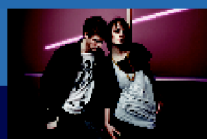


 HANG TEN



2007

Interim Report



Hang Ten Group Holdings Limited

(Incorporated in Bermuda with Limited Liability)

stock code : 478

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## CORPORATE INFORMATION

### Executive Directors

Chan Wing Sun  
Hung Kenneth  
Kao Yu Chu  
Wang Li Wen

### Independent Non-executive Directors

Cheung Yat Hung Alton  
Kwong Chi Keung  
So Hon Cheung Stephen

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Principal Place of Business in Hong Kong

Room 912, 9th Floor  
Stanhope House  
734 King's Road  
Quarry Bay

### Principal Place of Business in Taiwan

International Commercial Building  
8th Floor, No. 23, Sec 1  
Chang An E. Road  
Taipei  
Taiwan

### Company Secretary

Lee Kin Keung Lawrence

### Auditors

KPMG  
Certified Public Accountants  
Prince's Building  
8th Floor  
10 Chater Road  
Central  
Hong Kong

### Principal Share Registrar

The Bank of Bermuda Limited  
Bank of Bermuda Limited Building  
6 Front Street  
Hamilton HM11  
Bermuda

### Branch Share Registrar

Tricor Standard Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Hong Kong

### Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
Hong Kong Main Office

The Hongkong and Shanghai Banking  
Corporation Limited  
Taiwan Branch

Chang Hwa Commercial Bank Limited

Hua Nan Commercial Bank Limited

## INTERIM RESULTS

The Board of Directors (the “Board”) of Hang Ten Group Holdings Limited (the “Company”) presents the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007. The interim results have not been audited, but have been reviewed by the Company’s audit committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the Six Months Ended 30 September 2007  
(Expressed in United States dollars)*

	Notes	<b>Six months ended 30 September 2007 US\$'000 (unaudited)</b>	Six months ended 30 September 2006 US\$'000 (unaudited)
Turnover	3	<b>123,460</b>	114,573
Cost of sales		<b>(52,104)</b>	(49,664)
Gross profit		<b>71,356</b>	64,909
Other revenue	4	<b>1,361</b>	1,615
Other net loss		<b>(336)</b>	(106)
Selling expenses		<b>(54,775)</b>	(50,469)
Administrative expenses		<b>(8,683)</b>	(8,192)
Other operating expenses		<b>(96)</b>	(108)
<b>Profit from operations</b>		<b>8,827</b>	7,649
Finance costs	6	<b>(510)</b>	(511)
<b>Profit before taxation</b>	6	<b>8,317</b>	7,138
Taxation	7	<b>(2,101)</b>	(1,788)
<b>Profit for the period</b>		<b>6,216</b>	5,350
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>6,237</b>	5,414
Minority interests		<b>(21)</b>	(64)
		<b>6,216</b>	5,350
Dividend	8	-	-
<b>Earnings per share</b>	9		
– Basic		<b>US cent 0.63</b>	US cent 0.55
– Diluted		<b>US cent 0.63</b>	US cent 0.55

*The notes on pages 8 to 19 form part of these interim financial statements.*

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

(Expressed in United States dollars)

	Notes	As at 30 September 2007 US\$'000 (unaudited)	As at 31 March 2007 US\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	10,171	9,725
Goodwill		8,989	8,989
Intangible assets – trademarks		17,528	17,711
Deferred tax assets		3,894	3,843
		<u>40,582</u>	<u>40,268</u>
<b>Current assets</b>			
Investments	11	12,653	10,798
Inventories		40,863	32,881
Trade and other receivables	12	30,067	27,839
Amount due from related companies		212	184
Cash and bank balances		10,914	15,930
		<u>94,709</u>	<u>87,632</u>
<b>Current liabilities</b>			
Bank loans	13	652	638
Trade and other payables	14	31,890	24,341
Amount due to shareholders	15	0	813
Current taxation		5,398	5,186
		<u>37,940</u>	<u>30,978</u>
<b>Net current assets</b>		<u>56,769</u>	<u>56,654</u>
<b>Total assets less current liabilities</b>		<u>97,351</u>	<u>96,922</u>

## CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

As at 30 September 2007

*(Expressed in United States dollars)*

	<i>Notes</i>	<b>As at 30 September 2007 US\$'000 (unaudited)</b>	As at 31 March 2007 US\$'000 (audited)
<b>Non-current liabilities</b>			
Loans from shareholders	16	16,400	16,400
Deferred income	17	6,490	7,080
Employee benefits		276	272
		<u>23,166</u>	<u>23,752</u>
<b>NET ASSETS</b>		<u>74,185</u>	<u>73,170</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	12,593	12,593
Reserves	19	60,736	59,759
Total equity attributable to equity shareholders of the Company		<u>73,329</u>	72,352
Minority interests	19	<u>856</u>	<u>818</u>
<b>TOTAL EQUITY</b>		<u>74,185</u>	<u>73,170</u>

*The notes on pages 8 to 19 form part of these interim financial statements.*

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 September 2007

(Expressed in United States dollars)

	<b>Six months ended 30 September 2007 US\$'000 (unaudited)</b>	Six months ended 30 September 2006 US\$'000 (unaudited)
<b>Total equity at 1 April</b>	<b>73,170</b>	67,811
<b>Net income recognised directly in equity:</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>1,132</b>	274
Net income for the period recognised directly in equity	<b>1,132</b>	274
<b>Net profit for the period</b>	<b>6,216</b>	5,350
<b>Total recognised income and expense for the period</b>	<b>7,348</b>	5,624
Attributable to:		
– Equity shareholders of the Company	<b>7,310</b>	5,675
– Minority interests	<b>38</b>	(51)
	<b>7,348</b>	5,624
Dividend declared or approved during the period	<b>(6,333)</b>	(6,350)
<b>Movements in equity arising from capital transactions:</b>		
Redemption of capital of a subsidiary from minority shareholder	–	(2,033)
	–	(2,033)
<b>Total equity at 30 September</b>	<b>74,185</b>	65,052

The notes on pages 8 to 19 form part of these interim financial statements.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Six Months Ended 30 September 2007

(Expressed in United States dollars)

	<b>Six months ended 30 September 2007 US\$'000 (unaudited)</b>	Six months ended 30 September 2006 US\$'000 (unaudited)
Net cash generated from/ (used in) operating activities	<b>6,703</b>	(1,655)
Net cash used in investing activities	<b>(4,384)</b>	(2,085)
Net cash used in financing activities	<b>(7,335)</b>	(9,372)
<b>Net decrease in cash and cash equivalents</b>	<b>(5,016)</b>	(13,112)
Cash and cash equivalents at 1 April	<b>15,930</b>	21,235
<b>Cash and cash equivalents at 30 September</b>	<b>10,914</b>	8,123
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>10,914</b>	8,123

The notes on pages 8 to 19 form part of these interim financial statements.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 September 2007

(Expressed in United States dollars)

### 1. Basis of Preparation

The unaudited consolidated condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### 2. Principal Accounting Policies

The accounting policies used in the condensed financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2007 except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations which are effective for accounting periods beginning on or after 1 January 2007 as set out below:

HKFRS 7	Financial instruments: disclosure
Amendment to HKAS 1	Presentation of financial statements: capital disclosures
HK(IFRIC) – Interpretation 7	Applying the restatement approach under HKAS 29, Financial reporting in hyperinflationary economics
HK (IFRIC) – Interpretation 8	Scope of HKFRS2, Share-based payment
HK (IFRIC) – Interpretation 9	Reassessment of embedded derivatives
HK (IFRIC) – Interpretation 10	Interim financial reporting and impairment
HK (IFRIC) – Interpretation 11	HKFRS 2 – Group and treasury share transactions

The adoption of the above new and revised accounting standards and interpretations has no material impact on the Group’s results of operations and financial position.

Certain new standards, amendments and interpretations to existing standards have been issued that are relevant to the Group's business and are not yet effective for the current accounting period. The Group has not early adopted these new standards, amendments and interpretations. The Group is in the process of making an assessment of what the impact of these new standards, amendments and interpretations is expected to be in the period in initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

### 3. Turnover

The principal activities of the Group are designing, marketing and sale of apparel and accessories and licensing of trademarks. Turnover represents the sales value of goods supplied to customers and royalty income from licensing of trademarks.

	<b>Six months ended 30 September 2007 US\$'000</b>	Six months ended 30 September 2006 US\$'000
Sales of apparels	<b>121,461</b>	113,134
Royalty income	<b>1,999</b>	1,439
	<b>123,460</b>	114,573

### 4. Other Revenue

	<b>Six months ended 30 September 2007 US\$'000</b>	Six months ended 30 September 2006 US\$'000
Rental income	<b>370</b>	379
Bank interest income	<b>335</b>	331
Claims receivable from suppliers	<b>230</b>	401
Others	<b>426</b>	504
	<b>1,361</b>	1,615

## 5. Segmental Information

The Group's business is managed on a worldwide basis, but participates in several principal economic environments. The analysis of the revenue and results by geographical segments of the Group during both of the financial periods are as follows:

### Six months ended 30 September 2007

	Taiwan	Korea	Philippines	Singapore	Hong Kong	Malaysia	Inter-segment eliminations	Unallocated	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue from external customers	50,684	57,726	2,617	6,861	1,897	1,006	-	2,669	123,460
Inter-segment revenue	3,542	-	-	6	-	-	(4,648)	1,100	-
<b>Total</b>	<b>54,226</b>	<b>57,726</b>	<b>2,617</b>	<b>6,867</b>	<b>1,897</b>	<b>1,006</b>	<b>(4,648)</b>	<b>3,769</b>	<b>123,460</b>
Segment result	3,072	6,316	(47)	(1,790)	(629)	(309)			6,613
Unallocated operating income and expenses									2,214
Finance costs									(510)
Taxation									(2,101)
<b>Profit for the period</b>									<b>6,216</b>
Depreciation and amortisation for the period	672	857	116	262	85	129		37	2,158
Impairment losses on trade receivables	-	-	-	-	-	-		-	-

Six months ended 30 September 2006

	Taiwan US\$'000	Korea US\$'000	Philippines US\$'000	Singapore US\$'000	Hong Kong US\$'000	Malaysia US\$'000	Inter- segment eliminations US\$'000	Unallocated US\$'000	Total US\$'000
Revenue from external customers	49,891	49,248	2,229	8,076	1,755	1,201	-	2,173	114,573
Inter-segment revenue	4,047	-	-	19	91	-	(5,099)	942	-
<b>Total</b>	<b>53,938</b>	<b>49,248</b>	<b>2,229</b>	<b>8,095</b>	<b>1,846</b>	<b>1,201</b>	<b>(5,099)</b>	<b>3,115</b>	<b>114,573</b>
Segment result	2,866	5,559	(142)	(1,028)	(1,000)	(127)			6,148
Unallocated operating income and expenses									1,501
Finance costs									(511)
Taxation									(1,788)
<b>Profit for the period</b>									<b>5,350</b>
Depreciation and amortisation for the period	823	586	111	250	153	96		50	2,069
Impairment losses on trade receivables	-	-	-	-	-	-		570	570

The analysis of the Group's revenue by business segments is as follows:

	<b>Six months ended 30 September 2007 US\$'000</b>	Six months ended 30 September 2006 US\$'000
Sales of apparels	<b>121,461</b>	113,134
Royalty income	<b>1,999</b>	1,439
	<b>123,460</b>	114,573

## 6. Profit before Taxation

Profit before taxation is arrived at after charging:

	<b>Six months ended 30 September 2007 US\$'000</b>	Six months ended 30 September 2006 US\$'000
<b>(a) Finance costs</b>		
Interest on bank advances and other borrowings wholly repayable within five years	17	18
Interest on shareholders' loans	<u>493</u>	<u>493</u>
	<b>510</b>	<b>511</b>
<b>(b) Other items</b>		
Cost of inventories sold	52,104	49,664
Staff costs	15,646	14,030
Depreciation	<u>2,158</u>	<u>2,069</u>

## 7. Taxation

	<b>Six months ended 30 September 2007 US\$'000</b>	Six months ended 30 September 2006 US\$'000
Current tax – Hong Kong Profits Tax Provision for the period	<u>–</u>	<u>–</u>
Current tax – Overseas Provision for the period	<u>2,152</u>	<u>1,828</u>
Deferred tax Origination and reversal of timing differences	<u>(51)</u>	<u>(40)</u>
	<b>2,101</b>	<b>1,788</b>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group sustained a loss for Hong Kong Profits Tax purposes during the six months ended 30 September 2007 (2006: US\$nil).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 8. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: US\$nil).

## 9. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the six months ended 30 September 2007 of US\$6,237,000 (2006: US\$5,414,000) and the weighted average number of 982,250,000 ordinary shares (2006: 982,250,000 ordinary shares) in issue during the period.

The diluted earnings per share are the same as the basic earnings per share as all potential ordinary shares are anti-dilutive for both periods.

## 10. Fixed Assets

During the six months ended 30 September 2007, the Group purchased new fixed assets amounted to US\$3,144,000 (2006: US\$2,681,000).

## 11. Investments

	<b>As at 30 September 2007 US\$'000</b>	As at 31 March 2007 US\$'000
Trading securities (at market value)		
Listed funds in Taiwan	<b>12,653</b>	10,798

## 12. Trade and Other Receivables

	<b>As at 30 September 2007 US\$'000</b>	As at 31 March 2007 US\$'000
Trade debtors	<b>12,721</b>	10,489
Royalty receivables	<b>368</b>	383
Prepayment and other receivables	<b>4,691</b>	4,366
Rental deposits	<b>12,287</b>	12,601
	<b>30,067</b>	27,839

All of the trade and other receivables are expected to be recovered within one year, except for the rental deposits.

Included in trade and other receivables are trade debtors and royalty receivables (net of impairment losses for bad and doubtful debts) with the following aging analysis as of the balance sheet date:

	<b>As at 30 September 2007 US\$'000</b>	As at 31 March 2007 US\$'000
Current	<b>11,155</b>	9,297
1 to 3 months overdue	<b>1,891</b>	1,533
More than 3 months but less than 1 year overdue	<b>43</b>	42
	<b>13,089</b>	10,872

### 13. Bank Loans

	<b>As at 30 September 2007 US\$'000</b>	As at 31 March 2007 US\$'000
Secured	<b>652</b>	638
Unsecured	<b>–</b>	–
	<b>652</b>	638

The bank loans were repayable within 1 year or on demand.

### 14. Trade and Other Payables

	<b>As at 30 September 2007 US\$'000</b>	As at 31 March 2007 US\$'000
Trade creditors	<b>14,238</b>	7,352
Bills payable	<b>613</b>	1,543
Accrued charges	<b>9,445</b>	7,898
Deposits received	<b>3,911</b>	3,658
Deferred income ( <i>note 17</i> )	<b>1,180</b>	1,180
Interest on loans from shareholders	<b>493</b>	985
Others	<b>2,010</b>	1,725
	<b>31,890</b>	24,341

Credit terms obtained by the Group range from 30 to 45 days. All of the trade and other payables are expected to be settled within one year, except for the deposits received.

Included in trade and other payables are trade creditors and bills payable within the following aging analysis:

	<b>As at 30 September 2007 US\$'000</b>	As at 31 March 2007 US\$'000
Due within 1 month or on demand	<b>13,093</b>	6,079
Due after 1 month but within 3 months	<b>1,029</b>	1,925
Due after 3 months but within 6 months	<b>729</b>	891
	<hr/> <b>14,851</b> <hr/>	<hr/> 8,895 <hr/>

#### 15. Amount due to Shareholders

The balances are unsecured, interest free and repayable on demand.

#### 16. Loans from Shareholders

The loans from the Company's shareholders were borrowed by Hang Ten International Holdings Limited, a wholly owned subsidiary of the Company, to finance the acquisition of ILC International Corporation ("ILC") in 2001. The loans are unsecured and interest bearing at 6% p.a. The balance is due for repayment in the year 2011.

#### 17. Deferred Income

Deferred income represents the unearned portion of up-front lump sum trademark licensing fee received from a licensee which is recognised as revenue over the term of the trademark licence.



## 18. Share Capital

Authorized:

	Number of shares		Amount	
	30 September 2007	31 March 2007	30 September 2007 US\$'000	31 March 2007 US\$'000
Ordinary shares of HK\$0.10 each	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>32,051</u>	<u>32,051</u>
Convertible preference shares ("CPS") of HK\$10,000 each	<u>7,307</u>	<u>7,307</u>	<u>9,368</u>	<u>9,368</u>
			<u>41,419</u>	<u>41,419</u>

Issued and fully paid:

	Number of ordinary shares '000	Amount of ordinary shares US\$'000	Number of convertible preference shares	Amount of convertible preference shares US\$'000	Total amount US\$'000
Share capital at 1 April 2006, 31 March 2007 and 30 September 2007	<u>982,250</u>	<u>12,593</u>	<u>-</u>	<u>-</u>	<u>12,593</u>

There was no movement in issued and fully paid capital during the year ended 31 March 2007 and the six months ended 30 September 2007.

10,660,000 options granted to certain employees of the Group under the share option scheme adopted by the Group were outstanding as at 30 September 2007. No option was granted during the six months ended 30 September 2007.

The principal terms of the share options scheme have been set out in the annual report of the Company for the year ended 31 March 2007.

## 19. Reserves

	Share premium	Contributed surplus	Exchange reserve	Share options reserve	Retained profits	Total	Minority interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 April 2006	1,528	5,710	4,124	442	40,734	52,538	2,680	55,218
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	409	-	-	409	49	458
Exchange reserve realised on capital reduction of subsidiary	-	-	(619)	-	-	(619)	-	(619)
Dividends approved in respect of previous year	-	-	-	-	(6,350)	(6,350)	-	(6,350)
Redemption of capital of a subsidiary from minority shareholder	-	-	(17)	-	(154)	(171)	(1,879)	(2,050)
Profit for the year	-	-	-	-	13,952	13,952	(32)	13,920
At 31 March 2007 and 1 April 2007	1,528	5,710	3,897	442	48,182	59,759	818	60,577
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	1,073	-	-	1,073	59	1,132
Dividends approved in respect of previous year	-	-	-	-	(6,333)	(6,333)	-	(6,333)
Profit for the period	-	-	-	-	6,237	6,237	(21)	6,216
At 30 September 2007	1,528	5,710	4,970	442	48,086	60,736	856	61,592

## 20. Material Related Party Transactions

Name of Related Party	Relationship	Nature of Transaction	Six months ended	Six months ended	As at	As at
			30 September 2007	30 September 2006	30 September 2007	31 March 2007
			US\$'000	US\$'000	US\$'000	US\$'000
Michel Rene Enterprises Limited	A company controlled by a shareholder of the Company	Rental income received	21	6		
		Rental expense paid		12		
		Amount due therefrom			44	40
Chua and Company and its associates	A minority shareholder of a non-wholly owned company and their associates	Sales of goods	658	909		
Hang Ten China Group Limited	A company controlled by substantial shareholders of the Company	Royalty income	82	74		
		Amount due therefrom			138	107
Avon Dale Garments Inc	A minority shareholder of a non-wholly owned subsidiary of the Company and their associates	Royalty income	49	5		
		Amount due therefrom			30	37
					212	184

The amounts due from related companies are unsecured, interest free and repayable on demand.

## 21. Commitments

### (a) Operating lease commitments

The total future lease payments under operating leases are as follows:

	<b>As at 30 September 2007 US\$'000</b>	As at 31 March 2007 US\$'000
Within one year	<b>21,925</b>	19,459
After 1 year but within 5 years	<b>27,805</b>	26,574
	<b>49,730</b>	46,033

- (b) There were no material capital commitments outstanding at 30 September 2007 (31 March 2007: US\$nil).

## 22. Contingent Liabilities

In December 2003, the Group received a notice of claim from Taiwan Tax Authority ("TTA") for additional value added tax ("VAT") and penalties in respect of sales made through certain retail shops which are operated under co-operative arrangements with third parties. The TTA considers that the Group has excluded a portion of the sales value during the period from January 1999 to December 2002 for the purpose of VAT filings. Having taken relevant professional advice, the Group had made a provision for additional VAT in the prior years' financial statements but no provision has been made for the penalties. The case has recently been heard by the Taipei High Court which has ruled in favour of the Group. Based on the current available information, the directors are confident that the Group has reasonable grounds to refute the penalties and consider that no further provision is required. The provision for additional VAT has not been written back as the TTA has appealed to the Supreme Court and the court hearing is still in progress.

## 23. Approval of Interim Financial Statements

These interim financial statements were approved and authorized for issue by the Board on 13 December 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Operation Review

#### ***Operation Overview***

During the period, the Group continued to expand its retail network through expansion of its “Hang Ten” network and development of its more fashionable “H&T” brand. Turnover for the period has increased slightly by 7.8%. For the six months ended 30 September 2007, the turnover of the Group amounted to US\$123,460,000 (2006: US\$114,573,000). Comparing to the same period of the previous financial year, operating profit for the period increased by US\$1,178,000 to US\$8,827,000 (2006: US\$7,649,000), representing a growth of 15.4%. Net profit attributable to shareholders for the period grew by 15.2% and amounted to US\$6,237,000 (2006: US\$5,414,000).

Gross margin ratio for the current six-month period increased slightly to 57.8% (2006: 56.7%). The improvement in gross margin was mainly attributed to an increase in the proportion of sales derived from the South Korean market, where the Group’s products could generally achieve a higher margin because of different product mix. Gross profit of the Group for the period amounted to US\$71,356,000 (2006: US\$64,909,000).

The Group remained cost conscious and adopted cost control measures to control its operating expenses at a reasonable level. Because of the expansion of the network and increase in sales activities, selling expenses for the six months ended 30 September 2007 increased by 8.5% when comparing to that of the same period of the previous fiscal year and amounted to US\$54,775,000 (2006: US\$50,469,000). Administrative expenses increased to US\$8,683,000 (2006: US\$8,192,000). The increase in administrative expenses was mainly attributed to the expansion of the Korean operation. Other operating expenses amounted to about US\$96,000 (2006: US\$108,000).

#### ***Apparel Sales***

Sales of apparels contributed to about 98.4% (2006: 98.7%) of the Group’s turnover. For the six months ended 30 September 2007, sales generated from retail and distribution of apparels amounted to US\$121,461,000 (2006: US\$113,134,000), of which retail sales revenue amounted to US\$118,074,000 (2006: US\$109,255,000) and sales generated from distribution activities in Taiwan amounted to US\$3,387,000 (2006: US\$3,879,000). This represents an increase of 7.4% from the same period of the previous year.

The Group had launched and developed new brands in the past few years with a view to diversify and expand its market. While a substantial portion of the sales of apparels is still derived from the Group's core brand "Hang Ten", the contribution from other brands operated by the Group, such as "H&T" and "Arnold Palmer" has continued to grow. Sales revenue from those brands contributed to about 13% of the total sales of apparels.

During the period, the Group continued to expand its network with the majority of store additions made in Korea. As at 30 September 2007, the Group had 661 stores (2006: 600 stores) with a total shop floor area of about 578,000 square feet (2006: 552,000 square feet). When comparing to the store number of 648 (with a total shop floor area of 590,200 square feet) as at 31 March 2007, the Group had a net increase of 13 stores during the current period.

#### *Taiwan*

Sales derived from this market contributed to about 41.1% of the Group's total turnover for the current period. Though the overall economy of Taiwan was till sluggish and consumer confidence has remained low during the period, sales increased slightly by 1.6%. During the six months ended 30 September 2007, total sales of the Taiwan market amounted to US\$50,684,000 (2006: US\$49,891,000), of which retail sales amounted to US\$47,297,000 (2006: US\$46,012,000) and sales generated from distributing activity amounted to US\$3,387,000 (2006: US\$3,879,000). In 2006, the Group obtained a license to manufacture and sell apparel products under the "Arnold Palmer" brand in Taiwan. With the launch of the "Arnold Palmer" product line in late 2006, the Group expects to attract a different group of customers who look for more up-market products. Specialised stores have been set up for this label of products. During the current period, 9 new "Arnold Palmer" specialised stores were opened, bringing the total number of "Arnold Palmer" stores to 16. While this product line is still under development and its contribution is still small, initial customer response has been encouraging. The Group had 263 stores (2006: 251 stores) comprising all brands at the end of the period in Taiwan.

As a result of the slight improvement in sales, the operating profit attributed to this market increased by 6.4% and amounted to US\$3,072,000 (2006: US\$2,886,000).

### *South Korea*

For the six months ended 30 September 2007, the Group's sales in South Korea grew by 17.2% to US\$57,726,000 (2006: US\$49,248,000) and operating profit increased by 13.6% to US\$6,316,000 (2006: US\$5,559,000) when comparing to the same period of the previous year. The growth in sales was attributed to the expansion of the Group's retail network in South Korea. During the period, the Group opened 11 new "Hang Ten" stores and 11 new "H&T" stores. The "H&T" product line has achieved a steady growth since its launch in early 2006. This product line offers more trendy and fashionable casual clothing targeting the more trend conscious youth and teenager market. Sales generated from the "H&T" label contributed to about 22% of the Group's sales in the South Korean market. As at 30 September 2007, the Group had 287 stores (2006: 239) in South Korea, of which 60 (2006: 42) are specialised "H&T" stores. Sales from the South Korean market contributed to about 46.8% of the Group's total turnover.

### *Philippines*

Sales in the Philippine market increased by 17.4% to US\$2,617,000 (2006: US\$2,229,000). As a result, the operating loss sustained in this market had reduced significantly to US\$47,000 (2006: loss of US\$142,000). The Group had 52 retail outlets (2006: 50) in Philippines as at 30 September 2007.

### *Singapore and Malaysia*

Because of an intensified competitive retail environment and rising operating costs in Singapore and Malaysia, both these markets had experienced decline in sales and operating result. Sales in Singapore and Malaysia for the six months ended 30 September 2007 decreased by 15% and 16.2% respectively. Sales in Singapore amounted to US\$6,861,000 (2006: US\$8,076,000) and sales in Malaysia amounted to US\$1,006,000 (2006: US\$1,201,000). The Singaporean operation and the Malaysian operation recorded operating losses of US\$1,790,000 (2006: US\$1,028,000) and US\$309,000 (2006: US\$127,000) respectively. The Group had 38 stores (2006: 38 stores) in Singapore and 12 stores (2006: 11 stores) in Malaysia as at the end of the current period.

### *Hong Kong*

Market competition in the apparel retail sector has remained very keen. Operating costs, in particularly rental costs, remained high. The Group relocated some of its less efficient shops during the period. As at 30 September 2007, the Group had 8 stores (2006: 8 stores). The Group recorded total sales amounted to US\$1,897,000 (2006: US\$1,755,000) for the period ended 30 September 2007 in Hong Kong. With an improvement in sales and efficiency during the period, the Group's operating loss sustained in this market reduced to US\$629,000 (2006: US\$1,000,000).

### ***Licensing Operation***

The licensing operation of the Group has continued to provide a steady income to the Group. Revenue generated from the licensing of the "Hang Ten" trademark and other trademarks amounted to US\$1,999,000 for the six months ended 30 September 2007 (2006: US\$1,439,000).

### ***Liquidity and Financial Resources***

The Group generally financed its operation by internally generated cashflow and banking facilities provided by its bankers.

For the six months ended 30 September 2007, the Group generated US\$6,703,000 (2006: used US\$1,655,000) of cash in operating activities. During the period, the Group paid US\$6,333,000 (2006: 6,334,000) in dividend to its shareholders and expended US\$3,144,000 (2006: US\$2,681,000) in capital expenditure. As at 30 September 2007, the Group had cash and bank balances amounted to US\$10,914,000 (31 March 2007: US\$15,930,000) and listed funds which were readily convertible into cash of US\$12,653,000 (31 March 2007: US\$10,798,000).

As at 30 September 2007, the Group had financial facilities provided by banks amounting to approximately US\$31,000,000 (31 March 2007: US\$31,000,000), of which US\$652,000 (31 March 2007: US\$638,000) had been utilized. Certain of the banking facilities were secured by an office premise of the Group. Total indebtedness as at 30 September 2007, comprising bank loans of US\$652,000 (31 March 2007: US\$638,000) and shareholders' loans of US\$16,400,000 (31 March 2007: US\$16,400,000) amounted to US\$17,052,000 (31 March 2007: US\$17,038,000) and represented 12.6% (31 March 2007: 13.3%) of the total assets of the Group. The loans from shareholders are unsecured and are due for repayment in the year 2011.



## Outlook

The Group will continue to strengthen and broaden its product design and product lines to expand its customer base. It will also look for opportunity to expand its operation into new markets. However, the Group will remain cost-conscious and will continue to maintain a strategy of growth with emphasis on profitability and efficiency.

Though the retail sector in Taiwan is still being affected by unfavourable economic conditions and sluggish consumer demand, the management have been taking appropriate measures to ensure that the Taiwanese operation will continue to produce a satisfactory result. As the newly launched “Arnold Palmer” has received favourable response from customers, the Group plans to set up more specialised point of sales to expand the geographical coverage for this product label. With more point of sales, the management believe that contribution from this new product label will increase.

In South Korea, the performance of the “H&T” brand has so far been in line with the expectation of the management. Building on this momentum, the Group plans to open more stores. A total of 23 new stores, including 9 “H&T” specialised new stores, are planned for opening in the second half of the current fiscal year. By rolling out more new stores and improving shop efficiency, the management is confident that the South Korean operation will continue to perform satisfactorily.

The operating environment in Singapore and Malaysia will remain competitive. The Group will improve the merchandise and product lines for these markets to enhance its competitiveness. While contribution from Philippines and Hong Kong remains relatively small, there have been improvements in these markets. The Group will continue to adopt measures to improve the efficiency and profitability of the stores in these markets.

In order to expand into new market, the Group acquired from Accurate Sino Developments Limited’s operation in Mainland China in October 2007. Following the acquisition, the Group is now operating 70 “Hang Ten” stores in Mainland China. The Group plans to gradually develop this market. New stores will be set up in major cities. The Group also plans to introduce the “H&T” brand and concept into the Mainland China market.

The licensing operation continues to provide a steady flow of revenue to the Group. The Group is exploring new licensing opportunities in a number of countries to expand its international network of licensees so as to ensure the generation of a steady flow of income as well as to expand the global coverage of the Group’s brands.

## OTHER INFORMATION

### Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: nil).

### Employee and Remuneration Policies

As at 30 September 2007, the Group had approximately 1,700 (31 March 2007: 1,760) full time employees of which 1,050 were based in Taiwan. About 1,320 employees were engaged in sales and marketing functions. The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employees. The Company had also adopted a share option scheme in which employees may participate.

### Directors' Interests in Securities

As at 30 September 2007, the interests of the directors and chief executive of the Company and their associates, as defined in the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of ordinary shares held</b>	<b>As approximate percentage of total issued ordinary shares</b>
Kenneth Hung	Personal	36,200,000	3.69%
Wang Li Wen	Personal	9,000,000	0.92%
Kao Yu Chu	Personal	9,000,000	0.92%

Save as disclosed above, as at 30 September 2007, none of the directors and chief executive of the Company or any of their respective associates had or deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be disclosed pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2007.

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or to their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Substantial Shareholders

As at 30 September 2007, the register of the substantial shareholders and other persons maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests and short positions in the issued ordinary shares of the Company:

<b>Name</b>	<b>Nature of interests</b>	<b>Number of ordinary shares</b>	<b>As approximate percentage of total issued ordinary shares</b>
Asian Wide Services Limited	Beneficial owner	369,886,000	37.66%
YGM Trading Limited	Beneficial owner	201,200,000	20.48%
Value Partners Limited ( <i>note 1</i> )	Investment manager	58,668,000	5.97%

*Note 1:* Mr. Cheah Cheng Hye is deemed to be interested in the shares held by Value Partners Limited because of his control over Value Partners Limited.

Save as disclosed above, the Company has not been notified of any relevant interest or short positions in the issued ordinary shares of the Company as at 30 September 2007.

## Share Option Scheme

Pursuant to a written resolution of the sole shareholder of the Company on 24 October 2002, the Company adopted a share option scheme, the principal terms of which have been set out in annual report of the Company for the year ended 31 March 2007. No option was granted during the period. There was no movement in the number of share options granted under the share option scheme during the period.

<b>Date of grant</b>	<b>Outstanding at 1 April 2007 and at 30 September 2007</b>	<b>Exercise price per share</b>	<b>Exercise period</b>
7 April 2004	5,330,000	HK\$1.52	1 April 2005 to 31 March 2009
7 April 2004	5,330,000	HK\$1.52	1 April 2006 to 31 March 2009
	10,660,000		

All the above options were granted to employees of the Group.

## Purchase, Sale or Redemption of Shares

There had been no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the six months ended 30 September 2007.

## Corporate Governance

During the six months ended 30 September 2007, the Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules.

The Company has an Audit Committee composing of three independent non-executive directors. A set of written terms of reference is adopted to describe the authority and duties of the Audit Committee.

The Company has established a Remuneration Committee with written terms of reference to set out its authority and duties. The Remuneration Committee comprises two executive directors and three independent non-executive directors.

### **Model Code for Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all the directors of the Company, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

### **Audit Committee**

The audit committee comprises three members, all being independent non-executive directors of the Company. The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 September 2007.

On behalf of the Board  
**Hang Ten Group Holdings Limited**  
**Chan Wing Sun**  
*Chairman*

13 December 2007  
Hong Kong