



KTP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

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INTERIM RESULTS

The board of directors (the “Board”) of KTP Holdings Limited (the “Company”) is pleased to present the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2001 together with the unaudited comparative figures for the corresponding period in 2000 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2001

		Six months ended	
		30th September,	
		2001	2000
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	350,972	521,175
Cost of sales		(325,485)	(461,562)
Gross profit		25,487	59,613
Other revenues		9,370	4,726
Administrative expenses		(31,298)	(36,242)
Operating profit before finance cost	3	3,559	28,097
Finance cost		(9)	(82)
Profit before taxation		3,550	28,015
Taxation	4	(46)	(196)
Profit attributable to shareholders		<u>3,504</u>	<u>27,819</u>
Earnings per share	5	<u>1.0 cents</u>	<u>8.2 cents</u>

There are no other recognised gains or losses arising in the six months ended 30th September, 2001 (2000: Nil) apart from the profit shown above, therefore a separate statement of recognised gains and losses is not presented.

Interim Report

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2001

		30th September 2001 (Unaudited) HK\$'000	31st March 2001 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Fixed assets		108,932	119,855
Non-consolidated subsidiaries		—	—
Investment securities		7,499	7,499
Rental advances		774	1,718
		117,205	129,072
Current assets			
Inventories		91,164	104,027
Accounts receivable and deposits	6	66,712	98,358
Bills receivable		20,773	13,314
Current portion of rental advances		2,175	2,025
Amount due from a related company		—	1,318
Bank balances & cash		146,293	109,488
		327,117	328,530
Current liabilities			
Accounts payable and accruals	7	103,812	119,819
Bills payable		4,233	5,121
Taxation payable		136	90
Bank overdrafts, unsecured		1,053	988
		109,234	126,018
Net current assets		217,883	202,512
Net assets		335,088	331,584
Financed by:			
Share capital	8	153,277	153,277
Reserves		181,811	178,307
Shareholders' funds		335,088	331,584

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th September, 2001

	Six months ended	
	30th September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	36,825	63,492
Net cash inflow from returns on investments and servicing of finance	1,878	579
Taxation paid	—	(223)
Net cash outflow from investing activities	(1,963)	(6,322)
Increase in cash and cash equivalents	36,740	57,526
Cash and cash equivalents at 1st April	108,500	33,475
Cash and cash equivalents at 30th September	<u>145,240</u>	<u>91,001</u>
Analysis of balance of cash and cash equivalents		
Bank balances & cash	146,293	91,907
Bank overdrafts	(1,053)	(906)
	<u>145,240</u>	<u>91,001</u>

NOTES TO THE INTERIM ACCOUNTS

1. Principal accounting policies

The unaudited condensed consolidated interim accounts ("Interim Accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31st March, 2001.

The Interim Accounts should be read in conjunction with the annual report of the Company for the year ended 31st March, 2001.

2. Segment information

The Group is principally engaged in one business segment, which is the manufacture of athletic and sports leisure footwear products.

An analysis of the Group's turnover for the period by geographical markets is as follows:

	Six months ended	
	30th September,	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
By geographical markets:		
United States of America	172,338	305,840
Europe	93,556	94,350
Asia	65,010	78,514
Canada	5,434	9,026
Other areas	14,634	33,445
	<u>350,972</u>	<u>521,175</u>

An analysis of the contribution to operating profit by geographical markets is not presented as the contribution to profit from each geographical market is in line with the ratio of operating profit to turnover achieved by the Group.

3. Operating profit before finance cost

Operating profit before finance cost is arrived at after crediting/(charging) the following:

	Six months ended	
	30th September,	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Crediting		
Interest income	1,955	662
Exchange gain	1,398	834
Rental income	2,004	1,163
Charging		
Staff costs	(65,462)	(72,151)
Depreciation	(12,933)	(16,997)
Operating lease rentals for land and buildings	(1,641)	(1,859)
	<u> </u>	<u> </u>

4. Taxation

No provision for Hong Kong profits tax has been made as the Group has no assessable profits for the period (2000: Nil). Overseas taxation has been calculated based on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

5. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$3,504,000 (2000: HK\$27,819,000) and weighted average of 340,616,934 (2000: 340,616,934) shares in issue during the period.

No fully dilutive earnings per share is shown as the Company has no potential dilutive ordinary shares as at 30th September, 2001 and 2000.

Interim Report

6. Accounts receivable and deposits

	30th September 2001 (Unaudited) HK\$'000	31st March 2001 (Audited) HK\$'000
Accounts receivable (<i>Note</i>)	64,522	94,378
Prepayments and deposits	2,190	3,980
	<u>66,712</u>	<u>98,358</u>

Note:

The Group allows an average credit period of 30 to 60 days to its trade customers and the ageing analysis of accounts receivable (net of provisions for bad and doubtful debts) was as follows:

	30th September 2001 (Unaudited) HK\$'000	31st March 2001 (Audited) HK\$'000
Current to 30 days	57,314	67,504
31-60 days	1,510	24,576
Over 60 days	5,698	2,298
	<u>64,522</u>	<u>94,378</u>

7. Accounts payable and accruals

	30th September 2001 (Unaudited) HK\$'000	31st March 2001 (Audited) HK\$'000
Accounts payable (<i>Note</i>)	52,089	75,805
Accruals	51,723	44,014
	<u>103,812</u>	<u>119,819</u>

Note:

At 30th September, 2001, the ageing analysis of accounts payable was as follows:

	Group	
	30th September 2001 (Unaudited) HK\$'000	31st March 2001 (Audited) HK\$'000
Current to 30 days	43,021	35,036
31-60 days	7,652	26,632
Over 60 days	1,416	14,137
	<u>52,089</u>	<u>75,805</u>

8. Share Capital

		Company	
		30th September	31st March
		2001	2001
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$	<i>HK\$</i>
Authorised:			
800,000,000 ordinary shares of HK\$0.45 each	(1)	<u>360,000,000</u>	<u>360,000,000</u>
Issued and fully paid:			
340,616,934 ordinary shares of HK\$0.45 each	(1)	<u>153,277,620</u>	<u>153,277,620</u>

Note:

- (1) On 1st November, 2001, the Company proposed a special resolution in its forthcoming special general meeting to be held on 26th November, 2001 to approve: (i) the reduction of the paid-up capital and nominal value of each issued share of the Company from HK\$0.45 to HK\$0.01; and (ii) the subdivision of unissued share of HK\$0.45 each to 45 shares of HK\$0.01 each. If the proposed special resolution is passed, the authorised share capital will be HK\$360,000,000 divided into 36,000,000,000 shares of HK\$0.01 each (the "Adjusted Shares"), of which 340,616,934 Adjusted Shares will be in issue.
- (2) Pursuant to a resolution passed at the board meeting on 25th July, 2001, the share option scheme (the "Scheme") of the Company, which was adopted on 2nd December, 1993 was terminated with immediate effect. The unexercised share options granted under the Scheme in prior years were cancelled on the same date.

9. Contingent Liabilities

	Company	
	30th September	31st March
	2001	2001
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Guarantees executed in favor of banks to secure banking and loan facilities granted to subsidiaries	10,463	22,269

10. Post balance sheet events

On 1st November, 2001, the Company proposed a capital reorganisation (the "Capital Reorganisation") for approval by shareholders of the Company at the Company's forthcoming special general meeting to be held on 26th November, 2001, under which:—

- (1) the paid-up capital and nominal value of each issued share of the Company ("Share") will be reduced from HK\$0.45 to HK\$0.01 by the cancellation of HK\$0.44 of the paid-up capital for each issued Share (the "Capital Reduction");
- (2) unissued share of HK\$0.45 each in the authorised share capital of the Company will be subdivided into 45 unissued shares of HK\$0.01 each;
- (3) the credit arising from the Capital Reduction will be utilised to eliminate part of the accumulated losses of the Company as at 31st March, 2001 (the "Accumulated Losses");
- (4) the entire amount of approximately HK\$ 272,516,000 standing to the credit of the share premium account of the Company will be utilised to eliminate part of the Accumulated Losses; and
- (5) an amount of approximately HK\$127,555,000 standing to the credit of the contributed surplus account will be applied to eliminate the balance of the Accumulated Losses.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th September, 2001 (2000: Nil).

BUSINESS REVIEW AND PROSPECT

For the six months ended 30th September, 2001, the Group's turnover decreased 33% to approximately HK\$351 million. The Group's profit attributable to shareholders for current six months period was approximately HK\$3.5 million, against approximately HK\$28 million for the corresponding period last year.

The Group's sales continue to be adversely affected by the severe competition and downward pricing pressure in the market. In addition, the global footwear market has been gloomy in year 2001 as a result of the slowdown of the worldwide economy. Business from the United States of America, the largest market for athletic shoes decreased 44% to approximately HK\$172 million for the six months period ended 30th September, 2001.

During the past few years, the Group's efforts on controlling costs and inventories as well as restructuring its production capacity has proved to be effective on driving greater operating efficiencies throughout the organization. However, the Group needs to create greater sales velocity.

The Group has always had a reputation for and is committed to producing high quality athletic shoes, which accounts for over 70% of the Group's turnover. In recent years, the Group has seen a shift of consumer preferences from traditional athletic shoes to fashionable athletic shoes as well as casual sport shoes, which the factors in relation to comfort and style have been becoming influential on consumers. With a view to reposition itself in the market in order to improve its product mix, the Group has already re-directed its sales and marketing strategies to capture the change in the athletic shoes industry. We believe that the Group's reputation on excellent quality and product management will enhance the Group's market competitiveness and therefore will bring in more business to the Group.

BUSINESS REVIEW AND PROSPECT *(Continued)*

Looking forward, we will remain observant in the way we view our business for the second half of fiscal 2001/2002 in light of these uncertain economic conditions. We will continue to adhere with our proven strategies, which are designed to tightly control the Group's inventories as well as minimizing its operating costs.

FINANCIAL AND LIQUIDITY POSITION

The Group continues to manage its business at the optimal level of inventory. At 30th September, 2001, the Group's inventories amounted to approximately HK\$91 million compared to approximately HK\$104 million on 31st March, 2001. The accounts receivable turnover remained healthy and the average turnover days for the Group was approximately 40 days as at 30th September, 2001.

As at 30th September, 2001, the Group had net current asset of approximately HK\$218 million, with bank balances and cash amounted to approximately HK\$146 million. The current ratio was 3.0 times and the total liabilities to shareholders fund ratio was 32.6% as at 30th September, 2001. Same as the corresponding period last year, the Group's had no bank borrowings except for a bank overdraft of approximately HK\$1 million and bills payable of approximately HK\$4 million. We believe that the Group has maintained sufficient working capital to finance its business operations.

RISK OF CURRENCY FLUCTUATION

The Group's receivables were denominated mainly in US dollars, and our manufacturing costs and expenses were mainly in Renminbi. Since Hong Kong dollar is pegged to US dollar and Renminbi is relatively stable, we consider the exchange risk not significant.

DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2001, the interests of the directors and their associates in the shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Directors	Personal interests	Family interests	Corporate interests	Total
Yang Tien Shen	—	—	105,792,570 shares (1)	105,792,570 shares
Lee Chi Keung, Russell	—	—	113,528,052 shares (2)	113,528,052 shares
Chiu Pou Sou, Peter	10,860,000 shares	—	—	10,860,000 shares
Yu Mee See, Maria	—	113,528,052 shares (2)	—	113,528,052 shares
Chen Chien Tsu	20,900,000 shares	—	—	20,900,000 shares
Yip Kwok Keung	219,300 shares	—	16,572,637 shares (3)	16,791,937 shares
Yip Tam Chui Yuk	—	16,791,937 shares (3)	—	16,791,937 shares

Notes:—

- (1) The corporate interests in shares are held by Viet-Fortune Investment Co., Ltd., a wholly-owned subsidiary of Ever Fortune Industrial Co., Ltd., a company listed on the Taiwan Stock Exchange Corporation. Mr Yang Tien Shen is the chairman of both Ever Fortune Industrial Co., Ltd. and Viet-Fortune Investment Co., Ltd..
- (2) The corporate interests of 113,528,052 shares represent 110,604,300 shares and 2,923,752 shares held by Top Source Securities Limited and Wonder Star Securities Limited respectively. Mr Lee Chi Keung, Russell ("Mr Lee") has a beneficial interest in both companies. In addition, Ms Yu Mee See, Maria, the wife of Mr Lee is deemed to have an interest in the said interest of Mr. Lee.
- (3) The corporate interests in shares are held by Gekeosco International Limited, a company in which Mr. Yip Kwok Keung ("Mr Yip") has a beneficial interest. In addition, Ms Yip Tam Chui Yuk, the wife of Mr Yip is deemed to be interested in the shares held by Mr Yip.

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Save as disclosed above and in the section "Directors' rights to acquire shares" below, as at 30th September, 2001, none of the directors and chief executives or their respective associates had any interests in the equity securities of the Company and its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to a resolution passed at the board meeting on 25th July, 2001, the share option scheme (the "Scheme") of the Company, which was adopted on 2nd December, 1993 was terminated with immediate effect. The unexercised share options granted under the Scheme in prior years were cancelled on the same date.

Apart from the Scheme mentioned above, at no time during the year, the directors or chief executives, including their spouse and children under 18 years of age, had been granted, or exercised, any rights to subscribe for shares of the Company and of its associated corporations as defined in the SDI Ordinance.

Save as disclosed above, at no time during the year was the Company or its subsidiary companies a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Name	Number of ordinary shares
Viet-Fortune Investment Co., Ltd.	105,792,570
Top Source Securities Limited	110,604,300

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th September, 2001. Neither the Company nor any of its subsidiaries has purchased or sold any shares of the Company during the six months ended 30th September, 2001.

EMPLOYEES

At 30th September, 2001, the Group had approximately 110 staff stationed in Hong Kong, Taiwan and the People's Republic of China ("PRC") as well as approximately 9,000 workers in the PRC factories. In addition to salaries, the Group provides certain benefits including a discretionary bonus programme, a provident fund scheme as well as an in-house training programme for its employees.

CONFLICT OF INTEREST AND CONNECTED TRANSACTIONS

As mentioned in the latest annual report of the Company, the Board is now reviewing the results of the investigation regarding a complaint against a former director of the Company, which alleged the former director's personal business interest in Brilliant Footwear Company Limited ("Brilliant") conflicted with his interest in the Company. The Company will make an announcement when there is any further development.

Certain subsidiaries of the Company entered into connected transactions with Brilliant during the period. These were entered into in the normal course of business with prices and terms which were determined with reference to the relevant industrial practices. Details of the transactions, classified in general nature of the transactions for the six months period ended 30th September, 2001, were as follows:

	Six months ended 30th September, 2001 (Unaudited) HK\$'000
Sale of raw materials	979
Subcontracting income for provision of poly clothing work	828
Subcontracting income for cutting and stitching work	<u>932</u>

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period for the six months ended 30th September, 2001 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except for the followings:

1. Independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Bye-Laws; and
2. Board meetings held on certain matters involving a potential conflict of interest for the former directors of the Company were not on every occasion, attended by full board members of the Company but by most of the executive directors and at least one non-executive director of the Company. In the opinion of the directors, this substantially meets the objective of the Code of Best Practice.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the Interim Accounts.

On behalf of the Board

Lee Chi Keung, Russell

Director

Hong Kong, 22nd November , 2001