



KTP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 645

INTERIM REPORT

2010/2011

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CORPORATE INFORMATION

KTP Holdings Limited

(Incorporated in Bermuda with limited liability)

DIRECTORS

LEE Chi Keung, Russell (*Chairman*)

YU Mee See, Maria

NG Wai Hung¹

LEE Siu Leung¹

Yuen Sik Ming¹

¹ *Independent non-executive directors*

COMPANY SECRETARY

YU Mee See, Maria

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Block C, 1st Floor

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 ADVISER

Conyers, Dill & Pearman

PRINCIPAL BANKER

Standard Chartered Bank

UBS AG

COMPANY WEBSITES

www.ktpgroup.com

www.irasia.com/listco/hk/ktp/index.htm

STOCK CODE

645

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 results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2010

		Six months ended	
		30th September	
		2010	2009
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		Unaudited	Unaudited
Turnover	4	13,509	8,947
Cost of sales		<u>(12,563)</u>	<u>(8,129)</u>
Gross profit		946	818
Other income	5	1,321	675
Distribution costs		(124)	(112)
Administrative expenses		(949)	(1,219)
Other gains, net	6	<u>412</u>	<u>5</u>
Profit from operations		1,606	167
Gain on disposal of subsidiaries	15	<u>—</u>	<u>2,823</u>
Profit before tax	7	1,606	2,990
Income tax expense	8	<u>—</u>	<u>—</u>
Profit for the period attributable to owners of the Company		<u>1,606</u>	<u>2,990</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30th September 2010

	Notes	Six months ended	
		30th September	
		2010	2009
		US\$'000	US\$'000
		Unaudited	Unaudited
Other comprehensive			
(expenses) income			
Exchange difference arising on translation of foreign operation		—	(2)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets		(8)	—
Gain on fair value changes on available-for-sale financial assets		—	82
Other comprehensive (expense) income for the period		(8)	80
Total comprehensive income for the period attributable to owners of the Company		1,598	3,070
		<i>US cents</i>	<i>US cents</i>
Earnings per share			
— Basic and diluted	10	0.47	0.88

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2010

		30th September 2010	31st March 2010
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		Unaudited	Audited
Non-current assets			
Property, plant and equipment	11	659	766
Prepaid lease payments on land use rights		41	85
		700	851
Current assets			
Inventories		4,563	4,106
Trade receivables	12	3,560	1,935
Deposits, prepayments and other receivables		230	236
Prepaid lease payments on land use rights		85	85
Available-for-sale financial assets		—	452
Held for trading investments		—	5,273
Cash held at a non-bank financial institution		—	554
Bank balances and cash		31,442	24,594
		39,880	37,235

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30th September 2010

		30th September 2010 <i>US\$'000</i> Unaudited	31st March 2010 <i>US\$'000</i> Audited
Current liabilities			
Trade payables	13	1,567	852
Accruals and other payables		<u>1,495</u>	<u>1,314</u>
		<u>3,062</u>	<u>2,166</u>
Net current assets		<u>36,818</u>	<u>35,069</u>
Total assets less current liabilities		<u>37,518</u>	<u>35,920</u>
Capital and reserves			
Share capital	14	440	440
Reserves		<u>37,078</u>	<u>35,480</u>
Total equity		<u>37,518</u>	<u>35,920</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2010

	Share capital US\$'000 Unaudited	Contributed surplus US\$'000 Unaudited	Investments revaluation reserve US\$'000 Unaudited	Retained earnings US\$'000 Unaudited	Total equity US\$'000 Unaudited
At 1st April 2010	440	15,088	8	20,384	35,920
Total comprehensive income (expense) for the period	—	—	(8)	1,606	1,598
At 30th September 2010	440	15,088	—	21,990	37,518

For the six months ended 30th September 2009

	Share capital US\$'000 Unaudited	Contributed surplus US\$'000 Unaudited	Investments revaluation reserve US\$'000 Unaudited	Translation reserve US\$'000 Unaudited	Retained earnings US\$'000 Unaudited	Total equity US\$'000 Unaudited
At 1st April 2009	440	1,466	—	4	44,812	46,722
Total comprehensive income (expense) for the period	—	—	82	(2)	2,990	3,070
Special dividend paid and recognised as distribution (Note 9)	—	—	—	—	(13,101)	(13,101)
Release of contributed surplus upon disposal of subsidiaries	—	13,622	—	—	(13,622)	—
At 30th September 2009	440	15,088	82	2	21,079	36,691

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2010

	Six months ended	
	30th September	
	2010	2009
	US\$'000	US\$'000
	Unaudited	Unaudited
Net cash used in operating activities	(938)	(1,099)
Net cash from investing activities	7,786	3,749
Cash used in financing activity	—	(13,101)
Net increase (decrease) in cash and cash equivalents	6,848	(10,451)
Cash and cash equivalents at 1st April	24,594	39,074
Effect of foreign exchange rate changes	—	(2)
Cash and cash equivalents at 30th September, represented by bank balances and cash	31,442	28,621

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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the interim report. The parent and ultimate holding company is Wonder Star Securities Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sale of footwear products.

The unaudited condensed consolidated interim financial statements for the six months ended 30th September 2010 (“Interim Financial Statements”) are presented in United States Dollars, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Interim Financial Statements should be read in conjunction with the Company’s annual report for the year ended 31st March 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical costs basis, except for certain financial instruments, which are measured at fair values.

The accounting policies used in the Interim Financial Statements are consistent with those used in the preparation of the Company's annual report for the year ended 31st March 2010.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments) HKAS 27 (Revised)	Improvements to HKFRSs 2009 Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong (International Financial Reporting Interpretations Committee ("HK(IFRIC)")) — Interpretation ("Int") 17	Distributions of Non-cash Assets to Owners

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st April 2010.

As there was no transaction during the current period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the Interim Financial Statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the Interim Financial Statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ²
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ *Amendments that are effective for annual periods beginning on or after 1st July 2010 and 1st January 2011, as appropriate*

² *Effective for annual periods beginning on or after 1st July 2010*

³ *Effective for annual periods beginning on or after 1st January 2011*

⁴ *Effective for annual periods beginning on or after 1st July 2011*

⁵ *Effective for annual periods beginning on or after 1st January 2013*

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue arising on gross invoiced sales of sports footwear products, net of returns, discounts and sales related taxes.

For the purpose of resources allocation and performance assessment, the chief operating decision maker of the Group, being the Group's chief executive officer, regularly reviews the revenue and operating results analysis by geographical market based on destination of the goods shipped or delivered, irrespective of the origin of the goods.

(a) Segment revenues, results, assets and liabilities

The Group's revenues, results, assets and liabilities are primarily attributable to the sales of sports footwear products. The directors of the Company consider that there is only one operating and reportable segment for the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(b) Geographical information

The Group operates in two principal geographical areas — the PRC and Asia. The Group's revenues from external customers by geographical location are detailed as below:

	Six months ended	
	30th September	
	2010	2009
	<i>US\$'000</i>	<i>US\$'000</i>
	Unaudited	Unaudited
The PRC	12,718	8,614
Asia	791	333
	<u>13,509</u>	<u>8,947</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME

	Six months ended 30th September	
	2010 US\$'000 Unaudited	2009 US\$'000 Unaudited
Bank interest income	22	159
Interest income from unlisted debt securities	1	5
Gross rental income from investment properties	—	237
Gain on disposal of property, plant and equipment	1,088	34
Dividend income from listed securities	54	—
Net exchange gain	25	—
Others	131	240
	<u>1,321</u>	<u>675</u>

6. OTHER GAINS, NET

	Six months ended 30th September	
	2010 US\$'000 Unaudited	2009 US\$'000 Unaudited
Gain on disposal of held for trading investments	427	6
Loss on disposal of available-for-sale financial assets	(15)	—
Other	—	(1)
	<u>412</u>	<u>5</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended	
	30th September	
	2010	2009
	US\$'000	US\$'000
	Unaudited	Unaudited
Depreciation of property, plant and equipment	115	102
Amortisation of prepaid lease payments on land use rights	44	17
Cost of inventories recognised as expenses	12,563	8,129
Staff costs (including directors' emoluments)	3,208	2,380
Net exchange loss	—	109

8. INCOME TAX EXPENSE

No Hong Kong Profits Tax had been provided for the two periods ended 30th September 2010 and 2009 as the Group has no assessable profits arising in or deriving from Hong Kong.

Taxation arising in other jurisdictions is calculated as the rates prevailing in the relevant jurisdictions in which the Group operates. No taxation had been provided for both periods as the Group has no assessable profits arising in or deriving from the relevant jurisdictions.

There was no other material unprovided deferred tax for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DIVIDEND

		Six months ended	
		30th September	
		2010	2009
		US\$'000	US\$'000
		Unaudited	Unaudited

Dividend paid and recognised as distribution during the period:

Special dividend for the six months ended 30th September 2009 of

HK\$0.3 (2010: Nil) per ordinary share	—	13,101
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The directors do not recommend the payment of an interim dividend for the six months ended 30th September 2010 (2009: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the six months ended 30th September 2010 and 2009.

	Six months ended 30th September	
	2010 Unaudited	2009 Unaudited
Profit for the period attributable to owners of the Company (US\$)	1,606,000	2,990,000
Weighted average number of ordinary shares in issue	340,616,934	340,616,934
Basic earnings per share (US cents)	<u>0.47</u>	<u>0.88</u>

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two periods ended 30th September 2010 and 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$8,000 (2009: US\$80,000) on additions to property, plant and equipment for the six months ended 30th September 2010.

Included in the gain on disposal of property, plant and equipment of US\$1,088,000 for the six months ended 30th September 2010, a net gain of US\$1,084,000 was recognised on disposal of the Group's leasehold building in Hong Kong for a consideration of HK\$8,500,000 (equivalent to US\$1,090,000) during the period.

12. TRADE RECEIVABLES

The Group allows a credit period ranging from 30 days to 90 days to its trade customers. Ageing analysis of the Group's trade receivables net of impairment loss at the end of the reporting period presented based on the invoice date is as follows:

	30th September 2010 US\$'000 Unaudited	31st March 2010 US\$'000 Audited
Within 30 days	2,151	1,206
31-60 days	1,342	724
61-90 days	63	—
Over 90 days	4	5
	3,560	1,935

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE PAYABLES

Ageing analysis of trade payables at the end of the reporting period presented based on the invoice date is as follows:

	30th September 2010 US\$'000 Unaudited	31st March 2010 US\$'000 Audited
Within to 30 days	708	458
31-60 days	817	382
61-90 days	29	3
Over 90 days	13	9
	<u>1,567</u>	<u>852</u>

The credit period on purchases of goods ranges from 14 days to 90 days. The Group has financial risk management policies in the place to ensure that all payables are settled within the credit timeframe.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE CAPITAL

	Par value of shares <i>HK\$</i>	Number of ordinary shares	Value <i>US\$'000</i>
Authorised:			
At 31st March 2010, 1st April 2010 and 30th September 2010	0.01 each	<u>36,000,000,000</u>	<u>46,452</u>
Issued and fully paid:			
At 31st March 2010, 1st April 2010 and 30th September 2010	0.01 each	<u>340,616,934</u>	<u>440</u>

15. DISPOSAL OF SUBSIDIARIES

KTP (BVI) Company Limited and its subsidiaries ("KTP (BVI) Group")

On 22nd July 2009, the Company entered into a sale and purchase agreement with Peak Rise Holdings Limited ("Peak Rise") (a connected person to the Company) to dispose of its entire equity interests in KTP (BVI) Group, wholly-owned subsidiaries of the Company, and its shareholder's loan for a total consideration of US\$18,000,000. Details of the disposal of KTP (BVI) Group were set out in the Company's circular dated 13th August 2009. Upon completion of the disposal of KTP (BVI) Group on 30th September 2009, the Group ceased to hold any equity interests in the KTP (BVI) Group. The net assets of KTP (BVI) Group at the date of disposal were as follows:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. DISPOSAL OF SUBSIDIARIES *(Continued)*

	<i>US\$'000</i>
	Unaudited
Investment properties	2,692
Prepaid lease payments on land use rights	923
Deposits paid for acquisition of land use rights	252
Prepayment and deposits	617
Tax reserve certificates	2,479
Bank balances and cash	8,031
Trade payables	(193)
Accruals and other payables	(1,271)
Income tax liabilities	(3,009)
	<hr/>
Net assets disposed of	10,521
Costs directly attributable to disposal	85
Gain on disposal	2,823
	<hr/>
	13,429
	<hr/> <hr/>
Satisfied by:	
Cash consideration	18,000
Assignment of shareholder's loan	(4,571)
	<hr/>
	13,429
	<hr/> <hr/>
Net cash inflow arising from disposal:	
Cash consideration received (net of shareholder's loan)	13,429
Bank balances and cash disposed of	(8,031)
Costs directly attributable to disposal	(85)
	<hr/>
	5,313
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. COMMITMENTS

The Group had no commitment as at 30th September 2010 and 31st March 2010.

17. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30th September 2009, the Group had disposed of its entire equity interest in KTP (BVI) Group to Peak Rise, a wholly-owned company of Lee Chi Keung, Russell and in which Lee Chi Keung, Russell and Yu Mee See, Maria are the common directors, for a total consideration of US\$18,000,000. Details of the disposal are set out in note 15.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	30th September	
	2010	2009
	US\$'000	US\$'000
	Unaudited	Unaudited
Short-term benefits	397	200
Post-employments benefits	2	1
	<u>399</u>	<u>201</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Turnover increased by 52% to US\$13.5 million from US\$8.9 million for the corresponding period last year.
- Profit for the period attributable to owners of the Company decreased by 46% over the same period last year to US\$1.6 million.

BUSINESS REVIEW

For the six months ended 30th September 2010, the Group's turnover increased to US\$13.5 million from US\$8.9 million for the same period last year. Geographically, Asian countries were the largest market of the Group, which contributed 100% of the Group's turnover for the period under review.

In spite of the significant increase in turnover during the period, the Group's gross profit margin decreased to 7% as compared to 9% for the same period last year, resulting from surging raw material costs, rising labour costs and Renminbi appreciation. The reported gross profit during the period was US\$0.9 million, a slight increase of US\$0.1 million from US\$0.8 million for the last corresponding period.

Other income for the period increased to US\$1.3 million from US\$0.7 million for the corresponding period last year, due primarily to the gain on disposal of the Group's leasehold building in Hong Kong amounting to US\$1.1 million in the current period. No rental income was reported during the period (2009: US\$0.2 million) as the Group had disposed of its investment properties together with the disposal of subsidiaries, which was completed on 30th September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

General and administrative expenses decreased by 22% to US\$0.9 million and as a percentage of sales, decreased from 14% for the same period last year to 7% this period as last corresponding period included one-off government and other administrative expenses relating to the closure of factories as well as the negative effects of idle costs associated to the unused production plants.

The increase in other gains during the period was mainly attributable to the reported gain on disposal of held for trading investments amounting to US\$0.4 million during the period.

Despite the slight increase in the Group's gross profit of US\$0.1 million and the reported gains on the disposal of leasehold building and held for trading investments amounting to an aggregate of US\$1.5 million, profit for the period attributable to owners of the Company decreased significantly by 46% to US\$1.6 million as compared to US\$3.0 million for the same period last year. The decrease was mainly due to the absence of one-off gain from the disposal of subsidiaries amounting to US\$2.8 million which were recorded in the last corresponding period.

PROSPECT

In light of the rising pressure on production costs and it is likely that these trends will persist in the near future, we expect the Group's profitability in the second half of year 2010/2011 will continue to be under pressure.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group's liquidity and financial resources continued to be healthy and it is debt-free as at 30th September 2010. The reported bank balances and cash were US\$31.4 million, as compared to US\$24.6 million as at 31st March 2010. The increase in bank balances and cash was mainly due to the net cash inflow arising from the disposal of financial instruments and leasehold buildings in Hong Kong during the period.

The Group follows a policy of prudence in managing its working capital. The Group maintains tight control on its credit and collection policies and we have not experienced any significant bad debts in the past.

The increase in the last two months sales for the current period as compared to the last two months sales for the year ended 31st March 2010 brought an increase in trade receivables and payables to US\$3.6 million and US\$1.6 million respectively. The working capital position of the Group's remained strong with an average collection period of trade receivables of approximately 37 days (31st March 2010: 45 days) and 62 days (31st March 2010: 85 days).

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

At 30th September 2010, the Group did not have any material contingent liabilities and capital commitment.

EXPOSURE OF FOREIGN EXCHANGE

The Group mainly operates in the PRC. A significant portion of the Group's sales, purchases of raw materials and overhead expenses are denominated mostly in US dollar (i.e. functional currency of the Group), HK dollar and Renminbi. HK dollar is pegged to US dollar, the foreign exchange exposure between US dollar and HK dollar is therefore limited.

Renminbi experienced certain appreciation in recent years and further appreciation of US dollar against Renminbi will affect the Group's financial position and results of operation.

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 2010, the interests and short positions of each of the directors of 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 ordinary shares held	Percentage of issued share capital
LEE Chi Keung, Russell ("Mr. Lee")	203,581,484 (Note)	59.76%
YU Mee See, Maria ("Ms. Yu")	203,581,484 (Note)	59.76%

DISCLOSURE OF INTERESTS

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

Note:

The interests of 203,581,484 shares in the Company ("Shares") represent 92,977,184 Shares held by Wonder Star Securities Limited ("Wonder Star") and 110,604,300 Shares held by its wholly-owned subsidiary, Top Source Securities Limited ("Top Source"). 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 2010.

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.

DISCLOSURE OF INTERESTS

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Share Options Scheme *(Continued)*

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 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the Company had been notified of the following shareholders' interests who are interested in 5% or more of the issued share capital of the Company.

Long position in shares of the Company

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Wonder Star (Note)	92,977,184	110,604,300	203,581,484	59.76%
Top Source	110,604,300	—	110,604,300	32.47%
Webb David Michael	17,348,000	—	17,348,000	5.09%

Note:

The interests of Wonder Star include 92,977,184 Shares held directly by Wonder Star and 110,604,300 Shares held by Top Source, a wholly-owned subsidiary of Wonder Star.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September 2010 (2009: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30th September 2010, the Group had a total of approximately 1,350 (2009: 1,200) full time employees (include contracted manufacturing workers) in Hong Kong and the PRC. 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 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.

CORPORATE GOVERNANCE AND 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 as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th September 2010, 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 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 bye-laws.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

Code Provision A.4.2 stipulates that all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. The Company's Articles of Association deviate from Code Provision A.4.2 which provides that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, and he/she shall be eligible for re-election.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has established written guidelines regarding the required standards of dealing securities of the Company as reference to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. All the member of the Board confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30th September 2010.

CORPORATE GOVERNANCE AND 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 2010.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules throughout the six months ended 30th September 2010.

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, 24th November 2010