



# 2011 INTERIM REPORT

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

stock code: 448



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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Chan Wing Sun  
Kao Yu Chu  
Wang Li Wen

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Yat Hung Alton  
Kwong Chi Keung *J.P.*  
So Hon Cheung Stephen

### REGISTERED OFFICE

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Hamilton HM 11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Stanhope House  
734 King's Road  
Quarry Bay  
Hong Kong

### COMPANY SECRETARY

Lee Kin Keung Lawrence

### AUDITORS

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

### PRINCIPAL SHARE REGISTRAR

HSBC Securities Services (Bermuda) Limited  
Bank of Bermuda Limited Building  
6 Front Street  
Hamilton HM11  
Bermuda

### BRANCH SHARE REGISTRAR

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

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hong Kong Main Office

The Hongkong and Shanghai Banking Corporation Limited  
Taiwan Branch

Chang Hwa Commercial Bank Limited

Hua Nan Commercial Bank Limited

### CORPORATE WEBSITE

[www.hangten.com.hk](http://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 2011. 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 2011

(Expressed in Hong Kong dollars)

		<b>Six months ended 30 September</b>	
		<b>2011</b>	2010
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Turnover	3	<b>1,175,596</b>	1,038,199
Cost of sales		<b>(496,351)</b>	(445,429)
Gross profit		<b>679,245</b>	592,770
Other revenue	4	<b>16,037</b>	10,433
Other net income	4	<b>40,806</b>	8,368
Selling expenses		<b>(503,586)</b>	(442,820)
Administrative expenses		<b>(94,409)</b>	(62,796)
Other operating expenses		<b>(1,109)</b>	(929)
<b>Profit from operations</b>		<b>136,984</b>	105,026
Finance costs	6	<b>(4,289)</b>	(4,078)
<b>Profit before taxation</b>	6	<b>132,695</b>	100,948
Taxation	7	<b>(18,682)</b>	(15,381)
<b>Profit for the period</b>		<b>114,013</b>	85,567
<b>Attributable to:</b>			
<b>Owners of the Company</b>		<b>114,013</b>	85,621
<b>Non-controlling interests</b>		<b>-</b>	(54)
		<b>114,013</b>	85,567
<b>Earnings per share</b>	8		
– Basic		<b>11.61 cents</b>	8.72 cents
– Diluted		<b>11.61 cents</b>	8.72 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 2011**(Expressed in Hong Kong Dollars)*

	<b>Six months ended 30 September</b>	
	<b>2011</b> <b>HK\$'000</b> <b>(unaudited)</b>	<b>2010</b> <b>HK\$'000</b> <b>(unaudited)</b>
<b>Profit for the period</b>	<b>114,013</b>	85,567
<b>Other comprehensive income for the period:</b>		
Exchange differences on translation of financial statements of subsidiaries	<b>(38,845)</b>	1,177
Reserve realised on disposal of a subsidiary	<b>-</b>	2,141
	<b>(38,845)</b>	3,318
<b>Total comprehensive income for the period</b>	<b>75,168</b>	88,885
<b>Attributable to:</b>		
Owners of the Company	<b>75,168</b>	88,256
Non-controlling interests	<b>-</b>	629
	<b>75,168</b>	88,885

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 September 2011

(Expressed in Hong Kong dollars)

		<b>At 30 September 2011 HK\$'000 (unaudited)</b>	At 31 March 2011 HK\$'000 (audited)
	Note		
<b>Non-current assets</b>			
Fixed assets	10		
– Investment properties		51,811	54,138
– Other property, plant and equipment		<u>83,413</u>	<u>87,810</u>
		<b>135,224</b>	141,948
Goodwill		71,940	71,940
Intangible assets	11	<b>112,091</b>	114,867
Other receivable	13	<b>35,937</b>	39,302
Deferred tax assets		<u>24,576</u>	<u>25,328</u>
		<b>379,768</b>	393,385
<b>Current assets</b>			
Investments	12	<b>43,668</b>	105,957
Inventories		<b>332,108</b>	307,804
Trade and other receivables	13	<b>267,385</b>	219,226
Amount due from a related company		<b>287</b>	147
Cash and bank balances		<u>385,579</u>	<u>382,911</u>
		<b>1,029,027</b>	1,016,045
<b>Current liabilities</b>			
Bank loans	14	<b>6,716</b>	17,154
Loans from shareholders	15	<b>127,182</b>	127,182
Trade and other payables	16	<b>257,900</b>	209,734
Amount due to shareholders	17	<b>–</b>	12,757
Current taxation		<u>42,878</u>	<u>60,062</u>
		<b>434,676</b>	426,889
<b>Net current assets</b>		<u><b>594,351</b></u>	589,156
<b>Total assets less current liabilities</b>		<u><b>974,119</b></u>	982,541

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2011

(Expressed in Hong Kong dollars)

	Note	At 30 September 2011 HK\$'000 (unaudited)	At 31 March 2011 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Deferred income	18	13,726	18,302
Employee benefits		4,653	5,087
		<u>18,379</u>	<u>23,389</u>
<b>NET ASSETS</b>		<u>955,740</u>	<u>959,152</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	19	98,225	98,225
Reserves		857,515	860,927
<b>TOTAL EQUITY</b>		<u>955,740</u>	<u>959,152</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 2011 – unaudited  
(Expressed in Hong Kong dollars)

	Attributable to owners 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	HK\$'000	HK\$'000	
<b>Balance at 1 April 2010</b>	98,225	11,920	44,538	(9,769)	9,215	605,566	759,695	2,621	762,316
<b>Changes in equity for the six months ended 30 September 2010:</b>									
Profit for the period	-	-	-	-	-	85,621	85,621	(54)	85,567
Other comprehensive income	-	-	-	2,635	-	-	2,635	(2,939)	(304)
Dividend approved in respect of previous year	-	-	-	-	-	(54,024)	(54,024)	-	(54,024)
<b>Balance at 30 September 2010 and 1 October 2010</b>	98,225	11,920	44,538	(7,134)	9,215	637,163	793,927	(372)	793,555
<b>Changes in equity for the six months ended 31 March 2011:</b>									
Profit for the period	-	-	-	-	-	153,512	153,512	(16)	153,496
Other comprehensive income	-	-	-	31,358	-	-	31,358	388	31,746
Transfer to legal reserve	-	-	-	-	1,382	(1,382)	-	-	-
Dividends declared in respect of previous period	-	-	-	-	-	(19,645)	(19,645)	-	(19,645)
<b>Balance at 31 March 2011 and 1 April 2011</b>	98,225	11,920	44,538	24,224	10,597	769,648	959,152	-	959,152
<b>Changes in equity for the six months ended 30 September 2011:</b>									
Profit for the period	-	-	-	-	-	114,013	114,013	-	114,013
Other comprehensive income	-	-	-	(38,845)	-	-	(38,845)	-	(38,845)
Dividend approved in respect of previous year	-	-	-	-	-	(78,580)	(78,580)	-	(78,580)
<b>Balance at 30 September 2011</b>	98,225	11,920	44,538	(14,621)	10,597	805,081	955,740	-	955,740

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 2011

(Expressed in Hong Kong dollars)

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash generated from/(used in) operating activities	<b>43,590</b>	(23,674)
Net cash from investing activities	<b>55,728</b>	51,572
Net cash used in financing activities	<b>(96,650)</b>	(61,104)
Net increase/(decrease) in cash and cash equivalents	<b>2,668</b>	(33,206)
Cash and cash equivalents at 1 April	<b>382,911</b>	275,116
Cash and cash equivalent at 30 September	<b>385,579</b>	241,910
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>385,579</b>	241,910
	<b>385,579</b>	241,910

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 2011*

*(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 25 November 2011.

### 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 2011 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:

HKAS 24 (revised)	Related party disclosures
HK(IFRIC) – Int 14	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
HKFRSs (Amendments)	Improvements to HKFRSs (2010)

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:

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Sales of apparel	<b>1,166,499</b>	1,025,555
Royalty income	<b>9,097</b>	12,644
	<b><u>1,175,596</u></b>	<u>1,038,199</u>

### 4. Other Revenue and Other Net Income

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Other revenue		
Rental income	<b>2,001</b>	2,020
Bank interest income	<b>3,591</b>	1,449
Claims receivable from suppliers	<b>1,760</b>	1,496
Others	<b>8,685</b>	5,468
	<b><u>16,037</u></b>	<u>10,433</u>
Other net income		
Net foreign exchange (loss)/gain	<b>(5,738)</b>	4,447
Net loss on disposal of fixed assets	<b>(1,241)</b>	(250)
Gain on disposal of trademark	<b>4,195</b>	-
Refund of penalties on Taiwan value added tax dispute	<b>43,622</b>	-
Others	<b>(32)</b>	4,171
	<b><u>40,806</u></b>	<u>8,368</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: South Korea
- 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 2011

	Sale of apparel							Licensing HK\$'000	Total HK\$'000
	Taiwan HK\$'000	South Korea HK\$'000	Singapore HK\$'000	Hong Kong & Macau HK\$'000	Malaysia HK\$'000	Mainland China HK\$'000	Sub-total HK\$'000		
Revenue from external customers	495,831	492,350	80,931	39,613	9,864	47,910	1,166,499	9,097	1,175,596
Inter-segment revenue	6,468	-	-	3,614	-	-	10,082	9,919	20,001
Reportable segment revenue	<u>502,299</u>	<u>492,350</u>	<u>80,931</u>	<u>43,227</u>	<u>9,864</u>	<u>47,910</u>	<u>1,176,581</u>	<u>19,016</u>	<u>1,195,597</u>
Reportable segment profit/(loss)	76,053	54,277	5,591	(3,474)	(1,326)	(2,722)	128,399	10,477	138,876
Interest income	163	3,288	-	140	-	-	3,591	-	3,591
Interest expenses	-	-	-	-	-	(465)	(465)	-	(465)
Depreciation and amortisation for the period	(5,281)	(7,212)	(1,163)	(791)	(520)	(1,729)	(16,696)	-	(16,696)
Impairment losses on trade debtors and royalty receivables	-	(256)	-	-	-	-	(256)	-	(256)

**Six months ended 30 September 2010**

	Sale of apparel								Total HK\$'000
	Taiwan HK\$'000	South Korea HK\$'000	Singapore HK\$'000	Hong Kong & Macau HK\$'000	Malaysia HK\$'000	Mainland China HK\$'000	Sub-total HK\$'000	Licensing 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>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/(loss)	33,518	47,350	8,140	4,449	587	(3,887)	90,157	17,627	107,784
Interest income	23	1,426	-	-	-	-	1,449	-	1,449
Interest expenses	-	(27)	(6)	-	(5)	(217)	(255)	-	(255)
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	-	(118)	-	-	-	-	(118)	-	(118)

**Reconciliation of reportable segment revenue and profit**

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Revenue		
Reportable segment revenue	<b>1,195,597</b>	1,052,383
Elimination of inter-segment revenue	<b>(20,001)</b>	(14,184)
	<b><u>1,175,596</u></b>	<u>1,038,199</u>
Profit		
Reportable segment profit	<b>138,876</b>	107,784
Elimination of inter-segment profit	<b>-</b>	-
	<b><u>138,876</u></b>	<u>107,784</u>
Finance costs	<b>(4,289)</b>	(4,078)
Unallocated head office and corporate income and expenses	<b>(1,892)</b>	(2,758)
	<b><u>(1,892)</u></b>	<u>(2,758)</u>
Consolidated profit before taxation	<b><u>132,695</u></b>	<u>100,948</u>

## 6. Profit before Taxation

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

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
<b>(a) Finance costs</b>		
Interest on bank advances wholly repayable within five years	<b>466</b>	255
Interest on shareholders' loans	<b>3,823</b>	3,823
	<b>4,289</b>	4,078
<b>(b) Other items</b>		
Cost of inventories sold	<b>496,351</b>	445,429
Staff costs	<b>140,622</b>	121,997
Depreciation	<b>16,471</b>	19,317
Refund of penalties on Taiwan value added tax	<b>(43,622)</b>	–

## 7. Taxation

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Current tax – Overseas		
Provision for the period	<b>18,682</b>	15,363
Deferred tax		
Origination and reversal of temporary differences	<b>–</b>	18
	<b>18,682</b>	15,381

No provision for Hong Kong Profits Tax has been made in the financial statements for the six months 30 September 2011 as the Group sustained a loss for Hong Kong Profits tax purposes for that period. No provision for Hong Kong Profits Tax had been made in the financial statements for the six months ended 30 September 2010 as tax losses brought forward from previous years exceeded the estimated assessable profit for 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 owners for the six months ended 30 September 2011 of HK\$114,013,000 (2010: HK\$85,621,000) and 982,250,000 (2010: 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

<b>Six months ended 30 September</b>	
<b>2011</b>	2010
<b>HK\$'000</b>	HK\$'000

### (a) Interim dividends attributable to the period:

Interim dividend declared of 2.5 cents (2010: 2.0 cents) per ordinary share	<b>24,556</b>	19,645
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The interim dividend proposed after the end of the reporting period has not been recognised as liability at the end of the reporting period.

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

Final dividend in respect of the previous financial year of 8.0 cents (2010: 5.5 cents) per ordinary share	<b>78,580</b>	54,024
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## 10. Fixed Assets

During the six months ended 30 September 2011, the Group purchased other property, plant and equipment amounted to HK\$16,937,000 (2010: HK\$15,313,000).

## 11. Intangible Assets

	<b>At 30 September 2011 HK\$'000</b>	At 31 March 2011 HK\$'000
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The carrying values of the intangible at the balance sheet are as follows:

Trademarks	<b>110,928</b>	113,479
Retail network	<b>1,163</b>	1,388
	<b>112,091</b>	114,867

## 12. Investments

	<b>At 30 September 2011 HK\$'000</b>	At 31 March 2011 HK\$'000
Trading securities (at market value)		
Listed funds in Taiwan	<b>43,668</b>	105,957

### 13. Trade and Other Receivables

	<b>At 30 September 2011 HK\$'000</b>	At 31 March 2011 HK\$'000
Trade debtors	<b>114,076</b>	105,622
Royalty receivables	<b>7,910</b>	7,003
Less: Allowance for doubtful debts	<b>(3,327)</b>	(3,373)
	<b>118,659</b>	109,252
Rental deposits	<b>78,954</b>	80,047
Prepayments and other receivables	<b>105,709</b>	69,229
	<b>303,322</b>	258,528
Less: Non-current portion – other receivables	<b>(35,937)</b>	(39,302)
	<b>267,385</b>	219,226

Prepayments and other receivables as at 30 September 2011 included a promissory note receivable amounting to HK\$44,869,000 (31 March 2011: HK\$47,146,000), 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\$35,937,000 (31 March 2011: HK\$39,302,000) will be settled by the note issuer after one year from 30 September 2011 and accordingly, it is classified as non-current assets as at 30 September 2011.

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:

	<b>At 30 September 2011 HK\$'000</b>	At 31 March 2011 HK\$'000
Neither past due nor impaired	<u>96,651</u>	<u>97,465</u>
1 to 3 months past due	<b>18,418</b>	7,406
More than 3 months but less than 1 year past due	<b>1,435</b>	3,257
1 year to 2 years past due	<u>2,155</u>	<u>1,124</u>
Amount past due	<u>22,008</u>	<u>11,787</u>
	<u>118,659</u>	<u>109,252</u>

#### 14. Bank Loans

	<b>At 30 September 2011 HK\$'000</b>	At 31 March 2011 HK\$'000
Bank loans (unsecured)	<u>6,716</u>	<u>17,154</u>

## 15. 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 has been fully repaid after the end of the reporting period.

## 16. Trade and Other Payables

	<b>At 30 September 2011 HK\$'000</b>	At 31 March 2011 HK\$'000
Trade creditors	<b>101,257</b>	81,365
Bills payable	<b>11,625</b>	1,613
	<b>112,882</b>	82,978
Interest on loans from shareholders	<b>3,823</b>	7,639
Accrued charges	<b>66,685</b>	53,005
Deferred income ( <i>note 18</i> )	<b>9,151</b>	9,151
Deposits received	<b>31,873</b>	27,445
Others	<b>33,486</b>	29,516
	<b>257,900</b>	209,734

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

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

	<b>At 30 September 2011 HK\$'000</b>	At 31 March 2011 HK\$'000
Due within 1 month or on demand	<b>107,213</b>	76,387
Due after 1 month but within 3 months	<b>4,987</b>	6,312
Due after 3 months but within 6 months	<b>682</b>	279
	<b>112,882</b>	82,978

## 17. Amount due to Shareholders

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

## 18. 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.

## 19. 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 2010, 31 March 2011 and 30 September 2011	982,250	98,225	-	-	98,225

There was no movement in issued and fully paid capital during the year ended 31 March 2011 and the six months ended 30 September 2011.

There was no option outstanding at 30 September 2011. No option was granted during the six months ended 30 September 2011. 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 2011.

## 20. Material Related Party Transactions

Name of Related Party	Relationship	Nature of Transaction	Six months ended	Six months ended	At	At
			30 September 2011	30 September 2010	30 September 2011	31 March 2011
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
Michel Rene Enterprises Limited	A company controlled by a shareholder of the Company	Rental income received	396	194		
		Rental expense paid	-	519		
		Amount due therefrom			287	147

The amount due from a related company is unsecured, interest free and repayable on demand.

## 21. Operating Lease Commitments

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

	At 30 September 2011 HK\$'000	At 31 March 2011 HK\$'000
Within one year	174,123	173,323
After 1 year but within 5 years	200,312	191,944
After 5 years	62	2,117
	<u>374,497</u>	<u>367,384</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Operation Review

#### Overview

	Six months ended 30 September		Increase
	2011	2010	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Turnover	<b>1,175.6</b>	1,038.2	13.2%
Gross profit	<b>679.2</b>	592.8	14.6%
Operating profit	<b>137.0</b>	105.0	30.5%
Profit attributable to owners	<b>114.0</b>	85.6	33.2%
Earnings per share	<b>11.61 cents</b>	8.72 cents	33.1%

Turnover for the six months ended 30 September 2011 increased to HK\$1,175.6 million, representing an increase of 13.2% comparing to the same period of the previous year. There had been an increase in cost of merchandise during the period due to increase in cotton material prices. However, through a slight adjustment in price, effective control of sourcing cost and enhancement of product mix with more higher-margin items, the Group had increased its overall gross margin by 0.7 percentage points to 57.8%, comparing to 57.1% for the same period of the previous year. Gross profit for the period grew by 14.6% to HK\$679.2 million.

Other net income for the period amounted to HK\$40.8 million. Included in net income is a refund of penalties on Taiwan value added tax of HK\$43.6 million. During the period, following a ruling of the Taiwan Supreme Administrative Court and review by the Taiwan Tax Authority, the Group was successful in its claim for refund of a major portion of the penalties paid to the Taiwan Tax Authority in respect of Taiwan value added tax dispute. On the other hand, the previous corresponding period's net income included a one-off compensation received of HK\$5.5 million for early surrendering of a lease of a shop premise which did not recur in the current period. As a result, other net income increased by HK\$32.4 million comparing to the previous corresponding period.



Total selling and administrative expenses increased by HK\$92.4 million to HK\$598.0 million. The increase in the selling and administrative expenses reflected the increase in operating activities of expansion of the Group's operation and an under-provision for withholding tax on royalty income in respect of previous years of about HK\$12 million.

Operating profit for the period had increased by 30.5% to HK\$137.0 million. Profit attributable to owners amounted to HK\$114 million, an increase of 33.2%.

### **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 99.2% (2010: 98.8%) of the Group's turnover was contributed by retail and distribution of apparel. For the six months ended 30 September 2011, sales generated from retail and distribution of apparel amounted to HK\$1,166.5 million (2010: HK\$1,025.6 million), showing a growth of 13.7%.

	<b>Six months ended 30 September</b>		Increase (Decrease)
	<b>2011</b>	2010	
	<b>HK\$ million</b>	HK\$ million	
Taiwan	<b>495.8</b>	448.1	10.6%
South Korea	<b>492.4</b>	412.6	19.3%
Singapore and Malaysia	<b>90.8</b>	77.6	17.0%
Mainland China	<b>47.9</b>	51.7	(7.4%)
Hong Kong and Macau	<b>39.6</b>	35.6	11.2%
Total	<b>1,166.5</b>	1,025.6	13.7%

Taiwan and South Korea remained the two most significant markets of the Group with each contributing to 42.2% and 41.9% of the Group's total turnover respectively.

The Group had 796 stores with a retail floor area of about 656,000 square feet as at 30 September 2011 with direct retail operation in Taiwan, South Korea, Mainland China, Singapore, Malaysia, Hong Kong and Macau. During the period, there has been a net addition of 4 new stores to the store network.

### *Taiwan*

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$ million</b>	HK\$ million
Turnover	<b>495.8</b>	448.1
Operating profit	<b>76.1</b>	33.5
Number of stores at period end	<b>283</b>	276

Turnover generated from the Taiwan operation amounted to HK\$495.8 million. The *Arnold Palmer* brand contributed to about 13% of the Group's sales in Taiwan. Operating profit for the period amounted to HK\$42.6 million. There were 283 stores in Taiwan as at 30 September 2011 and 55 of them were *Arnold Palmer* stores. During the period, following a ruling of the Taiwan Supreme Administrative Court and review by the Taiwan Tax Authority, the Group had been successful in its claim for refund of a major portion of the penalties of about HK\$43.6 million paid to the Taiwan Tax Authority in respect of Taiwan value added tax dispute.

*South Korea*

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$ million</b>	<i>HK\$ million</i>
Turnover	<b>492.4</b>	412.6
Operating profit	<b>54.3</b>	47.4
Number of stores at period end	<b>331</b>	307

Turnover for the six months ended 30 September 2011 amounted to HK\$492.4 million, representing an increase of 19.3% from the same period of the previous year. Sales of *Hang Ten* and *H&T* contributed to 73% and 27% respectively of the sales in South Korea. Operating profit increased by 14.6% to HK\$54.3 million. There were 331 stores as at 30 September 2011 in South Korea, out of which 77 were *H&T* stores.

*Singapore and Malaysia*

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$ million</b>	<i>HK\$ million</i>
Turnover	<b>90.8</b>	77.6
Operating profit	<b>4.3</b>	8.7
Number of stores at period end	<b>39</b>	37

Sales for the period had increased by 17.0% to HK\$90.8 million. Sales in the Singaporean market had increased by 23.7% while sales in the Malaysian market had decreased by 18.7% as 3 less shops were in operation during this period in Malaysia when comparing to the same period of the previous year. Operating profit decreased mainly due to the incurrence of an unrealised exchange loss for the current period while there was an unrealised exchange gain for the same period of the previous year. In September 2011, the United States dollars appreciated in value against the Singaporean dollars and Malaysian Ringgit which had caused an unrealised loss on translation of foreign currency liabilities which were mainly denominated in United States dollars.

*Mainland China*

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$ million</b>	HK\$ million
Turnover	<b>47.9</b>	51.7
Operating loss	<b>(2.7)</b>	(3.9)
Number of stores at period end	<b>121</b>	123

During the period, fewer promotions were done in department stores following strict implementation of anti-deception rules by local authorities. As most of the stores of the Group in Mainland China were located in department stores, the policy had impacted our sales. Sales for the period decreased slightly accordingly. On the other hand, gross margin and shop efficiency improved during the period. Operating loss for the operation reduced to HK\$2.7 million. During the period, several stores were closed as the leases were expired. The Group will continue to expand its retail network in this market. As at 30 September 2011, the Group had 121 stores of which 42 were *H&T* stores.

*Hong Kong and Macau*

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>HK\$ million</b>	HK\$ million
Turnover	<b>39.6</b>	35.6
Operating (loss)/profit	<b>(3.5)</b>	4.4
Number of stores at period end	<b>22</b>	20

Sales for the current period increased by 11.2% as a couple of new stores had been opened. Operating loss for the current period amounted to HK\$3.5 million as shop rental and staff costs increased. The operating profit of the previous corresponding period included a one-off compensation received of HK\$5.5 million for early surrender of a lease of a shop premise which did not recur in the current 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 HK\$9.1 million for the six months ended 30 September 2011 (2010: HK\$12.60 million).

### ***Capital Structure***

As at 30 September 2011, 982,250,000 ordinary shares were in issue and total equity amounted to HK\$955.7 million (31 March 2011: HK\$959.2 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 cashflow and banking facilities provided by its bankers.

Cash generated from operating activities amounted to HK\$43.6 million (2010: cash used in operation of HK\$23.7 million) for the six months ended 30 September 2011. Cash generated from investing activities amounted to HK\$55.7 million (2010: HK\$51.6 million) as HK\$62.3 million of investment in listed funds were realised. During the period, the Group utilised HK\$96.7 million (2010: HK\$61.1 million) of cash in financing activities mainly for payment of dividends of HK\$78.6 million and repayment of bank loans of HK\$10.4 million.

As at 30 September 2011, the Group had cash and bank balances amounted HK\$385.6 million. In addition, the Group had listed money market funds of HK\$43.7 million which were readily convertible into cash. The liquidity position of the Group remained in a healthy position with a current ratio of 2.4 times (31 March 2011: 2.4 times).

As at 30 September 2011, the Group had financial facilities provided by banks amounting to approximately HK\$231.7 million (31 March 2011: HK\$238.7 million) of which HK\$6.7 million had been utilized. Total indebtedness of the Group remained at a low level and represented 9.5% (31 March 2011: 10.2%) of the total assets as at 30 September 2011. Debt to equity ratio at 30 September 2011 was 14.0% (31 March 2011: 15.1%). Indebtedness of the Group as at 30 September 2011 comprised bank loans and overdrafts of HK\$6.7 million (31 March 2011: HK\$17.2 million) and loans from shareholders of HK\$127.2 million (31 March 2011: HK\$127.2 million). The loans from shareholders were unsecured and were fully repaid in November 2011.

## Outlook

The Group will continue to expand its operation and increase penetration in Taiwan and South Korea. As one of the leading casual wear retailers in Taiwan and South Korea, the Group will continue to benefit from the steady economic growth in these two markets.

The Mainland China economy still shows considerable growth despite less robust consumer sentiment in recent months. Consumer demand is still vigorous. This market will continue to be the focus of the Group's development plan.

The Group will continue to undertake measures to improve the sales and efficiency of the Group's markets including Singapore, Malaysia, Hong Kong and Macau.

## **OTHER INFORMATION**

### **Interim Dividend**

The directors have resolved to pay an interim dividend of 2.5 HK cents per ordinary share for the six months ended 30 September 2011 (2010: 2.0 HK cents) to shareholders whose names appear on the register of members of the Company on 16 December 2011. The interim dividends are expected to be payable on or about 23 December 2011.

### **Closure of Register of Members**

The register of members of the Company will be closed from 14 December 2011 to 16 December 2011, 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 13 December 2011.

### **Employee and Remuneration Policies**

As at 30 September 2011, the Group had approximately 1,960 (31 March 2011: 2,040) full time employees. About 1,700 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 2011, the interests of the directors and chief executive of the Company and their associates, as defined in the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of ordinary shares held</b>	<b>As approximate percentage of total issued ordinary shares</b>
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 2011.

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 2011, 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	216,674,000	22.06%
Value Partners Limited ( <i>Note</i> )	Investment manager	57,782,000	5.88%

*Note:* Value Partners Limited is wholly owned by Value Partners Group Limited, which in turn is 28.69% owned by Cheah Capital Management Limited which in turn is wholly owned by Cheah Company Limited. Cheah Company Limited is wholly owned by Hang Seng Bank Trustee International Limited, as trustee for a discretionary trust of which Cheah Cheng Hye is the founder. Cheah Cheng Hye and his spouse To Hau Yin, Hang Seng Bank Trustee International Limited, Cheah Company Limited, Cheah Capital Management Limited and Value Partners Group Limited are deemed to have interests in the 57,782,000 shares.

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 2011.

## 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 2011. No option was granted during the period. There was no option outstanding as at 30 September 2011.

## 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 2011.

## Corporate Governance

During the six months ended 30 September 2011, 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 2011.

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

25 November 2011  
Hong Kong