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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

**If you have sold or transferred** all your shares in KTP Holding Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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## KTP HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 645)**

## MAJOR AND CONNECTED TRANSACTION

### Financial adviser to the Company



### Independent financial adviser to

### the Independent Board Committee and the Independent Shareholders



**大華證券(香港)有限公司**

GRAND CATHAY SECURITIES (HONG KONG) LIMITED

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A letter from the Board is set out on pages 5 to 13 of this circular and a letter from the Independent Board Committee is set out on page 14 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 24 of this circular.

A notice convening the SGM to be held on Tuesday, 15 September 2009 at 11:00 a.m. at Block C, 1st Floor, Wong King Industrial Building, 2-4 Tai Yau Street, Sanpokong, Kowloon, Hong Kong is set out on pages 42 to 43 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjournment thereof (as the case may be) should you so wish.

13 August 2009

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“associates”	Has the meaning ascribed to it under the Listing Rules
“BMIA”	BMI Appraisals Limited, an independent firm of qualified professional valuers
“Board”	The board of Directors
“Brave Win”	Brave Win Industries Limited, a wholly owned subsidiary of the Vendor and a member of the Remaining Group
“Company” or “Vendor”	KTP Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion	Completion of the Disposal in accordance with the Sale and Purchase Agreement
“Conditions”	The conditions precedent to the Completion which includes but not limited to those as set out in the paragraph headed “Conditions precedent” under the section headed “Sale and Purchase Agreement”
“connected person”	Has the meaning ascribed to it under the Listing Rules
“Director(s)”	The director(s) of the Company
“Disposal”	The disposal of the Sale Shares by the Vendor to the Purchaser and the assignment of the Shareholder’s Loan by the Vendor in favour of the Purchaser pursuant to the terms of the Sale and Purchase Agreement
“Disposal Group”	Comprising KTP (BVI) and the companies listed under the section headed “Information on KTP (BVI)”

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## DEFINITIONS

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“Dongguan Hung Yip”	Dongguan Hung Yip Shoes Manufacturing Co Ltd, a company incorporated under the laws of the PRC and is a wholly owned subsidiary of KTP (BVI)
“Group”	The Company and its subsidiaries from time to time
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	The independent committee of the Board established by the Company comprising all independent non-executive Directors to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the Disposal
“Independent Financial Adviser” or “Grand Cathay”	Grand Cathay Securities (Hong Kong) Limited, the Independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Sale and Purchase Agreement and the Disposal
“Independent Shareholders”	Shareholders, other than Mr. Lee Chi Keung, Russell and his associates, who are entitled to vote at the SGM pursuant to the Listing Rules
“KTP (BVI)”	KTP (BVI) Company Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company
“KTS”	Kong Tai Shoes Manufacturing Co Ltd, a company incorporated in Hong Kong and is a wholly owned subsidiary of KTP (BVI)
“Latest Practicable Date”	10 August 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	Means 31 December 2009 or such other date as the parties may mutually agree in writing.

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## DEFINITIONS

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“PRC”	The People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Peak Rise Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Lee Chi Keung, Russell, a Director and controlling shareholder of the Company, holding 59.76% of the issued Shares.
“Remaining Group”	The Company together with its subsidiaries, other than the Disposal Group
“Sale and Purchase Agreement”	The sale and purchase agreement dated 22 July 2009 entered into between the Company and the Purchaser in relation to the Disposal
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	The special general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving, among other matters, the Sale and Purchase Agreement
“Sale Shares”	100 shares of US\$1 each of KTP (BVI), representing 100% of the issued share capital of KTP (BVI)
“Share(s)”	Share(s) of the Company of HK\$ 0.01 each
“Shareholder(s)”	Holder(s) of the Shares
“Shareholder’s Loan	The unsecured and interest free debt owed in the amount of US\$4,570,719 owed by KTP (BVI) to the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	Per cent

*Translation of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00 to HK\$7.80 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.*

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## LETTER FROM THE BOARD

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### **KTP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 645)**

*Executive Directors:*

Lee Chi Keung, Russell (*Chairman*)

Yu Mee See, Maria

*Independent non-executive Directors:*

Ng Wai Hung

Lee Siu Leung

Yuen Sik Ming

*Registered Office:*

Clarendon House

Church Street

Hamilton HM 11

Bermuda

*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

13 August 2009

*To the Shareholders,*

Dear Sir or Madam,

## **MAJOR AND CONNECTED TRANSACTION**

### **INTRODUCTION**

Reference is made to the announcement of the Company dated 24 July 2009, in which the Board announced that on 22 July 2009, the Company entered into the Sale and Purchase Agreement for the disposal of 100% interest in KTP (BVI) and the Shareholder's Loan at a consideration of US\$18 million (equivalent to approximately HK\$140.4 million).

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## LETTER FROM THE BOARD

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After Completion, the Company will no longer have any interest in KTP (BVI). KTP (BVI) will cease to be a subsidiary of the Company and the assets, liabilities and financial results of KTP (BVI) will no longer be consolidated in the consolidated financial statements of the Company.

Mr. Lee Chi Keung, Russell, the ultimate sole beneficial owner of the Purchaser, is a Director and controlling shareholder of the Company, holding 59.76% of the issued Shares and hence a connected person of the Company.

Since the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules which is subject to the requirements of reporting, announcement and Independent Shareholders' approval pursuant to Chapter 14 and Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further details of the Sale and Purchase Agreement and the Disposal; (ii) a letter from the Independent Board Committee in relation to the Disposal; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; and (iv) the notice of SGM.

### THE SALE AND PURCHASE AGREEMENT

#### Date

22 July 2009

#### Parties:

Vendor : KTP Holdings Limited

Purchaser : Peak Rise Holdings Limited. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the principal activity of the Purchaser is investment holding

#### Assets to be disposed of under the Sale and Purchase Agreement

The Sale Shares, which represents 100% of the issued share capital of KTP (BVI), and the Shareholder's Loan in the amount of US\$4,570,719.

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## LETTER FROM THE BOARD

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### **Consideration**

The consideration of US\$18 million (equivalent to approximately HK\$140.4 million) for the Sale Shares and the Shareholder's Loan shall be payable by the Purchaser to the Vendor in cash in US\$ (or HK\$ or RMB equivalent) on Completion.

The Directors confirm that the consideration was arrived at after arm's length negotiations between the Company and the Purchaser taking into account the net asset value of the Disposal Group as at 31 March 2009 in the amount of US\$10.7 million and the Shareholder's Loan of US\$4.6 million (equivalent to an aggregate amount of approximately HK\$119.3 million). The proceeds will be used as general working capital of the Company and should opportunities arise, for future investment and payment of special dividend subject to the Completion.

### **Conditions precedent**

Completion of the Sale and Purchase Agreement is conditional upon the fulfillment of, inter alia, the following Conditions:

1. the passing of resolutions by the Independent Shareholders at the SGM approving the Sale and Purchase Agreement and the declaration and payment of special dividend of HK\$0.3 by the Company; and
2. the Company has complied with all the requirements under the Listing Rules.

If any of the Conditions is not fulfilled or waived by the Purchaser (as the case may be) on or before the Long Stop Date, all rights and obligations of the parties hereunder shall cease and terminate and the parties shall have no claim against each other arising out of or in connection with the Sale and Purchase Agreement.

### **Completion**

Completion will take place 14 days after the date upon which the last of the Conditions is satisfied or waived or 30 September 2009 (whichever is the later) or such other date as the Company and the Purchaser may agree in writing.

It is expected that the Group will benefit as a result of the Disposal as there is a gain of US\$2.7 million (equivalent to approximately HK\$21.1 million), being the excess of the Consideration over and the net asset value of the Disposal Group and the Shareholder's Loan amounting to an aggregate of US\$15.3 million (equivalent to approximately HK\$119.3 million) as at 31 March 2009. KTP (BVI) will cease to be a subsidiary of the Company upon Completion.

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## LETTER FROM THE BOARD

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### INFORMATION ON KTP (BVI)

KTP (BVI) is a company incorporated in the British Virgin Islands with limited liability and acts as the holding company of the following companies:

<u>Name of the companies</u>	<u>Effective shareholding interest held by KTP (BVI)</u>	<u>Place of incorporation</u>	<u>Description of business nature</u>
Kong Tai Shoes Manufacturing Co. Ltd.	100%	Hong Kong	Investment holding
Kenmate Industrial Limited	100%	Hong Kong	Inactive
Choy Fung Industrial Limited	100%	Hong Kong	Inactive
TP Industrial Limited	100%	Hong Kong	Investment holding
Kong Tai Shoes Manufacturing (BVI) Co. Ltd.	100%	British Virgin Islands	Inactive
TP Investment Limited	100%	Hong Kong	Investment holding
Investmaster Limited	100%	British Virgin Islands	Investment holding
Ever Glory (HK) Limited	100%	Hong Kong	Investment holding
Kenmate Industrial Limited	100%	British Virgin Islands	Inactive
Dongguan Hung Yip Shoes Manufacturing Co. Ltd.	100%	PRC	Manufacturing of footwear
Dongguan Hung Fa Shoes Materials Co. Ltd.	100%	PRC	Inactive

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## LETTER FROM THE BOARD

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<u>Name of the companies</u>	<b>Effective shareholding interest held by KTP (BVI)</b>	<b>Place of incorporation</b>	<b>Description of business nature</b>
PT Sung Shin Indonesia	35%	Indonesia	Manufacturing of sole units
China Pacific International Industries Ltd	100%	Hong Kong	Investment holding
Promarks Sports Ltd.	100%	Hong Kong	Inactive
Huizhou Zhongguan Sporting Goods Co. Ltd.	100%	PRC	Pre-operation

Other than its investment in the above companies, KTP (BVI) is not engaged in any other business activity.

The consolidated total assets of KTP (BVI) as at 31 March 2008 and 2009 are approximately US\$52.3 million (equivalent to approximately HK\$407.9 million) and approximately US\$20.3 million (equivalent to approximately HK\$158.3 million) respectively. The consolidated net asset value of KTP (BVI) as at 31 March 2008 and 2009 are approximately US\$21.2 million (equivalent to approximately HK\$165.4 million) and approximately US\$10.7 million (equivalent to approximately HK\$83.5 million) respectively. The consolidated turnover of KTP (BVI) as at 31 March 2008 and 2009 are approximately US\$72 million (equivalent to approximately HK\$561.6 million) and approximately US\$41 million (equivalent to approximately HK\$319.8 million) respectively. The consolidated net profit/(loss) (both before and after tax) of KTP (BVI) for the two years ended 31 March 2009 are as follows:

<i>US\$ million</i>	<b>Year ended 31 March 2008</b>	<b>Year ended 31 March 2009</b>
Net (loss)/profit before tax	(3.5)	1.9
Net losses after tax	(3.5)	(1.1)

Upon Completion, the Group will record an unaudited gain and increase in net asset value of approximately US\$2.7 million (equivalent to approximately HK\$21.1 million), being the difference between the consideration of the Disposal and the net asset value of the Disposal Group and the Shareholder's Loan as at 31 March 2009 before deduction of

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## LETTER FROM THE BOARD

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all necessary charges for the year ending 31 March 2010. Upon Completion, the gain of US\$2.7 million will be slightly affected by the operating result of the Disposal Group. However, the gain of US\$2.7 million from the Disposal will not be materially different from the gain upon Completion. In addition, the bank balances and cash of the Group will increase by approximately US\$18 million (equivalent to approximately HK\$140.4 million, as represented by the consideration of the Disposal).

The financial impact on the Group arising from the Disposal will increase its total assets and net asset value by US\$2.7 million. The total assets and total liabilities of the Group will be reduced by the total assets of the Disposal Group and the total liabilities of the Disposal Group respectively as a result of the Disposal. As the production operation of the Disposal Group is currently idle, the Group's turnover is expected to be solely contributed by Brave Win.

The turnover of the Group for the three months ended 30 June 2009 was solely contributed by Brave Win as the Group lost its major customer which represented approximately 64% of the Group's turnover and almost 100% of the sales turnover of the Disposal Group for the financial year ended 31 March 2009.

### **The Land Use Right**

As at the Latest Practicable Date, Brave Win, a wholly owned subsidiary of the Company and a member of the Remaining Group, has the legal right to use a piece in the PRC situated at 東莞市長安鎮宵邊社區第二工業區 (the "Land"). A factory and 2 dormitories (the "Constructions") were constructed on the Land, Brave Win has the right to use the factory and one of the dormitories for the period from 5 August 1990 to 4 August 2040 while the right of use of the other dormitory is for the period from 1 December 1996 to 1 December 2046. For the year ended 31 March 2009, Brave Win had recorded an aggregate net book value of US\$0.5 million for the Land and Constructions. However, Brave Win does not have legal ownership of the Land.

On 15 April 2009, the PRC authority issued the《東莞市已建房屋補辦房地產權手續總體方案》granting the user of the Land a right (the "Right") to perfect its legal ownership of the Land together with the Constructions by applying to the PRC authority, failing which the PRC authority shall deal with such constructions strictly in accordance with the relevant law and regulation. As Brave Win is not a legal entity for the purpose of making the relevant applications as aforesaid, the Company at the material time resolved to have Dongguan Hung Yip to take up the Right in place of Brave Win. Relevant applications have been made by Dongguan Hung Yip to the PRC authority in respect of the Land which are pending approval as at the Latest Practicable Date. All the cost to be incurred from the application of the Right will be borne by Dongguan Hung Yip. The Company has tried

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## LETTER FROM THE BOARD

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to obtain valuation of the Land but the valuer, BMIA was unable to render any valuation due to above uncertainties.

Pursuant to the Sale and Purchase Agreement, the Company and the Purchaser agree that:

- (a) subject to paragraph (b) below, Brave Win shall be entitled to use the Land together with the Constructions until 4 August 2040 or 1 December 2046 (as the case may be); and
- (b) in the event that Dongguan Hung Yip successfully obtains the legal ownership of the Land together with the Constructions and Brave Win or any member of the Remaining Group wishes to continue to use the Land together with the Constructions, the terms in relation to the use of the Land (together with the constructions thereon) shall be negotiated by Dongguan Hung Yip and Brave Win or any member of the Remaining Group (as the case may be).

The Purchaser further grants the Company, pursuant to the Sale and Purchase Agreement, an option to purchase or lease the Land together with the Constructions from Dongguan Hung Yip after Dongguan Hung Yip has obtained the legal ownership of the Land together with the Constructions, subject to such terms and conditions as negotiated by the Purchaser and the Company, taking into account the book value of the Land together with the Constructions in the accounts of Brave Win as at 31 March 2009.

As a result, should Dongguan Hung Yip have obtained the legal ownership of the Land and the Construction, Brave Win may consider exercising the above mentioned option but no details of which have been confirmed at this stage.

The Company and the Purchaser acknowledge and agree that the Right (whether or not approval is obtained) shall, after Completion, remain with Dongguan Hung Yip, and hence beneficially owned by the Purchaser.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is principally engaged in the manufacture of footwear products.

The reasons for disposing KTP (BVI) are as follows:

- the Group's major production base in Shenzhen, PRC, which was held by KTS, was closed in May 2008 as a result of the land resumption by the local government of PRC, which led to the significant reduction of the Group's overall production capacity by 50%;

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## LETTER FROM THE BOARD

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- the reduction of the worldwide orders in 2008 as a result of financial crisis and the cessation of manufacturing of OEM orders for the Group's largest customer in 2009 make the business of the Group even worse off. The sales from the largest customer accounted for approximately 64% of the Group's turnover and almost 100% of the sales turnover of the Disposal Group for the financial year ended 31 March 2009; and
- sale proceeds resulting from the Disposal will increase the liquidity of the Group which will be used for the payment of special dividend to the Shareholders.

As a result of the above detrimental effect on the business of the Group, the Board is of the view that KTP (BVI) would increase the operating cost of the Group without any contribution to the Group. Under such circumstances, the Disposal will reduce the operating cost of the Group which will remain as the manufacturer of footwear products. Upon Completion, Brave Win, which is the manufacturer of sole units, will become the major subsidiary of the Group.

In light of the above, the Directors (excluding the independent non-executive Directors whose view will be provided after taking into consideration of the opinion and recommendation made by the Independent Financial Adviser) consider that the Sale and Purchase Agreement was entered into on normal commercial terms, the terms of the Sale and Purchase Agreement are fair and reasonable which have been arrived at after arm's length negotiations and in the interests of the Company and its Shareholders as a whole.

### IMPLICATIONS OF THE LISTING RULES

Mr. Lee Chi Keung, Russell, the ultimate sole beneficial owner of the Purchaser, is a Director and controlling shareholder of the Company, holding 59.76% of the issued Shares and hence a connected person of the Company. The Disposal thus constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. In addition, as the applicable percentage ratios in respect of the Disposal exceed 25% but less than 75%, the Disposal also constitutes a major disposal for the Company. Accordingly, the Disposal will be subject to the approval of the Independent Shareholders. Mr. Lee Chi Keung, Russell and his associates shall abstain from voting at the resolutions regarding the Disposal.

Upon Completion, the Company will still have sufficient level of operations or have tangible assets of sufficient value and/or intangible assets of sufficient potential value to warrant the continued listing of the Shares of the Company in accordance with Rule 13.24 of the Listing Rules as Brave Win, the major subsidiary of the Group, will continue the principal activity of manufacturing of footwear business. Revenue contributed from

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## LETTER FROM THE BOARD

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Brave Win for the year ended 31 March 2009 and for the three months ended 30 June 2009 is US\$22.8 million and US\$5 million respectively, representing approximately 35.4% and 100% of the total revenue of the Group for the year ended 31 March 2009, and for the three months ended 30 June 2009, which demonstrates that the Company will have sufficient level of operations upon Completion.

In view of the above, the Company will not become a cash company under Rule 14.82 of the Listing Rule upon Completion as the Group would still have sufficient level of operation after Completion.

### **SGM**

A notice convening the SGM to be held on Tuesday, 15 September 2009 at 11:00 a.m. at Block C, 1st Floor, Wong King Industrial Building, 2-4 Tai Yau Street, Sanpokong, Kowloon, Hong Kong is set out on pages 42 to 43 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjournment thereof (as the case may be) should you so wish.

### **RECOMMENDATION**

The Directors are of the opinion that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the resolution as set out in the notice of SGM to approve, among other things, the transactions contemplated under the Sale and Purchase Agreement and the Disposal at the SGM.

### **GENERAL**

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the additional information set out in the appendices to this circular and the notice of SGM.

By the Order of the Board  
**Lee Chi Keung, Russell**  
*Chairman*



**KTP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 645)**

13 August 2009

*To the Independent Shareholders*

Dear Sir and Madam,

**MAJOR AND CONNECTED TRANSACTION**

We refer to the circular of the Company to the Shareholders dated 13 August 2009 (the "Circular"), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been authorized by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Sale and Purchase Agreement, the transactions contemplated therein and the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 15 to 24 of the Circular and the letter from the Board set out on pages 5 to 13 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice as set out on pages 15 to 24 of the Circular, we consider that the terms of the Sale and Purchase Agreement, the transactions contemplated therein and the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the transactions contemplated under the Sale and Purchase Agreement to be proposed at the SGM.

Yours faithfully,  
For and on behalf of  
**The Independent Board Committee**

**NG Wai Hung**  
*Independent non-executive  
Director*

**Lee Siu Leung**  
*Independent non-executive  
Director*

**Yuen Sik Ming**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Grand Cathay, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Disposal.*



**大華證券(香港)**

**GRAND CATHAY SECURITIES (HONG KONG) LIMITED**

香港中環花園道3號中國工商銀行大廈7樓705至706室

Room 705-706, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong

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13 August 2009

*To the Independent Board Committee  
and the Independent Shareholders  
of KTP Holdings Limited*

Dear Sirs,

### **MAJOR AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to the circular dated 13 August 2009 (the “Circular”) issued by the Company to its Shareholders of which this letter forms part and to our appointment to advise to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the “Letter from the Board” (the “Letter”) contained in the Circular and in which this letter is reproduced. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular of which this letter forms part unless the context otherwise requires.

On 22 July 2009, the Company and the Purchaser entered into the Sale and Purchase Agreement for the disposal of 100% interest in KTP (BVI) and the Shareholder’s Loan at a consideration of US\$18 million (equivalent to approximately HK\$140.4 million).

Mr. Lee Chi Keung, Russell, the ultimate sole beneficial owner of the Purchaser, is a Director and controlling shareholder of the Company, holding 59.76% of the issued Shares and hence a connected person of the Company. The Disposal thus constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. In addition, as the applicable percentage ratios in respect of the Disposal exceed 25% but less than 75%, the Disposal also constitutes a major disposal for the Company. Accordingly, the Disposal will be subject to the approval of the Independent Shareholders. Mr. Lee Chi Keung, Russell and his associates shall abstain from voting at the resolution regarding the Disposal.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Mr. Ng Wai Hung, Mr. Lee Siu Leung, and Mr. Yuen Sik Ming, being all the independent non-executive Directors, have been appointed by the Board to form the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BACKGROUND INFORMATION**

#### **Business of the Group**

The Group is principally engaged in the manufacture of footwear products. According to the Company's annual report for the financial year ended 31 March 2009 (the "Annual Report"), the turnover of the Group decreased 32% from approximately US\$94.6 million for the financial year ended 2008 to approximately US\$64.3 million for the financial year ended 2009. The diminishing of the Group's turnover for the financial year ended 31 March 2009, is mainly due to the decrease in orders placed by the Group's largest customer, from approximately 5.7 million pairs in financial year 2008 to approximately 2.7 million pairs for the financial year 2009 and the global financial crisis. In addition, according to the Company's announcement dated 6 May 2009 (the "Announcement") and management of the Company, the Group has ceased to manufacture the OEM footwear products for the Group's largest customer after failing to negotiate a feasible pricing model with the aforesaid customer.

Due to the aforesaid, the Directors expected that the Group's turnover for the financial year ended 31 March 2010 will be materially and adversely affected by the reduction of the OEM footwear orders from the Group's largest customer, which also led to the significant write-downs of the redundant production facilities amounting approximately of US\$5.5 million for the financial year ended 31 March 2009.

#### **Asset to be disposed of under the Sale and Purchase Agreement**

The Sale Shares, which represents 100% of the issued share capital of KTP (BVI), and the Shareholder's Loan in the amount of US\$4,570,719. As stated in the Letter, the consolidated net asset value of the Disposal Group as at 31 March 2008 and 2009 are approximately US\$21.2 million (equivalent to approximately HK\$165.4 million) and approximately US\$10.7 million (equivalent to approximately HK\$83.5 million) respectively. According to appendix II of the Circular, the value of the properties of the Disposal Group is approximately RMB 63.5 million as at 30 June 2009 (equivalent to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately HK\$76.2 million) (the “Re-valuation”). The consolidated turnover and net profit/(loss) (both before and after tax) of the Disposal Group for the two years ended 31 March 2009 are as follows:

<b>US\$ million</b>	<b>Year ended 31 March</b>	
	<b>2008</b>	<b>2009</b>
<b>Turnover</b>	72	41
<b>Net (loss)/profit before tax</b>	(3.5)	1.9
<b>Net losses after tax</b>	(3.5)	(1.1)

Upon Completion, KTP (BVI) will cease to be a subsidiary of the Group and Brave Win, the manufacturer of the sole units, will become the major subsidiary of the Group.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinion and representations contained or referred to in the Circular and all information, opinion and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information, opinion and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Directors provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on the Company that it has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Disposal, we have considered the following factors and reasons:

### 1. Reasons for and benefits of the Disposal

As shown in the information stated in the sub-sections headed “Business of the Group” and “Asset to be disposed of under the Sale and Purchase Agreement” above, we understand that the business performance of the Group for the financial year ended 31 March 2009 was adversely affected by the decrease in the orders from the Group’s largest customer. The sales attributable to the Group’s largest customer represented respectively 64% and almost 100% of the Group’s and the Disposal Group’s turnover for the financial year ended 31 March 2009.

Further, according to the Announcement, the cessation of manufacturing OEM orders from the Group’s largest customer will result in a significant decrease in the Group’s turnover for the financial year ended 31 March 2010. As per management of the Group, the turnover of the Group for the three months ended 30 June 2009 was solely contributed by Brave Win and representing a decrease of 79% as compared to the corresponding period last year.

In face of the above instance, according to the management of the Group, it is the policy of the Group to further consolidate its production facilities and suspend all the production operations of the Disposal Group in order to achieve production efficiency and cut the overhead costs. The production facilities of the Disposal Group are idle currently. In light of the uncertainty of the current and future business prospects of the Disposal Group, the Directors are of the view that the production facilities of the Disposal Group would remain idle in the near future, the running costs of such production facilities would increase the operating costs to the Group without any contribution to the Group in the near future. The minimum annual running costs of the production facilities of the Disposal Group estimated by management of the Group are approximately US\$1 million per annum. In order to find out the detail information of the aforesaid running costs, we asked the management of the Company to provide (a) the breakdown of the current running costs of the production facilities of the Disposal Group to see (i) the items of the aforesaid running costs and (ii) the dollars amount of the aforesaid items and (b) the supporting documents of the aforesaid. We find that the aforesaid running costs are mainly (i) the relevant tax imposed by the PRC government; and (ii) the overhead cost, such as staff salaries, insurance. Based on the above, we are of the view that the aforesaid estimation regarding the minimum annual running costs by the management of the Company is reasonably prepared.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are of the view that, since the production facilities of the Disposal Group are currently idle, and would incur running costs of approximately US\$1 million to the Group per annum and without any contribution to the Group in the near future. Based on the current and the anticipated business operation of the Group as stated in the sub-section headed “Business of the Group” above, the Disposal would lessen the operation cost of the Group and would increase the cash position of the Group (please refer to the section headed “Consideration for the Disposal” below for detail information), the Disposal is beneficial to the Group and the Shareholders as a whole.

Based on (i) the uncertainty of the current and anticipated business conditions of the Group; (ii) the production facilities of the Disposal Group would remain idle in the near future; and (iii) the reduction of the Group’s running costs of the Group, we are of the view and concur with the view of the Directors that the Disposal is justifiable and is beneficial to the Group and the Shareholders as a whole.

### **2. Consideration for the Disposal**

#### ***(i) Basis of the consideration***

As stated in the Letter, the consideration of US\$18 million (equivalent to approximately HK\$140.4 million) for the Sale Shares and the Shareholder’s Loan shall be payable by the Purchaser to the Vendor in cash in US\$ (or HK\$ or RMB equivalent) on Completion. According to the Directors, they confirm that the consideration was arrived at after arm’s length negotiations between the Company and the Purchaser taking into account the net asset value of the Disposal Group as at 31 March 2009 in the amount of US\$10.7 million and the Shareholder’s Loan of US\$4.6 million (equivalent to an aggregate of approximately HK\$119.3 million). The proceeds will be used as general working capital of the Company and should opportunities arise, for future investment and payment of special dividend subject to Completion.

In order to assess the fairness of the consideration of the Disposal, we intend to compare the consideration of the Disposal to (i) the aggregate amount of the net asset value of the Disposal Group as at 31 March 2009 (the “Book Value”) and the Shareholder’s Loan and (ii) the aggregate amount of the net asset value of the Disposal Group as at 31 March 2009 (taking into account of the Re-valuation) and the Shareholder’s Loan. In addition, we also intend to compare the Disposal with similar transactions conducted by other companies listed on the Stock Exchange with similar business recently, however, to the best of our knowledge and according to the information of the website of the Stock Exchange, we are unable to find the aforesaid transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter, the Book Value and the Shareholder's Loan are approximately US\$10.7 million and US\$4.6 million respectively. Therefore, the consideration of the Disposal represents a premium of approximately 17.6% to the aggregate amount of the Book Value and the Shareholder's Loan. We are of the view that as the consideration of the Disposal represents a premium to the aggregate amount of the Book Value and the Shareholder's Loan, the consideration of the Disposal is fair and reasonable.

As stated in the Letter and according to the valuation report (the "Valuation Report") as stated in appendix II of the Circular, the consideration of the Disposal represents a discount of approximately 14% to the aggregate amount of the net asset value of the Disposal Group as at 31 March 2009 (taking into account of the Re-valuation) and the Shareholder's Loan.

According to the Valuation Report, the basis of valuation of the Valuation Report is that there is a willing buyer and a willing seller in the market. After discussion with the management of the Company, we understand that since the aforesaid industrial complex is designed for the Group's operation, i.e. manufacturing of footwear product, it therefore limits the number of potential buyers in the market. In addition, other than the Purchaser, there is no other potential buyers approached the Company from the date of the Announcement to the Latest Practicable Date.

Based on (i) the lack of marketability as stated above; (ii) the Disposal would reduce the Group's overall running costs of approximately US\$1 million per annum as stated in the section headed "Reason and benefit of the Disposal" above and (iii) the business conditions of the Disposal Group will remain uncertain in the near future as stated in section headed "Business of the Group" as stated above, we are of the view that although the consideration of the Disposal represents a discount to the aggregate amount of the net asset value of the Disposal Group as at 31 March 2009 (taking into account of the Re-valuation) and the Shareholder's Loan, it is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above, we are of the view that the consideration of the Disposal is fair and reasonable when compared it with (i) the aggregate amount of the Book Value and the Shareholder's Loan and (ii) the aggregate amount of the net asset value of the Disposal Group as at 31 March 2009 (taking into account of the Re-valuation) and the Shareholder's Loan.

### *(ii) Use of the proceeds from Disposal*

According to the Letter, proceeds from the Disposal will be used as general working capital of the Company and should opportunities arise, for future investment and payment of special dividend subject to the Completion.

We are of the view and concur with the view of the Directors that, the use of proceed from the Disposal is in line with the Group's policy to explore business opportunities and make investment which can broaden the revenue base of the Group.

Regarding the payment of special dividend, we are of the view that since all the Shareholders are entitled to the special dividend, it is a good opportunity for the Company to award the return of the Company to the Shareholders.

Based on the above, we are of the view that the use of proceeds from the Disposal is justifiable.

### **3. The land use right**

As stated in the Letter, Brave Win, a wholly owned subsidiary of the Company and a member of the Remaining Group, has the legal right to use the Land. Brave Win has the right to use the factory and one of the dormitories for the period from 5 August 1990 to 4 August 2040 while the right of use of the other dormitory is for the period from 1 December 1996 to 1 December 2046 (the "Constructions"). According to the PRC legal opinion (the "PRC Legal Opinion") obtained from the Company's PRC legal adviser, Brave Win has the legal right to use the Land (without the right to transfer the aforesaid right) but does not have legal ownership of the Land.

On 15 April 2009, the PRC authority issued the 《東莞市已建房屋補辦房地產權手續總體方案》(the "Law") granting the user of the Land a right (the "Right") to perfect its legal ownership of the Land together with the Constructions strictly in accordance with the relevant law and regulation. According to the PRC Legal Opinion, as Brave

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Win is not a legal entity for the purpose of making the relevant applications as aforesaid, the Company at the material time resolved to have Dongguan Hung Yip to take up the Right in place of Brave Win. Relevant applications (the “Application”) have been made by Dongguan Hung Yip to the PRC authority in respect of the Land which are pending approval as at the Latest Practicable Date. All the costs to be incurred from the application of the Right and Land will be borne by Dongguan Hung Yip.

According to the management of the Group and the PRC Legal Opinion, we understand that (i) as at the Latest Practicable Date, both Brave Win and Dongguan Hung Yip do not have the legal title on the ownership of the Land; (ii) the deadline for approving the Application by the PRC authority is on or before 19 April 2012; and (iii) the Application may or may not be approved and if the Application is successful, Brave Win would lose the right to use the Land upon the completion of relevant application made by Dongguan Hung Yip; or if the Application is not approved or is not completed at the material time, the Right will be expired and the PRC authority shall deal with the Land together with the Constructions strictly in accordance with the relevant law and regulations. Therefore, as represented by management of the Group and the PRC legal opinion, Brave Win would/might either lose the right to use the Land together with the Constructions upon the completion of Application made by Dongguan Hung Yip or subject to further negotiation with the PRC authorities in respect of the Land use rights if the Application is unsuccessful.

According to the management of the Company, in making the decision on which subsidiary to apply for the Right, the management would consider (i) the legal status and (ii) the financial strength of the subsidiaries.

According to the management of the Company, there are two companies, namely Hang Tian Sporting Goods (Shenzhen) Co. Ltd (“Hang Tian”) and Dongguan Hung Yip, both are wholly owned foreign enterprise in the PRC as at the date of the Application and fulfil the legal requirement to apply for the Right. However, the management of the Company consider that Dongguan Hung Yip is more appropriate for the Application as (i) the registered capital of Dongguan Hung Yip is much larger than that of Hang Tian; and (ii) the financial and liquidity position of Dongguan Hung Yip is much stronger than that of Hang Tian.

Since the PRC authority can only allow one applicant for the Application, therefore, the management of the Company chose Dongguan Hung Yip to apply for the Right based on the aforesaid factors.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above, we are of the view that although both Hang Tian and Dongguan Hung Yip are eligible to apply for the Right in legal status, it is more practicable to chose one with stronger financial background to apply for the Right.

As stated in the Letter, the Purchaser grants the Company, pursuant to the Sale and Purchase Agreement, an option (“Option”) to purchase or lease the Land together with the Constructions from Dongguan Hung Yip after Dongguan Hung Yip has obtained the legal ownership of the Land together with the Constructions, subject to such terms and conditions as negotiated by the Purchaser and the Company, taking into account the book value of the Land together with the Constructions in the accounts of Brave Win as at 31 March 2009.

We are of the view that since (i) the aforesaid Option would take into account of the book value of the Land together with the Constructions in the accounts of Brave Win; (ii) Brave Win might lose the rights to use the Land, together with the Constructions in accordance with 《東莞市已建房屋補辦房地產權手續總體方案》 with or without the Application; (iii) all the costs in relation to the Application of the Right and Land will be borne by Dongguan Hung Yip and (iv) Brave Win can relocate to other location with more favourable terms if the terms from Dongguan Hung Yip is less favourable when compare with others independent parties. Based on the above, we consider that the aforesaid arrangement is justifiable.

#### **4. Financial effects of the Disposal on the Group**

This section set out various analyses on the potential financial effects of the Disposal on the Group, which were prepared based on the audited financial information of the Group and consolidated management accounts of the Remaining Group for the financial year ended 31 March 2009. It should be noted that the figures and financial impact shown in this section are for illustrative purpose only.

According to the management of the Group, the Group will record an unaudited gain of approximately US\$2.7 million (equivalent to approximately HK\$21.1 million) upon Completion, being the difference between the consideration of the Disposal and the net asset value of the Disposal Group and the Shareholder’s Loan as at 31 March 2009 before deduction of all necessary charges for the year ending 31 March 2010. In addition, the bank balances and cash of the Group would increase by approximately US\$18 million (equivalent to approximately HK\$140.4 million), as represented by the consideration of the Disposal.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION ON THE DISPOSAL

Having considered the above principal factors, in particular, (i) the business of the Group; (ii) reasons and benefits of the Disposal; (iii) basis of the consideration; (iv) use of the proceeds from the Disposal; and (v) the financial effects of the Disposal on the Group, we are of the opinion that the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, and also recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Disposal and the transactions contemplated thereunder at the SGM.

Yours faithfully,  
For and on behalf of  
Grand Cathay Securities (Hong Kong) Limited

**Kim Chan**  
*Director*

**Kevin Chan**  
*Director*

**1. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group will remain as a manufacturer of footwear products after the Disposal. The next 12 months will continue to be challenging and the Group will continue with its rigorous measures to strengthen its working capital management and to align its cost structure through productivity improvement.

In addition, as mentioned in the section headed “Reasons for and benefits of the Disposal” in the Letter from the Board of this circular, the Disposal will reduce the operating costs of the Group and will result in the Group virtually operating with zero borrowing and increase liquidity, which will enable the Group to take on new investment opportunities as and when they arise, for enhancing its competitiveness and shareholders value.

**2. INDEBTEDNESS STATEMENT**

Apart from intra-group liabilities, as at the close of business on 30 June 2009, being the latest practicable date for ascertaining certain information relating to the purpose of this indebtedness statement prior to the printing of this circular, the Group did not have any outstanding debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptances credits (other than normal trade payables or trade bills), debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities .

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 June 2009.

**3. WORKING CAPITAL**

As at the Latest Practicable Date, the Directors are of the opinion that, after taking into account the internal resources available to the Group, the net estimated proceeds from the Disposal and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements and for the next twelve months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 March 2009, the date to which the latest published audited financial statements of the Group were made up.

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 June 2009 of the properties to be disposed of by KTP Holdings Limited.*

## **BMI APPRAISALS**

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong  
香港灣仔港灣道6-8號瑞安中心3111-18室  
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863  
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

13 August 2009

The Directors

**KTP Holdings Limited**

Block C, 1st Floor

Wong King Industrial Building

San Po Kong, Kowloon

Hong Kong

Dear Sirs,

**Re: Valuations of various properties located in the People's Republic of China (the "PRC")**

### **INSTRUCTIONS**

We refer to the instructions from KTP Holdings Limited (the "Company") for us to value the properties to be disposed of by the Company and/or its subsidiaries (hereinafter together referred to as the "Group") located in the PRC. We confirm that we have conducted site inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 June 2009 (the "date of valuation").

### **BASIS OF VALUATION**

Our valuations of the concerned properties have been based on the Market Value, which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

**VALUATION METHODOLOGIES**

We have valued the properties on an open market basis by the Comparison Approach assuming sales in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence/asking prices as available in the relevant markets. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of age, time, location, floor level and other relevant factors. Whenever applicable, we have also adopted the Investment Approach where appropriate by taking into account the current rents passing of the constituent units of the properties being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenants.

**TITLE INVESTIGATIONS**

We have been provided by the Group with copies of the title documents and have been advised by the Group that no further relevant documents have been produced. Due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify the ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuations, we have relied on the advice and information given by the Group and its PRC legal advisor — Peking Shouchuang Lawyer’s Agency, Dongguan Branch regarding the titles of the properties in PRC. All documents have been used for reference only.

**VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the properties are sold in the open market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sales of the properties and no forced sale situation in any manner is assumed in our valuations.

In valuing Property No. 1, we have relied on the advice given by the Group and its legal adviser — Peking Shouchuang Lawyer’s Agency, Dongguan Branch that the Group has valid and enforceable titles to the property which is freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

**VALUATION CONSIDERATIONS**

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group in such matters as approvals or statutory notices, easements, tenure, particulars of occupancy, site/floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

Except otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and the Group has also advised us that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors and the RICS Valuation Standard (6th Edition) published by the Royal Institution of Chartered Surveyors and have contained all material details of the basis of valuation which follow the Hong Kong Guidance Notes on the Valuation of Property Assets published by the Royal Institute of Chartered Surveyors (Hong Kong Branch) and the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**REMARKS**

We hereby certify that we neither have any present nor any prospective interest in the Company or the appraised properties or the values reported.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB).

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,  
For and on behalf of  
**BMI APPRAISALS LIMITED**

**Dr. Tony C. H. Cheng**

*BSc, MUD, MBA (Finance), MSc (Eng), PhD (Econ),  
MHKIS, MCI Arb, AFA, SIFM, FCIM,  
MASCE, MIET, MIEEE, MASME, MIE*

*Managing Director*

**Joannau W.F. Chan**

*BSc. MSc. MRICS MHKIS RPS(GP)  
Senior Director*

*Notes:*

Dr. Tony C.H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 16 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 16 years' experience in valuations of properties in Hong Kong and over 10 years' experience in valuations of properties in the People's Republic of China.

## SUMMARY OF VALUES

## Properties held by the Group for owner occupation in the PRC

No.	Property	Market Value in existing state as at 30 June 2009 <i>RMB</i>	Interest attributable to the Group	Value attributable to the Group as at 30 June 2009 <i>RMB</i>
1.	An industrial complex located at Nos. 13-16 Hong Ye Eighth Road and Nos. 13-16 Hong Ye Ninth Road, Hong Ye Industrial Park, Tangxia Town, Dongguan City, Guangdong Province, The PRC	63,500,000	100%	63,500,000
2.	An industrial complex (known as Ping Hu Shoes City) located at No. 2 Jin Cheng Road, Fu Cheng Ao Village, Ping Hu Town, Long Gang District, Shenzhen, Guangdong Province, The PRC	No Commercial Value	100%	Nil
<b>Total:</b>		<u><u>63,500,000</u></u>		<u><u>63,500,000</u></u>

## VALUATION CERTIFICATE

## Properties held by the Group for owner occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009 RMB
1.	An industrial complex located at Nos. 13-16 Hong Ye Eighth Road and Nos. 13-16 Hong Ye Ninth Road, Hong Ye Industrial Park, Tangxia Town, Dongguan City, Guangdong Province, The PRC	<p>The property comprises three land parcels with a total site area of approximately 91,902 sq.m. (or about 989,233 sq.ft.) upon which 13 low-to medium-rise buildings completed in between 1993 to 1997 were erected.</p> <p>The total gross floor area (“GFA”) of the 13 buildings of the property is approximately 94,749.01 sq.m. (or about 1,019,878 sq.ft.).</p> <p>The land use rights of the property have been granted for a common term of 50 years from July 1993 to July 2043 for industrial use.</p> <p>Government rent is not applicable to the PRC properties. However, the property is subject to land use tax and property tax.</p>	<p>Portion of the property with a GFA of 24,359.27 sq.m. is subject to a tenancy at a monthly rent of RMB259,635 for a term of 1 year and 6 months expiring on 31 December 2010 exclusive of water and electricity fees and maintenance cost but inclusive of an annual land management fee of RMB3/sq.m. while the remaining portion of the property with a total GFA of 70,389.74 sq.m. is vacant.</p> <p>(Please refer to Note 5 for details.)</p>	<p>63,500,000</p> <p>(100% interest attributable to the Group: RMB63,500,000)</p>

## Notes:

- Pursuant to 2 State-owned Land Use Rights Certificates (國有土地使用証) both issued by Dongguan City People’s Government (東莞市人民政府) both dated 13 December 1994, the land use rights of the two land parcels of the property with a total site area of 60,586 sq.m. (or about 652,148 sq.ft.) have been granted to Dongguan Hung Yip Shoes Manufacturing Co. Ltd. (東莞宏業製鞋有限公司) (“Dongguan Hung Yip”) for a common term of 50 years from July 1993 to July 2043 for industrial use. The details of which are summarized as follows:

No.	Certificate No.	Term	Use	Site Area (sq.m.)
1	Dong Fu Guo Yong (1993) Zi No. Te 319	July 1993 — July 2043	Industrial	31,295
2	Dong Fu Guo Yong (1993) Zi No. Te 321	July 1993 — July 2043	Industrial	29,291
			<b>Total:</b>	<b>60,586</b>

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用証), Dong Fu Guo Yong (1993) Zi Di Te No. 320 (東府國用(1993)字第特320號), issued by Dongguan City People's Government (東莞市人民政府) dated 13 December 1994, the land use rights of the remaining land parcel of the property with a site area of 31,316 sq.m. (or about 337,085 sq.ft.) have been granted to Dongguan Hung Fa Shoes Materials Co. Ltd. (東莞宏發鞋材有限公司) ("Hung Fa Shoes") for a term of 50 years from July 1993 to July 2043 for industrial use.
3. Pursuant to 10 Real Estate Title Certificates (房地產權証) all issued by Dongguan City People's Government dated 6 September 1999, 10 buildings of the property with a total GFA of 54,561.59 sq.m. (or about 587,301 sq.ft.) are held by Dongguan Hung Yip. The details of which are summarized as follows:

No.	Real Estate Title Certificate No.	Building Usage	No. of Storeys	GFA (sq.m.)
1	Yue Fang Di Zheng Zi No. 1677756	Staff Quarter	5	1,505.25
2	Yue Fang Di Zheng Zi No. 1677757	Staff Quarter	5	1,505.25
3	Yue Fang Di Zheng Zi No. 1677758	Dormitory	6	7,744.55
4	Yue Fang Di Zheng Zi No. 1677759	Workshop No. 4	4	8,467.20
5	Yue Fang Di Zheng Zi No. 1677760	Workshop No. 3	3	8,740.20
6	Yue Fang Di Zheng Zi No. 1677761	Workshop No. 2	3	3,318.79
7	Yue Fang Di Zheng Zi No. 1677762	Workshop No. 1	3	3,318.79
8	Yue Fang Di Zheng Zi No. 1677763	Staff Quarter	5	3,346.84
9	Yue Fang Di Zheng Zi No. 1677764	Workshop	3	12,138.00
10	Yue Fang Di Zheng Zi No. 1677765	Dormitory	7	4,476.72
			<b>Total:</b>	<b>54,561.59</b>

4. Pursuant to 3 Real Estate Title Certificates (房地產權証) all issued by Dongguan City People's Government dated 6 September 1999, 3 buildings of the property with a total GFA of 40,187.42 sq.m. (or about 432,577 sq.ft.) are held by Hung Fa Shoes. The details of which are summarized as follows:

No.	Real Estate Title Certificate No.	Building Usage	No. of Storeys	GFA (sq.m.)
1	Yue Fang Di Zheng Zi No. 1677766	Workshop A	5	14,523.04
2	Yue Fang Di Zheng Zi No. 1677767	Workshop B	5	14,265.74
3	Yue Fang Di Zheng Zi No. 1677768	Dormitory	7	11,398.64
			<b>Total:</b>	<b>40,187.42</b>

5. Pursuant to a Workshop and Dormitory Tenancy Contract (廠房、宿舍租賃合同) entered into between Dongguan Hung Yip (the "landlord") and Dongguan Huaqiang Sanyang Mada Limited (東莞華強三洋馬達有限公司) (the "tenant") dated 4 December 2008, 3 buildings of the property with a total GFA of 24,359.27 sq.m. are subject to a tenancy at a monthly rent of RMB259,635 for a term of 1 year and 6 months commencing on 1 June 2009 and expiring on 31 December 2010. The details of which are summarized as follows:

No.	Real Estate Title Certificate No.	Building Usage	No. of Storeys	GFA (sq.m.)
1	Yue Fang Di Zheng Zi No. 1677758	Dormitory	6	7,744.55
2	Yue Fang Di Zheng Zi No. 1677764	Workshop	3	12,138.00
3	Yue Fang Di Zheng Zi No. 1677765	Dormitory	7	4,476.72
			<b>Total:</b>	<b>24,359.27</b>

6. Pursuant to a Business License (企業法人營業執照), Registration No. 441900400067417 (註冊號: 441900400067417), dated 15 May 2008 issued by Dongguan City Business Administration Bureau (東莞市工商行政管理局), Dongguan Hung Yip was established on 30 June 1993 with a registered capital of HK\$125,480,000 and the operation period is effective from 30 June 1993 to 29 June 2013 for the business of production and sales of leather shoes, sports shoes, boots, sandals, baby shoes, etc.
7. Pursuant to a Business License (企業法人營業執照), Registration No. 441900400067409 (註冊號: 441900400067409), dated 25 December 2007 issued by Dongguan City Business Administration Bureau (東莞市工商行政管理局), Hung Fa Shoes was established on 30 June 1993 with a registered capital of HK\$86,290,000 and the operation period is effective from 30 June 1993 to 29 June 2013 for the business of production and sales of soles and moulds of shoes.
8. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:
- |  |     |
|--|-----|
| State-owned Land Use Rights Certificates | Yes |
| Real Estate Title Certificates           | Yes |
| Business Licenses                        | Yes |
9. The opinion given by the PRC legal advisor — Peking Shouchuang Lawyer's Agency, Dongguan Branch dated 10 August 2009 to the Group is as follows:
- The land use rights and building ownership rights are legally vested in Dongguan Hung Yip and Hung Fa Shoes;
  - Within the term of the land use rights of the property, Dongguan Hung Yip and Hung Fa Shoes are entitled to use, occupy, transfer, lease and mortgage the land use rights and building ownership rights of the property; and
  - The property is not subject to mortgage or any other third party interests.
10. We have prepare our valuations based on the following assumptions:
- All land premium and other costs of ancillary utility services have been settle in full; and
  - The design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorises.
11. As advised by the Group, the book cost of the property as at 31 March 2009 was US\$3,600,000.
12. As advised by the Group, Dongguan Hung Yip and Hung Fa Shoes are wholly-owned subsidiaries of the Group.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009 RMB
2.	An industrial complex (known as Ping Hu Shoes City) located at No. 2 Jin Cheng Road, Fu Cheng Ao Village, Ping Hu Town, Long Gang District, Shenzhen, Guangdong Province, The PRC	The property comprises two land parcels with a total site area of approximately 16,230 sq.m. (or about 174,700 sq.ft.) upon which 8 low- to medium-rise buildings completed in between 1993 to 1997 were erected.  The total gross floor area (“GFA”) of the 8 buildings of the property is approximately 38,172 sq.m. (or about 410,883 sq.ft.).	The property was vacant as at the date of valuation.	No Commercial Value  (100% interest attributable to the Group: Nil)
		Government rent is not applicable to the PRC properties. However, the property is subject to land use tax and property tax.		

*Notes:*

- Pursuant to a Land Use Rights Leasing Contract (土地使用權租賃合同) and a Land Use Rights Transfer Agreement (土地使用權有償轉讓協議書) entered into between Village Committee of Fucheng Pinghu Town, Longgang District, Shenzhen City (深圳市龍崗區平湖鎮輔城坳村委) (“Fucheng Village Committee”) and Kenmate Industrial Limited (漢添實業有限公司) (“Kenmate”) dated 1 February 1993, the land use rights of a parcel of industrial land of 12,370 sq.m. located in Lang Di Area of Fuchengao Village (輔城坳村狼地地段) were leased to Kenmate for a term of 50 years with the expiry date on 31 January 2043 at a premium of HK\$1,237,000 with a unit rate of HK\$100 per sq.m.
- Pursuant to a Supplementary Land Leasing Agreement (租用土地補充協議) entered into between Fucheng Village Committee and Kenmate dated 8 September 1993, the actual size of the parcel of land as mentioned in the Land Use Rights Leasing Agreement (the “TA”) as stated in Note 1 is 360 sq.m. larger than the original size of 12,370 sq.m. stated in the TA after on-site measurement. Kenmate agreed to pay an extra premium of HK\$54,000 with a unit rate of HK\$150 per sq.m. to Fucheng Village Committee for leasing the additional 360 sq.m. of land.
- Pursuant to a Land Transfer Contract (土地轉讓合同) entered into between Qun Yi Industrial Holdings Limited (群益實業股份有限公司) (“Qun Yi”) and Kenmate dated 5 December 1996, the land use rights of a parcel of land with a site area of 3,500 sq.m. were contracted to be transferred from Qun Yi to Kenmate for a term of 50 years with the expiry date on 4 December 2056 at a consideration of RMB525,000 with a unit rate of RMB150 per sq.m.

4. Pursuant to a Confirmation Letter of Land and Buildings of Ping Hu Shoes City (平湖鞋城土地及建築物確認書), prepared by Kenmate on 2 September 1998, the documents stated in Notes 1 to 3 and the details of the 8 buildings of the property were confirmed by the People's Government of Pinghu Town, Longgang District, Shenzhen City (深圳市龍崗區平湖鎮人民政府) on 10 October 1998. The details are shown as follows:

a. 8 buildings of the property erected by Kenmate upon the parcels of land as stated in Notes 1 to 3 were completed in between 1993 to 1997. The particulars of which are summarized as follows:

No.	Building Usage	No. of Storeys	GFA (sq.m.)
1	Workshop No. 1	6	12,675
2	Workshop No. 2	5	7,733
3	Dangerous Warehouse	1	143
4	Generator Room	1	295
5	Senior Staff Quarter	6	2,188
6	Dormitory	6	6,679
7	New Dormitory	6	5,197
8	New Dormitory	4	3,262
<b>Total:</b>			38,172

- b. The ownership of the 8 buildings of the property belongs to Kenmate during the 50 years' lease term. Notification must be sent to Fucheng Village Committee if Kenmate would like to transfer the land use rights or lease the buildings of the property and Fucheng Village Committee shall assist Kenmate to conduct the relevant registration, if necessary.
5. Due to the absence of State-owned Land Use Rights Certificates and Building Ownership Certificates, we have attributed no commercial value to the property.
6. The opinion given by the PRC legal advisor — Peking Shouchuang Lawyer's Agency, Dongguan Branch dated 10 August 2009 to the Group is as follows:
- a. According to the Land Administration Law of the People's Republic of China, Kenmate has the rights to use the land parcels and buildings of the property;
- b. As there are no land use rights certificates and building ownership certificates been obtained, Kenmate is not entitled to transfer, lease and mortgage the property; and
- c. The property does not constitute a grant of land by the relevant authority of the PRC government and it is unlikely that the application of the legal title of the property can be successful.
7. As advised by the Group, the book cost of the land and building of the property as at 31 March 2009 was approximately US\$3,500,000 and was nil after depreciation and impairment nil.
8. As advised by the Group, Kenmate is a wholly-owned subsidiary of the Group.

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**2. DISCLOSURE OF DIRECTORS' INTERESTS**

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company ("Model Code") were as follows:

**Long position in Shares**

<b>Name of directors</b>	<b>Number of Shares held/interested</b>	<b>Percentage of issued share capital</b>
LEE Chi Keung, Russell ("Mr. Lee")	203,581,484 ( <i>Note</i> )	59.76%
YU Mee See, Maria ("Ms. Yu")	203,581,484 ( <i>Note</i> )	59.76%

*Note:*

The interests of 203,581,484 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. 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, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### 3. SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executives of the Company) who had interests or short positions, if any, in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group were as follows:

#### Long position in Shares

Name	Number of Shares held, capacity and nature of interest			Percentage of issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Wonder Star Securities Limited (“Wonder Star”) (Note)	92,977,184	110,604,300	203,581,484	59.76%
Top Source Securities Limited (“Top Source”)	110,604,300	—	110,604,300	32.47%

*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.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such capital.

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation).

#### **5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2009, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

## 6. MATERIAL CONTRACTS

No contracts (not being contracts entered into in the ordinary course of business) except for the Sale and Purchase Agreement as referred to in this circular which have been entered into by the Company or its subsidiaries within the two years immediately preceding the Latest Practicable Date, which are or may be considered to be material.

## 7. LITIGATION

So far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

## 8. QUALIFICATION OF EXPERTS AND CONSENTS

The following sets out the qualification of the experts who have given opinions or advice in this circular:

<b>Name</b>	<b>Qualification</b>
Grand Cathay	A licensed corporation registered under the SFO which engages in Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (assets management) regulated activities under the SFO
BMIA	Independent Qualified Valuer

As at the Latest Practicable Date, each of Grand Cathay and BMIA did not have any shareholding directly or indirectly in any member of Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, each of Grand Cathay and BMIA did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2009, the date of which the latest published audited consolidated financial statements of the Group were made up.

Each of Grand Cathay and BMIA has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its name in the form and context in which it appears.

**9. GENERAL**

- (a) The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is situated at Block C, 1st Floor, Wong King Industrial Building, 2-4 Tai Yau Street, Sanpokong, Kowloon, Hong Kong.
- (b) The Company's Hong Kong share registrar and transfer office is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The secretary of the Company is Ms. Yu Mee See, Maria who is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's head office and principal place of business in Hong Kong at Block C, 1st Floor, Wong King Industrial Building, 2-4 Tai Yau Street, Sanpokong, Kowloon, Hong Kong during normal business hours on any week day (except public holidays) from the date of this circular up to and including 15 September 2009 and will also be available for inspection at the SGM:

- (a) the Sale and Purchase Agreement;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual reports of the Company for each of the two years ended 31 March 2008 and 2009;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (e) the letter from Grand Cathay, the text of which is set out on pages 15 to 24 of this circular;

- (f) valuation report from BMIA, the text of which is set out on pages 26 to 35 of this circular;
- (g) the written consents referred to in the section headed “Qualification of Experts and Consents” in this Appendix; and
- (h) this circular of the Company date 13 August 2009.

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## NOTICE OF SGM

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### **KTP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 645)**

### **NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting of KTP Holdings Limited (the “Company”) will be held on Tuesday, 15 September 2009 at 11:00 a.m. at Block C, 1st Floor, Wong King Industrial Building, 2-4 Tai Yau Street, Sanpokong, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the payment of a special dividend of HK\$0.3 for each ordinary share in the issued capital of the Company held by the shareholders whose names appear on the register of members of the Company as at 15 September 2009 payable at such time and date as the directors of the Company (the “Directors”) may, in their absolute discretion determine, be and is hereby approved and the sale and purchase agreement dated 22 July 2009 entered into between the Company and Peak Rise Holdings Limited (the “Purchaser”) pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire the entire issued share capital of KTP (BVI) Company Limited (a wholly-owned subsidiary of the Company) and the shareholder’s loan in the amount of US\$4,570,719 due from KTP (BVI) Company Limited to the Company, at a total consideration of US\$18 million (the “Sale and Purchase Agreement”, a copy of which has been produced to this meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved and the execution of the Sale and Purchase Agreement by a Director be and is hereby approved, confirmed and ratified in all respects; and

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## NOTICE OF SGM

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- (b) the Directors (or any one of them) be and are hereby authorized to take such steps, make such arrangements, do all such acts and things and exercise such discretion in connection with, relating to or arising from the matters contemplated herein, as they/he/she may from time to time consider necessary, desirable or expedient to give effect to such matters and this resolution as they/he/she may deem fit.”

By the Order of the Board  
**YU Mee See, Maria**  
*Company Secretary*

Hong Kong, 13 August 2009

*Notes:*

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.
- (3) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (4) In the case of joint registered holders of any shares of the Company, any one of such joint registered holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint registered holders be present at the meeting, either in person or by proxy, the vote of that one of them so present, either in person or by proxy, whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).
- (5) The register of members will be closed from Tuesday, 8 September 2009 to Tuesday, 15 September 2009, both days inclusive, during which no transfer of shares will be effected. In order to be qualified for the proposed special dividend and to attend and vote at the meeting, all transfer documents, accompanied by the relevant shares certificates, must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later 4:00 p.m. on Monday, 7th September 2009.
- (6) A circular dated 13 August 2009 giving details of the Sale and Purchase Agreement have been sent to the Company's shareholders.

*As at the date of this notice, the board of Directors comprises Mr. LEE Chi Keung, Russell and Ms. YU Mee See, Maria as executive Directors and Mr. NG Wai Hung, Mr. LEE Siu Leung and Mr. YUEN Sik Ming as independent non-executive Directors.*