

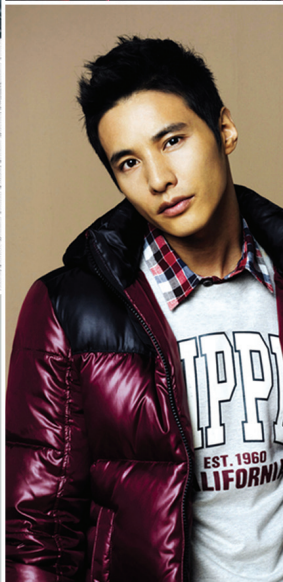


HANG TEN

Hang Ten Group Holdings Limited
(Incorporated in Bermuda with Limited Liability)

stock code: 448

2010 Interim Report



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chan Wing Sun
Kao Yu Chu
Wang Li Wen

INDEPENDENT NON-EXECUTIVE DIRECTORS

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Bermuda

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Hong Kong

COMPANY SECRETARY

Lee Kin Keung Lawrence

AUDITORS

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Certified Public Accountants
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PRINCIPAL SHARE REGISTRAR

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BRANCH SHARE REGISTRAR

Tricor Standard Limited
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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hong Kong Main Office

The Hongkong and Shanghai Banking Corporation Limited
Taiwan Branch

Chang Hwa Commercial Bank Limited

Hua Nan Commercial Bank Limited

CORPORATE WEBSITE

www.hangten.com.hk

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 2010. 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 2010
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Turnover	3	1,038,199	917,440
Cost of sales		(445,429)	(420,329)
Gross profit		592,770	497,111
Other revenue	4	10,433	10,725
Other net income/(loss)	4	8,368	63,133
Selling expenses		(442,820)	(398,506)
Administrative expenses		(62,796)	(53,370)
Other operating expenses		(929)	(61,869)
Profit from operations		105,026	57,224
Finance costs	6	(4,078)	(4,498)
Profit before taxation	6	100,948	52,726
Taxation	7	(15,381)	(11,531)
Profit for the period		85,567	41,195
Attributable to:			
Equity shareholders of the Company		85,621	42,250
Non-controlling interests		(54)	(1,055)
		85,567	41,195
Earnings per share	9		
– Basic		8.72 cents	4.30 cents
– Diluted		8.72 cents	4.30 cents

The notes on pages 9 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 September 2010

(Expressed in Hong Kong Dollars)

	Six months ended 30 September	
	2010 <i>HK\$'000</i> (unaudited)	2009 <i>HK\$'000</i> (unaudited)
Profit for the period	85,567	41,195
Other comprehensive income for the period:		
Exchange differences on translating foreign operations:		
Exchange differences arising during the period	1,177	44,801
Reclassification adjustments relating to foreign operation disposed of during the period	2,141	–
	3,318	44,801
Total comprehensive income for the period	88,885	85,996
Attributed to:		
Equity shareholders of the Company	88,256	87,012
Non-controlling interests	629	(1,016)
	88,885	85,996

The notes on pages 9 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2010

(Expressed in Hong Kong dollars)

	Note	At 30 September 2010 HK\$'000 (unaudited)	At 31 March 2010 HK\$'000 (audited)
Non-current assets			
Fixed assets	10		
– Investment properties		51,356	50,873
– Other property, plant and equipment		121,551	125,421
		172,907	176,294
Goodwill		74,038	74,038
Intangible assets	11	115,082	115,309
Other receivable	13	42,614	44,140
Deferred tax assets		22,823	23,536
		427,464	433,317
Current assets			
Investments	12	25,111	84,475
Inventories		315,345	245,360
Trade and other receivables	13	223,217	216,638
Amount due from related companies	21	116	248
Cash and bank balances		241,910	275,116
		805,699	821,837
Current liabilities			
Bank loans and overdrafts	14	17,937	17,123
Trade and other payables	15	222,114	255,845
Amount due to shareholders	16	–	8,631
Current taxation		42,782	49,942
		282,833	331,541
Net current assets		522,866	490,296
Total assets less current liabilities		950,330	923,613

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

At 30 September 2010

(Expressed in Hong Kong dollars)

		At 30 September 2010 <i>HK\$'000</i> (unaudited)	At 31 March 2010 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current liabilities			
Loans from shareholders	17	127,182	127,182
Loan from a minority shareholder	18	3,048	3,048
Deferred income	19	22,877	27,453
Employee benefits		3,668	3,614
		<u>156,775</u>	<u>161,297</u>
NET ASSETS		<u>793,555</u>	<u>762,316</u>
CAPITAL AND RESERVES			
Share capital	20	98,225	98,225
Reserves		695,702	661,470
Total equity attributable to equity shareholders of the Company		<u>793,927</u>	759,695
Non-controlling interests		<u>(372)</u>	<u>2,621</u>
TOTAL EQUITY		<u>793,555</u>	<u>762,316</u>

The notes on pages 9 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 September 2010 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Exchange reserve	Legal reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Balance at 1 April 2009	98,225	11,920	44,538	(72,849)	8,269	502,807	592,910	4,296	597,206
Changes in equity for the six months ended 30 September 2009									
Dividend approved in respect of previous year	-	-	-	-	-	(39,290)	(39,290)	-	(39,290)
Total comprehensive income for the period	-	-	-	44,762	-	42,250	87,012	(1,016)	85,996
Balance at 30 September 2009 and 1 October 2009	98,225	11,920	44,538	(28,087)	8,269	505,767	640,632	3,280	643,912
Changes in equity for the six months ended 31 March 2010									
Transfer to legal reserve	-	-	-	-	946	(946)	-	-	-
Total comprehensive income for the period	-	-	-	18,318	-	100,745	119,063	(659)	118,404
Balance at 31 March 2010 and 1 April 2010	98,225	11,920	44,538	(9,769)	9,215	605,566	759,695	2,621	762,316
Changes in equity for the six months ended 30 September 2010									
Dividend approved in respect of previous year	-	-	-	-	-	(54,024)	(54,024)	-	(54,024)
Disposal of a non-wholly owned subsidiary	-	-	-	-	-	-	-	(3,622)	(3,622)
Total comprehensive income for the period	-	-	-	2,635	-	85,621	88,256	629	88,885
Balance at 30 September 2010	98,225	11,920	44,538	(7,134)	9,215	637,163	793,927	(372)	793,555

The notes on pages 9 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Six Months Ended 30 September 2010

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(23,674)	32,454
Net cash from investing activities	51,572	18,519
Net cash used in financing activities	(61,104)	(53,556)
Net decrease in cash and cash equivalents	(33,206)	(2,583)
Cash and cash equivalents at 1 April	275,116	131,998
Cash and cash equivalent at 30 September	241,910	129,415
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	241,910	129,415

The notes on pages 9 to 22 form part of this interim financial report.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 September 2010

(Expressed in Hong Kong 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 23 November 2010.

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 2010 except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”), amendments and Interpretations that are first effective for the current accounting period of the Group as set out below:

HKFRS 3 (revised)	Business combinations
HKAS 27 (revised)	Consolidated and separate financial statements
Amendments to HKFRS 1	First-time adoption of Hong Kong Financial Reporting Standards – Additional exemptions for first-time adopters
Amendments to HKFRS 2	Share-based payment – Group cash-settled share-based payment transactions
Amendments to HKAS 39	Financial instruments: Recognition and measurement – Eligible hedged items
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners
Various	Improvements to HKFRSs (2009)

The adoption of the above revised standards, amendments, interpretations and improvements 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 and so far anticipate that the application of these new standards, amendments and interpretations would not have a significant impact on the Group's results of operations and financial position.

3. Turnover

The principal activities of the Group are designing, marketing and sale of apparel and accessories and licensing of trademarks. Turnover represents the sales value of goods supplied to customers and royalty income from licensing of trademarks. The amount of each significant category of revenue recognised in turnover is as follows:

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Sales of apparel	1,025,555	904,559
Royalty income	12,644	12,881
	<u>1,038,199</u>	<u>917,440</u>

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

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Other revenue		
Rental income	2,020	1,311
Bank interest income	1,449	2,202
Claims receivable from suppliers	1,496	1,815
Others	5,468	5,397
	<u>10,433</u>	<u>10,725</u>
Other net income/(loss)		
Net foreign exchange gain	4,447	12,175
Net (loss)/gain on disposal of fixed assets	(250)	1,466
Gain on disposal of trademark	-	47,740
Others	4,171	1,752
	<u>8,368</u>	<u>63,133</u>

5. Segment Reporting

The Group manages its businesses in term of apparel business by geographical location and licensing business. 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 and excludes other head office or corporate administration costs.

Six months ended 30 September 2010

	Sale of apparel									
	Taiwan HK\$'000	Korea HK\$'000	Philippines HK\$'000	Singapore HK\$'000	Hong Kong & Macau HK\$'000	Malaysia HK\$'000	Mainland China HK\$'000	Sub-total HK\$'000	Licensing HK\$'000	Total HK\$'000
Revenue from external customers	448,084	412,625	-	65,440	35,580	12,139	51,687	1,025,555	12,644	1,038,199
Inter-segment revenue	6,491	-	-	-	-	-	-	6,491	7,693	14,184
Reportable segment revenue	<u>454,575</u>	<u>412,625</u>	<u>-</u>	<u>65,440</u>	<u>35,580</u>	<u>12,139</u>	<u>51,687</u>	<u>1,032,046</u>	<u>20,337</u>	<u>1,052,383</u>
Reportable segment profit	33,518	47,350	-	8,140	4,449	587	(3,887)	90,157	17,627	107,784
Depreciation and amortisation for the period	6,181	9,193	-	1,284	451	711	1,662	19,482	-	19,482
Impairment losses on trade debtors and royalty receivables	<u>-</u>	<u>118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118</u>	<u>-</u>	<u>118</u>

Six months ended 30 September 2009

	Sale of apparel									
	Taiwan HK\$'000	Korea HK\$'000	Philippines HK\$'000	Singapore HK\$'000	Hong Kong & Macau HK\$'000	Malaysia HK\$'000	Mainland China HK\$'000	Sub-total HK\$'000	Licensing HK\$'000	Total HK\$'000
Revenue from external customers	395,435	354,450	13,944	58,620	28,996	11,578	41,536	904,559	12,881	917,440
Inter-segment revenue	5,382	-	-	-	-	-	-	5,382	6,817	12,199
Reportable segment revenue	<u>400,817</u>	<u>354,450</u>	<u>13,944</u>	<u>58,620</u>	<u>28,996</u>	<u>11,578</u>	<u>41,536</u>	<u>909,941</u>	<u>19,698</u>	<u>929,639</u>
Reportable segment profit	(32,199)	33,750	(2,342)	2,164	(1,551)	(178)	(3,342)	(3,698)	16,068	12,370
Depreciation and amortisation for the period	6,196	5,731	527	1,644	504	745	2,319	17,666	54	17,720
Impairment losses on trade debtors and royalty receivables	-	70	-	-	-	-	-	70	-	70

Note: The segment result of sale of apparel – Taiwan for the six months ended 30 September 2009 had included an accrual for additional value added tax and penalties of HK\$60,272,000.

Reconciliation of reportable segment revenue and profit

	Six months ended 30 September	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	1,052,383	929,639
Elimination of inter-segment revenue	(14,184)	(12,199)
	<u>1,038,199</u>	<u>917,440</u>
Consolidated turnover		
Profit		
Reportable segment profit	107,784	12,370
Elimination of inter-segment profit	-	-
	<u>107,784</u>	<u>12,370</u>
Finance costs	(4,078)	(4,498)
Unallocated head office and corporate income and expenses	(2,758)	44,854
	<u>(2,758)</u>	<u>44,854</u>
Consolidated profit before taxation	<u>100,948</u>	<u>52,726</u>

6. Profit before Taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank advances wholly repayable within five years	255	675
Interest on shareholders' loans	3,823	3,823
	4,078	4,498
(b) Other items		
Cost of inventories sold	445,429	420,329
Staff costs	121,997	108,461
Depreciation	19,317	17,495
Provision for additional value added tax	-	60,272

7. Taxation

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
Current tax – Overseas		
Provision for the period	15,363	13,470
Deferred tax		
Origination and reversal of temporary differences	18	(1,939)
	15,381	11,531

No provision for Hong Kong Profits Tax has been made in the financial statements as tax losses brought forward from previous years exceed the estimated assessable profit for the six months ended 30 September 2010. No provision for Hong Kong Profits Tax has been made in the financial statements for the six months ended 30 September 2009 as the Group sustained a loss for Hong Kong Profits Tax purposes during that period.

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 equity shareholders for the six months ended 30 September 2010 of HK\$85,621,000 (2009: HK\$42,250,000) and 982,250,000 (2009: 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	
2010	2009
HK\$'000	HK\$'000

(a) Interim dividends attributable to the period:

Interim dividend declared of 2.0 cents
(2009: Nil cent) per ordinary share

19,645	–
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The interim dividend proposed after the balance sheet date has not been recognised as liability at the balance sheet date.

**(b) Dividends recognised as distribution
and paid during the period:**

Final dividend in respect of the previous
financial year of 5.5 cents
(2009: 4.0 cents) per ordinary share

54,024	39,290
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10. Fixed Assets

During the six months ended 30 September 2010, the Group purchased other property, plant and equipment amounted to HK\$15,313,000 (2009: HK\$14,099,000).

11. Intangible Assets

	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
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The carrying values of the intangible at the balance sheet are as follows:

Trademarks	113,479	113,479
Retail network	1,603	1,830
	<u>115,082</u>	<u>115,309</u>

12. Investments

	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
Trading securities (at market value)		
Listed funds in Taiwan	<u>25,111</u>	<u>84,475</u>

13. Trade and Other Receivables

	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
Trade debtors	120,199	107,034
Royalty receivables	5,179	4,133
Less: Allowance for doubtful debts	(1,314)	(1,202)
	124,064	109,965
Rental deposits	75,724	81,668
Prepayments and other receivables	66,043	69,145
	265,831	260,778
Less: Non-current portion – other receivables	(42,614)	(44,140)
	223,217	216,638

Prepayments and other receivables as at 30 September 2010 included a promissory note receivable amounting to HK\$49,251,000 (31 March 2010: HK\$50,362,000), which will be fully repaid by June 2013, in relation to the disposal of intangible assets during the year ended 31 March 2010. This promissory note receivable bears interest at 6% per annum, compounded on a quarterly basis and is settled by instalment on a quarterly basis. In accordance with the terms of the promissory note, HK\$42,614,000 (31 March 2010: HK\$44,140,000) will be settled by the note issuer after one year from 30 September 2010 and accordingly, it is classified as non-current assets as at 30 September 2010.

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 2010 HK\$'000	At 31 March 2010 HK\$'000
Neither past due nor impaired	<u>107,372</u>	<u>96,131</u>
1 to 3 months past due	13,404	11,213
More than 3 months but less than 1 year past due	1,187	1,413
1 year to 2 years past due	<u>2,101</u>	<u>1,208</u>
Amount past due	<u>16,692</u>	<u>13,834</u>
	<u>124,064</u>	<u>109,965</u>

14. Bank Loans

	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
Bank loans		
– secured	–	13,711
– unsecured	<u>17,937</u>	<u>3,412</u>
	<u>17,937</u>	<u>17,123</u>

15. Trade and Other Payables

	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
Trade creditors	102,790	71,281
Bills payable	1,783	1,791
Interest on loans from shareholders	3,823	7,639
Accrued charges	47,263	111,096
Deferred income (Note 19)	9,151	9,151
Deposits received	27,009	26,328
Others	30,295	28,559
	<u>222,114</u>	<u>255,845</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 accrued charges of the Group as at 31 March 2010 is an accrual for additional value added tax and penalties amounting to a total of HK\$64,182,000. The amount had been settled during the period ended 30 September 2010.

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

	At 30 September 2010 HK\$'000	At 31 March 2010 HK\$'000
Due within 1 month or on demand	93,582	63,909
Due after 1 month but within 3 months	10,423	7,561
Due after 3 months but within 6 months	568	1,602
	<u>104,573</u>	<u>73,072</u>

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. Loan from a Minority Shareholder

The loan from a minority shareholder of a subsidiary is 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

Issued and fully paid:

	Number of ordinary shares <i>'000</i>	Amount of ordinary shares <i>HK\$'000</i>	Number of convertible preference shares	Amount of convertible preference shares <i>HK\$'000</i>	Total amount <i>HK\$'000</i>
Share capital at 1 April 2009, 31 March 2010 and 30 September 2010	982,250	98,225	–	–	98,225

There was no movement in issued and fully paid capital during the year ended 31 March 2010 and the six months ended 30 September 2010.

There was no option outstanding at 30 September 2010. No option was granted during the six months ended 30 September 2010. 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 2010.

21. Material Related Party Transactions

Name of Related Party	Relationship	Nature of Transaction	Six months ended	Six months ended	At	At
			30 September 2010	30 September 2009	30 September 2010	31 March 2010
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
Michel Rene Enterprises Limited	A company controlled by a shareholder of the Company	Rental income received	194	240		
		Rental expense paid	519	341		
		Amount due therefrom			116	170
Chua and Company and its associates	A minority shareholder of a non-wholly owned company and their associates	Sales of goods	–	1,691		
Avon Dale Garments inc	A minority shareholder of a non-wholly owned subsidiary of the Company and their associates	Royalty income Amount due therefrom	–	271	–	78
					116	248

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 2010 HK\$'000	At 31 March 2010 HK\$'000
Within one year	157,535	168,279
After 1 year but within 5 years	158,745	180,481
After 5 years	–	2,606
	316,280	351,366

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

Overview

With the gradual recovery of the global economy, the retail market in the countries of operation of the Group has improved. The operating results of the Group for the six months ended 30 September 2010 has continued to improve.

The following is a summary of the operating results of the Group.

	Six months ended 30 September		
	2010	2009	
	<i>HK\$ million</i>	<i>HK\$ million</i>	Increase
Turnover	1,038.2	917.4	13.2%
Gross profit	592.8	497.1	19.3%
Operating profit	105.0	57.2	83.6%
Profit attributable to shareholders	85.6	42.2	102.8%
Earnings per share	8.72 cents	4.3 cents	102.8%

Turnover for the six months ended 30 September 2010 amounted to HK\$1,038.2 million, representing an increase of over 13.2% with all the major markets of the Group recording increase in sales. Through an adjustment of product mix, effective control of sourcing cost and limiting markdowns, the Group increased its gross margin by 2.9 percentage points to 57.1%, comparing to 54.2% for the same period of the previous year. Gross profit for the period grew by 19.3% to HK\$592.8 million. Other net income decreased by HK\$54.8 million as the net income for the six months ended 30 September 2009 included a gain on disposal of intangible asset of HK\$47.7 million.

Total selling and administrative expenses increased by HK\$53.7 million to HK\$505.6 million. The increase in the selling and administrative expenses reflected the increase in operating activities of expansion of the Group's operation. Total selling and administrative expenses as a percentage of turnover actually decreased by 0.5 percentage point to 48.7%. Other operating expenses decreased by HK\$60.9 million as the other operating expenses for the six months ended 30 September 2009 included an accrual for additional value added tax and penalties in respect of the Taiwan operation of HK\$60.3 million which is non-recurring.

As a result of the improvement in gross profit and the non-recurrence of the gain on disposal of intangible asset and the accrual for additional value added tax and penalties, operating profit for the six months ended 30 September 2010 increased by 83.6% to HK\$105 million and profit attributable to shareholders increased by 102.8% to HK\$85.6 million.

Operation Review

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.

About 98.8% (2009: 98.6%) of the Group's turnover was contributed by retail and distribution of apparel. For the six months ended 30 September 2010, sales generated from retail and distribution of apparel amounted to HK\$1,025.6 million (2009: HK\$904.5 million), showing a growth of 13.4%.

Revenue from Retail and Distribution of Apparel

	Six months ended 30 September		Increase (Decrease)
	2010 <i>HK\$ million</i>	2009 <i>HK\$ million</i>	
Taiwan	448.1	395.4	13.3%
South Korea	412.6	354.5	16.4%
Singapore and Malaysia	77.6	70.2	10.5%
Mainland China	51.7	41.5	24.6%
Hong Kong and Macau	35.6	29.0	22.8%
Philippines	–	13.9	(100%)
Total	1,025.6	904.5	13.4%

All the operating territories of the Group had shown double digit increase in revenue during the period. Taiwan and South Korea remained the two most significant markets of the Group with each contributing to 43.2% and 39.7% of the Group's total turnover respectively. With the development plan of the Mainland China operation on schedule, contribution from the Mainland China market increased to 5% of the Group's total turnover.

The Philippines operation had contributed less than 2% to the Group's total turnover in the past and it had sustained operating loss in the past years. As the general economic environment in Philippines had not shown any significant improvement, the Group disposed of its loss making retail operation in Philippines during the period. However, the Group continues to maintain its presence in Philippines through selling of the Group's products through its authorised distributors and licensees. The reorganisation of the Philippines operation from direct retailing to distribution and licensing would allow the Group to save its resources as well as to generate revenue through distribution and licensing.

The Group had 763 stores with a retail floor area of about 618,000 square feet as at 30 September 2010 with direct retail operation in Taiwan, South Korea, Mainland, Singapore, Malaysia and Hong Kong and Macau. Excluding the disposed Philippines operation, the Group recorded a net increase of 42 shops during the period.

Taiwan

	Six months ended 30 September	
	2010	2009
	HK\$ million	HK\$ million
Turnover	448.1	395.4
Operating profit/(loss) (Note)	33.5	(32.2)
Number of stores at period end	276	276

Note: The operating profit of Taiwan for the six months ended 30 September 2009 included an accrual for additional value added tax and penalties amounting HK\$60.3 million.

The market conditions in Taiwan continued to improve. Both the *Hang Ten* and *Arnold Palmer* brands recorded growth in sales. Average store sales increased by over 10%. There were 52 Arnold Palmer stores in Taiwan as the end of the current period and the Arnold Palmer brand contributed to about 13% of the Group's sales in Taiwan. Turnover generated from the Taiwan operation had increased by 13.3% during the period and operating profit had increased by 204% to HK\$33.5 million. If the accrual for additional value tax and penalties made in the six months ended 30 September 2009 had been excluded, the percentage increase in operating profit would have been 19.2%.

South Korea

	Six months ended 30 September	
	2010	2009
	HK\$ million	HK\$ million
Turnover	412.6	354.5
Operating profit	47.4	33.7
Number of stores at period end	307	300

As the economic environment in South Korea became more stable, the Group expanded its network in South Korea by adding 11 new stores during the period. With the expansion in store and coupling with the increase in comparable store sales of over 10%, the South Korea operation recorded a growth in sales for the period of 16.4%. Margin also improved as a result of effective control on merchandise costs and upward adjustment in selling price. Operating profit increased by 40.7% to HK\$47.4 million. The Group's fashion brand *H&T* continued to perform well with a contribution of about 25% to the turnover of the South Korean operation. The Group had 71 *H&T* stores out of the 307 stores in South Korea at the end of September 2010.

Singapore and Malaysia

	Six months ended 30 September	
	2010	2009
	HK\$ million	HK\$ million
Turnover	77.6	70.2
Operating profit	8.7	2.0
Number of stores at period end	37	43

The Group's effort in revamping the operation continued to bring reward with the sales in Singapore and Malaysia grown by 10.5%, despite that several stores had been closed down. Profitability also improved as non-profitable stores were closed down and gross margin increased. Operating profit for the period had increased by 335% to HK\$8.7 million.

Mainland China

	Six months ended 30 September	
	2010	2009
	HK\$ million	<i>HK\$ million</i>
Turnover	51.7	41.5
Operating loss	(3.9)	(3.3)
Number of stores at period end	123	96

In line with the Group's development plan in Mainland China, 34 new stores were opened during the period. Comparing to the same period of last year, comparable store sales grew by over 10% during the period. As a result of the growth in per store sales and store number, sales for the period increased by 24.6%. The Group had also introduced the fashion brand *H&T* in the Mainland China market and initial market response has been quite satisfactory. The *H&T* brand contributed to about 30% of the turnover of the Mainland China operation for the six months ended 30 September 2010. Out of the 123 stores at the end of September 2010, 49 stores were *H&T* stores. During the period, in preparation for the expansion of the retail network, the Group employed a few more marketing and administrative staff and obtained more office spaces to cater for the expected increase in business activities. Thus, administrative expenses increased causing operating loss increased slightly to HK\$3.9 million. However, total shop level operating profits increased by over 250% when comparing to the same period of last year. The management is confident that there will be positive contribution from this operation as the Group further expands its network.

Hong Kong and Macau

	Six months ended 30 September	
	2010	2009
	HK\$ million	<i>HK\$ million</i>
Turnover	35.6	29.0
Operating profit/(loss)	4.4	(1.6)
Number of stores at period end	20	14

The performance of this market continued to improve. During the period, the Group relocated certain shops and added 2 more shops in Hong Kong. Sales for the period grew by 22.8%. With the improvement in sales and continued improvement in shop efficiency and effective cost control, the Group achieved an operating profit of HK\$4.4 million for the period, comparing to a loss of HK\$1.6 million of the same period of last year.

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 HK\$12.6 million for the six months ended 30 September 2010 (2009: HK\$12.9 million).

Capital Structure

As at 30 September 2010, 982,250,000 ordinary shares were in issue and total equity amounted to HK\$793.6 million (31 March 2010: HK\$762.3 million). The Company had not issued any new shares during the period.

Cash Flow, Liquidity and Financial Resources

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

During the six months ended 30 September 2010, the Group paid the accrued value added tax and penalties amounting to HK\$64.2 million, resulting in net use of cash in operating activities of HK\$23.6 million for the six months ended 30 September 2010. Cash generated from investing activities amounted to HK\$51.6 million (2009: HK\$18.6 million) as HK\$59.4 million of investment in listed funds were realised. During the period, the Group utilised HK\$61.1 million (2009: HK\$53.6 million) of cash in financing activities, comprising mainly payment of dividends of HK\$54 million.

As at 30 September 2010, the Group had cash and bank balances amounted HK\$241.9 million. In addition, the Group had listed funds of HK\$25.1 million which were readily convertible into cash. The liquidity position of the Group remained in a healthy position with a current ratio of 2.9 times (31 March 2010: 2.5 times).

As at 30 September 2010, the Group had financial facilities provided by banks amounting to approximately HK\$200.7 million (31 March 2010: HK\$205.8 million) of which HK\$17.9 million had been utilized. Total indebtedness of the Group remained at a low level and represented 12.0% (31 March 2010: 11.7%) of the total assets as at 30 September 2010. Debt to equity ratio at 30 September 2010 was 18.7% (31 March 2010: 19.3%). Indebtedness of the Group as at 30 September 2010 comprised bank loans and overdrafts of HK\$17.9 million (31 March 2010: HK\$17.1 million), loans from shareholders of HK\$127.2 million (31 March 2010: HK\$127.2 million) and loans from a minority shareholder of a subsidiary of HK\$3 million (31 March 2010: HK\$3 million), amounting to HK\$148.1 million (31 March 2010: HK\$147.3 million). The loans from shareholders are unsecured and are due for repayment in the year 2011.

Outlook

With the gradual recovery of the economy, especially in Asia in the first half of the fiscal year, all the major operations of the Group have shown improved results.

The Group has made steady progress on its development plan into Mainland China and the Group will continue its expansion in this market. The Group has already set up over 130 points of sales in a number of cities including Shanghai, Beijing, Guangzhou, Shenzhen, Chengdu, Wuhan, Xian and others. More shops will be opened in the second half of the year. With the gradual improvement in per store sales that the Group has experienced and the continued expansion of the network, the management believes that the Mainland China operation will provide a growth momentum to the Group.

As one of the leading casual wear retailers in Taiwan and South Korea, the Group will benefit from the continuing improvement in economic environment. New shops will be opened to further expand geographical coverage.

The Group's other markets including Singapore, Malaysia, Hong Kong and Macau have shown encouraging results. The management believes that the momentum can be fostered by continuing its strategies of improving efficiency, careful selection of store locations and continuing enhancement of merchandise.

With consumer confidence returning and the economy gradually improving, the Group is in a position to benefit from the continuing recovery.

OTHER INFORMATION

Interim Dividend

The directors have resolved to pay an interim dividend of HK2.0 cents per ordinary share for the six months ended 30 September 2010 (2009: nil HK cent) to shareholders whose names appear on the register of members of the Company on 15 December 2010. The interim dividends are expected to be payable on or about 23 December 2010.

Closure of Register of Members

The register of members of the Company will be closed from 13 December 2010 to 15 December 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrars of the Company in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 10 December 2010.

Employee and Remuneration Policies

As at 30 September 2010, the Group had approximately 2,100 (31 March 2010: 2,100) full time employees. About 1,740 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 2010, 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%
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 2010.

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 2010, 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 2010.

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 2010. No option was granted during the period. There was no option outstanding as at 30 September 2010.

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 2010.

Corporate Governance

During the six months ended 30 September 2010, the Company has complied with the Code of Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules, with the exception of Code A2.1 of the Code which requires that the roles of chairman and chief executive officer should be separate. Mr. Chan Wing Sun holds the position of Chairman and also the position of Chief Executive Officer of the Company. The vesting of the roles of chairman and chief executive officer on the same person deviates from the code provision of Code A2.1 of the Code. The board of directors (the “Board”) believes that the Company and the Group have been operating by the senior management of the Group under a teamwork approach, and to have Mr. Chan Wing Sun to be both the Chairman and Chief Executive Officer of the Company will not unduly concentrate the power in any one individual. Further, the Board believes that the Company has appropriate corporate governance structure in place to ensure effective oversight of the management, and half of the members of the Board are independent non-executive directors. In addition, the audit committee is comprised solely of independent non-executive directors who have free and direct access to the Company’s external auditors.

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 one executive director 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 during the period.

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 2010.

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

23 November 2010
Hong Kong