

Interim 中期
Report 報告
2022



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 2022 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 2022

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$	HK\$
REVENUE	3	146,826,508	197,105,135
Cost of sales		(118,198,533)	(142,072,073)
Gross profit		28,627,975	55,033,062
Other income and gains	3	8,798,746	1,604,920
Realised (loss)/gain on financial asset at fair value through profit or loss		(2,096,017)	11,746,657
Fair value loss on financial asset at fair value through profit or loss		(3,567,587)	(6,053,820)
Selling and distribution costs		(10,140,288)	(13,091,896)
Administrative and other expenses		(11,968,309)	(14,708,230)
Finance costs	4	(234,280)	(184,575)
PROFIT BEFORE TAX	5	9,420,240	34,346,118
Income tax expense	6	(1,776,692)	(4,900,841)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		7,643,548	29,445,277
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted		HK2.86 cents	HK11.03 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 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$	HK\$
PROFIT FOR THE PERIOD	7,643,548	29,445,277
OTHER COMPREHENSIVE LOSS		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(8,571,161)	(137,204)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	(927,613)	29,308,073

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 (Unaudited) HK\$	31 December 2021 (Audited) HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		201,256,656	211,454,734
Financial assets at fair value through profit or loss	9	2,311,811	1,750,519
Total non-current assets		203,568,467	213,205,253
CURRENT ASSETS			
Financial asset at fair value through profit or loss	9	1,980,727	19,297,795
Inventories		104,419,679	87,316,908
Prepayments, deposits and other receivables		6,035,210	9,730,041
Trade receivables	10	65,577,397	107,113,976
Bank balances and cash	11	115,367,716	94,352,977
Tax recoverable		32,925	32,925
Total current assets		293,413,654	317,844,622
CURRENT LIABILITIES			
Trade payables	12	20,802,218	45,681,821
Accrued liabilities and other payables		37,445,498	42,069,606
Interest-bearing bank and other borrowings		14,899,300	18,792,000
Lease liabilities		245,231	124,128
Dividend payable		21,360,384	–
Tax payable		4,456,751	3,187,519
Total current liabilities		99,209,382	109,855,074
NET CURRENT ASSETS		194,204,272	207,989,548
TOTAL ASSETS LESS CURRENT LIABILITIES		397,772,739	421,194,801

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

As at 30 June 2022

	30 June 2022 (Unaudited) HK\$	31 December 2021 (Audited) HK\$
NON-CURRENT LIABILITIES		
Lease liabilities	565,935	–
Deferred tax liabilities	24,746,406	26,446,406
Total non-current liabilities	25,312,341	26,446,406
Net assets	372,460,398	394,748,395
EQUITY		
Share capital	26,700,480	26,700,480
Reserves	345,759,918	368,047,915
Total equity	372,460,398	394,748,395

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 2022	26,700,480	50,856,881	660,651	96,204,083	9,355,699	189,610,217	21,360,384	394,748,395
Profit for the period	-	-	-	-	-	7,643,548	-	7,643,548
Other comprehensive (loss)/income for the period: Exchange differences on translation of foreign operations	-	-	-	-	(8,571,161)	-	-	(8,571,161)
Total comprehensive (loss)/income for the period	-	-	-	-	(8,571,161)	7,643,548	-	(927,613)
Transactions with owners of the Company: 2021 final dividend approved	-	-	-	-	-	(21,360,384)	(21,360,384)	
2022 interim dividend declared	-	-	-	-	-	(5,340,096)	5,340,096	
2022 special dividend declared	-	-	-	-	-	(10,680,192)	10,680,192	
At 30 June 2022	26,700,480	50,856,881	660,651	96,204,083	784,538	181,233,477	16,020,288	372,460,398
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$	HK\$
NET CASH FLOWS FROM OPERATING ACTIVITIES		26,052,948	22,329,698
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(751,395)	(23,409,590)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(4,033,602)	6,691,134
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,267,951	5,611,242
Cash and cash equivalents at beginning of period		28,407,654	45,253,420
Effect of foreign exchange rate changes, net		59,643	(31,697)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11	49,735,248	50,832,965

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 (the “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 2021, 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 HKAS 16	<i>Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Cost of Fulfilling a Contract</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>
Annual Improvements to HKFRSs	<i>2018-2020 Cycle</i>

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 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.

2. OPERATING SEGMENT INFORMATION (CONTINUED)

For six months ended 30 June 2022	Precision parts and components (Unaudited) HK\$	Corporate and others (Unaudited) HK\$	Total (Unaudited) HK\$
Segment revenue:			
Sales to external customers	146,826,508	–	146,826,508
Reportable segment revenue and revenue	146,826,508	–	146,826,508
Segment results:			
	10,595,008	(1,504,995)	9,090,013
<i>Reconciliation:</i>			
Bank interest income			564,507
Finance costs			(234,280)
Profit before tax			9,420,240
Other segment information:			
Other income and gains, net of foreign exchange gain	3,092,610	193,794	3,286,404
Depreciation of property, plant and equipment (excluding right-of-use assets)	(4,384,107)	(487,578)	(4,871,685)
Depreciation of right-of-use assets	(313,216)	(1,606,696)	(1,919,912)
Foreign exchange gain/(loss), net	5,654,721	(142,379)	5,512,342
Capital expenditure	(742,835)	(8,560)	(751,395)
Fair value loss on financial asset at fair value through profit or loss	(3,567,587)	–	(3,567,587)
Realised loss on financial asset at fair value through profit or loss	(2,096,017)	–	(2,096,017)

2. OPERATING SEGMENT INFORMATION (CONTINUED)

For 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)

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	
	2022 (Unaudited) HK\$	2021 (Unaudited) HK\$
Customer A	33,843,464	84,370,016
Customer B	23,547,301	N/A*

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2022 (Unaudited) HK\$	2021 (Unaudited) HK\$
Hong Kong	4,093,205	4,316,528
Mainland China	14,479,993	15,150,359
Japan and other Asian countries	75,796,052	123,487,520
North America	21,196,491	17,020,457
South America	1,042,906	1,902,094
Europe	25,964,863	29,561,902
Other countries	4,252,998	5,666,275
Total revenue	146,826,508	197,105,135

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 2022 (Unaudited) HK\$	31 December 2021 (Audited) HK\$
Hong Kong	67,056,973	68,677,581
Mainland China	133,400,373	142,643,582
Other countries	799,310	133,571
	201,256,656	211,454,734

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.

3. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June 2022 (Unaudited) HK\$	2021 (Unaudited) HK\$
Revenue from contracts with customers within the scope of HKFRS 15:		
Sale of goods	146,826,508	197,105,135
Other income and gains:		
Bank interest income	564,507	742,823
Tooling charge income	94,793	55,881
Sale of scrap and material	1,505,615	179,690
Sale of sample	779,426	473,191
Foreign exchange gain, net	5,512,342	–
Gain on disposal of items of property, plant and equipment, net	–	77,955
Allowance received*	184,000	–
Others	158,063	75,380
	8,798,746	1,604,920
Total revenue, other income and gains	155,625,254	198,710,055

* During the six months ended 30 June 2022, the Group received an allowance of "Employment Support Scheme" of HK\$184,000 from the Hong Kong SAR Government to retain employment and combat COVID-19 epidemic, while no such allowance received for six months ended 30 June 2021,

4. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Interest on bank loans and overdrafts wholly repayable within five years	233,094	163,729
Interest on lease liabilities	1,186	20,846
	234,280	184,575

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Staff cost*	49,164,264	51,163,091
Depreciation of property, plant and equipment (excluding right-of-use assets)*	4,871,685	4,529,981
Depreciation of right-of-use assets*	1,919,912	1,974,269
Loss/(gain) on disposal of items of property, plant and equipment, net	19,386	(77,955)
Foreign exchange (gain)/loss, net	(5,512,342)	1,760,150
Sales commission	1,417,731	3,024,947

* The staff cost and depreciation amounting to HK\$39,650,202 and HK\$4,832,244 (six months ended 30 June 2021: HK\$39,441,841 and HK\$4,635,335) respectively for the period are included in "Cost of sales" in the condensed consolidated income statement.

6. INCOME TAX

	For the six months ended 30 June	
	2022 (Unaudited) HK\$	2021 (Unaudited) HK\$
Current – Hong Kong		
Charge for the period	3,260,000	4,600,000
Current – outside Hong Kong		
Charge for the period	216,692	300,841
Deferred taxation		
Origination and reversal of temporary difference	(1,700,000)	–
Tax expense for the period	1,776,692	4,900,841

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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	
	2022 (Unaudited) HK\$	2021 (Unaudited) HK\$
Attributable to the period:		
Interim dividend – HK2 cents (2021: HK4 cents) per ordinary share	5,340,096	10,680,192
Special dividend – HK4 cents (2021: Nil) per ordinary share	10,680,192	–
	16,020,288	10,680,192
Attributable to the previous year, approved during the period:		
Final dividend – HK8 cents (2021: HK7.5 cents) per ordinary share	21,360,384	20,025,360

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\$7,643,548 (six months ended 30 June 2021: HK\$29,445,277) and the weighted average number of 267,004,800 (six months ended 30 June 2021: 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 2022 and 2021.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 (Unaudited) HK\$	31 December 2021 (Audited) HK\$
Non-current assets		
Club membership	680,000	680,000
Forward currency contracts	1,631,811	1,070,519
	2,311,811	1,750,519
Current asset		
Forward currency contracts	1,980,727	19,297,795

Club membership

At 30 June 2022, 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 thirteen (at 31 December 2021: twenty-one) forward currency contracts at a total of US\$31,721,578 (at 31 December 2021: US\$52,511,764) for the exchange of United States Dollars ("US\$") with Renminbi ("RMB") with the forward rates ranged from RMB6.630 to RMB7.110 (at 31 December 2021: RMB6.575 to RMB7.238) per US\$1. The maturity dates of these forward currency contracts are during the period from 15 July 2022 to 16 May 2024 (at 31 December 2021: 17 January 2022 to 15 June 2023).

For six months ended 30 June 2022, the Group has realised loss of HK\$2,096,017 arising from six forward currency contracts of a total of US\$16,413,930 (six months ended 30 June 2021: realised gain of HK\$11,746,657 from six forward currency contracts of a total of US\$16,014,676) on the mature dates, and another six forward currency contracts of a total of US\$17,252,284 (six months ended 30 June 2021: Nil) before the mature dates, for the exchange of US\$ with RMB which depreciated (six months ended 30 June 2021: appreciated).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Forward currency contracts, at fair values (continued)

As at 30 June 2022, 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\$3,567,587 (six months ended 30 June 2021: HK\$6,053,820) was recognised in the consolidated income statement for the six months ended 30 June 2022.

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 2022, there is a significant concentration of credit risk as 40% (at 31 December 2021: 59%) 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 2022 (Unaudited) HK\$	31 December 2021 (Audited) HK\$
Within 90 days	48,969,626	102,194,936
91 to 180 days	15,638,418	4,890,406
Over 180 days	969,353	28,634
	65,577,397	107,113,976

11. BANK BALANCES AND CASH

	30 June 2022 (Unaudited) HK\$	31 December 2021 (Audited) HK\$
Time deposits with original maturity over three months	65,632,468	65,945,323
As stated in the consolidated statement of cash flows	49,735,248	28,407,654
	115,367,716	94,352,977

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 2022 (Unaudited) HK\$	31 December 2021 (Audited) HK\$
Within 90 days	20,783,516	45,644,564
91 to 180 days	234	22,285
Over 180 days	18,468	14,972
	20,802,218	45,681,821

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

The 2012 share option scheme was terminated on 22 May 2022. Pursuant to the 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 2022 and 2021.

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June 2022 (Unaudited) HK\$	2021 (Unaudited) HK\$
Short term employee benefits	3,752,854	3,610,914
Contributions to retirement benefit schemes	9,000	18,000
Total compensation paid to key management personnel	3,761,854	3,628,914

15. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 25 August 2022.

DIVIDENDS

In celebration of the Company's 25th anniversary as a listed company and in recognition of the continuous support of the shareholders, the directors recommend the payment of a special dividend of HK4 cents per ordinary share (six months ended 30 June 2021: Nil), together with an interim dividend of HK2 cents per ordinary share (six months ended 30 June 2021: HK4 cents) on Friday, 14 October 2022 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 22 September 2022.

CLOSURE OF REGISTERS

The Register of Members of the Company will be closed from Monday, 19 September 2022 to Thursday, 22 September 2022, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the above dividends, 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 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group's turnover for the period ended 30 June 2022 amounted to approximately HK\$146.8 million, representing a decrease of 25.5%, comparing with the same period last year. Overall gross profit was decreased by 48.0% to approximately HK\$28.6 million. Profit attributable to owners of the Company was approximately HK\$7.6 million (six months ended 30 June 2021: HK\$29.4 million).

Basic earnings for the period ended 30 June 2022 amounted to HK2.86 cents (six months ended 30 June 2021: HK11.03 cents) per share.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review and Future Plan

In the first half of 2022, the global economy witnessed the increasingly uncertainties, such as the Ukraine war, escalating energy prices, and microchips shortage. The war and energy prices hike induced the rising inflation globally, which weakened the consumer sentiment causing the slowdown of sales orders and delay in new product launch from the Group's major customers in the first half of 2022. In addition, due to the microchips shortage, several major customers requested to delay the delivery of sales orders from the second quarter to the second half of 2022. As a result, the Group's turnover had dropped as compared with same period of last year. Furthermore, the US dollar interest rate hike also elevated the volatility of RMB, which the RMB depreciation at this reporting period resulted in a realised loss (six months ended 30 June 2021: realised gain) of the forward currency contracts. Despite this, the Group recorded an exchange gain (six months ended 30 June 2021: exchange loss) arising from the manufacturing operations in Mainland China, which minimised the influence from the volatility of RMB to the Group's operating result. The mechanism of the foreign currency contracts had been discussed at previous interim and annual reports. Also, the operating result included an unrealised fair value loss from the forward currency contracts expiring at the second half of 2022 and year 2023 (which were entered to manage the influence of RMB volatility on manufacturing costs at the second half of 2022 and year 2023). The unrealised fair value loss is a non-cash accounting treatment and had no impact on the Group's cash flow in the first half of 2022.

For the precision parts and components segment, the turnover decreased by 25.5% to approximately HK\$146.8 million, comparing with the same period of 2021, while the segment profit decreased to approximately HK\$10.6 million (six months ended 30 June 2021: HK\$35.2 million). The decrease in segment profit was mainly attributable to the drop in sales orders from customers as discussed above.

The gross profit margin of the Group for six month ended 30 June 2022 decreased 8.4% to 19.5% as compared with the same period of 2021 with the reasons discussed above. The selling and distribution costs decreased by 22.5% to approximately HK\$10.1 million due to the drop in sales activities and the related freight cost. The administrative and other expenses decreased by 18.6% to approximately HK\$12.0 million, mainly attributable to the exchange loss in prior period which turned to exchange gain at this reporting period arising from RMB depreciation, and the finance costs maintained at approximately HK\$0.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review and Future Plan (continued)

Looking ahead, the global inflation pressure, economic downturn and microchips shortage will continue impacting the Group's business at the second half of 2022. Despite this, the Group had been refining for cost reduction and efficiency improvement, maintaining stability of production processes, enhancing co-operation with suppliers and subcontractors, and strengthening the manufacturing and management team. At the second quarter of 2022, major customers had approved several new product developments, which shall launch to the market at the forth quarter of this year. In addition, the Group will keep on utilizing forward currency contracts to manage the influence of RMB volatility on the Group's manufacturing cost. As such, the Group is confident to achieve high-quality development in terms of operating performance at the coming period. The Group's financial position remains healthy and is strong enough to finance our daily operation.

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\$15.0 million as at 30 June 2022.

The Group's financial position remains healthy. As at 30 June 2022, the aggregate balance of bank balances and cash of the Group amounted to approximately HK\$115.4 million.

The Group's borrowings are on a floating rate basis and are mainly denominated in HK\$ or US\$. 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 2022 was -5.7% (at 31 December 2021: 3.0%). The negative gearing ratio as at 30 June 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

As at 30 June 2022 and 31 December 2021, none of the Group's machines and equipment was pledged under lease.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Structure

As at 30 June 2022, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$372.5 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 2022.

Employees

As at 30 June 2022, the Group had a total workforce of approximately 895 of which approximately 31 were based in Hong Kong, approximately 5 were based in overseas and approximately 859 were based in Mainland China.

The Group remunerates its employees largely based on the prevailing industry practice and labour laws.

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 2022, 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	33,438,000	*97,242,000	130,680,000	48.94
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 2022, 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

The 2012 share option scheme was terminated on 22 May 2022. Pursuant to the 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 2022 and 2021.

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

As at 30 June 2022, 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				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Beneficiary of a trust			
Celaya (PTC) Limited (Note a)	-	-	97,242,000		97,242,000	36.42
Trident Corporate Services (B.V.I.) Limited (Note b)	-	-	97,242,000		97,242,000	36.42
Lai Yiu Chun (Note c)	2,298,000	21,450,000	-		23,748,000	8.89
Lam Lin Chu (Note c)	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.*
- (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 2022, 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 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.

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 2022.

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, 25 August 2022

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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