KTP HOLDINGS LIMITED
港台集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 645)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2006

The board of directors (the "Board") of KTP Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2006 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2006

	Notes	2006 US$'000	2005 US$'000 (Restated)
Turnover	3	**102,245**	112,666
Cost of sales		**(94,366)**	(104,065)
Gross profit		**7,879**	8,601
Other revenues		**3,620**	1,607
Distribution costs		**(1,043)**	(1,312)
Administrative expenses		**(4,748)**	(4,669)
Decrease in fair value of investment properties		**(110)**	—
Reversal of impairment loss in respect of leasehold buildings		**—**	1,703
Finance cost	4	**(1)**	(1)
Profit before taxation	5	**5,597**	5,929
Taxation	6	**—**	—
Profit attributable to shareholders		**5,597**	5,929
Dividends	7	**1,747**	1,747
		US	*US*
Earnings per share			
— Basic	8	**1.6 cents**	1.7 cents

CONSOLIDATED BALANCE SHEET

As at 31st March 2006

	Notes	2006 US$'000	2005 US$'000 (Restated)
Non-current assets			
Investment properties		**4,826**	4,936
Property, plant and equipment		**7,687**	9,326
Prepaid lease payments		**1,219**	1,253
Available-for-sale investments		**—**	—
Investment securities		**—**	—
		13,732	15,515
Current assets			
Inventories		**14,480**	15,249
Trade and bills receivables	9	**13,175**	15,539
Deposits, prepayments and other receivables		**1,370**	1,254
Prepaid lease payments		**34**	34
Bank balances and cash		**20,494**	12,591
		49,553	44,667
Current liabilities			
Trade and bills payables	10	**9,900**	12,130
Accruals and other payables		**7,405**	5,913
Bank overdrafts, unsecured		**—**	9
		17,305	18,052
Net current assets		**32,248**	26,615
Total assets less current liabilities		**45,980**	42,130
Capital and reserves			
Share capital		**440**	440
Reserves		**44,230**	40,380
Proposed final dividend		**1,310**	1,310
Total equity		**45,980**	42,130

Notes:

1. Application of Hong Kong Financial Reporting Standards/Changes in accounting policies

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. These changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

(a) Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Equity securities previously accounted for under the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP24")

Prior to 1st April 2005, the Group has classified its investments securities in accordance with the benchmark treatment of SSAP 24. Under SSAP 24, investments in equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively.

Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition. At 1st April 2005, the Group has reclassified its investment securities which were fully impaired in previous years as available-for-sale investments. The adoption of the requirements of HKAS 39 in respect of equity investments has had no impact to the Group at 1st April 2005 nor has it has an impact on the current period.

Financial assets and financial liabilities other than debt and equity securities

From 1st January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant financial provision in HKAS 39. However, there has been no material effect on how the results for the current period are prepared and presented.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provision in HKAS 39. However, there has been no material effect on how the results for the current period are prepared and presented.

(b) Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively *(Note 2)*.

(c) Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and a revaluation surplus subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. As the Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st April 2005 onwards, this change in accounting policy does not have any impact on the Group's results for the prior years. The amount held in investment properties revaluation reserve at 1st April 2005 has been transferred to the Group's retained profits *(Note 2)*.

2. Summary of financial effects of the changes in accounting policies

The effects of changes in the accounting policies described in Note 1 above on the Group's results are as follows:

	2006	2005
	US$'000	*US$'000*
		(Restated)
Costs of good sold:		
Decrease in depreciation of property, plant & equipment	**(34)**	(32)
Increase in amortisation of prepaid lease payments	**34**	32
Net effect on profit for the year	**—**	—

The cumulative effects of the application of the new HKFRS on the Group's assets, liabilities and equity at 31st March 2005 and 1st April 2005 are summarised as follows:

	As at 31st March 2005 (As originally stated)	Retrospective Adjustments HKAS 1	Retrospective Adjustments HKAS 17	As at 31st March 2005/ 1st April 2005 (Restated)	Prospective Adjustment HKAS 40	As at 1st April 2005 (Restated)
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Investment properties	—	4,936	—	4,936	—	4,936
Property, plant & equipment	15,549	(4,936)	(1,287)	9,326	—	9,326
Prepaid lease payments	—	—	1,287	1,287	—	1,287
Total effects on assets	15,549	—	—	15,549	—	15,549
Investment properties revaluation	3,233	—	—	3,233	(3,233)	—
Retained profits	36,991	—	—	36,991	3,233	40,224
Total effects on equity	40,224	—	—	40,224	—	40,224

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective as at 31st March 2006. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on how the Group's results of operations and financial position are presented.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[5]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[5]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[5]
HKAS 39 (Amendment)	The Fair Value Option[5]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[5]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[5]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) — INT 4	Determining whether an Arrangement Contains a Lease[5]
HK(IFRIC) — INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[5]
HK(IFRIC) — INT 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment[6]
HK(IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) — INT 8	Scope of HKFRS2[3]
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives[2]

1 Effective for annual periods beginning on or after 1st January 2007.
2 Effective for annual periods beginning on or after 1st June 2006.
3 Effective for annual periods beginning on or after 1st May 2006.
4 Effective for annual periods beginning on or after 1st March 2006.
5 Effective for annual periods beginning on or after 1st January 2006.
6 Effective for annual periods beginning on or after 1st December 2005.

3. Segment information

An analysis of the Group's results by geographical segment based on the location of customers are as follows:

	2006		2005	
	Turnover	**Segment results**	Turnover	Segment results
	US$'000	***US$'000***	*US$'000*	*US$'000* (Restated)
North America	**62,669**	**3,842**	69,062	2,824
Europe	**13,033**	**799**	13,655	558
Asia (other than Mainland China)	**5,692**	**349**	10,030	410
Mainland China	**17,432**	**1,069**	16,059	657
Others	**3,419**	**210**	3,860	158
		6,269		4,607
Unallocated costs		**(561)**		(380)
Decrease in fair value of investment properties		**(110)**		—
Reversal of impairment loss in respect of leasehold buildings		**—**		1,703
Finance cost		**(1)**		(1)
Profit before taxation		**5,597**		5,929
Taxation		**—**		—
Profit attributable to shareholders		**5,597**		5,929
Total	**102,245**		112,666	

No analysis of segment information by business segment is presented as the Group has been engaged in the manufacturing and sale of footwear products only.

4. Finance cost

	2006	2005
	US$'000	*US$'000*
Interest on bank overdrafts	**1**	1

5. Profit before taxation

Profit before taxation has been arrived at after charging:

	2006	2005
	US$'000	*US$'000* (Restated)
Amortisation of prepaid lease payments	**34**	32
Auditors' remuneration	**85**	95
Depreciation of property, plant and equipment	**2,083**	2,330
Net exchange loss	**480**	134
Operating lease rentals for land and buildings	**584**	583
Staff costs (including directors' emoluments)	**18,794**	18,737
Cost of inventories recognised as an expense	**94,366**	104,065

6. Taxation

(a) Hong Kong profits tax is provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profit for the year (2005: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. No provision for overseas taxation has been made in the consolidated financial statements as the Group has no assessable overseas profit for the year.

(b) In February 2005 and March 2006, Hong Kong Inland Revenue Department ("IRD") issued additional profits tax assessments of approximately HK$5,431,000 (equivalent to approximately US$696,000) and HK$3,385,000 (equivalent to approximately US$434,000) relating to the years of assessment 1998/99 and 1999/2000, that is, for the financial years ended 31st March 1999 and 2000, respectively, against a wholly-owned subsidiary of the Company. The Group lodged objections with the IRD against the additional assessments. The IRD agreed to hold over the tax claimed completely subject to the subsidiary in question purchasing tax reserve certificates (the "TRCs") in the above amounts, representing an aggregate of HK$8,816,000 (equivalent to approximately US$1,130,000). These TRCs have been purchased by the Group.

In the opinion of the directors, the subsidiary in question did not carry on any business and derived no profit in or from Hong Kong and therefore, the IRD should conclude that no profits tax is in fact payable by the Group for these years of assessments and no provision for Hong Kong profits tax in respect of the additional assessments is considered necessary.

7. Dividends

	2006	2005
	US$'000	*US$'000*
Interim dividend, paid of HK$0.01 (2005: HK$0.01) per ordinary share	**437**	437
Final dividend, proposed of HK$0.03 (2005: HK$0.03) per ordinary share *(Note)*	**1,310**	1,310
	1,747	1,747

Note:

The proposed final dividend has been proposed by the directors of the Company and is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

8. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US$5,597,000 (2005: US$5,929,000) and the weighted average number of 340,616,934 (2005: 340,616,934) shares in issue during the year.

No fully diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 31st March 2006 and 2005.

9. Trade and bills receivables

The Group allows an average credit period of 30 to 60 days to its trade customers and the ageing analysis of trade and bills receivables (net of allowances for bad and doubtful debts) was as follows:

	2006	2005
	US$'000	*US$'000*
		(Restated)
Current to 30 days	**9,611**	10,163
31-60 days	**3,286**	4,858
61-90 days	**173**	448
Over 90 days	**105**	70
	13,175	15,539

The directors consider that the fair values of the Group's trade and bills receivables at 31st March 2006 approximate to their carrying amounts.

10. Trade and bills payables

At 31st March 2006, the ageing analysis of trade and bills payables was as follows:

	2006	2005
	US$'000	*US$'000*
		(Restated)
Current to 30 days	**5,536**	6,253
31-60 days	**2,785**	4,500
61-90 days	**579**	925
Over 90 days	**1,000**	452
	9,900	12,130

The directors consider that the fair values of the Group's trade and bills payables at 31st March 2006 approximate to their carrying amounts.

FINAL DIVIDEND

The directors have recommended a final dividend of HK$0.03 (2005: HK$0.03) per ordinary share to shareholders whose names appear on the register of members of the Company on 21st August 2006. The final dividend amounting to approximately HK$10,219,000, if approved by shareholders at the annual general meeting of the Company held on 21st August 2006, is expected to be paid on or around 8th September 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 15th August 2006 to Monday, 21st August 2006, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant shares certificates, must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later 4:00 p.m. on Monday, 14th August 2006.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at Block C, 1st Floor, Wong King Industrial Building, 2-4 Tai Yau Street, Sanpokong, Kowloon, Hong Kong on Monday, 21st August 2006 at 10:00 a.m. and the notice of AGM will be published and despatched to the shareholders on the manner as required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

- Turnover decreased by 9% to US$102 million from last year of US$113 million; and
- Profit attributable to shareholders declined slightly by 5.6% over the previous financial year to US$5.6 million.

Business Review

As mentioned in the Group's 2005 interim report, we anticipated a softening of order demand in the second half of financial year 2005/2006. Turnover decreased by 20% for the second half year as compared to the same period last year and resulted in an overall decrease in annual turnover by 9% to US$102 million from last year's US$113 million. Geographically, sales to North America still accounted for the largest portion i.e. 60% of the total sales, and as for the other markets, the sales remained comparatively steady.

Last year was a difficult year with rising production costs. The raising of minimum wage in Mainland China, higher material prices resulting from high oil prices throughout the financial year and the appreciation of Reminbi against US dollar were factors which magnified the cost pressures on the Group.

To strengthen our competitive edge, we continued to improve the Group's operating efficiency. The benefits gained from the implementation of lean operation system greatly improved the Group's production efficiency. It also rationalised the overall materials and components usage and enabled us to have better and effective expense control in the operating facilities. We did well in countering the negative effects of lower turnover and higher operating expenses and the Group's gross margin remained firm at 7.7%, approximately the same as reported for the previous financial year.

Other revenues doubled for the year ended 31st March 2006. This improvement was mainly due to the increase in subcontracting income of US$1 million and the gain on disposal of used moulds and tools of US$0.5 million recorded this year.

General and administrative expenses were US$4.7 million, almost the same as reported for the last financial year. However, a slight increase in general and administrative expenses as a percentage of sales was reported i.e. from 4.1% last year to current year's 4.6%. The increase was mainly due to the exchange loss of US$0.5 million recorded as a result of the appreciation of Reminbi against US dollars. Nevertheless, the Group's general and administrative expenses as a percentage of the sales kept below 5% in both financial years.

The Group continued to be essentially debt-free with minimal interest expense incurred for small balances of bills payables and bank overdrafts. Profit attributable shareholders decreased by 5.6% to US$5.6 million from last year's US$5.9 million. Excluding the impact of last year's reversal of impairment loss on leasehold buildings of US$1.7 million, the Group reported an increase of profit attributable to shareholders by US$1.4 million to US$5.6 million for the year ended 31st March 2006.

Dividends

An interim dividend of US$0.4 million (HK$0.01 per ordinary share) for the financial year ended 31st March 2006 was approved and paid during the year and the directors proposed a final dividend of HK$0.03 per ordinary share, totaling US$1.3 million, representing a total dividend of US$1.7 million or HK$0.04 per ordinary share for the financial year ended 31st March 2006. The dividend payout ratio for current year was approximately 31% of the profit attributable to shareholders.

Liquidity and Financial resources

As at 31st March 2006, the Group's financial resources and liquidity continued to be healthy. We have focused our management effort to reduce operating expenses and maximize cash flow. The Group's cash flow remained strong with a total of US$9 million net cash generated from operating activities in the year.

The reported cash and bank balances were US$20 million, as compared to US$13 million as at 31st March 2005. Included in the bank balances and cash of the Group were Renminbi deposits and cash of approximately US$5.4 million (31st March 2005: US$2.7 million) kept in Mainland China. Renminbi is not a freely convertible currency. The Group had no bank borrowings except for a small balance of bills payable of US$0.1 million (31st March 2005: US$0.1 million).

Trade receivables as at 31st March 2006 decreased by 15% over the last year's balance to US$13.1 million, which was in line with the decrease in sales for the second half of the financial year. The average turnover days for both years were around 50 days. The Group maintains tight control on its credit and collection policies and we have not experienced any significant bad debts in the past.

Inventories also decreased by 5% to US$14.5 million as compared to US$15.2 million reported last year while the average turnover days remained healthy at around 55 days for these two financial years.

The Group generally relies on its internally generated cash flow and the existing banking facilities to finance its day to day operations. There are no present plans for material capital expenditures and investments and we believe that the Group has adequate financial resources to meet its funding requirement for our future business development.

Prospect

In light of the rising pressure on production costs and it is likely that these trends will continue in the near future, we are cautiously optimistic about the financial results for the coming year.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March 2006, the Group had a total of 10,000 (2005: 11,000) full time employees (including contracted manufacturing workers) in Hong Kong, Korea and Mainland China. The Group's emolument policy is to pay wages and salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual and the Group's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include provident fund schemes, bonus on performance basis and in-house training programmes.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st March 2006, except for the following deviations:

Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lee Chi Keung, Russell is currently the chairman & chief executive officer of the Company. The Board is of the view that it is in the best interests of the Group to have an executive chairman who is most knowledgeable about of the Group's business and that vesting the roles of both chairman and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of business plans.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company's independent non-executive directors were not appointed for a specific term but is subject to retirement by rotation and reelection at the annual general meeting of the Company in accordance with the Company's bye-laws.

Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The chairman of the Board and/or the managing director of the Company were/was not, whilst holding such office, subject to retirement by rotation. The Company is going to propose a resolution amending the Company's Bye-laws in order to comply with this provision in the forthcoming annual general meeting of the Company.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31st March 2006.

PUBLICATION OF ANNUAL RESULTS ON WEBSITE

The financial information required to be disclosed under paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board
LEE Chi Keung, Russell
Chairman

Hong Kong, 14th July 2006

As at the date of this announcement, the Board comprises two executive directors , namely Mr. Lee Chi Keung, Russell (Chairman) and Ms. Yu Mee See, Maria and three independent non-executive directors, namely Mr. Ng Wai Hung, Mr. Lee Siu Leung and Mr. Yuen Sik Ming