

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2017

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 2017 together with the comparative figures for the corresponding year in 2016 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017

	<i>Notes</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
REVENUE	4	422,925,066	431,017,389
Cost of sales		(345,457,646)	(378,419,345)
Gross profit		77,467,420	52,598,044
Other income and gains	4	4,828,262	12,564,077
Selling and distribution costs		(35,069,405)	(35,361,815)
Administrative and other expenses		(36,600,166)	(36,427,010)
Finance costs	5	(1,480,583)	(1,675,059)
PROFIT/(LOSS) BEFORE TAX	6	9,145,528	(8,301,763)
Income tax (expense)/credit	7	(853,668)	191,614
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		8,291,860	(8,110,149)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		HK3.11 cents	HK(3.04) cents
Diluted		HK3.11 cents	HK(3.04) cents

* For identification purposes only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2017*

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
PROFIT/(LOSS) FOR THE YEAR	<u>8,291,860</u>	<u>(8,110,149)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that will not be reclassified to profit or loss:		
Surplus arising from revaluation of land and buildings	19,051,608	12,190,768
Income tax effect	(3,379,500)	(4,441,346)
	<u>15,672,108</u>	<u>7,749,422</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	9,813,915	(12,727,767)
	<u>9,813,915</u>	<u>(12,727,767)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>25,486,023</u>	<u>(4,978,345)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>33,777,883</u></u>	<u><u>(13,088,494)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Notes</i>	2017 HK\$	2016 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		214,598,441	195,460,747
Prepaid land lease payments		11,579,982	11,269,694
Other intangible assets		-	-
Available-for-sale financial investment		680,000	680,000
		<hr/>	<hr/>
Total non-current assets		226,858,423	207,410,441
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		73,449,981	60,358,767
Prepayments, deposits and other receivables		12,184,497	9,977,939
Trade and bills receivables	<i>10</i>	73,915,143	76,658,999
Tax recoverable		719,310	-
Cash and cash equivalents		42,285,169	24,384,156
		<hr/>	<hr/>
Total current assets		202,554,100	171,379,861
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>11</i>	54,679,126	46,443,046
Accrued liabilities and other payables		51,007,552	42,490,503
Interest-bearing bank and other borrowings		35,602,809	36,399,168
Tax payable		-	119,426
		<hr/>	<hr/>
Total current liabilities		141,289,487	125,452,143
		<hr/>	<hr/>
NET CURRENT ASSETS		61,264,613	45,927,718
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		288,123,036	253,338,159
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		3,522,050	5,894,556
Deferred tax liabilities		17,762,111	14,382,611
		<hr/>	<hr/>
Total non-current liabilities		21,284,161	20,277,167
		<hr/>	<hr/>
Net assets		266,838,875	233,060,992
		<hr/>	<hr/>
EQUITY			
Issued capital		26,700,480	26,700,480
Reserves		240,138,395	206,360,512
		<hr/>	<hr/>
Total equity		266,838,875	233,060,992
		<hr/>	<hr/>

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These consolidated financial statements have been prepared under the historical cost convention, except for land and buildings and an available-for-sale financial investment, which have been measured at revalued amount/fair value. These consolidated financial statements are presented in Hong Kong dollars.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in note 2.

Basis of consolidation

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

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Changes in ownership interest

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the 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 are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year had no significant impact on the consolidated financial statements of the Group and the Company for current and prior year.

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs	2014-2016 Cycle: HKFRS12

Amendments to HKAS 7: Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The adoption of the amendments results in the additional disclosures to the consolidated financial statements.

Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value.

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

Annual Improvements 2014-2016 Cycle: HKFRS 12 – Clarification of the scope

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5.

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and has three reportable operating segments as follows:

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

Management, the chief operating decision makers, monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(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 and finance costs are excluded from such measurement.

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

Year ended 31 December 2017	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	371,591,216	51,333,850	-	422,925,066
Intersegment sales	5,778,568	335,923	-	6,114,491
Reportable segment revenue	377,369,784	51,669,773	-	429,039,557
<i>Reconciliation:</i>				
Elimination of intersegment sales				(6,114,491)
Revenue				422,925,066
Segment results:	19,707,366	(7,307,932)	(1,816,343)	10,583,091
<i>Reconciliation:</i>				
Bank interest income				43,020
Finance costs				(1,480,583)
Profit before tax				9,145,528

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017	Precision parts and components HK\$	Consumer electronic products HK\$	Corporate and others HK\$	Total HK\$
Other segment information:				
Other income and gains	3,241,438	1,557,472	29,352	4,828,262
Depreciation	(10,755,017)	(14,031)	(3,171,442)	(13,940,490)
Gain on disposal of items of property, plant and equipment, net	106,752	310,683	-	417,435
(Provision for)/reversal of slow-moving inventories, net	(32,820)	1,298,123	-	1,265,303
Surplus on revaluation of land and buildings credited to other comprehensive income	4,581,346	-	14,470,262	19,051,608
Amortisation of prepaid land lease payments	(290,707)	-	-	(290,707)
Minimum lease payments under operating leases on land and buildings	(4,534,482)	(2,939,753)	(181,620)	(7,655,855)
Foreign exchange (loss)/gain, net	(5,264,363)	(1,040,400)	870,591	(5,434,172)
Reversal of impairment losses on property, plant and equipment	-	526,680	-	526,680
Write-off of trade receivables	(23,434)	-	-	(23,434)
Capital expenditure	(5,036,675)	-	(28,250)	(5,064,925)
Year ended 31 December 2016	Precision parts and components HK\$	Consumer electronic products HK\$	Corporate and others HK\$	Total HK\$
Segment revenue:				
Sales to external customers	342,437,095	88,580,294	-	431,017,389
Intersegment sales	9,286,648	600,042	-	9,886,690
Reportable segment revenue	351,723,743	89,180,336	-	440,904,079
<i>Reconciliation:</i>				
Elimination of intersegment sales				(9,886,690)
Revenue				431,017,389
Segment results:				
	16,260,466	(21,236,413)	(1,686,387)	(6,662,334)
<i>Reconciliation:</i>				
Bank interest income				35,630
Finance costs				(1,675,059)
Loss before tax				(8,301,763)

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016	Precision parts and components <i>HK\$</i>	Consumer electronic products <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
Other segment information:				
Other income and gains	11,475,484	1,069,025	19,568	12,564,077
Depreciation	(10,749,422)	(2,294,211)	(3,058,795)	(16,102,428)
Loss on disposal of items of property, plant and equipment, net	(85,703)	-	-	(85,703)
Provision for slow-moving inventories, net	(37,153)	(5,588,875)	-	(5,626,028)
Surplus on revaluation of land and buildings credited to other comprehensive income	3,737,441	-	8,453,327	12,190,768
Amortisation of prepaid land lease payments	(296,132)	-	-	(296,132)
Minimum lease payments under operating leases on land and buildings	(4,015,475)	(3,081,464)	(175,260)	(7,272,199)
Foreign exchange gain/(loss), net	8,674,221	221,204	(247,345)	8,648,080
Provision for impairment losses on property, plant and equipment	-	(4,835,785)	-	(4,835,785)
Capital expenditure	(5,511,390)	(18,570)	(14,930)	(5,544,890)

Geographical information

(a) Revenue from external customers

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Hong Kong	26,586,406	41,166,394
Mainland China	72,419,950	70,645,244
Japan and other Asian countries	143,860,200	102,754,155
North America	37,434,439	39,563,643
South America	10,406,219	6,842,036
Europe	126,544,015	162,093,158
Other countries	5,673,837	7,952,759
	<u>422,925,066</u>	<u>431,017,389</u>

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

(b) Non-current assets

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Hong Kong	67,972,123	56,396,561
Mainland China	157,941,834	150,116,900
Other countries	264,466	216,980
	<u>226,178,423</u>	<u>206,730,441</u>

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

3. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

Revenue of HK\$80,117,012 was derived from a single customer of the precision parts and components segment that contributing over 10% of the Group's revenue for the year ended 31 December 2017. No single customer individually contributed over 10% of the Group's revenue for the year ended 31 December 2016.

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of the Group's revenue, other income and gains is as follows:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Revenue		
Sale of goods	<u>422,925,066</u>	<u>431,017,389</u>
Other income and gains		
Bank interest income	43,020	35,630
Tooling charge income	339,090	715,227
Sale of scrap	941,829	1,524,544
Sale of samples	1,657,755	1,172,670
Gain on disposal of items of property, plant and equipment, net	417,435	-
Foreign exchange gain, net	-	8,648,080
Reversal of impairment losses on property, plant and equipment	526,680	-
Others	902,453	467,926
	<u>4,828,262</u>	<u>12,564,077</u>
Total revenue, other income and gains	<u>427,753,328</u>	<u>443,581,466</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	975,968	846,173
Interest on finance leases	504,615	828,886
	<u>1,480,583</u>	<u>1,675,059</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Staff costs (including directors' remuneration) [#] :		
Wages and salaries	134,241,976	149,337,296
Contributions to retirement benefit schemes	15,291,459	16,823,664
	<u>149,533,435</u>	<u>166,160,960</u>
Cost of inventories sold	346,722,949	372,793,317
(Reversal of)/provision for slow-moving inventories, net*	(1,265,303)	5,626,028
Auditor's remuneration	1,197,338	1,190,656
Depreciation [#]	13,940,490	16,102,428
(Reversal of)/provision for impairment losses on property, plant and equipment	(526,680)	4,835,785
Amortisation of prepaid land lease payments	290,707	296,132
Minimum lease payments under operating leases on land and buildings [#]	7,655,855	7,272,199
Foreign exchange loss, net	5,434,172	-
Write-off of trade receivables	23,434	-
Loss on disposal of items of property, plant and equipment, net	<u>-</u>	<u>85,703</u>

[#] The staff cost amounted to HK\$118,938,927 (2016: HK\$135,752,372), depreciation amounted to HK\$11,045,725 (2016: HK\$13,379,903) and minimum lease payments under operating leases on land and buildings amounted to HK\$7,143,189 (2016: HK\$6,777,242) for the year are included in "Cost of sales" in the consolidated income statement respectively.

* The (reversal of)/provision for slow-moving inventories for the year is included in "Cost of sales" in the consolidated income statement.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on assessable profits outside Hong Kong have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Current – Hong Kong		
Charge for the year	374,950	528,610
Over provision in prior years	(2,991)	(115,755)
Current – outside Hong Kong		
Charge for the year	517,271	707,901
Over provision in prior years	(35,562)	(1,375,639)
Deferred tax	<u>-</u>	<u>63,269</u>
Tax expense/(credit) for the year	<u>853,668</u>	<u>(191,614)</u>

7. INCOME TAX (continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are operated to the tax expense/(credit) is as follows:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Profit/(loss) before tax	<u>9,145,528</u>	<u>(8,301,763)</u>
Tax at the statutory tax rate of 16.5% (2016: 16.5%)	1,509,012	(1,369,791)
Effect of different rates for companies operating in other jurisdictions	190,454	184,576
Income not subject to tax	(585,834)	(1,930,054)
Expenses not deductible for tax	18,299	1,311,260
Unrecognised temporary differences	(1,558,367)	1,746,962
Utilisation of previously unrecognised tax losses	(171,186)	(97,135)
Over provision in prior years	(38,553)	(1,491,394)
Tax losses not recognised	1,813,616	1,584,695
Others	(323,773)	(130,733)
Tax expense/(credit) for the year	<u>853,668</u>	<u>(191,614)</u>

8. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: Nil).

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

The calculation of basic and diluted earnings/(loss) per share is based on the profit/(loss) for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company used in the basic and diluted earnings/(loss) per share calculation	<u>8,291,860</u>	<u>(8,110,149)</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	<u>267,004,800</u>	<u>267,004,800</u>

As there were no dilutive potential ordinary shares, diluted earnings/(loss) per share was the same as basic earnings/(loss) per share in 2017 and 2016.

10. TRADE AND BILLS RECEIVABLES

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Trade receivables	74,359,951	77,135,806
Allowance for doubtful debts	(822,410)	(822,410)
	<u>73,537,541</u>	<u>76,313,396</u>
Bills receivable discounted with recourse	377,602	345,603
	<u>73,915,143</u>	<u>76,658,999</u>

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. As at 31 December 2017, there is a significant concentration of credit risk as 26% (2016: 21%) of the balance representing a receivable from a single customer (2016: 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 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:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Within 90 days	69,376,022	71,731,625
91 to 180 days	3,866,173	4,383,568
Over 180 days	295,346	198,203
	<u>73,537,541</u>	<u>76,313,396</u>

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Within 90 days	<u>377,602</u>	<u>345,603</u>

During the years ended 31 December 2017 and 2016, there was no movement in allowance for doubtful debts of trade receivables.

10. TRADE AND BILLS RECEIVABLES (continued)

The ageing analysis of the trade and bills receivables that are past due but not considered to be impaired is as follows:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Less than 1 month past due	12,359,593	11,988,107
1 to 3 months past due	3,795,792	3,890,087
3 to 6 months past due	1,232,792	765,552
	<hr/>	<hr/>
Neither past due nor impaired	17,388,177	16,643,746
	56,526,966	60,015,253
	<hr/>	<hr/>
	73,915,143	76,658,999
	<hr/>	<hr/>

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:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Within 90 days	53,814,209	44,308,732
91 to 180 days	860,779	1,977,194
Over 180 days	4,138	157,120
	<hr/>	<hr/>
	54,679,126	46,443,046
	<hr/>	<hr/>

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

FINANCIAL RESULTS

The Group's turnover for the year ended 31 December 2017 amounted to approximately HK\$422.9 million, representing a 1.9% decrease from the previous year. Overall gross profit amounted to approximately HK\$77.5 million this year, representing an 47.3% increase from the previous year. Profit attributable to owners of the Company was approximately HK\$8.3 million (2016: loss of HK\$8.1 million).

Basic earnings for the year ended 31 December 2017 amounted to HK3.11 cents (2016: loss of HK3.04 cents) per share.

DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

CLOSURE OF REGISTERS FOR ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed from Tuesday, 29 May 2018 to Friday, 1 June 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting of the Company to be held on Friday, 1 June 2018, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 May 2018.

BUSINESS REVIEW

Benefited from the increasing demand of the major and newly established customers, the turnover of the precision parts and components segment amounted to approximately HK\$371.6 million, which increased by 8.5%. The operating profit in this segment increased to approximately HK\$19.7 million (2016: HK\$16.3 million).

The turnover of the consumer electronic products segment decreased to approximately HK\$51.3 million, representing a 42.0% decrease. The operating loss of this segment was decreased to approximately HK\$7.3 million from HK\$21.2 million in 2016 which included the provision for impairment on segment assets and other costs of approximately HK\$13.1 million.

The gross profit margin of the Group in 2017 had improved by 6.1% to 18.3% arising from the improvement in operating results of the precision parts and components segment and the absence of substantial provision for assets impairment and other costs in 2017 in the consumer electronic products segment. The selling and distribution costs were decreased by 0.8% to approximately HK\$35.1 million, and administrative and other expenses were increased by 0.5% to approximately HK\$36.6 million. The finance costs had decreased by 11.6% to approximately HK\$1.5 million due to the decrease in financing activities.

The continuous weaken demand from the market in the consumer electronic products segment during the past few years resulted in under-utilisation of production capacity in the factory, and hence, continuous losses in this segment were recorded from the years ended 31 December 2014 to 2017.

FUTURE PLANS AND PROSPECTS

The capital investment incurred during the past few years in the precision parts and components segment not only enhanced the production capacity and efficiency, eased the problem of labour shortage but also were appreciated by our existing and new customers. The Group will continue focus on developing the precision parts and components segment business, and seek opportunities to further invest in production automation and enhance the production capacity to cope with the increasing sales orders in this segment.

Looking ahead, the recovery of global economy induced the rise in material price since the fourth quarter of 2017. Together with the Renminbi appreciation during the past few months and the rise in wages caused by labour shortage at Mainland China, these create pressure in our cost of production. To cope with the challenges, the Group will adjust the selling price, speed up the new product development with higher profit margin, expand new customer base and business scope, so as to enhance our profitability. The Group's financial position remains healthy, and is strong enough to finance our daily operation.

OPERATIONS REVIEW

The following highlights the Group's results for the year ended 31 December 2017.

- Turnover decreased by 1.9% from the previous year to approximately HK\$422.9 million for the year.
- Gross profit increased by HK\$24.9 million from 2016 to approximately HK\$77.5 million in 2017.
- Profit from operating activities before finance costs was approximately HK\$10.6 million for the year, while, a loss was approximately HK\$6.6 million for the previous year.
- Finance costs decreased by HK\$0.2 million from the previous year to approximately HK\$1.5 million.
- Profit after tax for the year was approximately HK\$8.3 million.

In the year under review, turnover of the precision parts and components segment had increased by 8.5% as compared with the previous year. Turnover of the consumer electronic products segment had decreased by 42.0% as compared with the previous year.

The Group's overall gross profit had increased by 47.3% from the previous year.

The Group's finance costs had decreased to approximately HK\$1.5 million for the year due to the decrease in financing activities from banks and other financial institution.

On 10 February 2018, the factory of a subsidiary in the consumer electronic products segment located at Mainland China was closed down subsequent to the end of tenancy agreement, and the manufacturing process of this segment's sales orders had been shifted to other subcontractors. Under this arrangement, the Group is capable to focus on the development and sales of new products, and to release the burden of fixed manufacturing cost in this segment.

LIQUIDITY AND FINANCIAL RESOURCES

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

The total borrowings from banks and other financial institution included all term loans, finance leases, import and export loans, which amounted to approximately HK\$39.1 million as at 31 December 2017.

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\$42.3 million.

The Group's borrowings are on a floating rate basis and are mainly denominated in Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts its business.

The gearing ratio on the basis of net debt divided by the total capital plus net debt as at 31 December 2017 was 27.8% (2016: 31.4%).

CHARGE ON THE GROUP'S ASSETS

At 31 December 2017, the Group's machines and equipment with carrying amount of approximately HK\$25.5 million (2016: HK\$30.9 million) were pledged under finance leases.

CAPITAL STRUCTURE

As at 31 December 2017, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$266.8 million.

FUND RAISING

Other than obtaining general loan facilities to finance the Group's trading requirements and finance leases to finance the acquisition of machines and equipment, the Group did not have any fund raising activities in 2017.

EMPLOYEES

As at 31 December 2017, the Group had a total workforce of approximately 1,641 of which approximately 47 were based in Hong Kong, approximately 5 were based in overseas and approximately 1,589 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 governments.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

EVENT AFTER THE REPORTING PERIOD

On 10 February 2018, the factory of a subsidiary in the consumer electronic products segment located at Mainland China was closed down subsequent to the end of tenancy agreement. The Group is in the process of assessing the financial impact regarding the closure of the factory, which is not expected to be significant.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, the Company has complied with all the code provisions of the Corporate Governance Code, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the year ended 31 December 2017, except for the following deviation:

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The roles of the Chairman and the Chief Executive Officer are not separate and are performed by Mr. Lai Pei Wor. Since the Board will meet regularly to consider major matters affecting the operations of the Company, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and believes that this structure will enable the Company to make and implement decisions promptly and efficiently.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

REVIEW OF ACCOUNTS

The consolidated financial statements of the Group for the year ended 31 December 2017 have been reviewed by audit committee and approved by the Board and audited by the external auditor of the Company.

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

Hong Kong, 27 March 2018

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