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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 2020

#### 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 2020 together with the comparative figures for the corresponding year in 2019 as follows:

#### CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2020

	Notes	2020 HK\$	2019 HK\$
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	4	<b>341,758,426</b>	341,434,375
Cost of sales		<b>(235,916,193)</b>	(266,345,273)
Gross profit		<b>105,842,233</b>	75,089,102
Other income and gains	4	<b>2,998,382</b>	10,847,507
Fair value gain on financial asset at fair value through profit or loss		<b>25,460,232</b>	1,845,132
Realised gain/(loss) on financial asset at fair value through profit or loss		<b>3,044,252</b>	(6,397,436)
Selling and distribution costs		<b>(25,757,253)</b>	(24,929,864)
Administrative and other expenses		<b>(33,518,060)</b>	(32,069,009)
Finance costs	5	<b>(461,215)</b>	(1,094,930)
<b>PROFIT BEFORE TAX</b>	6	<b>77,608,571</b>	23,290,502
Income tax expense	7	<b>(10,698,706)</b>	(5,726,998)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>66,909,865</b>	17,563,504
<b>DISCONTINUED OPERATION</b>			
Loss for the year from discontinued operation	8	-	(904,890)
<b>PROFIT FOR THE YEAR</b>		<b>66,909,865</b>	16,658,614

\* For identification purposes only

**CONSOLIDATED INCOME STATEMENT (continued)***Year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$</i>	2019 <i>HK\$</i>
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Continuing operations		<b>66,909,865</b>	17,563,504
Discontinued operation		-	(904,890)
		<u><b>66,909,865</b></u>	<u>16,658,614</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>25.06</b>	6.58
- from discontinued operation (HK cents)		-	(0.34)
Total		<u><b>25.06</b></u>	<u>6.24</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2020*

	<b>2020</b> <i>HK\$</i>	2019 <i>HK\$</i>
<b>PROFIT FOR THE YEAR</b>	<u><b>66,909,865</b></u>	<u>16,658,614</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
(Deficit)/surplus arising from revaluation of land and buildings	<b>(2,303,582)</b>	2,430,525
Income tax effect	<u><b>348,366</b></u>	<u>(677,720)</u>
	<b>(1,955,216)</b>	1,752,805
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	<u><b>11,148,763</b></u>	<u>(3,009,627)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<u><b>9,193,547</b></u>	<u>(1,256,822)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<u><u><b>76,103,412</b></u></u>	<u><u>15,401,792</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$</i>	2019 <i>HK\$</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>209,271,544</b>	214,273,903
Financial asset at fair value through profit or loss	<i>11</i>	<b>10,287,424</b>	680,000
Total non-current assets		<b>219,558,968</b>	214,953,903
<b>CURRENT ASSETS</b>			
Financial asset at fair value through profit or loss	<i>11</i>	<b>15,852,808</b>	1,845,132
Inventories		<b>63,641,315</b>	53,620,905
Prepayments, deposits and other receivables		<b>8,793,822</b>	6,100,225
Trade receivables	<i>12</i>	<b>93,102,825</b>	73,167,064
Bank balances and cash		<b>85,709,850</b>	51,505,394
Tax recoverable		<b>5,441</b>	-
Total current assets		<b>267,106,061</b>	186,238,720
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>52,030,114</b>	36,254,341
Accrued liabilities and other payables		<b>41,303,870</b>	33,812,113
Interest-bearing bank and other borrowings		<b>11,345,750</b>	12,040,876
Lease liabilities		<b>819,027</b>	1,460,865
Tax payables		<b>5,998,158</b>	7,682,773
Total current liabilities		<b>111,496,919</b>	91,250,968
<b>NET CURRENT ASSETS</b>		<b>155,609,142</b>	94,987,752
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>375,168,110</b>	309,941,655
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>126,216</b>	939,591
Deferred tax liabilities		<b>24,648,032</b>	22,696,398
Total non-current liabilities		<b>24,774,248</b>	23,635,989
Net assets		<b>350,393,862</b>	286,305,666
<b>EQUITY</b>			
Share capital		<b>26,700,480</b>	26,700,480
Reserves		<b>323,693,382</b>	259,605,186
Total equity		<b>350,393,862</b>	286,305,666

## 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 2019 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 HKASs 1 and 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	COVID-19 Related Rent Concessions

### Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

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

### Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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

### Amendments to HKFRS 16: COVID-19 Related Rent Concessions

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has elected to early adopt the amendments in the current year.

The adoption of the amendments 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 two (2019: three) reportable operating segments as follows:

- (a) the precision parts and components segment comprises the manufacture and sale of precision parts and components comprising keypads, synthetic rubber and plastic components and parts; and
- (b) the corporate and others segment comprises the Group's long term investments, together with corporate income and expense items.

### 3. OPERATING SEGMENT INFORMATION (continued)

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.

The consumer electronic products segment was discontinued in the third quarter of 2019, and the information about the discontinued operation is provided in note 8.

Year ended 31 December 2020	Precision parts and components	Corporate and others	Total
	HK\$	HK\$	HK\$
<b>Segment revenue:</b>			
Sales to external customers	341,758,426	-	341,758,426
Reportable segment revenue and revenue	<u>341,758,426</u>	<u>-</u>	<u>341,758,426</u>
<b>Segment results:</b>	79,975,571	(2,667,433)	77,308,138
<i>Reconciliation:</i>			
Bank interest income			761,648
Finance costs			<u>(461,215)</u>
Profit before tax			<u>77,608,571</u>
<b>Other segment information:</b>			
Other income and gains, net of foreign exchange gain	1,968,811	267,923	2,236,734
Depreciation of property, plant and equipment (excluding right-of-use assets)	(7,785,153)	(759,096)	(8,544,249)
Depreciation of right-of-use assets	(921,821)	(3,125,927)	(4,047,748)
(Loss)/gain on disposal of items of property, plant and equipment, net	(55,746)	151,200	95,454
Surplus/(deficit) on revaluation of land and buildings credited/(debited) to other comprehensive income	373,231	(2,676,813)	(2,303,582)
Lease payments under short-term leases on office premises	(63,946)	(137,712)	(201,658)
Lease payments under low-value asset leases	(1,693)	-	(1,693)
Foreign exchange (loss)/gain, net	(8,170,123)	158,063	(8,012,060)
Capital expenditure	(2,530,886)	(22,350)	(2,553,236)
Fair value gain on financial asset at fair value through profit or loss	25,460,232	-	25,460,232
Realised gain on financial asset at fair value through profit or loss	<u>3,044,252</u>	<u>-</u>	<u>3,044,252</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

	Continuing operations			Discontinued operation	Total HK\$
	Precision parts and components HK\$	Corporate and others HK\$	Sub-total HK\$	Consumer electronic products HK\$	
Year ended 31 December 2019					
<b>Segment revenue:</b>					
Sales to external customers	341,434,375	-	341,434,375	4,146,522	345,580,897
Reportable segment revenue and revenue	341,434,375	-	341,434,375	4,146,522	345,580,897
<b>Segment results:</b>	27,218,464	(3,117,880)	24,100,584	(905,831)	23,194,753
<i>Reconciliation:</i>					
Bank interest income			284,848	941	285,789
Finance costs			(1,094,930)	-	(1,094,930)
Profit before tax			23,290,502	(904,890)	22,385,612
<b>Other segment information:</b>					
Other income and gains, net of foreign exchange gain	6,597,795	40,464	6,638,259	14,586	6,652,845
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	(6,397,436)	-	(6,397,436)	-	(6,397,436)



### 3. OPERATING SEGMENT INFORMATION (continued)

#### Information about a major customer

Revenue of HK\$131,489,938 (2019: HK\$103,981,691) 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.

#### Geographical information

(a) Revenue from external customers

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
<b>Continuing operations</b>		
Hong Kong	6,038,240	9,339,505
Mainland China	29,746,629	47,568,797
Japan and other Asian countries	212,690,043	180,913,351
North America	32,936,499	41,731,088
South America	5,834,690	6,428,479
Europe	47,520,672	47,248,205
Other countries	6,991,653	8,204,950
	<u>341,758,426</u>	<u>341,434,375</u>
<b>Discontinued operation</b>	-	4,146,522
	<u>341,758,426</u>	<u>345,580,897</u>

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

(b) Non-current assets

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
<b>Continuing operations</b>		
Hong Kong	66,933,112	72,782,675
Mainland China	141,903,385	140,758,447
Other countries	435,047	732,781
	<u>209,271,544</u>	<u>214,273,903</u>

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.

#### 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:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
<b>Continuing operations</b>		
Sale of goods	341,758,426	341,434,375
<b>Discontinued operation</b>		
Sale of goods	-	4,146,522
	<u>341,758,426</u>	<u>345,580,897</u>
<b>Other income and gains:</b>		
<b>Continuing operations</b>		
Bank interest income	761,648	284,848
Tooling charge income	346,924	443,929
Sale of scrap	267,843	3,007,889
Sale of samples	1,147,399	2,172,286
Gain on disposal of items of property, plant and equipment, net	95,454	-
Foreign exchange gain, net	-	3,924,400
Incentive received*	272,856	350,110
Refund of excess payment for "Employment Security Funds for the Disabled"	-	516,727
Others	106,258	147,318
	<u>2,998,382</u>	10,847,507
<b>Discontinued operation</b>	-	54,740
	<u>2,998,382</u>	<u>10,902,247</u>
<b>Total revenue, other income and gains</b>	<u>344,756,808</u>	<u>356,483,144</u>

The amount of revenue recognised for the year that was included in the contract liabilities at the beginning of the year is HK\$4,095,901 (2019: HK\$8,706,430 and HK\$165,130 for continuing operations and discontinued operation respectively).

\* During the year ended 31 December 2020, the Group received an allowance of "Granting Support in Respect of the Unemployment Insurance to Enterprises for Stablising Employment" of Renminbi ("RMB") 211,654 (approximately HK\$237,052) (2019: RMB145,840, approximately HK\$166,258) from Social Security Bureau and other incentives and allowances from Mainland China government of RMB31,968 (approximately HK\$35,804) (2019: Nil). During the year ended 31 December 2019, the Group also received the steady growth of foreign trading for RMB161,274 (approximately HK\$183,852) from Mainland China government.

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	378,760	941,621
Interest on lease liabilities	82,455	153,309
	<u>461,215</u>	<u>1,094,930</u>

## 6. PROFIT BEFORE TAX

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

	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Staff costs (including directors' remuneration)#:		
Wages and salaries	87,551,136	98,413,434
Contributions to retirement benefit schemes*	3,485,360	11,694,758
	<u>91,036,496</u>	<u>110,108,192</u>
Cost of inventories sold	235,916,193	265,879,497
Provision for slow-moving inventories, net	-	465,776
Auditor's remuneration	1,029,639	1,169,887
Depreciation of property, plant and equipment (excluding right-of-use assets)#	8,544,249	7,071,413
Depreciation of right-of-use assets#	4,047,748	4,067,985
Foreign exchange loss/(gain), net	8,012,060	(3,924,400)
Lease payments under short-term leases on office premises and factories#	201,658	997,883
Lease payments under low-value asset leases#	1,693	31,033
Provision for loss allowance on trade receivables	-	254,979
(Gain)/Loss on disposal of items of property, plant and equipment, net	(95,454)	4,400,004
Sales commission	6,380,151	3,175,630

# The staff cost amounting to HK\$67,544,707 (2019: HK\$86,460,865), depreciation amounting to HK\$8,761,892 (2019: HK\$7,198,100) and lease payments under short-term leases on office premises and factories/low-value asset leases amounting to HK\$58,617 (2019: HK\$811,163) for the year are included in "Cost of sales" in the consolidated income statement. Furthermore, government grant of Singapore Dollar ("SGD") 73,807 (approximately HK\$416,670) was granted from the Job Support Scheme received from Inland Revenue Authority of Singapore, to retain employment and combat COVID-19 pandemic, which was off-set with the staff costs.

\* Ministry of Human Resources and Social Security of the People's Republic of China has announced on 20 February 2020 to waive employer obligations on social security insurance ("SSI") contributions during February 2020 to June 2020 and further announced on 22 June 2020 to extend the exemption period of SSI contributions to December 2020 to ease the burden of enterprises under the impact of COVID-19 pandemic.

## 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>2020</b>	2019
	<b>HK\$</b>	<b>HK\$</b>
Current – Hong Kong		
Charge for the year	<b>8,046,683</b>	3,551,650
(Over)/under provision in prior years	<b>(14,682)</b>	1,182,719
Current – outside Hong Kong		
Charge for the year	<b>424,533</b>	921,426
(Over)/under provision in prior years	<b>(57,828)</b>	71,203
Deferred taxation		
Origination and reversal of temporary difference	<b>2,300,000</b>	-
Total tax expense for the year	<b>10,698,706</b>	5,726,998

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>2020</b>	2019
	<b>HK\$</b>	<b>HK\$</b>
Profit before tax	<b>77,608,571</b>	23,290,502
Tax at the statutory tax rate of 16.5% (2019: 16.5%)	<b>12,805,414</b>	3,842,933
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>134,136</b>	245,856
Income not subject to tax	<b>(623,676)</b>	(756,481)
Expenses not deductible for tax	<b>80,473</b>	400,009
Unrecognised temporary differences	<b>(1,435,501)</b>	(523,192)
Utilisation of previously unrecognised tax losses	<b>(454,769)</b>	-
(Over)/under provision in prior years	<b>(72,510)</b>	1,253,922
Tax losses not recognised	<b>154,936</b>	1,765,509
Others	<b>275,203</b>	(336,558)
Tax expense for the year	<b>10,698,706</b>	5,726,998

## 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 year ended 31 December 2019 are summarised as follows:

	2019 <i>HK\$</i>
Revenue	4,146,522
Cost of sales	<u>(4,688,586)</u>
Gross loss	(542,064)
Other income and gains	54,740
Selling and distribution costs	(576,410)
Administrative and other expenses	<u>158,844</u>
Loss before tax	(904,890)
Income tax expense	<u>-</u>
Loss after tax and net loss attributable to discontinued operation	<u><u>(904,890)</u></u>

## 9. DIVIDEND

	<b>2020</b> <b><i>HK\$</i></b>	2019 <i>HK\$</i>
Attributable to the current year:		
Proposed final dividend –		
HK7.5 cents (2019: HK2 cents) per ordinary share	<b>20,025,360</b>	5,340,096
Interim dividend paid –		
HK2.5 cents (2019: HK1 cent) per ordinary share	<b>6,675,120</b>	2,670,048
	<u><b>26,700,480</b></u>	<u>8,010,144</u>
Attributable to the previous years, approved and paid during the year:		
Final dividend – HK2 cents (2019: Nil) per ordinary share	<u><b>5,340,096</b></u>	<u>-</u>

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

## 10. EARNINGS/(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:

	<b>2020</b>	2019
	<i>HK\$</i>	<i>HK\$</i>
<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	<b>66,909,865</b>	17,563,504
- Discontinued operation	-	(904,890)
	<u><b>66,909,865</b></u>	<u>16,658,614</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><b>267,004,800</b></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 2020 and 2019.

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

	<b>2020</b>	2019
	<i>HK\$</i>	<i>HK\$</i>
<b>Non-current assets</b>		
Club membership	<b>680,000</b>	680,000
Forward currency contracts	<b>9,607,424</b>	-
	<u><b>10,287,424</b></u>	<u>680,000</u>
<b>Current asset</b>		
Forward currency contracts	<u><b>15,852,808</b></u>	<u>1,845,132</u>

### Club membership

At 31 December 2020, 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, held for trading

The Group entered into nineteen (2019: twelve) forward currency contracts at a total of US\$49,997,958 (2019: US\$31,621,958) for the exchange of United States Dollars ("US\$") with Renminbi ("RMB") with the forward rates ranged from RMB6.652 to RMB7.238 (2019: RMB6.870 to RMB7.175) per US\$1. The maturity dates of these forward currency contracts are during the period from 15 January 2021 to 15 August 2022 (2019: 23 January 2020 to 17 December 2020).

During the year, the Group has realised gain of HK\$3,044,252 (2019: loss of HK\$6,397,436) arising from twelve (2019: nine) forward currency contracts of a total of US\$31,621,958 (2019: US\$25,913,350) for the exchange of US\$ with RMB which appreciated (2019: depreciated).

As at 31 December 2020, 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\$25,460,232 (2019: HK\$1,845,132) was recognised in the consolidated income statement for the year ended 31 December 2020.

## 12. TRADE RECEIVABLES

	<b>2020</b> <i>HK\$</i>	2019 <i>HK\$</i>
Trade receivables	<b>93,357,804</b>	74,244,453
Less: loss allowance	<b>(254,979)</b>	(1,077,389)
	<u><b>93,102,825</b></u>	<u>73,167,064</u>

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:

	<b>2020</b> <i>HK\$</i>	2019 <i>HK\$</i>
Within 90 days	<b>90,050,010</b>	67,071,358
91 to 180 days	<b>2,915,897</b>	5,921,791
Over 180 days	<b>136,918</b>	173,915
	<u><b>93,102,825</b></u>	<u>73,167,064</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:

	<b>2020</b> <i>HK\$</i>	2019 <i>HK\$</i>
Within 90 days	<b>51,995,082</b>	35,894,120
91 to 180 days	<b>7,205</b>	333,783
Over 180 days	<b>27,827</b>	26,438
	<u><b>52,030,114</b></u>	<u>36,254,341</u>

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 2020 amounted to approximately HK\$341.8 million, representing an increase of 0.1% from the previous year. Overall gross profit amounted to approximately HK\$105.8 million, representing an increase of 41.0% from the previous year. Profit attributable to owners of the Company was approximately HK\$66.9 million (2019: HK\$16.7 million).

Basic earnings for the year ended 31 December 2020 amounted to HK25.06 cents (2019: HK6.24 cents) per share.

## **FINAL DIVIDEND**

The directors recommend the payment of a final dividend of HK7.5 cents (2019: HK2 cents) per ordinary share on Friday, 9 July 2021 to the shareholders whose names appear on the Register of Members of the Company on Monday, 7 June 2021. 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 Monday, 24 May 2021 to Thursday, 27 May 2021, 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 Thursday, 27 May 2021, 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 Friday, 21 May 2021.

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

The Register of Members of the Company will be closed from Thursday, 3 June 2021 to Monday, 7 June 2021, 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 Wednesday, 2 June 2021.

## **BUSINESS REVIEW**

The outbreak of COVID-19 pandemic has brought upon unprecedented challenges. Despite this, for the year ended 31 December 2020, benefitted from the changed and optimised product mix, the rise in unrealised fair value gain on forward currency contracts, the depreciation of Renminbi ("RMB") during the first three quarters of 2020, and the waiver by the Chinese governmental authority of the employer's social security contribution obligations from February to December 2020, the profitability of the Group had improved significantly as compared with year 2019. The above-mentioned unrealised fair value gain arose from the forward currency contracts expiring in years 2021 and 2022, which were entered to manage the impact on manufacturing costs for years 2021 and 2022 from the volatility of RMB. The unrealised fair value gain is a non-cash accounting treatment, that had no impact on the Group's cash flow or operation for year 2020.

For the precision parts and components segment, the turnover slightly increased by 0.1% to approximately HK\$341.8 million as compared with 2019. If excluded the above unrealised fair value gain of \$25.5 million (2019: HK\$1.8 million) on forward currency contracts, the segment profit had increased to approximately HK\$54.5 million (2019: HK\$25.4 million). The improvement was mainly attributable to the above-mentioned factors.



## **BUSINESS REVIEW (continued)**

For the consumer electronic products segment, the business operation had discontinued in the third quarter of 2019, as discussed in the annual report of 2019, the turnover and segment loss for year ended 31 December 2019 were approximately HK\$4.1 million and HK\$0.9 million respectively.

The gross profit margin of the Group in 2020 had increased by 9.0% to 31.0%, as compared with 2019. The selling and distribution costs increased by 3.3% to approximately HK\$25.8 million due to the elevated freight and selling costs at the second half of 2020. The administrative and other expenses increased by 4.5% to approximately HK\$33.5 million, mainly attributable to the rise in exchange loss (2019: exchange gain) from the RMB appreciation at the fourth quarter of 2020. The financial costs had decreased by HK\$0.6 million to approximately HK\$0.5 million due to the drop in financing activities and market interest rate.

## **FUTURE PLANS AND PROSPECTS**

In January 2021, the World Economic Outlook's forecast projected the global economic growth by 5.5% for the year 2021, which was 0.3% higher than their previous forecast in October 2020. The revised 2021 forecast reflected the positive effect of global economic recovery. However, the shortage and price increment in raw material, the appreciation of RMB, and the labour shortage in Guangdong Province create pressure on the manufacturing cost of the Group and also the delivery commitments to customers. Hence, the Group will keep on utilising forward currency contracts to manage the impacts from the volatility of RMB, and collaborating with the suppliers to stabilise the supply of raw material. In addition, the Group is enlarging its manufacturing network by engaging more satellite manufacturing plants, so as to cope with the growth momentum in sales orders. 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 2020.

- Turnover increased by 0.1% from the previous year to approximately HK\$341.8 million for the year.
- Gross profit increased by HK\$30.8 million from 2019 to approximately HK\$105.8 million in 2020.
- Profit before finance costs increased by HK\$53.7 million from previous year to approximately HK\$78.1 million for the year.
- Finance costs decreased by HK\$0.6 million from the previous year to approximately HK\$0.5 million.
- Profit after tax for the year was approximately HK\$66.9 million.

In the year under review, turnover of the precision parts and components segment had increased by 0.1% as compared with the previous year, while the business of consumer electronic products segment had discontinued in 2019.

The Group's overall gross profit had increased by 41.0% from the previous year.

The Group's finance costs had dropped to approximately HK\$0.5 million for the year due to decrease in financing activities and market interest rate.

## **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\$11.3 million as at 31 December 2020.

The Group's financial position remains healthy. At the end of the reporting period, the aggregate balance of bank balances and cash of the Group amounted to approximately HK\$85.7 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 2020 was 5.4% (2019: 10.3%).

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

At 31 December 2020, the Group's machines and equipment carrying amount of approximately HK\$3.0 million (2019: HK\$3.3 million) were pledged under lease.

## **CAPITAL STRUCTURE**

As at 31 December 2020, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$350.4 million.

## **FUND RAISING**

Other than obtaining general loan facilities to finance the Group's trading requirements, the Group did not have any fund raising activities in 2020.

## **EMPLOYEES**

As at 31 December 2020, the Group had a total workforce of approximately 965 of which approximately 32 were based in Hong Kong, approximately 5 were based in overseas and approximately 928 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 2020, 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 2020 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 2020 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, 23 March 2021

*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).*