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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 2011

RESULTS

The Board of Directors (the “Board”) of K & P International Holdings Limited (the “Company”) herein announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011 together with the comparative figures for the corresponding year in 2010 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	<i>Notes</i>	2011 <i>HK\$</i>	2010 <i>HK\$</i>
REVENUE	4	413,838,845	384,638,630
Cost of sales		(336,229,677)	(304,693,595)
Gross profit		77,609,168	79,945,035
Other income and gains	4	5,258,182	5,763,445
Selling and distribution costs		(29,115,735)	(29,543,237)
Administrative expenses		(23,027,902)	(21,695,328)
Other expenses		(319,369)	(270,752)
Finance costs	6	(854,014)	(1,812,443)
PROFIT BEFORE TAX	5	29,550,330	32,386,720
Income tax expense	7	(3,792,440)	(7,207,536)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		25,757,890	25,179,184
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		HK9.70 cents	HK9.48 cents
Diluted		HK9.67 cents	HK9.47 cents

* For identification purposes only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2011*

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
PROFIT FOR THE YEAR	<u>25,757,890</u>	<u>25,179,184</u>
OTHER COMPREHENSIVE INCOME		
Surplus arising from revaluation of land and buildings	6,689,229	2,307,027
Income tax effect	(837,517)	(330,365)
	<u>5,851,712</u>	<u>1,976,662</u>
Exchange differences on translation of foreign operations	<u>3,765,127</u>	<u>1,680,783</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>9,616,839</u>	<u>3,657,445</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>35,374,729</u></u>	<u><u>28,836,629</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Notes</i>	2011 HK\$	2010 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		145,290,969	140,464,261
Prepaid land lease payments		13,634,367	13,504,017
Other intangible assets		1,602,496	4,070,829
Available-for-sale financial investment		680,000	680,000
Deferred tax assets		2,521,406	4,068,157
Prepaid rent		191,943	234,000
		<hr/>	<hr/>
Total non-current assets		163,921,181	163,021,264
CURRENT ASSETS			
Inventories		33,783,152	32,873,562
Prepayments, deposits and other receivables		9,540,849	6,700,135
Trade and bills receivables	<i>10</i>	72,262,824	58,393,380
Cash and cash equivalents		27,604,333	42,759,628
		<hr/>	<hr/>
Total current assets		143,191,158	140,726,705
CURRENT LIABILITIES			
Trade payables	<i>11</i>	42,549,842	40,837,096
Accrued liabilities and other payables		32,861,926	31,143,002
Derivative financial instrument		319,369	–
Interest-bearing bank and other borrowings		12,663,868	28,656,395
Tax payable		13,232,767	15,378,484
		<hr/>	<hr/>
Total current liabilities		101,627,772	116,014,977
NET CURRENT ASSETS		<hr/> 41,563,386 <hr/>	<hr/> 24,711,728 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		205,484,567	187,732,992
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,613,049	1,650,867
		<hr/>	<hr/>
Net assets		202,871,518	186,082,125
		<hr/>	<hr/>
EQUITY			
Issued capital		26,550,480	26,550,480
Reserves		165,700,846	146,256,405
Proposed final dividend	<i>8</i>	10,620,192	7,965,144
Proposed special dividend	<i>8</i>	–	5,310,096
		<hr/>	<hr/>
Total equity		202,871,518	186,082,125
		<hr/>	<hr/>

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These financial statements have been prepared under the historical cost convention, except for land and buildings, a derivative financial instrument and an available-for-sale financial investment, which have been measured at revalued amount/fair value. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses 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.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

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 parent.

When the Group loses control of a subsidiary, the gain 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 is recognised 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 is accounted for as a financial asset/liability, associate, jointly controlled entity or others as appropriate from the date when control is lost.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2010 financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in note 2.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following new/revised HKFRSs for the first time. Other than as further explained, the adoption of the new/revised HKFRSs has had no significant impact on the financial statements of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKAS 24 (Revised) - *Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

- (a) a government that has control, joint control or significant influence over the reporting entity; and
- (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the financial statements.

Improvements to HKFRSs 2010

The improvements comprise a number of improvements to HKFRSs including the following that is considered to be relevant to the Group:

Amendments to HKFRS 7 Financial Instrument Disclosures: Clarification of disclosures

The Amendments clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required for renegotiated loans.

Amendments to HKAS 1 (Revised): Presentation of Financial Statements: Clarification of statement of changes in equity

The Amendments clarify that the reconciliation of each component of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation on the face of the consolidated statement of changes in equity.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its 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;
- (b) the consumer electronic products segment comprises the design, manufacture and sale of consumer electronic products comprising time, weather forecasting and other products; and
- (c) the corporate and others segment comprises the Group's long term investments, together with corporate income and expense items.

Management 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 profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, finance costs, as well as head office and corporate expenses and income are excluded from such measurement.

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011	Precision parts and components <i>HK\$</i>	Consumer electronic products <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue:				
Sales to external customers	286,464,455	127,374,390	–	413,838,845
Intersegment sales	2,479,955	873,441	–	3,353,396
Other income and gains	3,126,462	2,040,044	(28,561)	5,137,945
	<u>292,070,872</u>	<u>130,287,875</u>	<u>(28,561)</u>	<u>422,330,186</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(3,353,396)</u>
Total segment revenue				<u><u>418,976,790</u></u>
Segment results:	31,066,540	2,304,740	(3,087,173)	30,284,107
<i>Reconciliation:</i>				
Bank interest income				120,237
Finance costs				<u>(854,014)</u>
Profit before tax				<u><u>29,550,330</u></u>
Other segment information:				
Depreciation and amortisation of other intangible assets	7,579,498	7,485,142	1,053,495	16,118,135
Write back of impairment of trade receivables	(78,062)	–	–	(78,062)
Provision/(reversal of provision) for slow-moving inventories	58,026	(193,267)	–	(135,241)
Surplus on revaluation of land and buildings credited to other comprehensive income	–	–	6,689,229	6,689,229
Amortisation of prepaid land lease payments	305,175	–	–	305,175
Capital expenditure	<u>8,324,039</u>	<u>212,621</u>	<u>75,500</u>	<u>8,612,160</u>

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010	Precision parts and components <i>HK\$</i>	Consumer electronic products <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue:				
Sales to external customers	246,535,006	138,103,624	–	384,638,630
Intersegment sales	3,301,544	963,574	–	4,265,118
Other income and gains	3,702,475	2,002,217	2,918	5,707,610
	253,539,025	141,069,415	2,918	394,611,358
<i>Reconciliation:</i>				
Elimination of intersegment sales				(4,265,118)
Total segment revenue				390,346,240
Segment results:				
	40,762,489	(2,382,238)	(4,236,923)	34,143,328
<i>Reconciliation:</i>				
Bank interest income				55,835
Finance costs				(1,812,443)
Profit before tax				32,386,720
Other segment information:				
Depreciation and amortisation of other intangible assets	8,824,954	10,465,703	973,675	20,264,332
Impairment of trade receivables	51,442	219,310	–	270,752
Provision for slow-moving inventories	379,983	1,649,724	–	2,029,707
Surplus on revaluation of land and buildings credited to other comprehensive income	–	–	2,307,027	2,307,027
Amortisation of prepaid land lease payments	296,132	–	–	296,132
Capital expenditure	3,880,120	226,979	16,300	4,123,399

Geographical information

(a) Revenue from external customers

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Hong Kong	55,134,911	64,925,786
Mainland China	36,351,471	22,137,768
Japan and other Asian countries	62,890,182	53,158,254
North America	25,995,528	27,514,217
Europe	227,857,820	206,047,110
Other countries	5,608,933	10,855,495
	413,838,845	384,638,630

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Hong Kong	22,770,351	20,746,263
Mainland China	137,930,181	137,519,757
Other countries	19,243	7,087
	<u>160,719,775</u>	<u>158,273,107</u>

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

Information about a major customer

Revenue of approximately HK\$97.5 million (2010: HK\$79 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:

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Revenue		
Sale of goods	<u>413,838,845</u>	<u>384,638,630</u>
Other income and gains		
Bank interest income	120,237	55,835
Tooling charge income	847,279	1,315,595
Sale of scrap	1,064,083	430,300
Sale of samples	2,396,372	1,743,786
Gain on disposal of items of property, plant and equipment	21,644	663,180
Foreign exchange differences, net	435,375	1,185,258
Others	373,192	369,491
	<u>5,258,182</u>	<u>5,763,445</u>

5. PROFIT BEFORE TAX

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

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Staff costs (including directors' remuneration) [#] :		
Wages and salaries	105,039,667	89,762,470
Pension scheme contributions	468,281	475,070
	<u>105,507,948</u>	<u>90,237,540</u>
Cost of inventories sold	333,896,585	298,588,888
Auditors' remuneration	962,721	1,145,824
Depreciation [#]	13,649,802	16,189,332
Amortisation of prepaid land lease payments	305,175	296,132
Minimum lease payments under operating leases on land and buildings	3,916,235	3,547,132
Amortisation of other intangible assets*	2,468,333	4,075,000
(Reversal of provision)/provision for slow-moving inventories*	(135,241)	2,029,707
Fair value loss on a derivative financial instrument – transaction not qualified as hedge accounting	319,369	–
Foreign exchange differences, net	(435,375)	(1,185,258)
(Write back)/impairment of trade receivables	(78,062)	270,752
Gain on disposal of items of property, plant and equipment	<u>(21,644)</u>	<u>(663,180)</u>

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

[#] The staff costs HK\$80,261,178 (2010: HK\$63,526,241) and depreciation amounted to HK\$12,967,045 (2010: HK\$15,557,540) for the year are included in "Cost of sales" in the consolidated income statement, respectively.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	837,020	1,706,352
Interest on finance leases	16,994	106,091
	<u>854,014</u>	<u>1,812,443</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Current – Hong Kong		
Charge for the year	1,623,517	2,734,276
(Over)/under provision in prior years	(551,889)	4,298,867
Current – Elsewhere		
Charge for the year	1,123,240	4,346,711
Over provision in prior years	(90,761)	(1,624,608)
Deferred	1,688,333	(2,547,710)
	<u>3,792,440</u>	<u>7,207,536</u>
Tax charge for the year	<u>3,792,440</u>	<u>7,207,536</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense is as follows:

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Profit before tax	<u>29,550,330</u>	<u>32,386,720</u>
Tax at the statutory tax rate of 16.5% (2010: 16.5%)	4,875,804	5,343,809
Effect of different rates for companies operating in other jurisdictions	936,984	1,578,749
Income not subject to tax	(2,083,068)	(3,012,594)
Tax effect of previously unrecognised tax losses now recognised	–	(2,662,836)
Expenses not deductible for tax	1,109,789	3,424,125
Unrecognised temporary differences	63,962	–
Utilisation of previously unrecognised tax losses	(452,489)	(25,791)
(Over)/under provision in prior years	(642,650)	2,674,259
Tax losses not recognised	23,914	347,257
Tax concessions	(184,140)	(178,503)
Others	144,334	(280,939)
	<u>3,792,440</u>	<u>7,207,536</u>
Tax charge for the year	<u>3,792,440</u>	<u>7,207,536</u>

8. DIVIDENDS

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Attributable to the current year:		
Proposed final dividend –		
HK4 cents (2010: HK3 cents) per ordinary share	10,620,192	7,965,144
Declared and paid interim dividend –		
HK2 cents (2010: Nil) per ordinary share	5,310,096	–
Proposed special dividend –		
Nil (2010: HK2 cents) per ordinary share	–	5,310,096
	<u>15,930,288</u>	<u>13,275,240</u>
Attributable to previous years, approved and paid during the year:		
Final dividend – HK3 cents (2010: Nil) per ordinary share	7,965,144	–
Special dividend –HK2 cents (2010: Nil) per ordinary share	5,310,096	–
	<u>13,275,240</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.

9. 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 weighted average number of 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 and the adjusted weighted average number of ordinary shares in issue during the year. The adjusted weighted average number of ordinary shares used in the calculation is the weighted average 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:

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	<u>25,757,890</u>	<u>25,179,184</u>
Shares		
Weighted average 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	<u>769,397</u>	<u>489,385</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>266,274,197</u>	<u>265,994,185</u>

10. TRADE AND BILLS RECEIVABLES

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Trade receivables	71,111,151	56,803,891
Impairment	–	(78,062)
	<hr/>	<hr/>
	71,111,151	56,725,829
Bills receivable discounted with recourse	1,151,673	1,667,551
	<hr/>	<hr/>
	72,262,824	58,393,380
	<hr/> <hr/>	<hr/> <hr/>

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. There is a significant concentration of credit risk as 38.3% (2010: 32.1%) of the balance represented a single customer (2010: a single customer) which was derived from sales by the precision parts and components segment. Trade receivables are non-interest-bearing. The carrying amounts of these balances are approximate to their fair values.

An ageing 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:

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Within 90 days	65,328,723	54,768,204
Between 91 and 180 days	5,557,351	1,383,640
Over 180 days	225,077	573,985
	<hr/>	<hr/>
	71,111,151	56,725,829
	<hr/> <hr/>	<hr/> <hr/>

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

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Within 90 days	1,151,673	1,667,551
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND BILLS RECEIVABLES (continued)

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

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
At 1 January	78,062	3,653,289
Impairment losses recognised	–	270,752
Amount written off as uncollectible	–	(3,845,979)
Write back of impairment losses	(78,062)	–
	<u>–</u>	<u>78,062</u>

At 31 December 2010, the above provisions were for individually impaired trade receivables of HK\$78,062 related to customers that were in financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Neither past due nor impaired	54,816,761	42,217,219
Less than 1 month past due	14,367,300	10,933,012
1 to 3 months past due	1,322,128	2,717,326
3 to 6 months past due	604,962	858,272
	<u>71,111,151</u>	<u>56,725,829</u>

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.

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.

11. TRADE PAYABLES

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

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Within 90 days	34,252,872	34,683,069
Between 91 and 180 days	7,762,216	6,049,046
Over 180 days	534,754	104,981
	<u>42,549,842</u>	<u>40,837,096</u>

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 2011 amounted to approximately HK\$413.8 million representing a 7.6% increase from the previous year. Overall gross profit decreased by 2.9% to approximately HK\$77.6 million this year. Profit attributable to owners of the Company was approximately HK\$25.8 million (2010: HK\$25.2 million).

Basic earnings per share for the year ended 31 December 2011 was HK9.70 cents (2010: HK9.48 cents) per ordinary share.

DIVIDEND

The directors recommend the payment of a final dividend of HK4 cents (2010: a final dividend of HK3 cents and a special dividend of HK2 cents) per ordinary share on Tuesday, 26 June 2012 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 31 May 2012. This recommendation has been incorporated in the financial statements as an allocation of retained profit within the equity section of the consolidated statement of financial position.

CLOSURE OF REGISTERS FOR ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed from Monday, 21 May 2012 to Wednesday, 23 May 2012, 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, 18 May 2012.

CLOSURE OF REGISTERS FOR DIVIDEND

The Register of Members of the Company will be closed from Tuesday, 29 May 2012 to Thursday, 31 May 2012, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the above 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 May 2012.

BUSINESS REVIEW

The success in developing business with new customers, along with the increasing demand from the major customers, the sales turnover of the precision parts and components segment in 2011 had continuously increased by 16.2% to approximately HK\$286.5 million. Yet, the rise in production costs in Mainland China resulted in decreasing the operating profit by 23.8% to approximately HK\$31.1 million.

Due to the weakened demand and also the phase-out of some products with low profit margin, the sales turnover of the consumer electronic products segment had dropped by 7.8% to approximately HK\$127.4 million. However, the effective control of operating costs and increment of products price had turned the operating results from loss to profit recorded an operating profit of approximately HK\$2.3 million.

In 2011, benefited from the increase in customer demand, the Group still recorded growth in business. However, the shortage of labor had caused the cost of labor to rise sharply. Furthermore, the increase in cost of raw material, plus the appreciation of Renminbi had driven up the cost of manufacturing. That led to the overall gross profit ratio to drop by 2.0% from the previous year to 18.8%. Comparing with the previous year, the selling and distribution costs decreased by 1.4% equivalent approximately HK\$0.4 million, administrative expenses increased by 6.1% equivalent approximately HK\$1.3 million and finance costs decreased by approximately HK\$1.0 million, which dropped 52.9%. The profit after taxation of the Group was approximately HK\$25.8 million (2010: HK\$25.2 million).

BUSINESS REVIEW (continued)

Cash and cash equivalents for the Group at the end of the reporting period were approximately HK\$27.6 million, netting the outstanding bank borrowings of approximately HK\$12.7 million, the net cash balance of the Group was HK\$14.9 million. The shareholders' funds of the Group at the end of the reporting period were HK\$202.9 million (2010: \$186.1 million).

FUTURE PLANS AND PROSPECTS

Due to the continuous slowdown of the economies in Europe and the America, and with the fact that the European financial crisis still not being resolved, this will weaken the consumer desire to spend. Therefore, we will be quite cautious in forecasting the business for this year.

Looking forward to the next few years, the cost of labor will still increase and the Renminbi will be appreciated furthermore. As a matter of fact, we will continue to pass on part of the upcosts to the customers. In addition, the low profitability business will be gradually phased-out, we will focus and develop higher value-added business. We will also strengthen the cost control and make appropriate adjustment on our pricing policy accordingly. On the other hand, we will upgrade our production equipment to enhance production efficiency and improve our profit margin. Moreover, we will increase our investment in research and development, and marketing promotion. With the solid financial background, we will actively seek for new business opportunities to expand our business.

OPERATIONS REVIEW

The following highlights the Group's results for the year ended 31 December 2011.

- Turnover increased by 7.6% from the prior year to HK\$413.8 million for the year.
- Gross profit decreased by approximately HK\$2.3 million from 2010 to approximately HK\$77.6 million in 2011.
- Profit from operating activities before finance costs was HK\$30.4 million, a decrease of HK\$3.8 million from the last financial year.
- Finance costs decreased by HK\$1.0 million from last year to HK\$0.9 million.
- Profit after tax for the year was approximately HK\$25.8 million.

In the year under review, turnover of the precision parts and components segment has increased by approximately 16.2% as compared with the previous financial year. Turnover of the consumer electronic products segment has decreased by approximately 7.8%.

The Group's overall gross profit has decreased by approximately 2.9% from the previous year.

The Group's finance costs have decreased to HK\$0.9 million for the year due to 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 all term loans, import and export loans, which amounted to approximately HK\$12.7 million as at 31 December 2011.

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\$27.6 million.

LIQUIDITY AND FINANCIAL RESOURCES (continued)

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 total debts to total assets as at 31 December 2011 is 33.9% (2010: 38.7%).

CHARGE ON THE GROUP'S ASSETS

At 31 December 2011, none of the bank borrowings were secured by charges over the Group's assets.

CONTINGENT LIABILITIES

Except for corporate guarantees given to banks and other financial institutions in relation to facilities granted to the subsidiaries, the Company had no other contingent liabilities as at 31 December 2011.

CAPITAL STRUCTURE

As at 31 December 2011, the Company had 265,504,800 ordinary shares in issue with total shareholders' funds of the Group amounting to approximately HK\$202.9 million.

Pursuant to the share option scheme, the Board granted share options to certain 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 1,500,000 additional ordinary shares and proceeds of approximately HK\$0.39 million before issue expenses.

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 2011.

EMPLOYEES

As at 31 December 2011, the Group had a total workforce of approximately 1,889 of which approximately 53 were based in Hong Kong, approximately 5 were based overseas and approximately 1,831 were based in Mainland China.

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 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 government.

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 2011, 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 2011 Interim Report.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's 2011 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, 28 March 2012

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).