

CHAIRMAN'S STATEMENT

Last year was a difficult year for KTP. Externally, the weakening worldwide economy, the trouble of global athletic shoes market and our decreasing market share caused our sales revenues declined to the lowest record since the history of KTP as a public company. Internally, a lack of continuity in leadership and a lack of aligned vision caused internal ineffectiveness and inefficiency.

Last year, however, was also a challenging year for KTP and myself, which I assume the position of Chairman of the Company and Chief Executive Officer of KTP after a successful management buy-out in late 2001. I understand that KTP faced countless difficulties in the past few years. Nevertheless, we have learnt important things through the evolution and it is now up to our new management team to move forward and to rebuild KTP based on its solid business framework, steady customer base and talented employees.

In order for our renaissance to take place, it is of vital importance to define key values and make commitments which will serve as a guidance for our future development. Here are our commitments:—

Commitment to customers — “Quick response and value creation”

Customers are the valuable assets of a company. We have been working hard to bring our products to an excellent level both in terms of quality and performance. Our effort has been highly commended by our major customers and it is our great honor to be presented with the “Best Factory Award” by Reebok recently.

We have adopted a proactive approach, which places great emphasis on “Quick Response” and “Value Creation” by actively anticipating and satisfying ever changing consumer needs. Our new Product Creation Center in the Mainland China is focused on providing value and creativity to our customers in terms of design, development and material support. Our implementation of concurrent engineering (i.e. integrate product design with manufacturing process) enables us to respond to customers’ requirements and the market needs more efficiently and quickly, which is key to timely and cost-effective creation of new products.

Commitment to employees — “Personal fulfillment and development”

We believe our employees are the major driving force behind KTP’s future expansion and achievements. Our success will only be assured by the continuous contributions of our people towards common goals.

We have deployed more resources to develop an internal communication network so as to share with our employees our corporate vision and business strategies, which we believe, will create a strong team spirit across KTP. We also publish a regular newsletter to update employees with KTP’s latest directives and staff recreational activities.

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Looking forward, more emphasis will be placed on employee development and personal fulfillment, which are crucial to developing talent for key operational roles and for the sustainable growth of KTP.

Commitment to suppliers — “Promote a sense of partnership”

The drive for efficient working capital management, quick response to increasingly sophisticated customer demand as well as cycle time improvement are the challenges the whole supply chain faces.

In the past few months, substantial management resources have been placed in improving the supply chain effectiveness. We aim at establishing strategic partnership with our main suppliers and strengthening the sourcing of materials in Mainland China.

We promote a sense of partnership with our suppliers, which stresses on cooperation and responsiveness. We encourage their early involvement in our product development so as to provide us with the first-hand information on new materials as well as to enable us to have effective control on material supply.

Commitment to shareholders — “March towards excellence”

A company's image and shareholder expectations are embedded with its stock price. In the past few years, the unsatisfactory stock performance of KTP reflected the existence of a significant disparity between our performance and the expectations of our shareholders.

We know that an improved short-term operational performance alone is not enough to enhance investors' perception of KTP. We must understand how current shareholder expectations relate to our own and provide them with a clear and integrated view of our business vision and corporate aspirations.

We are striving for continuous improvement and excellence performance and we believe our top level of integrity and commitment will contribute to our long-term success.

KTP has undergone a period of transition and it is now back on the right track. I am now ready to move ahead and will lead KTP into a new era: To Regain the Leadership Position in the Footwear Industry. There is no question that 2002/2003 will be another challenging year. However, I am confident that we can meet our commitments and deliver better financial results for our shareholders. I look forward to sharing our success with you in the future.

I would like to thank our employees for their efforts and commitment to our success.

Lee Chi Keung, Russell

Chairman

26th July 2002