/>	<hr/>
Net assets		233,060,992	246,149,486
EQUITY			
Issued capital		26,700,480	26,700,480
Reserves		206,360,512	219,449,006
		<hr/>	<hr/>
Total equity		233,060,992	246,149,486
		<hr/>	<hr/>

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 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.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 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.

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 and profits and losses 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.

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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year had no significant impact on the financial statements of the Group and the Company for current and prior year.

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKASs 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements Project	2012-2014 Cycle

Amendments to HKAS 1: Disclosure Initiative

The amendments include changes in the following five areas: (1) materiality; (2) disaggregation and subtotals; (3) structure of notes; (4) disclosure of accounting policies; (5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Amendments to HKASs 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to HKAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to HKAS 38 clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Amendments to HKAS 27 (2011): Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The Company did not elect to use the equity method to account for its investment in subsidiaries in its separate financial statements and therefore, the adoption of the amendments did not have any significant impact on the consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements Project – 2012-2014 Cycle

- (1) HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in Methods of Disposal

These amendments clarify the accounting for a change in an entity's disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders (or vice versa). Such a reclassification shall not be treated as a change to a plan of sale (or distribution to owners) and accounted for as such. Consequently, such a change in classification is considered as a continuation of the original plan of disposal and the entity will not follow the accounting for a change to the plan. Besides, to address the lack of guidance in circumstances when an asset no longer meets the criteria for held for distribution to owners, the amendments clarify that an entity should cease to apply held-for-distribution accounting in the same way as it ceases to apply the held-for-sale accounting when the asset no longer meets the held-for-sale criteria.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

- (2) HKFRS 7 Financial Instruments: Disclosures

- (a) Servicing contracts

These amendments clarify what kind of servicing contracts may constitute continuing involvements for the purposes of applying the disclosure requirements for transferred financial assets that are derecognised in their entirety.

- (b) Applicability of the Amendments to HKFRS 7 concerning Offsetting to Condensed Interim Financial Statements

These amendments also clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

- (3) HKAS 34 Interim Financial Reporting: Disclosure of Information "elsewhere in the interim financial report"

The amendment clarifies the meaning of disclosures of certain information "elsewhere in the interim financial report" as allowed by HKAS 34. The disclosures shall be given by cross-reference from the interim financial statements to some other statement that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

The adoption of the amendment did not have any significant 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 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 (loss)/profit before tax from continuing operations. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit 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.

Year ended 31 December 2016	Precision parts and components <i>HK\$</i>	Consumer electronic products <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue:				
Sales to external customers	342,437,095	88,580,294	-	431,017,389
Intersegment sales	9,286,648	600,042	-	9,886,690
Intersegment management fee	-	-	5,760,000	5,760,000
Other income and gains, excluding bank interest income	11,443,740	1,065,144	19,563	12,528,447
Reportable segment revenue	363,167,483	90,245,480	5,779,563	459,192,526
<i>Reconciliation:</i>				
Elimination of intersegment sales				(9,886,690)
Elimination of intersegment management fee				(5,760,000)
Bank interest income				35,630
Total revenue, other income and gains				443,581,466
Segment results:	16,260,466	(21,236,413)	(1,686,387)	(6,662,334)
<i>Reconciliation:</i>				
Bank interest income				35,630
Finance costs				(1,675,059)
Loss before tax				(8,301,763)

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016	Precision parts and components <i>HK\$</i>	Consumer electronic products <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
Other segment information:				
Depreciation	(10,749,422)	(2,294,211)	(3,058,795)	(16,102,428)
Loss on disposal of items of property, plant and equipment, net	(85,703)	-	-	(85,703)
Provision for slow-moving inventories, net	(37,153)	(5,588,875)	-	(5,626,028)
Surplus on revaluation of land and buildings credited to other comprehensive income	3,737,441	-	8,453,327	12,190,768
Amortisation of prepaid land lease payments	(296,132)	-	-	(296,132)
Provision for impairment losses on property, plant and equipment	-	(4,835,785)	-	(4,835,785)
Capital expenditure	(5,511,390)	(18,570)	(14,930)	(5,544,890)
	<u>(10,749,422)</u>	<u>(2,294,211)</u>	<u>(3,058,795)</u>	<u>(16,102,428)</u>
	Precision parts and components <i>HK\$</i>	Consumer electronic products <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
Year ended 31 December 2015				
Segment revenue:				
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
Reportable segment revenue	358,359,496	89,702,830	5,808,339	453,870,665
Reconciliation:				
Elimination of intersegment sales				(5,420,018)
Elimination of intersegment management fee				(5,760,000)
Bank interest income				42,385
Total revenue, other income and gains				<u>442,733,032</u>
Segment results:	14,209,733	(11,348,762)	(893,750)	1,967,221
Reconciliation:				
Bank interest income				42,385
Finance costs				(1,804,670)
Profit before tax				<u>204,936</u>

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>
Other segment information:				
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	2,676,204	-	3,144,444	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>

Geographical information

(a) Revenue from external customers

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Hong Kong	41,166,394	56,719,130
Mainland China	70,645,244	64,263,195
Japan and other Asian countries	102,754,155	65,116,420
North America	39,563,643	41,413,546
South America	6,842,036	12,092,106
Europe	162,093,158	184,728,799
Other countries	7,952,759	7,423,471
	<u>431,017,389</u>	<u>431,756,667</u>

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

(b) Non-current assets

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Hong Kong	56,396,561	50,704,901
Mainland China	150,116,900	171,714,129
Other countries	216,980	204,319
	<u>206,730,441</u>	<u>222,623,349</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 2016 and 2015, no customer contributed over 10% of the total sales of the Group.

4. REVENUE, OTHER INCOME AND GAINS

Revenue 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:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Revenue		
Sale of goods	<u>431,017,389</u>	<u>431,756,667</u>
Other income and gains		
Bank interest income	35,630	42,385
Tooling charge income	715,227	1,048,323
Sale of scrap	1,524,544	767,938
Sale of samples	1,172,670	1,254,393
Gain on disposal of items of property, plant and equipment, net	-	163,976
Realised gain arising from derivative financial instruments – transactions not qualified for hedge accounting	-	660,695
Foreign exchange gain, net	8,648,080	5,653,606
Write back of overpayment from customers	-	699,173
Others	467,926	685,876
	<u>12,564,077</u>	<u>10,976,365</u>
Total revenue, other income and gains	<u>443,581,466</u>	<u>442,733,032</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	846,173	839,660
Interest on finance leases	828,886	965,010
	<u>1,675,059</u>	<u>1,804,670</u>

6. (LOSS)/PROFIT BEFORE TAX

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

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Staff costs (including directors' remuneration) [#] :		
Wages and salaries	149,337,296	151,560,946
Contributions to retirement benefit schemes	16,823,664	16,729,352
	<u>166,160,960</u>	<u>168,290,298</u>
Cost of inventories sold	372,793,317	370,598,636
Provision for slow-moving inventories, net*	5,626,028	469,516
Auditor's remuneration	1,190,656	1,191,547
Depreciation [#]	16,102,428	17,160,024
Provision for impairment losses on property, plant and equipment	4,835,785	-
Amortisation of prepaid land lease payments	296,132	310,148
Minimum lease payments under operating leases on land and buildings [#]	7,272,199	5,848,325
Realised gain arising from derivative financial instruments – transactions not qualified for hedge accounting	-	(660,695)
Foreign exchange gain, net	(8,648,080)	(5,653,606)
Loss/(gain) on disposal of items of property, plant and equipment, net	<u>85,703</u>	<u>(163,976)</u>

[#] The staff cost amounted to HK\$135,752,372 (2015: HK\$135,978,026), depreciation amounted to HK\$13,379,903 (2015: HK\$14,475,580) and minimum lease payments under operating leases on land and buildings amounted to HK\$6,777,242 (2015: HK\$5,377,140) 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. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Current – Hong Kong		
Charge for the year	528,610	1,699,833
Over provision in prior years	(115,755)	(695,143)
Current – outside Hong Kong		
Charge for the year	707,901	1,087,335
Over provision in prior years	(1,375,639)	(2,041,203)
Deferred tax	63,269	-
	<u>(191,614)</u>	<u>50,822</u>
Tax (credit)/charge for the year	<u>(191,614)</u>	<u>50,822</u>

7. INCOME TAX (continued)

A reconciliation of the tax (credit)/expense applicable to (loss)/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 (credit)/expense is as follows:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
(Loss)/profit before tax	<u>(8,301,763)</u>	<u>204,936</u>
Tax at the statutory tax rate of 16.5% (2015: 16.5%)	(1,369,791)	33,814
Effect of different rates for companies operating in other jurisdictions	184,576	102,456
Income not subject to tax	(1,930,054)	(732,664)
Expenses not deductible for tax	1,311,260	1,572,953
Unrecognised temporary differences	1,746,962	(427,836)
Utilisation of previously unrecognised tax losses	(97,135)	(14,741)
Over provision in prior years	(1,491,394)	(2,736,346)
Tax losses not recognised	1,584,695	2,321,718
Others	<u>(130,733)</u>	<u>(68,532)</u>
Tax (credit)/charge for the year	<u>(191,614)</u>	<u>50,822</u>

8. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2016 (2015: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted (loss)/earnings per share is based on the (loss)/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 (loss)/earnings per share are based on:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company		
used in the basic and diluted (loss)/earnings per share calculation	<u>(8,110,149)</u>	<u>154,114</u>
Shares		
Weighted average number of ordinary shares in issue during the year		
used in the basic and diluted (loss)/earnings per share calculation	<u>267,004,800</u>	<u>267,004,800</u>

As there were no dilutive potential ordinary shares, diluted (loss)/earnings per share was the same as basic (loss)/earnings per share in 2016 and 2015.

10. TRADE AND BILLS RECEIVABLES

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Trade receivables	77,135,806	75,331,691
Allowance for doubtful debts	(822,410)	(822,410)
	76,313,396	74,509,281
Bills receivable discounted with recourse	345,603	-
	76,658,999	74,509,281

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 2016, there is a significant concentration of credit risk as 20.8% (2015: 16.9%) of the balance representing a receivable from a single customer (2015: two customers), 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:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Within 90 days	71,731,625	70,317,648
91 to 180 days	4,383,568	3,845,130
Over 180 days	198,203	346,503
	76,313,396	74,509,281

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

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Within 90 days	345,603	-

During the years ended 31 December 2016 and 2015, there was no movement in allowance for doubtful debts of trade receivables.

10. TRADE AND BILLS RECEIVABLES (continued)

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

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Neither past due nor impaired	60,015,253	53,012,135
Less than 1 month past due	11,988,107	14,456,896
1 to 3 months past due	3,890,087	5,671,130
3 to 6 months past due	765,552	1,369,120
	<u>76,658,999</u>	<u>74,509,281</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.

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:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Within 90 days	44,308,732	44,262,025
91 to 180 days	1,977,194	1,301,367
Over 180 days	157,120	188,479
	<u>46,443,046</u>	<u>45,751,871</u>

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

FINANCIAL RESULTS

The Group's turnover for the year ended 31 December 2016 amounted to approximately HK\$431.0 million, representing a 0.2% decrease from the previous year. Overall gross profit amounted to approximately HK\$52.6 million this year, representing a 13.3% decrease from the previous year. Loss attributable to owners of the Company was approximately HK\$8.1 million (2015: profit of HK\$0.2 million).

Basic loss for the year ended 31 December 2016 amounted to HK3.04 cents (2015: earnings HK0.06 cent) per share.

DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

CLOSURE OF REGISTERS FOR ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed from Friday, 26 May 2017 to Thursday, 1 June 2017, 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, 25 May 2017.

BUSINESS REVIEW

The segment of consumer electronic products failed to produce adequate improvement in performance and recorded losses for the years ended 31 December 2014, 2015 and 2016. Provision for impairment on segment assets and other costs of approximately HK\$13.1 million were made and incurred in 2016 that comprised of slow-moving inventories, machines, equipment and decoration as well as staff compensations.

The turnover of the consumer electronic products segment slightly increased to approximately HK\$88.6 million, representing a 1.6% slightly increase. The operating loss of this segment was increased to approximately HK\$21.2 million (2015: HK\$11.3 million) included the provision as mentioned above. If the provision was excluded, the operating loss of this segment will be decreased to approximately HK\$8.1 million, representing a 27.9% decrease, after streamlining the operation since the beginning of 2016.

The turnover of the precision parts and components segment amounted to approximately HK\$342.4 million, which slightly decreased by 0.6%. Benefited from the increasing demand of the newly established customers and launching new products in the second half of 2016, the operating profit in this segment increased to approximately HK\$16.3 million (2015: HK\$14.2 million), which the operating results for the second half of 2016 had improved as compared with the first half of 2016 as well as the second half of 2015.

If excluded the above-mentioned provision of approximately HK\$13.1 million made this year, the Group's profit for the year increased to approximately HK\$5.0 million (2015: HK\$0.2 million). The selling and distribution costs increased by 2.3% to approximately HK\$35.4 million and administrative and other expenses increased by 3.8% to approximately HK\$36.4 million. The finance costs decreased by 7.2% to approximately HK\$1.7 million due to the decrease in financing activities.

FUTURE PLANS AND PROSPECTS

During the last few years, the Group had incurred capital expenditure of more than HK\$60.0 million in the precision parts and components segment to enhance the production capacity and efficiency. These enhancements were appreciated by our customers resulting in not only increase in sales orders and expansion of our customers' base, but also speeding up the automation level solving the problem of labour shortage. Together with the depreciation of Renminbi easing the pressure of manufacturing cost, we are confident that the Group will continue to achieve steady business growth in this segment.

Looking ahead, the Group will continue our focus on developing the precision parts and components business, we will actively invest in production automation as well as new technology to increase production capacity, strengthen our sales and marketing, expand the customer base and business scope, so as to enhance our profitability. 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 2016.

- Turnover decreased by 0.2% from the prior year to approximately HK\$431.0 million for the year.
- Gross profit decreased by HK\$8.1 million from 2015 to approximately HK\$52.6 million in 2016.
- Loss from operating activities before finance costs was approximately HK\$6.6 million for the year, while, a profit was approximately HK\$2.0 million for the last financial year.
- Finance costs decreased by HK\$0.1 million from last year to approximately HK\$1.7 million.
- Loss after tax for the year was approximately HK\$8.1 million.

In the year under review, turnover of the precision parts and components segment had decreased by 0.6% as compared with the previous financial year. Turnover of the consumer electronic products segment had increased by 1.6% as compared with the prior year.

The Group's overall gross profit had decreased by 13.3% from the previous year.

The Group's finance costs had decreased to approximately HK\$1.7 million for the year due to the decrease in financing activities 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 2016.

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\$24.4 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 2016 was 31.4% (2015: 31.7%).

CHARGE ON THE GROUP'S ASSETS

At 31 December 2016, the Group's machines and equipment with carrying amount of approximately HK\$30.9 million (2015: HK\$33.5 million) were pledged under finance leases.

CAPITAL STRUCTURE

As at 31 December 2016, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$233.1 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 equipment, the Group did not have any fund raising activities in 2016.

EMPLOYEES

As at 31 December 2016, the Group had a total workforce of approximately 1,922 of which approximately 49 were based in Hong Kong, approximately 5 were based in overseas and approximately 1,868 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 2016, 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 2016 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 2016 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, 28 March 2017

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).