

Management Discussion and Analysis

OUR BUSINESS

Henry Group Holdings Limited is principally engaged in investment holding activities. The principal activities of its subsidiaries are manufacture, marketing and research and development of computer motherboards, networking products and related components. The business spectrum of the Group has been broadened to include the provision of property agency and consultancy services upon completion of acquisition of 55% equity interest in Uni-Land in April 2006.

FINANCIAL REVIEW

Results

During the year under review, the Group reported a turnover of approximately HK\$252,705,000, representing a decrease of approximately HK\$151,210,000 or 37.4% as compared to that of previous year. It was mainly due to the decrease in turnover of the Group's supply of computer related products amid intensified price competition. The Group's business segments of information technology related businesses remained as the major source of turnover that accounted for approximately 97.5% of turnover while the rest was contributed by the new business segment of property agency.

Administrative expenses for the year under review increased to approximately HK\$32,658,000 from approximately HK\$18,951,000 in the previous year. The increase was mainly due to i) professional costs incurred for execution of transactions; ii) took up staff and operating costs of the new business segment of property agency acquired in April 2006; iii) recognition of impairment loss on technically obsolete plant and machinery; and iv) the operation loss of the property agency business resulted in prudent recognition of impairment loss on the full amount goodwill generated from acquisition.

Net loss for the year was approximately HK\$19,267,000 as compared to that of previous year of approximately HK\$11,722,000.

Liquidity and Financial Resources

As of 31 March 2007, the Group had outstanding bank borrowings and obligations under a finance lease payable denominated in Hong Kong dollars with an aggregate amount of approximately HK\$2,815,000 (31 March 2006: HK\$1,295,000).

The Group's gearing ratio, calculated as total liabilities over total assets, was approximately 1.3 as of 31 March 2007 (31 March 2006: 0.56).

Capital Structure

Following the completion of acquisition of Uni-Land, 666,667 shares were issued as part of the settlement of the consideration. As a result of such issue, the number of issued shares of the Company increased from 224,145,000 at the beginning of the financial year to 224,811,667 at the end of the financial year. The total number of share options outstanding at the end of financial year was 7,280,000.

TREASURY POLICIES

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, US dollars and Renminbi. The Group adopted relatively prudent financial policy and closely monitored its cashflow and did not enter into any derivatives products for hedging purpose during the year under review.

CHARGES ON GROUP ASSETS

As at 31 March 2007, the Group's leasehold land and buildings in Hong Kong held for own use with carrying amounts of approximately HK\$2,800,000 (as at 31 March 2006: HK\$2,800,000) were pledged to a bank to secure banking facilities granted to the Group. Details are set out in note 22 to the consolidated financial statements.



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CONTINGENT LIABILITIES

Save for the Company has given a corporate guarantee in favour of a bank for banking facilities to Uni-Land, its indirect non wholly-owned subsidiary, to the extent of approximately HK\$950,000 (2006: Nil), the Group had no significant contingent liabilities or outstanding litigation as at 31 March 2007.

CAPITAL COMMITMENTS

There were no capital commitments outstanding as at 31 March 2007.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Apart from the acquisition of Uni-Land as set out in note 28 to the consolidated financial statements, the Group did not have any significant investments, material acquisitions and disposals during the year under review.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2007, the Group had about 43 employees based in the PRC and Hong Kong. The remuneration of each staff member was determined on the basis of his qualification, performance and experience. The Group also provides other benefits including medical cover and a Mandatory Provident Fund. Details of staff costs for the year ended 31 March 2007 are set out in note 7 to the consolidated financial statements. A share option scheme was adopted by the Company on 3 September 2003 to enable the Directors to grant share options to staff and Directors as incentive.