

INTERIM RESULTS

The board of directors (the “Board”) of KTP Holdings Limited (the “Company”) is pleased to present the Interim Report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2004. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th September 2004, and the consolidated balance sheet as at 30th September 2004 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 6 to 16 of this report.

BUSINESS REVIEW AND PROSPECT

For the six months ended 30th September 2004, the Group’s turnover was US\$54.7 million, a decrease of 15% from US\$64.6 million over the same period last year. Profit attributable to shareholders was down to approximately US\$2 million and the basic earnings per share for the period under review was US0.59 cents.

The Group’s gross profit margin decreased from 9.7% to 7.7% which was mainly due to a significant increase in the price of raw materials, especially the petrochemical products used in our sole manufacturing process. Also, the electricity shortage in Mainland China has heavily affected our daily production planning and inevitably our production costs. To mitigate the effect in the reduction of gross profit, we have tightened our cost containment measures and reduced administrative expenses from prior period’s US\$2.7 million to US\$2.2 million this period. Overall, our net profit margin attained was 3.7%.

We are cautiously optimistic about the financial results for the next half year. In addition to further our stringent cost control and refine our production workflow, we will invest in our efforts to optimize our overall production efficiency and thus improve profitability. Furthermore, we will continue to concentrate our efforts on upgrading our product design, development and research platform with a view to creating more exciting and innovative products that address market trends and help to create consumer demand and generate better returns to our shareholders.

FINANCIAL AND LIQUIDITY POSITION

As at 30th September 2004, the Group continued to maintain a strong financial position with bank balances and cash of US\$16.8 million, as compared to US\$10 million as at 31st March 2004. Included in the bank balances and cash of the Group were Renminbi deposits and cash of approximately US\$2.3 million (31st March 2004: US\$2.7 million) kept in Mainland China. Renminbi is not a freely convertible currency.





FINANCIAL AND LIQUIDITY POSITION *(Continued)*

As at 30th September, 2004, the Group's current ratio and the total liabilities to shareholders' fund ratio maintained at 2.4 and 49% respectively, more or less same as at 31st March 2004. Like the past, the Group is essentially debt free except for a bank overdraft of approximately US\$0.2 million (31st March 2004: US\$0.2 million) and bills payable of US\$1,000 (31st March 2004: US\$0.1 million) as at 30th September 2004.

The Group generally relied 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 future business development.

There are no present plans for material capital expenditures and investments except for the Group's regular annual capital expenditures required to maintain its growth in sales.

RISK OF CURRENCY FLUCTUATION

The Group's sales are transacted in US Dollars and the purchase of raw materials and manufacturing expenses are mainly in US Dollars, Renminbi and Hong Kong Dollars. As the pegged exchange rate system between Hong Kong Dollars and US Dollars persists and Renminbi is relatively stable, the Group should have no significant exposure to foreign exchange fluctuations.

EMPLOYEES

At 30th September 2004, the Group had approximately 50 (2003: 70) staff stationed in Hong Kong and Mainland China as well as approximately 11,000 (2003: 11,000) workers in Mainland China. In addition to salaries, the Group provides certain benefits including a discretionary bonus programme, a provident fund scheme as well as an in-house training programme for its employees.

Performance of staff is appraised annually to provide a base for the review of the remuneration package.

INTERIM DIVIDEND

The Board has resolved on 17th December 2004 to declare an interim dividend of HK\$0.01 per ordinary share for the year ending 31st March 2005. The interim dividend will be payable on 14th January 2005 to shareholders whose names appear on the register of members of the Company on 7th January 2005.