The Group's turnover has recorded an increase of 8.4% to HK$258.7 million with a rise in gross profit margin by 2.8 percentage points as compared to last year. Sales to the US market accounted for 84.8% of the Group's turnover, as compared with 83.9% last year. Profit attributable to shareholders amounted to approximately HK$1.7 million as compared to loss of HK$33.9 million last year. The basic earnings per share for the year was HK$0.4 cents.

Review of Operations

Sales to the largest customer accounted for 51.0% of the Group's turnover, as compared with 39.0% last year. The management is aware of the increased credit risk associated with such concentration of sales and the Group would widen the sales network in order to diversify its customer base in the future.

On the other hand, purchases from the largest supplier accounted for 65.3% of the Group's annual purchases, as compared to 26.9% last year. Such concentration of purchases was for negotiation with a major supplier of the Group for better terms. The Group would also widen the purchases network in order to diversify its supplier base in the future.

Export outerwear business

Gross profit margin has improved due to increased efforts on sourcing function and the increase in sales of down-filled garments which have a higher margin. Tighter budgetary control and continued cost cutting measures have been implemented.

PRC domestic business

HEAD's licensee business in the PRC has made progress as planned. The Group commenced the licensee business in September, 2002. Initial response from the market is positive. Gross profit margin of licensed products is much higher than that of export business.

Application of proceeds of the new issue

The remaining net proceeds of HK$30 million brought forward from the Company's new issue of shares in the year 1997 have not been spent and will continue to be reserved for investment opportunities related to the core business.

Prospects

Export outerwear business

The global economic climate is still difficult for the Group. In the long term, the competition will become more intense. Facing a difficult business environment, the Group would diversify into other markets in the future. The Group would also continue to implement certain measures, with a focus on reducing costs and improving operational efficiency.

Fall/Winter orders on hand for the year 2003/04 up to the end of June, 2003 amounted to HK$203 million, as compared to the same Fall/Winter orders of HK$246 million received up to the middle of July, 2002. US customers have made fewer purchases due to cautious consumer sentiment and competitive retail market. Regarding Spring orders for the year 2003/04, only small amount of orders has been received to date from customers.

PRC domestic business

The Group is selecting some suitable distributors for widening the distribution network of HEAD's licensee business in the PRC. The distribution network will cover the first tier cities such as Beijing, Shanghai and Guangzhou before early 2004. The network will be extended to cover most second tier cities like Shenyang, Dalian, Nanjing, Chongqing and Chengdu before the end of year 2004. Major strategies including increased marketing efforts and different product assortment and mix, have been implemented to further raise sales of each outlet. Certain measures have been implemented to control costs and improve overall operational efficiency.

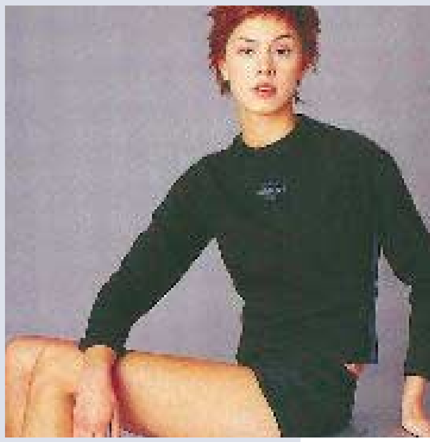
The management believes that the Group's results in the long run can be benefited from the licensee business. The market demand for sports and casual wear is growing rapidly due to the continued economic growth in the PRC. It is the government policy to encourage healthier lifestyle with more exercise and outdoor activities especially after the Severe Acute Respiratory Syndrome incident. The enthusiasm of people towards sport will gradually increase as a result of the approach of the Year 2008 Beijing Olympic Games.

As a result, the Group is actively negotiating with owners of other international sports brands in order to obtain the license for manufacture and distribution in the PRC. The negotiation is expected to be finalised by the end of September, 2003.

Liquidity and Financial Resources

The Group generally finances its operations with its own working capital, and import-related and other banking facilities provided by its principal bankers in Hong Kong. Total net cash inflow generated from operations amounted to HK$24.9 million for the year ended 31st March, 2003.

The Group's net borrowings representing bank loans and overdrafts and obligations under finance leases amounted to approximately HK$16,336,000 (2002: HK$39,148,000). Of the total amounts of bank loans and overdrafts and obligations under finance leases outstanding as at the year end, 70.2% (2002: 62.2%) are repayable within the next year, 25.6% (2002: 26.1%) are repayable within the second year with the remaining balance repayable in the third to fifth year, inclusive. The Group's bank loans and overdrafts are subject to floating interest rates while obligations under finance leases are at fixed interest rates.

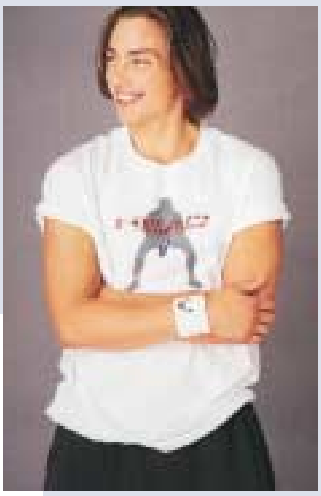


The ratio of current assets to current liabilities of the Group was 3.0 at 31st March, 2003 compared to 2.2 at 31st March, 2002. The Group's gearing ratio at 31st March, 2003 was 0.4 (2002: 0.8) which is calculated based on the Group's total liabilities of HK$23,649,000 (2002: HK$50,376,000) and the shareholders' funds of HK$65,573,000 (2002: HK$64,939,000). As at 31st March, 2003, the Group's cash and bank balances amounted to HK$35,175,000 compared to HK$34,682,000 at 31st March, 2002. The cash and bank balances together with available banking facilities are considered sufficient to provide adequate liquidity and capital resources for the Group's ongoing operating requirements.

As the Group's earnings and borrowings are primarily denominated in United States dollars, Hong Kong dollars and Renminbi, it has no significant exposure to foreign exchange rate fluctuations. A majority of bank savings was placed into several banks as foreign currency linked deposits which are subject to foreign exchange rate fluctuations.

Charge of Assets

As at 31st March, 2003, the first legal charge over investment properties and leasehold land and buildings in Hong Kong held by the Group with an aggregate carrying value of HK$26,343,000 (2002: HK$26,681,000) and certain bank deposits of the Group amounting to HK$2,035,000 (2002: Nil) were pledged for the Group's banking facilities.



Contingent Liabilities

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. Such facilities utilised as at 31st March, 2003 amounted to HK$15,977,000 (2002: HK$37,915,000).

Employees

As of 31st March, 2003, the Group had a total of approximately 130 employees. This compared to 73 employees as of 31st March, 2002. The increase in the number of employees was due to the recruitment of new employees by the joint venture enterprise which is a subsidiary of the Group in Wuhan for HEAD's licensee business. Staff costs including directors' remuneration totalled HK$21.0 million and HK$22.5 million for the year ended 31st March, 2003 and 2002, respectively. Despite the increase in the number of employees, staff costs including directors' remuneration has decreased due to the termination of e-business services by the Group in October, 2001.

The Group remunerates its employees primarily based on industry practices, including contributory provident funds, insurance and medical benefits. The Group has also adopted a discretionary bonus programme for management and staff with awards determined annually based upon the performance of the Group and individual employees.

Appreciation

On behalf of the Board, I would like to thank our business partners and shareholders for their continued support and to express my appreciation to all managers and staff for their dedication.

Wong Tek Sun, Takson

Chairman

Hong Kong, 8th July, 2003