

## Chairman's Statement

### Dear Shareholders,

The financial year ended 31 March 2004 has been a successful year for Hang Ten. The Group continued to experience growth in sales and profitability.

### OPERATING RESULTS

The Group owns the "Hang Ten" trademark and operates over 400 retail outlets. For the year ended 31 March 2004, turnover of the Group which comprised of sales of apparel and trademark licensing income, increased by 5.4% over the previous year to US\$183,747,000. Gross profit increased by 4.4% to US\$97,002,000. Gross margin decreased slightly from 53.3% to 52.8%. Net profit attributable to shareholders was US\$11,240,000, representing an increase of 15.1%. Net profit margin increased from 5.6% for the year ended 31 March 2003 to 6.1% for the year ended 31 March 2004.

To further consolidate the structure of the Group, in February 2004, the Group acquired the remaining 2.99% equity interest in ILC International Corporation from its minority shareholders. Following the acquisition, ILC International Corporation, which is the intermediary holding company of the major operating subsidiaries of the Group, became a wholly-owned subsidiary of the Group.

### DIVIDEND

The board of directors proposed a final dividend of Hong Kong cent 0.04 (equivalent to approximately United States cent 0.0051) per share for the year ended 31 March 2004 to the holders of ordinary shares of the Company whose names appear on the register of members of the Company on 13 August 2004 and is subject to the approval by the shareholders in the forthcoming annual general meeting.

### RETAIL OPERATION

The Group operates over 400 retail outlets in Asia. Most of the sales revenue of the Group have been generated from the retail of "Hang Ten" brand products. About 97.5% of the Group's turnover for the year ended 31 March 2004 was derived from the apparels retail and distribution operation. The Group has continued to expand its retail network. As at 31 March 2004, the Group had a total of 412 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 2004 amounted to US\$179,092,000.



## Chairman's Statement *(continued)*

### LICENSING OPERATION

The licensing division of the Group is responsible for the management and licensing 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 licences to licensees the right to design, manufacture and sell products bearing the trademarks owned by the Group. It 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. For the year ended 31 March 2004, the licensing operation generated licensing income of US\$4,655,000.



### FUTURE PLANS AND PROSPECT

"Hang Ten" is a well established brand originated in the United States in the 1960's. It is well recognized internationally. The directors believe the Group's business strategy of offering distinctive, contemporary and quality merchandise to the market presents the Group with opportunities for future growth.

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 will continue to develop new licensees. In June 2004, the Group granted to Itochu Corporation the licence right of the "Hang Ten" trademark in Japan for a period of ten years for a lump sum upfront fee. This will provide a steady contribution to the Group's revenue. The Group will also increase its effort to develop other new licensees. Through such effort, the Group aims to expand its international network of licensees and to generate more income from the licensing operation.



The Group will continue to expand its retail network and will continue its strategy of improving sales while maintaining profit margins.

Taiwan is the largest market of the Group. The Group has established itself as one of the leading retailers in Taiwan. To consolidate its leading position, the Group will continue to strengthen its market penetration. New outlets will be opened with special focus on newly developed residential or commercial districts and suburban area. Product ranges will also be expanded and existing product line such as clothing for baby and small kids will be enhanced to attract new customers. Along with the improvement in the Taiwan economy, the directors believe that the Taiwan operation will continue to grow and achieve satisfactory result.

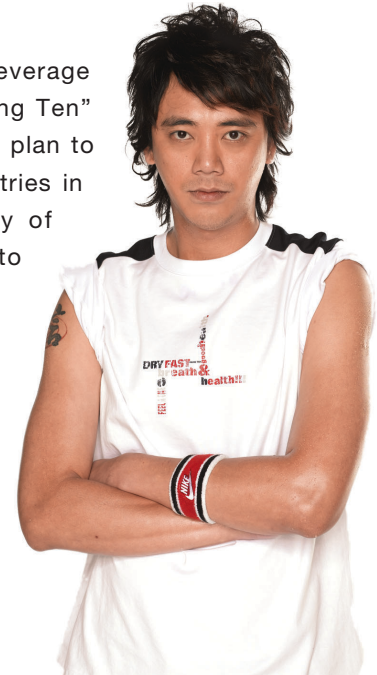
## Chairman's Statement *(continued)*



The directors believe that South Korea is a promising market despite a decline in consumer spending as a result of the tightening of consumer credit in South Korea in 2003. The Group will continue to expand the South Korean market by opening up more stores.

The Group will gradually expand its retail network in the Philippines, Singapore and Malaysia and contribution from these markets will become more significant.

The directors believe that the Group can leverage on the internationally well-recognized "Hang Ten" to expand into new market. The directors plan to expand the Group's retail network to other countries in Asia and America and will explore opportunity of setting up retail operations in new markets to provide further growth to the Group.



### 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, our suppliers, our bankers and our customers for their continuous support.

**Chan Wing Sun**  
*Chairman*

23 July 2004