K & P INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 675)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of K & P International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 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 2006

		For the six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	***HK$***	*HK$*
REVENUE	2	**176,655,551**	172,059,775
Cost of sales		**(141,456,836)**	(134,095,629)
Gross profit		**35,198,715**	37,964,146
Other income and gains	3	**4,259,675**	2,990,745
Selling and distribution costs		**(19,298,247)**	(17,510,064)
Administrative expenses		**(17,924,377)**	(17,162,417)
Other expenses		**(720,612)**	(785,664)
Finance costs	4	**(3,389,348)**	(2,937,583)
Share of loss of an associate		**–**	(4,398,020)
LOSS BEFORE TAX	5	**(1,874,194)**	(1,838,857)
Tax	6	**(889,361)**	(1,068,000)
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		**(2,763,555)**	(2,906,857)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS	7		
Basic		**(1.04) cents**	(1.09) cents
Diluted		**N/A**	N/A
DIVIDEND PER SHARE	8	**Nil**	0.5 cent

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2006

	Notes	30 June 2006 (Unaudited) HK$	31 December 2005 (Audited) HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**69,254,946**	74,756,541
Prepaid land lease payments		**20,697,120**	20,935,727
Other intangible assets		**10,205,000**	9,312,500
Available-for-sale investments		**680,000**	680,000
Total non-current assets		**100,837,066**	105,684,768
CURRENT ASSETS			
Inventories		**60,345,409**	49,306,427
Prepayments, deposits and other receivables		**22,690,065**	17,141,423
Trade and bills receivables	*9*	**65,972,700**	87,166,280
Investment at fair value through profit or loss		**1,989,000**	1,989,000
Pledged time deposits		**5,382,142**	8,374,121
Cash and cash equivalents		**24,093,146**	39,699,878
Total current assets		**180,472,462**	203,677,129
CURRENT LIABILITIES			
Trade payables	*10*	**52,318,101**	51,873,868
Accrued liabilities and other payables		**27,378,596**	27,627,027
Interest-bearing bank and other borrowings		**60,416,622**	80,081,066
Tax payable		**2,331,278**	1,495,571
Dividend payable		**1,327,524**	–
Total current liabilities		**143,772,121**	161,077,532
NET CURRENT ASSETS		**36,700,341**	42,599,597
TOTAL ASSETS LESS CURRENT LIABILITIES		**137,537,407**	148,284,365
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,840,976**	7,439,537
Deferred tax liabilities		**3,611,481**	3,611,481
Total non-current liabilities		**5,452,457**	11,051,018
Net assets		**132,084,950**	137,233,347
EQUITY			
Issued capital		**26,550,480**	26,550,480
Reserves		**105,534,470**	109,355,343
Proposed final dividend		**–**	1,327,524
Total equity		**132,084,950**	137,233,347

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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 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 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK (IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above standards 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. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the precision parts and components segment comprises the manufacture and sale of precision parts and components including keypads, synthetic rubber and plastic components and parts, and liquid crystal displays ("LCDs");

(b) the consumer electronic products segment comprises the design, manufacture and sale of consumer electronic products including time, weather forecasting and other products; and

(c) the corporate and others segment comprises the Group's property holding activities, together with corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the cost of sales.

(a) Business segments

The following table presents revenue, loss and certain expenditure information for the Group's business segments for the six months ended 30 June 2006 and 2005.

	Precision parts and components		Consumer electronic products		Corporate and others		Eliminations		Consolidated	
	2006 (Unaudited) ***HK$***	2005 (Unaudited) *HK$*	**2006 (Unaudited)** ***HK$***	2005 (Unaudited) *HK$*	**2006 (Unaudited)** ***HK$***	2005 (Unaudited) *HK$*	**2006 (Unaudited)** ***HK$***	2005 (Unaudited) *HK$*	**2006 (Unaudited)** ***HK$***	2005 (Unaudited) *HK$*
Segment revenue:										
Sales to external customers	**99,329,036**	108,391,527	**77,326,515**	63,668,248	**–**	–	**–**	–	**176,655,551**	172,059,775
Intersegment sales	**2,534,764**	4,570,591	**–**	–	**–**	–	**(2,534,764)**	(4,570,591)	**–**	–
Other revenue and gains	**3,451,260**	2,791,036	**164,631**	89,247	**5,661**	1,878	**–**	–	**3,621,552**	2,882,161
Total	**105,315,060**	115,753,154	**77,491,146**	63,757,495	**5,661**	1,878	**(2,534,764)**	(4,570,591)	**180,277,103**	174,941,936
Segment results	**6,755,932**	9,323,579	**(5,623,711)**	(3,407,910)	**(255,190)**	(527,507)			**877,031**	5,388,162
Interest income									**638,123**	108,584
Finance costs									**(3,389,348)**	(2,937,583)
Share of loss of an associate	**–**	(4,398,020)	**–**	–	**–**	–	**–**	–	**–**	(4,398,020)
Loss before tax									**(1,874,194)**	(1,838,857)
Tax									**(889,361)**	(1,068,000)
Loss for the period									**(2,763,555)**	(2,906,857)
Other segment information:										
Depreciation and amortisation	**7,927,249**	8,753,742	**3,984,103**	3,381,724	**344,436**	266,087	**–**	–	**12,255,788**	12,401,553
Capital expenditure	**3,443,077**	11,330,798	**4,206,932**	5,753,400	**38,360**	79,546	**–**	–	**7,688,369**	17,163,744

(b) Geographical segments

The following table presents revenue and certain expenditure information for the Group's geographical segments for the six months ended 30 June 2006 and 2005.

	Segment revenue Sales to external customers		Other segment information Capital expenditure	
	2006 (Unaudited) ***HK$***	2005 (Unaudited) *HK$*	**2006 (Unaudited)** ***HK$***	2005 (Unaudited) *HK$*
Hong Kong	**53,690,989**	74,877,959	**2,800,082**	4,610,897
Mainland China	**13,738,793**	8,753,259	**4,852,112**	11,805,038
Total in the People's Republic of China ("PRC")	**67,429,782**	83,631,218	**7,652,194**	16,415,935
Japan	**18,421,717**	14,567,120	**–**	–
Other Asian countries*	**4,149,371**	8,851,508	**2,280**	267,459
Total in Asia	**90,000,870**	107,049,846	**7,654,474**	16,683,394
Germany	**26,918,066**	16,220,342	**–**	–
Other European countries**	**39,071,325**	34,039,754	**–**	–
Total in Europe	**65,989,391**	50,260,096	**–**	–
North America	**11,338,296**	7,636,908	**33,895**	480,350
Others***	**9,326,994**	7,112,925	**–**	–
Consolidated	**176,655,551**	172,059,775	**7,688,369**	17,163,744

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

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

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

3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Bank interest income	**638,123**	108,584
Tooling charge income	**882,973**	1,416,690
Sale of scrap	**614,501**	88,078
Sales commissions	**1,578,071**	776,528
Subcontracting fee income	**80,367**	254,800
Others	**465,640**	346,065
	4,259,675	2,990,745

4. FINANCE COSTS

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Interest expenses on bank loans and overdrafts wholly repayable within five years	**3,102,603**	2,244,927
Interest on finance leases	**286,745**	482,694
Interest on convertible loan notes	**–**	209,962
	3,389,348	2,937,583

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Depreciation	**11,048,288**	10,988,925
Amortisation of other intangible assets	**1,207,500**	1,207,500
Recognition of prepaid land lease payments	**238,607**	205,128
Foreign exchange differences, net	**1,091,626**	471,942

6. TAX

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Group:		
Current – Hong Kong		
Charge for the period	**889,361**	1,068,000

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

7. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK$2,763,555 (2005: HK$2,906,857), and on the weighted average of 265,504,800 (2005: 265,504,800) ordinary shares in issue during the period.

Diluted loss per share for the period has not been shown as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

Diluted loss per share for the period ended 30 June 2005 has not been shown as the share options and convertible loan notes outstanding during last period had an anti-dilutive effect on the basic loss per share for last period.

8. DIVIDEND

At a meeting of the board of directors held on 26 September 2006, the directors resolved not to pay an interim dividend to shareholders (2005: HK0.5 cent per share).

9. TRADE AND BILLS 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 minimize credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	30 June	31 December
	2006	2005
	(Unaudited)	(Audited)
	HK$	*HK$*
Within 90 days	**53,285,417**	77,627,793
Between 91 to 180 days	**9,814,925**	7,823,104
Over 180 days	**2,872,358**	1,715,383
	65,972,700	87,166,280

10. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2006 (Unaudited) *HK$*	31 December 2005 (Audited) *HK$*
Within 90 days	**46,736,498**	49,888,727
Between 91 to 180 days	**4,633,879**	1,947,621
Over 180 days	**947,724**	37,520
	52,318,101	51,873,868

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the period ended 30 June 2006, the Group's turnover reached HK$176.7 million, representing a 2.7% increase over the previous period. However, overall gross profit decreased from approximately HK$38.0 million in the previous period to approximately HK$35.2 million this period. Loss attributable to shareholders was approximately HK$2.8 million (2005: HK$2.9 million).

Basic loss per share for the period ended 30 June 2006 amounted to HK1.04 cents (2005: 1.09 cents) per share.

Business Review and Future Plan

Despite the electronics sector slowed down during the period under review, the sales turnover of the consumer electronic products segment of our Group increased by approximately 21.5% from approximately HK$63.7 million of last period to approximately HK$77.3 million this period. The improvement in sales turnover is mainly attributable to increase in sales to both new and established customers.

On the other hand, the sales turnover of the precision parts and components segment decreased by approximately 8.3% from approximately HK$108.4 million of last period to approximately HK$99.3 million this period. The drop in the sales turnover of this segment is partly caused by the slow down in the electronics sector.

In the period under review, we still faced with the challenges of escalated raw material costs, increased workers' wages in the PRC and appreciation of Reminbi. Because of the increases in raw material and production costs, the Group's overall gross profit margin reduced by approximately 10% as compared with prior period. As a result, the segmental results of each of the consumer electronic products and the precision parts and components are not satisfactory as compared with those of the previous period.

In order to improve the Group's performance, we have reviewed the customer portfolio and renegotiated products' price with customers. We have ended certain low end products and developed certain new products to improve gross profit margin. The new products would be launched into the market in the second half of this year. Accordingly, we expect the gross profit margin of the Group in the second half of this year would be better.

In June this year, the USA company (the "Complainant") that filed a patent infringement complaint against our Company and two of the Company's subsidiaries and then subsequently withdrew its complaint in 2005 has filed another patent infringement complaint with the United States District Court against the Company and two of the Company's subsidiaries on the ground as before. The Group has sought legal and licensed patent counsel's opinions on the patent infringement as claimed by the Complainant and been advised that the features of the Group's weather forecasting products do not infringe the patent rights held by the Complainant. We believe that the complaint would be settled within the next twelve months.

We have planned to construct a new manufacturing facility on the land in Zhongshan, the PRC that we acquired in 2002. The construction is expected to complete by middle of 2007. When the construction is completed, the new manufacturing facility would provide additional production capacity to the precision parts and components segment.

The ERP system that we acquired last year is being tested and will be implemented by the end of this year. Our resources planning, operational efficiency and cost controls are expected to be better and strengthened further with the implementation of the newly acquired system.

The Group's sales to both European and the North American markets in the current period are encouraging and increased by more than 33.5% as compared with prior period. We expect the sales to the above markets would continue in the rising trend and the operating results of the Group would return to profitability in the second half of this year.

Liquidity and Financial Resources

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

The total borrowings from banks and financial institutions include long term loans, finance leases, overdraft, import and export loans, amounted to approximately HK$62.3 million as at 30 June 2006, of which HK$60.4 million is repayable within one year.

The Group's financial position remains healthy. At the balance sheet date, the aggregate balance of cash, cash equivalents and pledged time deposits of the Group amounted to approximately HK$29.5 million.

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

The gearing ratio on the basis of total debts to total assets as at 30 June 2006 was 53.1% (31 December 2005: 55.6%).

Charge on the Group Assets
Certain bank borrowings are secured by fixed charges over the Group's buildings with aggregate net book value of HK$14.8 million and bank deposit amounting to approximately HK$5.4 million.

Contingent Liabilities
Except for corporate guarantee given to banks and other financial institutions in relation to facilities granted to the subsidiaries, the Company has no other contingent liabilities as at the balance sheet date.

Capital Structure
As at 30 June 2006, the Company had approximately 265.5 million shares in issue with total shareholders' fund of the Group amounting to approximately HK$132.1 million.

Pursuant to the share option scheme of the Company, the Board of Directors granted share options to certain senior executives and employees of the Group. The exercise in full of those share options granted but remaining not exercised would result in the issue of 2.5 million additional shares and proceeds of approximately HK$0.65 million.

Fund Raising
Other than obtaining additional general banking facilities to finance the Group's trading requirements, we did not have special fund raising exercise during the period ended 30 June 2006.

Employees
As at 30 June 2006, the Group had a total workforce of approximately 3,670 of which approximately 90 were based in Hong Kong, approximately 15 were based in overseas and approximately 3,565 were based in the PRC.

The Group remunerates its employees largely based on the prevailing industry practice and labor 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 operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its Hong Kong employees. For overseas and PRC employees, the Group is required to contribute a certain percentage of its payroll costs to the central pension scheme operated by the respective local government.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY
Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CODE ON CORPORATE GOVERNANCE PRACTICES
In the opinion of the directors, saved for the deviation discussed below, the Company has complied with the code provisions of the Code of Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 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 comprises three independent non-executive directors, namely, Mr. Kung Fan Cheong, Mr. Leung Man Kay and Mr. Li Yuen Kwan, Joseph. The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 June 2006.

By Order of the Board
Lai Pei Wor
Chairman

Hong Kong, 26 September 2006

As at the date of this announcement, the Board comprises Mr. Lai Pei Wor, Mr. Chan Yau Wah and Mr. Chung Yik Cheung, Raymond (being executive directors) and Mr. Kung Fan Cheong, Mr. Leung Man Kay and Mr. Li Yuen Kwan, Joseph (being independent non-executive directors).

"Please also refer to the published version of this announcement in The Standard."