



2003 is a year of positive transformation for KTP during which we have made remarkable progress in creating shareholders' value. The Group's turnover has increased by 25.1% compared to last year while earnings per share has doubled to HK\$0.16.

I would like to take this opportunity to present the Group's performance in response to the objectives that I have outlined in our last year's annual report and to share with you our vision and business strategies in the future.

Last year we have taken important steps to align the Group's future with the implementation of value-based management. I believe this will bring about long-term benefits to our customers, suppliers, employees and shareholders.

CUSTOMERS: CREATING VALUE

As I said in our last year's annual report, our objective is to fulfill our customers' wishes better and faster through "Quick Response" and "Value Creation".

During the year, our concurrent engineering development approach has helped us to collaborate with Reebok in developing a number of "Quick Response" projects, all of which yielding a high market value. For example, the Playoff for a NBA Player, Allen Iverson, with retail price of US\$100 has generated good response. The I3 Pressure priced at US\$75 also performed extraordinarily well when it was launched in April 2003 and is now one of the top selling shoes of Reebok. In addition, we are now working with Reebok to introduce a newer version of DMX technology for walking category, namely DMX-MAX, which is scheduled for launching very soon.

I firmly believe that our collaborative relationship with customers will enable us to create more exciting and innovative products that address market trends and help to create consumer demand.



CHAIRMAN'S STATEMENT

SUPPLIERS: LEVERAGING SUPPLY CHAIN VALUE

To provide our products to customer faster, cheaper and better, we realize that we cannot do it alone; rather, we must work on a cooperative basis with the best organizations in the supply chain in order to succeed.

During the year, we have focused on developing close relationships with all our supply chain partners to improve performance across the entire supply chain and provide a basis for future supply chain collaboration.

Based on the principle of mutual trust, co-existence and co-prosperity, we believe that by integrating the flows of information, materials, technology and resources in a supply chain, the whole supply chain can be transformed into a high-performing value system that will provide a competitive edge in the market.

EMPLOYEES: LEADING BY VALUE

To pursue our market driven strategy, KTP is now evolving from a pure product manufacturing organization into a sense-and-respond organization capable of anticipating the market of its products and delivering them at a competitive price.

Instead of a rigid hierarchical organizational structure, we are moving to establish a more integrated and value-focused organization that emphasizes cooperation, accountability, progressiveness and most of all, results-driven. Such a cultural transformation is crucial for KTP moving towards a higher-margin, higher-value organization.

It is an important challenge to all our employees. It requires communication, rethinking and most importantly, changing work rules across the whole organization. In order to align our business vision with employees' expectations, we have organized a series of training workshops to better communicate our vision, mission and core competencies. I hope all of them see clearly that this change would produce value from which they will benefit.





CHAIRMAN'S STATEMENT

SHAREHOLDERS: PURSUING OPTIMAL SHAREHOLDERS' VALUE

When I assumed the role of Chairman and CEO of KTP Holdings, I committed myself to achieving better financial returns for our shareholders. During the past year, we were able to streamline our operations and initiate a crucial turnaround of our stock price that increased more than 100% last year. However, as I mentioned before, an improved short-term operational performance alone is not enough to sustain the long-term corporate value and we must also focus on the long-term fundamentals to pursue optimal shareholders' value.

As illustrated above, we are making a better future for our employees by re-establishing a corporate culture. We are delivering a better business to our customers by creating value and enhancing our services to be more responsive to their needs. These, combined with our focus on improving supply chain management, demonstrate our long-term commitment to bringing higher returns for our shareholders. I am confident that our efforts to continuously strive for a sustained business growth and create shareholders' value will ultimately pay off.

In conclusion, I believe we are in a highly advantageous position to accelerate our business growth and we will continue to outperform our competition and increase our share in the footwear industry.

KTP is blessed with talented employees who work with a high level of integrity, intelligence and enthusiasm. On behalf of the board of directors, I would like to express my sincere gratitude to our employees for their dedication and continued support of KTP.

Lee Chi Keung, Russell

Chairman

Hong Kong, 23rd July 2003

