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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 2021

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 2021 together with the comparative figures for the corresponding year in 2020 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2021

	Notes	2021 HK\$	2020 HK\$
REVENUE	4	418,202,483	341,758,426
Cost of sales		(311,458,174)	(235,916,193)
Gross profit		106,744,309	105,842,233
Other income and gains	4	3,518,772	2,998,382
Fair value gain on financial asset at fair value through profit or loss		10,760,890	25,460,232
Realised gain on financial asset at fair value through profit or loss		5,267,241	3,044,252
Selling and distribution costs		(24,648,354)	(25,757,253)
Administrative and other expenses		(28,589,894)	(33,518,060)
Finance costs	5	(422,390)	(461,215)
PROFIT BEFORE TAX	6	72,630,574	77,608,571
Income tax expense	7	(9,333,041)	(10,698,706)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		63,297,533	66,909,865
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	9	HK23.71 cents	HK25.06 cents

* For identification purposes only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2021*

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
PROFIT FOR THE YEAR	<u>63,297,533</u>	<u>66,909,865</u>
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Surplus/(deficit) arising from revaluation of land and buildings	8,840,057	(2,303,582)
Income tax effect	(1,798,374)	348,366
	<u>7,041,683</u>	<u>(1,955,216)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	4,720,869	11,148,763
	<u>4,720,869</u>	<u>11,148,763</u>
OTHER COMPREHENSIVE INCOME		
FOR THE YEAR, NET OF TAX	<u>11,762,552</u>	<u>9,193,547</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>75,060,085</u></u>	<u><u>76,103,412</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 HK\$	2020 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		211,454,734	209,271,544
Financial assets at fair value through profit or loss	<i>10</i>	1,750,519	10,287,424
Total non-current assets		213,205,253	219,558,968
CURRENT ASSETS			
Financial asset at fair value through profit or loss	<i>10</i>	19,297,795	15,852,808
Inventories		87,316,908	63,641,315
Prepayments, deposits and other receivables		9,730,041	8,793,822
Trade receivables	<i>11</i>	107,113,976	93,102,825
Bank balances and cash		94,352,977	85,709,850
Tax recoverable		32,925	5,441
Total current assets		317,844,622	267,106,061
CURRENT LIABILITIES			
Trade payables	<i>12</i>	45,681,821	52,030,114
Accrued liabilities and other payables		42,069,606	41,303,870
Interest-bearing bank and other borrowings		18,792,000	11,345,750
Lease liabilities		124,128	819,027
Tax payables		3,187,519	5,998,158
Total current liabilities		109,855,074	111,496,919
NET CURRENT ASSETS		207,989,548	155,609,142
TOTAL ASSETS LESS CURRENT LIABILITIES		421,194,801	375,168,110
NON-CURRENT LIABILITIES			
Lease liabilities		-	126,216
Deferred tax liabilities		26,446,406	24,648,032
Total non-current liabilities		26,446,406	24,774,248
Net assets		394,748,395	350,393,862
EQUITY			
Share capital		26,700,480	26,700,480
Reserves		368,047,915	323,693,382
Total equity		394,748,395	350,393,862

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 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 2020 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 39, HKFRSs 4, 7, 9 and 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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 (2020: 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.

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>
Segment revenue:			
Sales to external customers	418,202,483	-	418,202,483
Reportable segment revenue and revenue	418,202,483	-	418,202,483
Segment results:	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
Other segment information:			
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	10,760,890	-	10,760,890
Realised gain on financial asset at fair value through profit or loss	5,267,241	-	5,267,241

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020	Precision parts and components <i>HK\$</i>	Corporate and others <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue:			
Sales to external customers	341,758,426	-	341,758,426
Reportable segment revenue and revenue	<u>341,758,426</u>	<u>-</u>	<u>341,758,426</u>
Segment results:	79,975,571	(2,667,433)	77,308,138
<i>Reconciliation:</i>			
Bank interest income			761,648
Finance costs			<u>(461,215)</u>
Profit before tax			<u>77,608,571</u>
Other segment information:			
Other income and gains	1,968,811	267,923	2,236,734
Depreciation of property, plant and equipment (excluding right-of-use assets)	(7,785,153)	(759,096)	(8,544,249)
Depreciation of right-of-use assets	(921,821)	(3,125,927)	(4,047,748)
(Loss)/gain on disposal of items of property, plant and equipment, net	(55,746)	151,200	95,454
Surplus/(deficit) on revaluation of land and buildings credited/(debited) to other comprehensive income	373,231	(2,676,813)	(2,303,582)
Lease payments under short-term leases on office premises	(63,946)	(137,712)	(201,658)
Lease payments under low-value asset leases	(1,693)	-	(1,693)
Foreign exchange (loss)/gain, net	(8,170,123)	158,063	(8,012,060)
Capital expenditure	(2,530,886)	(22,350)	(2,553,236)
Fair value gain on financial asset at fair value through profit or loss	25,460,232	-	25,460,232
Realised gain on financial asset at fair value through profit or loss	<u>3,044,252</u>	<u>-</u>	<u>3,044,252</u>

3. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

Revenue of HK\$186,592,452 (2020: HK\$131,489,938) 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.

Geographical information

(a) Revenue from external customers

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Hong Kong	8,538,099	6,038,240
Mainland China	31,800,484	29,746,629
Japan and other Asian countries	263,949,761	212,690,043
North America	38,484,641	32,936,499
South America	6,970,665	5,834,690
Europe	56,328,670	47,520,672
Other countries	12,130,163	6,991,653
Total revenue	418,202,483	341,758,426

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

(b) Non-current assets

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Hong Kong	68,677,581	66,933,112
Mainland China	142,643,582	141,903,385
Other countries	133,571	435,047
	211,454,734	209,271,544

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.

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:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Sale of goods	<u>418,202,483</u>	<u>341,758,426</u>
Other income and gains:		
Bank interest income	1,538,019	761,648
Tooling charge income	242,314	346,924
Sale of scrap	264,827	267,843
Sale of samples	1,333,134	1,147,399
Gain on disposal of items of property, plant and equipment, net	73,690	95,454
Incentive received*	49,520	272,856
Others	<u>17,268</u>	<u>106,258</u>
	<u>3,518,772</u>	<u>2,998,382</u>
Total revenue, other income and gains	<u>421,721,255</u>	<u>344,756,808</u>

The amount of revenue recognised for the year that was included in the contract liabilities at the beginning of the year is HK\$3,209,354 (2020: HK\$4,095,901).

* During the year ended 31 December 2021, the Group received an allowance of “Granting Support in Respect of the Unemployment Insurance to Enterprises for Stabilising Employment” of Renminbi (“RMB”) 41,267 (approximately HK\$49,520) (2020: RMB211,654 approximately HK\$237,052) from Social Security Bureau and no other incentives and allowances from Mainland China government (2020: RMB31,968 approximately HK\$35,804).

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Interest on bank loans and overdrafts wholly repayable within five years	393,177	378,760
Interest on lease liabilities	29,213	82,455
	<u>422,390</u>	<u>461,215</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Staff costs (including directors' remuneration) [#] :		
Wages and salaries	89,206,565	87,551,136
Contributions to retirement benefit schemes*	11,114,690	3,485,360
	<u>100,321,255</u>	<u>91,036,496</u>
Cost of inventories sold	311,458,174	235,916,193
Auditor's remuneration	1,112,603	1,029,639
Depreciation of property, plant and equipment (excluding right-of-use assets) [#]	9,592,264	8,544,249
Depreciation of right-of-use assets [#]	4,024,414	4,047,748
Foreign exchange loss, net	3,016,553	8,012,060
Lease payments under short-term leases on office premises and factories [#]	215,225	201,658
Lease payments under low-value asset leases [#]	-	1,693
Provision for loss allowance on trade receivables	30,500	-
Sales commission	4,802,844	6,380,151

[#] The staff cost amounting to HK\$78,191,643 (2020: HK\$67,544,707), depreciation amounting to HK\$9,881,806 (2020: HK\$8,761,892) and no lease payment to short-term leases on office premises and factories/low-value asset leases (2020: HK\$58,617) for the year are included in "Cost of sales" in the consolidated income statement. Furthermore, government grant amounting to Singapore Dollar ("SGD") 73,807 (approximately HK\$416,670) was granted from the Job Support Scheme received from Inland Revenue Authority of Singapore, to retain employment and combat COVID-19 epidemics, which was off-set with the staff costs in 2020 while no such government grant received in 2021.

* Ministry of Human Resources and Social Security of the People's Republic of China has announced in 2020 to waive employer obligations on social security insurance ("SSI") contributions during February 2020 to December 2020 to ease the burden of enterprises under the impact of COVID-19 while no such exemption for 2021.

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.

	2021	2020
	HK\$	HK\$
Current – Hong Kong		
Charge for the year	8,923,530	8,046,683
Over provision in prior years	(201,529)	(14,682)
Current – outside Hong Kong		
Charge for the year	645,541	424,533
Over provision in prior years	(34,501)	(57,828)
Deferred taxation		
Origination and reversal of temporary difference	-	2,300,000
	<u>9,333,041</u>	<u>10,698,706</u>
Total tax expense for the year		

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:

	2021	2020
	HK\$	HK\$
Profit before tax	<u>72,630,574</u>	<u>77,608,571</u>
Tax at the statutory tax rate of 16.5% (2020: 16.5%)	11,984,045	12,805,414
Tax effect of two-tiered profits tax rates regime	(165,000)	(165,000)
Effect of different rates for companies operating in other jurisdictions	220,481	134,136
Income not subject to tax	(430,137)	(623,676)
Expenses not deductible for tax	156,405	80,473
Unrecognised temporary differences	2,229,035	(1,435,501)
Utilisation of previously unrecognised tax losses	(3,578,302)	(454,769)
Over provision in prior years	(236,030)	(72,510)
Tax losses not recognised	157,966	154,936
Others	(1,005,422)	275,203
	<u>9,333,041</u>	<u>10,698,706</u>
Tax expense for the year		

8. DIVIDEND

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Attributable to the current year:		
Proposed final dividend –		
HK8.0 cents (2020: HK7.5 cents) per ordinary share	21,360,384	20,025,360
Interim dividend paid –		
HK4.0 cents (2020: HK2.5 cents) per ordinary share	10,680,192	6,675,120
	<u>32,040,576</u>	<u>26,700,480</u>
Attributable to the previous years, approved and paid during the year:		
Final dividend – HK7.5 cents (2020: HK2 cents) per ordinary share	<u>20,025,360</u>	<u>5,340,096</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. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation:	<u>63,297,533</u>	<u>66,909,865</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u>267,004,800</u>	<u>267,004,800</u>

As there were no dilutive potential ordinary shares, diluted earnings per share was the same as basic earnings per share in 2021 and 2020.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Non-current assets		
Club membership	680,000	680,000
Forward currency contracts	1,070,519	9,607,424
	<u>1,750,519</u>	<u>10,287,424</u>
Current asset		
Forward currency contracts	19,297,795	15,852,808

Club membership

At 31 December 2021, the unlisted investment represented club membership 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-one (2020: nineteen) forward currency contracts at a total of US\$52,511,764 (2020: US\$49,997,958) for the exchange of United States Dollars (“US\$”) with RMB with the forward rates ranged from RMB6.575 to RMB7.238 (2020: RMB6.652 to RMB7.238) per US\$1. The maturity dates of these forward currency contracts are during the period from 17 January 2022 to 15 June 2023 (2020: 15 January 2021 to 15 August 2022).

During the year, the Group has realised gain of HK\$5,267,241 (2020: HK\$3,044,252) arising from twelve (2020: twelve) forward currency contracts of a total of US\$33,046,500 (2020: US\$31,621,958) for the exchange of US\$ with RMB which appreciated (2020: appreciated).

As at 31 December 2021, the forward currency contracts did not meet the criteria for hedge accounting. The change in the fair value of these non-hedging currency derivatives amounting to a gain of HK\$10,760,890 (2020: HK\$25,460,232) was recognised in the consolidated income statement for the year ended 31 December 2021.

11. TRADE RECEIVABLES

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Trade receivables	107,399,455	93,357,804
Less: loss allowance	(285,479)	(254,979)
	<u>107,113,976</u>	<u>93,102,825</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:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Within 90 days	102,194,936	90,050,010
91 to 180 days	4,890,406	2,915,897
Over 180 days	28,634	136,918
	<u>107,113,976</u>	<u>93,102,825</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:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Within 90 days	45,644,564	51,995,082
91 to 180 days	22,285	7,205
Over 180 days	14,972	27,827
	<u>45,681,821</u>	<u>52,030,114</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 2021 amounted to approximately HK\$418.2 million, representing an increase of 22.4% from the previous year. Overall gross profit amounted to approximately HK\$106.7 million, representing an increase of 0.9% from the previous year. Profit attributable to owners of the Company was approximately HK\$63.3 million (2020: HK\$66.9 million).

Basic earnings for the year ended 31 December 2021 amounted to HK23.71 cents (2020: HK25.06 cents) per share.

FINAL DIVIDEND

The directors recommend the payment of a final dividend of HK8.0 cents (2020: HK7.5 cents) per ordinary share on Tuesday, 12 July 2022 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 7 June 2022. 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 Monday, 23 May 2022 to Thursday, 26 May 2022, 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 Thursday, 26 May 2022, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 May 2022.

CLOSURE OF REGISTERS FOR FINAL DIVIDEND

The Register of Members of the Company will be closed from Thursday, 2 June 2022 to Tuesday, 7 June 2022, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 1 June 2022.

BUSINESS REVIEW

The COVID-19 pandemic continued to bring challenges in year 2021, but the global economy had gradually recovered after the roll out of vaccination. Benefitted from the surge in sales orders from customers, the Group's turnover had increased as compared with year 2020. However, due to the appreciation of Renminbi ("RMB"), the rise in the material price and the absence of waiver by the Chinese governmental authority of the employer's social security contribution granted in 2020, the gross profit margin of the Group had dropped as compared with year 2020. The influence of RMB appreciation in 2021 on the manufacturing cost of the Group had been managed by the forward currency contracts, which the mechanism had been discussed in previous interim and annual reports. The operating result also included an unrealised fair value gain from the forward currency contracts expiring in years 2022 and 2023 (which were entered to manage the influence of the volatility of RMB on manufacturing costs for years 2022 and 2023). The unrealised fair value gain is a non-cash accounting treatment and had no impact on the Group's cash flow for year 2021.

For the precision parts and components segment, the turnover increased by 22.4% to approximately HK\$418.2 million as compared with 2020. If excluded the above-mentioned unrealised fair value gain of \$10.8 million (2020: HK\$25.5 million) on forward currency contracts, the segment profit had increased to approximately HK\$63.6 million (2020: HK\$54.5 million). The improvement was mainly attributable to the rise in sales order from customers, but partly offset by the rise in material price and absence of waiver of social security contribution granted in 2020 as discussed above.

BUSINESS REVIEW (continued)

The gross profit margin of the Group in 2021 had decreased by 5.5% to 25.5% as compared with 2020 with the reasons discussed above. The selling and distribution costs slightly decreased by 4.7% to approximately HK\$24.6 million, while the administrative and other expenses decreased by 14.6% to approximately HK\$28.6 million mainly caused by the drop in exchange loss as compared with 2020. The financial costs slightly decreased by HK\$0.1 million to approximately HK\$0.4 million due to the drop of market interest rate in 2021.

FUTURE PLANS AND PROSPECTS

Looking ahead, the Russo-Ukrainian War disturbs the supply of commodities, escalates the energy prices, and distorts the global recovery arising from the strong international economy sanctions on trade. The recent widespread lockdowns in China from the Omicron COVID-19 spread induces the suspension production of the raw materials, which disturbs the operation of the Group as well as the customers. Together with the increase in material price, the shortfall of semiconductors, the volatility of RMB and the increase in labour wages in Mainland China which is effective from 1 January 2022, all of these create uncertainties to the Group. Despite these, we are still confident of our business outlook for the year 2022 as the new selling price to customers of the Group had been fully effective from the fourth quarter of 2021, and its financial impact will be fully reflected in year 2022. 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. The capacity and efficiency of the Group had been enhanced through the co-operation with satellite manufacturing plants during the past two years. As such, we are still confident that the Group will maintain the growth momentum and profitability in the future. 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 2021.

- Turnover increased by 22.4% from the previous year to approximately HK\$418.2 million for the year.
- Gross profit increased by HK\$0.9 million from the previous year to approximately HK\$106.7 million in 2021.
- Profit before finance costs decreased by HK\$5.1 million from previous year to approximately HK\$73.0 million for the year.
- Finance costs decreased by HK\$0.1 million from the previous year to approximately HK\$0.4 million.
- Profit after tax for the year was approximately HK\$63.3 million.

In the year under review, turnover of the precision parts and components segment had increased by 22.4% as compared with the previous year.

The Group's overall gross profit had increased by 0.9% from the previous year.

The Group's finance costs had dropped to approximately HK\$0.4 million for the year due to decrease 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\$18.8 million as at 31 December 2021.

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\$94.4 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 2021 was 3.0% (2020: 5.4%).

CHARGE ON THE GROUP'S ASSETS

At 31 December 2021, none of the Group's machines and equipment was pledged under lease, while the machines and equipment carrying amount of approximately HK\$3.0 million was pledged under lease as at 31 December 2020.

CAPITAL STRUCTURE

As at 31 December 2021, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$394.7 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 2021.

EMPLOYEES

As at 31 December 2021, the Group had a total workforce of approximately 866 of which approximately 31 were based in Hong Kong, approximately 5 were based in overseas and approximately 830 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.

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 2021, except for the following deviation:

Code Provision A.2.1 (now re-arranged as 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 2021 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 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 2021 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, 23 March 2022

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).