



K & P INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF FINAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2001

RESULTS

The Board of Directors (the "directors") of K & P International Holdings Limited (the "Company") herein announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001 together with the comparative figures for the previous year as follows:

		2001	2000
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	187,008	213,959
Cost of sales		(157,636)	(164,764)
Gross profit		29,372	49,195
Other revenue		2,565	4,864
Selling and distribution costs		(20,020)	(20,507)
Administrative expenses		(21,448)	(24,534)
Other operating income, net		2,274	2,535
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(7,257)	11,553
Finance costs	5	(2,740)	(4,254)
PROFIT/(LOSS) BEFORE TAX		(9,997)	7,299

Tax	6	(568)	(853)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES			
ATTRIBUTABLE TO SHAREHOLDERS		(10,565)	6,446
BASIC EARNINGS/(LOSS) PER SHARE	7	(4.23) cents	2.58 cents

Notes:

1. Impact of new and revised Statements of Standard Accounting Practice ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations - subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised in the Annual Report.

2. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

3. Segment information

The following tables present turnover, revenue and profit/(loss) information for the Group's business segments and geographical segments:

(a) Business segments

	Electronic and related components and parts		Consumer electronic products		Corporate and others		Eliminations		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:										
Sales to external customers	100,950	118,713	86,058	95,246	-	-	-	-	187,008	213,959
Intersegment sales	4,926	10,420	1	-	-	-	(4,927)	(10,420)	-	-
Other revenue	1,972	3,732	237	469	1	34	-	-	2,210	4,235
Total	107,848	132,865	86,296	95,715	1	34	(4,927)	(10,420)	189,218	218,194
Segment results	(2,982)	15,028	(2,037)	(1,247)	(2,592)	(2,858)			(7,611)	10,923
Interest income									354	630
Profit/(loss) from operating activities									(7,257)	11,553
Finance costs									(2,740)	(4,254)
Profit/(loss) before tax									(9,997)	7,299
Tax									(568)	(853)
Net profit/(loss) from ordinary activities attributable to shareholders									(10,565)	6,446

(b) *Geographical segments*

	Segment revenue		Segment results	
	Sales to		2001	2000
	external customers			
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	76,395	86,772	2,772	9,526
Elsewhere in the PRC	5,463	7,809	(961)	1,114
Total in the PRC	81,858	94,581	1,811	10,640
Other Asian countries	19,624	8,695	(6,924)	536
Germany	30,641	48,935	(1,722)	(1,743)
Other European countries	48,828	52,486	(506)	1,605
Total in Europe	79,469	101,421	(2,228)	(138)
North America	3,791	4,784	(242)	(285)
Others	2,266	4,478	(28)	170
Consolidated	187,008	213,959	(7,611)	10,923

4. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	157,109	164,909
Auditors' remuneration	905	810
Depreciation	23,565	22,579
Minimum lease payments under operating leases:		
Land and buildings	2,699	2,390
Amortisation of technical know-how	248	248

Staff costs (including directors' other emoluments):		
Wages and salaries	46,532	47,283
Pension scheme contributions	515	49
	47,047	47,332
Loss on disposal of fixed assets	39	-
Foreign exchange (gains)/losses, net	281	(863)
Write back of provision for doubtful debts	(3,140)	(3,221)
Interest income	(354)	(630)
Tooling charge income	(742)	(175)
Sale of scrap	(887)	(1,701)
Surplus on revaluation of leasehold land and buildings	(240)	(240)

5. Finance costs

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on bank loans and overdrafts		
wholly repayable within five years	1,757	3,460
Interest on finance leases	983	794
	2,740	4,254

6. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong tax:		
Provision for the year	925	988
Prior year's underprovision	57	-

Deferred	(710)	(135)
	272	853
PRC tax:		
Provision for the year	130	-
Prior year's underprovision	166	-
	296	-
Tax charge for the year	568	853

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$10,565,236 (2000: net profit of HK\$6,446,538) and the weighted average of 250,004,800 ordinary shares in issue throughout the two years.

Diluted earnings/(loss) per share for the years ended 31 December 2001 and 2000 have not been shown as the share options outstanding during these years had an anti-dilutive effect on the basic earnings per share for these years.

CLOSURE OF REGISTERS

The Register of Members will be closed from Wednesday, 22 May 2002 to Monday, 27 May 2002, both days inclusive, during which period no transfer of shares can be registered.

In order to qualify for attending the annual general meeting of members of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Tengis Limited at 4/F Hutchison House, 10 Harcourt Road, Hong Kong not later than 4:00 p.m. on Tuesday, 21 May 2002.

FINANCIAL RESULTS

During the year under review, slowdown of the global economy continued and

has significantly affected the Group's operating results. Consequently, the Group recorded a turnover of approximately HK\$187.0 million for the year ended 31 December 2001, representing a decrease of 12.6% from last year. Overall gross profit also decreased from approximately HK\$49.2 million in the previous year to HK\$29.4 million this year.

Because of the decreases in turnover and gross profit margin, the Group has a net loss attributable to shareholders of approximately HK\$10.6 million (2000: HK\$6.4 million net profit). Loss per share for the year ended 31 December 2001 amounted to HK4.23 cents (2000: earnings per share HK2.58 cents).

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2001.

BUSINESS REVIEW

Electronic and related components and parts segment

The turnover of the electronic and related components and parts segment dropped by approximately 15% as compared with the previous financial year.

During the financial year under review, the sluggish global economy was further aggravated by the September 11 incident in the United States. As a result, some of our customers of the silicone rubber keypads division had postponed their plan of launching new products into the market and reduced their product production scale. Moreover, we had also faced with pressure on price reduction from our customers. Though the new synthetic rubber component division and the precision plastic division achieved satisfactory growth in the year under review, the overall turnover and gross profit margin of this segment are still affected unfavorably by the general declining global economic situation.

During the year, we have continued our strategy to become a global supplier of critical precision components and parts. Accordingly, we have built up a strong team of sales and marketing professionals. In spite of the unsatisfactory sales level during the year, we are pleased to report that our sales and marketing team have successfully broadened our overseas customers base and secured sales orders from some renowned multinational corporations.

The products of this segment are major critical components and parts for high

value added consumer products. Our customers, in particular multinational corporations, have a very high demand on our product's quality and our services. Therefore, during the year, we have implemented various changes so as to meet the increasing stringent requirements from our customers. These changes, which include improving our technical and product development skills, tightening the quality control system and upgrading our production facilities so as to automate certain production processes, have brought positive results to our capability to serve customers' needs. Moreover, we have successfully developed various new products with value added features. These new products have been well received by our customers and we have obtained orders for these products for delivery in the year 2002.

Consumer electronic products segment

Though the turnover of this segment had declined by more than 22% in the first half year as compared with the corresponding period last year, its sales performance has improved in the latter half year. The total quantity of consumer electronic products shipped during the year under review is approximately the same as the prior year. However, due to keen competition amongst suppliers leading to reduction in product price, turnover declined by approximately 9.7% from year 2000.

Our Group has established well in the European market, in particular German market. Therefore, sales to the European market have been growing steadily.

With our increased marketing efforts to potential customers in Asian region, we have succeeded in developing business with another large OEM Japanese customer this year. Several OEM products have been developed for this customer. We have also developed new products targeting the American market and started to market them to potential customers in that region. Contributions to sales and profit from these geographical segments are expected in the coming year.

Strategic investment

In April 2000, the Group has made a strategic investment in a software development company Xteam Software International Limited ("Xteam"). Xteam is a leading Linux software company in China and has its shares listed on the Hong Kong Growth Enterprise Market since late December 2001. The Group

currently holds approximately 6.6% of the issued shares of Xteam. Based on the prevailing market prices, the Group has a significant capital gain to be realized. Apart from this strategic investment, the Group does not have other related investment.

FUTURE PLAN AND PROSPECTS

Year 2001 was a difficult year to most manufacturers as the market sentiment was pessimistic and consumer demand dropped significantly. However, since the beginning of year 2002, there are signs that the economy of the United States is improving. This should benefit the export-oriented industries in Hong Kong and Mainland China.

The Group's near term goal is to capture opportunities in Mainland China following its accession to the World Trade Organization. We expect that the demand for critical components and parts in the China market will be increasing significantly. Therefore, we have planned to strengthen our presence in the China so as to capture this golden opportunity for business growth.

As part of our continuing cost control and reduction measures, the directors together and the Group's senior management have accepted to reduce their salaries since the beginning of year 2002. On the other hand, we expect the year 2002 sales revenue would increase as there will be increased businesses from the broadened customer base and orders for our newly developed value added products. Therefore, we are confident that the operating results of the Group will be improved in year 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers and other financial institutions in Hong Kong.

The Group currently has aggregate composite banking facilities of approximately HK\$83.2 million with various banks and financial institutions. The total borrowings from banks and financial institutions include long term loans, finance leases, overdraft, import and export loans, amounted to

approximately HK\$37.4 million as at 31 December 2001, of which HK\$31.2 million is repayable in 2002.

The Group's financial position remains healthy. During the year under review, the Group has generated a net cash balance from its operations of more than HK\$11 million.

The Group's borrowings are mainly on a floating rate basis and are denominated in either Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts its business. Therefore, the Group does not have any significant foreign exchange risk.

The gearing ratio on the basis of total debts to equity as at 31 December 2001 is 73.3% (2000: 74.8%)

Charge on the group assets

Certain bank borrowings are secured by fixed charges over the Group's medium term leasehold land and buildings in Hong Kong with a net book value of HK\$9.5 million and bank deposit amounting to approximately HK\$5 million.

Contingent liabilities

Except for corporate guarantee given to banks and other financial institutions in relation to facilities granted to the subsidiaries, the Company has no other contingent liabilities as at the balance sheet date.

Capital structure

As at 31 December 2001, the Company had approximately 250 million shares in issue with total shareholders' fund of the Group amounting to approximately HK\$100.6 million.

During the year under review, on 16 March 2001, the Company issued 30 million warrants (the "Warrants") with issue price of HK\$0.05 to several independent investors. The Warrants entitle the holders to subscribe for new shares of the Company at a price of HK\$0.3 per share from March 2001 to March 2003. The Company would receive a subscription amount of HK\$9 million on a full exercise of the Warrants and would apply the proceeds, if received, for general

working capital purposes.

Pursuant to the share option scheme which was approved at a special general meeting of the Company held on 4 December 1996, the Board of Directors have granted share options to certain senior executives and employees of the Group. Details of the share options granted are disclosed in the Report of Directors under the section "Share option scheme". The exercise in full of these share options would result in the issue of 17.3 million additional shares and proceeds of approximately HK\$2.77 million.

Application of proceeds from capital raising

As mentioned in the section "Capital Structure" above, the Company issued 30 million Warrants with issue price of HK\$0.05 to several independent investors during the year under review. The aggregate issue proceeds of the Warrants is HK\$1.5 million and had been used by the Group for general working capital purposes in accordance with the intended applications.

Employees

As at 31 December 2001, the Group available to it a total workforce of approximately 2,150 of which approximately 60 were based in Hong Kong, approximately 20 were based in Singapore and approximately 2,070 were based in the PRC.

The Group remunerates its employees largely based on the prevailing industry practice and labor laws. Since December 1996, the Company has adopted a share option scheme whereby employees of the Group may be granted options, at the Board of Directors' discretion, to acquire shares in the Company.

Moreover, under the Mandatory Provident Fund Scheme Ordinance of Hong Kong, the Group has operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its Hong Kong employees. For overseas and PRC employees, the Group is required to contribute a certain percentage of its payroll costs to the central pension scheme operated by the respective local government.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company has nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting year covered by the annual report, except that the independent non-executive directors of the company are not appointed for specific terms. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEB-SITE

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Lai Pei Wor
Chairman

Hong Kong, 26 April 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the members of the Company will be held at Ballroom, 2nd Floor, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 27 May 2002 at 10:00 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 December 2001;
2. To re-elect Director, to authorise the Board to fix the Directors' remuneration and to set a maximum number of Directors;

3. To re-appoint Auditors and to authorise the Board to fix their remuneration;
4. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT

(a) subject to and conditional upon (i) the Bermuda Monetary Authority granting its permission for the issue of options under the share option scheme of the Company (the "New Share Option Scheme"), a copy of which marked 'A' is produced to the meeting and for the purposes of identification signed by the Chairman thereof, and the new shares to be issued upon the exercise of the subscription rights attaching to such options; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the shares to be issued pursuant to the exercise of any options granted under the New Share Option Scheme, the New Share Option Scheme be and is hereby approved and adopted and the Directors of the Company be and is hereby authorized to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation:

- (i) to administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for shares of the Company;
- (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment;
- (iii) to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the New Share Option Scheme provided always that the total number of shares subject to the

New Share Option Scheme, when aggregated with any shares subject to any other share option schemes, shall not exceed 10% of the relevant class of the issued share capital of the Company as at the date of passing this resolution, but the Company may seek approval of its shareholders in general meeting for refreshing the 10% limit under the New Share Option Scheme and the maximum number of shares which may be issued upon exercise of all outstanding options granted under the New Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 30% of the relevant class of the issued share capital of the Company from time to time;

(iv) to make applications at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued shares of the Company may for the time being be listed, for listing of and permission to deal in any shares which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme; and

(v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme;

(b) the existing share option scheme for the employees and executive Directors of the Company and its subsidiaries which was adopted by the Company at its special general meeting on 4 December 1996 be and is hereby terminated with immediate effect."

5. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT

(a) the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;

- (b) the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly; and
 - (c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the members in general meetings; and
 - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held.";
6. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT

- (a) the exercise by the Directors during the Relevant Period of all the powers of the Company to issue, allot and dispose of additional shares of the Company and to make or grant offers, agreements and options which would or might require shares to be allotted, issued or disposed of during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to a rights issue where shares are offered to members on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) or any option scheme or similar arrangement for the time being adopted for the grant or issue

to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible grantee pursuant to the scheme of shares or rights to acquire shares of the Company, or any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, the total nominal amount of additional shares issued, allotted, disposed of or agreed conditionally or unconditionally to be issued, allotted or disposed of (whether pursuant to an option or otherwise) shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and

(b) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the members in general meetings; and

(iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held."; and

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"**THAT** the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to issue, allot and otherwise dispose of additional shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by total nominal amount of shares in the capital of the Company which has been repurchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the total nominal

amount of the share capital of the Company in issue on the date of this Resolution."

By Order of the Board
Chung Yik Cheung, Raymond
Secretary

Hong Kong, 26 April 2002

Notes:

- (a) The Register of Members will be closed from Wednesday, 22 May 2002 to Monday, 27 May 2002, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for attending the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong not later than 4:00 p.m. on Tuesday, 21 May 2002.
- (b) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company.
- (c) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's Branch Registrars in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
- (d) An explanatory statement containing further details regarding item 4 above will be sent to members together with the 2001 Annual Report.
- (e) An explanatory statement containing further details regarding items 5 to 7 above will be sent to members together with the 2001 Annual Report.

"Please also refer to the published version of this announcement in the Hong Kong i-mail"