

**HENRY GROUP
OLDINGS LIMITED**
鎮科集團控股有限公司
HENRY GROUP HOLDINGS LIMITED
鎮科集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 859)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of Henry Group Holdings Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2007, together with the comparative figures for the corresponding period in last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 September	
		2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations:			
Turnover	3	9,146	2,906
Other operating income		261	58
Administrative and other operating expenses		(13,285)	(5,177)
Finance costs	4	(6,116)	(24)
Gain on disposal of subsidiaries	8	6,695	—
Impairment loss on goodwill	16	(18,634)	(2,036)
Revaluation gain on investment properties	10	<u>39,000</u>	<u>—</u>
Profit/(loss) before taxation	5	17,067	(4,273)
Taxation	6	<u>(7,040)</u>	<u>—</u>
Profit/(loss) for the period from continuing operations		10,027	(4,273)
Discontinued operations:			
Loss for the period from discontinued operations	8	<u>(1,543)</u>	<u>(3,203)</u>
Profit/(loss) for the period		<u>8,484</u>	<u>(7,476)</u>

* For identification purpose only

		Unaudited	
		Six months ended 30 September	
		2007	2006
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
— Equity holders of the Company		8,484	(7,476)
— Minority interests		<u>—</u>	<u>—</u>
Profit/(loss) for the period		<u>8,484</u>	<u>(7,476)</u>
Earnings/(loss) per share	9		
— Basic (HK cents)			
From continuing and discontinued operations		3.13	(3.33)
From continuing operations		<u>3.70</u>	<u>(1.90)</u>
— Diluted (HK cents)			
From continuing and discontinued operations		2.60	N/A
From continuing operations		<u>3.02</u>	<u>N/A</u>
Dividends	7	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
	<i>Notes</i>		
Non-current assets			
Investment properties	10	590,000	—
Property, plant and equipment		<u>1,317</u>	<u>5,402</u>
		<u>591,317</u>	<u>5,402</u>
Current assets			
Inventories		—	21
Trade receivables	11	3,735	2,144
Prepayments, deposits and other receivables		1,310	1,340
Cash and bank balances		<u>56,647</u>	<u>3,663</u>
		<u>61,692</u>	<u>7,168</u>
Current liabilities			
Trade payables	12	2,568	2,490
Rental deposits received and other payables		8,351	2,846
Obligations under a finance lease		—	210
Bank borrowings — current portion		2,948	1,983
Tax payables		<u>1,240</u>	<u>546</u>
		<u>15,107</u>	<u>8,075</u>
Net current assets/(liabilities)		<u>46,585</u>	<u>(907)</u>
Total assets less current liabilities		637,902	4,495
Non-current liabilities			
Bank borrowings — non-current portion		259,750	—
Obligations under a finance lease		—	622
Convertible note	13	83,797	—
Amount due to a related company		—	4,337
Deferred tax liabilities	14	66,368	—
Advances from a director		—	2,706
Advances from a minority shareholder		<u>1,062</u>	<u>649</u>
		<u>410,977</u>	<u>8,314</u>
Net assets/(liabilities)		<u>226,925</u>	<u>(3,819)</u>
Equity			
Share capital	15	33,221	22,481
Reserves		<u>193,704</u>	<u>(26,300)</u>
Total equity attributable to equity holders of the Company		<u>226,925</u>	<u>(3,819)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 unaudited condensed financial statements have been prepared under the historical cost basis, except for investment properties and financial instruments, which have been measured at fair values, as appropriate.

The accounting policies used in the unaudited condensed financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2007. In addition, the Group has applied the following accounting policies during the current interim period:

(i) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at their fair values at the balance sheet date. Gains or losses arising from changes in fair value of investment properties are included in profit and loss account for the period in which they arise.

(ii) Convertible note

Convertible note issued by the Company that contains both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the note into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible note equity reserve until the embedded option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible note are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method.

3. SEGMENT INFORMATION

(a) Business segments

Unaudited								
Six months ended 30 September 2007								
	Continuing operations			Discontinued operations				Consolidated
	Property rental	Provision of property agency services	Total	Design and manufacture of computer motherboard and network products	Supply of computer related products	Supply of mobile storage and related products	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	<u>5,031</u>	<u>4,115</u>	<u>9,146</u>	<u>—</u>	<u>90,061</u>	<u>20,327</u>	<u>110,388</u>	<u>119,534</u>
RESULTS								
Segment results	<u>3,204</u>	<u>482</u>	3,686	<u>—</u>	<u>1,755</u>	<u>580</u>	2,335	6,021
Gain on disposal of subsidiaries			6,695				—	6,695
Revaluation gain on investment properties			39,000				—	39,000
Impairment loss on goodwill			(18,634)				—	(18,634)
Unallocated corporate income			246				992	1,238
Unallocated corporate expenses			<u>(7,810)</u>				<u>(4,786)</u>	<u>(12,596)</u>
Profit/(loss) from operations			23,183				(1,459)	21,724
Finance costs			<u>(6,116)</u>				<u>(84)</u>	<u>(6,200)</u>
Profit/(loss) before taxation			17,067				(1,543)	15,524
Taxation			<u>(7,040)</u>				<u>—</u>	<u>(7,040)</u>
Profit/(loss) for the period			<u>10,027</u>				<u>(1,543)</u>	<u>8,484</u>

Unaudited
Six months ended 30 September 2006

	Continuing operations			Discontinued operations				
	Property rental	Provision of property agency services	Total	Design and manufacture of computer motherboard and network products	Supply of computer related products	Supply of mobile storage and related products	Total	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	<u>—</u>	<u>2,906</u>	<u>2,906</u>	<u>6,001</u>	<u>143,463</u>	<u>11,135</u>	<u>160,599</u>	<u>163,505</u>
RESULTS								
Segment results	<u>—</u>	<u>(2,279)</u>	<u>(2,279)</u>	<u>1,018</u>	<u>2,058</u>	<u>291</u>	3,367	1,088
Unallocated corporate income			58				973	1,031
Unallocated corporate expenses			<u>(2,028)</u>				<u>(7,339)</u>	<u>(9,367)</u>
Loss from operations			(4,249)				(2,999)	(7,248)
Finance costs			<u>(24)</u>				<u>(204)</u>	<u>(228)</u>
Loss for the period			<u>(4,273)</u>				<u>(3,203)</u>	<u>(7,476)</u>

(b) Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services.

	Unaudited	
	Sales revenue	
	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
By geographical location:		
Continuing operations		
Hong Kong	<u>9,146</u>	<u>2,906</u>
Discontinued operations		
Hong Kong	30,436	34,386
The PRC	31,300	22,712
North America	1,513	1,861
Asia Pacific	28,436	60,739
Europe	15,820	39,425
Others	<u>2,883</u>	<u>1,476</u>
	<u>110,388</u>	<u>160,599</u>

4. FINANCE COSTS

	Unaudited					
	Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest charge on bank borrowings						
— wholly repayable within five years	35	24	84	204	119	228
— wholly repayable after five years	3,602	—	—	—	3,602	—
Imputed interest on a convertible note	<u>2,479</u>	—	<u>—</u>	—	<u>2,479</u>	—
	<u>6,116</u>	<u>24</u>	<u>84</u>	<u>204</u>	<u>6,200</u>	<u>228</u>

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging the followings:

Unaudited Six months ended 30 September					
Continuing operations		Discontinued operations		Consolidated	
2007	2006	2007	2006	2007	2006
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation and amortisation	121	64	368	985	489
					1,049

6. TAXATION

Unaudited Six months ended 30 September	
2007	2006
HK\$'000	HK\$'000

The charge comprises:

Continuing operations

Hong Kong profits tax for the period	213	—
Deferred tax		
— Change in fair value on investment properties (note 14)	6,827	—
	7,040	—

Hong Kong profits tax is calculated at 17.5% of estimated assessable profits for the period.

7. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2007 (2006: Nil).

8. DISCONTINUED OPERATIONS

On 7 August 2007, the Group entered into a sale and purchase agreement to dispose of Zida International Holding Limited (“Zida”), a wholly-owned subsidiary of the Company and its subsidiaries (“Disposal Group”) which carried out all of the Group’s business operations in manufacture, marketing and research and development of computer motherboards, networking products and related components and mobile storage and related products (“Discontinue Business”). The Board anticipates the volatile information technology industry continuing to pose challenges to the Discontinue Business, in particular, the sustained net loss position of the Disposal Group for the past two financial years, as well as the unaudited net liabilities of the Disposal Group as at 31 March 2007, the Board has decided to dispose of Zida. As a result of the disposal, the Group would no longer be exposed to the business and financial risk in the volatile information technology industry. The Group will focus its resources in its remaining principal businesses. The disposal was completed on 21 September 2007, on which date control of Zida passed to the acquirer.

An analysis of the results of the discontinued operations included in the condensed consolidated income statement is as follows:

	Unaudited	
	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Turnover	110,388	160,599
Cost of sales	(108,053)	(157,232)
Gross profit	2,335	3,367
Other revenue	992	973
Selling expenses	(410)	(498)
Administrative expenses	(4,376)	(6,841)
Loss from operations	(1,459)	(2,999)
Finance costs	(84)	(204)
Loss before taxation	(1,543)	(3,203)
Taxation	—	—
Loss for the period from discontinued operations	(1,543)	(3,203)

The cash flows attributable to the discontinued operations are as follows:

	Unaudited	
	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Cash inflow/(outflow) from:		
Operating activities	(1,815)	(4,358)
Investing activities	1,790	228
Financing activities	(3,121)	95
Net cash outflow	(3,146)	(4,035)

Gain on disposal of subsidiaries:**HK\$'000**

Net liabilities of the Disposal Group as at 21 September 2007

(2,910)

Less: professional expenses incurred on disposal

515

Gain on disposal of subsidiaries

(2,395)**6,695**

Total consideration

4,300

Satisfied by:

Cash

4,300**9. EARNINGS/(LOSS) PER SHARE****From continuing and discontinued operations**

The calculation of basic and diluted earnings/(loss) per share from continuing and discontinued operations is based on the following data:

Unaudited
Six months ended 30 September
2007 2006
HK\$'000 **HK\$'000**

Earnings

Profit/(loss) for the period attributable to the equity holders of the Company for the purpose of basic earnings/(loss) per share

8,484 **(7,476)**

Effect of dilutive potential ordinary shares:

Imputed interest on a convertible note

2,479 **—**

Profit/(loss) for the period attributable to the equity holders of the Company for the purpose of diluted earnings/(loss) per share

10,963 **(7,476)**

Unaudited	
Six months ended 30 September	
2007	2006
Number of ordinary shares	Number of ordinary shares

Number of shares

Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	271,086,226	224,789,809
Effect of dilutive potential ordinary shares:		
Share options	8,706,088	2,354,931
Convertible note	<u>134,485,009</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	<u>414,277,323</u>	<u>227,144,740</u>

Diluted loss per share has not been presented for the six months ended 30 September 2006 as the dilutive potential ordinary shares has an anti-dilutive effect.

From continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to the equity holders of the Company is based on the following data:

Unaudited	
Six months ended 30 September	
2007	2006
HK\$'000	HK\$'000

Profit/(loss) for the period attributable to the equity holders of the Company for the purpose of basic earnings/(loss) per share	8,484	(7,476)
Less:		
Profit/(loss) for the period attributable to the equity holders of the Company from discontinued operations	<u>(1,543)</u>	<u>(3,203)</u>
Profit/(loss) for the period attributable to the equity holders of the Company for the purpose of basic earnings/(loss) per share from continuing operations	10,027	(4,273)
Effect of dilutive potential ordinary shares:		
Imputed interest on a convertible note	<u>2,479</u>	<u>—</u>
Profit/(loss) for the purpose of diluted earnings/(loss) per share attributable to the equity holders of the Company from continuing operations	<u>12,506</u>	<u>(4,273)</u>

No diluted loss per share attributable to the equity holders of the Company from continuing operations is presented for the prior period as the outstanding share options were anti-dilutive.

From discontinued operations

Basic loss per share attributable to the equity holders of the Company from the discontinued operations is HK\$0.57 cents per share (2006: HK\$1.42 cents per share), based on the loss for the period attributable to the equity holders of the Company from discontinued operations of approximately HK\$1,543,000 (2006: HK\$3,203,000) and the denominators detailed above. No diluted loss per share attributable to the equity holders of the Company from discontinued operations is presented for the six months ended 30 September 2006 and 2007 as the potential ordinary shares have anti-dilutive impact.

10. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 April 2007 (Audited)	—
Arising from acquisition of subsidiaries	551,000
Increase in fair value during the period	<u>39,000</u>
At 30 September 2007 (Unaudited)	<u>590,000</u>
Fair value of investment properties	<u>590,000</u>

Revaluation of the investment properties was carried out as at 31 July 2007 by AA Property Services Limited, an independent professional valuer on an open market value basis. The director considered that there was no material change in the market value of the investment properties since 31 July 2007 to balance sheet date.

11. TRADE RECEIVABLES

The trade receivables mainly consist of agency fees receivable from customers and rental receivables. The agency fees receivable from customers are obliged to settle the amounts due upon the completion of the relevant agreements. The aged analysis of the Group's trade receivables, and net of provisions, is as follows:

	Unaudited 30 September 2007 <i>HK\$'000</i>	Audited 31 March 2007 <i>HK\$'000</i>
Up to 30 days	1,661	482
31 – 60 days	206	514
61 – 90 days	925	558
More than 90 days	<u>943</u>	<u>590</u>
	<u>3,735</u>	<u>2,144</u>

The directors consider the carrying amount of trade receivables approximates their fair value.

12. TRADE PAYABLES

The trade payables mainly represent commissions payable to property consultants and are due for payment only upon the receipt of corresponding agency fees from customers. The aged analysis of the Group's trade payables is as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Up to 30 days	1,030	240
31 – 60 days	158	130
61 – 90 days	93	126
More than 90 days	<u>1,287</u>	<u>1,994</u>
	<u><u>2,568</u></u>	<u><u>2,490</u></u>

The directors consider the carrying amount of trade payables approximates their fair value.

13. CONVERTIBLE NOTE

On 25 June 2007, the Company issued a convertible note in the principal amount of HK\$129,105,609 as part of the consideration for the acquisition of Max Act Enterprises Limited ("Max Act"). The convertible note bears interest at 1.68% per annum with maturity date of 5 years from the date of issuance and are repayable after 5 years from the date of issuance or convertible into shares of the Company at the initial conversion price of HK\$0.98 per share and subsequently adjusted to HK\$0.937 as a result of the completion of placing in November 2007. For details of adjustment to the conversion price, please refer to the Company's announcement dated 16 November 2007. No conversion was made during the period.

The convertible note was split between the liability and equity component of approximately HK\$81,318,000 and HK\$47,787,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible note equity reserve. The effective interest rate of the liability element is 11.41% per annum.

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Proceeds of issue	129,105	—
Equity component	<u>(47,787)</u>	<u>—</u>
Liability component on initial recognition	81,318	—
Interest accrued	<u>2,479</u>	<u>—</u>
Liability component at end of period	<u><u>83,797</u></u>	<u><u>—</u></u>

14. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities for the period are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Revaluation of derivative financial instruments <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2007 (Audited)	—	—	—	—
Arising from acquisition of subsidiaries	2,149	57,325	67	59,541
Charge to income statement for the period	—	6,827	—	6,827
At 30 September 2007 (Unaudited)	<u>2,149</u>	<u>64,152</u>	<u>67</u>	<u>66,368</u>

15. SHARE CAPITAL

	Number of Shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2007 and at 30 September 2007	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2007 (Audited)	224,811,667	22,481
Issue of shares (<i>Note 1</i>)	44,960,000	4,496
Exercise of share options (<i>Note 2</i>)	1,140,000	114
Shares issued as part of the consideration for acquisition of a subsidiary (<i>Note 3</i>)	<u>61,296,333</u>	<u>6,130</u>
At 30 September 2007 (Unaudited)	<u>332,208,000</u>	<u>33,221</u>

Notes:

- On 26 July 2007, Henry Jewellery Holdings Limited (“HJHL”), the controlling shareholder of the Company, entered into a placing agreement with Kingsway Financial Services Group Limited (“Kingsway”) pursuant to which Kingsway, as placing agent, agreed to place, on a best effort basis, up to 44,960,000 shares of the Company (the “Placed Shares”) held by HJHL to not less than six independent professional, institutional and/or other investor(s) at a placing price of HK\$1.2 per share (the “Placing Price”). On the same date, HJHL entered into a subscription agreement to subscribe for 44,960,000 new shares of the Company (equivalent to the number of the Placed Shares) at the Placing Price (the “Subscription”). The net proceeds of approximately HK\$53.2 million raised from the Subscription were used as general working capital of the Group (please refer to the Company’s announcement dated 27 July 2007). The premium on the issue of new shares amounted to approximately HK\$48,858,000, net of shares issue expenses, was credited to the Company’s share premium account.

- (2) During the period, 1,140,000 ordinary shares of HK\$0.1 each were issued as a result of exercise of share options.
- (3) On 25 June 2007, the Company's issued share capital was increased by approximately HK\$6,130,000 as a result of the issue of 61,296,333 shares ("Consideration Shares") as part of the consideration for the acquisition of the entire issued share capital of Max Act as set out in note 16. The fair value of the Consideration Shares, determined by the closing market price of HK\$1.90 per share on 25 June 2007 (being date of completion), amounted to approximately HK\$ 116,464,000.

16. BUSINESS COMBINATIONS

On 25 June 2007, Rose City Group Limited ("Rose City"), an indirect wholly-owned subsidiary of the Company, completed the acquisition of a 100% equity interest in Max Act, which is a limited company incorporated in the British Virgin Islands. The principal activity of Max Act and its subsidiaries is property investment.

Details of the net assets acquired and goodwill are as follows:

	<i>HK\$'000</i>
Purchase consideration:	
— fair value of Consideration Shares issued	116,464
— fair value of convertible note issued	129,105
— fair value of indebtedness	<u>54,824</u>
	300,393
— professional fee expenses related to acquisition	<u>1,179</u>
Total consideration	301,572
Fair value of net assets acquired	<u>(282,938)</u>
Goodwill arising from the acquisition	18,634
Impairment loss on goodwill	<u>(18,634)</u>
	<u><u>—</u></u>

Details of the net assets acquired are as follows:

	Acquiree's fair value <i>HK\$'000</i>
Property, plant and equipment	1,107
Investment properties	551,000
Trade receivables and other receivables	2,563
Due from ultimate holding company	54,824
Cash at banks	1,359
Other payables, rental deposits received and accruals	(5,643)
Tax payables	(479)
Bank loan	(262,250)
Deferred tax liabilities	<u>(59,543)</u>
	<u><u>282,938</u></u>

Since the acquisition, the subsidiaries contributed approximately HK\$5,031,000 to the Group's turnover.

17. COMPARATIVE FIGURES

Due to the disposal of Zida and its subsidiaries as set out in note 8 during the period, which constituted a discontinued operations under HKFRS 5 “Non-current Assets held for sale and Discontinued Operations”, certain comparative figures have been restated to conform with current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

2007 marked an important milestone for Henry Group. During the period under review, the Board decided to discontinue the Group's information technology ("IT")-related businesses operated by Zida International Holding Limited ("Zida"), to free resources for capturing investment opportunities in the commercial property market. In June 2007, the Group acquired the 24-storey ginza-style commercial building, Jardine Center in Causeway Bay. The strategic move was a big leap forward of the Group in transforming its core business to ginza-style commercial building operation and made it a pioneer in operating high rental yield ginza-style buildings in Hong Kong.

In May 2007, the Company announced a connected and very substantial transaction in relation to the Chairman's injection of Jardine Center into the Company by way of acquisition of the entire issued shares of Max Act Enterprises Limited ("Max Act") for a consideration of approximately HK\$244 million ("Consideration"). For the purpose of enlarging the Company's capital base and strengthening its financial position, the Consideration was settled by a combination of allotment and issuance of approximately 61.2 million new shares of the Company and a 5-year convertible note with a principal amount of approximately HK\$129.1 million as well as taking up of indebtedness of Jumbo Step International Limited (being a company wholly-owned by the Chairman) amounted to approximately HK\$54.8 million.

Jardine Center, a quality en-bloc ginza-type building in the heart of Hong Kong's key shopping area, Causeway Bay, is a leisure, entertainment, food and beverages center targeting the upper class consumers, particularly the young and fashionable. During the period under review, Jardine Center, with a full occupancy, reported rental income of approximately HK\$5.03 million. With the acquisition of Jardine Center, the Group was able to rapidly foray into the buoyant local retail property market to fortify its core business. In addition to providing stable rental income, Jardine Center will also bring capital value appreciation thereby strengthening the Group's asset base and earning base.

With luxury brands sweeping up street shops at prime location in Hong Kong to tap favorable consumption sentiment in the city, local shop rental has been rising, making them too expensive for many retailers. More and more of these retailers have opted to move their business "upstairs". Heeding this trend, the Directors believe that the Group, with firm foothold in the niche ginza-type building market, will be able to replicate the proven Jardine Center and Henry House (the Chairman's own flagship ginza-type building) operations in other major shopping districts.

Strategic transformation – Divestment of IT-related business to focus on retail property business

To focus on developing into a niche ginza-type property operator in the long run, the Company divested all of its loss making IT-related businesses by way of disposal of its wholly-owned subsidiary, Zida to one of its directors at a consideration of HK\$4.3 million ("Very Substantial Disposal"). The Very Substantial Disposal provided an opportunity for the Company to one-off remove all liabilities under Zida's subsidiaries and direct its resources to facilitate development of retail property business, adopting the ginza-type business model. The Very Substantial Disposal, which was completed on 21 September 2007, brought a non-recurring gain of approximately HK\$6.7 million to the Group.

Retail property agency brokerage turned around

Benefiting from spectacular growth of Hong Kong's booming retail property market, the Company's retail property agency arm Uni-Land Property Consultants Limited ("Uni-Land") reported a commission income of approximately HK\$4.1 million and contributed a net profit of approximately HK\$0.45 million to the Group.

Prospects

According to an article named "Market Overview — July 2007" published by Colliers International Limited, steady economic growth, positive sentiment on employment and job security, and increase in wealth brought about by an active stock market continued to stimulate retail spending in Hong Kong. Accordingly, retail rentals and value of retail properties are expected to rise by approximately 19% and 25% respectively in the upcoming year.

Subsequent to the interim balance sheet date, the Group's ginza-type property business had another shot in the arm. The Chairman of the Group injected another asset into the Group's property portfolio- a prime development site on Lockhart Road, Causeway Bay ("Lockhart Road Project") that will be redeveloped into ginza-type building ("Very Substantial Acquisition"). The Lockhart Road Project is currently in construction. It is expected to be completed by the third quarter of 2008 which will bring recurrent rental income to the Group soon after. With strong experience in developing ginza-style commercial building as evidenced in the track record of Jardine Center, the management is confident that the Group will be able to generate stable recurring rental income from the Lockhart Road Project. The Very Substantial Acquisition was approved by the Company's independent shareholders at the special general meeting held on 22 October 2007 and completion took place on 14 November 2007.

Introduced two new strategic shareholders through share placement

In November 2007, the Company announced a share placement whereby Asset Managers (Asia) Company Limited ("ASA") and Atom Capital Management Pte Limited became new strategic shareholders of the Company. The Directors are pleased to have investors showing strong confidence in the Company's business with ginza-style projects as the core.

ASA is the direct investment arm in Asia (excluding Japan) of Asset Managers Co., Ltd which is listed in Japan. ASA was founded in Hong Kong in 2004 and its primary focus is investment in real estates and private equities in Hong Kong and the PRC.

The introduction of a new strategic shareholder specializing in real estate will further strengthen our retail property development capability.

In November 2007, the Board welcomed seasoned architect Mr. Li Man Hin ("Mr. Li") to join the Company as an executive Director. Mr. Li has substantial experience in developing sizable landmark buildings in Hong Kong and Greater China (including, amongst various others, Grand Millennium Plaza in Central, Concordia Plaza, Silvercord in Tsim Sha Tsui, Loong Wu Hotel in Shantau, Dong Jun Plaza and Guji Grandfield in Guangzhou, Shenzhen Plaza in Shenzhen and Centre Plaza in Tianjin).

The solid experience and knowledge of Mr. Li in the real estate sector is expected to enable the Group to extend its investment and replicate the ginza business model in major cities in the Greater China region.

Going forward, capitalizing on Uni-Land's expertise in retail shop market and Jones Lang Lasalle's quality property management services, the Group intends to upgrade and realign the tenant mix for its properties so as to maximize the value of its property portfolio and enhance rental income growth. The Directors are also actively seeking out new potential projects with promising growth prospects and revenue potential for bringing attractive returns to shareholders of the Group.

With premium projects in its ginza-style property portfolio and a expert management team with extensive experience and connections in niche market, and boasting meticulous attention in selecting the right tenants and forceful promotion strategy, the Group is poised to become a leading operator in the ginza-style commercial property sector in Hong Kong and the PRC.

Financial Review

For the six months ended 30 September 2007, the Group's unaudited consolidated turnover from continuing operations and net profit attributable to shareholders of the Company were approximately HK\$9,146,000 and HK\$10,027,000 respectively. The increase in turnover was the result of contribution of rental income from the new segment — property investment (after the acquisition of Jardine Center was completed ("Acquisition")). The net profit for current period benefited from the inclusion of fair value changes on the Group's investment properties of approximately HK\$39,000,000 and a non-recurring gain on disposal of subsidiaries amounted to approximately HK\$6,695,000.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

In July 2007, the Company, Henry Jewellery Holdings Limited, being one of the substantial shareholders of the Company ("HJHL") and a placing agent entered into a placing agreement. The placing agent placed 44,960,000 existing shares of HK\$0.1 each of the Company held by HJHL at a price of HK\$1.2 per share. On the same date, HJHL also entered into a subscription agreement with the Company to subscribe 44,960,000 new shares of HK\$0.1 each of the Company at a price of HK\$1.2 per share ("Subscription"). The Subscription was completed in August 2007. The net proceeds of approximately HK\$53.2 million raised from the Subscription were used as general working capital of the Group.

Operations of the Group are generally financed through internal resources and bank facilities provided by its principal bankers. As at 30 September 2007, cash and bank balances of the Group were approximately HK\$56,647,000. Including the net proceeds raised from share placement in the amount of approximately HK\$74,320,000 subsequent to the balance sheet date, cash and bank balances of the Group came to approximately HK\$130,967,000. Accordingly, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Bank borrowings were mainly utilized in financing the Group's investment properties. All bank borrowings were denominated in HK dollars and on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The Group's bank loans are mainly secured by corporate guarantees and investment properties held by the Group with a total carrying value of approximately HK\$590,000,000 and with maturity profile set out as follows:

	As at 30 September 2007 HK\$'000
Repayable	
Within 1 year	2,948
After 1 year but within 2 years	2,200
After 2 years but within 5 years	9,900
Over 5 years	247,650

The Group's gearing ratio, calculated as total liabilities over total assets, was approximately 65.3% as at 30 September 2007.

SUBSEQUENT EVENTS

On 22 October 2007, the independent shareholders of the Company have passed ordinary resolutions at the special general meeting, pursuant to which sales and purchase agreement dated 10 September 2007 ("Agreement") entered into between Rose City and Jumbo Step International Limited ("Jumbo Step"), a company wholly owned by Mr. Henry Ng, the Chairman of the Company. Pursuant to the Agreement, Jumbo Step had conditionally agreed to sell, and Rose City had conditionally agreed to purchase the entire issued share capital of Seedtime International Limited ("Seedtime") at a consideration of HK\$175 million. The acquisition constituted a very substantial acquisition and connected transaction under the Listing Rules. For details of the acquisition, please refer to the Company's announcements dated 14 September 2007 and 22 October 2007 as well as the circular dated 5 October 2007.

In November 2007, the Company announced that it entered into the placing agreement in relation to issue and allot 64,600,000 new shares to two placees at the placing price of HK\$1.20 per share ("Placing"). The net proceeds of the Placing amounted to HK\$74.3 million which will be used as general working capital of the Group. For details of the Placing, please refer to the Company's announcement dated 6 November 2007.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2007, the Group had about 23 employees based in Hong Kong. The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job nature.

GUARANTEE

The Company has given limited corporate guarantees in favour of various banks for banking facilities granted to Uni-Land Property Consultants Limited (“Uni-Land”) and Top Bright Properties Limited (“Top Bright”), both being its indirect non-wholly owned subsidiaries to the extent of approximately HK\$0.95 million and HK\$269 million respectively. As of 30 September 2007, Uni-Land and Top Bright utilised approximately HK\$0.95 million and HK\$261.8 million respectively.

The Directors consider that the fair value of the above financial guarantee contracts do not have significant impact to the unaudited condensed financial statements.

COMMITMENTS

As at 30 September 2007, the Group had capital commitments payable of approximately HK\$175 million in respect of the acquisition of entire issued share capital of Seedtime. The amount was settled on 14 November 2007, being date of completion of the acquisition.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the period with deviation from code provision A.4.1 of the CG Code.

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Prior to the Annual General Meeting of the Company held on 25 August 2006 (“AGM”), none of the existing non-executive Director and independent non-executive Directors of the Company was appointed for a specific term. However, at the AGM, the non-executive Director, Mr. Mak Wah Chi was re-elected to hold office until the conclusion of the 2009 annual general meeting of the Company, while the three independent non-executive Directors, Mr. Cheng Yuk Wo (re-designated as non-executive Director with effect from 4 April 2007), Mr. Ng Hoi Yue and Mr. Tsang Kwok Ming, Rock were re-elected to hold office until the conclusion of the next annual general meeting of the Company. Pursuant to the ordinary resolution passed by shareholders of the Company at the special general meeting held on 14 June 2007 (“SGM”), Mr. Li Kit Chee, appointed by the Board was re-elected as an independent non-executive Director and to hold office until the conclusion of the next annual general meeting. As such, since the conclusion of the AGM and the SGM, all non-executive Directors and independent non-executive Directors have been appointed for a specific term, and accordingly the Company has been in compliance with the said code provision A.4.1.

Audit Committee

The audit committee comprises the non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Committee Chairman) and Mr. Ng Hoi Yue. The audit committee had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed interim financial statements for the period.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) as well as the website of the Company (www.henrygroup.hk). The 2007/2008 interim report will be dispatched to shareholders and will be published on the aforementioned websites in due course.

By Order of the Board
Ng Ian
Chief Executive Officer

Hong Kong, 14 December 2007

As at the date of this announcement, the Board comprises Mr. Ng Chun For Henry, Mr. Ng Ian, Mr. Chan Kwai Ping Albert and Mr. Li Man Hin as executive Directors; Mr. Mak Wah Chi and Mr. Cheng Yuk Wo as non-executive Directors and Mr. Li Kit Chee, Mr. Ng Hoi Yue and Mr. Tsang Kwok Ming Rock as independent non-executive Directors.