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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 2019

#### RESULTS

The Board of Directors (the “Board”) of K & P International Holdings Limited (the “Company”) herein announces the consolidated audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 together with the comparative figures for the corresponding year in 2018 as follows:

#### CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2019

	Notes	2019 HK\$	2018 HK\$ (re-presented)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	4	<b>341,434,375</b>	423,565,768
Cost of sales		<u>(266,345,273)</u>	<u>(363,227,944)</u>
Gross profit		<b>75,089,102</b>	60,337,824
Other income and gains	4	<b>10,847,507</b>	14,560,256
Fair value gain on financial asset at fair value through profit or loss		<b>1,845,132</b>	-
Selling and distribution costs		<b>(24,929,864)</b>	(27,059,459)
Administrative and other expenses		<b>(32,069,009)</b>	(33,007,520)
Realised loss on financial asset at fair value through profit or loss		<b>(6,397,436)</b>	-
Finance costs	5	<b>(1,094,930)</b>	(1,813,977)
<b>PROFIT BEFORE TAX</b>	6	<b>23,290,502</b>	13,017,124
Income tax expense	7	<b>(5,726,998)</b>	(3,865,644)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>17,563,504</b>	9,151,480
<b>DISCONTINUED OPERATION</b>			
Loss for the year from discontinued operation	8	<b>(904,890)</b>	(7,926,860)
<b>PROFIT FOR THE YEAR</b>		<b>16,658,614</b>	1,224,620

\* For identification purposes only

**CONSOLIDATED INCOME STATEMENT (continued)**

Year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>HK\$</b>	2018 <i>HK\$</i> <i>(re-presented)</i>
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Continuing operations		<b>17,563,504</b>	9,151,480
Discontinued operation		<b>(904,890)</b>	(7,926,860)
		<u><b>16,658,614</b></u>	<u>1,224,620</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted	<i>10</i>		
- from continuing operations (HK cents)		<b>6.58</b>	3.43
- from discontinued operation (HK cents)		<b>(0.34)</b>	(2.97)
Total		<u><b>6.24</b></u>	<u>0.46</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2019*

	<b>2019</b> <i>HK\$</i>	2018 <i>HK\$</i>
<b>PROFIT FOR THE YEAR</b>	<u><b>16,658,614</b></u>	<u>1,224,620</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Surplus arising from revaluation of land and buildings	<b>2,430,525</b>	16,645,788
Income tax effect	<b>(677,720)</b>	(4,256,567)
	<u><b>1,752,805</b></u>	<u>12,389,221</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	<b>(3,009,627)</b>	(6,878,794)
	<u><b>(1,256,822)</b></u>	<u>5,510,427</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<u><b>(1,256,822)</b></u>	<u>5,510,427</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<u><u><b>15,401,792</b></u></u>	<u><u>6,735,047</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK\$	2018 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		214,273,903	211,573,006
Prepaid land lease payments		-	10,844,406
Financial asset at fair value through profit or loss	11	680,000	680,000
Total non-current assets		214,953,903	223,097,412
<b>CURRENT ASSETS</b>			
Financial asset at fair value through profit or loss	11	1,845,132	-
Inventories		53,620,905	64,120,558
Prepayments, deposits and other receivables		6,100,225	7,217,855
Trade and bills receivables	12	73,167,064	87,367,262
Bank balances and cash		51,505,394	43,762,395
Total current assets		186,238,720	202,468,070
<b>CURRENT LIABILITIES</b>			
Trade payables	13	36,254,341	44,923,952
Accrued liabilities and other payables		33,812,113	46,704,221
Interest-bearing bank and other borrowings		12,040,876	34,105,228
Lease liabilities		1,460,865	-
Tax payables		7,682,773	2,535,010
Total current liabilities		91,250,968	128,268,411
<b>NET CURRENT ASSETS</b>		94,987,752	74,199,659
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		309,941,655	297,297,071
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		-	1,704,471
Lease liabilities		939,591	-
Deferred tax liabilities		22,696,398	22,018,678
Total non-current liabilities		23,635,989	23,723,149
Net assets		286,305,666	273,573,922
<b>EQUITY</b>			
Issued capital		26,700,480	26,700,480
Reserves		259,605,186	246,873,442
Total equity		286,305,666	273,573,922

## 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 (the “Listing Rules”). These consolidated financial statements have been prepared under the historical cost convention, except for land and buildings and financial assets 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 2018 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.

Annual Improvements to HKFRSs	2015-2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
HKFRS 16	Leases

### Annual Improvements Project – 2015-2017 Cycle

HKAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in HKFRS 9.

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

### HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

The Interpretation supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

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

### Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

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

### HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of retained profits or other component of equity, where appropriate, at the DIA.

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

### HKFRS 16: Leases (continued)

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

#### *As lessee*

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

#### *As lessee - leases previously classified as operating leases*

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

- (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.
- (c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.
- (d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.
- (e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either,

- (a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or
- (b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 3.6%.

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

### HKFRS 16: Leases (continued)

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	<i>HK\$</i>
Operating lease commitments as at 31 December 2018	<u>918,934</u>
Discounted using the lessee's incremental borrowing rate at the DIA	884,449
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(743,042)
Add: Liabilities for renewal of the lease by applying the practical expedient to use the hindsight	<u>855,556</u>
Lease liabilities as at 1 January 2019	<u>996,963</u>

#### *As lessee - leases previously classified as finance leases*

The Group measures the carrying amount of the right-of-use assets and lease liabilities at the DIA at the carrying amount of the lease assets and lease liabilities immediately before that date measured applying HKAS 17. The Group accounts for those leases applying HKFRS 16 from the DIA.

#### *As lessee*

At the DIA, all right-of-use assets were presented within the line item "property, plant and equipment" on the consolidated statement of financial position. Besides, lease liabilities including those previously presented under "interest-bearing bank and other borrowings" were shown separately on the consolidated statement of financial position.

## 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.



### 3. OPERATING SEGMENT INFORMATION (continued)

The consumer electronic products segment was discontinued during the reporting period. Information about the discontinued operation is provided in note 8. The comparative figures in the consolidated income statement have been represented to disclose the results of consumer electronic products segment as discontinued operation.

Year ended 31 December 2019	Continuing operations		Discontinued operation		Total HK\$
	Precision parts and components HK\$	Corporate and others HK\$	Sub-total HK\$	Consumer electronic products HK\$	
<b>Segment revenue:</b>					
Sales to external customers	<u>341,434,375</u>	-	<u>341,434,375</u>	<u>4,146,522</u>	<u>345,580,897</u>
Reportable segment revenue and revenue	<u>341,434,375</u>	-	<u>341,434,375</u>	<u>4,146,522</u>	<u>345,580,897</u>
<b>Segment results:</b>	<b>27,218,464</b>	<b>(3,117,880)</b>	<b>24,100,584</b>	<b>(905,831)</b>	<b>23,194,753</b>
<i>Reconciliation:</i>					
Bank interest income			284,848	941	285,789
Finance costs			<u>(1,094,930)</u>	-	<u>(1,094,930)</u>
Profit before tax			<u>23,290,502</u>	<u>(904,890)</u>	<u>22,385,612</u>
<b>Other segment information:</b>					
Other income and gains, net of foreign exchange gain	6,882,544	40,563	6,923,107	15,527	6,938,634
Depreciation of property, plant and equipment (excluding right-of-use assets)	(7,017,567)	(53,846)	(7,071,413)	-	(7,071,413)
Depreciation of right-of-use assets	(959,814)	(3,108,171)	(4,067,985)	-	(4,067,985)
Loss on disposal of items of property, plant and equipment, net	(4,400,004)	-	(4,400,004)	-	(4,400,004)
Provision for slow-moving inventories, net	(465,776)	-	(465,776)	-	(465,776)
Provision for loss allowance on trade receivables	(254,979)	-	(254,979)	-	(254,979)
Surplus/(deficit) on revaluation of land and buildings credited/(debited) to other comprehensive income	3,255,095	(824,570)	2,430,525	-	2,430,525
Lease payments under short-term leases on office premises and factories	(810,282)	(187,601)	(997,883)	(41,029)	(1,038,912)
Lease payments under low-value asset leases	(31,033)	-	(31,033)	-	(31,033)
Foreign exchange gain/(loss), net	3,964,279	(39,879)	3,924,400	39,213	3,963,613
Capital expenditure	(6,304,920)	(51,762)	(6,356,682)	-	(6,356,682)
Fair value gain on financial asset at fair value through profit or loss	1,845,132	-	1,845,132	-	1,845,132
Realised loss on financial asset at fair value through profit or loss	<u>(6,397,436)</u>	-	<u>(6,397,436)</u>	-	<u>(6,397,436)</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

	Continuing operations			Discontinued operation	
	Precision parts and components <i>HK\$</i>	Corporate and others <i>HK\$</i>	Sub-total <i>HK\$</i>	Consumer electronic products <i>HK\$</i>	Total <i>HK\$</i>
Year ended 31 December 2018					
<b>Segment revenue:</b>					
Sales to external customers	423,565,768	-	423,565,768	40,088,835	463,654,603
Intersegment sales	857,051	-	857,051	55,208	912,259
Reportable segment revenue	424,422,819	-	424,422,819	40,144,043	464,566,862
<i>Reconciliation:</i>					
Elimination of intersegment sales			(857,051)	(55,208)	(912,259)
Revenue			423,565,768	40,088,835	463,654,603
<b>Segment results:</b>	17,587,605	(2,812,931)	14,774,674	(7,911,664)	6,863,010
<i>Reconciliation:</i>					
Bank interest income			56,427	3,094	59,521
Finance costs			(1,813,977)	-	(1,813,977)
Profit before tax			13,017,124	(7,908,570)	5,108,554
<b>Other segment information:</b>					
Other income and gains, net of foreign exchange gain	9,379,755	287,752	9,667,507	1,556,391	11,223,898
Depreciation	(11,783,683)	(3,295,338)	(15,079,021)	(415)	(15,079,436)
(Loss)/gain on disposal of items of property, plant and equipment, net	(50,934)	-	(50,934)	397,766	346,832
Provision for slow-moving inventories, net	(427,566)	-	(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	-	16,645,788
Amortisation of prepaid land lease payments	(297,941)	-	(297,941)	-	(297,941)
Minimum lease payments under operating leases on land and buildings	(4,627,690)	(176,100)	(4,803,790)	(378,221)	(5,182,011)
Foreign exchange gain/(loss), net	5,670,766	(778,017)	4,892,749	641,788	5,534,537
Provision for impairment losses on property, plant and equipment	(1,855,946)	-	(1,855,946)	-	(1,855,946)
Mainland China staff compensation due to closure of factories	(13,392,309)	-	(13,392,309)	(2,512,734)	(15,905,043)
Capital expenditure	(3,603,743)	(8,330)	(3,612,073)	-	(3,612,073)

### 3. OPERATING SEGMENT INFORMATION (continued)

#### Geographical information

(a) Revenue from external customers

	<b>2019</b> <i>HK\$</i>	2018 <i>HK\$</i> <i>(re-presented)</i>
<b>Continuing operations</b>		
Hong Kong	<b>9,339,505</b>	27,269,903
Mainland China	<b>47,568,797</b>	80,770,576
Japan and other Asian countries	<b>180,913,351</b>	173,487,957
North America	<b>41,731,088</b>	40,634,151
South America	<b>6,428,479</b>	8,218,856
Europe	<b>47,248,205</b>	87,274,578
Other countries	<b>8,204,950</b>	5,909,747
	<b>341,434,375</b>	423,565,768
<b>Discontinued operation</b>	<b>4,146,522</b>	40,088,835
<b>Total revenue</b>	<b>345,580,897</b>	463,654,603

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

(b) Non-current assets

	<b>2019</b> <i>HK\$</i>	2018 <i>HK\$</i>
<b>Continuing operations</b>		
Hong Kong	<b>72,782,675</b>	76,711,487
Mainland China	<b>140,758,447</b>	145,579,088
Other countries	<b>732,781</b>	126,837
	<b>214,273,903</b>	222,417,412

The non-current assets information above is based on the geographical location of assets and excludes the financial asset at fair value through profit or loss.

#### Information about a major customer

Revenue of HK\$103,981,691 (2018: HK\$106,379,226) 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:

	2019 HK\$	2018 HK\$ (re-presented)
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
<b>Continuing operations</b>		
Sale of goods	341,434,375	423,565,768
<b>Discontinued operation</b>		
Sale of goods	4,146,522	40,088,835
	<u>345,580,897</u>	<u>463,654,603</u>
<b>Other income and gains:</b>		
<b>Continuing operations</b>		
Bank interest income	284,848	56,427
Tooling charge income	443,929	389,134
Sale of scrap	3,007,889	5,665,308
Sale of samples	2,172,286	3,191,297
Loss on disposal of items of property, plant and equipment, net	-	(50,934)
Foreign exchange gain, net	3,924,400	4,892,749
Incentive received*	350,110	198,427
Refund of excess payment for "Employment Security Funds for the Disabled"	516,727	-
Others	147,318	217,848
	<u>10,847,507</u>	<u>14,560,256</u>
<b>Discontinued operation</b>	<u>54,740</u>	<u>2,198,179</u>
	<u>10,902,247</u>	<u>16,758,435</u>
<b>Total revenue, other income and gains</b>	<u>356,483,144</u>	<u>480,413,038</u>

The amount of revenue recognised for the year that was included in the contract liabilities at the beginning of the year is HK\$8,706,430 (2018: HK\$10,236,308) and HK\$165,130 (2018: HK\$460,247) for continuing operations and discontinued operation respectively.

\* During the year ended 31 December 2019, the Group received an allowance of "Granting Support in Respect of the Unemployment Insurance to Enterprises for Stablising Employment" for RMB145,840 (approximately HK\$166,258) from Social Security Bureau, and Incentive fund for the steady growth of foreign trading for RMB161,274 (approximately HK\$183,852) from Mainland China government. During the year ended 31 December 2018, the Group received an electricity charges relief of RMB166,746 (approximately HK\$198,427) from Shenzhen Power Supply Co., Limited.

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK\$	2018 HK\$
<b>Continuing operations</b>		
Interest on bank loans and overdrafts wholly repayable within five years	941,621	1,506,053
Interest on lease liabilities/finance leases	153,309	307,924
	<u>1,094,930</u>	<u>1,813,977</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2019 HK\$	2018 HK\$ (re-presented)
<b>Continuing operations</b>		
Staff costs (including directors' remuneration)#:		
Wages and salaries	98,413,434	121,569,268
Mainland China staff compensation due to closure of factories	-	13,392,309
Contributions to retirement benefit schemes	11,694,758	14,232,747
	<u>110,108,192</u>	<u>149,194,324</u>
Cost of inventories sold	265,879,497	362,800,378
Provision for slow-moving inventories, net*	465,776	427,566
Auditor's remuneration	1,169,887	1,099,484
Depreciation of property, plant and equipment (excluding right-of-use assets)#	7,071,413	15,079,021
Depreciation of right-of-use assets#	4,067,985	-
Provision for impairment losses		
on property, plant and equipment	-	1,855,946
Amortisation of prepaid land lease payments	-	297,941
Minimum lease payments under operating leases on land and buildings #	-	4,803,790
Lease payments under short-term leases on office premises and factories #	997,883	-
Lease payments under low-value asset leases#	31,033	-
Provision for loss allowance on trade receivables	254,979	-
Loss on disposal of items of property, plant and equipment, net	<u>4,400,004</u>	<u>50,934</u>

# The staff cost amounting to HK\$86,460,865 (2018: HK\$119,761,273), depreciation amounting to HK\$7,198,100 (2018: HK\$12,129,716), and lease payments under short-term leases on office premises and factories amounting to HK\$811,163 (2018: minimum lease payments under operating leases on land and buildings amounting to HK\$4,286,922) 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

The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime was signed and gazetted. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying group entity are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime 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.

	<b>2019</b> <b>HK\$</b>	2018 <b>HK\$</b> <i>(re-presented)</i>
<b>Continuing operations</b>		
Current – Hong Kong		
Charge for the year	<b>3,551,650</b>	2,886,205
Under provision in prior years	<b>1,182,719</b>	-
Current – outside Hong Kong		
Charge for the year	<b>921,426</b>	798,446
Under provision in prior years	<b>71,203</b>	180,993
Tax expense from continuing operations	<b>5,726,998</b>	3,865,644
<b>Discontinued operation</b>		
Current – outside Hong Kong		
Under provision in prior years	-	18,290
Tax expense from discontinued operation	-	18,290
Total tax expense for the year	<b>5,726,998</b>	3,883,934

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>2019</b> <b>HK\$</b>	2018 <b>HK\$</b> <i>(re-presented)</i>
<b>Continuing operations</b>		
Profit before tax	<b>23,290,502</b>	13,017,124
Tax at the statutory tax rate of 16.5% (2018: 16.5%)	<b>3,842,933</b>	2,147,826
Tax effect of two-tiered profits tax rates regime	<b>(165,000)</b>	(165,000)
Effect of different rates for companies operating in other jurisdictions	<b>245,856</b>	282,222
Income not subject to tax	<b>(756,481)</b>	(300,698)
Expenses not deductible for tax	<b>400,009</b>	67,861
Unrecognised temporary differences*	<b>(523,192)</b>	2,562,638
Utilisation of previously unrecognised tax losses	-	(299,084)
Under provision in prior years	<b>1,253,922</b>	180,993
Tax losses not recognised	<b>1,765,509</b>	1,995
Others	<b>(336,558)</b>	(613,109)
Tax expense for the year	<b>5,726,998</b>	3,865,644

\* The unrecognised temporary differences for 2018 mainly arose from the provision for Mainland China staff compensation due to the closure of a factory.

## 8. DISCONTINUED OPERATION

On 30 April 2019, the Group ceased the operation of the subsidiaries engaged in design, manufacture and sale of consumer electronic products. The decision was approved by the directors of the Company at a meeting of the Board of Directors held on 17 January 2019. The discontinuation of segment of consumer electronic products was completed in the third quarter of 2019. The results of the discontinued operation for the years ended 31 December 2019 and 2018 are summarised as follows:

	<b>2019</b> <i>HK\$</i>	2018 <i>HK\$</i>
Revenue	<b>4,146,522</b>	40,088,835
Cost of sales	<b>(4,688,586)</b>	(40,985,795)
Gross loss	<b>(542,064)</b>	(896,960)
Other income and gains	<b>54,740</b>	2,198,179
Selling and distribution costs	<b>(576,410)</b>	(4,351,148)
Administrative and other expenses	<b>158,844</b>	(4,858,641)
Loss before tax	<b>(904,890)</b>	(7,908,570)
Income tax expense	-	(18,290)
Loss after tax and net loss attributable to discontinued operation	<b>(904,890)</b>	(7,926,860)

## 9. DIVIDEND

	<b>2019</b> <i>HK\$</i>	2018 <i>HK\$</i>
Attributable to the current year:		
Proposed final dividend –		
HK2 cents (2018: Nil) per ordinary share	<b>5,340,096</b>	-
Interim dividend paid –		
HK1 cent (2018: Nil) per ordinary share	<b>2,670,048</b>	-
	<b>8,010,144</b>	-

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

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

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

	2019 HK\$	2018 HK\$ (re-presented)
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to owners of the Company used in the basic and diluted earnings/(loss) per share calculation:		
- Continuing operations	17,563,504	9,151,480
- Discontinued operation	(904,890)	(7,926,860)
	<u>16,658,614</u>	<u>1,224,620</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	<u>267,004,800</u>	<u>267,004,800</u>

As there were no dilutive potential ordinary shares, diluted earnings/(loss) per share was the same as basic earnings/(loss) per share in 2019 and 2018.

## 11. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$	2018 HK\$
<b>Non-current asset</b>		
Club membership	<u>680,000</u>	<u>680,000</u>
<b>Current asset</b>		
Forward currency contracts	<u>1,845,132</u>	<u>-</u>

### Club membership

At 31 December 2019, the unlisted investment represented club membership issued by a private entity. It is measured at fair value at the end of each reporting period. The fair value of the club membership is determined with reference to the publicly available price information.

### Forward currency contracts, at fair values

The Group entered into twelve forward currency contracts at a total of US\$31,621,958 for the exchange of United States Dollars ("US\$") with Renminbi ("RMB") with the forward rates ranged from RMB6.870 to RMB7.175 per US\$1. The maturity dates of these forward currency contracts are during the period from 23 January 2020 to 17 December 2020.

During the year, the Group has realised loss of HK\$6,397,436 arising from nine forward currency contracts of a total of US\$25,913,350 for the exchange of US\$ with RMB which was depreciated.

As at 31 December 2019, the forward currency contracts did not meet the criteria for hedge accounting. The change in the fair value of these non-hedging currency derivatives amounting to a gain of HK\$1,845,132 was recognised in the consolidated income statement for the year ended 31 December 2019 (2018: Nil).



## 12. TRADE AND BILLS RECEIVABLES

	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Trade receivables	74,244,453	88,044,497
Less: loss allowance	<u>(1,077,389)</u>	<u>(822,410)</u>
	73,167,064	87,222,087
Bills receivable discounted with recourse	<u>-</u>	<u>145,175</u>
	<u><b>73,167,064</b></u>	<u><b>87,367,262</b></u>

In 2018, 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. As at 31 December 2018, the carrying amount of discounted bills receivable was HK\$145,175. The carrying amount of the associated liability was HK\$145,175.

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:

	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Within 90 days	67,071,358	79,545,191
91 to 180 days	5,921,791	6,813,196
Over 180 days	<u>173,915</u>	<u>863,700</u>
	<u><b>73,167,064</b></u>	<u><b>87,222,087</b></u>

## 13. 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:

	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Within 90 days	35,894,120	42,446,950
91 to 180 days	333,783	2,473,819
Over 180 days	<u>26,438</u>	<u>3,183</u>
	<u><b>36,254,341</b></u>	<u><b>44,923,952</b></u>

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

#### **14. EVENTS AFTER THE REPORTING PERIOD**

The outbreak of coronavirus (“COVID-19”) at Mainland China and the subsequent quarantine measures imposed by the government has had an impact on the Group’s operation in China. The Group had to suspend its manufacturing activities since the beginning of February 2020 due to mandatory government quarantine measures to reduce the spread of the epidemic. The Group has resumed its manufacturing activities since 20 February 2020 and is ready at approximately 80% capacity as at the date hereof. The directors of the Company are assessing the financial impact that the COVID-19 will have on the Group’s consolidated financial statements as at the date that these financial statements are authorised for issue.

## **FINANCIAL RESULTS**

The Group's turnover from continuing operations for the year ended 31 December 2019 amounted to approximately HK\$341.4 million, representing a 19.4% decrease from the previous year. Overall gross profit from continuing operations amounted to approximately HK\$75.1 million this year, representing an 24.4% increase from the previous year. Profit attributable to owners of the Company was approximately HK\$16.7 million (2018: HK\$1.2 million).

Basic earnings for the year ended 31 December 2019 amounted to HK6.24 cents (2018: HK0.46 cent) per share.

## **FINAL DIVIDEND**

The directors recommend the payment of a final dividend of HK2 cents (2018: Nil) per ordinary share on Friday, 10 July 2020 to the shareholders whose names appear on the Register of Members of the Company on Friday, 5 June 2020. This recommendation has been incorporated in the financial statements as an allocation of retained profit within the equity section of the statement of financial position.

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

The Register of Members of the Company will be closed from Friday, 22 May 2020 to Wednesday, 27 May 2020, 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 Wednesday, 27 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 May 2020.

## **CLOSURE OF REGISTERS FOR FINAL DIVIDEND**

The Register of Members of the Company will be closed from Wednesday, 3 June 2020 to Friday, 5 June 2020, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the above final dividend of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 June 2020.

## **BUSINESS REVIEW**

During the first half of 2019, a factory (the "Shiyan factory") in the precision parts and component segment had been closed down, and also the business operation for consumer electronics products segment had discontinued, which had discussed in the interim report of 2019. Furthermore, as the cost of manufacturing at Mainland China was highly affected by Renminbi ("RMB") exchange rate, the Group had entered into forward currency contracts since April 2019 to manage the impact of appreciation of RMB. For the year ended 31 December 2019, the realised loss for these forward currency contracts of approximately HK\$6.4 million (2018: Nil) was incurred. Despite this, the weak RMB released our cost of manufacturing resulting in an improvement of profit margin in 2019.

Due to the deprived output from Shiyan Factory, the turnover of the precision parts and components segment dropped to approximately HK\$341.4 million, representing a decrease of 19.4% from previous year. Despite the absence of profit contribution from Shiyan factory in 2019, the segment profit increased to approximately HK\$27.2 million (2018: HK\$17.6 million) mainly attributable to the depreciation of RMB which released the cost of manufacturing in Mainland China and the absence of one-off provision for staff compensation (2018: HK\$13.4 million) for closure of Shiyan Factory.

With the completion of the discontinuation in business operation of the consumer electronic products segment in the third quarter of 2019, the turnover of the segment dropped by 89.7% to approximately HK\$4.1 million. Since most of the staff had been laid off at end of 2018, the segment loss decreased to approximately HK\$0.9 million from HK\$7.9 million in 2018.

## **BUSINESS REVIEW (continued)**

As discussed above, due to the absence of staff compensation incurred in 2018 for closure of Shiyan factory and the weak RMB, the gross profit margin from continuing operations of the Group in 2019 had increased by 7.8% to 22.0%. In addition, with the cessation of Shiyan factory, the selling and distribution costs, administrative and other expenses for continuing operations dropped by 7.9% and 2.8% to approximately HK\$24.9 million and HK\$32.1 million respectively. The administrative and other expenses included a loss on disposal for low-performance machineries of approximately HK\$4.4 million (2018: HK\$0.1 million) as a result of the pressing need to provide more space for new machineries at the existing manufacturing plants. The finance costs from continuing operations decreased to approximately HK\$1.1 million (2018: HK\$1.8 million) due to the decreased financing activities.

## **FUTURE PLANS AND PROSPECTS**

The business outlook of the Group remains good despite a number of uncertainties such as the recent coronavirus, lingering trade conflicts between the United State of America and China, the volatility of RMB, and the labour shortage at the manufacturing sector in Mainland China. For the coronavirus, the Group is assessing the potential impacts to the business. And, looking ahead, the Group will keep on exploring and serving diversified customers mitigating any negative impact arising from the trade conflicts, actively seek opportunity and new technology to invest in production automation solving the labour shortage, and also continue utilising the forward currency contracts to manage the volatility of RMB impacting our cost of manufacturing. Hence, we are still confident that the Group will improve the profitability in the future. 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 2019.

- Turnover from continuing operations decreased by 19.4% from the previous year to approximately HK\$341.4 million for the year.
- Gross profit from continuing operations increased by HK\$14.8 million from 2018 to approximately HK\$75.1 million in 2019.
- Profit from continuing operating activities before finance costs increased by HK\$9.6 million from previous year to approximately HK\$24.4 million for the year.
- Finance costs from continuing operations decreased by HK\$0.7 million from the previous year to approximately HK\$1.1 million.
- Profit after tax from continuing operations for the year was approximately HK\$17.6 million.

In the year under review, turnover of the precision parts and components segment and consumer electronic products segment had decreased by 19.4% and 89.7% respectively as compared with the previous year.

The Group's overall gross profit from continuing operations had increased by 24.4% from the previous year.

The Group's finance costs from continuing operations had dropped to approximately HK\$1.1 million for the year due to decrease in financing activities.

## **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 included all term loans, import and export loans, which amounted to approximately HK\$12.0 million as at 31 December 2019.

The Group's financial position remains healthy. At the end of the reporting period, the aggregate balance of bank balance and cash of the Group amounted to approximately HK\$51.5 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 2019 was 10.3% (2018: 23.4%).

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

At 31 December 2019, the Group's machines and equipment carrying amount of approximately HK\$3.3 million (2018: HK\$7.9 million) and no trade receivables (2018: HK\$0.1 million) were pledged under lease/finance leases and bank loans – discounted bills with recourse respectively.

## **CAPITAL STRUCTURE**

As at 31 December 2019, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$286.3 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 2019.

## **EMPLOYEES**

As at 31 December 2019, the Group had a total workforce of approximately 1,039 of which approximately 34 were based in Hong Kong, approximately 5 were based in overseas and approximately 1,000 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 2019, 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 2019 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 2019 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 2020

*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).*