



K & P INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2002

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Directors”) of K & P International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
		2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Turnover		94,987,243	84,158,580
Cost of sales		<u>(78,530,816)</u>	<u>(67,048,253)</u>
Gross profit		16,456,427	17,110,327
Other revenue		6,814,113	1,898,762
Selling and distribution costs		(10,441,287)	(8,581,650)
Administrative expenses		(9,362,713)	(9,813,635)
Other operating income/ (expenses), net	3	<u>(726,211)</u>	<u>2,309,931</u>
Profit from operating activities	4	2,740,329	2,923,735
Finance costs	5	<u>(1,319,910)</u>	<u>(1,508,577)</u>
Profit before tax		1,420,419	1,415,158
Tax	6	<u>(229,018)</u>	<u>(597,557)</u>
Net profit from ordinary activities attributable to shareholders		<u>1,191,401</u>	<u>817,601</u>
Dividends	7	<u>Nil</u>	<u>Nil</u>
Basic earnings per share	8	<u>0.48 cents</u>	<u>0.33 cents</u>

Notes:

1. Accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”). The accounting policies and basis of presentation used in the preparation of the interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31 December 2001.

In addition, the Group has adopted the following revised or new SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002.

- SSAP 1 (Revised) Presentation of financial statements
- SSAP 11 (Revised) Foreign currency translation
- SSAP 15 (Revised) Cash flow statements
- SSAP 34 Employee benefits

In accordance with SSAP 15 (Revised), the cash and cash equivalents is presented by means of cash flow statement which classifies cash flows during the period according to operating, investing and financing activities. Unaudited condensed consolidated cash flow statement for the six months ended 30 June 2001 have been presented on a consistent basis.

Except for the above, the adoption of the revised or new SSAPs has had no material impact on the Group’s unaudited condensed consolidated financial statements.

2. Segment information

(a) Business segments

The following tables present revenue, profit/(loss) and certain expenditure information for the Group's business segments.

Group	For the six months ended 30 June 2002				
	Electronic and related components and parts (Unaudited) HK\$	Consumer electronic products (Unaudited) HK\$	Corporate and others (Unaudited) HK\$	Eliminations (Unaudited) HK\$	Consolidated (Unaudited) HK\$
Segment revenue:					
Sales to external customers	54,624,619	40,362,624	-	-	94,987,243
Intersegment sales	2,276,056	-	-	(2,276,056)	-
Other revenue	816,895	85,964	5,798,100	-	6,700,959
Total	<u>57,717,570</u>	<u>40,448,588</u>	<u>5,798,100</u>	<u>(2,276,056)</u>	<u>101,688,202</u>
Segment results	<u>(2,700,721)</u>	<u>81,502</u>	<u>5,246,394</u>		2,627,175
Interest income					<u>113,154</u>
Profit/(loss) from operating activities					2,740,329
Finance costs					<u>(1,319,910)</u>
Profit/(loss) before tax					1,420,419
Tax					<u>(229,018)</u>
Net profit/(loss) from ordinary activities attributable to shareholders					<u>1,191,401</u>
Other segment information:					
Depreciation and amortisation	9,095,048	2,331,292	639,205	-	12,065,545
Write back of provision for doubtful debts	-	-	-	-	-
Capital expenditure	<u>5,534,381</u>	<u>554,267</u>	<u>24,707</u>	<u>-</u>	<u>6,113,355</u>

Group	For the six months ended 30 June 2001				
	Electronic and related components and parts (Unaudited) HK\$	Consumer electronic products (Unaudited) HK\$	Corporate and others (Unaudited) HK\$	Eliminations (Unaudited) HK\$	Consolidated (Unaudited) HK\$
Segment revenue:					
Sales to external customers	43,766,032	40,392,548	–	–	84,158,580
Intersegment sales	2,494,378	–	–	(2,494,378)	–
Other revenue	1,340,763	349,085	587	–	1,690,435
Total	47,601,173	40,741,633	587	(2,494,378)	85,849,015
Segment results	2,836,509	723,958	(845,059)		2,715,408
Interest income					208,327
Profit/(loss) from operating activities					2,923,735
Finance costs					(1,508,577)
Profit/(loss) before tax					1,415,158
Tax					(597,557)
Net profit/(loss) from ordinary activities attributable to shareholders					817,601

Group	For the six months ended 30 June 2001				
	Electronic and related components and parts (Unaudited) HK\$	Consumer electronic products (Unaudited) HK\$	Corporate and others (Unaudited) HK\$	Eliminations (Unaudited) HK\$	Consolidated (Unaudited) HK\$
Other segment information:					
Depreciation and amortisation	8,504,265	2,554,201	655,752	–	11,714,218
Write back of provision for doubtful debts	–	(3,140,000)	–	–	(3,140,000)
Capital expenditure	6,668,428	772,592	361,690	–	7,802,710

(b) *Geographical segments*

The following table presents revenue, profit/(loss) and certain expenditure information for the Group's geographical segments.

Group	For the six months ended 30 June					
	Segment revenue		Segment results		Other segment information	
	Sales to external customers				Capital expenditure	
	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Hong Kong	36,693,137	36,089,430	5,739,474	3,184,008	239,074	419,690
Elsewhere in the PRC	2,291,303	119,682	(48,628)	3,542	5,664,635	5,918,602
Total in the PRC	38,984,440	36,209,112	5,690,846	3,187,550	5,903,709	6,338,292
Other Asian countries*	15,447,778	6,245,306	(3,109,552)	(2,534,763)	209,646	1,464,418
Germany	15,750,071	17,833,519	28,816	302,395	-	-
Other European countries **	18,977,818	22,174,047	(108,586)	1,668,591	-	-
Total in Europe	34,727,889	40,007,566	(79,770)	1,970,986	-	-
North America	3,099,027	1,090,047	(92,558)	52,604	-	-
Others***	2,728,109	606,549	218,209	39,031	-	-
Consolidated	94,987,243	84,158,580	2,627,175	2,715,408	6,113,355	7,802,710

* Other Asian countries mainly comprise Taiwan, Singapore, Japan, Malaysia, Thailand, Indonesia and Korea.

** Other European countries mainly comprise Italy, United Kingdom, France, Netherlands, Austria, Sweden and Spain.

*** Others mainly comprise South America, Australia and New Zealand.

3. Other operating income/(expenses), net

	For the six months ended 30 June	
	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Write back of provision for doubtful debts	-	3,140,000
Others	(726,211)	(830,069)
	(726,211)	2,309,931

4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Depreciation:		
Owned fixed assets	10,239,466	9,916,240
Leased fixed assets	1,702,114	1,674,019
	<u>11,941,580</u>	<u>11,590,259</u>
Amortisation of technical know-how	123,965	123,959
Foreign exchange losses, net	336,470	–
and after crediting:		
Gain on disposal of long term investment	5,797,370	–
Foreign exchange gains, net	–	187,887
Interest income	113,154	208,327
	<u>113,154</u>	<u>208,327</u>

5. Finance costs

	For the six months ended 30 June	
	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Interest expense on bank loans and overdrafts wholly repayable within five years	826,567	978,319
Interest on finance leases	493,343	530,258
	<u>1,319,910</u>	<u>1,508,577</u>

6. Tax

	For the six months ended 30 June	
	2002 (Unaudited) HK\$	2001 (Unaudited) HK\$
Group:		
People's Republic of China:		
Hong Kong	229,018	265,285
Elsewhere	–	332,272
	<u>229,018</u>	<u>597,557</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. Dividends

At a meeting of the board of directors held on 27 September 2002, the directors resolved not to pay an interim dividend to shareholders (2001: Nil).

8. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$1,191,401 (2001: HK\$817,601) and the weighted average of 250,004,800 ordinary shares in issue throughout the two periods.

Diluted earnings per share for the periods ended 30 June 2001 and 2002 have not been shown as the share options and warrants outstanding during these periods had an anti-dilutive effect on the basic earnings per share for these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

The Group recorded a total turnover of approximately HK\$95 million for the six months ended 30 June 2002, representing an increase of 12.8% from last corresponding period. Overall gross profit decreased from approximately HK\$17.11 million in the previous period to HK\$16.45 million this period.

During the period under review, the Group sold some of its long term investment and realized a gain of approximately HK\$5.8 million.

The Group has a net profit attributable to shareholders of approximately HK\$1.19 million (2001: HK\$0.81 million). Earnings per share for the period ended 30 June 2002 amounted to HK0.48 cents (2001: HK0.33 cents).

Business review and prospect

Electronic and related components and parts segment

The global economy is still sluggish during the financial period under review. In spite of the poor economic situation, the Group obtained orders from new customers and expanded its sales into new markets such as the PRC market for the precision parts and components. Accordingly, turnover of the electronic and related components and parts segment increased by approximately 24.8% as compared with the previous financial period.

As mentioned in the last annual report, the Group's near term goal is to capture opportunities in Mainland China following its accession to the World Trade Organization. Our continued marketing effort in China has resulted in increased sales turnover to this market during the period.

The products of this segment are major critical components and parts for high value consumer products. Due to keen market competition, the Group has faced with pressures from both customers and competitors in the market. This leads to reduction in the gross profit margin of the existing products of this segment.

In order to enhance our profit margin, we have been developing products with new value added features for meeting demand from our customers. During the latter part of this period, new machines and equipment were acquired for the manufacture of certain newly developed products. It is expected that the new products would bring additional revenue and profit to the Group.

Consumer electronic products segment

This segment has maintained its sales turnover at the same level as in the previous financial period. During the period under review, the sales turnover to the European market decreased unexpectedly by approximately 12.5% but such decrease is offset by the increased sales turnover to the American and Asian markets.

The European market, in particular German market, has been the major market of this product segment. With Euro dollars strengthening since the beginning of this year, we are optimistic that the demand from the European market and hence our sales turnover to the same would return to a satisfactory level.

We have been developing products with new features for our customer's selection and have planned to launch several products in the latter half of this year. We are confident that the performance of the consumer electronic products segment would improve this year.

Strategic investment

During the period under review, we sold approximately 49% of our shareholding in Xteam Software International Limited ("Xteam"). We have planned to dispose the remaining Xteam's shares and expect that the proceeds from the disposition would enhance the financial position and cashflow of the Group.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers and other financial institutions in Hong Kong.

The Group currently has aggregate composite banking facilities of approximately HK\$71.1 million with various banks and financial institutions. The total borrowings from banks and financial institutions include long term loans, finance leases, overdraft, import and export loans, amounted to approximately HK\$50.3 million as at 30 June 2002, of which HK\$39.3 million is repayable in the next twelve months.

The Group's borrowings are mainly on a floating rate basis and are denominated in either Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts its business. Therefore, the Group does not have any significant foreign exchange risk.

The gearing ratio on the basis of total debts to equity as at 30 June 2002 is 85.3% (31 December 2001: 73.3%).

Charge on the Group Assets

Certain bank borrowings are secured by fixed charges over the Group's medium term leasehold land and buildings with a net book value of HK\$23.2 million and bank deposit amounting to approximately HK\$8.1 million.

Capital Structure

As at 30 June 2002, the Company had approximately 250 million shares in issue with total shareholders' fund of the Group amounting to approximately HK\$101.8 million.

On 16 March 2001, the Company issued 30 million warrants (the "Warrants") with issue price of HK\$0.05 to several independent investors. The Warrants entitle the holders to subscribe for new shares of the Company at a price of HK\$0.30 per share from March 2001 to March 2003. The Company would receive a subscription amount of HK\$9 million on a full exercise of the Warrants and would apply the proceeds, if received, for general working capital purposes.

Pursuant to the share option scheme of the Company, the Board of Directors have granted share options to certain senior executives and employees of the Group. The exercise in full of these share options would result in the issue of 15.5 million additional shares and proceeds of approximately HK\$2.48 million.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2002.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the accounting period for the six months ended 30 June 2002, except that the independent non-executive directors of the Company are not appointed for specific terms. Independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's by-laws.

AUDIT COMMITTEE

The members of the audit committee of the Company comprise of Mr. Tsao Kwang Yung, Peter and Mr. Kung Fan Cheong, both being Independent Non-Executive Directors of the Company.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Group's unaudited interim results for the six months ended 30 June 2002.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEBSITE

All the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the Stock Exchange's website (<http://www.hkex.com.hk>) in due course.

Lai Pei Wor
Chairman

Hong Kong, 27 September 2002

“Please also refer to the published version of this announcement in *The Standard*”.