

Chairman's Statement



Dear Shareholders,

The financial year ended 31 March 2003 has been a landmark year of Hang Ten. During the year, the shares of the Company were listed on The Stock Exchange of Hong Kong Limited by way of introduction.

OPERATING RESULTS

The Group has endeavoured to improve sales while maintaining profit margin. The Group recorded a turnover of US\$174,390,000 for the year ended 31 March 2003. This represented an increase of 9.4% over the previous year on a year on year basis. Profit attributable to shareholders was US\$9,765,000, an increase of 14.1%. Gross margin, on a consolidated basis, improved from 49.6% to 53.3%. Overall, this has been a successful year in spite of an increasingly competitive retail environment.

DIVIDEND

The board of directors proposed a final dividend for the year ended 31 March 2003 to the holders of ordinary shares of the Company whose names appear on the register of members of the Company on 12 August 2003 and is subject to the approval by the shareholders in the forthcoming annual general meeting. The total amount of the proposed final dividend is HK\$8,160,000 (equivalent to approximately US\$1,046,000). Based on 27,200 million of ordinary shares in issue as at 23 July, 2003, a final dividend of Hong Kong cent 0.03 per share (equivalent to approximately United States cent 0.0038 per share) will be payable to the shareholders.

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RETAIL OPERATION

The Group owns the “Hang Ten” trademark globally. Most of the sales revenue of the Group have been generated from the retail of “Hang Ten” brand products. About 97.7% of the Group’s turnover for the year ended 31 March 2003 was derived from the apparels retail and distribution operation. As at 31 March 2003, the Group had a total of 396 retail outlets in Taiwan, South Korea, Philippines, Singapore, Malaysia and Macau. Revenues generated from the retail and distribution operation for the year ended 31 March 2003 amounted to US\$170,418,000.

During the year, the Group increased its effective equity interest in its subsidiary in South Korea from 67.9% to 89.2% as the directors considered the South Korean market had a huge room of expansion. 27 new outlets were opened during the year. Sales attributed to the South Korean market grew by over 50% to US\$45,267,000 for the year ended 31 March 2003.

In an effort to expand its market, the Group set up retail operation in Malaysia during the year. As the operation in this market is still in early development stage, revenue generated from sales in this market amounted to only US\$1,018,000 for the year ended 31 March 2003.



LICENSING OPERATION

The licensing division of the Group is responsible for the management of the trademarks owned by the Group. In addition to the “Hang Ten” trademark, the Group also owns the “Lightning Bolt” trademark and “OZZY” trademark. The Group has granted licenses to licensees the right to design, manufacture and sell products bearing the trademarks owned by the Group. The Group has established an international network of licensees covering a number of countries in Asia, Australia, South America and Europe and in the United States. The licensing operation provides a steady income to the Group and has helped to build a global brand image for the Group’s products. For the year ended 31 March 2003, the licensing operation generated licensing income of US\$3,972,000.

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FUTURE PLANS AND PROSPECT

"Hang Ten" is a well established brand originated in the United States and is well recognized internationally. The directors believe that the Asian market for apparel and accessories is large and consider the Group's business strategy of offering distinctive, contemporary and quality merchandise to the market presents the Group with opportunities for future growth.

The directors expect the retail environment will remain very competitive. The Group will continue its strategy of improving sales while maintaining profit margins. We shall expand our operation in high growth markets and shall concentrate our effort in improving profit margin in more mature markets. To achieve these objectives, our merchandising teams and design teams will continue their alertness to changes in consumer tastes and adjust our merchandise in a timely basis and to provide a wide range of quality merchandise.

Building on the momentum of our growth in sales in South Korea, the Group will continue to expand the South Korean market aggressively by establishing more retail outlets. The Group will continue to develop the Malaysian market and the directors expect that this market will generate a more significant revenue to the Group in the coming years.

The Taiwan market is currently the largest market of the Group and we have established a leading position there. We shall focus on consolidating our position and improving our profit margin in this market. Under-performing outlets will be closed and relocated to more promising locations.

Our licensing operation has been providing a steady stream of revenue to the Group. To leverage on the public's recognition of the "Hang Ten" brand and utilizing our brand management expertise, the Group plans to develop new licensees and new product lines. The Group will increase its effort in the development of other brands owned by the Group. Through such effort, the Group aims to expand its international network of licensees and to generate more income from the licensing operation.

APPRECIATION

On behalf of the board of directors, I would like to express our sincere appreciation to all the staff of the Group. I would like to thank our shareholders, suppliers, bankers and customers for their continuous support.

Chan Wing Sun

Chairman

23 July 2003