ENRY 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)**

## UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The board of directors (the "Board") of Henry Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2015, together with the comparative amounts. The interim results have been reviewed by the audit committee of the Company.

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**
*For the six months ended 30 September 2015*

| | | Unaudited | |
|---|---|---|---|
| | | Six months ended 30 September | |
| | | **2015** | 2014 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Turnover | | **24,891** | 25,577 |
| Other income and gains | | **6,383** | 6,481 |
| Net gain in fair value of investment properties | *9* | **5,192** | — |
| Administrative and operating expenses | | **(21,171)** | (22,554) |
| Profit from operations | | **15,295** | 9,504 |
| Finance costs | *4* | **(12,981)** | (12,930) |
| Profit/(loss) before taxation | | **2,314** | (3,426) |
| Taxation | *5* | **(1,646)** | (1,238) |
| Profit/(loss) for the period | *6* | **668** | (4,664) |
| Other comprehensive income for the period | | **—** | — |
| Total comprehensive income/(loss) for the period | | **668** | (4,664) |

| | | Unaudited Six months ended 30 September | |
| --- | --- | --- | --- |
| | | **2015** | 2014 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Profit/(loss) and total comprehensive income/(loss) the period attributable to owners of the Company | | **668** | (4,664) |
| Earnings/(loss) per share | *8* | | |
| — Basic (HK cents) | | **0.07** | (0.60) |
| — Diluted (HK cents) | | **0.07** | (0.60) |

**Condensed Consolidated Statement of Financial Position**
*At 30 September 2015*

| | Notes | **Unaudited 30 September 2015 HK$'000** | Audited 31 March 2015 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **90** | 128 |
| Investment properties | 9 | **2,754,100** | 2,494,800 |
| Deferred tax assets | | **693** | 1,027 |
| | | **2,754,883** | 2,495,955 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 10 | **3,938** | 4,939 |
| Available-for-sale financial assets | | **74** | 74 |
| Pledged bank deposits | | **15,004** | 15,004 |
| Cash and bank balances | | **344,023** | 1,146,096 |
| | | **363,039** | 1,166,113 |
| **CURRENT LIABILITIES** | | | |
| Other payables, rental deposits received and accruals, current portion | | **8,970** | 11,016 |
| Bank borrowings, current portion (secured) | | **26,750** | 26,750 |
| Derivative financial instruments (secured), current portion | | **—** | 1,732 |
| Tax payable | | **1,423** | 640 |
| | | **37,143** | 40,138 |
| **NET CURRENT ASSETS** | | **325,896** | 1,125,975 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,080,779** | 3,621,930 |

| | Unaudited 30 September 2015 *HK$'000* | Audited 31 March 2015 *HK$'000* |
|---|---|---|
| **NON-CURRENT LIABILITIES** | | |
| Other payables and rental deposits received, non-current portion | **13,302** | 9,933 |
| Bank borrowings, non-current portion (secured) | **967,999** | 981,374 |
| Deferred tax liabilities | **12,122** | 11,531 |
| | **993,423** | 1,002,838 |
| **NET ASSETS** | **2,087,356** | 2,619,092 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **97,180** | 95,088 |
| Reserves | **1,990,176** | 2,524,004 |
| **TOTAL EQUITY** | **2,087,356** | 2,619,092 |

## Notes to the Condensed Consolidated Interim Financial Statements

*For the six months ended 30 September 2015*

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2015 (the "Interim 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 provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These Interim Financial Statements should be read in conjunction with the annual report for the year ended 31 March 2015.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Interim Financial Statements have been prepared under the historical cost basis as modified for investment properties, available-for-sale financial assets and certain financial instruments and derivative financial instruments, which are measured at fair values.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new and revised HKFRSs"), which are effective for the Group's accounting period beginning on 1 April 2015.

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2010–2012 Cycle |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2011–2013 Cycle |
| HKAS 19 (Amendments) | Defined Benefit Plans: Employee Contributions |

The application of the new and revised HKFRSs has no material effect on the condensed consolidated financial statements for the current or prior accounting periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2012–2014 Cycle[1] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture[1] |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) | Investment Entities: Applying the Consolidation Exceptions[1] |
| HKFRS 11 (Amendments) | Accounting for Acquisitions of Interests in Joint Operations[1] |
| HKFRS 14 | Regulatory Deferral Accounts[1] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKAS 1 (Amendments) | Disclosure Initiative[1] |
| HKAS 16 and HKAS 38 (Amendments) | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| HKAS 16 and HKAS 41 (Amendments) | Agriculture: Bearer Plants[1] |
| HKAS 27 (Amendments) | Equity Method in Separate Financial Statements[1] |

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of assessing the potential impact of the new and revised HKFRSs but is not yet in a position to determine whether the new and revised HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. The new and revised HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 3. SEGMENT INFORMATION

For the six months ended 30 September 2015 and 2014, the Group was only engaged in property leasing and development in Hong Kong and most of the assets of the Group were located in Hong Kong as at 30 September 2015 and 31 March 2015.

**Information about major customers**

Unaudited turnover for the six months ended 30 September 2015 and 2014 represented gross income from leasing of investment properties. Included in unaudited turnover of approximately HK$24,891,000 (2014: HK$25,577,000) are unaudited turnover of approximately HK$4,300,000 (2014: HK$6,780,000) which arose from the Group's largest one (2014: two) customer with whom transactions in aggregate have exceeded 10% of the Group's unaudited turnover during the year.

Revenue from major customers, each of them amounted to 10% or more of the Group's unaudited revenue, are set out below:

| | **Unaudited Six months ended 30 September** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Customer A | **4,300** | 4,200 |
| Customer B | **—** | 2,580 |

## 4. FINANCE COSTS

| | **Unaudited Six months ended 30 September** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings | | |
| — wholly repayable within five years | **5,074** | 4,997 |
| — wholly repayable after five years | **7,907** | 7,933 |
| | **12,981** | 12,930 |

## 5. TAXATION

| | Unaudited Six months ended 30 September | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Current tax — Hong Kong | | |
| — Provision for the period | **720** | 826 |
| Deferred taxation | | |
| — Charged to the consolidated statement of profit or loss and other comprehensive income | **926** | 412 |
| | **1,646** | 1,238 |

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong.

## 6. PROFIT/(LOSS) FOR THE PERIOD

| | Unaudited Six months ended 30 September | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Profit/(loss) for the period is arrived at after charging/(crediting) the followings: | | |
| Directors' remuneration | **6,566** | 10,219 |
| Other staff costs | **1,888** | 5,321 |
| Total staff costs | **8,454** | 15,540 |
| Depreciation of property, plant and equipment | **16** | 81 |
| Share-based payment expenses | **4,283** | 11,361 |
| Fair value gain of derivative financial instruments | **(1,732)** | (1,518) |
| Exchange loss/(gain) | **5,478** | (363) |
| Gross rental income from investment properties, net of direct outgoings of approximately HK$1,720,000 (2014: HK$1,868,000) | **(23,171)** | (23,709) |

## 7. DIVIDENDS AND DISTRIBUTION

On 31 March 2015, the board of directors has resolved to make the distribution of an aggregate payment of approximately HK$550,000,000 to the shareholders (the "Distribution"). The Distribution was approved by the shareholders of the company at a special general meeting held on 13 May 2015 and it was paid in cash out of the credit standing in the contributed surplus account of the Company on 27 May 2015.

Save as the above, no dividend was paid or proposed during the six months ended 30 September 2015, nor has any dividend been proposed since the end of period under review (2014: Nil).

## 8. EARNINGS/(LOSS) PER SHARE

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

| | Unaudited | |
|---|---|---|
| | Six months ended 30 September | |
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| **Earnings/(loss)** | | |
| Earnings/(loss) for the period for the purpose of calculating basic and diluted earnings/(loss) per share | **668** | (4,664) |

| | Unaudited | |
|---|---|---|
| | Six months ended 30 September | |
| | **2015** | 2014 |
| | ***Number of ordinary shares*** | *Number of ordinary shares* |
| **Weighted average number of ordinary shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share | **959,238,774** | 778,816,469 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **4,702,075** | 14,079,805 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share | **963,940,849** | 792,896,274 |

Diluted loss per share for the six months ended 30 September 2014 is the same as basic loss per share as the share options outstanding at the end of reporting period had an anti-dilutive effect on the diluted loss per share.

## 9. MOVEMENT IN INVESTMENT PROPERTIES

During the six months ended 30 September 2015, the Group acquired two investment properties with their respective amount of approximately $197,954,000 and $56,154,000 on acquisition of assets through acquisition of subsidiaries, details of which are set out in note 11 and generated net gains in fair value of investment properties recognized by the acquisition of approximately $5,192,000.

## 10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables were trade receivables of approximately HK$1,808,000 (net of provisions) (31 March 2015: HK$1,773,000). Rental income from leasing of investment properties are received in advance and sufficient rental deposits are held to cover potential default risk. The trade receivables represented rental receipt in arrears. The aging analysis of the Group's trade receivables (net of provisions) is as follows:

| | **Unaudited** | Audited |
|---|---|---|
| | **30 September** | 31 March |
| | **2015** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| Up to 30 days | **1,808** | 1,773 |
| 31–60 days | **—** | — |
| 61–90 days | **—** | — |
| More than 90 days | **—** | — |
| | **1,808** | 1,773 |

## 11. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 20 May 2015, the Group acquired 100% issued share capital of South Shine Limited and its subsidiaries ("South Shine Group") for a cash consideration of approximately HK$197,650,000. South Shine Group is principally engaged in property investment and its major assets are residential property in Hong Kong classified as investment properties. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.

| | *HK$'000* |
|---|---|
| **Net assets acquired:** | |
| Investment properties | 197,954 |
| Trade and other receivables | 130 |
| Cash and bank balances | 32 |
| Bank loan | (80,444) |
| Loan from a shareholder | (85,159) |
| Rental deposit received | (374) |
| Trade and other payables | (178) |
| | 31,961 |
| **Satisfied by:** | |
| Net assets acquired | 31,961 |
| Assignment of loans | 85,159 |
| Bank loan consideration | 80,530 |
| Cash consideration paid | 197,650 |

On 28 May 2015, the Group acquired 100% issued share capital of Pioneer Delight Limited ("Pioneer Delight") for a cash consideration of approximately HK$55,733,000. Pioneer Delight is principally engaged in property investment and its major assets are commercial property in Hong Kong classified as investment properties. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.

| | *HK$'000* |
|---|---|
| **Net assets acquired:** | |
| Investment properties | 56,154 |
| Trade and other receivables | 8 |
| Cash and bank balances | 61 |
| Amount due to a director | (51,297) |
| Rental deposit received | (390) |
| Trade and other payables | (38) |
| Provision for taxation | (62) |
| | 4,436 |
| **Satisfied by:** | |
| Net assets acquired | 4,436 |
| Assignment of loan | 51,297 |
| Cash consideration paid | 55,733 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group recorded an unaudited turnover for the six months ended 30 September 2015 of approximately $24,891,000 (2014: $25,577,000), representing a decline of 2.7% over the same period last year, a result of its strategy to execute some structural construction works to improve the commercial podium leasable area of Jardine Center for long term benefit, inevitably leading to a reduction of its rental contributions during the renovation. The Group also reported a profit for the period of approximately $668,000 (2014: loss $4.6 million) primarily attributable to the net gain in fair value of investment properties recognised by the acquisition of assets through acquisition of subsidiaries.

With regard to the acquisition of properties, the Company has completed a discloseable and connected transaction in relation to the acquisition of two properties included (i) house No. 12, Villa Bel-Air, Bel-Air on the Peak, Island South, Hong Kong; and (ii) Shop No. 1 on Ground Floor, K.K. Mansion, Nos. 119, 121 & 125 Caine Road with their respective appraised market values of approximately $202 million and approximately $57.3 million at an aggregate purchase consideration of approximately $253.4 million in May 2015 ("Acquisition"). By virtue of the Acquisition, the Group's investment properties portfolio value grew from approximately $2,494 million to approximately $2,754 million as of 30 September 2015 and accordingly its statement of profit or loss for the six months ended 30 September 2015 recorded a net gain in fair value of investment properties of approximately $5.2 million under the relevant applicable accounting standards. In addition, the two newly acquired properties contributed a rental revenue income stream of approximately HK$1.3 million during the interim period under review. Meanwhile, subsequent to interim period end, the Company has announced the proposed acquisition of two retail properties included (i) ground floor No. 41 Jardine's Bazaar, Hong Kong; and (ii) ground floor, No. 57 Jardine's Bazaar, Hong Kong with their respective appraised market values of approximately $139 million and approximately $143 million at an aggregate purchase consideration of approximately $275 million to be settled by a combination of approximately $150 million in cash and issue of convertible notes of approximately $125 million ("Proposed Acquisitions"). The Proposed Acquisitions are subjected to independent shareholders' approval at a special general meeting will be held on 11 November 2015. Full details of the Proposed Acquisitions can be found in the Company's announcement dated 5 October 2015 and circular dated 26 October 2015. The Board has considered that the Proposed Acquisitions will also enlarge and diversify the Group's investment portfolio, most of which is located in Jardine's Bazaar, strengthening synergies in its property rental business and bolstering its market presence. The Proposed Acquisitions have taken into account (i) the approximately 2.5% discount to the market value of the properties to be acquired; (ii) no requirement for the Group to pay any agent commission; (iii) the willingness of the seller to accept 5-year convertible notes for the settlement of a substantial part of the consideration for the Proposed Acquisitions which effectively reduces the immediate cash outflow of the Group; and (iv) the properties to be acquired are generating stable revenue. The board of directors believes that both the Acquisition and the Proposed Acquisitions would strengthen the Group's earning asset base to expand stable revenue in the long run for the best interests to the shareholders of the Company.

### Outlook

According to the Hong Kong Institute of Economics and Business Strategy local economic growth is expected to slow. For the whole year of 2015, the local economy is forecast to grow at 2.3%. As the US economy continues to recover, and the Hong Kong dollar's peg to the US dollar has strengthened the former's foreign exchange value, Hong Kong's export performance has inevitably been adversely affected. In addition, weakness in the Mainland economy has also held back Hong Kong economic growth as evidenced by the ongoing downtrend in retail sales as a result of tourists reining in their spending and other adverse factors. Accordingly, it was noted that the expected GDP growth would rely more on local demand during the second half of 2015. Within our market segment, we have observed that luxury brands are consolidating their networks and terminating their leased space well ahead of expiry as their concerns on trends of weaker demand have been confirmed. Therefore, non-luxury retailers are set to become the main driver of leasing demand in the Hong Kong retail market. Most of the Group portfolio of tenants operate service-based businesses (i.e. personal beauty, food & beverage, education, etc.) or are non-luxury retailers and their customers are also from the mass-market segment, thus the impact of the weak retail trend has not been so materially adverse. Looking ahead, we believe that the retail market should remain healthy, supported by strong local domestic consumption. The Group for its part continues to monitor market changes (such as shopping patterns and on-line spending) with a view to adjust and maintain a balanced tenant mix and a quality property portfolio while exploring further investment opportunities in order to achieve future growth.

## FINANCIAL REVIEW

### Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and bank borrowings. As at 30 September 2015, the Group had cash and bank balances (including pledged deposits) of approximately HK$359.0 million (as at 31 March 2015: HK$1,161.1 million). The decrease in cash and bank balances was mainly attributable to the Acquisition and the Distribution. The Group's cash and bank balances are deposited in Hong Kong Dollars ("HKD") which mainly are preserved in risk-free bank deposits to maintain highly liquidity financial resources available for facilitating future investment activities and acquisition when opportunities arise. In addition, the Group has a standby revolving line of approximately HK$100 million (as at 31 March 2015: HK$100 million) for unanticipated and non-recurring extraordinary needs of business operation. Accordingly the Board considered that the Group has maintained adequate financial resources to satisfy its working capital requirements and to meet its financial obligations when they fall due in the foreseeable future.

As at 30 September 2015, the Group's total bank borrowings all denominated in HKD and are on a floating rate based in aggregate amounted to approximately HK$994.7 million (as at 31 March 2015: HK$1,008.1 million) with maturity profile set out as follows:

| | **Unaudited As at 30 September 2015** *HK$'000* | Audited As at 31 March 2015 *HK$'000* |
|---|---|---|
| Repayable | | |
| Within 1 year | **26,750** | 26,750 |
| After 1 year but within 2 years | **26,750** | 26,750 |
| After 2 years but within 5 years | **398,252** | 395,252 |
| Over 5 years | **542,997** | 559,372 |
| | **994,749** | 1,008,124 |

The Group's gearing ratio as of 30 September 2015, which is calculated on the basis of total liabilities over total assets, was approximately 33.1% (as at 31 March 2015: 27.5%) whilst the current ratio of the Group which expressed a ratio of current assets over current liabilities as of 30 September 2015, to reflect the adequacy of the financial resources was approximately 9.8 (as at 31 March 2015: 39.1). The directors of the Company (the "Directors") will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

**Capital Structure**

During the period under review, the Company issued and allotted of 20,919,688 ordinary shares by virtue of exercise of 20,919,688 share options, the issued share capital of the Company further increased from 950,876,664 ordinary shares to 971,796,352 ordinary shares as of 30 September 2015.

As at 30 September 2015, the unaudited net assets attributable to owners of the Company amounted to approximately HK$2,087.3 million (as at 31 March 2015: HK$2,619.1 million), representing a decrease of approximately 20.3% as compared with the same as of 31 March 2015, by reason of the Distribution. With the total number of 971,796,352 ordinary shares in issue as of 30 September 2015, the unaudited net assets value per share was approximately HK$2.15 (as at 31 March 2015: HK$2.75).

**Treasury Policy**

The Group's business has been conducted in Hong Kong and its monetary assets and liabilities are mainly denominated in HKD.

## DIVIDENDS AND DISTRIBUTION

On 31 March 2015, the board of directors has resolved to make the distribution of an aggregate payment of approximately HK$550,000,000 to the shareholders (the "Distribution"). The Distribution was approved by the shareholders of the company at a special general meeting held on 13 May 2015 and it was paid in cash out of the credit standing in the contributed surplus account of the Company on 27 May 2015.

Save as the above, no dividend was paid or proposed during the six months ended 30 September 2015, nor has any dividend been proposed since the end of period under review (2014: Nil).

## CHARGES ON GROUP ASSETS

At of 30 September 2015, the Group has pledged the following assets for securing certain bank borrowings granted from several banks to its wholly-owned subsidiaries:

(1) Certain investment properties in Hong Kong with an aggregate carrying amount of approximately HK$2,482,000,000 (31 March 2015: HK$2,482,000,000);

(2) Pledged deposits of approximately HK$15,004,000 (31 March 2015: HK$15,004,000); and

(3) Share mortgage of several wholly-owned subsidiaries.

## CONTINGENT LIABILITIES

1. As of 30 September 2015, the Company had given several guarantees of approximately HK$1,809,000,000 (2014: HK$1,575,000,000) for securing banking facilities granted to their subsidiaries and cross guarantee executed by certain of the Company's subsidiaries.

2. High Fly Investments Limited ("High Fly"), an indirect non-wholly subsidiary of the Company which were dissolved by virtue of voluntary liquidation with the British Virgin Islands BVI Registry of Corporate Affairs approved on 24 January 2014 and Premium Assets Development Limited ("Premium Assets") (collectively the "Indemnifiers") had signed Deed of Indemnity (the "Deed") on 4 October 2013 (being date of completion of the sale and purchase agreement ("SPA") with Double Favour Limited ("Double Favour"). Pursuant to the Deed, each of the Indemnifiers hereby severally, pro rata to their respective shareholdings in the High Luck International Limited ("High Luck") immediately before completion of the SPA (i.e. 45% as to Premium Assets and 55% as to High Fly) (the "Relevant Proportion") undertakes to Double Favour (for itself and as trustee of the High Luck and its subsidiaries ("Disposal Group")) to pay them an amount or amounts equal to each of the following:

    (a) any liability to taxation in connection with any claim in respect of all taxation falling on any member of the Disposal Group resulting from or by reference to any transaction, event, matters or thing occurred or effected during the period from 1 September 2007 to 4 October 2013 (being date of completion of the SPA) ("Relevant Period"), or in respect of any gross receipts, income, profits or gains earned, accrued or received, or alleged or deemed to have been earned, accrued, or received by any member of the Disposal Group during the Relevant Period, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and

    (b) all action, claims, losses, damages, cost (including all legal costs), charges, expenses, interests, penalties or any other liabilities to which any member of the Disposal Group is or may be subject or which any member of the Disposal Group or Double Favour may reasonably and properly incur in connection with:

        (i) any investigation, assessment or the contesting of any claim or any of the matter referred to in (a) above;

        (ii) the settlement of any claim or any of the matters referred to in (a) above;

        (iii) any legal proceedings or actions in which the Purchaser or any member of the Disposal Group claims under or in respect of the Deed and in which judgment is given in favour of Double Favour or any member to the Disposal Group; or

        (iv) the enforcement of any such settlement or judgment,

and each of the Indemnifiers severally in the Relevant Proportion undertakes to indemnify an hold harmless or demand any member of the Disposal Group and Double Favour in respect of the matters referred to (a) to (b) (inclusive) above.

Notwithstanding anything to the contrary herein provided and the guarantee provided in the SPA, Double Favour further agrees and acknowledges to High Fly acting as trustee for the benefit of Uptodate Management Limited ("Uptodate"), an indirect wholly owned subsidiary of the Company and Best Task Limited that their respective obligations under the guarantee in respect of any obligations arising from any claims against High Fly under the Deed and/or the SPA ("Relevant Claims"), the obligations of Uptodate under the guarantee for such Relevant Claims should only be limited to 54.55% of the said claims (i.e. not more than 30% of total claims).

Pursuant to the Deed, the Board is of the opinion that it would be unlikely for the Group through Uptodate to suffer any material financial loss as a result of giving the aforesaid indemnity on several basis limited to 30% of the Relevant Claims.

## LITIGATION

On 21 November 2014, Land Base Limited ("LBL"), an indirectly wholly owned subsidiary of the Company, received an originating summons issued by Tierra Trading and Keep Forever Development Limited ("Plaintiffs") in the High Court of the Hong Kong Special Administrative Region Court of First Instance (the "Proceedings").

LBL is the current owner of a building named "L'hart" located at Nos. 487 and 489 Lockhart Road Hong Kong and the land it was built on (including The Remaining Portion of Subsection 14 of Section A of Inland Lot No. 2836 ("Subsection 14")), whereas the Plaintiffs are owners of a building named "Kyoto Plaza" located at Nos. 491, 493, 495, 497 and 499 Lockhart Road, Hong Kong, and the land it was built on (including Subsection 15 of Section A of Inland Lot No. 2836 ("Subsection 15")). The Plaintiffs claim ownership of a strip of land (the "Disputed Area") located on Subsection 15, in between L'hart and Kyoto Plaza, which is currently enclosed by a facade erected by LBL. LBL raises a defence of adverse possession.

It is LBL's case that, since, the demolition of the old building on Subsection 145 and the construction of Kyoto Plaza in 1992, the Plaintiffs have abandoned the Disputed Area and LBL's predecessors in title had been in continuous exclusive possession, management and control of the Disputed Area by using the common staircase and other parts of the Disputed Area for various purposes. In 2004, when LBL became the registered owner of Subsection 14, it continued in exclusive possession, management and control of the Disputed Area without interruption. In particular, since the development of the L'hart building, LBL has, for safety, hygiene and aesthetic reasons, sealed off the Disputed Area by erecting a façade over the entrance to the Disputed Area, which had the same look and feel as L'hart and which LBL intended to form part of the L'hart building.

LBL have instructed Messrs. Mayer Brown JSM and senior counsel to act for it in the Proceedings.

Given the complexity of the Proceedings LBL made an application for the Proceedings to continue as if begun by writ. The application was heard on 13 August 2015 and on 21 August 2015, Senior Counsel Cheng SC, the Recorder of the Court of First Instance of the High Court, handed down a written decision in which she gave directions for the Proceedings to proceed in the form of originating summons.

The parties have filed all of their affidavit evidence and agreed to the appointment of a single joint expert. They are currently in the process of settling their joint instructions to the single joint expert and the issues the expert report should address. Once the joint instructions are finalised the single joint expert will be formally appointed and provide an expert report within 28 days of the date of his appointment. The parties will then fix the matter for trial with 5 days reserved.

On the current pleaded case, should the Plaintiffs succeed in the action, they will get the relief sought, which include regaining possession of the Disputed Area and obtaining legal costs from LBL. All legal costs awarded by the court are subject to assessment/taxation by the court, which is usually around or no more 70% of the actual costs incurred.

If LBL succeeds in defending the action and its counterclaim, it will get possessory title over the Dispute Area, meaning no one can disturb its possession or quiet enjoyment of or challenge its title to the Disputed Area, and legal costs.

## COMMITMENTS

As of 30 September 2015, the Group had no material capital commitments.

## EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2015, the Group had about 6 employees based in Hong Kong. The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job nature. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in Note 11, the Group did not have any significant investments, material acquisitions or disposals during the period under review.

## EVENTS AFTER THE REPORTING PERIOD

On 3 October 2015, the Company, Perfect Shield Investments Limited (the "Purchaser"), an indirectly wholly-owned subsidiary of the Company and Superb Global Group Limited (the "Vendor") entered into the acquisition agreement, pursuant to which the parties thereto conditionally agreed that (i) the Purchaser will acquire the entire issued share capital of Top Grade Properties Limited ("Top Grade") from the Vendor; (ii) the Purchaser will acquire from the Vendor all the outstanding unsecured, interest-free loan without any fixed term of repayment owed by Top Grade to the Vendor; and (iii) the Purchaser or its nominee will advance to Top Grade an aggregate amount equivalent to the bank loan and related early repayment penalty (if any) for the release of the relevant security documents, for an aggregate consideration of approximately HK$135,550,000 (subject to adjustments). For details, please refer to the Company's announcement and circular dated 5 October 2015 and 26 October 2015 respectively.

On the same date, the Company, the Purchaser, the Vendor and Mr. Ng Ian entered into the acquisition agreement, pursuant to which the parties thereto conditionally agreed that (i) the Purchaser will acquire the entire issued share capital of Wealth Properties Limited ("Wealth Properties") from the Vendor; (ii) the Purchaser will acquire from the Vendor all the outstanding unsecured, interest-free loan without any fixed term of repayment owed by Wealth Properties to Mr. Ng Ian; and (iii) the Purchaser or its nominee will advance to Wealth Properties an aggregate amount equivalent to the bank loan and related early repayment penalty (if any) for the release of the relevant security documents, for an aggregate consideration of approximately HK$139,450,000 (subject to adjustments). For details, please refer to the Company's announcement and circular dated 5 October 2015 and 26 October 2015 respectively.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the period under review, with the following exceptions that:

1. Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. After the appointment of Mr. Ng Ian as the Chairman of the Company with effect from 28 March 2013, he resigned as the Deputy Chairman and Chief Executive Officer ("CEO") of the Company. The Board considered that the management structure of the Board could be optimised by Mr. Ng

Ian (the former CEO of the Company, the current Chairman and executive Director of the Company) taking up both the roles of Chairman and CEO of the Company after considering the following factors:

a. it will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues pertaining to the operations of the Company;

b. it is conducive to strong and consistent leadership, and enables the Group to make and implement decisions promptly and efficiently; and

c. it is beneficial to the Company and its shareholders as a whole having taken into account that the Group's business scale has been narrowed down to business operation in Hong Kong after disposal of the joint-venture-based property under construction (located at No.68 Yu Yuan Road, Jing An district of Shanghai).

2. Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend the general meetings of the Company. Mr. Ng Chun For did not attend the special general meeting of the Company held on 13 May 2015 and Mr. Ng Chun For, Henry and Mr. Cha Tak Sum did not attend annual general meeting of the Company 2014-2015 held on 12 August 2015 due to their respective other prior business engagement.

**Review by 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. Chan Kam Man. 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 Interim Financial Statements for the six months ended 30 September 2015.

**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 the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

## 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 2015/2016 interim report will be despatched to shareholders and will be published on the aforementioned websites in due course.

By order of the Board
**Henry Group Holdings Limited**
**Ng Ian**
*Chairman*

Hong Kong, 5 November 2015

*As at the date of this announcement, the Board comprises Mr. Ng Ian and Mr. Chan Kwok Hung as executive directors, Mr. Ng Chun For, Henry and Mr. Mak Wah Chi as non-executive directors and Mr. Li Kit Chee, Mr. Chan Kam Man and Mr. Chu Tak Sum as independent non-executive directors.*

* *for identification purpose only*