

HANG TEN GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 448)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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)

	<i>Notes</i>	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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

(Expressed in United States dollars)

	<i>Notes</i>	As at 30 September 2008 US\$'000 (unaudited)	As at 31 March 2008 US\$'000 (audited)
Non-current assets			
Property, plant and equipment		14,228	11,227
Investment properties		11,630	–
Goodwill		9,647	9,495
Intangible assets		18,222	17,882
Deferred tax assets		3,642	4,062
		<u>57,369</u>	<u>42,666</u>
Current assets			
Investments		–	16,452
Inventories		44,913	36,218
Trade and other receivables	10	31,720	33,297
Amount due from related companies		47	64
Cash and bank balances		15,634	23,767
		<u>92,314</u>	<u>109,798</u>
Current liabilities			
Bank loans and overdrafts		5,862	2,741
Trade and other payables	11	40,131	30,527
Amount due to shareholders		–	1,177
Current taxation		4,451	6,869
		<u>50,444</u>	<u>41,314</u>
Net current assets		<u>41,870</u>	<u>68,484</u>
Total assets less current liabilities		<u>99,239</u>	<u>111,150</u>
Non-current liabilities			
Loans from shareholders		16,400	16,400
Loans from minority shareholders		360	–
Deferred income		5,310	5,900
Employee benefits		330	349
		<u>22,400</u>	<u>22,649</u>
NET ASSETS		<u><u>76,839</u></u>	<u><u>88,501</u></u>
CAPITAL AND RESERVES			
Share capital		12,593	12,593
Reserves		63,510	74,938
Total equity attributable to equity shareholders of the Company		<u>76,103</u>	<u>87,531</u>
Minority interests		<u>736</u>	<u>970</u>
TOTAL EQUITY		<u><u>76,839</u></u>	<u><u>88,501</u></u>

Notes:

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 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 US\$'000	Six months Ended 30 September 2007 US\$'000
Sales of apparel	133,202	121,461
Royalty income	1,943	1,999
	<u>135,145</u>	<u>123,460</u>

4. Other Revenue

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

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 US\$'000	Korea US\$'000	Philippines US\$'000	Singapore US\$'000	Hong Kong & Macau US\$'000	Malaysia US\$'000	Mainland China US\$'000	Inter- segment eliminations US\$'000	Unallocated US\$'000	Total 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 amortisation 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 US\$'000	Korea US\$'000	Philippines US\$'000	Singapore US\$'000	Hong Kong & Macau US\$'000	Malaysia US\$'000	Mainland China US\$'000	Inter- segment eliminations US\$'000	Unallocated US\$'000	Total 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 amortisation 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 US\$'000	Six months Ended 30 September 2007 US\$'000
Sales of apparel	133,202	121,461
Royalty income	<u>1,943</u>	<u>1,999</u>
	<u>135,145</u>	<u>123,460</u>

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	<u>493</u>	<u>493</u>
	<u>618</u>	<u>510</u>
(b) Other items		
Cost of inventories sold	59,221	52,104
Staff costs	16,388	15,646
Depreciation	<u>2,789</u>	<u>2,158</u>

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	<u>789</u>	<u>2,152</u>
Deferred tax		
Origination and reversal of timing differences	<u>420</u>	<u>(51)</u>
	<u>1,209</u>	<u>2,101</u>

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. 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)
	<u>15,609</u>	<u>15,889</u>
Forward foreign exchange contracts	442	97
Rental deposits	11,874	12,622
Prepayments and other receivables	3,795	4,689
	<u>31,720</u>	<u>33,297</u>

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	<u>13,637</u>	<u>13,490</u>
1 to 3 months past due	1,953	2,334
More than 3 months but less than 1 year past due	<u>19</u>	<u>65</u>
Amount past due	<u>1,972</u>	<u>2,399</u>
	<u>15,609</u>	<u>15,889</u>

11. Trade and Other Payables

	As at 30 September 2008 <i>US\$'000</i>	As at 31 March 2008 <i>US\$'000</i>
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	1,180	1,180
Deposits received	3,464	4,185
Others	5,959	3,714
	<u>40,131</u>	<u>30,527</u>

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 <i>US\$'000</i>	As at 31 March 2008 <i>US\$'000</i>
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
	<u>20,821</u>	<u>13,152</u>

12. 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.

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 unfortunate 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 local Korean 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.

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.

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

As at the date of this announcement, Mr. Chan Wing Sun, Mr. Kenneth Hung, Ms. Kao Yu Chu and Ms. Wang Li Wen are executive directors, Mr. Cheung Yat Hung Alton, Mr. Kwong Chi Keung and Mr. So Hon Cheung Stephen are independent non-executive directors of the Company.