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

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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 2017

The board of directors (the "Board" or the "Directors") of Henry Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016. These interim condensed consolidated financial statements were not audited, but 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 2017

		Unaudited	
		Six months ended 30 September	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**27,263**	37,221
Other income and gains	*4*	**2,400**	1,290
Net gain on disposal of an investment property	*5*	**4,950**	—
Staff costs	*6*	**(4,525)**	(6,634)
Other operating expenses		**(7,905)**	(6,990)
Profit from operations	*6*	**22,183**	24,887
Finance costs	*7*	**(16,690)**	(22,345)
Profit before taxation		**5,493**	2,542
Taxation	*8*	**(2,414)**	2,289
Profit for the period		**3,079**	4,831
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period		**3,079**	4,831
Profit and total comprehensive income for the period attributable to the owners of the Company		**3,079**	4,831

* *for identification purpose only*

		Unaudited	
		Six months ended 30 September	
		2017	2016
	Note	***HK$***	*HK$*
Earnings per share	*10*		
— Basic (HK cents)		**0.29**	0.50
— Diluted (HK cents)		**0.28**	0.33

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 September 2017 HK$'000	Audited 31 March 2017 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**3,224**	4,100
Investment properties		**1,907,000**	3,065,000
		1,910,224	3,069,100
CURRENT ASSETS			
Trade and other receivables	*11*	**2,583**	3,558
Derivative financial instruments	*12*	**936**	16,085
Tax recoverable		**—**	907
Cash and bank balances		**477,947**	400,107
		481,466	420,657
Assets classified as held for sale	*13*	**962,786**	—
		1,444,252	420,657
CURRENT LIABILITIES			
Other payables, rental deposits received and accruals, current portion		**8,210**	12,390
Deposits received in respect of Seedtime Disposal		**193,000**	—
Bank borrowings, current portion (secured)		**21,300**	30,300
Tax payables		**1,299**	104
		223,809	42,794
Liabilities directly associated with assets classified as held for sale	*13*	**445,519**	—
		669,328	42,794
NET CURRENT ASSETS		**774,924**	377,863
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,685,148**	3,446,963

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**Unaudited 30 September 2017** *HK$'000*	Audited 31 March 2017 *HK$'000*
NON-CURRENT LIABILITIES			
Other payables and rental deposits received, non-current portion		**6,464**	11,885
Bank borrowings, non-current portion (secured)		**633,075**	1,142,725
Convertible notes	*14*	**7,596**	47,018
Deferred tax liabilities	*15*	**9,191**	18,218
		656,326	1,219,846
NET ASSETS		**2,028,822**	2,227,117
CAPITAL AND RESERVES			
Share capital	*16*	**109,486**	102,904
Reserves		**1,919,336**	2,124,213
TOTAL EQUITY		**2,028,822**	2,227,117

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2017

1. BASIS OF PREPARATION

Statement of compliance

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 (the "Interim Financial Statements") have been prepared in accordance 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") and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements has been prepared in accordance with same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for the Interim Financial Statements.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised losses

The adoption of the revised HKFRSs has had no significant financial effect on the Interim Financial Statements and there have been no significant changes to the accounting policies applied in the Interim Financial Statements.

The Group has not early applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

3. REVENUE AND SEGMENT INFORMATION

The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. For the six months ended 30 September 2017 and 2016, the Group only engaged operating segment in property leasing and development. No analysis of the Group's results, assets and liabilities of other reportable segment is presented.

Information about major customers

Unaudited revenue for the six months ended 30 September 2017 and 2016 represented gross rental income from investment properties in Hong Kong. None of the customers contributed 10% or more of the Group's revenue for the six months ended 30 September 2017.

Included in revenue for six months ended 30 September 2016 of approximately HK$37,221,000 are revenue of approximately HK$10,320,000 which arose from the Group's largest one customer with whom transactions in aggregate has exceeded 10% of the Group's unaudited revenue for six months ended 30 September 2016.

Geographical information

As all of the Group's revenue are derived from Hong Kong and all the Group's identifiable assets and liabilities are located in Hong Kong, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

4. OTHER INCOME AND GAINS

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**813**	465
Forfeiture of convertible notes interest payable *(note 14)*	**1,535**	717
Sundry income	**52**	108
	2,400	1,290

5. NET GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

Net gain on disposal of an investment property arose from the completion of disposal of the investment property — House No. 12, Villa Bel-Air, Bel-Air on the Peak, Island South, Hong Kong at a consideration of approximately HK$205,000,000 in August 2017. Please refer to the announcement issued by the Company on 11 May 2017 for more details.

	HK$'000
Sales proceeds	205,000
Less:	
Carrying amount of an investment property	(198,000)
Expenses directly incurred for disposal	(2,050)
Net gain on disposal of an investment property	4,950

6. PROFIT FROM OPERATIONS

	Unaudited Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging/(crediting) the followings:		
Directors' emoluments	**2,600**	4,866
Other staff costs	**1,925**	1,768
Total staff costs	**4,525**	6,634
Bad debts written off	**25**	—
Depreciation of property, plant and equipment	**435**	36
Share-based payment expenses	**—**	2,312
Written-off of property, plant and equipment	**442**	—
Gross rental income from investment properties	**(27,263)**	(37,221)
Less: Direct operating expenses from investment properties that generated rental income during the period	**2,747**	1,845
	(24,516)	(35,376)

7. FINANCE COSTS

	Unaudited Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**10,248**	10,608
Change in fair value of derivative financial assets component of convertible notes *(note 14)*	**2,282**	2,854
Effective interest expense on convertible notes *(note 14)*	**1,500**	5,088
Other finance costs	**2,660**	3,795
	16,690	22,345

8. TAXATION

	Unaudited Six months ended 30 September 2017 HK$'000	2016 HK$'000
Current tax — Hong Kong		
— Provision for the period	**1,253**	1,420
— Under provisions in prior years	**1,363**	306
Deferred taxation		
— Credited to the consolidated statement of profit or loss and other comprehensive income	**(202)**	(4,015)
	2,414	(2,289)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits of the Group's operation in Hong Kong for both periods.

9. DIVIDENDS

The Directors do not recommend interim dividend for the six months ended 30 September 2017 (2016: Nil).

A final dividend of approximately HK$233,097,000 that relates to the year ended 31 March 2017 was paid in August 2017 (2016: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Unaudited Six months ended 30 September 2017 HK$'000	2016 HK$'000
Earnings		
Earnings for the purpose of calculating basic earnings per share	**3,079**	4,831
Effects of dilutive potential ordinary shares		
Effective interest expenses on convertible notes	—	2,966
Income tax credit on deferred tax recognised on conversion of convertible notes	—	(4,926)
Forfeiture of convertible notes interest payable on conversion of convertible notes	—	(991)
Fair value loss on derivative financial assets components of convertible notes	—	1,641
Earnings for purpose of diluted earnings per share	**3,079**	3,521

	Unaudited Six months ended 30 September **2017** ***Number of ordinary shares***	 2016 *Number of ordinary shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,071,246,297**	973,348,767
Effect of dilutive potential ordinary shares:		
Share options	**11,887,025**	6,947,967
Convertible notes	**—**	77,087,794
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,083,133,322**	1,057,384,528

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: (i) share options; and (ii) convertible notes. For the share options, a calculation is to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The Company's convertible notes have not included in the calculation of diluted earnings per share for the six months ended 30 September 2017 because the effect of which was anti-dilutive.

11. TRADE AND OTHER RECEIVABLES

	Unaudited **30 September** **2017** ***HK$'000***	Audited 31 March 2017 *HK$'000*
Trade receivables	**1,268**	2,194
Less: Impairment loss on trade receivables	**—**	(58)
	1,268	2,136
Other receivables, deposits and prepayments	**1,315**	1,422
	2,583	3,558

(i) Rentals and deposits are receivable in advance from tenants pursuant to the Group's lease agreements entered into with all tenants. The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The trade receivables mainly consist of rental receivables. The rental receivables are payable in advance by tenants.

(ii) The ageing analysis of the Group's trade receivables are as follows:

	Unaudited 30 September 2017	Audited 31 March 2017
	HK$'000	*HK$'000*
Effective rental receivables (0 days)	**1,263**	1,730
Up to 30 days	**5**	406
	1,268	2,136

(iii) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Unaudited 30 September 2017	Audited 31 March 2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,263**	1,730
Less than 1 month past due	**5**	406
	1,268	2,136

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 September 2017	Audited 31 March 2017
	HK$'000	*HK$'000*
Current assets:		
Derivative financial asset component of convertible notes	**936**	16,085

As of 30 September 2017, the fair value of derivative financial asset component of convertible notes with an outstanding principal amount of HK$11,000,000 was appraised by BMI Appraisals Limited. The key inputs used for the calculation of the fair value were disclosed in note 14 to the Interim Financial Statements.

13. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 13 July 2017, (i) Rose City Group Limited ("Rose City"), an indirect wholly-owned subsidiary of the Company; and (ii) the Company, being the guarantor of Rose City entered into a conditional sale and purchase agreement with an independent third party, pursuant to which, Rose City agreed to sell the entire issue share capital of Seedtime International Limited and its subsidiary (holding the investment property known as L'hart situated at Nos 487–489 Lockhart Road, Hong Kong) at a total consideration of HK$965,000,000 (subject to post completion adjustment) (the "Seedtime Disposal") and the Seedtime Disposal is expected to be completed in December 2017. In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the consolidated assets and liabilities of the Seedtime Disposal have been presented as (i) assets classified as held for sale; and (ii) liabilities directly associated with assets classified as held for sale respectively in the unaudited condensed consolidated statement of financial position as at 30 September 2017.

	Unaudited *HK$'000*
Investment Property — L'hart *(Note)*	960,000
Trade and other receivables	784
Cash and bank balances	2,002
Total assets classified as held for sale	962,786
Bank borrowings	430,000
Other payables, rental deposits received and accruals	7,238
Tax payable	514
Provision for litigation	2,300
Deferred tax liabilities	5,467
Total liabilities directly associated with assets classified as held for sale	445,519

Note

The investment property classified as asset held for sale was revalued on 30 June 2017 by an independent professionally qualified valuer, Savills Valuation Professional Services Limited. The valuation report was disclosed in the Company's circular dated 2 August 2017.

Details of the Seedtime Disposal were set out in the announcement of the Company dated 13 July 2017 and the circular of the Company dated 2 August 2017.

14. CONVERTIBLE NOTES

The Company issued in aggregate of HK$125,000,000 1.68% convertible notes on 7 December 2015 (the "Issue Date") and recognised its book as of fair values appraised by BMI Appraisals Limited, being an independent financial valuer. The convertible notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on (i) the fifth anniversary of the Issue Date or (ii) if it is not a business date, the first business day immediately following the fifth anniversary date of the Issue Date (the "Maturity Date") at a conversion price of HK$0.934 per share per convertible note and subsequent adjusted to HK$0.802 per Conversion Share in accordance with the terms and conditions of the convertible notes, with effect from 24 August 2017, being date immediately after record date for determining the entitlement to the final dividend for the year ended 31 March 2017. For more information related to the adjustment to the conversion price of the convertible notes, please refer to the announcement issued by the

Company on 17 August 2017 for more details. If the notes have not been converted, they will be redeemed by the Company on the Maturity Date at the aggregate of (i) its principal amount outstanding as at the Maturity Date; and (ii) all interest accrued thereon up to and including the Maturity Date. Interest of 1.68% will be payable by the Company on maturity date. The Company shall have the right to redeem the convertible notes, in full or in part (provided that in the case of a partial redemption the aggregate principal amount of the convertible notes being redeemed shall be at least HK$3,000,000 or above), held by the noteholder at an amount equal to the aggregate of (a) the aggregate principal amount of the convertible notes held by such noteholder being the subject of the redemption (the "Redeemed Principal"); and (b) all interest accrued thereon up to and including the date of such redemption at any time on or after the first month from the Issue Date by giving a redemption notice setting out the Redeemed Principal, the Company redemption amount and the early redemption date to such noteholder not less than five business days prior to the early redemption date. The convertible notes contain three components: liability component, equity component and redemption option derivative, which is classified as derivative financial asset component. The equity component is presented in equity heading "convertible notes equity reserve". The effective interest rate of the liability component is 13.73% per annum. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The key inputs used for the calculation of the fair value of redemption option derivative component of convertible notes are as follows:

	Unaudited 30 September 2017	Audited 31 March 2017
Risk free rate	**1.47%**	1.22%
Expected life	**3.19 years**	3.69 years
Expected volatility	**68.31%**	70.98%
Expected dividend yield	**1.22%**	Nil

The movements of equity component, liability component and redemption option derivative of the convertible notes for the period are set out below:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Redemption option derivative** *HK$'000*	**Total** *HK$'000*
At 31 March 2017 (Audited) and 1 April 2017 (Unaudited)	47,018	36,783	(16,085)	67,716
Effective interest charged *(note 7)*	1,500	—	—	1,500
Interest payable	(278)	—	—	(278)
Release to deferred tax liability upon conversion of convertible notes	—	3,358	—	3,358
Conversion of convertible notes	(40,644)	(34,522)	12,867	(62,299)
Change in fair value of derivative financial asset component of convertible notes *(note 7)*	—	—	2,282	2,282
At 30 September 2017 (Unaudited)	**7,596**	**5,619**	**(936)**	**12,279**

During the period, convertible notes with a partial principal amounted to HK$61,000,000 ("Converted Note") was converted into 65,310,492 ordinary shares at its conversion price of HK$0.934 per share. Pursuant to the terms of the convertible notes, the accrued interests payable in relation to the Converted Note of approximately HK$1,535,000 has been forfeited upon the conversion and recognised as other income as disclosed in note 4 to the Interim Financial Statements.

As at 30 September 2017, the outstanding principal of the convertible notes was approximately HK$11,000,000.

15. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the period were as follows:

	Depreciation allowances in excess of the related depreciation *HK$'000*	**Convertible notes** *HK$'000*	**Total** *HK$'000*
At 31 March 2017 (Audited) and 1 April 2017 (Unaudited)	14,096	4,122	18,218
Release of deferred tax liability upon conversion of convertible notes	—	(3,358)	(3,358)
Credited to the consolidated statement of profit or loss and other comprehensive income upon conversion of convertible notes	—	(202)	(202)
Reclassified to liabilities directly associated with assets classified as held for sale *(note 13)*	(5,467)	—	(5,467)
At 30 September 2017 (Unaudited)	**8,629**	**562**	**9,191**

16. SHARE CAPITAL

	Unaudited As at 30 September 2017		Audited As at 31 March 2017	
	Number of shares ***'000***	***Amount*** ***HK$'000***	*Number of shares* *'000*	*Amount* *HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**2,000,000**	**200,000**	2,000,000	200,000
Issued and full paid:				
Ordinary shares of HK$0.10 each				
At 1 April (Unaudited)	**1,029,043**	**102,904**	971,798	97,180
Issue of shares upon conversion of the convertible notes *(note a)*	**65,311**	**6,531**	56,745	5,674
Issue of shares upon exercise of the share options *(note b)*	**515**	**51**	500	50
	1,094,869	**109,486**	1,029,043	102,904

Notes:

(a) During the period, a convertible note with a partial principal amounted to HK$61,000,000 was converted into 65,310,492 ordinary shares at its conversion price of HK$0.934 per share.

(b) During the period, the Company allotted and issued 514,612 ordinary shares by virtue of exercise of 514,612 share options granted under share option scheme adopted on 3 September 2003.

All the shares issued by the Company for both periods rank pari passu with the then existing ordinary shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the first half of the financial year under review, the global economy has expanded with a benign growth, underpinned by the US economy's continued moderate growth while China has successfully stayed on the medium-high speed growth track while pursing reforms and aiming at eventually de-leveraging the economy and attaining long-term financial stability. A challenging operating climate is expected for the rest of the year.

Turning to Hong Kong, riding on favourable global economic forces to support external demand, the Hong Kong economy registered a moderate gross domestic product (GDP) growth of 3.8%. The growth trend was sustained by noticeable rises in Hong Kong's total export of goods and a robust increase in domestic demand, buttressed by favourable labour market conditions and improved optimism about the economy and consumer sentiment. Retail sales in Hong Kong also appeared to stabilise supported by positive domestic demand generated by stronger wealth creation alongside a recovery in inbound tourism visits.

Business Review

During the period under review, rental income generated from investment properties continued to be the major and core sources of the Group's total revenue. The Group's investment properties was maintained at steady occupancy during the period. The Group's unaudited total revenue for the six months ended 30 September 2017 amounted to approximately HK$27,263,000 (2016: HK$37,221,000), a decrease of approximately 26.8% over the same period of last year. The decline was mainly due to ground floor leased area of L'hart taken by short term leases as the Group adopts a wait-and-see approach in order to maintain greater flexibility to tap new entrants and bring both better returns and tenant mix yield going forward.

The Group's Property Leasing Portfolio in Hong Kong for the six months ended 30 September 2017:

Name of Property	**Unaudited Six months ended 30 September 2017** *HK$'000*	Unaudited Six months ended 30 September 2016 *HK$'000*	Change
Causeway Bay			
Jardine Center, No. 50 Jardine's Bazaar	**14,126**	14,319	(1.3)%
L'hart, Nos. 487–489 Lockhart Road ("Seedtime Disposal")	**8,098**	17,588	(54.0)%
Ground Floor, No. 38 Jardine's Bazaar	**1,142**	1,080	5.7%
First Floor, Nos. 38–40 Jardine's Bazaar	**182**	210	(13.3)%
Ground Floor, No. 41 Jardine's Bazaar	**1,319**	1,260	4.7%
Ground Floor, No. 57 Jardine's Bazaar	**1,588**	1,512	5.0%
Mid-levels West			
Shop No. 1 on ground floor of K.K. Mansion, Nos. 119, 121, 125, Caine Road	**—**	130	(100)%
Island South			
House No. 12, Villa Bel-Air, Bel-Air on the Peak ("Bel-Air Disposal")	**808**	1,122	(28.0)%
Total Revenue	**27,263**	37,221	(26.8)%

As previously reported in the 2016/17 annual report, the Group disposed of the investment property situated at House No. 12, Villa Bel-Air, Bel-Air on the Peak, Island South, Hong Kong to an independent third party by entered into a provisional sale and purchase agreement dated 11 May 2017 ("Bel-Air Disposal"), at an agreed consideration of HK$205 million which constituted a disclosable transaction under the Listing Rules. The completion of Bel-Air Disposal took place in August 2017 and realised a net gain on disposal of investment property amounting to approximately HK$4.95 million. The detailed information relating to the Bel-Air Disposal was contained in the Company's announcement dated 11 May 2017.

On 13 July 2017, the Group entered into a conditional sale and purchase agreement ("Agreement") with an independent third party, in relation to, inter alias, disposal of its 100% indirect equity interest in Seedtime International Limited ("Seedtime") that in turn held the investment property situated at Nos. 487–489 Lockhart Road, Hong Kong known as "L'hart" at a consideration of approximately HK$965 million (subject to post completion adjustments) ("Seedtime Disposal"). During the period, all conditions precedent of the Agreement have been fulfilled and thus the initial and further deposits totalling approximately HK$193 million had been received by the Group and recognised as deposits received in respect of the Seedtime Disposal in the Interim Financial Statements. Pursuant to the Agreement, its completion will be taking place in early December 2017. The Seedtime Disposal constituted a major transaction under the Listing Rules and was set out in the Company's announcement dated 13 July 2017 and circular dated 2 August 2017 respectively.

The unaudited carrying amount of investment properties of the Group as at 30 September 2017 are summarised as follows:

Name of Property	Unaudited *(HK$'000)*
Causeway Bay	
Jardine Center, No. 50 Jardine's Bazaar	1,470,000
L'hart, Nos. 487–489 Lockhart Road ("Seedtime Disposal")	960,000
Ground Floor, No. 38 Jardine's Bazaar	100,000
First Floor, Nos. 38–40 Jardine's Bazaar	14,000
Ground Floor, No. 41 Jardine's Bazaar	135,000
Ground Floor, No. 57 Jardine's Bazaar	138,000
Mid-levels West	
Shop No. 1 on ground floor of K.K. Mansion, Nos. 119, 121, 125, Caine Road	50,000
Island South	
House No. 12, Villa Bel-Air, Bel-Air on the Peak ("Bel-Air Disposal")	198,000
Carrying amount as of 31 March 2017 (Audited)	3,065,000
Less:	
Bel-Air Disposal	(198,000)
Seedtime Disposal *(Note)*	(960,000)
Carrying amount as of 30 September 2017 (Unaudited)	1,907,000

Note: In accordance with Hong Kong Accounting Standards, the investment property — L'hart has been presented as current assets — assets classified as held for sale.

Prospects

It is expected that the global economy in 2017 will continue to show signs of an improved outlook notably bolstered by the US Federal Reserve's increasing confidence to gradually raise interest rates and the British economy remaining stable since the referendum in favour of Brexit. The 19th National Party Congress in China has been held in October 2017 is expected to focus mainly on maintaining ongoing financial market stability as a top priority. Against this positive backdrop, Hong Kong's economy is anticipated to display sustained growth in the second half of 2017.

During the period, the Group had implemented a restructuring of its investment properties portfolio through the Bel-Air Disposal and Seedtime Disposal. The management believes that the realisation of these investment properties would enable the Group to reallocate the financial resources to replenish property projects which could enhance the Group's earning base and recurring growth in the long run.

Financial review

The Group's unaudited revenue for the six months ended 30 September 2017 (the "Period") was approximately HK$27.3 million, a decrease of 26.8% against the same period of last year (2016: HK$ 37.2 million) and represented gross rental income from investment properties. The decline in revenue was primarily attributable to the decrease in rental revenue contributed by L'hart.

Other income and gains for the Period, an increase by approximately HK$1.1 million to approximately HK$2.4 million (2016: HK$1.3 million). The increase was mainly due to the increase in forfeiture of interest payable attributable to convertible notes partial principal amount of HK$61 million converted into 65,310,492 ordinary shares of the Company ("Conversion Shares").

Finance costs for the Period has decreased by approximately HK$5.7 million to approximately HK$16.6 million (2016: HK$22.3 million). The decrease was primarily attributable to the decrease in effective interest expenses on convertible notes as a result of the Conversion Shares.

Net profit attributable to owners of the Company was approximately HK$3.1 million (2016: HK$4.8 million), representing a decrease of approximately 35.4% as compared with the same of corresponding period in 2016.

Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and bank borrowings. As at 30 September 2017, the Group had cash and bank balances (included bank deposits) of approximately HK$477.9 million (as at 31 March 2017: HK$400.1 million). The increase in cash and bank balances was mainly attributable to the deposits received in respect of the Seedtime Disposal. 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 acquisitions when opportunities arise. In addition, the Group has undrawn banking facilities with a total of approximately HK$60 million (as at 31 March 2017: HK$110 million) which will provide adequate funding for the Group's operational and capital expenditure requirements.

As at 30 September 2017, the Group's bank borrowings (excluded bank borrowings of HK$430 million presented as liabilities directly associated with assets classified as held for sale) all denominated in HKD and carry interest at Hong Kong Interbank Offer Rate (HIBOR) plus a margin in aggregate of approximately HK$654.4 million (as at 31 March 2017: HK$1,173 million) with maturity profile set out as follows:

	Unaudited 30 September 2017	Audited 31 March 2017
	HK$'000	*HK$'000*
Repayable		
Within 1 year	**21,300**	30,300
After 1 year but within 2 years	**21,300**	33,300
After 2 years but within 5 years	**161,775**	275,425
Over 5 years	**450,000**	834,000
	654,375	1,173,025

The Group's gearing ratio as of 30 September 2017, which is calculated on the basis of total liabilities over total assets, was approximately 39.5% (as at 31 March 2017: 36.2%) whilst the current ratio of the Group which expressed a ratio of current assets over current liabilities as of 30 September 2017, was approximately 2.2 (as at 31 March 2017: 9.8). The Group will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet its funding requirements.

Capital Structure

As of 30 September 2017, the issued share capital of the Company has been increased to 1,094,868,638 ordinary shares as a result of (i) issue and allotment of 65,310,492 ordinary shares of the Company by virtue of exercise of a convertible note with partial principal amount of HK$61,000,000 at its conversion price of HK$0.934 per share; and (ii) issue and allotment 514,612 ordinary shares of the Company by virtue of exercise of share options.

As at 30 September 2017, the unaudited net assets amounted to approximately HK$2,029 million (as at 31 March 2017: HK$2,227 million), representing a decrease of approximately 8.9% as compared with the same as of 31 March 2017. With the total number of 1,094,868,638 ordinary shares in issue as of 30 September 2017, the unaudited net assets value per share was approximately HK$1.85 (as at 31 March 2017: HK$2.16).

Treasury Policy

The Group's business has been conducted in Hong Kong and its monetary assets and liabilities are mainly denominated in HKD. The Group regularly reviews its major funding positions to assure that it has adequate financial resources in meeting its financial obligations.

INTERIM DIVIDEND

The Directors do not recommend interim dividend for the six months ended 30 September 2017 (2016: HK$Nil).

GUARANTEE

As of 30 September 2017, the Company given several corporate guarantees in aggregate of approximately HK$1,366,000,000 (31 March 2017: HK$1,316,000,000) for securing banking facilities granted to its subsidiaries.

CHARGES ON GROUP ASSETS

At of 30 September 2017, the Group has pledged the following assets for securing bank facilities granted from several banks to its subsidiaries:

(1) legal charges over certain investment properties (included the investment property — L'hart classified as assets held for sale) with an aggregate carrying amount of approximately HK$2,853,000,000 (31 March 2017: HK$3,051,000,000);

(2) share mortgage of several subsidiaries; and

(3) rental assignment of certain investment properties.

CONTINGENT LIABILITIES

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).

Based on legal advice, 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"), a wholly owned subsidiary of the Company, the owner of a building named "***L'hart***" located at Nos. 487 and 489 Lockhart Road Hong Kong, which is built upon certain pieces of land including The Remaining Portion of Subsection 14 of Section A of Inland Lot No. 2836 ("Subsection 14"), received an originating summons issued by Tierra Trading Limited and Keep Forever Development Limited (as Plaintiffs), the owners of a building named "Kyoto Plaza" located at Nos. 491, 493, 495, 497 and 499 Lockhart Road, Hong Kong, which is built upon certain pieces of land, including Subsection 15 of Section A of Inland Lot No. 2836 ("Subsection 15") against LBL (as defendant) and filed with the High Court of the Hong Kong Special Administrative Region Court of First Instance.

The litigation relates to a dispute regarding the ownership of a strip of land (the "Disputed Area") which is the common staircase located on Subsection 15, in between L'hart and Kyoto Plaza, which the Plaintiffs had not used since 1992. It is LBL's case that, since, the demolition of the old building on Subsection 14 and the construction of Kyoto Plaza which has been in use since 1992, LBL's predecessors in title had been in exclusive possession, management and control of the Disputed Area by using the common staircase and other parts of the Disputed Area for various purposes. Since LBL became the registered owner of Subsection 14, it continued in exclusive possession, management and control of the Disputed Areas without interruption. Since the development of the L'hart building, LBL have, for safety, hygiene and aesthetic reasons, sealed off the Disputed Area by erecting a façade over the entrance to the Disputed Area from Lockhart Road forming part of L'hart.

The hearing was convened on 13 August 2015. On 21 August 2015 Recorder Cheng SC handed down a written decision refusing LBL's application and acceding to the Plaintiffs' application to proceed in the form of Originating Summons and gave directions for the cross-examination of witnesses and the filing of a report by a single joint expert (the "Order"). The Order further provides for leave for filing a further Affirmation by LBL ("2nd Affirmation").

Pursuant to the Order, on 4 September 2015, LBL and the Plaintiffs agreed to jointly appoint Mr. Daniel Tong of Daniel Tong Chartered Architect and Associates Limited ("Mr. Tong") as single joint expert to opine on three issues.

On 15 September 2015, LBL filed the 2nd Affirmation in reply to the 2nd Affirmation of Leung Mei Sze, following which neither party may file further affirmation evidence without leave of the court.

LBL has requested that two additional issues (which only came in place after the filing of the 2nd Affirmation) be addressed by Mr. Tong. These relate to (1) the residual plot ratio of Subsection 15, and (2) whether the permissible plot ratio of the Kyoto Plaza development was in fact exceeded.

The Plaintiffs refused to include the additional issues and LBL have on 7 October 2015 issued a summons for the matter to be heard before a judge. On 15 February 2016 Recorder Cheng SC handed down a written decision granting leave to include the first issue.

On 17 March 2016, joint instructions were sent to Mr. Tong, who has accordingly rendered his report on 13 April 2016. The originating summons taken out by the Plaintiffs had been heard on 5, 6 and 9 June 2017 before Deputy High Court Judge Kenneth Kwok SC. He has reserved judgment to handed down.

The judgment for the Action has finally been handed down on 22 August 2017. In brief, the Plaintiffs obtained the declarations (i) on their ownership over the disputed land (ii) that the right of way at the disputed land granted in favour of LBL has been extinguished; (iii) that the Plaintiffs are entitled to pull down and remove the metal boarding and other structures at the disputed land; an order for vacant possession of the disputed land and LBL has to pay the Plaintiffs costs of the Action to be taxed if not agreed, with certificate to 2 counsel. The deadline for LBL to lodge any appeal to the Court of Appeal is 28 September 2017, which has now lapsed. As a result, the Plaintiffs are taking steps to recover possession of the disputed land by posting up notices on the disputed land. As to the costs of the Action that the Plaintiffs are entitled to claim from LBL, up to the date of this announcement, the Company has not yet received any demand from the Plaintiffs' solicitors on the quantum.

The Directors, based on legal advice, a provision of estimated amounted to approximately HK$2,300,000 in relation to the legal cost expected to be obtained by the Plaintiff made in the annual report for the year ended 31 March 2017 and disclosed in note 13 to the Interim Financial Statements, no additional provision has been made for the six months ended 30 September 2017.

COMMITMENTS

As of 30 September 2017, the Group had no material capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2017, the Group had about 8 employees (including two executive directors) 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

(i) the provisional sale and purchase agreement dated 11 May 2017 entered into between Asia Goal International Limited (an indirectly wholly-owned subsidiary of the Company) and an independent third party in connection with the disposal of House No. 12 of Villa Bel-Air, Bel-Air on the Peak, Island South, Hong Kong for a consideration of approximately HK$205,000,000 which was completed in August 2017. Please refer to the Company's announcement dated 11 May 2017; and

(ii) On 13 July 2017, (i) Rose City Group Limited ("Rose City"), an indirect wholly-owned subsidiary of the Company; and (ii) the Company, being the guarantor of Rose City entered into a conditional sale and purchase agreement with an independent third party, pursuant to which, Rose City agreed to sell the entire issued share capital of Seedtime and its subsidiary (holding the investment property known as L'hart situated at Nos 487–489 Lockhart Road, Hong Kong) at a total consideration of approximately HK$965,000,000 (subject to post completion adjustments) which is expected to be completed in December 2017. Please refer the Company's announcement dated 13 July 2017 and circular dated 2 August 2017.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code Provisions") and the Corporate Governance Report Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the period under review, with the following reasons for exceptions:

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 in Mainland China.

2. Under Code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend the general meetings of the Company. Mr. Ng Chun For, Henry did not attend annual general meeting of the Company 2016–2017 held on 17 August 2017 due to his other prior business engagement.

3. Under Code Provision D.1.4, all Directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment.

   The Company has no formal letters of appointment for all Directors as most of them have been serving as Directors for a considerable period of time, clear understanding of the terms and conditions of their appointment already exists between the Company and the Directors, and so there is no written record of the same. In any event, all Directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the Bye-laws of the Company and on re-election of the retiring Directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors.

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 unaudited interim results and the Interim Financial Statements have been reviewed by the Audit Committee.

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 2017/2018 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, 31 October 2017

As at the date of this announcement, the Board comprises: Mr. Ng Ian (Chairman) 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.