HANG TEN

2009 Interim Report

Hang Ten Group Holdings Limited

(Incorporated in Bermuda with Limited Liability)

stock code : 448

CONTENTS

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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 2009. 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 2009
(Expressed in United States dollars)

		Six months ended 30 September	
		2009	2008
	Notes	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**118,303**	135,145
Cost of sales		**(54,201)**	(59,221)
Gross profit		**64,102**	75,924
Other revenue	*4*	**1,383**	1,391
Other net income/(loss)	*4*	**8,141**	(2,061)
Selling expenses		**(51,387)**	(59,228)
Administrative expenses		**(14,593)**	(9,568)
Other operating expenses		**(267)**	(102)
Profit from operations		**7,379**	6,356
Finance costs	*6*	**(580)**	(618)
Profit before taxation	*6*	**6,799**	5,738
Taxation	*7*	**(1,487)**	(1,209)
Profit for the period		**5,312**	4,529
Attributable to:			
Equity shareholders of the Company		**5,448**	4,739
Minority interests		**(136)**	(210)
		5,312	4,529
Earnings per share	*8*		
– Basic		**US cent 0.55**	US cent 0.48
– Diluted		**US cent 0.55**	US cent 0.48

The notes on pages 9 to 23 form part of these interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 September 2009
(Expressed in United States Dollars)

	Six months ended 30 September	
	2009	2008
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit for the period	**5,312**	4,529
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of overseas subsidiaries	**5,777**	(7,406)
Total comprehensive income for the period	**11,089**	(2,877)
Attributed to:		
Equity shareholders of the Company	**11,220**	(2,562)
Minority interests	**(131)**	(315)
	11,089	(2,877)

The notes on pages 9 to 23 form part of these interim financial statements

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2009
(Expressed in United States dollars)

	Notes	At 30 September 2009 US$'000 (unaudited)	At 31 March 2009 US$'000 (audited)
Non-current assets			
Fixed assets	10		
– Investment properties		**6,475**	6,800
– Other property, plant and equipment		**16,756**	15,989
		23,231	22,789
Goodwill		**9,647**	9,647
Intangible assets	11	**15,269**	17,981
Deferred tax assets		**3,835**	3,585
		51,982	54,002
Current assets			
Investments	12	**8,084**	8,028
Inventories		**38,528**	32,819
Trade and other receivables	13	**33,690**	24,930
Amount due from related companies		**67**	54
Cash and bank balances		**16,688**	17,021
		97,057	82,852
Current liabilities			
Bank loans	14	**3,378**	4,146
Trade and other payables	15	**36,071**	28,484
Amount due to shareholders	16	**–**	658
Current taxation		**5,305**	4,735
		44,754	38,023
Net current assets		**52,303**	44,829
Total assets less current liabilities		**104,285**	98,831

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

At 30 September 2009
(Expressed in United States dollars)

	Notes	At 30 September 2009 US$'000 (unaudited)	At 31 March 2009 US$'000 (audited)
Non-current liabilities			
Loans from shareholders	*17*	**16,400**	16,400
Loans from a minority shareholder	*18*	**393**	393
Deferred income	*19*	**4,130**	4,720
Employee benefits		**382**	361
		21,305	21,874
NET ASSETS		**82,980**	76,957
CAPITAL AND RESERVES			
Share capital	*20*	**12,593**	12,593
Reserves		**69,964**	63,810
Total equity attributable to equity shareholders of the Company		**82,557**	76,403
Minority interests		**423**	554
TOTAL EQUITY		**82,980**	76,957

The notes on pages 9 to 23 form part of these interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 September 2009 – unaudited
(Expressed in United States dollars)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Contributed surplus	Exchange reserve	Share options reserve	Legal reserve	Retained profits	Total	Minority interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 April 2008	12,593	1,528	5,710	3,846	350	913	62,591	87,531	970	88,501
Changes in equity for the six months ended 30 September 2008										
Acquisition of subsidiary	-	-	-	-	-		-	-	81	81
Dividend approved in respect of previous year	-	-	-	-	-	-	(8,866)	(8,866)	-	(8,866)
Share options lapsed	-	-	-		(9)	-	9	-	-	-
Total comprehensive income for the period	-	-	-	(7,301)	-	-	4,739	(2,562)	(315)	(2,877)
Balance at 30 September 2008 and 1 October 2008	12,593	1,528	5,710	(3,455)	341	913	58,473	76,103	736	76,839
Changes in equity for the six months ended 31 March 2009										
Transfer to legal reserve	-	-	-	-	-	148	(148)	-	-	-
Share options lapsed	-	-	-	-	(341)	-	341	-	-	-
Total comprehensive income for the period	-	-	-	(5,657)	-	-	5,957	300	(182)	118
Balance at 31 March 2009 and 1 April 2009	12,593	1,528	5,710	(9,112)	-	1,061	64,623	76,403	554	76,957
Changes in equity for the six months ended 30 September 2009										
Dividend approved in respect of previous year	-	-	-	-	-	-	(5,066)	(5,066)	-	(5,066)
Total comprehensive income for the period	-	-	-	5,772	-	-	5,448	11,220	(131)	11,089
Balance at 30 September 2009	12,593	1,528	5,710	(3,340)	-	1,061	65,005	82,557	423	82,980

The notes on pages 9 to 23 form part of these interim financial statements

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Six Months Ended 30 September 2009
(Expressed in United States dollars)

	Six months ended 30 September	
	2009	2008
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**4,185**	1,512
Net cash from/(used in) investing activities	**2,388**	(3,150)
Net cash used in financing activities	**(6,906)**	(7,695)
Net decrease in cash and cash equivalents	**(333)**	(9,333)
Cash and cash equivalents at 1 April	**17,021**	23,767
Cash and cash equivalent at 30 September	**16,688**	14,434
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**16,688**	15,634
Bank overdrafts	**–**	(1,200)
	16,688	14,434

The notes on pages 9 to 23 form part of these interim financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 September 2009
(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"). It was authorised for issue on 10 December 2009.

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 2009 except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations that are first effective for the current accounting period of the Group as set out below:

HKFRS 8	Operating segments
HKAS 1 (revised 2007)	Presentation of financial statements
Amendments to HKAS 27	Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
Amendments to HKFRS 7	Financial instruments: Disclosures – improving disclosures about financial instruments
HKAS 23 (revised 2007)	Borrowing costs
Amendments to HKFRS 2	Share-based payment – vesting conditions and cancellations
Various	Improvements to HKFRSs (2008)

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, corresponding amounts have been provided on a basis consistent with the revised segment information.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments are consistent with policies already adopted by the Group. The amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The amendments to HKAS 27 have no material impact on the results and financial position of the Group.

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	
	2009	2008
	US$'000	*US$'000*
Sales of apparel	**116,642**	133,202
Royalty income	**1,661**	1,943
	118,303	135,145

4. Other Revenue and Other Net Income/(Loss)

	Six months ended 30 September	
	2009	2008
	US$'000	*US$'000*
Other revenue		
Rental income	**169**	270
Bank interest income	**284**	286
Claims receivable from suppliers	**234**	403
Others	**696**	432
	1,383	1,391
Other net income/(loss)		
Net foreign exchange gain/(loss)	**1,570**	(2,123)
Net gain/(loss) on disposal of fixed assets	**189**	(467)
Gain on disposal of trademark	**6,156**	–
Others	**226**	529
	8,141	(2,061)

5. Segment Reporting

The Group manages its businesses in term of apparel business by geographical location and licensing business. On the first-time adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reporting segments:

– Sale of apparels: Taiwan

– Sale of apparel: Korea

– Sale of apparel: Philippines

– Sale of apparel: Singapore

– Sale of apparel: Malaysia

– Sale of apparel: Hong Kong and Macau

– Sale of apparel: Mainland China

– Licensing

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The measure used for reporting segment profit is operating profit before finance cost and tax.

Six months ended 30 September 2009

	Sale of apparel										
	Taiwan	Korea	Philippines	Singapore	Hong Kong & Macau	Malaysia	Mainland China	Total	Licensing	Inter-segment eliminations	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue from external customers	50,991	45,706	1,798	7,559	3,739	1,493	5,356	116,642	1,661		118,303
Inter-segment revenue	694	-	-	-	-	-	-	694	879	(1,573)	-
Reportable segment revenue	51,685	45,706	1,798	7,559	3,739	1,493	5,356	117,336	2,540	(1,573)	118,303
Reportable segment result	(4,152)	4,352	(302)	279	(200)	(23)	(431)	(477)	2,072	-	1,595
Unallocated operating income and expenses											5,784
Finance costs											(580)
Taxation											(1,487)
Profit for the period											5,312
Depreciation and amortisation for the period	799	739	68	212	65	96	299	2,278	7		2,285
Impairment losses on trade receivables	-	9	-	-	-	-	-	9	-		9

Note: The segment result of sale of apparel-Taiwan for the six months ended 30 September 2009 included a provision for additional value added tax and penalties of US$7,711,000 which has been described in more details in note 6.

Six months ended 30 September 2008

	Sale of apparel										
	Taiwan	Korea	Philippines	Singapore	Hong Kong & Macau	Malaysia	Mainland China	Total	Licensing	Inter-segment eliminations	Total
	US$'000	*US$'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	2,894	1,255	6,218	133,202	1,943		135,145
Inter-segment revenue	3,221	–	–	–	–	–	–	3,221	990	(4,211)	–
Reportable segment revenue	59,784	56,367	2,265	7,640	2,894	1,255	6,218	136,423	2,933	(4,211)	135,145
Reportable segment result	4,802	2,338	(275)	(852)	(141)	(140)	(707)	5,025	2,190	–	7,215
Unallocated operating income and expenses											(859)
Finance costs											(618)
Taxation											(1,209)
Profit for the period											4,529
Depreciation and amortisation for the period	798	1,036	109	252	100	51	425	2,771	47		2,818
Reversal of impairment losses on trade receivables	–	324	–	–	–	–	–	324	–		324

6 Profit before Taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2009	2008
	US$'000	*US$'000*
(a) Finance costs		
Interest on bank advances wholly repayable within five years	**87**	125
Interest on shareholders' loans	**493**	493
	580	618
(b) Other items		
Cost of inventories sold	**54,201**	59,221
Staff costs	**13,986**	16,388
Depreciation	**2,256**	2,789
Provision for additional value added tax and penalties *(see note below)*	**7,711**	–
Gain on disposal of trademark	**(6,156)**	–

Note. In September 2009, the Group received a judgment from the Supreme Administrative Court of Taiwan which ruled in favour of the Taiwan Tax Authority in respect of a claim by the Taiwan Tax Authority of value added tax and penalties on sales made through certain retail shops which were operated under co-operative arrangements with third parties in previous years. The Group has appealed against the judgment. For prudence, the Group had made additional provision to cover the full amount of value added tax and penalties claimed by the Taiwan Tax Authority and the additional provision had been charged to the administrative expenses during the period.

7. Taxation

	Six months ended 30 September	
	2009	2008
	US$'000	*US$'000*
Current tax – Overseas		
Provision for the period	**1,737**	789
Deferred tax		
Origination and reversal of temporary differences	**(250)**	420
	1,487	1,209

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 2009 (2008: US$nil).

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

8. 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 2009 of US$5,448,000 (2008: US$4,739,000) and 982,250,000 ordinary shares (2008: 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 the Company did not have any dilutive ordinary shares outstanding during both periods.

9. Dividends

	Six months ended 30 September	
	2009	2008
	US$'000	*US$'000*
Dividends recognised as distribution and paid during the period:		
Final dividend in respect of the previous financial year of HK4.0 cents (2008: HK6.0 cents) per ordinary share (equivalent to approximately US0.52 cent (2008: US0.77 cent) per ordinary share)	**5,066**	7,600
Special dividend in respect of the previous financial year of HK$nil (2008: HK1.0 cent) per ordinary share (equivalent to approximately US$nil (2008: US0.13 cent) per ordinary share)	**–**	1,266
	5,066	8,866

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: US$nil).

10. Fixed Assets

During the six months ended 30 September 2009, the Group disposed an investment property with a net book value of US$806,000 (2008: US$nil) resulting in a gain of US$476,000 (2008: US$nil). The Group purchased other property, plant and equipment amounted to US$1,818,000 (2008: US$8,767,000).

11. Intangible Assets

The carrying values of the intangible assets at the balance sheer date are as follows:

	At 30 September 2009 ***US$'000***	At 31 March 2009 *US$'000*
The carrying values of the intangible at the balance sheet are as follows:		
Trademarks	**15,002**	17,686
Retail network	**267**	295
	15,269	17,981

During the period, trademarks with a net book value of US$2,684,000 (2008: US$nil) were disposed of by the Group resulting in a gain of US$6,156,000 (2008: US$nil)

12. Investments

	At 30 September 2009 ***US$'000***	At 31 March 2009 *US$'000*
Trading securities (at market value)		
Listed funds in Taiwan	**8,084**	8,028

13. Trade and Other Receivables

	At 30 September 2009 ***US$'000***	At 31 March 2009 *US$'000*
Trade debtors	**13,290**	11,152
Royalty receivables	**518**	675
Less: Allowance for doubtful debts	**(133)**	(435)
	13,675	11,392
Rental deposits	**10,484**	9,745
Prepayments and other receivables	**9,531**	3,793
	33,690	24,930

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:

	At 30 September 2009	At 31 March 2009
	US$'000	*US$'000*
Neither past due nor impaired	**11,129**	9,628
1 to 3 months past due	**2,037**	1,556
More than 3 months but less than 1 year past due	**509**	208
Amount past due	**2,546**	1,764
	13,675	11,392

14. Bank Loans

	At 30 September 2009	At 31 March 2009
	US$'000	*US$'000*
Bank loans		
– secured	**1,683**	2,178
– unsecured	**1,695**	1,968
	3,378	4,146

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

15. Trade and Other Payables

	At 30 September 2009 US$'000	At 31 March 2009 US$'000
Trade creditors	**12,958**	11,686
Bills payable	**218**	307
Interest on loans from shareholders	**493**	985
Forward foreign exchange contracts	**–**	84
Accrued charges	**14,196**	4,980
Deferred income *(note 19)*	**1,180**	1,180
Deposits received	**3,094**	4,749
Others	**3,932**	4,513
	36,071	28,484

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 accrued charges of the Group is a provision for additional value added tax and penalties of US$8,725,000 (31 March 2009: US$1,014,000).

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

	At 30 September 2009 US$'000	At 31 March 2009 US$'000
Due within 1 month or on demand	**11,158**	9,732
Due after 1 month but within 3 months	**1,751**	1,994
Due after 3 months but within 6 months	**267**	267
	13,176	11,993

16. Amount due to Shareholders

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

17. 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.

18. Loans from a Minority Shareholder

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

19. 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.

20. Share Capital

Authorised:

	Number of shares		Amount	
	30 September 2009	31 March 2009	**30 September 2009** *US$'000*	31 March 2009 *US$'000*
Ordinary shares of HK$0.10each	**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 '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 2008, 31 March 2009 and 30 September 2009	982,250	12,593	–	–	12,593

There was no movement in issued and fully paid capital during the year ended 31 March 2009 and the six months ended 30 September 2009.

There was no option outstanding at 30 September 2009. No option was granted during the six months ended 30 September 2009. 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 2009.

21. Material Related Party Transactions

Name of Related Party	Relationship	Nature of Transaction	Six months ended 30 September 2009 US$'000	Six months ended 30 September 2008 US$'000	At 30 September 2009 US$'000	At 31 March 2009 US$'000
Michel Rene Enterprises Limited	A company controlled by a shareholder of the Company	Rental income received	31	–		
		Rental expense paid	44	–		
		Amount due therefrom			50	37
Chua and Company and its associates	A minority shareholder of a non-wholly owned company and their associates	Sales of goods	218	497		
Avon Dale Garments inc	A minority shareholder of a non-wholly owned subsidiary of the Company and their associates	Royalty income	35	32		
		Amount due therefrom			17	17
					67	54

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

22. Operating Lease Commitments

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

	At 30 September 2009	At 31 March 2009
	US$'000	*US$'000*
Within one year	**18,959**	20,165
After 1 year but within 5 years	**19,860**	22,311
After 5 years	**–**	320
	38,819	42,796

23. Comparative Figures

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009.

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 continued to suffer from the aftermath of the global financial turmoil and consumer confidence remained weak. While the domestic currencies of the territories in which the Group operates have strengthened against the United States dollars in recent months, on average those currencies had depreciated in value against the United States dollars during the period under review when comparing to the same period of last year. Despite that, the competitiveness of the Group's products and its leading position in its major markets had maintained consumers' demand of the Group's merchandise. The Group had also taken measures to control its costs to maintain its profitability. Despite facing a difficult environment, the Group had achieved a growth in profit for the period.

Turnover for the period amounted to US$118,303,000 (2008: US$135,145,000), a decrease of 12.5%. As the Group had engaged in more frequent promotions during the period, gross margin ratio decreased slightly to 54.2% (2008: 56.2%). Gross profit for the period amounted to US$64,102,000 (2008: US$75,924,000). During the period, the Group had disposed of one of its trademark right in North America and resulting in a gain of US$6,156,000 which had been included in other net income of the Group. The Group had made a provision for additional value added tax and penalties of US$7,711,000 for its Taiwan operation during the period in respect of a claim by the Taiwan Tax Authority. The Group had appealed against the claim but for prudence, full provision had been made and the provision had been included in administrative expenses for the period. The Group had taken measures to control its costs. Selling expenses and administrative expenses (excluding the provision for value added tax and penalties) had been reduced significantly. As a result, operating profit for the period increased by 16.1% and amounted to US$7,379,000 (2008: US$6,356,000). Net profit for the period amounted to US$5,312,000 (2008: US$4,529,000), representing an increase of 17.3%. If the gain on disposal of trademark right and the provision for additional value added tax and penalties are excluded, the amount of operating profit for the period and the net profit for the period would amount to US$8,934,000 and US$6,867,000 respectively and represents an increase of 40.6% and 51.6% respectively when comparing to the corresponding period of last year.

Apparel Sales

About 98.6% (2008: 98.6%) of the Group's turnover was contributed by sales of apparel. For the six months ended 30 September 2009, sales generated from retail and distribution of apparel amounted to US$116,642,000 (2008: US$133,202,000). The remaining 1.4% of turnover was royalties 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 apparels is still derived from *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 15% of the total sales of apparel.

Owing to the uncertain economic environment, the Group had adopted a prudent strategy in store expansion and closed down some under-performing shops. There was a net increase of only 7 stores during the period. As at 30 September 2009, the Group had 776 shops with a total shop floor area of about 659,200 square feet.

Taiwan

Taiwan was the largest contributor to the Group's turnover for the period, accounting for about 43.1% of the Group's total turnover. During the period, the Group continued to expand its network of *Arnold Palmer* stores and 7 new *Arnold Palmer* shops had been opened. Contribution from this business line continued to increase. Due to a sluggish economy and low consumer confidence, overall sales in Taiwan had dropped by 9.9% which had resulted in a drop in operating profit. Total sales of the Taiwan market amounted to US$50,991,000 (2008: US$56,563,000). Operating profit, after exclusion of the provision of additional value added tax and penalties of US$7,711,000, amounted to US$3,559,000 (2008: US$4,802,000).

As at 30 September 2009, there were 276 shops (2008: 249 shops) in Taiwan, of which 46 (2008: 30) were *Arnold Palmer* shops.

South Korea

During the period, the Group had consolidated its network and streamlined its operation and there had been a net decrease of 11 shops. Average shop sales had increased slightly and profitability had improved. Sales for the period in South Korean Won term had dropped by about 2.5% which was due to the decrease in shop number . Though the South Korean currency has strengthened recently, on average it had still depreciated by over 17% in this period when comparing to the same period of last year. As a result, sales in United States dollar term had decreased by 18.9%. The Group had increased the unit prices of its merchandise to compensate for the increased cost of merchandise caused by the depreciation in value of the South Korean Won. For the six months ended 30 September 2009, the Group's sales in South Korea amounted to US$45,706,000 (2008: US$56,367,000). Despite the drop in sales, operating profit had increased to US$4,352,000 (2008: US$2,338,000) which was owed partly to the strengthening of the South Korean Won in the latest months of the period and partly to cost saving. The South Korean market is a significant market of the Group and accounted for about 38.6% of the Group's total turnover for the period. As at 30 September 2009, the Group had 300 shops (2008: 318) in South Korea, of which 64 (2008: 72) were *H&T* shops.

Philippines

Because of the unstable economic environment, sales in the Philippine market decreased by 20.6% to US$1,798,000 (2008: US$2,265,000). The operating loss sustained in this market amounted to US$302,000 (2008: US$275,000). The Group had 47 shops (2008: 50 shops) in Philippines as at 30 September 2009.

Singapore and Malaysia

The Group had improved the merchandise for the Singaporean and Malaysian operation and relocated some of its non-profitable stores. Despite the difficult economic environment and competitive marketplace, sales for this operation for the six months ended 30 September 2009 had improved slightly and amounted to US$9,052,000 (2008: US$8,895,000).This operation had recorded an operating profit of US$256,000 (2008: loss of US$992,000) for the period. There were 43 shops (2008: 41 shops) in Singapore and Malaysia as at 30 September 2009.

Hong Kong and Macau

During the period, the Group had gradually expanded its network in this market. While the market is still very competitive, the Group has been able to improve its sales and operating efficiency. Shops have been set up in strategic locations with a concentration of the Group's targeted customers. Sales for the period had increased by 29.2% to US$3,739,000 (2008: US$2,894,000). This operation resulted in an operating loss of US$200,000 (2008: US$141,000). As at 30 September 2009, the Group had 14 shops (2008: 9 shops) in this territory.

Mainland China

Sales had decreased by 13.9% mainly due to reduction in the number of shops as the Group had closed down some non-profitable shops. At 30 September 2009, the Group had 96 shops comparing to 110 shops at 30 September 2008. As this market is still in an early development stage, sales for the period only amounted to US$5,356,000 (2008: US$6,218,000). Operating result improved as the operating loss had been reduced to US$431,000 (2008: US$707,000).

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$1,661,000 for the six months ended 30 September 2009 (2008: US$1,943,000).

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 2009, the Group had financial facilities provided by banks amounting to approximately US$23,406,000 of which US$3,378,000 had been utilized. Certain of the banking facilities were secured by an office premise of the Group. Total indebtedness as at 30 September 2009, comprising bank loans and overdrafts of US$3,378,000 (31 March 2009: US$4,146,000), shareholders' loans of US$16,400,000 (31 March 2009: US$16,400,000) and loans from a minority shareholder of a subsidiary of US$393,000 (31 March 2009: US$393,000) amounted to US$20,171,000 (31 March 2009: US$20,939,000) and represented 13.5% (31 March 2009: 15.3%) 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 2009, the Group generated US$4,185,000 (2008: US$1,512,000) of cash in operating activities. During the period, the Group paid US$5,066,000 (2008: US$8,866,000) in dividend to its shareholders and expended US$1,818,000 (2008: US$19,703,000) in capital expenditure. As at 30 September 2009, the Group had cash and bank balances amounted to US$16,688,000 (31 March 2009: US$17,021,000) and listed bond funds which are readily convertible into cash of US$8,084,000 (31 March 2009: US$8,028,000).

Outlook

While the global economic outlook remains uncertain, the worst of the financial turmoil appears to have passed. The Group has undertaken measures to make its operation more efficient. As the economies of a number of Asian countries have shown signs of improvement, the Group is well positioned to benefit from a recovery of the economy. The Group will continue to adopt a strategy of growth with emphasis on profitability and efficiency and new shops will be added to our existing network. The Group will continue to improve and broaden its product design and product lines to strengthen the competitiveness of the Group's products.

The Group is one of the largest retailers in Taiwan and the Taiwan market will remain as one of its major profit contributors. New shops will be opened to extend its geographical coverage. 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.

South Korean Won has stablised recently and the economy environment in South Korea has improved. If that continues, it is expected that the South Korea operation will return to normal. The Group will continue to consolidate its position as one of the leading retailers in the South Korea and will look for opportunity to expand its network.

The operation of the Group in Singapore, Malaysia, Hong Kong and Macau has shown 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 continue to improve.

With consumer confidence returning and the economy responding to the government's stimulating polices, the Group plans to open more shops in Mainland China to expand its presence.

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 2009 (2008: nil).

Employee and Remuneration Policies

As at 30 September 2009, the Group had approximately 2,050 (31 March 2009: 2,100) full time employees. About 1,720 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 2009, 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
Chan Wing Sun	Personal	550,000	0.06%
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%

Other than disclosed above, none of the directors and chief executive of the Company and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) that was required to be recorded 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 2009.

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 2009, 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 2009.

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 2009. No option was granted during the period. There was no option outstanding as at 30 September 2009.

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 2009.

Corporate Governance

During the six months ended 30 September 2009, 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 2009.

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

10 December 2009
Hong Kong