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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 2023

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 2023 together with the comparative figures for the corresponding year in 2022 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
REVENUE	4	185,786,572	272,102,667
Cost of sales		(160,137,871)	(216,781,642)
Gross profit		25,648,701	55,321,025
Other income and gains	4	5,026,310	10,260,707
Fair value loss on financial liabilities at fair value through profit or loss, net		(9,772,199)	(4,240,771)
Realised loss on financial liabilities at fair value through profit or loss, net		(6,931,539)	(16,726,933)
Selling and distribution costs		(16,793,778)	(19,388,230)
Administrative and other expenses		(23,224,000)	(23,451,765)
Finance costs	5	(520,757)	(467,848)
(LOSS)/PROFIT BEFORE TAX	6	(26,567,262)	1,306,185
Income tax credit/(expense)	7	469,402	(1,809,221)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(26,097,860)	(503,036)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	9	(HK\$9.77 cents)	(HK0.19 cent)

* For identification purposes only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2023*

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
LOSS FOR THE YEAR	<u>(26,097,860)</u>	<u>(503,036)</u>
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified to profit or loss:		
Surplus arising from revaluation of land and buildings	2,470,856	10,326,306
Income tax effect	<u>(723,276)</u>	<u>(2,224,288)</u>
	1,747,580	8,102,018
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>(4,781,289)</u>	<u>(14,714,866)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(3,033,709)</u>	<u>(6,612,848)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>(29,131,569)</u></u>	<u><u>(7,115,884)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 HK\$	2022 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		192,445,519	201,318,417
Financial assets at fair value through profit or loss	<i>10</i>	680,000	1,259,976
Deferred tax assets		1,498,974	698,974
Total non-current assets		194,624,493	203,277,367
CURRENT ASSETS			
Inventories		47,911,358	81,933,176
Prepayments, deposits and other receivables		4,281,268	3,337,242
Trade receivables	<i>11</i>	35,895,370	57,813,339
Bank balances and cash		100,355,497	90,535,145
Tax recoverable		600,219	12,194
Total current assets		189,043,712	233,631,096
CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	<i>10</i>	8,045,759	4,820,747
Trade payables	<i>12</i>	9,989,918	15,346,781
Accrued liabilities and other payables		29,647,646	33,001,348
Interest-bearing bank and other borrowings		7,000,000	4,591,980
Lease liabilities		297,727	282,307
Tax payables		560,398	1,824,861
Total current liabilities		55,541,448	59,868,024
NET CURRENT ASSETS		133,502,264	173,763,072
TOTAL ASSETS LESS CURRENT LIABILITIES		328,126,757	377,040,439
NON-CURRENT LIABILITIES			
Lease liabilities		127,463	418,932
Deferred tax liabilities		27,092,944	26,369,668
Financial liabilities at fair value through profit or loss	<i>10</i>	1,146,464	-
Total non-current liabilities		28,366,871	26,788,600
Net assets		299,759,886	350,251,839
EQUITY			
Share capital		26,700,480	26,700,480
Reserves		273,059,406	323,551,359
Total equity		299,759,886	350,251,839

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 in compliance with 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 (the “Listing Rules”). 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 2022 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 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform— Pillar Two Model Rules

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

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

Amendments to HKAS 12: International Tax Reform—Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

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 (2022: 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 (loss)/profit before tax is measured consistently with the Group's (loss)/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.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2023	Precision parts and components <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue:			
Sales to external customers	185,786,572	-	185,786,572
Reportable segment revenue and revenue	185,786,572	-	185,786,572
Segment results:	(24,241,878)	(3,762,656)	(28,004,534)
<i>Reconciliation:</i>			
Bank interest income			1,958,029
Finance costs			(520,757)
Loss before tax			(26,567,262)
Other segment information:			
Other income and gains	2,989,901	78,380	3,068,281
Depreciation of property, plant and equipment (excluding right-of-use assets)	(7,756,313)	(1,076,264)	(8,832,577)
Depreciation of right-of-use assets	(562,911)	(3,527,121)	(4,090,032)
Gain on disposal of items of property, plant and equipment, net	142,180	-	142,180
Surplus/(Deficit) on revaluation of land and buildings credited to other comprehensive income	2,852,273	(381,417)	2,470,856
Lease payments under short-term leases on office premises	-	(203,544)	(203,544)
Foreign exchange gain/(loss), net	1,048,424	(85,708)	962,716
Capital expenditure	(4,538,510)	(17,594)	(4,556,104)
Fair value loss on financial (liabilities)/assets at fair value through profit or loss, net	(9,772,199)	-	(9,772,199)
Realised loss on financial (liabilities)/assets at fair value through profit or loss, net	(6,931,539)	-	(6,931,539)

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022	Precision parts and components <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue:			
Sales to external customers	272,102,667	-	272,102,667
Reportable segment revenue and revenue	<u>272,102,667</u>	<u>-</u>	<u>272,102,667</u>
Segment results:	3,346,702	(3,022,087)	324,615
<i>Reconciliation:</i>			
Bank interest income			1,449,418
Finance costs			<u>(467,848)</u>
Profit before tax			<u>1,306,185</u>
Other segment information:			
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	<u>(16,726,933)</u>	<u>-</u>	<u>(16,726,933)</u>

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:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Customer A	43,214,506	65,134,168
Customer B	28,917,208	38,152,874
	<u>72,131,714</u>	<u>103,287,042</u>

Geographical information

(a) Revenue from external customers

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Hong Kong	5,942,109	7,516,369
Mainland China	14,205,598	27,083,355
Japan and other Asian countries	102,184,806	139,649,065
North America	29,558,019	45,920,122
South America	2,360,395	2,253,321
Europe	24,352,185	40,419,191
Other countries	7,183,460	9,261,244
Total revenue	<u>185,786,572</u>	<u>272,102,667</u>

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

(b) Non-current assets

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Hong Kong	64,957,644	69,713,550
Mainland China	127,084,586	130,922,582
Other countries	403,289	682,285
	<u>192,445,519</u>	<u>201,318,417</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:

	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Sale of goods	185,786,572	272,102,667
Other income and gains:		
Bank interest income calculated using the effective interest method	1,958,029	1,449,418
Tooling charge income	68,728	135,485
Sale of scrap	136,178	1,766,709
Sale of samples	1,720,203	1,357,507
Gain on disposal of items of property, plant and equipment, net	142,180	-
Incentive received*	1,554	291,596
Government subsidy**	-	872,809
Exchange gain, net	962,716	4,132,082
Over-provision for sales commission	-	195,622
Others	36,722	59,479
	5,026,310	10,260,707
Total revenue, other income and gains	190,812,882	282,363,374

The amount of revenue recognised for the year that was included in the contract liabilities at the beginning of the year is HK\$3,134,372 (2022: HK\$3,492,519).

* During the year ended 31 December 2023, the Group received an allowance named “企業新招員工補貼” of RMB1,400, approximately HK\$1,554 from Ministry of Human Resources and Social Security as the Group employed qualified staff. In 2022, the amount represented an allowance of “Granting Support in Respect of the Unemployment Insurance to Enterprises for Stabilising Employment” of RMB253,140, approximately HK\$291,596 from Social Security Bureau.

** In 2022, 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:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	498,714	452,027
Interest on lease liabilities	22,043	15,821
	<u>520,757</u>	<u>467,848</u>

6. (LOSS)/PROFIT BEFORE TAX

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

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Staff costs (including directors' remuneration) [#] :		
Wages and salaries	67,318,374	77,355,617
Contributions to retirement benefit schemes	9,903,656	11,575,245
	<u>77,222,030</u>	<u>88,930,862</u>
Cost of inventories sold	160,137,871	216,781,642
Auditor's remuneration	880,000	880,000
Depreciation of property, plant and equipment (excluding right-of-use assets) [#]	8,832,577	9,725,950
Depreciation of right-of-use assets [#]	4,090,032	3,803,744
Foreign exchange gain, net	(962,716)	(4,132,082)
Lease payments under short-term leases on office premises	203,544	204,345
Sales commission	<u>1,868,432</u>	<u>2,795,430</u>

[#] The staff cost amounting to HK\$55,798,960 (2022: HK\$70,006,300), depreciation amounting to HK\$8,769,988 (2022: HK\$9,652,902) 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.

	2023	2022
	HK\$	HK\$
Current – Hong Kong		
Charge for the year	159,997	4,912,240
Over provision in prior years	(29,996)	(587,539)
Current – outside Hong Kong		
Charge for the year	170,742	555,813
Under/(Over) provision in prior years	29,855	(71,293)
Deferred taxation		
Origination and reversal of temporary difference	(800,000)	(3,000,000)
	<u>(469,402)</u>	<u>1,809,221</u>
Total tax (credit)/expense for the year	<u>(469,402)</u>	<u>1,809,221</u>

A reconciliation of the tax (credit)/expense applicable to (loss)/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 (credit)/expense is as follows:

	2023	2022
	HK\$	HK\$
(Loss)/Profit before tax	<u>(26,567,262)</u>	<u>1,306,185</u>
Tax at the statutory tax rate of 16.5% (2022: 16.5%)	(4,383,598)	215,521
Tax effect of two-tiered profits tax rates regime	-	(165,000)
Effect of different rates for companies operating in other jurisdictions	85,704	129,820
Income not subject to tax	(405,966)	(582,256)
Expenses not deductible for tax	1,035,521	574,941
Unrecognised temporary differences	1,065,211	2,243,186
Utilisation of previously unrecognised tax losses	-	(67,935)
Over provision in prior years	(141)	(658,832)
Tax losses not recognised	2,095,916	116,665
Others	37,951	3,111
	<u>(469,402)</u>	<u>1,809,221</u>
Tax (credit)/expense for the year	<u>(469,402)</u>	<u>1,809,221</u>

8. DIVIDEND

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Attributable to the current year:		
Proposed final dividend –		
HK8 cents (2022: HK6 cents) per ordinary share	21,360,384	16,020,288
Interim dividend paid –		
HK2 cents (2022: HK2 cents) per ordinary share	5,340,096	5,340,096
Special dividend paid –		
Nil (2022: HK4 cents) per ordinary share	-	10,680,192
	<u>26,700,480</u>	<u>32,040,576</u>
Attributable to the previous years, approved and paid during the year:		
Final dividend – HK6 cents (2022: HK8 cents) per ordinary share	<u>16,020,288</u>	<u>21,360,384</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 PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share is based on the 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 loss per share are based on:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Loss		
Loss attributable to owners of the Company used in the basic and diluted loss per share calculation	<u>26,097,860</u>	<u>503,036</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>267,004,800</u>	<u>267,004,800</u>

As there were no dilutive potential ordinary shares, diluted loss per share was the same as basic loss per share in 2023 and 2022.

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

	2023 HK\$	2022 HK\$
Non-current assets		
Club membership	680,000	680,000
Forward currency contracts	-	579,976
	<u>680,000</u>	<u>1,259,976</u>
Current liability		
Forward currency contracts	<u>(8,045,759)</u>	<u>(4,820,747)</u>
Non-current liability		
Forward currency contracts	<u>(1,146,464)</u>	<u>-</u>

Club membership

At 31 December 2023 and 2022, 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-two (2022: twenty) forward currency contracts at a total of US\$55,465,721 (2022: US\$52,218,292) for the exchange of United States Dollars (“US\$”) with RMB with the forward rates ranged from RMB6.571 to RMB6.997 (2022: RMB6.666 to RMB6.869) per US\$1. The maturity dates of these forward currency contracts are during the period from 16 January 2024 to 10 October 2025 (2022: 17 April 2023 to 15 November 2024).

During the year, the Group has realised loss of HK\$6,931,539 (2022: HK\$16,726,933) arising from nine contracts of a total US\$23,988,640 on the maturity dates (2022: fifteen forward currency contracts of a total of US\$35,259,480 on the maturity dates and nine contracts of a total of US\$23,988,640 before the maturity dates), for the exchange of US\$ with RMB which depreciated (2022: depreciated). In 2022, the original maturity dates for the nine contracts terminated before maturity date 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\$9,772,199 (2022: HK\$4,240,771) was recognised in the consolidated income statement for the year ended 31 December 2023.

11. TRADE RECEIVABLES

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Trade receivables	35,925,870	57,843,839
Less: loss allowance	(30,500)	(30,500)
	<u>35,895,370</u>	<u>57,813,339</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:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Within 90 days	33,580,482	52,308,836
91 to 180 days	2,097,910	4,259,119
Over 180 days	216,978	1,245,384
	<u>35,895,370</u>	<u>57,813,339</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:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Within 90 days	9,970,520	14,591,168
91 to 180 days	5,484	-
Over 180 days	13,914	755,613
	<u>9,989,918</u>	<u>15,346,781</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 2023 amounted to approximately HK\$185.8 million, representing a decrease of 31.7% from the previous year. Overall gross profit amounted to approximately HK\$25.6 million, representing a decrease of 53.6% from the previous year. Loss attributable to owners of the Company was approximately HK\$26.1 million (2022: HK\$0.5 million).

Basic loss for the year ended 31 December 2023 amounted to HK9.77 cents (2022: HK0.19 cent) per share.

FINAL DIVIDEND

The directors recommend the payment of a final dividend of HK8 cents (2022: HK6 cents) per ordinary share on Thursday, 11 July 2024 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 5 June 2024. 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 Tuesday, 21 May 2024 to Friday, 24 May 2024, 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, 24 May 2024, 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 Monday, 20 May 2024.

CLOSURE OF REGISTERS FOR FINAL DIVIDEND

The Register of Members of the Company will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024, 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 Thursday, 30 May 2024.

BUSINESS REVIEW

2023 was a tough year for the Group, which was impacted by the ongoing war in Ukraine, persistent inflation pressure and interest rate hike. The challenging environment weakened the consumer sentiment, particularly in Europe, which was the major market for the Group's top customers. In addition, the weak market demand affected the Group's customers' initiatives to undertake new project development, leading to fewer new revenue streams for the Group. As a result, the Group's turnover dropped as compared with the year 2022. Furthermore, strong United States dollar increased the volatility of Renminbi ("RMB"). Hence, the Group recorded an unrealised fair value loss of approximately HK\$9.8 million (2022: HK\$4.2 million) in the forward currency contracts expiring in years 2024 and 2025. These contracts were entered to manage the influence of the volatility of RMB on manufacturing costs for years 2024 and 2025, which had no impact to the Group's cash flow for year 2023.

For the precision parts and components segment, the turnover decreased by 31.7% to approximately HK\$185.8 million as compared with the year 2022. If excluded the above unrealised fair value net loss of HK\$9.8 million (2022: HK\$4.2million) on forward currency contracts, the segment loss was approximately HK\$14.5 million (2022: profit of HK\$7.6 million). The segment loss was mainly due to the decline in revenue that led to the lower capacity utilisation of the Group's production facilities, while the direct cost of sales including factory overhead and administrative expenses were not proportionately reduced to the same extend.

BUSINESS REVIEW (continued)

The gross profit margin of the Group in 2023 had decreased by 6.5 percentage points to 13.8% as compared with the year 2022, mainly due to the decline in turnover. The selling and distribution costs decreased by 13.4% to approximately HK\$16.8 million, while the administrative and other expenses slightly decreased by 1.0% to approximately HK\$23.2 million. The financial costs maintained at HK\$0.5 million, due to the rise of market interest rate in 2023, despite the decline in financing activities.

FUTURE PLANS AND PROSPECTS

Looking ahead, the inflation is continuing its downward trend, and close to the global central banks' expectation. The interest rate is likely at the peak that is the highest among the last 20 years, and appropriate to begin declining. A slow growth in global economy is expected in 2024. The Group's customers had resumed and speeded up the new project development from the beginning of 2024 and the Group's revenue from new projects is expected to pick up again in 2024. The inventories of the Group customers together with their contract manufacturers and end-customers had receded from the peak. The Group expects the orders from our customers will increase in 2024. With the above good signs: new project development, normalisation of inventory level, together with the enhanced flexibility and efficiency in production, we are confident that the Group will have a better year in 2024. After distributed the interim and final dividends in total of approximately HK\$21.3 million in 2023, 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 2023.

- Turnover decreased by 31.7% from the previous year to approximately HK\$185.8 million for the year.
- Gross profit decreased by HK\$29.7 million from the previous year to approximately HK\$25.6 million in 2023.
- Result before finance costs was worsened by HK\$27.8 million from the previous year's profit of approximately HK\$1.8 million to loss of approximately HK\$26.0 million for the year.
- Finance costs remained the same as the previous year of approximately HK\$0.5 million.
- Loss after tax for the year was approximately HK\$26.1 million.

In the year under review, turnover of the precision parts and components segment had decreased by 31.7% as compared with the previous year.

The Group's overall gross profit had decreased by 53.6% from the previous year.

The Group's finance costs remained the same as previous year of approximately HK\$0.5 million

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\$7.0 million as at 31 December 2023.

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\$100.4 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 2023 and 2022 was negative. The negative gearing ratio as at 31 December 2023 and 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 2023 and 2022, none of the Group's machines and equipment was pledged under lease.

CAPITAL STRUCTURE

As at 31 December 2023, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$299.8 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 2023.

EMPLOYEES

As at 31 December 2023, the Group had a total workforce of approximately 729 of which approximately 30 were based in Hong Kong, approximately 5 were based in overseas and approximately 694 were based in Mainland China.

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 C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the year ended 31 December 2023, 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 2023 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 2023 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, 22 March 2024

As at the date of this announcement, the Board comprises Mr. Lai Pei Wor and Mr. Chan Yau Wah (being executive directors) and Mr. Mak Kwai Wing, Mr. Li Yuen Kwan, Joseph and Ms. Pong Suet Hing (being independent non-executive directors).