HANG TEN

2008 Interim Report

Hang Ten Group Holdings Limited

(Incorporated in Bermuda with Limited Liability)

stock code : 448

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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 2008. 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 2008
(Expressed in United States dollars)

	Notes	**Six months ended 30 September 2008** ***US$'000*** **(unaudited)**	Six months ended 30 September 2007 *US$'000* (unaudited)
Turnover	*3*	**135,145**	123,460
Cost of sales		**(59,221)**	(52,104)
Gross profit		**75,924**	71,356
Other revenue	*4*	**1,391**	1,361
Other net loss		**(2,061)**	(336)
Selling expenses		**(59,228)**	(54,775)
Administrative expenses		**(9,568)**	(8,683)
Other operating expenses		**(102)**	(96)
Profit from operations		**6,356**	8,827
Finance costs	*6*	**(618)**	(510)
Profit before taxation	*6*	**5,738**	8,317
Taxation	*7*	**(1,209)**	(2,101)
Profit for the period		**4,529**	6,216
Attributable to:			
Equity shareholders of the Company		**4,739**	6,237
Minority interests		**(210)**	(21)
		4,529	6,216
Dividend	*8*	**–**	–
Earnings per share	*9*		
– Basic		**US cent 0.48**	US cent 0.63
– Diluted		**US cent 0.48**	US cent 0.63

The notes on pages 8 to 22 form part of these interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008
(Expressed in United States dollars)

	Notes	**As at 30 September 2008 US$'000 (unaudited)**	As at 31 March 2008 US$'000 (audited)
Non-current assets			
Property, plant and equipment	*10*	**14,228**	11,227
Investment properties	*11*	**11,630**	–
Goodwill		**9,647**	9,495
Intangible assets	*12*	**18,222**	17,882
Deferred tax assets		**3,642**	4,062
		57,369	42,666
Current assets			
Investments	*13*	**–**	16,452
Inventories		**44,913**	36,218
Trade and other receivables	*14*	**31,720**	33,297
Amount due from related companies		**47**	64
Cash and bank balances		**15,634**	23,767
		92,314	109,798
Current liabilities			
Bank loans and overdrafts	*15*	**5,862**	2,741
Trade and other payables	*16*	**40,131**	30,527
Amount due to shareholders	*17*	**–**	1,177
Current taxation		**4,451**	6,869
		50,444	41,314
Net current assets		**41,870**	68,484
Total assets less current liabilities		**99,239**	111,150

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

As at 30 September 2008
(Expressed in United States dollars)

	Notes	**As at 30 September 2008 US$'000 (unaudited)**	As at 31 March 2008 US$'000 (audited)
Non-current liabilities			
Loans from shareholders	*18*	**16,400**	16,400
Loans from minority shareholders	*19*	**360**	–
Deferred income	*20*	**5,310**	5,900
Employee benefits		**330**	349
		22,400	22,649
NET ASSETS		**76,839**	88,501
CAPITAL AND RESERVES			
Share capital	*21*	**12,593**	12,593
Reserves	*22*	**63,510**	74,938
Total equity attributable to equity shareholders of the Company		**76,103**	87,531
Minority interests	*22*	**736**	970
TOTAL EQUITY		**76,839**	88,501

The notes on pages 8 to 22 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 September 2008
(Expressed in United States dollars)

	Six months ended 30 September 2008		Six months ended 30 September 2007	
	US$'000	***US$'000***	*US$'000*	*US$'000*
	(unaudited)	**(unaudited)**	(unaudited)	(unaudited)
Total equity at 1 April		**88,501**		73,170
Net income recognised directly in equity:				
Exchange differences on translation of financial statements of overseas subsidiaries		**(7,325)**		1,132
Net income for the period recognised directly in equity		**(7,325)**		1,132
Net profit for the period		**4,529**		6,216
Total recognised income and expense for the period		**(2,796)**		7,348
Attributable to:				
– Equity shareholders of the Company	**(2,562)**		7,310	
– Minority interests	**(234)**		38	
	(2,796)		7,348	
Dividend declared or approved during the period		**(8,866)**		(6,333)
Total equity at 30 September		**76,839**		74,185

The notes on pages 8 to 22 form part of these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Six Months Ended 30 September 2008
(Expressed in United States dollars)

	Six months ended 30 September 2008 ***US$'000*** **(unaudited)**	Six months ended 30 September 2007 *US$'000* (unaudited)
Net cash generated from operating activities	**1,512**	6,703
Net cash used in investing activities	**(3,150)**	(4,384)
Net cash used in financing activities	**(7,695)**	(7,335)
Net decrease in cash and cash equivalents	**(9,333)**	(5,016)
Cash and cash equivalents at 1 April	**23,767**	15,930
Cash and cash equivalents at 30 September	**14,434**	10,914
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**15,634**	10,914
Bank overdrafts	**(1,200)**	–
	14,434	10,914

The notes on pages 8 to 22 form part of these interim financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 September 2008
(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 2008 except for the adoption of a number 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 2008 as set out below:

HK(IFRIC) – Interpretation 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Interpretation 12	Service concession arrangements
HK(IFRIC) – Interpretation 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the above 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.

During the period, the Group acquired certain investment properties. Investment properties comprise freehold land and buildings which are owned to earn rental income and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost of buildings using the straight line method over their estimated useful lives. No depreciation is charged on the freehold land.

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.

	Six months ended 30 September 2008	Six months ended 30 September 2007
	US$'000	*US$'000*
Sales of apparel	**133,202**	121,461
Royalty income	**1,943**	1,999
	135,145	123,460

4. Other Revenue

	Six months ended 30 September 2008	Six months ended 30 September 2007
	US$'000	*US$'000*
Rental income	**270**	370
Bank interest income	**286**	335
Claims receivable from suppliers	**403**	230
Others	**432**	426
	1,391	1,361

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 2008

	Taiwan	Korea	Philippines	Singapore	Hong Kong & Macau	Malaysia	Mainland China	Inter-segment eliminations	Unallocated	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	56,563	56,367	2,265	7,640	2,924	1,255	6,218	-	1,913	135,145
Inter-segment revenue	3,221	-	-	-	-	-	-	(3,221)	-	-
Total	59,784	56,367	2,265	7,640	2,924	1,255	6,218	(3,221)	1,913	135,145
Segment result	4,802	2,338	(275)	(852)	(141)	(140)	(707)	-		5,025
Unallocated operating income and expenses										1,331
Finance costs										(618)
Taxation										(1,209)
Profit for the period										4,529
Depreciation and amortisaton for the period	798	1,036	109	252	100	51	425		47	2,818
Reversal of impairment losses on trade receivables	-	324	-	-	-	-	-		-	324

Six months ended 30 September 2007

	Taiwan	Korea	Philippines	Singapore	Hong Kong & Macau	Malaysia	Mainland China	Inter-segment eliminations	Unallocated	Total
	US$'000	*US$'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	2,567	1,006	–	–	1,999	123,460
Inter-segment revenue	3,542	–	–	6	–	–	–	(4,648)	1,100	–
Total	54,226	57,726	2,617	6,867	2,567	1,006	–	(4,648)	3,099	123,460
Segment result	3,072	6,316	(47)	(1,790)	(813)	(309)	–	–		6,429
Unallocated operating income and expenses										2,398
Finance costs										(510)
Taxation										(2,101)
Profit for the period										6,216
Depreciation and amortisaton for the period	672	857	116	262	112	129	–		10	2,158
Impairment losses on trade receivables	–	–	–	–	–	–	–		–	–

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

	Six months ended 30 September 2008	Six months ended 30 September 2007
	US$'000	*US$'000*
Sales of apparel	**133,202**	121,461
Royalty income	**1,943**	1,999
	135,145	123,460

6. Profit before Taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 September 2008 **US$'000**	Six months ended 30 September 2007 US$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**125**	17
Interest on shareholders' loans	**493**	493
	618	510
(b) Other items		
Cost of inventories sold	**59,221**	52,104
Staff costs	**16,388**	15,646
Depreciation	**2,789**	2,158

7. Taxation

	Six months ended 30 September 2008 **US$'000**	Six months ended 30 September 2007 US$'000
Current tax – Overseas		
Provision for the period	**789**	2,152
Deferred tax		
Origination and reversal of timing differences	**420**	(51)
	1,209	2,101

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 2008 (2007: 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 2008 (2007: 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 2008 of US$4,739,000 (2007: US$6,237,000) and the weighted average number of 982,250,000 ordinary shares (2007: 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. Property, Plant and Equipment

During the six months ended 30 September 2008, the Group purchased new fixed assets amounted to US$8,767,000 (2007: US$3,144,000). Land and buildings amounting to US$1,053,000 had been transferred to investment properties during the period.

11. Investment Properties

During the six months ended 30 September 2008, the Group acquired investment properties amounted to US$10,936,000 (2007: US$nil) and land and buildings amounting to US$1,053,000 had been transferred from property, plant and equipment.

12. Intangible Assets

	As at 30 September 2008 ***US$'000***	As at 31 March 2008 *US$'000*
The carrying values of the intangible assets at the balance sheet date are as follows:		
Trademarks	**17,897**	17,528
Retail network	**325**	354
	18,222	17,882

13. Investments

	As at 30 September 2008 US$'000	As at 31 March 2008 US$'000
Trading securities (at market value)		
Listed funds in Taiwan	**–**	16,452

14. Trade and Other Receivables

	As at 30 September 2008 US$'000	As at 31 March 2008 US$'000
Trade debtors	**15,272**	15,608
Royalty receivables	**428**	696
Less: Allowance for doubtful debts	**(91)**	(415)
	15,609	15,889
Forward foreign exchange contracts	**442**	97
Rental deposits	**11,874**	12,622
Prepayments and other receivables	**3,795**	4,689
	31,720	33,297

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

The ageing analysis of trade debtors and royalty receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 30 September 2008 ***US$'000***	As at 31 March 2008 *US$'000*
Neither past due nor impaired	**13,637**	13,490
1 to 3 months past due	**1,953**	2,334
More than 3 months but less than 1 year past due	**19**	65
Amount past due	**1,972**	2,399
	15,609	15,889

15. Bank Loans and Overdrafts

	As at 30 September 2008 ***US$'000***	As at 31 March 2008 *US$'000*
Unsecured bank overdrafts	**1,200**	–
Bank loans		
– secured	**2,526**	605
– unsecured	**2,136**	2,136
	5,862	2,741

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

16. Trade and Other Payables

	As at 30 September 2008 *US$'000*	As at 31 March 2008 *US$'000*
Trade creditors	**20,574**	12,334
Bills payable	**247**	818
Interest on loans from shareholders	**493**	985
Accrued charges	**8,214**	7,311
Deferred income *(note 20)*	**1,180**	1,180
Deposits received	**3,464**	4,185
Others	**5,959**	3,714
	40,131	30,527

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:

	As at 30 September 2008 *US$'000*	As at 31 March 2008 *US$'000*
Due within 1 month or on demand	**15,443**	9,772
Due after 1 month but within 3 months	**4,996**	2,206
Due after 3 months but within 6 months	**382**	1,174
	20,821	13,152

17. Amount due to Shareholders

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

18. 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.

19. Loans from Minority Shareholders

The loans from minority shareholders of a subsidiary are unsecured, interest free and not expected to be repaid within the next 12 months.

20. 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.

21. Share Capital

Authorized:

	Number of shares		Amount	
	30 September 2008	31 March 2008	**30 September 2008 *US$'000***	31 March 2008 *US$'000*
Ordinary shares of HK$0.10 each	**2,500,000,000**	2,500,000,000	**32,051**	32,051
Convertible preference shares ("CPS") of HK$10,000 each	**7,307**	7,307	**9,368**	9,368
			41,419	41,419

Issued and fully paid:

	Number of ordinary shares	Amount of ordinary shares	Number of convertible preference shares	Amount of convertible preference shares	Total amount
	'000	*US$'000*		*US$'000*	*US$'000*
Share capital at 1 April 2007, 31 March 2008 and 30 September 2008	982,250	12,593	–	–	12,593

There was no movement in issued and fully paid capital during the year ended 31 March 2008 and the six months ended 30 September 2008.

9,360,000 options granted to certain employees of the Group under the share option scheme adopted by the Group were outstanding as at 30 September 2008. No option was granted during the six months ended 30 September 2008.

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 2008.

22. Reserves

	Share premium US$'000	Contributed surplus US$'000	Exchange reserve US$'000	Share options reserve US$'000	Retained profits US$'000	Total US$'000	Minority interests US$'000	Total US$'000
At 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	–	–	731	–	–	731	129	860
Exchange reserve realised on capital reduction of subsidiary	–	–	(782)	–	–	(782)	–	(782)
Dividend approved in respect of previous year	–	–	–	–	(6,333)	(6,333)	–	(6,333)
Share options lapsed	–	–	–	(92)	92	–	–	–
Profit for the year	–	–	–	–	21,563	21,563	23	21,586
At 31 March 2008 and 1 April 2008	1,528	5,710	3,846	350	63,504	74,938	970	75,908
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	(7,301)	–	–	(7,301)	(105)	(7,406)
Dividend approved in respect of previous year	–	–	–	–	(8,866)	(8,866)	–	(8,866)
Share options lapsed	–	–	–	(9)	9	–	–	–
Acquisition of subsidiary	–	–	–	–	–	–	81	81
Profit for the period	–	–	–	–	4,739	4,739	(210)	4,529
At 30 September 2008	1,528	5,710	(3,455)	341	59,386	63,510	736	64,246

23. Acquisition of Business

On 4 April 2008, the Group acquired approximately 81.25% equity interest in Ever Brave Holdings Limited for a cash consideration of US$711,000. Included in the consolidated profit of the Group for the period ended 30 September 2008 is a loss of US$153,000 attributable to the acquired subsidiary since its acquisition. There would have been no change to the revenue and the consolidated net profit of the Group had the acquisition occurred on 1 April 2008.

The acquisition had the following effect on the Group's assets and liabilities:

	US$'000
Fair value of net assets acquired	
Property, plant and equipment	102
Intangible assets	369
Trade and other receivables	234
Cash and cash equivalents	490
Trade and other payables	(555)
Minority interests	(81)
Net identifiable assets and liabilities	559
Goodwill arising on acquisition	152
Consideration, satisfied in cash	711
Cash acquired	(490)
Net cash outflow	221

Goodwill has arisen on acquisition of the subsidiary because of synergies and assembled workforce that did not meet the criteria for recognition as an intangible asset at the date of acquisition.

24. Material Related Party Transactions

Name of Related Party	Relationship	Nature of Transaction	Six months ended 30 September 2008 US$'000	Six months ended 30 September 2007 US$'000	As at 30 September 2008 US$'000	As at 31 March 2008 US$'000
Michel Rene Enterprises Limited	A company controlled by a shareholder of the Company	Rental income received	–	21		
		Amount due therefrom			31	48
Chua and Company and its associates	A minority shareholder of a non-wholly owned company and their associates	Sales of goods	497	658		
Avon Dale Garments inc	A minority shareholder of a non-wholly owned subsidiary of the Company and their associates	Royalty income	32	49		
		Amount due therefrom			16	16
					47	64

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

25. Operating Lease Commitments

The total future minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 September 2008 *US$'000*	As at 31 March 2008 *US$'000*
Within one year	**19,103**	18,747
After 1 year but within 5 years	**23,839**	20,493
	42,942	39,240

26. 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. The case was handled by the Taipei High Court which ordered a judgement in favour of the Group in September 2007. The TTA has subsequently filed an appeal to the Supreme Administrative Court and the case was sent back to the Taipei High Court for re-trial. The appeal hearing at the Taipei High Court is currently in progress. Having taken relevant professional advice, the Group had made a provision for the additional VAT in the prior years' financial statements but no provision has been made for the penalties. 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.

27. Approval of Interim Financial Statements

These interim financial statements were approved and authorized for issue by the Board on 12 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

Operation Overview

The Group operates a retail network comprising of principally three brands of casual wear apparel, namely “Hang Ten”, “H&T” and “Arnold Palmer” and distributes apparel of the three brands. During the period, the general economic environment around the globe deteriorated as the impact of the sub-prime loan problems surfaced and consumer confidence has weakened. Nevertheless, during the six months ended 30 September 2008, the Group had been able to increase its sales by about 9.5% and the total sales amounted to US$135,145,000 (2007: US$123,460,000). Because the Korean local currency has significantly weakened as comparing to the previous period, cost of imported merchandise of the Korean operation increased. As a result, the overall gross margin ratio of the Group for the period decreased slightly to 56.2% (2007: 57.8%). The Group remained cost conscious and adopted cost control measures to control its operating expenses at a reasonable level. Operating profit for the period amounted to US$6,356,000 (2007: US$8,827,000). Net profit attributable to shareholders for the period is US$4,739,000 (2007: US$6,237,000).

Apparel Sales

About 98.6% (2007: 98.4%) of the Group’s turnover was contributed by sales of apparel. For the six months ended 30 September 2008, sales generated from retail and distribution of apparel amounted to US$133,202,000 (2007: US$121,461,000), of which retail sales revenue amounted to US$126,700,000 (2007: US$118,074,000) and sales generated from distribution activities amounted to US$6,502,000 (2007: US$3,387,000). The remaining 1.4% of turnover was derived from the Group’s licensing operation.

The Group has three major brands of casual wear apparel offering a diversified range of products to our customers. Its core brand “Hang Ten” offers good quality clothing at a reasonable price. The more fashionable “H&T” brand aims at the teenager and youth market and the “Arnold Palmer” brand targets customers looking for more up-market products. While a substantial portion of the sales of apparel is still derived from the Group’s core brand “Hang Ten”, the contribution from “H&T” and “Arnold Palmer” has continued to grow and the sales revenue from these two brands contributed to about 14% of the total sales of apparel.

Owing to the unfavourable economic condition, the Group has adopted a prudent strategy in store expansion and there was a net increase of only 14 stores during the period. As at 30 September 2008, the Group had 777 stores with a total shop floor area of about 661,000 square feet.

Taiwan

Sales derived from this market contributed to about 41.9% of the Group's total turnover for the current period. Despite a sluggish economy and low consumer confidence, sales increased by 11.6% when comparing to the same period of last year. During the six months ended 30 September 2008, total sales of the Taiwan market amounted to US$56,563,000 (2007: US$50,684,000), of which retail sales amounted to US$51,448,000 (2007: US$47,297,000) and sales generated from distributing activity amounted to US$5,115,000 (2007: US$3,387,000). As a result of the improvement in sales, operating profit increased by 56.3% and amounted to US$4,802,000 (2007: US$3,072,000).

During the period, the Group closed down and relocated some of its less profitable shops and opened more "Arnold Palmer" shops. As at 30 September 2008, there were 249 stores (2007: 263 stores) in Taiwan, of which 30 (2007: 16) were "Arnold Palmer" stores.

South Korea

South Korea has been severely affected by the worldwide financial turmoil and its currency had depreciated by almost 20% during the period. As a result, even though the sales of the Korean operation in Korean local currency term had grown by approximately 10% during the period, after translating into United States dollars, sales decreased slightly by 2.4% when comparing to the same period of the previous year. For the six months ended 30 September 2008, the Group's sales in South Korea amounted to US$56,367,000 (2007: US$57,726,000). The weakened Korean currency had also made the cost of merchandise more costly and reduced the gross margin. As a result, operating profit decreased to US$2,338,000 (2007: US$6,316,000). However, the Group has established itself as one of the leading casual wear retailers in this market. The South Korean market contributed to about 41.7% of the Group's total turnover for the period and will remain as one of the major markets of the Group. As at 30 September 2008, the Group had 318 stores (2007: 287) in South Korea, of which 72 (2007: 60) are "H&T" stores.

Philippines

Because of the unstable economic environment, sales in the Philippine market decreased by 13.5% to US$2,265,000 (2007: US$2,617,000). The operating loss sustained in this market amounted to US$275,000 (2007: US$47,000). The Group had 50 stores (2007: 52 stores) in Philippines as at 30 September 2008.

Singapore and Malaysia

The Group had improved the merchandise for the Singaporean and Malaysian operation and closed down some of its non-profitable stores. Sales for this operation for the six months ended 30 September 2008 had improved and amounted to US$8,895,000 (2007: US$7,867,000). While this operation still recorded an operating loss of US$992,000 (2007: US$2,099,000) for the period, the Group expects the performance of the operation will continue to improve. There were 41 stores (2007: 50 stores) in Singapore and Malaysia as at 30 September 2008.

Hong Kong and Macau

There have been improvements in sales and operating efficiency in the Hong Kong and Macau market. Sales had increased by 13.9% to US$2,924,000 (2007: US$2,567,000) and operating loss had reduced significantly to US$141,000 (2007: US$813,000). As at 30 September 2008, the Group had 9 stores (2007: 9 stores) in this territory.

Mainland China

Since the taking over of the retail operation in Mainland China of the Group's former licensee last year, the Group has gradually expanded the retail network. However, the Group has slowed down its expansion in view of the unfavourable general economic environment. The Group added 12 new stores during the period and had 110 stores in over 20 major cities as at 30 September 2008. Sales generated in this market amounted to US$6,218,000 for the period.

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$1,943,000 for the six months ended 30 September 2008 (2007: US$1,999,000).

Liquidity and Financial Resources

The Group generally financed its operation by internally generated cashflow and banking facilities provided by its bankers. As at 30 September 2008, the Group had financial facilities provided by banks amounting to approximately US$35,000,000 of which US$5,862,000 had been utilized. Certain of the banking facilities were secured by an office premise of the Group. Total indebtedness as at 30 September 2008, comprising bank loans and overdrafts of US$5,862,000 (31 March 2008: US$2,741,000), shareholders' loans of US$16,400,000 (31 March 2008: US$16,400,000) and loans from minority shareholders of a subsidiary of US$360,000 (31 March 2008: US$nil) amounted to US$22,622,000 (31 March 2008: US$19,141,000) and represented 15.1% (31 March 2008: 12.6%) of the total assets of the Group. The loans from shareholders are unsecured and are due for repayment in the year 2011.

For the six months ended 30 September 2008, the Group generated US$1,512,000 (2007: US$6,703,000) of cash in operating activities. During the period, the Group paid US$8,866,000 (2007: US$6,333,000) in dividend to its shareholders and expended US$19,703,000 (2007: US$3,144,000) in capital expenditure, including US$10,936,000 (2007: US$nil) in acquisition of investment properties. As at 30 September 2008, the Group had cash and bank balances amounted to US$15,634,000 (31 March 2008: US$23,767,000).

Outlook

The Group will continue to adopt a strategy of growth with emphasis on profitability and efficiency. The Group will continue to strengthen and broaden its product design and product lines to expand its customer base. Despite that the recent financial crisis has caused a worldwide economic downturn and has weakened general consumer confidence, the Group believes that the competitiveness of its products and its leading position in its major markets will maintain consumers' demand of the Group's merchandise.

Taiwan will still be the Group's most important profit contributor. The "Arnold Palmer" brand operated by the Group under license in Taiwan has continued to perform satisfactorily. The Group will continue to expand the retail network of this brand to further increase its contribution to the Group. At the same time, the Group will continue to control costs and improve store efficiency so as to foster its profitability in this market.

The Group will continue to consolidate its position as one of the leading retailers in the South Korean market. The South Korean operation is affected by the weakened Korean local currency in the short term. To maintain profitability, the Group will streamline its operation, enhance its store efficiency and further diversify its supply sources. The directors believe that the South Korea will continue to be one of the Group's major markets.

The operation of the Group in Singapore, Malaysia, Hong Kong and Macau has shown significant improvement. The Group will continue to take measures to improve sales in these markets by further enhancing its merchandise and undertaking appropriate promotions. Through increasing sales and improving store efficiency, the Group believes the profitability of these markets will improve.

The Group has already had presence in over 20 major cities in Mainland China. The operation has shown steady growth in sales and the Group will continue to expand its retail network there. It is expected that contribution from this market will continue to increase.

The licensing operation is expected to continue to provide a steady flow of revenue to the Group from its existing licensees. The Group is exploring new licensing opportunities in a number of countries to expand its international network of licensees so as to increase the revenue from the licensing operation.

OTHER INFORMATION

Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: nil).

Employee and Remuneration Policies

As at 30 September 2008, the Group had approximately 2,330 (31 March 2008: 1,930) full time employees. About 1,920 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 2008, 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:

Name of director	Nature of interests	Number of ordinary shares held	As approximate percentage of total issued ordinary shares
Hung Kenneth	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 2008, 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 2008.

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 2008, 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:

Name	Nature of interests	Number of ordinary shares	As approximate percentage of total issued ordinary shares
Asian Wide Services Limited	Beneficial owner	369,886,000	37.66%
YGM Trading Limited	Beneficial owner	201,200,000	20.48%

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 2008.

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 2008. No option was granted during the period. The movements in the number of share options granted under the share option scheme during the period are as follows:

Date of grant	Outstanding at 1 April 2008	Lapsed during the period	Outstanding at 30 September 2008	Exercise price per share	Exercise period
7 April 2004	4,800,000	(120,000)	4,680,000	HK$1.52	1 April 2005 to 31 March 2009
7 April 2004	4,800,000	(120,000)	4,680,000	HK$1.52	1 April 2006 to 31 March 2009
	9,600,000	(240,000)	9,360,000		

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 2008.

Corporate Governance

During the six months ended 30 September 2008, 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 2008.

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

12 December 2008
Hong Kong