

Interim 中期
Report 報告
2021



K & P International Holdings Limited
堅寶國際控股有限公司*

(Incorporated in Bermuda with limited liability) (Stock Code: 675)
(於百慕達註冊成立之有限公司) (股份代號：675)

* *For identification purpose only*
* 僅供識別

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of K & P International Holdings Limited (the "Company") herein announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 together with the comparative figures for the previous period. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$	HK\$
REVENUE	3	197,105,135	141,931,609
Cost of sales		(142,072,073)	(100,058,214)
Gross profit		55,033,062	41,873,395
Other income and gains	3	1,604,920	2,614,959
Realised gain/(loss) on financial asset at fair value through profit or loss		11,746,657	(1,113,015)
Fair value loss on financial asset at fair value through profit or loss		(6,053,820)	(2,872,106)
Selling and distribution costs		(13,091,896)	(10,843,712)
Administrative and other expenses		(14,708,230)	(13,430,008)
Finance costs	4	(184,575)	(296,960)
PROFIT BEFORE TAX	5	34,346,118	15,932,553
Income tax expense	6	(4,900,841)	(2,510,069)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		29,445,277	13,422,484
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted		HK11.03 cents	HK5.03 cents

Details of the interim dividend are disclosed in note 7 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) HK\$	2020 (Unaudited) HK\$
PROFIT FOR THE PERIOD	29,445,277	13,422,484
OTHER COMPREHENSIVE LOSS		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(137,204)	(305,243)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	29,308,073	13,117,241

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$	31 December 2020 (Audited) HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		202,954,392	209,271,544
Financial asset at fair value through profit or loss	9	4,076,338	10,287,424
Total non-current assets		207,030,730	219,558,968
CURRENT ASSETS			
Financial asset at fair value through profit or loss	9	16,010,073	15,852,808
Inventories		93,678,197	63,641,315
Prepayments, deposits and other receivables		9,089,025	8,793,822
Trade receivables	10	77,465,533	93,102,825
Restricted bank deposit	11	7,780,000	–
Bank balances and cash	11	106,804,282	85,709,850
Tax recoverable		5,441	5,441
Total current assets		310,832,551	267,106,061
CURRENT LIABILITIES			
Trade payables	12	41,647,345	52,030,114
Accrued liabilities and other payables		43,185,080	41,303,870
Interest-bearing bank and other borrowings		18,666,218	11,345,750
Lease liabilities		315,909	819,027
Dividend payable		20,025,360	–
Tax payable		9,698,762	5,998,158
Total current liabilities		133,538,674	111,496,919
NET CURRENT ASSETS		177,293,877	155,609,142
TOTAL ASSETS LESS CURRENT LIABILITIES		384,324,607	375,168,110

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$	31 December 2020 (Audited) HK\$
NON-CURRENT LIABILITIES			
Lease liabilities		–	126,216
Deferred tax liabilities		24,648,032	24,648,032
		<hr/>	
Total non-current liabilities		24,648,032	24,774,248
		<hr/>	
Net assets		359,676,575	350,393,862
		<hr/>	
EQUITY			
Share capital		26,700,480	26,700,480
Reserves		332,976,095	323,693,382
		<hr/>	
Total equity		359,676,575	350,393,862
		<hr/>	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital (Unaudited) HK\$	Share premium account (Unaudited) HK\$	Contributed surplus (Unaudited) HK\$	Asset revaluation reserve (Unaudited) HK\$	Exchange fluctuation reserve (Unaudited) HK\$	Retained profits (Unaudited) HK\$	Proposed dividends (Unaudited) HK\$	Total equity (Unaudited) HK\$
At 1 January 2021	26,700,480	50,856,881	660,651	89,162,400	4,634,830	158,353,260	20,025,360	350,393,862
Profit for the period	-	-	-	-	-	29,445,277	-	29,445,277
Other comprehensive (loss)/income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	(137,204)	-	-	(137,204)
Total comprehensive (loss)/income for the period	-	-	-	-	(137,204)	29,445,277	-	29,308,073
Transactions with owners of the Company								
2020 final dividend approved	-	-	-	-	-	-	(20,025,360)	(20,025,360)
2021 interim dividend declared	-	-	-	-	-	(10,680,192)	10,680,192	-
At 30 June 2021	26,700,480	50,856,881	660,651	89,162,400	4,497,626	177,118,345	10,680,192	359,676,575
At 1 January 2020	26,700,480	50,856,881	660,651	91,117,616	(6,513,933)	118,143,875	5,340,096	286,305,666
Profit for the period	-	-	-	-	-	13,422,484	-	13,422,484
Other comprehensive (loss)/income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	(305,243)	-	-	(305,243)
Total comprehensive (loss)/income for the period	-	-	-	-	(305,243)	13,422,484	-	13,117,241
Transactions with owners of the Company								
2019 final dividend approved	-	-	-	-	-	-	(5,340,096)	(5,340,096)
2020 interim dividend declared	-	-	-	-	-	(6,675,120)	6,675,120	-
At 30 June 2020	26,700,480	50,856,881	660,651	91,117,616	(6,819,176)	124,891,239	6,675,120	294,082,811

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$	HK\$
NET CASH FLOWS FROM OPERATING ACTIVITIES		22,329,698	13,409,903
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(23,409,590)	(9,592,564)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		6,691,134	(1,183,344)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,611,242	2,633,995
Cash and cash equivalents at beginning of period		45,253,420	28,165,394
Effect of foreign exchange rate changes, net		(31,697)	(73,713)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11	50,832,965	30,725,676

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the Group’s audited financial statements for the year ended 31 December 2020, except in relation to the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that are relevant to the Group and adopted for the first time of the current period’s financial statements:

Amendments to HKFRS 16 *COVID-19-Related Rent Concessions*

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

The adoption of the above other HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and has 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. 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.

2. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2021	Precision parts and components (Unaudited) HK\$	Corporate and others (Unaudited) HK\$	Total (Unaudited) HK\$
Segment revenue:			
Sales to external customers	197,105,135	–	197,105,135
Reportable segment revenue and revenue	197,105,135	–	197,105,135
Segment results:			
	35,150,568	(1,362,698)	33,787,870
<i>Reconciliation:</i>			
Bank interest income			742,823
Finance costs			(184,575)
Profit before tax			34,346,118
Other segment information:			
Other income and gains	1,603,981	939	1,604,920
Depreciation of property, plant and equipment (excluding right-of-use assets)	(4,130,456)	(399,525)	(4,529,981)
Depreciation of right-of-use assets	(446,487)	(1,527,782)	(1,974,269)
Foreign exchange loss, net	(1,760,150)	–	(1,760,150)
Capital expenditure	(313,152)	(1,550)	(314,702)
Fair value loss on financial asset at fair value through profit or loss	(6,053,820)	–	(6,053,820)
Realised gain on financial asset at fair value through profit or loss	11,746,657	–	11,746,657

2. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2020	Precision parts and components (Unaudited) HK\$	Corporate and others (Unaudited) HK\$	Total (Unaudited) HK\$
Segment revenue:			
Sales to external customers	141,931,609	–	141,931,609
Reportable segment revenue and revenue	141,931,609	–	141,931,609
Segment results:			
	17,250,126	(1,311,981)	15,938,145
<i>Reconciliation:</i>			
Bank interest income			291,368
Finance costs			(296,960)
Profit before tax			15,932,553
Other segment information:			
Other income and gains, net of foreign exchange gain	1,444,802	34,419	1,479,221
Depreciation of property, plant and equipment (excluding right-of-use assets)	(3,926,960)	(421,280)	(4,348,240)
Depreciation of right-of-use assets	(428,577)	(1,521,593)	(1,950,170)
Foreign exchange gain, net	1,135,738	–	1,135,738
Capital expenditure	(987,612)	–	(987,612)
Fair value loss on financial asset at fair value through profit or loss	(2,872,106)	–	(2,872,106)
Realised loss on financial asset at fair value through profit or loss	(1,113,015)	–	(1,113,015)

2. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue of the precision parts and components segment derived from customers that contributing over 10% of the Group's revenue is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) HK\$	2020 (Unaudited) HK\$
Customer A	84,370,016	45,556,292
Customer B	N/A*	16,285,792

* The corresponding customer did not contribute over 10% of the Group's revenue for the respective year.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2021 (Unaudited) HK\$	2020 (Unaudited) HK\$
Hong Kong	4,316,528	2,667,084
Mainland China	15,150,359	14,125,531
Japan and other Asian countries	123,487,520	82,179,520
North America	17,020,457	15,695,929
South America	1,902,094	3,058,297
Europe	29,561,902	21,228,852
Other countries	5,666,275	2,976,396
Total revenue	197,105,135	141,931,609

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

2. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

(b) Non-current assets

	30 June 2021 (Unaudited) HK\$	31 December 2020 (Audited) HK\$
Hong Kong	65,390,182	66,933,112
Mainland China	137,283,307	141,903,385
Other countries	280,903	435,047
	202,954,392	209,271,544

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

3. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June 2021 (Unaudited) HK\$	2020 (Unaudited) HK\$
Revenue from contracts with customers within the scope of HKFRS 15:		
Sale of goods	197,105,135	141,931,609
Other income and gains:		
Bank interest income	742,823	291,368
Tooling charge income	55,881	173,363
Sale of scrap and material	179,690	226,016
Sale of sample	473,191	508,839
Foreign exchange gain, net	–	1,135,738
Gain on disposal of items of property, plant and equipment, net	77,955	45,932
Others	75,380	233,703
	1,604,920	2,614,959
Total revenue, other income and gains	198,710,055	144,546,568

4. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Interest on bank loans and overdrafts wholly repayable within five years	163,729	248,753
Interest on lease liabilities	20,846	48,207
	184,575	296,960

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Staff cost**	51,163,091	44,766,185
Depreciation of property, plant and equipment (excluding right-of-use assets)*	4,529,981	4,348,240
Depreciation of right-of-use assets*	1,974,269	1,950,170
Foreign exchange loss/(gain), net	1,760,150	(1,135,738)
Gain on disposal of items of property, plant and equipment, net	(77,955)	(45,932)
Sales commission	3,024,947	1,798,088

* The staff cost and depreciation amounting to HK\$39,441,841 and HK\$4,635,335 (six months ended 30 June 2020: HK\$32,703,967 and HK\$4,375,744) respectively for the period are included in "Cost of sales" in the condensed consolidated income statement.

During the six months ended 30 June 2020, the Group had been waived from making employer's social security contribution obligations amounting HK\$3,060,252 between February and June 2020 by the relevant government authority at Mainland China in view of the outbreak of COVID-19.

6. INCOME TAX

	For the six months ended 30 June	
	2021 (Unaudited) HK\$	2020 (Unaudited) HK\$
Current – Hong Kong		
Charge for the period	4,600,000	2,350,000
Current – outside Hong Kong		
Charge for the period	300,841	160,069
Tax expense for the period	4,900,841	2,510,069

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on assessable profits outside Hong Kong have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

7. DIVIDENDS

	For the six months ended 30 June	
	2021 (Unaudited) HK\$	2020 (Unaudited) HK\$
Attributable to the period		
Interim dividend – HK4 cents (2020: HK2.5 cents) per ordinary share	10,680,192	6,675,120
Attributable to the previous year, approved during the period:		
Final dividend – HK7.5 cents (2020: HK2 cents) per ordinary share	20,025,360	5,340,096

8. 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 period attributable to owners of the Company of HK\$29,445,277 (six months ended 30 June 2020: HK\$13,422,484) and the weighted average number of 267,004,800 (six months ended 30 June 2020: 267,004,800) ordinary shares in issue during the period.

As there were no dilutive potential ordinary shares, diluted earnings per share was the same as basic earnings per share for the period ended 30 June 2021 and 2020.

9. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 (Unaudited) HK\$	31 December 2020 (Audited) HK\$
Non-current assets		
Club membership	680,000	680,000
Forward currency contracts	3,396,338	9,607,424
	4,076,338	10,287,424
Current asset		
Forward currency contracts	16,010,073	15,852,808

Club membership

At 30 June 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

The Group entered into twenty one (at 31 December 2020: nineteen) forward currency contracts at a total of US\$52,291,304 (at 31 December 2020: US\$49,997,958) for the exchange of United States Dollars ("US\$") with Renminbi ("RMB") with the forward rates ranged from RMB6.575 to RMB7.238 (at 31 December 2020: RMB6.652 to RMB7.238) per US\$1. The maturity dates of these forward currency contracts are during the period from 15 July 2021 to 15 December 2022 (at 31 December 2020: 15 January 2021 to 15 August 2022).

For six months ended 30 June 2021, the Group has realised gain of HK\$11,746,657 arising from six forward currency contracts of a total of US\$16,014,676 (six months ended 30 June 2020: realised loss of HK\$1,113,015 from six forward currency contracts of a total of US\$16,427,227) for the exchange of US\$ with RMB which was appreciated (six months ended 30 June 2020: depreciated).

As at 30 June 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 loss of HK\$6,053,820 (six months ended 30 June 2020: HK\$2,872,106) was recognised in the consolidated income statement for the six months ended 30 June 2021.

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, where the terms are extended from 60 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. As at 30 June 2021, there is a significant concentration of credit risk as 44% (at 31 December 2020: 58%) of the balance representing receivables from a single customer, which was derived from sales by the precision parts and components segment. Trade receivables are non-interest-bearing. The carrying amounts of these balances approximate to their fair values.

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

	30 June 2021 (Unaudited) HK\$	31 December 2020 (Audited) HK\$
Within 90 days	73,117,793	90,050,010
91 to 180 days	4,340,761	2,915,897
Over 180 days	6,979	136,918
	77,465,533	93,102,825

11. BANK BALANCES AND CASH

	30 June 2021 (Unaudited) HK\$	31 December 2020 (Audited) HK\$
Time deposits with original maturity over three months	63,751,317	40,456,430
Cash and cash equivalents as stated in the consolidated statement of cash flows	50,832,965	45,253,420
	114,584,282	85,709,850
Restricted bank deposit	(7,780,000)	–
	106,804,282	85,709,850

Restricted bank deposit represented a fixed rate deposit placed in a bank pledged as a security for the credit facility of forward currency contracts to the Group. The restricted bank deposit carries interest 0.46% per annum. The deposit will be released upon maturity dates of the forward currency contracts which are expected to be within one year from the end of reporting period.

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:

	30 June 2021 (Unaudited) HK\$	31 December 2020 (Audited) HK\$
Within 90 days	41,594,698	51,995,082
91 to 180 days	3,022	7,205
Over 180 days	49,625	27,827
	41,647,345	52,030,114

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

13. SHARE OPTION SCHEME

Pursuant to 2012 share option scheme, no share options were granted, exercised, cancelled or forfeited since the adoption of the scheme and there was no outstanding share option as at 30 June 2021 and 2020.

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021 (Unaudited) HK\$	2020 (Unaudited) HK\$
Short term employee benefits	3,610,914	3,507,700
Contributions to retirement benefit schemes	18,000	18,000
Total compensation paid to key management personnel	3,628,914	3,525,700

15. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 26 August 2021.

INTERIM DIVIDEND

The directors recommend the payment of an interim dividend of HK4 cents per ordinary share (six months ended 30 June 2020: HK2.5 cents) on Friday, 15 October 2021 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 23 September 2021.

CLOSURE OF REGISTERS

The Register of Members of the Company will be closed from Monday, 20 September 2021 to Thursday, 23 September 2021, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the above dividend, 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, 17 September 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group's turnover for the period ended 30 June 2021 amounted to approximately HK\$197.1 million, representing an increase of 38.9%, comparing with the same period last year. Overall gross profit was increased by 31.4% to approximately HK\$55.0 million. Profit attributable to owners of the Company was approximately HK\$29.4 million (six months ended 30 June 2020: HK\$13.4 million).

Basic earnings for the period ended 30 June 2021 amounted to HK11.03 cents (six months ended 30 June 2020: HK5.03 cents) per share.

Business Review and Future Plan

In the first half of 2021, benefitted from the surge in sales orders from customers, the Group's turnover had increased as compared with same period last year when it was affected by the outbreak of COVID-19. And, due to similarity in nature of the products under orders from a customer, the Group's production efficiency had increased comparing with same period of 2020. However, the effect of the said increase in sales on the Group's financial performance was partially offset by the increase in the costs of sales of the Group, mainly due to the rise in the costs of raw materials used in the Group's manufacturing processes. And, although the RMB exchange rate against Hong Kong Dollars appreciated as compared with the same period last year, the increase in the Group's cost of sales arising from RMB appreciation had been offset by the increase in the realised gain of forward currency contracts. As discussed in the interim and annual reports of 2019 and 2020, these forward currency contracts were entered to manage the impact on the Group's manufacturing costs at Mainland China from the volatility of RMB. In addition, the inventory level as at 30 June 2021 had elevated as compared with 31 December 2020, which was mainly arising from the delay in goods delivery to customers due to the global shortage of containers, and we anticipated that might not be solved in the next two quarters.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review and Future Plan (continued)

For the precision parts and components segment, the turnover increased by 38.9% to approximately HK\$197.1 million, comparing with the same period of 2020, while the segment profit increased to approximately HK\$35.2 million (six months ended 30 June 2020: HK\$17.3 million). The segment profit included an unrealized fair value loss of approximately HK\$6.1 million (six months ended 30 June 2020: loss of HK\$2.9 million) arising from the outstanding forward currency contracts to be expiring in the second half of 2021 and year 2022. This unrealized fair value loss is a non-cash accounting treatment, that had no impact on the Group's cash flow or operation for the first half of 2021.

Despite the rise in turnover and production efficiency, the gross profit margin of the Group for six months ended 30 June 2021 decreased 1.6% to 27.9% as compared with the same period of 2020, mainly due to the rise in cost of raw material and appreciation of RMB which had been discussed at above. The selling and distribution costs increased by 20.7% to approximately HK\$13.1 million due to the rise in sales activities and elevated freight and selling costs. The administrative and other expenses increased by 9.5% to approximately HK\$14.7 million, mainly attributable to the rise in exchange loss from the appreciation of RMB in the first half of 2021 (six months ended 30 June 2020: exchange gain from the depreciation of RMB). The finance costs had decreased by HK\$0.1 million to approximately HK\$0.2 million due to the drop of market interest rate.

Looking ahead, despite a number of uncertainties such as the Delta variant of COVID-19, US-China tensions, soaring price of raw material, global shortage of containers, shortfall of semiconductors, and volatility of RMB, the business outlook of the Group remains good. Since the first quarter of 2021, the Group had been discussing with customers uplifting the selling price for the increase in cost of raw material, which the impact to the Group's financial performance will be reflected in the second half of 2021. In addition, the Group will keep on utilizing forward currency contracts to manage the impact on Group's manufacturing cost from the volatility of RMB, and will continue enhancing the co-operation with satellite manufacturing plants, which both strategies had been successful in the first half of 2021. As such, we are still confident that the Group will maintain the growth momentum and improve the profitability in the future. The Group's financial position remains healthy and is strong enough to finance our daily operation.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and Financial Resources

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

The total borrowings from banks and other financial institution included all term loans and import and export loans, which amounted to approximately HK\$18.7 million as at 30 June 2021.

The Group's financial position remains healthy. As at 30 June 2021, the aggregate balance of cash and cash equivalents of the Group amounted to approximately HK\$114.6 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 30 June 2021 was 4.5% (at 31 December 2020: 5.4%).

Charge on the Group's Assets

As at 30 June 2021, the Group's machines and equipment with carrying amount of approximately HK\$2.4 million (at 31 December 2020: HK\$3.0 million) were pledged under lease.

Capital Structure

As at 30 June 2021, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$359.7 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 during the period ended 30 June 2021.

Employees

As at 30 June 2021, the Group had a total workforce of approximately 918 of which approximately 31 were based in Hong Kong, approximately 5 were based in overseas and approximately 882 were based in Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Employees (continued)

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Founder of a discretionary trust	Total	
Lai Pei Wor	28,152,000	*97,242,000	125,394,000	46.96
Chan Yau Wah	20,000	–	20,000	0.00

* *Details of Mr. Lai Pei Wor's other interests are set out in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares" below.*

Save as disclosed above, as at 30 June 2021, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries, a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Pursuant to 2012 share option scheme, no share options were granted, outstanding, lapsed, cancelled or exercised during the period ended 30 June 2021.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Beneficiary of a trust	Total	
Celaya (PTC) Limited <i>(Note a)</i>	-	-	97,242,000	97,242,000	36.42
Trident Corporate Services (B.V.I.) Limited <i>(Note b)</i>	-	-	97,242,000	97,242,000	36.42
Lai Yiu Chun <i>(Note c)</i>	2,298,000	21,450,000	-	23,748,000	8.89
Lam Lin Chu <i>(Note c)</i>	22,434,000	1,314,000	-	23,748,000	8.89

Notes:

- (a) *Celaya (PTC) Limited holds 97,242,000 shares in its capacity as trustee of The Lai Family Unit Trust, of which all units are held by Trident Corporate Services (B.V.I.) Limited in its capacity as trustee of The Lai Family Trust, a discretionary trust of which the issue of Mr. Lai Pei Wor is discretionary objects.*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

- (b) *The shares referred to herein relate to the same parcel of shares referred to in note (a) above.*
- (c) *Ms. Lam Lin Chu is the wife of Mr. Lai Yiu Chun, who is a brother of Mr. Lai Pei Wor. Both Ms. Lam Lin Chu and Mr. Lai Yiu Chun are declaring interests in the same parcel of shares.*

Save as disclosed above, as at 30 June 2021, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 period.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, saved for the deviation discussed below, the Company has complied with all the code provisions of the Corporate Governance Code, as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report.

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of Appendix 10 of the Listing Rules. Based on specific enquiry of the Company's directors, all directors have complied with the required standard set out in the Model Code throughout the period.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee of the Company currently comprises three independent non-executive directors, namely, Mr. Kung Fan Cheong, Mr. Mak Kwai Wing and Mr. Li Yuen Kwan, Joseph. The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 June 2021.

PUBLICATION OF INTERIM REPORT

The Company's interim report containing all the relevant information required by the Listing Rules will be published in due course on the websites of the HKEX (www.hkexnews.hk) and of the Company (www.kpihl.com).

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

Hong Kong, 26 August 2021

As at the date of this report, 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).



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