

**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 2008

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 2008, together with the comparative figures for the corresponding period in last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 September	
		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations:			
Turnover	3	12,493	9,146
Other operating income		370	261
Administrative and other operating expenses		(12,454)	(13,285)
Finance costs	4	(10,728)	(6,116)
Impairment loss on goodwill		—	(18,634)
Gain on disposal of subsidiaries		—	6,695
Revaluation gain on investment properties		25,210	39,000
Profit before taxation	5	14,891	17,067
Taxation	6	(4,595)	(7,040)
Profit for the period from continuing operations		10,296	10,027
Discontinued operations:			
Loss for the prior period from discontinued operations		—	(1,543)
Profit for the period		10,296	8,484

* For identification purpose only

		Unaudited	
		Six months ended 30 September	
		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
— Equity holders of the Company		10,296	8,484
— Minority interests		<u>—</u>	<u>—</u>
Profit for the period		<u>10,296</u>	<u>8,484</u>
Earnings per share	7		
— Basic (<i>HK cents</i>)			
From continuing and discontinued operations		1.99	3.13
From continuing operations		<u>1.99</u>	<u>3.70</u>
— Diluted (<i>HK cents</i>)			
From continuing and discontinued operations		1.98	2.60
From continuing operations		<u>1.98</u>	<u>3.02</u>
Dividends	9	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2008 <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		1,798	1,262
Investment properties		1,020,000	590,000
Properties under development		—	384,062
Interest in a jointly controlled entity		67,322	—
Derivative financial instruments		3,585	—
Deposit paid for acquisition		<u>70,000</u>	<u>70,000</u>
		<u>1,162,705</u>	<u>1,045,324</u>
Current assets			
Due from a jointly controlled entity		13,978	—
Trade and other receivables	8	7,133	8,925
Cash and bank balances		<u>35,454</u>	<u>55,728</u>
		<u>56,565</u>	<u>64,653</u>
Current liabilities			
Trade and other payables, rental deposits received and accruals		20,211	13,652
Bank borrowings — current portion (secured)		27,637	2,423
Tax payable		<u>1,285</u>	<u>558</u>
		<u>49,133</u>	<u>16,633</u>
Net current assets		<u>7,432</u>	<u>48,020</u>
Total assets less current liabilities		1,170,137	1,093,344

	Unaudited 30 September 2008 <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
Non-current liabilities		
Bank borrowings — non-current portion (secured)	410,650	403,650
Convertible notes	121,441	114,845
Advances from a minority shareholder	698	698
Deferred tax liabilities	98,677	94,908
	<u>631,466</u>	<u>614,101</u>
Net assets	<u>538,671</u>	<u>479,243</u>
Equity		
Share capital	53,154	50,271
Reserves	485,517	428,972
Total equity attributable to equity holders of the company	538,671	479,243
Minority interests	<u>—</u>	<u>—</u>
Total equity	<u>538,671</u>	<u>479,243</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 derivative 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 2008. In addition, the Group has applied the following accounting policies during the current interim period:

(a) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the group or company and other parties, where the contractual arrangement establishes the group or company and one or more of the other parties share joint control over the economic activity of the entity.

The results and assets and liabilities of jointly controlled entity are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the jointly controlled entities, less impairment in the value of individual investments.

(b) Derivative financial instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecast transaction or of the foreign currency risk on a firm commitment (cash flow hedge).

Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in the hedging reserve. Where the forecast transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in the hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in the hedging reserve are transferred to the consolidated profit and loss account and classified as income or expense in the same periods during which the hedged firm commitment or forecast transaction affects the consolidated profit and loss account.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions — property leasing and development, property agency services and securities investment. These divisions form the basis on which the Group reports its primary segment information.

(a) Business segments

	Unaudited							
	Six months ended 30 September 2008							
	Continuing operations				Discontinued operations			
	Property leasing and development	Provision of property agency services	Securities investment	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
GROSS PROCEEDS	9,996	2,497	15,153	27,646	—	—	—	27,646
TURNOVER	9,996	2,497	—	12,493	—	—	—	12,493
RESULTS								
Segment results	7,939	(1,320)	(10)	6,609	—	—	—	6,609
Increase in fair value of investment properties				25,210				25,210
Unallocated corporate income				290				290
Unallocated corporate expenses				(6,490)				(6,490)
Profit from operations				25,619				25,619
Finance costs				(10,728)				(10,728)
Profit before taxation				14,891				14,891
Taxation				(4,595)				(4,595)
Profit for the period				10,296				10,296

Unaudited
Six months ended 30 September 2007

	Continuing operations			Discontinued operations				Consolidated HK\$'000
	Property leasing and development HK\$'000	Provision of property agency services HK\$'000	Total HK\$'000	Design and manufacture of computer motherboard and network products HK\$'000	Supply of computer related products HK\$'000	Supply of mobile storage and related products HK\$'000	Total HK\$'000	
GROSS PROCEEDS	<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>
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>	<u>3,686</u>	<u>—</u>	<u>1,755</u>	<u>580</u>	<u>2,335</u>	<u>6,021</u>
Gain on disposal of subsidiaries			6,695				—	6,695
Increase in fair value of 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>

(b) Geographical segments

Over 90% of the Group's revenue by location of customers were derived from property agency and property leasing and development regarding to investment properties located in Hong Kong and no geographical segments are presented.

4. FINANCE COSTS

Unaudited Six months ended 30 September					
Continuing operations		Discontinued operations		Consolidated	
2008	2007	2008	2007	2008	2007
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest charge on bank borrowings					
— wholly repayable within five years	73	35	—	84	73
— wholly repayable after five years	4,059	3,602	—	—	4,059
Imputed interest on convertible notes wholly repayable within five years	6,596	2,479	—	—	6,596
	<u>10,728</u>	<u>6,116</u>	<u>—</u>	<u>84</u>	<u>6,200</u>

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the followings:

Unaudited Six months ended 30 September					
Continuing operations		Discontinued operations		Consolidated	
2008	2007	2008	2007	2008	2007
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss on disposal of property, plant and equipment	100	—	—	100	—
Depreciation	277	121	368	277	489

6. TAXATION

Unaudited Six months ended 30 September	
2008	2007
HK\$'000	HK\$'000

The charge comprises:

Continuing operations

Hong Kong profits tax for the period	826	213
Deferred tax		
— Change in fair value on investment properties	4,411	6,827
— Effect of change in tax rate	(642)	—
	<u>3,769</u>	<u>6,827</u>
	<u>4,595</u>	<u>7,040</u>

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of estimated assessable profits for the period.

7. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Unaudited	
	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per share	10,296	8,484
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible notes	<u>5,267</u>	<u>2,479</u>
Profit for the period attributable to the equity holders of the Company for the purpose of diluted earnings per share	<u>15,563</u>	<u>10,963</u>

	Unaudited	
	Six months ended 30 September	
	2008	2007
	Number of	Number of
	ordinary shares	ordinary shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	514,998,053	271,086,226
Effect of dilutive potential ordinary shares:		
Share options	3,942,085	8,706,088
Convertible notes	<u>172,724,661</u>	<u>134,485,009</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>691,664,799</u>	<u>414,277,323</u>

From continuing operations

The calculation of the basic and diluted earnings 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	
	2008	2007
	HK\$'000	HK\$'000
Profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per share	10,296	8,484
Less:		
Loss for the prior period attributable to the equity holders of the Company from discontinued operations	<u>—</u>	<u>(1,543)</u>
Profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per share from continuing operations	10,296	10,027
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible notes	<u>5,267</u>	<u>2,479</u>
Profit for the purpose of diluted earnings per share attributable to the equity holders of the Company from continuing operations	<u>15,563</u>	<u>12,506</u>

From discontinued operations

Basic loss per share attributable to the equity holders of the Company from the discontinued operations for the prior period is HK\$0.57 cents per share, based on the loss for the prior period attributable to the equity holders of the Company from discontinued operations of approximately HK\$1,543,000 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 prior period as the potential ordinary shares have anti-dilutive impact.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables were trade receivables of approximately HK\$3,367,000 (net of provisions). 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 2008 <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
Up to 30 days	2,555	3,819
31–60 days	8	95
61–90 days	—	83
More than 90 days	804	2,127
	3,367	6,124

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

9. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited consolidated net profit attributable to shareholders for the six months ended 30 September 2008 increased by 21.36% to HK\$10,296,000 (2007: HK\$8,484,000). Turnover of the Group from continuing operations for the interim period was approximately HK\$12,493,000, representing an increase of 36.60% as compared with approximately HK\$9,146,000 for the corresponding period of last year.

Business Review

Ginza-Style Building Operations

Jardine Center, Causeway Bay (100% interest)

Turnover derived from Jardine Center for the six months ended 30 September 2008 amounted to approximately HK\$9,886,000, up by 96.50% from HK\$5,031,000 for the corresponding period of last year. This was attributed to the first full six-month period worth of revenue contributions received since its acquisition in June 2007. Jardine Center achieved satisfactory occupancy and renewal rates at the end of September 2008.

L'hart, 487–489, Lockhart Road, Causeway Bay (100% interest)

In August 2008, the Group obtained the occupation permit for L'hart, a newly built Ginza-style building — the first in Hong Kong to have duplex retail floors. Strategically located in the shopping hub of Causeway Bay, L'hart is nestled within two renowned shopping malls and a renowned restaurant. L'hart offers consumers with a chic urban environment for dining and entertainment. Renovation work is substantially completed and the Group launched a comprehensive promotional program designed to attract tenants. L'hart will provide added growth impetus to the Group's Ginza-style building operation and further increase its recurring income base.

Project Under Development

8 Hau Fook Street, Tsim Sha Tsui (50% interest)

In July 2008, the Group acquired a 50% interest in a prime development site (situate at 8 Hau Fook Street, Tsim Sha Tsui) through the purchase of a 100% interest in the issued share capital of Honeyguide Investments Limited (the "Acquisition"). Superbly located in the heart of Tsim Sha Tsui, the project is intended to be developed into a composite building featuring Ginza-style shopping mall and serviced apartments that cater to both tourists and locals. Planning is now well underway and piling work for the project is in progress. The project is scheduled to be completed in 2010. For details of the Acquisition, please refer to the Company's circular dated 2 June 2008.

No. 49–65 Yuyuan Road, Jiangan District, Shanghai (30% interest)

In November 2008, the Group completed the acquisition of entire interest in Uptodate Management Limited (“Uptodate”) which indirectly owns a 30% interest in two parcels of adjoining land with a site area of approximately 10,837 square meters. Superbly located on Yuyuan Road in the prime Jiangan District, the site is intended to be developed into a Ginza-style shopping avenue with a gross floor area of approximately 70,846 square meters comprising basements, car park facilities and high accessibility via public transportation networks. The project is scheduled to be completed in 2012.

Property Agency Business — Uni-Land

The Uni-Land retail property agency business was the second largest revenue contributor to the Group for the period. During the period under review, a difficult business environment and intense market competition impeded Uni-land’s performance. However, Uni-land is committed to further enhancing its operational efficiency to bolster business performance.

Way Forward

In the face of unprecedented global financial turmoil and recent economic crisis, business sentiment will inevitably suffer, and Hong Kong will unavoidably be affected. However, Hong Kong is equipped with a solid and strong financial system, allowing the Territory to overcome the liquidity crisis and shore up economic growth. Furthermore, Mainland China will provide an oasis of stability amid the global turmoil. Consequently, management maintains an optimistic view toward Hong Kong and Mainland China’s retail markets. With short supply of prime sites in the two regions, more and more retailers will be moving their businesses “upstairs”. As the Company is a leading Ginza-style building developer, and still occupies a market niche that allows it to replicate its successful business model for further development, it is set to deliver attractive returns to its shareholders.

Financial Review

Turnover

The Group’s turnover from continuing operations for the six months ended 30 September 2008 amounted to approximately HK\$12,493,000, representing an increase of 36.60% from approximately HK\$9,146,000 for the corresponding period last year. Increase in turnover was contributed by the revenue derived from Jardine Center’s operation for the first full six-month since its acquisition in June 2007.

Increase in fair value of Investment Properties

The Group’s newly built investment properties were revalued by an independent valuer producing a revaluation surplus of approximately HK\$25,210,000.

Finance costs

Finance costs consisting of imputed interests amortised on convertible notes and interests to bank charged to the income statement was approximately HK\$10,728,000 for the period under review (2007: HK\$6,116,000).

Capital Structure, Liquidity, Financial Resources and Gearing Ratio

As at 30 September 2008, the Group's net asset value increased by 12.40% to approximately HK\$538,671,000 or HK\$1.01 per share from approximately HK\$479,243,000 or HK\$0.95 per share respectively as at 31 March 2008.

During the period under review, the Company issued 28,834,355 shares as the consideration for the acquisition of the entire issued share capital of Honeyguide Investments Limited ("Honeyguide Acquisition"). Details of the Honeyguide Acquisition are disclosed in the Company's circular dated 2 June 2008.

Operations of the Group are generally financed through internal resources and banking facilities provided by its principal bankers. With cash balances of approximately HK\$35,454,000 and undrawn revolving credit facilities of HK\$200 million as at 30 September 2008, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

The use of derivative financial instruments was strictly controlled. All the derivative financial instruments entered into by the Group were solely used for management of the Group's interest rate exposure.

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, the assignment of rental income and investment properties held by the Group with a total carrying value of approximately HK\$1,020,000,000 and with maturity profile set out as follows:

	As at 30 September 2008 HK\$'000
Repayable	
Within 1 year	27,637
After 1 year but within 2 years	3,450
After 2 years but within 5 years	23,850
Over 5 years	383,350

The Group's gearing ratio, calculated as total liabilities over total assets, was approximately 55.82% as at 30 September 2008.

Subsequent Event

After completion of the acquisition of entire interest in Uptodate Management Limited took place on 15 November 2008 (“Completion”), High Fly Investments Limited (“High Fly”) became a non-wholly owned subsidiary of the Company. The possible continuing connected transaction entered by High Fly as disclosed in the Company’s announcement dated 6 October 2008 and the Company’s circular dated 27 October 2008 which was approved by independent shareholders of the Company at the special general meeting held on 11 November 2008 and constitutes as a continuing connected transaction as defined under the Listing Rules upon the Completion.

Employees and Remuneration Policy

As at 30 September 2008, the Group had about 21 employees based in Hong Kong. The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job nature.

Contingent Liabilities

	The Group	
	Unaudited	Audited
	30 September	31 March
	2008	2008
	HK\$’000	HK\$’000
Corporate guarantees given by the Company for banking facilities granted to certain subsidiaries	689,950	426,000
A corporate guarantee given by the Company for banking facilities granted to a subsidiary of the Group’s jointly-controlled entity	<u>105,000</u>	<u>—</u>
	<u>794,950</u>	<u>426,000</u>

As 30 September 2008, amounts of approximately HK\$438.29 million (2007: HK\$406.07 million) had been utilised by its subsidiaries and HK\$66.35 million (2007: HK\$ Nil) had been utilised by a subsidiary of the Group’s jointly controlled entity.

Commitments

Outstanding capital commitments at the end of the period in respect of:

	The Group	
	Unaudited	Audited
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
Construction cost of properties under development		
Contracted for	—	14,764
Authorised but not contracted for	—	702
	<u>—</u>	<u>15,466</u>

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the interim period.

Audit Committee

The audit committee comprises an non-executive Director and two independent non-executive directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Chairman of the Audit Committee) 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 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 of the Company (the “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 2008/2009 interim report will be despatched 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, 9 December 2008

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 as a non-executive Director and Mr. Li Kit Chee, Mr. Ng Hoi Yue and Mr. Tsang Kwok Ming Rock as independent non-executive Directors.