

Chairman's Statement

Dear Shareholders,

The financial year ended 31 March 2005 is another successful year of the Group as the Group continued to experience growth in sales and profitability for the year.

OPERATING RESULTS

The Group owns the "Hang Ten" trademark and operates about 450 retail outlets. On the back of the growth in sales in the Group's major markets, turnover of the Group grew by 15.9% to US\$212,955,000. Profit attributable to shareholders was US\$16,378,000, an increase of 45.7% from the previous year. Gross margin rose to about 54.3%, representing an increase of 1.5 percentage points from last year. Net profit margin increased from 6.1% for the year ended 31 March 2004 to 7.7% for the year ended 31 March 2005.

Building on the strong brand recognition of the "Hang Ten" brand in the United States, during the year, the Group set up a new subsidiary in the United States to establish and develop retail operations in the United States. A management team with extensive retailing experience in the United States was set up. Significant progress has been made and our first store in the United States was opened in April 2005.

DIVIDEND

The board of directors proposed a final dividend of Hong Kong 5.0 cents (equivalent to approximately United States cent 0.64) per share for the year ended 31 March 2005 to the holders of ordinary shares of the Company whose names appear on the register of members of the Company on 12 August 2005 and is subject to the approval by the shareholders in the forthcoming annual general meeting.

RETAIL OPERATION

The Group operates about 450 retail outlets in Asia. Most of the sales revenues of the Group have been generated from the retail of "Hang Ten" brand products. About 97.9% of the Group's turnover for the year ended 31 March 2005 was derived from the apparels retail and distribution operation. Revenue generated from the retail and distribution operation for the year ended 31 March 2005 amounted to US\$208,575,000.

LICENSING OPERATION

The licensing division of the Group is responsible for the management and licensing of the trademarks owned by the Group. 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 2005, the licensing operation generated licensing income of US\$4,380,000.

FUTURE PLANS AND PROSPECT

"Hang Ten" is a well established brand originated in the United States in the 1960's and is well recognized internationally. The directors believe that the brand has a large market potential 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 Group will continue to leverage the well recognition of "Hang Ten" as an international brand and utilize the Group's worldwide licensing network to explore growth opportunities in existing markets and new markets.



Chairman's Statement (continued)



The Group's development of the United States retail operation is well underway. Our first store in the United States was opened in April 2005. The Group presently plans to open about 20 new stores within the forthcoming financial year. The directors believe that the carefree, West Coast image conveyed by the "Hang Ten" brand will be attractive to many consumers, especially teenagers who are drawn to the popular culture of Southern California.

To foster the international image of the "Hang Ten" brand and recognising the positive impact on the retail sector brought about by increasing number of tourists from China, the Group plans to establish a retail network in Hong Kong. Six outlets have been established since April 2005. The directors believe that the presence of the Group in Hong Kong will further strengthen the "Hang Ten" brand's global image.



The Group has established itself as one of the leading retailers in Taiwan. To consolidate its leading position, the Group will continue to increase its market penetration. New outlets will be opened with special focus on newly developed residential or commercial districts and suburban area. Product lines will also be expanded and enhanced to attract new customers. The Group believes that Taiwan will remain the most significant market of the Group.

Building on the satisfactory performance of the South Korea market, the Group will continue to expand this market. New outlets will be opened to expand the retail network to increase market penetration. The directors believe that South Korea is a promising market and will continue to grow.

While the Group's operations in the Philippines, Singapore and Malaysia remain relatively small comparing to the other markets, these markets have provided positive contributions to the Group. The Group will continue to expand the retail network in those territories to increase their contributions to the Group.

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. Through such effort, the Group aims to expand its international network of licensees and to generate a steady income from this 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, our suppliers, our bankers and our customers for their continuous support.

Chan Wing Sun
Chairman

20 July 2005