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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 2022

#### RESULTS

The Board of Directors (the “Board”) of K & P International Holdings Limited (the “Company”) herein announces the consolidated audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 together with the comparative figures for the corresponding year in 2021 as follows:

#### CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
<b>REVENUE</b>	4	<b>272,102,667</b>	418,202,483
Cost of sales		<b>(216,781,642)</b>	(311,458,174)
Gross profit		<b>55,321,025</b>	106,744,309
Other income and gains	4	<b>10,260,707</b>	3,518,772
Fair value (loss)/gain on financial (liabilities)/assets at fair value through profit or loss, net		<b>(4,240,771)</b>	10,760,890
Realised (loss)/gain on financial (liabilities)/assets at fair value through profit or loss, net		<b>(16,726,933)</b>	5,267,241
Selling and distribution costs		<b>(19,388,230)</b>	(24,648,354)
Administrative and other expenses		<b>(23,451,765)</b>	(28,589,894)
Finance costs	5	<b>(467,848)</b>	(422,390)
<b>PROFIT BEFORE TAX</b>	6	<b>1,306,185</b>	72,630,574
Income tax expense	7	<b>(1,809,221)</b>	(9,333,041)
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>(503,036)</b>	63,297,533
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted	9	<b>(HK0.19 cent)</b>	HK23.71 cents

\* For identification purposes only

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2022*

	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<u><b>(503,036)</b></u>	<u>63,297,533</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Surplus arising from revaluation of land and buildings	<b>10,326,306</b>	8,840,057
Income tax effect	<b>(2,224,288)</b>	(1,798,374)
	<b>8,102,018</b>	7,041,683
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	<b>(14,714,866)</b>	4,720,869
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<u><b>(6,612,848)</b></u>	<u>11,762,552</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<u><b>(7,115,884)</b></u>	<u>75,060,085</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		201,318,417	211,454,734
Financial assets at fair value through profit or loss	10	1,259,976	1,750,519
Deferred tax assets		698,974	-
		203,277,367	213,205,253
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	10	-	19,297,795
Inventories		81,933,176	87,316,908
Prepayments, deposits and other receivables		3,337,242	9,730,041
Trade receivables	11	57,813,339	107,113,976
Bank balances and cash		90,535,145	94,352,977
Tax recoverable		12,194	32,925
		233,631,096	317,844,622
<b>CURRENT LIABILITIES</b>			
Financial liabilities at fair value through profit or loss	10	4,820,747	-
Trade payables	12	15,346,781	45,681,821
Accrued liabilities and other payables		33,001,348	42,069,606
Interest-bearing bank and other borrowings		4,591,980	18,792,000
Lease liabilities		282,307	124,128
Tax payables		1,824,861	3,187,519
		59,868,024	109,855,074
<b>NET CURRENT ASSETS</b>		<b>173,763,072</b>	<b>207,989,548</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>377,040,439</b>	<b>421,194,801</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		418,932	-
Deferred tax liabilities		26,369,668	26,446,406
		26,788,600	26,446,406
Net assets		<b>350,251,839</b>	<b>394,748,395</b>
<b>EQUITY</b>			
Share capital		26,700,480	26,700,480
Reserves		323,551,359	368,047,915
		350,251,839	394,748,395

## 1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the 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. These consolidated financial statements have been prepared under the historical cost convention, except for land and buildings and financial assets/liabilities measured at fair value through profit or loss, which have been measured at revalued amount and fair value respectively. 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 2021 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in note 2.

### **Basis of consolidation**

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

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

#### *Changes in ownership interest*

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

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

### Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

### Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

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

### Annual Improvements Project – 2018-2020 Cycle

#### HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent – i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

#### HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

#### HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

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

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and has two (2021: two) reportable operating segments as follows:

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

Management, the chief operating decision makers, monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income and finance costs are excluded from such measurement.

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

Year ended 31 December 2022	Precision parts and components <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
<b>Segment revenue:</b>			
Sales to external customers	272,102,667	-	272,102,667
Reportable segment revenue and revenue	272,102,667	-	272,102,667
<b>Segment results:</b>	3,346,702	(3,022,087)	324,615
<i>Reconciliation:</i>			
Bank interest income			1,449,418
Finance costs			(467,848)
Profit before tax			1,306,185
<b>Other segment information:</b>			
Other income and gains	8,660,207	151,082	8,811,289
Depreciation of property, plant and equipment (excluding right-of-use assets)	(8,757,593)	(968,357)	(9,725,950)
Depreciation of right-of-use assets	(590,353)	(3,213,391)	(3,803,744)
Loss on disposal of items of property, plant and equipment, net	(15,535)	-	(15,535)
Surplus on revaluation of land and buildings credited to other comprehensive income	6,122,915	4,203,391	10,326,306
Lease payments under short-term leases on office premises	(42,235)	(162,110)	(204,345)
Foreign exchange gain/(loss), net	4,388,326	(256,244)	4,132,082
Capital expenditure	(1,218,802)	(8,560)	(1,227,362)
Fair value loss on financial (liabilities)/assets at fair value through profit or loss, net	(4,240,771)	-	(4,240,771)
Realised loss on financial (liabilities)/assets at fair value through profit or loss, net	(16,726,933)	-	(16,726,933)

### 3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021	Precision parts and components <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
<b>Segment revenue:</b>			
Sales to external customers	418,202,483	-	418,202,483
Reportable segment revenue and revenue	418,202,483	-	418,202,483
<b>Segment results:</b>	74,418,022	(2,903,077)	71,514,945
<i>Reconciliation:</i>			
Bank interest income			1,538,019
Finance costs			(422,390)
Profit before tax			72,630,574
<b>Other segment information:</b>			
Other income and gains	1,979,155	1,598	1,980,753
Depreciation of property, plant and equipment (excluding right-of-use assets)	(8,691,814)	(900,450)	(9,592,264)
Depreciation of right-of-use assets	(1,051,590)	(2,972,824)	(4,024,414)
Gain/(Loss) on disposal of items of property, plant and equipment, net	74,081	(391)	73,690
Surplus on revaluation of land and buildings credited to other comprehensive income	3,997,233	4,842,824	8,840,057
Lease payments under short-term leases on office premises	(68,513)	(146,712)	(215,225)
Provision for loss allowance on trade receivables	(30,500)	-	(30,500)
Foreign exchange (loss)/gain, net	(3,101,657)	85,104	(3,016,553)
Capital expenditure	(4,028,195)	(2,270)	(4,030,465)
Fair value gain on financial asset at fair value through profit or loss, net	10,760,890	-	10,760,890
Realised gain on financial asset at fair value through profit or loss, net	5,267,241	-	5,267,241

### 3. OPERATING SEGMENT INFORMATION (continued)

#### Information about major customers

Revenue from external customers contributing 10% or over of the total revenue from the Group's precision parts and components segment are as follows:

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Customer A	65,134,168	186,592,452
Customer B	38,152,874	*
	<u>103,287,042</u>	<u>186,592,452</u>

\* This customer individually contributed less than 10% of the total revenue from the Group's precision parts and components segment during the year ended 31 December 2021.

#### Geographical information

##### (a) Revenue from external customers

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Hong Kong	7,516,369	8,538,099
Mainland China	27,083,355	31,800,484
Japan and other Asian countries	139,649,065	263,949,761
North America	45,920,122	38,484,641
South America	2,253,321	6,970,665
Europe	40,419,191	56,328,670
Other countries	9,261,244	12,130,163
<b>Total revenue</b>	<u>272,102,667</u>	<u>418,202,483</u>

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

##### (b) Non-current assets

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Hong Kong	69,713,550	68,677,581
Mainland China	130,922,582	142,643,582
Other countries	682,285	133,571
	<u>201,318,417</u>	<u>211,454,734</u>

The non-current assets information above is based on the geographical location of assets and excludes the financial assets at fair value through profit or loss and deferred tax assets.



#### 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:

	<b>2022</b>	2021
	<b>HK\$</b>	HK\$
<b>Revenue from contracts with customers within the scope of HKFRS 15:</b>		
Sale of goods	<u>272,102,667</u>	<u>418,202,483</u>
<b>Other income and gains:</b>		
Bank interest income calculated using the effective interest method	<b>1,449,418</b>	1,538,019
Tooling charge income	<b>135,485</b>	242,314
Sale of scrap	<b>1,766,709</b>	264,827
Sale of samples	<b>1,357,507</b>	1,333,134
Gain on disposal of items of property, plant and equipment, net	-	73,690
Incentive received*	<b>291,596</b>	49,520
Government subsidy**	<b>872,809</b>	-
Exchange gain, net	<b>4,132,082</b>	-
Over-provision for sales commission	<b>195,622</b>	-
Others	<b>59,479</b>	17,268
	<u><b>10,260,707</b></u>	<u>3,518,772</u>
<b>Total revenue, other income and gains</b>	<u><b>282,363,374</b></u>	<u>421,721,255</u>

The amount of revenue recognised for the year that was included in the contract liabilities at the beginning of the year is HK\$3,492,519 (2021: HK\$3,209,354).

\* During the year ended 31 December 2022, the Group received an allowance of "Granting Support in Respect of the Unemployment Insurance to Enterprises for Stabilising Employment" of Renminbi ("RMB") 253,140 (approximately HK\$291,596) (2021: RMB41,267, approximately HK\$49,520) from Social Security Bureau.

\*\* The government subsidies represented a grant received from the Anti-epidemic Fund of the Government of the Hong Kong Special Administration Region under the Employment Support Scheme which aims to retain employment under the COVID-19 environment amounted to HK\$553,592 and an one-off training subsidy for workers amounted to RMB272,835 (approximately HK\$319,217) received from Ministry of Human Resources and Social Security to support enterprises in organising employees to work instead of training under the COVID-19 environment.

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	<b>452,027</b>	393,177
Interest on lease liabilities	<b>15,821</b>	29,213
	<u><b>467,848</b></u>	<u>422,390</u>

## 6. PROFIT BEFORE TAX

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

	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
Staff costs (including directors' remuneration) <sup>#</sup> :		
Wages and salaries	<b>77,355,617</b>	89,206,565
Contributions to retirement benefit schemes	<b>11,575,245</b>	11,114,690
	<u><b>88,930,862</b></u>	<u>100,321,255</u>
Cost of inventories sold	<b>216,781,642</b>	311,458,174
Auditor's remuneration	<b>880,000</b>	1,112,603
Depreciation of property, plant and equipment (excluding right-of-use assets) <sup>#</sup>	<b>9,725,950</b>	9,592,264
Depreciation of right-of-use assets <sup>#</sup>	<b>3,803,744</b>	4,024,414
Foreign exchange (gain)/loss, net	<b>(4,132,082)</b>	3,016,553
Lease payments under short-term leases on office premises	<b>204,345</b>	215,225
Provision for loss allowance on trade receivables	-	30,500
Sales commission	<b>2,795,430</b>	4,802,844
	<u><b>2,795,430</b></u>	<u>4,802,844</u>

<sup>#</sup> The staff cost amounting to HK\$70,006,300 (2021: HK\$78,191,643), depreciation amounting to HK\$9,652,902 (2021: HK\$9,881,806) for the year are included in "Cost of sales" in the consolidated income statement.

## 7. INCOME TAX

The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime was signed and gazetted. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying group entity are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Taxes on assessable profits outside Hong Kong have been provided on the estimated assessable profits for the year, in respect of the Group’s operations outside Hong Kong, at the rates of taxation prevailing in the relevant jurisdictions.

	<b>2022</b> <b>HK\$</b>	2021 <b>HK\$</b>
Current – Hong Kong		
Charge for the year	<b>4,912,240</b>	8,923,530
Over provision in prior years	<b>(587,539)</b>	(201,529)
Current – outside Hong Kong		
Charge for the year	<b>555,813</b>	645,541
Over provision in prior years	<b>(71,293)</b>	(34,501)
Deferred taxation		
Origination and reversal of temporary difference	<b>(3,000,000)</b>	-
Total tax expense for the year	<b>1,809,221</b>	9,333,041

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

	<b>2022</b> <b>HK\$</b>	2021 <b>HK\$</b>
Profit before tax	<b>1,306,185</b>	72,630,574
Tax at the statutory tax rate of 16.5% (2021: 16.5%)	<b>215,521</b>	11,984,045
Tax effect of two-tiered profits tax rates regime	<b>(165,000)</b>	(165,000)
Effect of different rates for companies operating in other jurisdictions	<b>129,820</b>	220,481
Income not subject to tax	<b>(582,256)</b>	(430,137)
Expenses not deductible for tax	<b>574,941</b>	156,405
Unrecognised temporary differences	<b>2,243,186</b>	2,229,035
Utilisation of previously unrecognised tax losses	<b>(67,935)</b>	(3,578,302)
Over provision in prior years	<b>(658,832)</b>	(236,030)
Tax losses not recognised	<b>116,665</b>	157,966
Others	<b>3,111</b>	(1,005,422)
Tax expense for the year	<b>1,809,221</b>	9,333,041

## 8. DIVIDEND

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
Attributable to the current year:		
Proposed final dividend – HK6 cents (2021: HK8 cents) per ordinary share	16,020,288	21,360,384
Interim dividend paid – HK2 cents (2021: HK4 cents) per ordinary share	5,340,096	10,680,192
Special dividend paid – HK4 cents (2021: Nil) per ordinary share	10,680,192	-
	<u>32,040,576</u>	<u>32,040,576</u>
Attributable to the previous years, approved and paid during the year: Final dividend – HK8 cents (2021: HK7.5 cents) per ordinary share	<u>21,360,384</u>	<u>20,025,360</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This dividend has not been recognised as liabilities at the end of the reporting period.

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

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

	2022 <i>HK\$</i>	2021 <i>HK\$</i>
<b>(Loss)/Earnings</b>		
(Loss)/Profit attributable to owners of the Company used in the basic and diluted (loss)/earnings per share calculation	<u>(503,036)</u>	<u>63,297,533</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculation	<u>267,004,800</u>	<u>267,004,800</u>

As there were no dilutive potential ordinary shares, diluted (loss)/earnings per share was the same as basic (loss)/earnings per share in 2022 and 2021.

## 10. FINANCIAL (LIABILITIES)/ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2022</b>	2021
	<b>HK\$</b>	HK\$
<b>Non-current assets</b>		
Club membership	<b>680,000</b>	680,000
Forward currency contracts	<b>579,976</b>	1,070,519
	<b>1,259,976</b>	1,750,519
<b>Current (liability)/asset</b>		
Forward currency contracts	<b>(4,820,747)</b>	19,297,795

### Club membership

At 31 December 2022 and 2021, the club membership was issued by a private entity. It is measured at fair value at the end of each reporting period. The fair value of the club membership is determined with reference to the publicly available price information.

### Forward currency contracts, at fair values, held for trading

The Group entered into twenty (2021: twenty-one) forward currency contracts at a total of US\$52,218,292 (2021: US\$52,511,764) for the exchange of United States Dollars (“US\$”) with RMB with the forward rates ranged from RMB6.666 to RMB6.869 (2021: RMB6.575 to RMB7.238) per US\$1. The maturity dates of these forward currency contracts are during the period from 17 April 2023 to 15 November 2024 (2021: 17 January 2022 to 15 June 2023).

During the year, the Group has realised loss of HK\$16,726,933 (2021: gain of HK\$5,267,241) arising from fifteen (2021: twelve) forward currency contracts of a total of US\$35,259,480 (2021: US\$33,046,500) on the maturity dates, and nine (2021: Nil) contracts of a total of US\$23,988,640 (2021: Nil) before the maturity dates, for the exchange of US\$ with RMB which depreciated (2021: appreciated). The original maturity dates for these nine contracts were during the period from 13 January 2023 to 15 June 2023.

The change in the fair value of these currency derivatives amounting to a loss of HK\$4,240,771 (2021: gain of HK\$10,760,890) was recognised in the consolidated income statement for the year ended 31 December 2022.

## 11. TRADE RECEIVABLES

	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
Trade receivables	<b>57,843,839</b>	107,399,455
Less: loss allowance	<b>(30,500)</b>	(285,479)
	<u><b>57,813,339</b></u>	<u>107,113,976</u>

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

	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
Within 90 days	<b>52,308,836</b>	102,194,936
91 to 180 days	<b>4,259,119</b>	4,890,406
Over 180 days	<b>1,245,384</b>	28,634
	<u><b>57,813,339</b></u>	<u>107,113,976</u>

## 12. TRADE PAYABLES

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

	<b>2022</b> <b>HK\$</b>	2021 <i>HK\$</i>
Within 90 days	<b>14,591,168</b>	45,644,564
91 to 180 days	-	22,285
Over 180 days	<b>755,613</b>	14,972
	<u><b>15,346,781</b></u>	<u>45,681,821</u>

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

## **FINANCIAL RESULTS**

The Group's turnover for the year ended 31 December 2022 amounted to approximately HK\$272.1 million, representing a decrease of 34.9% from the previous year. Overall gross profit amounted to approximately HK\$55.3 million, representing a decrease of 48.2% from the previous year. Loss attributable to owners of the Company was approximately HK\$0.5 million (2021: profit of HK\$63.3 million).

Basic loss for the year ended 31 December 2022 amounted to HK0.19 cent (2021: basic earning of HK23.71 cents) per share.

## **FINAL DIVIDEND**

The directors recommend the payment of a final dividend of HK6 cents (2021: HK8 cents) per ordinary share on Thursday, 13 July 2023 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 6 June 2023. This recommendation has been incorporated in the financial statements as an allocation of retained profit within the equity section of the statement of financial position.

## **CLOSURE OF REGISTERS FOR ANNUAL GENERAL MEETING**

The Register of Members of the Company will be closed from Friday, 19 May 2023 to Wednesday, 24 May 2023, 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 Wednesday, 24 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 18 May 2023.

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

The Register of Members of the Company will be closed from Thursday, 1 June 2023 to Tuesday, 6 June 2023, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the above final dividend of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 31 May 2023.

## **BUSINESS REVIEW**

2022 was a challenging year for the Group by the Ukraine War, persistent inflation pressure, and microchip shortage, which dampened the consumer sentiment at the global market, impacted the supply chain for our customers, and caused the delay in new product launch from the major customer. As a result, the Group's turnover had dropped as compared with year 2021 arising from the decline in sales orders from customers. In addition, the rapid rise in interest rate (particular at the second half of 2022) increased the volatility of Renminbi ("RMB"), in year 2022, the Group had recorded an unrealised fair value net loss of approximately HK\$4.2 million (2021: gain of HK\$10.8 million) in the forward currency contracts expiring in years 2023 and 2024 (which were entered to manage the influence of the volatility of RMB on manufacturing costs for years 2023 and 2024). This unrealised fair value net loss is a non-cash accounting treatment and had no impact on the Group's cash flow for year 2022. The mechanism of these forward currency contracts had been discussed in previous interim and annual reports.

For the precision parts and components segment, the turnover decreased by 34.9% to approximately HK\$272.1 million as compared with 2021. If excluded the above-mentioned unrealised fair value net loss of HK\$4.2 million (2021: gain of HK\$10.8 million) on forward currency contracts, the segment profit was approximately HK\$7.6 million (2021: HK\$63.6 million). The decrease was mainly attributable to the decline in sales order from customers, as discussed above.

## **BUSINESS REVIEW (continued)**

The gross profit margin of the Group in 2022 had decreased by 5.2 percentage points to 20.3% as compared with 2021, mainly due to the decline in turnover. The selling and distribution costs decreased by 21.3% to approximately HK\$19.4 million, while the administrative and other expenses decreased by 18.0% to approximately HK\$23.5 million. The financial costs slightly increased by HK\$0.1 million to approximately HK\$0.5 million due to the rise of market interest rate in 2022.

## **FUTURE PLANS AND PROSPECTS**

Looking ahead, the business outlook particular at the first half of 2023 is still challenging. The Ukraine War remains a source of deep global uncertainty especially on the commodity price. The interest rate hike continues to weigh on economic activity and also the financial markets including the recent failure of several banks at the United States and Europe. Despite this, the Group is continuing to refine for cost reduction, improve the production process and enhance the co-operation with customers, suppliers and subcontractors. Once the above-mentioned uncertainties are eased, we are confident that the Group will return to growth momentum and profitability. In addition, the Group will keep on utilising the forward currency contracts to manage the impact on the manufacturing costs from the volatility of RMB. After distributed the dividends (including a special dividend for 25<sup>th</sup> anniversary as a listed company) in total of approximately HK\$37.4 million in 2022, the Group's financial position remains healthy, and is strong enough to finance any business expansion and daily operation amid any economic uncertainty in the future.

## **OPERATIONS REVIEW**

The following highlights the Group's results for the year ended 31 December 2022.

- Turnover decreased by 34.9% from the previous year to approximately HK\$272.1 million for the year.
- Gross profit decreased by HK\$51.4 million from the previous year to approximately HK\$55.3 million in 2022.
- Profit before finance costs decreased by HK\$71.2 million from the previous year to approximately HK\$1.8 million for the year.
- Finance costs increased by HK\$0.1 million from the previous year to approximately HK\$0.5 million.
- Loss after tax for the year was approximately HK\$0.5 million.

In the year under review, turnover of the precision parts and components segment had decreased by 34.9% as compared with the previous year.

The Group's overall gross profit had decreased by 48.2% from the previous year.

The Group's finance costs had increased to approximately HK\$0.5 million for the year due to rise in market interest rate.



## **LIQUIDITY AND FINANCIAL RESOURCES**

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

The total borrowings from banks included all term loans, import and export loans, which amounted to approximately HK\$4.6 million as at 31 December 2022.

The Group's financial position remains healthy. At the end of the reporting period, the aggregate balance of bank balances and cash of the Group amounted to approximately HK\$90.5 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 2022 was negative (2021: 3.0%). The negative gearing ratio as at 31 December 2022 represents the Group is "net cash" positive (i.e. had more bank balances and cash than its debt).

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

At 31 December 2022 and 2021, none of the Group's machines and equipment was pledged under lease.

## **CAPITAL STRUCTURE**

As at 31 December 2022, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$350.3 million.

## **FUND RAISING**

Other than obtaining general loan facilities to finance the Group's trading requirements, the Group did not have any fund raising activities in 2022.

## **EMPLOYEES**

As at 31 December 2022, the Group had a total workforce of approximately 831 of which approximately 31 were based in Hong Kong, approximately 5 were based in overseas and approximately 795 were based in Mainland China.

The Group remunerates its employees largely based on the prevailing industry practice and labour laws. Since December 1996, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to the employees of the Group. The share option scheme was terminated on 22 May 2022.

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

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

## **CORPORATE GOVERNANCE CODE**

In the opinion of the directors, the Company has complied with all the code provisions of the Corporate Governance Code, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the year ended 31 December 2022, except for the following deviation:

Code Provision C.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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement 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 2022 have been reviewed by audit committee and approved by the Board.

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

Hong Kong, 24 March 2023

*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).*