

CHAIRMAN'S STATEMENT

Without question, this year is another difficult year for KTP. Our sales declined 9% due to anti-dumping disputes over china exports. Nevertheless, this year is also a successful year in our efforts for lean transformation. Our transformation puts the right people in the right place with the right information and resources to achieve our business goals. We are seeing results, particularly in enhancing productivity as well as supply chain efficiency and effectiveness. This transformation process is not unexpected. We have been doing it for years and it is the only way for us to survive in this competitive industry.

Our strategic goal is to create sustained value through operational excellence. To drive for operational excellence, we have focused and will continue to focus on process innovation and improvement as to continuously lower costs, reduce cycle times and improve quality. These include:

- Continue to reinforce our lean manufacturing concept and broaden the application of lean thinking from manufacturing to the entire value stream; and
- Incorporate six sigma concepts into our total quality management program.

Through these actions, we are able to develop a distinctive and sustainable competitive advantage over our competitors. Our vision goes beyond operational excellence. We want to change the competitive landscape by being not just better than our competitors, but by taking the whole KTP to a new level. Doing things we do now and do them better, cheaper and faster will take us so far. But it will not take us far enough. We are going to do new things in new way and we will deliver the next generation KTP.

I would like to take this opportunity to express sincere gratitude to the employees for their valuable contributions and to thank the customers and shareholders of the Company for their continued support.

LEE Chi Keung, Russell

Chairman

Hong Kong, 14th July 2006