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 2009

RESULTS

The Board of Directors (the "Board") of K & P International Holdings Limited (the "Company") herein announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 together with the comparative figures for the corresponding year in 2008 as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2009

	Notes	**2009** *HK$*	2008 *HK$*
REVENUE	*4*	**322,867,274**	411,754,404
Cost of sales		**(260,846,834)**	(332,777,965)
Gross profit		**62,020,440**	78,976,439
Other income and gains	*4*	**4,671,431**	9,941,036
Selling and distribution costs		**(30,978,880)**	(41,021,930)
Administrative expenses		**(25,561,754)**	(36,625,307)
Other expenses		**(1,263,850)**	(3,836,268)
Finance costs	*6*	**(3,275,781)**	(5,438,490)
PROFIT BEFORE TAX	*5*	**5,611,606**	1,995,480
Income tax expense	*7*	**(3,341,604)**	(1,597,696)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**2,270,002**	397,784
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**0.85 cent**	0.15 cent
Diluted		**0.85 cent**	0.15 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	2009 *HK$*	2008 *HK$*
PROFIT FOR THE YEAR	**2,270,002**	397,784
OTHER COMPREHENSIVE INCOME		
Gain on property revaluation	**1,357,136**	1,739,087
Income tax effect	**(630,375)**	–
	726,761	1,739,087
Exchange differences on translation of foreign operations	**(306,324)**	6,939,628
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**420,437**	8,678,715
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,690,439**	9,076,499

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	**2009** **HK$**	2008 HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**139,368,094**	154,274,311
Prepaid land lease payments		**20,829,762**	21,335,443
Other intangible assets		**8,145,829**	10,038,329
Available-for-sale investment		**680,000**	680,000
Deferred tax assets		**1,358,447**	–
Prepaid rent		**468,000**	702,000
Total non-current assets		**170,850,132**	187,030,083
CURRENT ASSETS			
Inventories		**36,859,295**	45,476,715
Prepayments, deposits and other receivables		**12,744,645**	17,620,388
Trade and bills receivables	*9*	**61,645,865**	64,630,967
Cash and cash equivalents		**32,405,249**	51,510,355
Total current assets		**143,655,054**	179,238,425
CURRENT LIABILITIES			
Trade payables	*10*	**56,778,707**	61,748,249
Accrued liabilities and other payables		**24,712,798**	34,158,844
Derivative financial instrument		**–**	106,627
Interest-bearing bank and other borrowings		**35,936,113**	70,967,824
Loan from a director		**12,000,000**	–
Tax payable		**8,151,972**	2,636,232
Provision for product warranties		**–**	355,774
Total current liabilities		**137,579,590**	169,973,550
NET CURRENT ASSETS		**6,075,464**	9,264,875
TOTAL ASSETS LESS CURRENT LIABILITIES		**176,925,596**	196,294,958
NON-CURRENT LIABILITIES			
Other long term payables		**–**	4,108,231
Interest-bearing bank and other borrowings		**18,976,727**	24,504,712
Deferred tax liabilities		**1,083,406**	1,509,031
Loan from a director		**–**	12,000,000
Total non-current liabilities		**20,060,133**	42,121,974
Net assets		**156,865,463**	154,172,984
EQUITY			
Issued capital		**26,550,480**	26,550,480
Reserves		**130,314,983**	127,622,504
Total equity		**156,865,463**	154,172,984

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for buildings, a derivative financial instrument and an available-for-sale investment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments - Disclosure of information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue - Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and* HKAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary,* which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:-

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 3.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services 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, and liquid crystal displays ("LCDs");

(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 property holding activities, together with corporate income and expense items.

3. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that bank interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the cost of sales.

Year ended 31 December 2009	**Precision parts and components** *HK$*	**Consumer electronic products** *HK$*	**Corporate and others** *HK$*	**Total** *HK$*
Segment revenue:				
Sales to external customers	**203,350,227**	**119,517,047**	**–**	**322,867,274**
Intersegment sales	**2,181,648**	**309,428**	**–**	**2,491,076**
Other income and gains	**2,841,029**	**1,781,394**	**18,989**	**4,641,412**
	208,372,904	**121,607,869**	**18,989**	**329,999,762**
Reconciliation:				
Elimination of intersegment sales				**(2,491,076)**
Revenue				**327,508,686**
Segment results	**21,304,250**	**(13,026,938)**	**580,056**	**8,857,368**
Reconciliation:				
Bank interest income				**30,019**
Finance costs				**(3,275,781)**
Profit before tax				**5,611,606**
Other segment information:				
Depreciation and amortisation	**9,820,719**	**13,059,038**	**740,375**	**23,620,132**
Impairment of trade receivables	**22,457**	**663,351**	**–**	**685,808**
Reversal of provision for slow-moving inventories	**(332,545)**	**–**	**–**	**(332,545)**
Surplus on revaluation of buildings credited to the asset revaluation reserve	**–**	**–**	**1,357,136**	**1,357,136**
Recognition of prepaid land lease payments	**288,899**	**–**	**199,602**	**488,501**
Capital expenditure	**1,671,987**	**3,784,224**	**38,380**	**5,494,591**
Product warranty provision	**–**	**204,352**	**–**	**204,352**

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2008	Precision parts and components *HK$*	Consumer electronic products *HK$*	Corporate and others *HK$*	Total *HK$*
Segment revenue:				
Sales to external customers	243,101,328	168,653,076	–	411,754,404
Intersegment sales	3,033,265	546	–	3,033,811
Other income and gains	7,308,323	2,499,978	4,168	9,812,469
	253,442,916	171,153,600	4,168	424,600,684
Reconciliation:				
Elimination of intersegment sales				(3,033,811)
Revenue				421,566,873
Segment results	21,172,387	(13,608,390)	(258,594)	7,305,403
Reconciliation:				
Bank interest income				128,567
Finance costs				(5,438,490)
Profit before tax				1,995,480
Other segment information:				
Depreciation and amortisation	11,674,274	13,312,563	725,347	25,712,184
Impairment of trade receivables	1,677,082	82,843	–	1,759,925
Provision/(reversal of provision) for slow-moving inventories	303,997	(1,260,510)	–	(956,513)
Surplus on revaluation of buildings credited to the asset revaluation reserve	–	–	1,739,087	1,739,087
Recognition of prepaid land lease payments	271,719	–	199,602	471,321
Capital expenditure	37,832,800	26,964,080	129,155	64,926,035
Product warranty provision	–	768,324	–	768,324

Geographical information

(a) Revenue from external customers

	2009 *HK$*	2008 *HK$*
Hong Kong	**62,259,815**	85,373,514
Mainland China	**22,706,208**	24,532,479
Japan and other Asian countries	**52,532,972**	57,658,114
North America	**24,327,349**	46,234,240
European Union	**152,539,892**	184,178,612
Other countries	**8,501,038**	13,777,445
	322,867,274	411,754,404

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2009	2008
	HK$	*HK$*
Hong Kong	**23,077,638**	24,909,827
Mainland China	**145,707,692**	161,154,448
Other countries	**26,355**	285,808
	168,811,685	186,350,083

The non-current asset information above is based on the location of assets and excludes an available-for-sale investment and deferred tax assets.

Information about a major customer

Revenue of approximately HK$54.4 million (2008: HK$54.2 million), contributing over 10% of the total sales of the Group, was derived from sales by the precision parts and components segment to a single customer.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, 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:

	2009	2008
	HK$	*HK$*
Revenue		
Sale of goods	**322,867,274**	411,754,404
Other income and gains		
Bank interest income	**30,019**	128,567
Tooling charge income	**1,409,807**	3,712,864
Sale of scrap	**396,150**	2,049,220
Sale of samples	**1,476,185**	1,421,861
Gain on disposal of items of property, plant and equipment	**–**	1,872,296
Fair value gain on a derivative instrument – transaction not qualifying as a hedge	**106,627**	–
Gain on a derivative instrument – transaction not qualifying as a hedge	**186,400**	320,186
Others	**1,066,243**	436,042
	4,671,431	9,941,036

5. PROFIT BEFORE TAX

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

	2009	2008
	HK$	*HK$*
Cost of inventories sold	**256,346,879**	328,794,478
Auditors' remuneration	**1,538,117**	1,602,002
Depreciation	**18,787,632**	20,772,184
Recognition of prepaid land lease payments	**488,501**	471,321
Minimum lease payments under operating leases on land and buildings	**3,902,981**	4,103,428
Amortisation of other intangible assets*	**4,832,500**	4,940,000
Reversal of provision for slow-moving inventories*	**(332,545)**	(956,513)
Staff costs (including directors' other emoluments):		
Wages and salaries	**73,809,767**	101,490,475
Equity-settled share option expense	**2,040**	12,302
Pension scheme contributions	**525,520**	702,333
	74,337,327	102,205,110
Less: Amount capitalised in deferred development costs	**(2,940,000)**	(4,400,000)
	71,397,327	97,805,110
Product warranty provision	**204,352**	768,324
Fair value loss/(gain) on a derivative instrument – transaction not qualifying as a hedge	**(106,627)**	141,589
Gain on a derivative instrument – transaction not qualifying as a hedge	**(186,400)**	(320,186)
Foreign exchange differences, net	**561,598**	1,934,754
Impairment of trade receivables	**685,808**	1,759,925
Loss/(gain) on disposal of items of property, plant and equipment	**16,444**	(1,872,296)

* The amortisation of other intangible assets and the reversal of provision for slow-moving inventories for the year are included in "Cost of sales" in the consolidated income statement.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2009	2008
	HK$	*HK$*
Interest on bank loans and overdrafts wholly repayable within five years	**3,063,516**	5,173,431
Interest on finance leases	**212,265**	265,059
	3,275,781	5,438,490

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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 jurisdictions in which the Group operates.

	2009	2008
	HK$	*HK$*
Group:		
Current – Hong Kong		
Charge for the year	**1,847,975**	894,316
Under/(over) provision in prior years	**2,308,076**	(1,278,093)
Current – Elsewhere		
Charge for the year	**1,670,000**	680,891
Under/(over) provision in prior years	**(70,000)**	1,100,000
Deferred	**(2,414,447)**	200,582
Total tax charge for the year	**3,341,604**	1,597,696

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 domiciled to the tax expense at the effective tax rate are as follows:

Group

	2009	2008
	HK$	*HK$*
Profit before tax	**5,611,606**	1,995,480
Tax at the statutory tax rate of 16.5% (2008: 16.5%)	**925,915**	329,254
Adjustments in respect of current tax of previous periods	**2,238,076**	(178,093)
Effect of different rates for companies operating in other jurisdictions	**586,785**	604,012
Income not subject to tax	**(981,679)**	(2,483,795)
Expenses not deductible for tax	**1,740,469**	2,040,577
Tax losses utilised from previous periods	**(343,688)**	(489,190)
Tax losses not recognised	**–**	415,748
Others	**(824,274)**	1,359,183
Tax charge at the Group's effective rate of 59.5% (2008: 80.1%)	**3,341,604**	1,597,696

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2009	2008
	HK$	*HK$*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**2,270,002**	397,784
Shares		
Number of ordinary shares in issue during the year used in the basic earnings per share calculation	**265,504,800**	265,504,800
Effect of dilution – weighted average number of ordinary shares:		
Share options	**15,818**	18,570
Weighted average number of ordinary shares adjusted for the effect of dilution	**265,520,618**	265,523,370

9. TRADE AND BILLS RECEIVABLES

	Group	
	2009	2008
	HK$	*HK$*
Trade receivables	**64,105,523**	63,920,848
Impairment	**(3,653,289)**	(4,336,638)
	60,452,234	59,584,210
Bills receivables discounted with recourse	**1,193,631**	5,046,757
	61,645,865	64,630,967

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, where the terms are extended from 60 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. Bills receivables discounted with recourse are interest-bearing. The carrying amounts of these balances approximate to their fair values.

9. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2009	2008
	HK$	*HK$*
Within 90 days	**52,872,741**	54,323,240
Between 91 and 180 days	**7,503,268**	4,656,136
Over 180 days	**76,225**	604,834
	60,452,234	59,584,210

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

	Group	
	2009	2008
	HK$	*HK$*
Within 90 days	**1,193,631**	5,046,757

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2009	2008
	HK$	*HK$*
At 1 January	**4,336,638**	2,633,682
Impairment losses recognised	**685,808**	1,759,925
Amount written off as uncollectible	**(1,369,157)**	(56,969)
	3,653,289	4,336,638

The above provisions are for individually impaired trade receivables which related to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2009	2008
	HK$	*HK$*
Neither past due nor impaired	**39,232,180**	46,342,074
Less than 1 month past due	**12,817,043**	7,315,940
1 to 3 months past due	**5,409,270**	4,795,951
3 to 6 months past due	**2,993,741**	1,130,245
	60,452,234	59,584,210

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

9. **TRADE AND BILLS RECEIVABLES (continued)**

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

10. **TRADE PAYABLES**

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$	*HK$*
Within 90 days	**44,152,490**	39,654,629
Between 91 and 180 days	**10,683,462**	17,480,459
Over 180 days	**1,942,755**	4,613,161
	56,778,707	61,748,249

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

FINANCIAL RESULTS

The Group turnover for the year ended 31 December 2009 amounted to approximately HK$322.9 million representing a 21.6% decrease from the previous year. Overall gross profit decreased by 21.5% to approximately HK$62.0 million this year. Profit attributable to equity holders was approximately HK$2.3 million (2008: HK$0.4 million).

Basic earnings per share for the year ended 31 December 2009 was HK0.85 cent (2008: HK0.15 cent) per share.

BUSINESS REVIEW

In terms of business environment, 2009 was one of the most challenging years. The sales turnover of the precision parts and components segment dropped by 16.4% to approximately HK$203.4 million. The operating profit increased by 0.6% to approximately HK$21.3 million.

The sales turnover of the consumer products segment dropped by 29.1% to approximately HK$119.5 million. The operating loss of this segment decreased by 4.3% to approximately HK$13.0 million. This included the one-time write-off of inventory due to the closure of the US office.

As the global economy in 2009 was still very weak, customers became very conservative which resulted in a significant decrease in purchase orders. On the other hand, the cost of production stabilised, so the gross profit margin could still be maintained at 19.2% which was the same level of the prior year. We successfully implemented a series of cost control measures, reducing the operation cost and streamlining procedures, which led to the reduction of operating expenses. As a result, we reduced the fixed cost of production by HK$29.5 million which decreased by 22.2% compared with last year. Sales expenses were reduced approximately HK$10.0 million and administrative expenses were reduced approximately HK$11.1 million which decreased by 24.5% and 30.2%, respectively. At the same time, finance costs also decreased approximately HK$2.2 million, a drop of 39.8%. Due to our cost control, we were able to increase our profit.

FUTURE PLANS AND PROSPECTS

Although we believe that the most difficult time had passed, there are still many uncertainties in the market this year. Looking ahead, we will be cautious but optimistic, and will continue to implement the cost control measures. At the same time, we will keep our competitive edge by continuing to invest in research and development.

In Guangdong province, a shortage of labor has already caused labor and material costs to rise. This will increase our cost of production. To cope with this situation, we have started investing more in automation on production, in order to lessen the impact of the labor shortage on the manufacturing side. Even though the increase in costs of production had a certain influence on our daily business, it is impossible to transfer all of these costs to our customers.

For the consumer electronics products segment, we signed a distributor agreement with a US company last November. In the next three years, they will be our sole distributor in the American market, responsible for marketing and selling our weather station and clock items. As they are a very experienced sales team, this will be beneficial for us to promote our products and fits perfectly with the long-term development of our company.

As the global business environment is still full of uncertainties, we will continue to implement stringent cost control measures and work on improving our financial position in order to capture opportunities that come along with the recovery of economy.

OPERATIONS REVIEW

The following highlights the Group's results for the year ended 31 December 2009.

- Turnover decreased by 21.6% from the prior year to HK$322.9 million for the year.

- Gross profit decreased by approximately HK$17.0 million from 2008 to approximately HK$62.0 million in 2009.

- Profit from operating activities before finance costs was HK$8.9 million, an increase of HK$1.5 million from the last financial year.

- Finance costs decreased by HK$2.2 million from last year to HK$3.3 million.

- Profit for the year was approximately HK$2.3 million.

In the year under review, turnover of the precision parts and components segment decreased by approximately 16.4% as compared with the previous financial year. Turnover of the consumer electronic products segment decreased by approximately 29.1%.

The Group's overall gross profit decreased by approximately 21.5% from the previous year.

The Group's finance costs decreased to HK$3.3 million for the year due to the decline in interest rates and the decrease in bank borrowings.

LIQUIDITY AND FINANCIAL RESOURCES

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

The total borrowings from banks and financial institutions include long term loans, finance leases, import and export loans, which amounted to approximately HK$54.9 million as at 31 December 2009, and of which HK$35.9 million is repayable in 2010.

The Group's financial position remains healthy. At the end of the reporting period, the aggregate balance of cash and cash equivalents of the Group amounted to approximately HK$32.4 million.

LIQUIDITY AND FINANCIAL RESOURCES (continued)

The Group's borrowings are on a floating rate basis and are mainly denominated in Hong Kong dollars, Renminbi or United States dollars. These match with the principal currencies in which the Group conducts its business. Currently, the Group has Renminbi-denominated loans amounting to approximately RMB19.4 million that are used by the Group's Zhongshan plants for working capital purposes.

The gearing ratio on the basis of total debts to total assets as at 31 December 2009 is 50.1% (2008: 57.9%).

CHARGE ON THE GROUP ASSETS

At 31 December 2009, certain of the Group's buildings with a net carrying value of approximately HK$49,500,000 (2008: HK$50,000,000) and one of the Group's land with a net book value of approximately HK$10,342,000 (2008: HK$10,548,000) were pledged to secure a bank loan and instalment loans to the Group.

CONTINGENT LIABILITIES

Except for corporate guarantees given to banks and other financial institutions in relation to facilities granted to the subsidiaries, a subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the subsidiary had breached a sales and purchase contract to deliver certain goods. The directors, based on the advice from the Group's external legal counsel, believe that the subsidiary has a reasonably good defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal costs.

CAPITAL STRUCTURE

As at 31 December 2009, the Company had approximately 265.5 million shares in issue with total shareholders' funds of the Group amounting to approximately HK$156.9 million.

Pursuant to the share option scheme, the Board granted share options to certain suppliers of services, senior executives and employees of the Group. The exercise in full of those share options granted but remaining not exercised would result in the issue of 1.5 million additional shares and proceeds of approximately HK$0.39 million.

FUND RAISING

Other than obtaining additional general banking facilities to finance the Group's trading requirements, the Group did not have any special fund raising activities in 2009.

EMPLOYEES

As at 31 December 2009, the Group had a total workforce of approximately 2,110 of which approximately 60 were based in Hong Kong, approximately 10 were based overseas and approximately 2,040 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 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 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.

FINAL DIVIDENDS

The directors have resolved not to recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

CLOSURE OF REGISTERS

The Register of Members of the Company will be closed from Monday, 3 May 2010 to Friday, 7 May 2010, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 30 April 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices, 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 2009, except for the deviation in respect of the separation of the roles of chairman and chief executive officer. Considered reason for such deviation has been disclosed in the 2009 Interim Report.

REVIEW OF ACCOUNTS

The Audit committee has reviewed the Group's 2009 final results before they were tabled for the Board's review and approval.

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

Hong Kong, 23 March 2010

As at the date of this announcement, the Board comprises Messrs. Lai Pei Wor and Chan Yau Wah (being executive directors) and Messrs. Kung Fan Cheong, Leung Man Kay and Li Yuen Kwan, Joseph (being independent non-executive directors).

** For identification purposes only*