

Interim 中期
Report 報告
2023



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 2023 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 2023

		For the six months ended 30 June	
		2023 (Unaudited) HK\$	2022 (Unaudited) HK\$
	Notes		
REVENUE	3	95,261,132	146,826,508
Cost of sales		(85,884,344)	(118,198,533)
Gross profit		9,376,788	28,627,975
Other income and gains	3	2,159,587	8,798,746
Realised loss on financial (liabilities)/ assets at fair value through profit or loss, net		(784,933)	(2,096,017)
Fair value loss on financial (liabilities)/ assets at fair value through profit or loss, net		(17,013,574)	(3,567,587)
Selling and distribution costs		(8,532,458)	(10,140,288)
Administrative and other expenses		(11,587,115)	(11,968,309)
Finance costs	4	(233,306)	(234,280)
(LOSS)/PROFIT BEFORE TAX	5	(26,615,011)	9,420,240
Income tax credit/(expense)	6	2,471,158	(1,776,692)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(24,143,853)	7,643,548
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted		(HK9.04 cents)	HK2.86 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 2023

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$	HK\$
(LOSS)/PROFIT FOR THE PERIOD	(24,143,853)	7,643,548
OTHER COMPREHENSIVE LOSS		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(7,932,970)	(8,571,161)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	(32,076,823)	(927,613)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	30 June 2023 (Unaudited) HK\$	31 December 2022 (Audited) HK\$
	Notes	
NON-CURRENT ASSETS		
Property, plant and equipment	190,937,035	201,318,417
Financial assets at fair value through profit or loss	9 680,000	1,259,976
Deferred tax assets	3,198,974	698,974
Total non-current assets	194,816,009	203,277,367
CURRENT ASSETS		
Inventories	60,133,671	81,933,176
Prepayments, deposits and other receivables	3,303,675	3,337,242
Trade receivables	10 37,777,740	57,813,339
Bank balances and cash	11 113,371,353	90,535,145
Tax recoverable	12,194	12,194
Total current assets	214,598,633	233,631,096
CURRENT LIABILITIES		
Financial liabilities at fair value through profit or loss	9 19,279,118	4,820,747
Trade payables	12 5,961,773	15,346,781
Accrued liabilities and other payables	31,393,553	33,001,348
Interest-bearing bank and other borrowings	7,530,660	4,591,980
Lease liabilities	285,229	282,307
Dividend payable	16,020,288	–
Tax payable	148,375	1,824,861
Total current liabilities	80,618,996	59,868,024
NET CURRENT ASSETS	133,979,637	173,763,072
TOTAL ASSETS LESS CURRENT LIABILITIES	328,795,646	377,040,439

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

As at 30 June 2023

	30 June 2023 (Unaudited) HK\$	31 December 2022 (Audited) HK\$
NON-CURRENT LIABILITIES		
Lease liabilities	271,250	418,932
Deferred tax liabilities	26,369,668	26,369,668
Total non-current liabilities	26,640,918	26,788,600
Net assets	302,154,728	350,251,839
EQUITY		
Share capital	26,700,480	26,700,480
Reserves	275,454,248	323,551,359
Total equity	302,154,728	350,251,839

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 2023	26,700,480	50,856,881	660,651	104,306,101	(5,359,167)	157,066,605	16,020,288	350,251,839
Loss for the period	-	-	-	-	-	(24,143,853)	-	(24,143,853)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	(7,932,970)	-	-	(7,932,970)
Total comprehensive loss for the period	-	-	-	-	(7,932,970)	(24,143,853)	-	(32,076,823)
Transactions with owners of the Company:								
2022 final dividend approved	-	-	-	-	-	-	(16,020,288)	(16,020,288)
2023 interim dividend declared	-	-	-	-	-	(5,340,096)	5,340,096	-
At 30 June 2023	26,700,480	50,856,881	660,651	104,306,101	(13,292,137)	127,582,656	5,340,096	302,154,728
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$	HK\$
NET CASH FLOWS FROM OPERATING ACTIVITIES		20,733,745	26,052,948
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(20,932,125)	(751,395)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		2,797,778	(4,033,602)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,599,398	21,267,951
Cash and cash equivalents at beginning of period		45,318,524	28,407,654
Effect of foreign exchange rate changes, net		341,597	59,643
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11	48,259,519	49,735,248

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 2022, 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 1	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</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 2023	Precision parts and components (Unaudited) HK\$	Corporate and others (Unaudited) HK\$	Total (Unaudited) HK\$
Segment revenue:			
Sales to external customers	95,261,132	–	95,261,132
Reportable segment revenue and revenue	95,261,132	–	95,261,132
Segment results:	(25,336,115)	(1,899,871)	(27,235,986)
<i>Reconciliation:</i>			
Bank interest income			854,281
Finance costs			(233,306)
Loss before tax			(26,615,011)
Other segment information:			
Other income and gains, net of foreign exchange gain	813,484	4,329	817,813
Depreciation of property, plant and equipment (excluding right-of-use assets)	(4,059,428)	(495,420)	(4,554,848)
Depreciation of right-of-use assets	(242,795)	(1,804,597)	(2,047,392)
Foreign exchange gain/(loss), net	629,464	(141,971)	487,493
Capital expenditure	(1,026,082)	(10,830)	(1,036,912)
Fair value loss on financial (liabilities)/ assets at fair value through profit or loss, net	(17,013,574)	–	(17,013,574)
Realised loss on financial (liabilities)/ assets at fair value through profit or loss, net	(784,933)	–	(784,933)

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 (liabilities)/ assets at fair value through profit or loss, net	(3,567,587)	–	(3,567,587)
Realised loss on financial (liabilities)/ assets at fair value through profit or loss, net	(2,096,017)	–	(2,096,017)

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	
	2023 (Unaudited) HK\$	2022 (Unaudited) HK\$
Customer A	23,033,426	33,843,464
Customer B	11,968,110	23,547,301
	35,001,536	57,390,765

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2023 (Unaudited) HK\$	2022 (Unaudited) HK\$
Hong Kong	3,409,168	4,093,205
Mainland China	7,163,405	14,479,993
Japan and other Asian countries	50,720,938	75,796,052
North America	16,562,004	21,196,491
South America	1,065,925	1,042,906
Europe	12,563,068	25,964,863
Other countries	3,776,624	4,252,998
Total revenue	95,261,132	146,826,508

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 2023 (Unaudited) HK\$	31 December 2022 (Audited) HK\$
Hong Kong	67,938,891	69,713,550
Mainland China	122,464,462	130,922,582
Other countries	533,682	682,285
	190,937,035	201,318,417

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

3. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June 2023 (Unaudited) HK\$	2022 (Unaudited) HK\$
Revenue from contracts with customers within the scope of HKFRS 15:		
Sale of goods	95,261,132	146,826,508
Other income and gains:		
Bank interest income calculated using the effective interest method	854,281	564,507
Tooling charge income	24,477	94,793
Sale of scrap and material	–	1,505,615
Sale of sample	717,267	779,426
Foreign exchange gain, net	487,493	5,512,342
Allowance received*	–	184,000
Others	76,069	158,063
	2,159,587	8,798,746
Total revenue, other income and gains	97,420,719	155,625,254

* 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.

4. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Interest on bank loans and overdrafts wholly repayable within five years	220,852	233,094
Interest on lease liabilities	12,454	1,186
	233,306	234,280

5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Staff cost*	39,721,238	49,164,264
Depreciation of property, plant and equipment (excluding right-of-use assets)*	4,554,848	4,871,685
Depreciation of right-of-use assets*	2,047,392	1,919,912
Loss on disposal of items of property, plant and equipment, net	7,048	19,386
Foreign exchange gain, net	(487,493)	(5,512,342)
Sales commission	941,079	1,417,731

* The staff cost and depreciation amounting to HK\$30,507,301 and HK\$4,524,078 (six months ended 30 June 2022: HK\$39,650,202 and HK\$4,832,244) 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	
	2023 (Unaudited) HK\$	2022 (Unaudited) HK\$
Current – Hong Kong (Credit)/charge for the period	(30,000)	3,260,000
Current – outside Hong Kong Charge for the period	58,842	216,692
Deferred taxation Origination and reversal of temporary difference	(2,500,000)	(1,700,000)
Tax (credit)/expense for the period	(2,471,158)	1,776,692

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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	
	2023 (Unaudited) HK\$	2022 (Unaudited) HK\$
Attributable to the period:		
Interim dividend – HK2 cents (2022: HK2 cents) per ordinary share	5,340,096	5,340,096
Special dividend – Nil (2022: HK4 cents) per ordinary share	–	10,680,192
	5,340,096	16,020,288
Attributable to the previous year, approved during the period:		
Final dividend – HK6 cents (2022: HK8 cents) per ordinary share	16,020,288	21,360,384

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of HK\$24,143,853 (six months ended 30 June 2022: profit of HK\$7,643,548) and the weighted average number of 267,004,800 (six months ended 30 June 2022: 267,004,800) ordinary shares in issue during the period.

As there were no dilutive potential ordinary shares, diluted (loss)/earnings per share was the same as basic (loss)/earnings per share for the period ended 30 June 2023 and 2022.

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

	30 June 2023 (Unaudited) HK\$	31 December 2022 (Audited) HK\$
Non-current assets		
Club membership	680,000	680,000
Forward currency contracts	–	579,976
	680,000	1,259,976
Current liabilities		
Forward currency contracts	(19,279,118)	(4,820,747)

Club membership

At 30 June 2023 and 31 December 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 eighteen (at 31 December 2022: twenty) forward currency contracts at a total of US\$47,402,752 (at 31 December 2022: US\$52,218,292) for the exchange of United States Dollars (“US\$”) with Renminbi (“RMB”) with the forward rates ranged from RMB6.571 to RMB6.869 (at 31 December 2022: RMB6.666 to RMB6.869) per US\$1. The maturity dates of these forward currency contracts are during the period from 14 July 2023 to 16 December 2024 (at 31 December 2022: 17 April 2023 to 15 November 2024).

For six months ended 30 June 2023, the Group has realised loss of HK\$784,933 arising from three forward currency contracts of a total of US\$7,859,217 (six months ended 30 June 2022: realised loss of HK\$2,096,017 from six forward currency contracts of a total of US\$16,413,930 on the maturity dates, and six contracts of a total of US\$17,252,284 before the maturity dates), for the exchange of US\$ with RMB which depreciated.

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

Forward currency contracts, at fair values (continued)

The change in the fair value of these currency derivatives amounting to a loss of HK\$17,013,574 (six months ended 30 June 2022: HK\$3,567,587) was recognised in the consolidated income statement for the six months ended 30 June 2023.

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 2023, there is a significant concentration of credit risk as 36% (at 31 December 2022: 37%) 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 2023 (Unaudited) HK\$	31 December 2022 (Audited) HK\$
Within 90 days	34,810,135	52,308,836
91 to 180 days	2,911,662	4,259,119
Over 180 days	55,943	1,245,384
	37,777,740	57,813,339

11. BANK BALANCES AND CASH

	30 June 2023 (Unaudited) HK\$	31 December 2022 (Audited) HK\$
Time deposits with original maturity over three months	65,111,834	45,216,621
Cash and cash equivalents as stated in the consolidated statement of cash flows	48,259,519	45,318,524
	113,371,353	90,535,145

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 2023 (Unaudited) HK\$	31 December 2022 (Audited) HK\$
Within 90 days	5,948,522	14,591,168
91 to 180 days	5,544	–
Over 180 days	7,707	755,613
	5,961,773	15,346,781

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

13. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June 2023 (Unaudited) HK\$	2022 (Unaudited) HK\$
Short term employee benefits	3,719,852	3,752,854
Contributions to retirement benefit schemes	9,000	9,000
Total compensation paid to key management personnel	3,728,852	3,761,854

14. 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 2023.

DIVIDEND

The directors recommend the payment of an interim dividend of HK2 cents per ordinary share (six months ended 30 June 2022: HK2 cents, together with a special dividend of HK4 cents) on Friday, 13 October 2023, to the shareholders whose names appear on the Register of Members of the Company on Thursday, 21 September 2023.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from Monday, 18 September 2023 to Thursday, 21 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 September 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group's turnover for the period ended 30 June 2023 amounted to approximately HK\$95.3 million, representing a decrease of 35.1%, comparing with the same period last year. Overall gross profit was decreased by 67.2% to approximately HK\$9.4 million. Loss attributable to owners of the Company was approximately HK\$24.1 million (six months ended 30 June 2022: profit of HK\$7.6 million).

Basic loss for the period ended 30 June 2023 amounted to HK9.04 cents (six months ended 30 June 2022: basic earnings of HK2.86 cents) per share.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review and Future Plan

In the first half of 2023, the global economy continued to be impacted by the war in Ukraine and persistently high inflation, that affected the consumer sentiment particular at the European markets and the sales of the Group's customers. As a result, the Group's turnover had declined as compared with same period of last year. Furthermore, the USD interest rate hike and the slow recovery of China economy elevated the volatility of RMB, which the depreciation of RMB resulted in an unrealised fair value loss from the forward currency contracts expiring in the second half of 2023 and 2024. These contracts were entered into for the purpose of managing the impact of a natural currency mis-match arising from the Group's ordinary course of business (as the Group's revenue is mainly denominated in USD, while its cost of sales is mainly denominated in RMB). This 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 2023. The mechanism of these foreign currency contracts had been discussed at previous interim and annual reports.

For the precision parts and components segment, the turnover decreased by 35.1% to approximately HK\$95.3 million, comparing with the same period of 2022. If excluded the above-mentioned unrealised fair value loss approximately HK\$17.0 million (six months ended 30 June 2022: HK\$3.6 million) and a non-operating exchange loss approximately HK\$2.8 million (six months ended 30 June 2022: HK\$1.2 million) from certain RMB fixed deposits at banks, the segment loss was approximately HK\$5.5 million (six months ended 30 June 2022: profit of HK\$15.4 million). The segment loss was mainly attributable to the decline in sales orders from customers as discussed above.

The gross profit margin of the Group for six months ended 30 June 2023 decreased by 9.7 percentage points to 9.8% as compared with the same period of 2022, mainly due to the decline in turnover. The selling and distribution costs decreased by 15.9% to approximately HK\$8.5 million, while the administrative and other expenses decreased by 3.2% to approximately HK\$11.6 million. Despite the rise in market interest rate, the finance costs maintained at approximately HK\$0.2 million, due to the drop in financing activities at the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review and Future Plan (continued)

Looking ahead, the global economic outlook in the second half of 2023 is still uncertain. Inflation remains a risk confronting the consumer markets. Consumers stay caution for their spending, lead to the Group's customers are reluctant to place orders and launch their new products to the market. The Group had been enhancing the flexibility and efficiency in production, refining for cost reduction in production process, strengthening the marketing and production teams, and improving the relationship with customers, suppliers and subcontractors. The Group will also keep on utilizing forward currency contracts to manage the impact on the manufacturing cost from the volatility of RMB. With the strong balance sheet, we are confident that the Group will return to the growth momentum and profitability when the uncertainties are eased. The Group's financial position remains healthy and is strong enough to finance our daily operation and development, amid any economic uncertainty in the future.

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\$7.5 million as at 30 June 2023.

The Group's financial position remains healthy. As at 30 June 2023, the aggregate balance of bank balances and cash of the Group amounted to approximately HK\$113.4 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 2023 and 31 December 2022 were negative. The negative gearing ratio as at 30 June 2023 and 31 December 2022 represents the Group is "net cash" positive (i.e.: had more bank balances and cash than its debt).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Charge on the Group's Assets

As at 30 June 2023 and 31 December 2022, none of the Group's machines and equipment was pledged under lease.

Capital Structure

As at 30 June 2023, the Company had 267,004,800 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$302.2 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 2023.

Employees

As at 30 June 2023, the Group had a total workforce of approximately 792 of which approximately 31 were based in Hong Kong, approximately 5 were based in overseas and approximately 756 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. The share option scheme was terminated on 22 May 2022.

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 2023, 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	35,998,000	*97,242,000	133,240,000	49.90
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 2023, 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.

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

As at 30 June 2023, 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)	2,974,000	21,450,000	-		24,424,000	9.15
Lam Lin Chu (Note c)	22,434,000	1,990,000	-		24,424,000	9.15

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 2023, 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. Mak Kwai Wing, Mr. Li Yuen Kwan, Joseph and Ms. Pong Suet Hing. The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 June 2023.

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 2023

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



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