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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 2018

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 2018 together with the comparative figures for the corresponding year in 2017 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018

	Notes	2018 HK\$	2017 HK\$
REVENUE	4	463,654,603	422,925,066
Cost of sales		(404,213,739)	(345,457,646)
Gross profit		59,440,864	77,467,420
Other income and gains	4	16,758,435	4,828,262
Selling and distribution costs		(31,410,607)	(35,069,405)
Administrative and other expenses		(37,866,161)	(36,600,166)
Finance costs	5	(1,813,977)	(1,480,583)
PROFIT BEFORE TAX	6	5,108,554	9,145,528
Income tax expense	7	(3,883,934)	(853,668)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,224,620	8,291,860
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		HK0.46 cent	HK3.11 cents
Diluted		HK0.46 cent	HK3.11 cents

* For identification purposes only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2018*

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
PROFIT FOR THE YEAR	<u>1,224,620</u>	<u>8,291,860</u>
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Surplus arising from revaluation of land and buildings	16,645,788	19,051,608
Income tax effect	(4,256,567)	(3,379,500)
	<u>12,389,221</u>	<u>15,672,108</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(6,878,794)	9,813,915
	<u>(6,878,794)</u>	<u>9,813,915</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>5,510,427</u>	<u>25,486,023</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>6,735,047</u>	<u>33,777,883</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>Notes</i>	2018 HK\$	2017 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		211,573,006	214,598,441
Prepaid land lease payments		10,844,406	11,579,982
Financial asset at fair value through profit or loss		680,000	-
Available-for-sale financial investment		-	680,000
		<hr/>	<hr/>
Total non-current assets		223,097,412	226,858,423
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		64,120,558	73,449,981
Prepayments, deposits and other receivables		7,217,855	12,184,497
Trade and bills receivables	<i>10</i>	87,367,262	73,915,143
Tax recoverable		-	719,310
Cash and cash equivalents		43,762,395	42,285,169
		<hr/>	<hr/>
Total current assets		202,468,070	202,554,100
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>11</i>	44,923,952	54,679,126
Accrued liabilities and other payables		46,704,221	51,007,552
Interest-bearing bank and other borrowings		34,105,228	35,602,809
Tax payable		2,535,010	-
		<hr/>	<hr/>
Total current liabilities		128,268,411	141,289,487
		<hr/>	<hr/>
NET CURRENT ASSETS		74,199,659	61,264,613
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		297,297,071	288,123,036
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,704,471	3,522,050
Deferred tax liabilities		22,018,678	17,762,111
		<hr/>	<hr/>
Total non-current liabilities		23,723,149	21,284,161
		<hr/>	<hr/>
Net assets		273,573,922	266,838,875
		<hr/>	<hr/>
EQUITY			
Issued capital		26,700,480	26,700,480
Reserves		246,873,442	240,138,395
		<hr/>	<hr/>
Total equity		273,573,922	266,838,875
		<hr/>	<hr/>

1. BASIS OF PREPARATION

These consolidated 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 (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated 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 consolidated financial statements have been prepared under the historical cost convention, except for land and buildings and a financial asset measured at fair value through profit or loss, which have been measured at revalued amount/fair value. These consolidated financial statements are presented in Hong Kong dollars.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 consolidated 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. The financial statements of the subsidiaries are prepared for the same reporting year 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 profit 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 Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Amendments to HKFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the Interpretation does not have any significant impact on the consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss.
- FVOCI: fair value through other comprehensive income.
- Designated FVOCI: equity instruments measured at FVOCI.
- Mandatory FVOCI: debt instruments measured at FVOCI.

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 January 2018 (i.e. the date of initial application), except as described below:

- (a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:
- (i) the determination of the business model within which a financial asset is held;
 - (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and
 - (iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

- (b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.
- (c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9: Financial Instruments (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

As at 1 January 2018

Measurement category under HKAS 39	Carrying amount under HKAS 39 <i>HK\$</i>	Measurement category and carrying amount under HKFRS 9	
		Amortised cost <i>HK\$</i>	FVPL <i>HK\$</i>
<i>Available-for-sale financial investment</i>			
Club membership	680,000	-	680,000
<i>Loans and receivables</i>			
Cash and cash equivalents	42,285,169	42,285,169	-
Trade and bills receivables	73,915,143	73,915,143	-
Prepayments, deposits and other receivables	748,356	748,356	-
	<u>117,628,668</u>	<u>116,948,668</u>	<u>680,000</u>

The club membership that was previously classified as available-for-sale financial investment amounting to HK\$680,000 is now reclassified to FVPL. It does not meet the criteria to be classified as amortised cost or Mandatory FVOCI in accordance with HKFRS 9, because its cash flows do not represent solely payment of principal and interest and it is not equity investment.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9: Financial Instruments (continued)

(ii) *Credit losses*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Further details on the accounting policy for accounting for credit losses will be set out in notes to the consolidated financial statements.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The Standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption (if any) as an adjustment to the opening balance of components of equity at 1 January 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 January 2018 in accordance with the transitional provision therein.

The adoption of HKFRS 15 does 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 operating 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 before tax from continuing operations. The adjusted profit before tax is measured consistently with the Group's 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 and are eliminated on consolidation.

Year ended 31 December 2018	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	423,565,768	40,088,835	-	463,654,603
Intersegment sales	857,051	55,208	-	912,259
Reportable segment revenue	424,422,819	40,144,043	-	464,566,862
<i>Reconciliation:</i>				
Elimination of intersegment sales				(912,259)
Revenue				463,654,603
Segment results:	17,584,511	(7,908,570)	(2,812,931)	6,863,010
<i>Reconciliation:</i>				
Bank interest income				59,521
Finance costs				(1,813,977)
Profit before tax				5,108,554

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018	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:				
Other income and gains, net of foreign exchange gain	9,379,755	1,556,391	287,752	11,223,898
Depreciation	(11,783,683)	(415)	(3,295,338)	(15,079,436)
(Loss)/gain on disposal of items of property, plant and equipment, net	(50,934)	397,766	-	346,832
Provision for slow-moving inventories, net	(427,566)	(1,205,417)	-	(1,632,983)
Surplus on revaluation of land and buildings credited to other comprehensive income	5,455,788	-	11,190,000	16,645,788
Amortisation of prepaid land lease payments	(297,941)	-	-	(297,941)
Minimum lease payments under operating leases on land and buildings	(4,627,690)	(378,221)	(176,100)	(5,182,011)
Foreign exchange gain/(loss), net	5,670,766	641,788	(778,017)	5,534,537
Provision for impairment losses on property, plant and equipment	(1,855,946)	-	-	(1,855,946)
Mainland China staff compensation due to closure of factories	(13,392,309)	(2,512,734)	-	(15,905,043)
Capital expenditure	(3,603,743)	-	(8,330)	(3,612,073)
<hr/>				
Year ended 31 December 2017	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	371,591,216	51,333,850	-	422,925,066
Intersegment sales	5,778,568	335,923	-	6,114,491
Reportable segment revenue	377,369,784	51,669,773	-	429,039,557
<i>Reconciliation:</i>				
Elimination of intersegment sales				(6,114,491)
Revenue				422,925,066
<hr/>				
Segment results:	19,707,366	(7,307,932)	(1,816,343)	10,583,091
<i>Reconciliation:</i>				
Bank interest income				43,020
Finance costs				(1,480,583)
Profit before tax				9,145,528

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017	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:				
Other income and gains	3,241,438	1,557,472	29,352	4,828,262
Depreciation	(10,755,017)	(14,031)	(3,171,442)	(13,940,490)
Gain on disposal of items of property, plant and equipment, net	106,752	310,683	-	417,435
(Provision)/reversal of provision for slow-moving inventories, net	(32,820)	1,298,123	-	1,265,303
Surplus on revaluation of land and buildings credited to other comprehensive income	4,581,346	-	14,470,262	19,051,608
Amortisation of prepaid land lease payments	(290,707)	-	-	(290,707)
Minimum lease payments under operating leases on land and buildings	(4,534,482)	(2,939,753)	(181,620)	(7,655,855)
Foreign exchange (loss)/gain, net	(5,264,363)	(1,040,400)	870,591	(5,434,172)
Reversal of impairment losses on property, plant and equipment	-	526,680	-	526,680
Capital expenditure	(5,036,675)	-	(28,250)	(5,064,925)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

(a) Revenue from external customers

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Hong Kong	33,000,376	26,586,406
Mainland China	80,793,916	72,419,950
Japan and other Asian countries	173,487,957	143,860,200
North America	41,103,697	37,434,439
South America	8,277,206	10,406,219
Europe	120,649,914	126,544,015
Other countries	6,341,537	5,673,837
	<u>463,654,603</u>	<u>422,925,066</u>

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

(b) Non-current assets

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Hong Kong	76,711,487	67,972,123
Mainland China	145,579,088	157,941,834
Other countries	126,837	264,466
	<u>222,417,412</u>	<u>226,178,423</u>

The non-current assets information above is based on the geographical location of assets and excludes the financial asset at FVPL/available-for-sale financial investment.

3. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

Revenue of HK\$106,379,226 (2017: HK\$80,117,012) was derived from a single customer of the precision parts and components segment that contributing over 10% of the Group's revenue for the year.

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:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of goods	<u>463,654,603</u>	<u>422,925,066</u>
Other income and gains		
Bank interest income	59,521	43,020
Tooling charge income	555,169	339,090
Sale of scrap	5,665,308	941,829
Sale of samples	3,191,297	1,657,755
Gain on disposal of items of property, plant and equipment, net	346,832	417,435
Foreign exchange gain, net	5,534,537	-
Reversal of impairment losses on property, plant and equipment	-	526,680
Incentive received*	198,427	258,657
Sales of other materials	-	105,368
Compensation income	-	73,583
Overpayment from customers	596,208	-
Others	611,136	464,845
	<u>16,758,435</u>	<u>4,828,262</u>
Total revenue, other income and gains	<u>480,413,038</u>	<u>427,753,328</u>

The amount of revenue recognised for the year ended 31 December 2018 that was included in the contract liabilities at the beginning of the year is HK\$10,696,555.

* During the year, the Group received an electricity charges relief in Renminbi ("RMB") of \$166,746 (approximately HK\$198,427 from the power supply company in Shenzhen, Mainland China. In 2017, the Group received an one-off incentive of RMB224,919 (approximately HK\$258,657) from the local government in Shenzhen, Mainland China.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	1,506,053	975,968
Interest on finance leases	307,924	504,615
	<u>1,813,977</u>	<u>1,480,583</u>

6. PROFIT BEFORE TAX

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

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Staff costs (including directors' remuneration)#:		
Wages and salaries	127,965,246	134,241,976
Mainland China staff compensation due to closure of factories	15,905,043	-
Contributions to retirement benefit schemes	14,656,060	15,291,459
	<u>158,526,349</u>	<u>149,533,435</u>
Cost of inventories sold	402,580,756	346,722,949
Provision/(reversal of provision) for slow-moving inventories, net*	1,632,983	(1,265,303)
Auditor's remuneration	1,198,463	1,197,338
Depreciation#	15,079,436	13,940,490
Provision/(reversal of provision) for impairment losses on property, plant and equipment	1,855,946	(526,680)
Amortisation of prepaid land lease payments	297,941	290,707
Minimum lease payments under operating leases on land and buildings#	5,182,011	7,655,855
Foreign exchange (gain)/loss, net	(5,534,537)	5,434,172
Gain on disposal of items of property, plant and equipment, net	<u>(346,832)</u>	<u>(417,435)</u>

The staff cost amounting to HK\$124,824,145 (2017: HK\$118,938,927), depreciation amounting to HK\$12,130,131 (2017: HK\$11,045,725) and minimum lease payments under operating leases on land and buildings amounting to HK\$4,577,276 (2017: HK\$7,143,189) for the year are included in "Cost of sales" in the consolidated income statement respectively.

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

7. INCOME TAX

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5% for the year ended 31 December 2018. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Taxes on assessable profits outside Hong Kong have been provided on the estimated assessable profits for the year, in respect of the Group’s operations outside Hong Kong, at the rates of taxation prevailing in the relevant jurisdictions.

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Current – Hong Kong		
Charge for the year	2,886,205	374,950
Over provision in prior years	-	(2,991)
Current – outside Hong Kong		
Charge for the year	798,446	517,271
Under/(over) provision in prior years	199,283	(35,562)
Tax expense for the year	<u>3,883,934</u>	<u>853,668</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:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Profit before tax	<u>5,108,554</u>	<u>9,145,528</u>
Tax at the statutory tax rate of 16.5% (2017: 16.5%)	842,911	1,509,012
Tax effect of two-tiered profits tax rates regime	(165,000)	-
Effect of different rates for companies operating in other jurisdictions	282,222	190,454
Income not subject to tax	(300,854)	(585,834)
Expenses not deductible for tax	68,098	18,299
Unrecognised temporary differences*	2,909,033	(1,558,367)
Utilisation of previously unrecognised tax losses	(299,084)	(171,186)
Under/(over) provision in prior years	199,283	(38,553)
Tax losses not recognised	513,629	1,813,616
Others	(166,304)	(323,773)
Tax expense for the year	<u>3,883,934</u>	<u>853,668</u>

* The unrecognised temporary differences for the year mainly arose from the provision for Mainland China staff compensation due to the closure of a factory.

8. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: Nil).

9. 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:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	<u>1,224,620</u>	<u>8,291,860</u>
Shares		
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 2018 and 2017.

10. TRADE AND BILLS RECEIVABLES

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Trade receivables	88,044,497	74,359,951
Less: loss allowance	(822,410)	(822,410)
	<u>87,222,087</u>	<u>73,537,541</u>
Bills receivable discounted with recourse	145,175	377,602
	<u>87,367,262</u>	<u>73,915,143</u>

During the year, the Group discounted bills receivable to a bank in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amount of bills receivable and has recognised the cash received as secured bank borrowings. At the end of the reporting period, the carrying amount of discounted bills receivable is HK\$145,175 (2017: HK\$377,602). The carrying amount of the associated liability is HK\$145,175 (2017: HK\$377,602).

Information about the Group's exposure to credit risks and loss allowance for trade and other receivables will be included in notes to the consolidated financial statements.

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

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Within 90 days	79,545,191	69,376,022
91 to 180 days	6,813,196	3,866,173
Over 180 days	863,700	295,346
	<u>87,222,087</u>	<u>73,537,541</u>

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:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Within 90 days	42,446,950	53,814,209
91 to 180 days	2,473,819	860,779
Over 180 days	3,183	4,138
	<hr/> 44,923,952 <hr/>	<hr/> 54,679,126 <hr/>

The trade payables are unsecured, 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 2018 amounted to approximately HK\$463.7 million, representing a 9.6% increase from the previous year. Overall gross profit amounted to approximately HK\$59.4 million this year, representing a 23.3% decrease from the previous year. Profit attributable to owners of the Company was approximately HK\$1.2 million (2017: HK\$8.3 million).

Basic earnings for the year ended 31 December 2018 amounted to HK0.46 cent (2017: HK3.11 cents) per share.

DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTERS FOR ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019, 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 to be held on Friday, 31 May 2019, 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, 27 May 2019.

BUSINESS REVIEW

Due to the failure in renewing the tenancy agreement for one of factories under precision parts and components segment, the factory had ceased its manufacturing operation in February 2019. An one-off provision for staff compensation approximately HK\$13.4 million to layoff the workers was incurred in the Group for the year ended 31 December 2018, together with provision for impairment loss of assets approximately HK\$1.9 million under the factory.

The turnover of the precision parts and components segment amounted to approximately HK\$423.6 million, representing an increase of 14.0% from the previous year. The operating profit in this segment decreased to approximately HK\$17.6 million (2017: HK\$19.7 million), as incurred the provisions for closure of the factory as mentioned above. If the provisions were excluded, the operating profit in this segment increased to HK\$32.9 million from HK\$19.7 million in 2017, which was the highest among the past five years.

The turnover of the consumer electronic products segment decreased to approximately HK\$40.1 million, representing a 21.9% decrease. The operating loss of this segment was increased to approximately HK\$7.9 million from HK\$7.3 million in 2017. Due to the continuous decline in demand of its products, the Group decided the operation of this segment would phase out upon completion of existing orders on hand in the first half of year 2019.

The gross profit margin of the Group in 2018 dropped by 5.5% to 12.8% mainly arising from the above-mentioned provisions for the closure of the factory. The selling and distribution costs were decreased by 10.4% to approximately HK\$31.4 million mainly due to the decrease in advertising expenses, and the administrative and other expenses were increased by 3.5% to approximately HK\$37.9 million. The finance costs had increased by 22.5% to approximately HK\$1.8 million due to the rise in market interest rates.

FUTURE PLANS AND PROSPECTS

Looking ahead, the Group will focus on development of the precision parts and components segment business, including of speeding up the automation for solving the problem of labour shortage in Mainland China. In addition, the capital investment made during the past few years in the precision parts and components segment that not only enhanced the production capacity and efficiency but also highly appreciated by our existing and new customers led to the growth momentum in turnover during the past few years. The Group will continuously seek for opportunities to invest in production automation and new technology, so as to cope with the increasing sales orders. Despite the uncertainty of the global economic situation and full of challenges in 2019, we are still confident that the Group will improve the profit margin and profitability. The Group's financial position remains healthy, and is strong enough to finance our daily operation.

OPERATIONS REVIEW

The following highlights the Group's results for the year ended 31 December 2018.

- Turnover increased by 9.6% from the previous year to approximately HK\$463.7 million for the year.
- Gross profit decreased by HK\$18.0 million from 2017 to approximately HK\$59.4 million in 2018.
- Profit from operating activities before finance costs decreased by HK\$3.7 million from previous year to approximately HK\$6.9 million for the year.
- Finance costs increased by HK\$0.3 million from the previous year to approximately HK\$1.8 million.
- Profit after tax for the year was approximately HK\$1.2 million.

In the year under review, turnover of the precision parts and components segment had increased by 14.0% as compared with the previous year. Turnover of the consumer electronic products segment had decreased by 21.9% as compared with the previous year.

The Group's overall gross profit had decreased by 23.3% from the previous year.

The Group's finance costs had increased to approximately HK\$1.8 million for the year due to rise in market interest rates of 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\$35.8 million as at 31 December 2018.

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\$43.8 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 2018 was 23.4% (2017: 27.8%).

CHARGE ON THE GROUP'S ASSETS

At 31 December 2018, the Group's machines and equipment and trade receivables with carrying amount of approximately HK\$7.9 million and HK\$0.1 million (2017: HK\$25.5 million and HK\$0.4 million) were pledged under finance leases and bank loans – discounted bills with recourse respectively.

CAPITAL STRUCTURE

As at 31 December 2018, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$273.6 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 2018.

EMPLOYEES

As at 31 December 2018, the Group had a total workforce of approximately 1,374 of which approximately 47 were based in Hong Kong, approximately 5 were based in overseas and approximately 1,322 were based in Mainland China.

The Group remunerates its employees largely based on the prevailing industry practice and labour 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 2018, 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 2018 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 draft 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 2018 have been reviewed by audit committee and approved by the Board.

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

Hong Kong, 26 March 2019

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, Mak Kwai Wing and Li Yuen Kwan, Joseph (being independent non-executive directors).