



# KTP HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*  
Stock Code : 645

INTERIM REPORT

2008 / 2009

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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 2008 together with the comparative figures for the corresponding period in 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th September 2008*

		<b>Six months ended 30th September</b>	
		<b>2008</b>	2007
		<b>Unaudited</b>	Unaudited
	<i>Notes</i>	<b>US\$'000</b>	US\$'000
Turnover	3	<b>40,426</b>	55,955
Cost of sales		<b>(37,522)</b>	(51,074)
Gross profit		<b>2,904</b>	4,881
Other income	3	<b>1,663</b>	1,352
Distribution costs		<b>(445)</b>	(637)
Administrative expenses		<b>(2,489)</b>	(2,217)
Other gains, net	4	<b>5,774</b>	93
Restructuring provision and assets impairment	5	<b>(2,921)</b>	—
Finance costs		<b>—</b>	—
Profit before taxation	6	<b>4,486</b>	3,472
Taxation	7	<b>—</b>	—
Profit attributable to shareholders		<b>4,486</b>	3,472
Interim dividend	8	<b>—</b>	—
		<i>US cents</i>	<i>US cents</i>
Earnings per share — Basic	9	<b>1.32</b>	1.02

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2008

		30th September 2008 Unaudited	31st March 2008 Audited
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	4,925	7,722
Investment properties		3,236	3,236
Prepaid lease payments on land use rights		1,134	1,151
Deposits for acquisition of land use rights		251	109
Held-to-maturity investments		444	444
Available-for-sale investments		70	247
		<u>10,060</u>	<u>12,909</u>
<b>Current assets</b>			
Inventories		9,765	14,401
Trade and bills receivables	<i>11</i>	8,540	11,382
Deposits, prepayments and other receivables		2,532	2,271
Prepaid lease payments on land use rights		34	34
Bank balances and cash		31,682	20,883
		<u>52,553</u>	<u>48,971</u>

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30th September 2008

		30th September 2008 Unaudited	31st March 2008 Audited
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Current liabilities</b>			
Trade and bills payables	12	5,579	7,486
Accruals and other payables		<u>6,077</u>	<u>7,819</u>
		----- 11,656	----- 15,305
<b>Net current assets</b>		<u>40,897</u>	<u>33,666</u>
<b>Total assets less current liabilities</b>		<u>50,957</u>	<u>46,575</u>
<b>Capital and reserves</b>			
Share capital	13	440	440
Reserves		<u>50,517</u>	<u>46,135</u>
<b>Total equity</b>		<u>50,957</u>	<u>46,575</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2008

	Share capital	Contributed surplus	Investment revaluation reserve	Translation reserve	Retained profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1st April 2008	440	1,466	108	11	44,550	46,575
Fair value change on available-for-sale investments recognised directly in equity	—	—	(36)	—	—	(36)
Release of reserve upon disposal of available-for-sale investments	—	—	(60)	—	—	(60)
Exchange difference arising on translation of financial statements of foreign companies of the Group	—	—	—	(8)	—	(8)
Profit for the period	—	—	—	—	4,486	4,486
Total recognised income for the period	—	—	(96)	(8)	4,486	4,382
At 30th September 2008	<u>440</u>	<u>1,466</u>	<u>12</u>	<u>3</u>	<u>49,036</u>	<u>50,957</u>

	Share capital	Contributed surplus	Investment revaluation reserve	Translation reserve	Retained profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1st April 2007	440	1,466	62	—	49,930	51,898
Fair value change on available-for-sale investments recognised directly in equity	—	—	67	—	—	67
Profit for the period	—	—	—	—	3,472	3,472
Total recognised income for the period	—	—	67	—	3,472	3,539
2007 final dividend paid	—	—	—	—	(1,310)	(1,310)
At 30th September 2007	<u>440</u>	<u>1,466</u>	<u>129</u>	<u>—</u>	<u>52,092</u>	<u>54,127</u>

## CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2008

	Six months ended	
	30th September	
	2008	2007
	Unaudited	Unaudited
	US\$'000	US\$'000
Net cash generated from operating activities	10,599	4,567
Net cash generated from investing activities	208	290
Net cash used in financing activities	—	(1,310)
Net increase in cash and cash equivalents	10,807	3,547
Cash and cash equivalents at 1st April	20,883	22,343
Effect of foreign exchange rate changes	(8)	—
Cash and cash equivalents at 30th September, represented by bank balances and cash	<u>31,682</u>	<u>25,890</u>

## 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 Company and its subsidiaries are principally engaged in the manufacturing and sale of footwear products.

The unaudited condensed consolidated financial statements are presented in United States Dollars, which is the same as the functional currency of the Company. The unaudited condensed consolidated financial statements for the six months ended 30th September 2008 have been approved for issue by the Board on 22nd December 2008.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30th September 2008 (“Interim Financial Statements”) have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and interpretations and the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Interim Financial Statements have been prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair values as appropriate.

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 2008. These Interim Financial Statements should be read in conjunction with the Group’s annual financial statements for the year ended 31st March 2008.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

In the current period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1st April 2008.

HK (IFRIC) — Int 12	Service Concession Arrangements
HK (IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets <sup>4</sup>
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — Int 13	Customers Loyalty Programmes <sup>4</sup>
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation <sup>3</sup>
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st October 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st July 2008

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale 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	
	2008 Unaudited <i>US\$'000</i>	2007 Unaudited <i>US\$'000</i>
<b>Turnover</b>		
Sales of goods	40,426	55,955
<b>Other income</b>		
Bank interest income	309	444
Interest income from unlisted debt securities	9	9
Gross rental income from investment properties	226	205
Gain on disposal of used property, plant and equipment	28	8
Dividend income from listed securities	4	—
Subcontracting income	—	20
Net exchange gain	142	—
Others	945	666
	<u>1,663</u>	<u>1,352</u>
<b>Total revenues</b>	<u><u>42,089</u></u>	<u><u>57,307</u></u>

## 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			
	2008		2007	
	Turnover	Segment results	Turnover	Segment results
	Unaudited	Unaudited	Unaudited	Unaudited
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
North America	22,066	1,041	34,603	2,228
Europe	3,690	174	7,719	497
Asia (other than Mainland China)	1,382	65	2,967	191
Mainland China	12,542	592	9,812	632
Others	746	35	854	55
		1,907		3,603
Unallocated costs		(274)		(224)
Other gains, net		5,774		93
Restructuring provision and assets impairment		(2,921)		—
Profit before taxation		4,486		3,472
Taxation		—		—
Profit attributable to shareholders		4,486		3,472
Total	40,426		55,955	

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. OTHER GAINS, NET

	Six months ended 30th September	
	2008	2007
	Unaudited	Unaudited
	<i>US\$'000</i>	<i>US\$'000</i>
Compensation income ( <i>note</i> )	5,714	—
Fair value change on derivative financial instruments	—	(27)
Gain on disposal of available-for-sale investments	<u>60</u>	<u>120</u>
	<u><u>5,774</u></u>	<u><u>93</u></u>

*Note:*

As disclosed in the Company's 2008 annual report, Kong Tai Shoes Manufacturing Company Limited ("KTS"), a wholly-owned subsidiary of the Company entered into compensation agreements with both 深圳市華特實業有限公司 and 深圳市龍崗區龍崗鎮南聯村瑞合經濟合作社 (collectively known as the "Landlords") on 14th April 2008, in respect of the early termination of the lease agreements (the "Leases") by the Landlords for the use of factory premises by KTS located at Longgang, Shenzhen, Mainland China.

KTS was entitled to a lump sum compensation of RMB40,000,000, equivalent to US\$5,714,000 for the early termination of Leases and the closure of factory, of which RMB38,000,000, equivalent to US\$5,429,000 had been received by KTS up to the date of this report. In consideration of the receipt of the above lump sum, KTS undertook not to make further claim or demand against the Landlords and to hand back in an orderly manner the said factory not later than May 2008. The said factory was closed and returned to the Landlords and the Leases were terminated on 31st May 2008.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. RESTRUCTURING PROVISION AND ASSETS IMPAIRMENT

The Group continued the restructuring plan during the period as disclosed in the Company's 2008 annual report.

In light of the continued impact of higher RMB and rising labour costs as well as the low utilisation of the Group's manufacturing capacity, the Board approved a facility rationalisation program during the period to further consolidate the Group's production for greater efficiency and lower costs. The consolidation will be undertaken on a staged basis until the end of 2009 which expects to incur write-downs on redundant property, plant and equipment and employees redundancy expenses.

### 6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30th September	
	2008	2007
	Unaudited	Unaudited
	US\$'000	US\$'000
Amortisation of prepaid lease payments on land use rights	17	17
Depreciation of property, plant and equipment	695	867
Cost of inventories recognised as expenses	37,522	51,074
Operating lease rentals in respect of land and buildings	117	278
Staff costs (including directors' emoluments)	8,821	10,988
Net exchange loss	—	51

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. TAXATION

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Group has no assessable profits for both periods. No provision for Mainland China Enterprise Income Tax as there is no assessable profits for both periods for the subsidiaries operated in Mainland China.

No provision for overseas taxation has been made in the Interim Financial Statements as the Group has no assessable profits for both periods.

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

From February 2005 to April 2008, Hong Kong Inland Revenue Department (“IRD”) had issued additional profits tax assessments, in aggregate, of approximately HK\$15,603,000 (equivalent to approximately US\$2,000,000) relating to the years of assessment 1998/99, 1999/2000, 2000/2001 and 2001/2002, that is, for the financial years ended 31st March 1999, 2000, 2001 and 2002, respectively, against a wholly-owned subsidiary of the Company and in addition, on 18th February 2008, a tax audit was commenced by the IRD on the said subsidiary in respect of the year of assessment 2006/2007.

The Group had lodged objections with the IRD against these additional assessments and tax reserve certificates in the above amounts had been purchased by the Group pending the outcome of the tax audit and the objections.

The Board is of the opinion that the payment of additional taxes is not probable and therefore, no provision for any liability from these assessments that may result has been made.

### 8. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September 2008 (2007: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US\$4,486,000 (2007: US\$3,472,000) and the weighted average number of 340,616,934 (2007: 340,616,934) ordinary shares in issue during the period.

No fully diluted earnings per share has been presented as the Company has no potential dilutive ordinary shares during the six months period ended 30th September 2008 and 2007.

### 10. PROPERTY, PLANT AND EQUIPMENT

Additions to the Group's property, plant and equipment amounted to approximately US\$109,000 (2007: US\$1,283,000) and impairment losses amounting to US\$2,190,000 have been recognised during the period.

### 11. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. An ageing analysis of trade and bills receivables is as follows:

	<b>30th September</b>	31st March
	<b>2008</b>	2008
	<b>Unaudited</b>	Audited
	<b>US\$'000</b>	US\$'000
Current to 30 days	<b>4,680</b>	4,673
31-60 days	<b>2,456</b>	5,571
61-90 days	<b>740</b>	702
Over 90 days	<b>664</b>	436
	<b>8,540</b>	11,382

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. TRADE AND BILLS PAYABLES

At 30th September 2008, an ageing analysis of trade and bills payables is as follows:

	<b>30th September</b>	31st March
	<b>2008</b>	2008
	<b>Unaudited</b>	Audited
	<i>US\$'000</i>	<i>US\$'000</i>
Current to 30 days	2,547	3,996
31-60 days	1,777	2,030
61-90 days	564	607
Over 90 days	691	853
	<u>5,579</u>	<u>7,486</u>

### 13. SHARE CAPITAL

	<b>Par value</b>	<b>Number of</b>	<b>Value</b>
	<b>of shares</b>	<b>ordinary shares</b>	<b>Value</b>
	<i>HK\$</i>		<i>US\$'000</i>
Authorised:			
At 31st March 2008, 1st April 2008 and 30th September 2008			
	0.01 each	<u>36,000,000,000</u>	<u>46,452</u>
Issued and fully paid:			
At 31st March 2008, 1st April 2008 and 30th September 2008			
	0.01 each	<u>340,616,934</u>	<u>440</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. OPERATING LEASE COMMITMENT

#### The Group as a lessor

At 30th September 2008, the Group had commitment for future aggregate minimum lease receipts under a non-cancellable operating lease in respect of land and buildings which fall due as follows:

	30th September 2008 Unaudited <i>US\$'000</i>	31st March 2008 Audited <i>US\$'000</i>
Not later than one year	305	445
Later than one year and not later than five years	<u>—</u>	<u>74</u>
	<u><b>305</b></u>	<u><b>519</b></u>

### 15. CAPITAL COMMITMENTS

#### (a) Capital commitment contracted but not provided for in respect of:

	30th September 2008 Unaudited <i>US\$'000</i>	31st March 2008 Audited <i>US\$'000</i>
Acquisition of land use rights	<u><b>952</b></u>	<u><b>1,070</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. CAPITAL COMMITMENTS *(Continued)*

- (b) Commitment in respect of capital contributions in a wholly-owned foreign enterprise in Mainland China in respect of:

	30th September 2008 Unaudited <i>US\$'000</i>	31st March 2008 Audited <i>US\$'000</i>
Huizhou Zhongguan <i>(Note)</i>	<u>7,900</u>	<u>7,900</u>

*Note:*

Huizhou Zhongguan is a wholly-owned foreign enterprise established in Huizhou, Mainland China on 2nd August 2007 and its registered capital is US\$10,000,000, of which US\$2,100,000 was paid as at 30th September 2008. Huizhou Zhongguan was still at a pre-operating stage as at 30th September 2008.

### 16. RELATED PARTY TRANSACTIONS

#### Key management compensation

	Six months ended 30th September	
	2008 Unaudited <i>US\$'000</i>	2007 Unaudited <i>US\$'000</i>
Salaries and allowances	155	314
Contribution to retirement benefits scheme	<u>1</u>	<u>1</u>
	<u>156</u>	<u>315</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECT

Turnover for the six months ended 30th September 2008 decreased by 27.8% to US\$40.4 million. Profit attributable to shareholders amounted to US\$4.5 million, as compared to US\$3.5 million reported in 2007. This profit figure is after taking into account of the following:

1. Compensation income of RMB40 million, equivalent to US\$5.7 million as compensation to the early termination of leases and closure of the Group's factory located in Longgang, Shenzhen, Mainland China ("Longgang Factory") by the landlords as mentioned in the Company's 2008 annual report ; and
2. Restructuring charges of US\$2.9 million relating to the Group's decision to further consolidate the Group's operation.

Excluding these effects, profit attributable to shareholders declined to US\$1.7 million for the six months ended 30th September 2008.

The Group's manufacturing operation experienced difficult business conditions during the period. Our major customer has been seriously affected by the slowdown of global economy. Geographically, orders from the major markets, USA and Europe, declined significantly by 36% and 52% respectively as compared to the same period last year. On the cost side, the increased cost of manufacturing in China due to higher direct labour costs and the appreciation of the Renminbi, combined with the effect of business interruption caused by the closure of Longgang Factory during the period put mounting pressure on the Group's profitability. As a consequence, the Group's gross margin decreased from 8.7% to 7.2% for the current period.

Other income increased US\$0.3 million or 23% to US\$1.7 million, due primarily to the increase in the exchange gain arising from the appreciation of Renminbi during the first half of year 2008/2009 and the disposal of scrap materials following the closure of Longgang Factory.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECT *(Continued)*

General and administrative expenses as a percentage of sales, increased by 2.2% to 6.2% over the same period last year mainly due to the one-off PRC government charges for the cessation of business operation of Longgang Factory.

It is going to be a tough year for sports footwear industry, dampened by a sluggish global economy and severe price competition. We are expecting a further decline in revenues for the second half of year 2008/09 and we are responding to the sharpest contraction of demand by tightening cost controls, rationalising operations and raising productivity to ensure our business remains competitive in this difficult operating environment.

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2008 (2007: Nil).

### FINANCIAL AND LIQUIDITY RESOURCES

As usual, the Group's financial resources and liquidity continue to be strong and it is substantially debt free, with cash and bank balances at 30th September 2008 amounting to US\$31.7 million as compared to US\$20.9 million as at 31st March 2008.

Trade receivables as at 30th September 2008 was US\$8.5 million, as compared to US\$11.4 million as at 31st March 2008. The average turnover days for both periods 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. The level of inventories reduced from US\$14.4 million to US\$9.8 million at 30th September 2008 as lower sales was expected for second half of year 2008/09.

The Group generally relies on its internally generated cash flow and the existing banking facilities to finance its day to day operations and we believe that the Group has adequate financial resources to meet its funding requirement for its business operations.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CAPITAL EXPENDITURES AND COMMITMENTS**

For the six months ended 30th September 2008, the Group had capital commitments amounting to US\$9 million relating to the acquisition of land use rights in Huizhou, Mainland China and capital contributions to an investment in a wholly-foreign owned enterprise in Huizhou, Mainland China.

### **RISK OF CURRENCY FLUCTUATIONS**

The Group's sales and purchases traded mostly in US dollar. HK dollar is pegged to US dollar and 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 2008, 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	Capacity	Number of ordinary shares held/ interested	Percentage of issued share capital
Lee Chi Keung, Russell ("Mr. Lee")	Interest of controlled corporations	191,809,484 (Note)	56.31%
Yu Mee See, Maria ("Ms. Yu")	Interest of spouse	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 2008.

## 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 2008, 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 issued share capital
	Directly beneficially owned	Through spouse	Through controlled corporation	Investment manager	Total	
Wonder Star Securities Limited ("Wonder Star") (Note (a))	81,205,184	—	110,604,300	—	191,809,484	56.31%
Top Source Securities Limited ("Top Source")	110,604,300	—	—	—	110,604,300	32.47%
Yeoman Capital Management Pte. Ltd. (Note (b))	—	—	—	21,500,000	21,500,000	6.31%
Yeo Seng Chong (Note (b))	—	2,544,000	21,500,000	—	24,044,000	7.06%
Lim Mee Hwa (Note (b))	2,544,000	—	21,500,000	—	24,044,000	7.06%

#### Notes:

- (a) 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.
- (b) Ms. Lim Mee Hwa ("Ms. Lim") is the spouse of Mr. Yeo Seng Chong ("Mr. Yeo") and both Mr. Yeo and Ms. Lim are the controlling shareholders of Yeoman Capital Management Pte. Ltd.

## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30th September 2008 (2007: Nil).

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30th September 2008, the Group had a total of approximately 4,500 (2007: 8,800) 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 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.

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions ("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 2008, except for the following deviations:

## OTHER INFORMATION

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

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 more knowledgeable about the Group's business and it 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.

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.

## **OTHER INFORMATION**

### **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, all directors of the Company have confirmed their compliance with the required standard set out in Appendix 10 of the Listing Rules throughout the period.

### **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 2008.

### **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 2008

## CORPORATE INFORMATION

### **KTP Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

### **DIRECTORS**

LEE Chi Keung, Russell (*Chairman*)

YU Mee See, Maria

NG Wai Hung<sup>1</sup>

LEE Siu Leung<sup>1</sup>

Yuen Sik Ming<sup>1</sup>

<sup>1</sup> *Independent non-executive directors*

### **AUDIT COMMITTEE**

YUEN Sik Ming (*Chairman*)

NG Wai Hung

LEE Siu Leung

### **REMUNERATION COMMITTEE**

YUEN Sik Ming (*Chairman*)

NG Wai Hung

LEE Siu Leung

### **NOMINATION COMMITTEE**

YUEN Sik Ming (*Chairman*)

LEE Chi Keung, Russell

NG Wai Hung

LEE Siu Leung

### **QUALIFIED ACCOUNTANT AND 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 ADVISERS**

Conyers, Dill & Pearman

### **PRINCIPAL BANKER**

Standard Chartered Bank

### **COMPANY WEBSITE**

[www.ktpgroup.com](http://www.ktpgroup.com)

[www.irasia.com/listco/hk/ktp/index.htm](http://www.irasia.com/listco/hk/ktp/index.htm)

### **STOCK CODE**

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