



KTP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00645)

Interim Report
2006

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INTERIM RESULTS

The board of directors (the "Board") of KTP Holdings Limited (the "Company") is pleased to present the interim report and unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2006 together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2006

| | | Six months ended 30th September | |
|---|--------------|--|-----------------------|
| | | 2006 | 2005 |
| | <i>Notes</i> | Unaudited US\$'000 | Unaudited US\$'000 |
| Turnover | 3 | 56,082 | 56,009 |
| Cost of sales | | <u>(51,354)</u> | <u>(51,375)</u> |
| Gross profit | | 4,728 | 4,634 |
| Other revenues | 3 | 1,739 | 1,158 |
| Distribution costs | | (513) | (604) |
| Administrative expenses | | (2,545) | (2,223) |
| Fair value changes in financial instruments | | (20) | 68 |
| Finance cost | | <u>(1)</u> | <u>(1)</u> |
| Profit before taxation | 4 | 3,388 | 3,032 |
| Taxation | 5 | <u>—</u> | <u>—</u> |
| Profit attributable to shareholders | | <u>3,388</u> | <u>3,032</u> |
| Interim dividend | 6 | <u>437</u> | <u>437</u> |
| | | US cents | US cents |
| Basic earnings per share | 7 | <u>0.99</u> | <u>0.89</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2006

| | | 30th September | 31st March |
|---|--------------|-----------------------|-----------------|
| | | 2006 | 2006 |
| | | Unaudited | Audited |
| | <i>Notes</i> | US\$'000 | <i>US\$'000</i> |
| Non-current assets | | | |
| Investment properties | | 4,826 | 4,826 |
| Property, plant and equipment | 8 | 7,352 | 7,687 |
| Prepaid lease payments | | 1,201 | 1,219 |
| Held-to-maturity investments | | 501 | — |
| Available-for-sale investments | | 55 | — |
| | | <u>13,935</u> | <u>13,732</u> |
| Current assets | | | |
| Inventories | | 10,741 | 14,480 |
| Trade and bills receivables | 9 | 12,178 | 13,175 |
| Deposits, prepayments and other receivables | | 1,683 | 1,370 |
| Prepaid lease payments | | 34 | 34 |
| Structured bank deposits | | 1,000 | — |
| Bank balances and cash | | 25,582 | 20,494 |
| | | <u>51,218</u> | <u>49,553</u> |
| Current liabilities | | | |
| Trade and bills payables | 10 | 8,404 | 9,900 |
| Accruals and other payables | | 8,664 | 7,405 |
| | | <u>17,068</u> | <u>17,305</u> |
| Net current assets | | <u>34,150</u> | <u>32,248</u> |

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30th September 2006

| | | 30th September | 31st March |
|---------------------------------------|--------------|-----------------------|----------------------|
| | | 2006 | 2006 |
| | | Unaudited | Audited |
| | <i>Notes</i> | US\$'000 | <i>US\$'000</i> |
| Total assets less current liabilities | | 48,085 | 45,980 |
| Non-current liability | | | |
| Derivative financial instruments | | <u>27</u> | <u>—</u> |
| | | <u>48,058</u> | <u>45,980</u> |
| Capital and reserves | | | |
| Share capital | 11 | 440 | 440 |
| Reserves | | <u>47,618</u> | <u>45,540</u> |
| Total equity | | <u>48,058</u> | <u>45,980</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2006

| | Share Capital <i>US\$'000</i> | Contributed surplus <i>US\$'000</i> | Retained profits <i>US\$'000</i> | Total <i>US\$'000</i> |
|--|-------------------------------------|---|--|--------------------------|
| At 1st April 2006 | 440 | 1,466 | 44,074 | 45,980 |
| Profit for the period and total recognised income for the period | — | — | 3,388 | 3,388 |
| 2006 final dividend paid | — | — | (1,310) | (1,310) |
| At 30th September 2006 | <u>440</u> | <u>1,466</u> | <u>46,152</u> | <u>48,058</u> |

| | Share Capital <i>US\$'000</i> | Contributed surplus <i>US\$'000</i> | Retained profits <i>US\$'000</i> | Total <i>US\$'000</i> |
|--|-------------------------------------|---|--|--------------------------|
| At 1st April 2005, as restated | 440 | 1,466 | 40,224 | 42,130 |
| Profit for the period and total recognised income for the period | — | — | 3,032 | 3,032 |
| At 30th September 2005 | <u>440</u> | <u>1,466</u> | <u>43,256</u> | <u>45,162</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2006

| | Six months ended | |
|---|-------------------------|-----------|
| | 30th September | |
| | 2006 | 2005 |
| | Unaudited | Unaudited |
| | US\$'000 | US\$'000 |
| Net cash generated from operating activities | 8,146 | 10,783 |
| Net cash used in investing activities | (1,748) | (284) |
| Net cash used in financing activities | (1,310) | — |
| Increase in cash and cash equivalents | 5,088 | 10,499 |
| Cash and cash equivalents at 1st April | 20,494 | 12,582 |
| Cash and cash equivalents at 30th September | 25,582 | 23,081 |
| Analysis of balances of cash and cash equivalents | | |
| Bank balances and cash | 25,582 | 23,081 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The parent and ultimate holding company of the Company is Wonder Star Securities Limited, a company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30th September 2006 ("Interim Financial Statements") have been prepared in accordance with the applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

These Interim Financial Statements should be read in conjunction with the Group's annual financial statements for the year ended 31st March 2006.

The accounting policies used in the Interim Financial Statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31st March 2006 except for the adoption of new standards, amendments and interpretations which are effective for accounting periods beginning on or after 1st January 2006 as set out below:

| | |
|-----------------------------------|--|
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures |
| HKAS 21 (Amendment) | Net Investment in a Foreign Operation |
| HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intragroup Transactions |
| HKAS 39 (Amendment) | The Fair Value Option |
| HKAS 39 & HKFRS 4 (Amendments) | Financial Guarantee Contracts |
| HKFRS-Int4 | Determining whether an Arrangement Contains a Lease |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The adoption of the above did not have any material impact on the Interim Financial Statements.

Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the Group's business and are mandatory for the Group's accounting periods beginning on or after 1st January 2007 or later periods. The Group has not early adopted these new standards, amendments and interpretations for the six months period ended 30th September 2006.

3. TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture of athletic and sports leisure footwear products. Turnover represents gross invoiced sales of sports footwear net of returns and discounts. Revenues recognised during the period are as follows:

| | Six months ended | |
|--|-------------------------|-------------|
| | 30th September | |
| | 2006 | 2005 |
| | Unaudited | Unaudited |
| | US\$'000 | US\$'000 |
| Turnover | | |
| Sales of goods | 56,082 | 56,009 |
| | <hr/> | <hr/> |
| Other revenues | | |
| Interest income from unlisted debt securities | 9 | — |
| Bank interest income | 428 | 193 |
| Gross rental income from investment properties | 278 | 271 |
| Gross rental income from other properties | 4 | 7 |
| Net gain on disposal of property, plant and equipment | — | 3 |
| Gain on disposal of used property, plant and equipment | 5 | — |
| Subcontracting income | 498 | 244 |
| Others | 517 | 440 |
| | <hr/> | <hr/> |
| | 1,739 | 1,158 |
| | <hr/> | <hr/> |
| Total revenues | 57,821 | 57,167 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. TURNOVER, REVENUES AND SEGMENT INFORMATION (Continued)

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

| | Six months ended 30th September | | | |
|--|---------------------------------|--------------|---------------|-----------|
| | 2006 | | 2005 | |
| | Turnover | Segment | Turnover | Segment |
| | Unaudited | Results | Unaudited | results |
| | US\$'000 | Unaudited | US\$'000 | Unaudited |
| | | US\$'000 | US\$'000 | US\$'000 |
| North America | 35,319 | 2,262 | 35,729 | 2,034 |
| Europe | 7,823 | 501 | 7,414 | 422 |
| Asia (other than Mainland China) | 4,875 | 312 | 2,587 | 147 |
| Mainland China | 7,384 | 473 | 8,453 | 481 |
| Others | 681 | 44 | 1,826 | 105 |
| | | 3,592 | | 3,189 |
| Unallocated costs | | (183) | | (224) |
| Fair value changes in financial instruments | | (20) | | 68 |
| Finance cost | | (1) | | (1) |
| Profit before taxation | | 3,388 | | 3,032 |
| Taxation | | — | | — |
| Profit attributable to shareholders | | 3,388 | | 3,032 |
| Total | 56,082 | | 56,009 | |

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

| | Six months ended | |
|--|--------------------------|--------------------------|
| | 30th September | |
| | 2006 | 2005 |
| | Unaudited | Unaudited |
| | US\$'000 | US\$'000 |
| Amortisation of prepaid lease payments | 17 | 17 |
| Depreciation of property, plant and equipment | 963 | 1,077 |
| Net exchange loss | 157 | 194 |
| Operating lease rentals for land and buildings | 276 | 299 |
| Staff costs (including directors' emoluments) | 9,548 | 9,238 |
| | <u> </u> | <u> </u> |

5. TAXATION

No provision for Hong Kong profits tax and overseas taxation has been made in the Interim Financial Statements as the Group has no assessable profits for the period (2005: Nil).

There was no other material unprovided deferred taxation for the period (2005: Nil).

As disclosed in the Company's 2006 annual report, Hong Kong Inland Revenue Department ("IRD") had 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 Board, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INTERIM DIVIDEND

| Six months ended 30th September | |
|------------------------------------|-----------|
| 2006 | 2005 |
| Unaudited | Unaudited |
| US\$'000 | US\$'000 |

Interim, dividend proposed of HK\$0.01

(2005: HK\$0.01) per ordinary share (*Note*)

| | |
|------------|-----|
| 437 | 437 |
|------------|-----|

Note:

At the board meeting held on 22nd December 2006, the Board has resolved to declare the payment of an interim dividend of HK\$0.01 cent per ordinary share for the year ending 31st March 2007. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2007.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US\$3,388,000 (2005: US\$3,032,000) and the weighted average number of 340,616,934 (2005: 340,616,934) shares in issue during the period.

No fully diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 30th September 2006 and 2005.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to the Group's property, plant and equipment amounted to approximately US\$627,000 (2005: US\$290,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 provisions for bad and doubtful debts) was as follows:

| | 30th September 2006 Unaudited US\$'000 | 31st March 2006 Audited US\$'000 |
|--------------------|---|---|
| Current to 30 days | 7,355 | 9,611 |
| 31 — 60 days | 4,033 | 3,286 |
| 61 — 90 days | 673 | 173 |
| Over 90 days | 117 | 105 |
| | <u>12,178</u> | <u>13,175</u> |

The directors consider that the fair values of the Group's trade and bills receivables at 30th September 2006 approximate to their carrying amounts.

10. TRADE AND BILLS PAYABLES

At 30th September 2006, the ageing analysis of trade and bills payables was as follows:

| | 30th September 2006 Unaudited US\$'000 | 31st March 2006 Audited US\$'000 |
|--------------------|---|---|
| Current to 30 days | 4,009 | 5,536 |
| 31 — 60 days | 2,600 | 2,785 |
| 61 — 90 days | 813 | 579 |
| Over 90 days | 982 | 1,000 |
| | <u>8,404</u> | <u>9,900</u> |

The directors consider that the fair values of the Group's trade and bills payables at 30th September 2006 approximate to their carrying amounts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. SHARE CAPITAL

| | Par value of shares <i>HK\$</i> | Number of ordinary shares | Value <i>US\$'000</i> |
|---|---------------------------------------|------------------------------|--------------------------|
| Authorised: | | | |
| At 31st March 2006, 1st April 2006 and 30th September 2006 | 0.01 each | <u>36,000,000,000</u> | <u>46,452</u> |
| Issued and fully paid: | | | |
| At 31st March 2006, 1st April 2006 and 30th September 2006 | 0.01 each | <u>340,616,934</u> | <u>440</u> |

12. OPERATING LEASE COMMITMENTS

(a) The Group as a lessee

At 30th September 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | 30th September 2006 Unaudited <i>US\$'000</i> | 31st March 2006 Audited <i>US\$'000</i> |
|--|--|--|
| Not later than one year (<i>Note</i>) | 452 | 443 |
| Later than one year and not later than five years (<i>Note</i>) | 1,552 | 1,559 |
| Later than five years (<i>Note</i>) | 8,160 | 7,749 |
| | <u>10,164</u> | <u>9,751</u> |

Note:

Included in the balances were operating lease commitments in respect of rentals payable for the use of factory premises by the Group in Mainland China pursuant to a non-cancellable operating lease for a lease term of fifty years. These balances, which are stated at the present value of the future aggregate minimum lease payments at the applicable prevailing prime rate of 7.75% (31st March 2006: 8%), are as follows:

| | 30th September 2006 Unaudited <i>US\$'000</i> | 31st March 2006 Audited <i>US\$'000</i> |
|---|--|--|
| Not later than one year | 367 | 358 |
| Later than one year and not later than five years | 1,469 | 1,434 |
| Later than five years | 8,160 | 7,749 |
| | <u>9,996</u> | <u>9,541</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. OPERATING LEASE COMMITMENTS *(Continued)*

(b) The Group as a lessor

At 30th September 2006, the Group had future aggregate minimum rental receivables under non-cancellable operating leases in respect of land and buildings as follows:

| | 30th September | 31st March |
|---|-----------------------|--------------|
| | 2006 | 2006 |
| | Unaudited | Audited |
| | US\$'000 | US\$'000 |
| Not later than one year | 455 | 536 |
| Later than one year and not later than five years | 645 | 839 |
| | <u>1,100</u> | <u>1,375</u> |

13. RELATED PARTY TRANSACTIONS

Key management compensation:

| | Six months ended | |
|---|-------------------------|--------------|
| | 30th September | |
| | 2006 | 2005 |
| | Unaudited | Unaudited |
| | US\$'000 | US\$'000 |
| Salaries and other employees benefits | 2,274 | 2,672 |
| Contributions to retirement benefits scheme | 6 | 228 |
| | <u>2,280</u> | <u>2,900</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

Group sales for the six month ended 30th September 2006 remained essentially flat at US\$56 million as compared to the same period last year. Geographically, North America remained the Group's largest market, where over 60% of the Group's turnover was generated.

Despite the negative effects of the rise in labour costs and the appreciation of Renminbi, gross margin slightly increased from 8.3% to 8.4 % and profit attributable to shareholders increased from US\$3.0 million to US\$3.4 million, representing an increase of net profit margin from 5.4% to 6.0%. Thus, basic earnings per share increased to 0.99 US cents as compared to 0.89 US cents for the corresponding period last year. The Group counteracted the cost pressure through cost savings as a result of the economies of scale following the implementation of lean manufacturing strategies.

Other revenues increased from US\$1.2 million to US\$1.7 million. It was mainly due to the increase in interest income and subcontracting income. The distribution and administrative expenses remained low for both periods, although a modest increase from 5% to 5.5% as a percentage of sales was recorded for the period under review.

The trading position of the Group remains difficult for the coming half-year period. Continued increase in labor cost, soaring cost of raw materials, and the appreciation of Renminbi pose severe challenges to the Group's future development. Nonetheless, the Group will continue to strive for enhancing productivity and thus, improving profitability and returns to our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As always, the Group maintains a strong liquidity and financial position. The Group had cash and bank deposits of approximately US\$26.6 million (31st March 2006: US\$20.5 million) and essentially debt free with minimal interest expenses incurred for trade financing.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

The working capital position continued to be healthy with current ratio of 3.0 times (31st March 2006: 2.9 times) and the total liabilities to shareholders' fund ratio of 35.6% (31st March 2006: 37.6%) at the end of the half-year period under review. The average turnover days for stock and trade debtors improved to 52 days and 42 days respectively compared to 55 days and 50 days at 31st March 2006.

At the present time, funding requirements for future capital expenditures are expected to be met by internal cash flows.

RISK OF CURRENCY FLUCTUATIONS

The Group's sales and purchases traded mostly in US dollar. HK dollar is pegged to US dollar at a range between 7.75 to 7.85, the foreign exchange exposure between US dollar and HK dollar is therefore limited.

The Group is exposed to foreign exchange risk arising from various currency exposures mainly to the extent of its receivables and payables in currencies other than US dollar. In addition, certain bank balances and cash are denominated in Renminbi which were subject to foreign exchange control.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES CORPORATIONS

As at 30th September 2006, the interests and short positions of each of the directors in the shares, underlying shares and debentures of the Company and 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 under 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 contained in the Listing Rules were as follows:

Long position in shares of the Company

| Name of directors | Number of shares held/interested | Percentage of issued share capital |
|------------------------------------|-------------------------------------|--|
| Lee Chi Keung, Russell ("Mr. Lee") | 191,809,484 (Note) | 56.31% |
| Yu Mee See, Maria ("Ms. Yu") | 191,809,484 (Note) | 56.31% |

Note:

The corporate interests of 191,809,484 shares in the Company represent 81,205,184 shares held by Wonder Star Securities Limited ("Wonder Star") and 110,604,300 shares held by its wholly-owned subsidiary, Top Source Securities Limited. The entire issued share capital of Wonder Star is owned by Mr. Lee. In addition, Ms. Yu, the wife of Mr. Lee is deemed to be interested in these shares.

Save as disclosed above and in the section "Directors' rights to acquire shares" below, none of the directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations as at 30th September 2006.

DISCLOSURE OF INTERESTS

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Options Scheme

On 30th August 2002, the Company adopted a share option scheme (the "Scheme") whereby, the board of directors at their discretion, invite any eligible participants (including any employees, executive, non-executive and independent non-executive directors of the Group), who have contributed or will contribute to the development of the Group to take up options to subscribe for shares of the Company.

The Company operates the Scheme for the purpose of providing eligible participants with an opportunity to acquire proprietary interests in the Company, which the directors believe will help the building of common objective of the Group and the eligible participants for the betterment of business and profitability of the Group.

The maximum number of option shares can be granted under the Scheme shall not exceed 3,406,169, which is 10% of the total number of shares in issue on the date of the adoption. Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 14 days from the date on which the document containing the offer is delivered to that participant and the amount payable on acceptance of an option is HK\$1.00.

DISCLOSURE OF INTERESTS

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Share Options Scheme *(Continued)*

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the Board at the time the option is offered to the participants. No options may be granted under the Scheme after the date of the tenth anniversary of the adoption of the Scheme.

No share options have been granted under the Scheme since its adoption.

Save as disclosed above, at no time during the period was the Company or its subsidiary companies a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or chief executive, nor any of their respective spouses or children under the age of 18 had any rights to subscribe for the shares in the Company or had exercised any such rights during the period.

DISCLOSURE OF INTERESTS**SUBSTANTIAL SHAREHOLDERS**

As at 30th September 2006, the register of substantial shareholders maintained under 336 of the SFO showed that the Company had been notified of the following substantial shareholders' interests who are interested in 5% or more of the issued share capital of the Company. These interests have been disclosed above in respect of the directors.

Long position in shares of the Company

| Name | Number of ordinary shares held | Percentage of issued share capital |
|---|---|---|
| Wonder Star Securities Limited ("Wonder Star") | 191,809,484 | 56.31% (Note) |
| Top Source Securities Limited ("Top Source") | 110,604,300 | 32.47% |

Note:

The interests of Wonder Star include 81,205,184 shares held directly by Wonder Star and 110,604,300 shares held by Top Source, a wholly-owned subsidiary of Wonder Star.

OTHER INFORMATION

INTERIM DIVIDEND

At the board meeting held on 22nd December 2006, the Board has resolved to declare the payment of an interim dividend of HK\$0.01 per share for the year ending 31st March 2007. The interim dividend will be payable on Friday, 19th January 2007 to shareholders whose name appear on the register of members of the Company on Friday, 12th January 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 10th January 2007 to Friday, 12th January 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend which will be payable on Friday, 19th January 2007, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, Unit 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 9th January 2007.

EMPLOYEES AND REMUNERATION POLICY

As at 30th September 2006, the Group had a total of approximately 9,000 (2005:11,000) full time employees (include 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 an individual and the Group's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include provident fund schemes and bonus on performance basis.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

OTHER INFORMATION

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 six months ended 30th September 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 of the Company. The Board believes 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. The Board believes that the balance of power and authority is adequately ensured by the operating of the Board which comprises experienced and high caliber individuals with a substantial number thereof being non-executive directors of the Company.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its code of conduct regarding the directors’ securities transactions. Having made specific enquiry of all directors of the Company (the “Directors”), all Directors have confirmed their compliance with the required standard set out in Appendix 10 of the Listing Rules throughout the period.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee comprises all the three independent non-executive Directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Interim Financial Statements for the six months ended 30th September 2006.

APPRECIATION

The Board would like to take this opportunity to express our sincere thanks to our shareholders and all other associates for their supports and to our staff for their commitment and diligence during the period.

On behalf of the Board

Lee Chi Keung, Russell
Chairman

Hong Kong, 22nd December 2006

CORPORATE INFORMATION

KTP Holdings Limited

(Incorporated in Bermuda with limited liability)

DIRECTORS

LEE Chi Keung, Russell (*Chairman*)

YU Mee See, Maria

NG Wai Hung*

LEE Siu Leung*

Yuen Sik Ming*

* *Independent non-executive directors*

AUDIT COMMITTEE

Yuen Sik Ming (*Chairman*)

NG Wai Hung

LEE Siu Leung

COMPANY SECRETARY

YU Mee See, Maria

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda)
Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

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Wong King Industrial Building

2-4 Tai Yau Street

Sanpokong

Kowloon

Hong Kong

REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM 11

Bermuda

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISERS

Sidley Austin Brown & Wood

Conyers, Dill & Pearman

PRINCIPAL BANKER

Standard Chartered Bank