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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 2014

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 2014, 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 2014

		Unaudited	
		Six months ended 30 September	
		2014	2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		25,577	26,187
Other income and gains		6,481	3,119
Net loss in fair value of investment properties		—	(28,425)
Administrative and operating expenses		(22,554)	(24,801)
Profit/(loss) from operations		9,504	(23,920)
Finance costs	4	(12,930)	(18,516)
Loss before taxation		(3,426)	(42,436)
Taxation	5	(1,238)	5,994
Loss for the period	6	(4,664)	(36,442)

		Unaudited	
		Six months ended 30 September	
		2014	2013
<i>Note</i>		HK\$'000	HK\$'000
Other comprehensive income, net of income tax			
<i>Items that maybe reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translating foreign operations		—	8,765
Recognition of hedging reserve of derivative financial instruments		—	2,968
		<u>—</u>	<u>11,733</u>
Other comprehensive income for the period, net of income tax		—	11,733
		<u>—</u>	<u>11,733</u>
Total comprehensive loss for the period		<u>(4,664)</u>	<u>(24,709)</u>
Loss for the period attributable to:			
— Owners of the Company		(4,664)	(16,686)
— Non-controlling interests		—	(19,756)
		<u>—</u>	<u>(19,756)</u>
		<u>(4,664)</u>	<u>(36,442)</u>
Total comprehensive loss attributable to:			
— Owners of the Company		(4,664)	(11,088)
— Non-controlling interests		—	(13,621)
		<u>—</u>	<u>(13,621)</u>
		<u>(4,664)</u>	<u>(24,709)</u>
Loss per share attributable to owners of the Company	8		(Restated)
— Basic (HK cents)		(0.60)	(2.30)
— Diluted (HK cents)		(0.60)	(2.30)
		<u>(0.60)</u>	<u>(2.30)</u>

Condensed Consolidated Statement of Financial Position
At 30 September 2014

		Unaudited	Audited
		30 September	31 March
		2014	2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		192	267
Investment properties		2,006,800	2,006,800
Deferred tax assets		1,353	1,137
		<u>2,008,345</u>	<u>2,008,204</u>
CURRENT ASSETS			
Trade and other receivables	9	3,510	4,067
Available-for-sale financial assets		74	74
Pledged bank deposits		15,004	15,004
Cash and bank balances		1,141,905	964,792
		<u>1,160,493</u>	<u>983,937</u>
CURRENT LIABILITIES			
Other payables, rental deposits received and accruals, current portion		7,621	6,843
Bank borrowings, current portion (secured)		26,750	26,750
Derivative financial instruments (secured), current portion		3,365	—
Tax payable		1,426	600
		<u>39,162</u>	<u>34,193</u>
NET CURRENT ASSETS		<u>1,121,331</u>	<u>949,744</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,129,676</u>	<u>2,957,948</u>

	Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other payables and rental deposits received, non-current portion	10,929	10,207
Bank borrowings, non-current portion (secured)	994,749	973,124
Derivative financial instruments (secured), non-current portion	—	4,883
Deferred tax liabilities	10,924	10,296
	<u>1,016,602</u>	<u>998,510</u>
NET ASSETS	<u>2,113,074</u>	<u>1,959,438</u>
CAPITAL AND RESERVES		
Share capital	92,835	74,302
Reserves	2,020,239	1,885,136
TOTAL EQUITY	<u>2,113,074</u>	<u>1,959,438</u>

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2014

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2014 (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 2014.

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 2014.

In the current period under review, the Company has applied, for the first time, the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Company’s financial period beginning on 1 April 2014. A summary of the new HKFRSs are set out as below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC)-Int 21	Levies

The application of those new HKFRSs in the current period under review has had no material effect on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity method in separate Financial Statement ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁵

- 1 Effective for annual periods beginning on or after 1 July 2014
- 2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
- 3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
- 4 Effective for annual periods beginning on or after 1 January 2016
- 5 Effective for annual periods beginning on or after 1 January 2017
- 6 Effective for annual periods beginning on or after 1 January 2018

The directors of the Company anticipate that the application of those new and revised standards, and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

For the six months ended 30 September 2014 and 2013, 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 2014 and 31 March 2014

Information about major customers

Unaudited turnover for the six months ended 30 September 2014 and 2013 represented gross income from leasing of investment properties. Included in unaudited turnover of approximately HK\$25,577,000 (2013: HK\$26,187,000) are unaudited turnover of approximately HK\$6,780,000 (2013: HK\$8,880,000) which arose from the Group's largest two (2013: two) customers 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Customer A	4,200	5,100
Customer B	<u>2,580</u>	<u>3,780</u>

4. FINANCE COSTS

	Unaudited Six months ended 30 September	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on bank borrowings		
— wholly repayable within five years	4,997	6,444
— wholly repayable after five years	7,933	36,829
Imputed interest on interest-free loan from a related party	—	2,663
Interest on loan from a related party	—	973
Interest on loans from shareholders	—	262
	<u>12,930</u>	47,171
Less: amount capitalised into investment properties under construction of the disposed subsidiary	—	(28,655)
	<u>12,930</u>	<u>18,516</u>

5. TAXATION

Unaudited
Six months ended 30 September
2014 **2013**
HK\$'000 *HK\$'000*

The charge/(credit) comprises:

Profits tax — Hong Kong		
— Provision for the period	826	151
— (Over-provision) in prior periods	—	(30)
	826	121
Deferred taxation		
— Change in fair value of investment properties	—	(7,106)
— Others	412	991
	412	(6,115)
	1,238	(5,994)

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong.

6. LOSS FOR THE PERIOD

Unaudited
Six months ended 30 September
2014 **2013**
HK\$'000 *HK\$'000*

Loss for the period is arrived at after charging/(crediting) the followings:

Directors' remuneration	10,219	8,470
Other staff costs	5,321	8,179
Total staff costs	15,540	16,649
Depreciation of property, plant and equipment	81	225
Share-based payment expenses	11,361	8,521
Fair value (gain)/loss of derivative financial instruments	(1,518)	4,883
Gross rental income from investment properties, net of direct outgoings of approximately HK\$1,868,000 (2013: HK\$1,111,000)	(23,709)	(25,076)

7. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2014 (2013: Nil).

8. LOSS PER SHARE

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

	Unaudited	
	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(4,664)</u>	<u>(16,686)</u>
	Unaudited	
	Six months ended 30 September	
	2014	2013
	<i>Number of</i>	<i>Number of</i>
	<i>ordinary shares</i>	<i>ordinary shares</i>
		(Restated)
Weighted average number of ordinary shares (<i>Note</i>)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	778,816,469	726,888,341
Effect of dilutive potential ordinary shares:		
Share options	<u>14,079,805</u>	<u>32,252,694</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u><u>792,896,274</u></u>	<u><u>759,141,035</u></u>

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.

Note: The weighted average number of shares for the purposes of calculating loss per share for the six months ended 30 September 2013 was adjusted to reflect the effects of open offer of shares in September 2014.

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables were trade receivables of approximately HK\$2,229,000 (net of provisions) (31 March 2014: HK\$2,077,000). 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
	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	1,806	1,907
31–60 days	95	1
61–90 days	106	110
More than 90 days	<u>222</u>	<u>59</u>
	<u><u>2,229</u></u>	<u><u>2,077</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Marketplace

2014 has been a challenging year for the Hong Kong economy as it has experienced a decline in growth and is running at a below-trend pace. According to research by Hong Kong Trade Development Council dated 28 October 2014, the Hong Kong economy achieved a disappointing real Gross Domestic Product (“GDP”) growth rate of 2.2% in the first half of 2014 as compared to earlier forecasts of 3–4% — and 2.9% for the corresponding period of 2013. The labour market has however held steady and posted an unemployment rate of 3.3%, which is nearly the lowest level in 16 years. The value of retail sales for the first eight months of 2014 decreased by 1% as compared with the corresponding period of 2013. However, when the second quarter of 2014 is viewed separately, retail sales value actually plummeted by 7% — the sharpest quarterly decline since 2003 — and retailers unexpectedly experienced lower sales during the Golden Week. The latter was due to a high base of comparison, with frenzied sales of jewelry and watches enjoyed during the corresponding quarter of 2013.

Against this backdrop, sentiment within Hong Kong’s retail property market has been eroding and remained soft during the period under review. On the leasing front, there has been increasing vacancies in popular second and third-tier streets, particularly in Causeway Bay where rents for prime location first-tier shops have been flattening; there has been a slower uptake of rental spaces; and a greater number of early lease terminations. The aforesaid phenomenon is evidence that the less robust leasing market has been affected by a slowdown in Hong Kong’s retail sales, which also reflects a change in the spending pattern of tourists from Mainland China, with the current trend towards shopping for more basic necessities instead of luxury goods. Moreover, it can be concluded that the rental adjustment cycle of the Hong Kong leasing market has passed its peak. The adverse trend has been aggravated by the introduction of rules against extravagance and an anti-corruption campaign in Mainland China which continues to have a dampening effect on sales of luxury goods, particularly jewelry and watches. On the sales front, the market has remained inactive; posting continuously low registered transaction volume — impacted by the government’s harsh measures to curb speculation (extra higher stamp duties) which drove investors away from the market and to the sidelines. The post-introduction of government measures and stamp duty amendments passed in July 2014 had the inverse effect of driving up the prices of properties once available on the market and thus it is expected that a sharp fall in the prices of retail properties will be unlikely due to the extremely limited supply of street shops and properties in prime locations, as well as increasing demand for retail spaces as investor favor prime locations. During the period under review, several notable transactions for shops in first-tier districts repeatedly hit record highs in Hong Kong, namely (i) the sale of a spacious four-storey shop on Hennessy Road, Causeway Bay for HK\$600 million in early 2014; and (ii) a 200 square feet ground-floor shop on Percival Street, Causeway Bay for HK\$185 million. In addition, recent sales transactions involving shopping malls (including the sale of shopping centers by The Link REIT in mid-2014) fetched more than HK\$1 billion, despite the fact that the malls are not located in prime shopping districts. The sales had been well received by the market and the transaction prices were recorded above market expectations. Accordingly, our management team is cautious about the uncertain market conditions and has adopted a conservative approach towards exploring the possible acquisition of target properties, and will pursue our business plan in line with market conditions. At the same time, the Group has managed to optimize its operation costs to cope with subdued market sentiment as well as the possible deterioration of the market should the “Occupy Central” movement intensify or continue for a prolonged period.

Business review and performance

For the six months ended 30 September 2014, the Group recorded unaudited turnover of approximately HK\$25.6 million, which was principally derived from rental income generated by its investment property portfolio in Hong Kong (2013: HK\$26.2 million). The Group's quality core properties — Jardine Center and L'hart — located on prime streets in Causeway Bay feature a well balanced tenant mix that has been warmly received by local consumers and tourists. During the period under review, the sluggish leasing market sentiment dragged down the Group's overall occupancy rate from 98% in 2013 to 90% in 2014. The Group's turnover was inevitably affected and moderately subdued. In response to the market conditions, the Group has adopted a prudent approach towards managing its investment properties, placing greater energies into the retention of premium tenants. Moreover, the Group has enhanced its competitiveness and capacity for growth by implementing an asset enhancement program, which is a continuous process aimed at creating value and offering shoppers a more comfortable and welcoming environment. Such conditions are also beneficial to attract new tenants and thereby satisfy the changing needs of consumers. The program includes but is not limited to the renovation of the ground floor main lobby; improvement of the podium façade to attract customer traffic; and additional works for the improvement of accessibility and flow of pedestrian traffic. The Group has and will continue to align its diverse retail tenant mix to satisfy the needs of local customers and shoppers, as well as the tastes and interests of tourists.

Fully geared up for expansion

On 4 September 2014, the Company announced the results of an open offer fully underwritten by the underwriter on the basis of one offer share for every five existing shares held on the record date at a subscription price of HK\$0.85 per offer share ("Open Offer"), pursuant to which, the Company allotted and issued 148,603,879 offer shares under the Open Offer and thus the issued share capital of the Company has been enlarged from 743,019,399 ordinary shares to 891,623,278 ordinary shares. The Board believes that the Open Offer is in the best interest of the Company and its shareholders as a whole as it offers all of its shareholders with the opportunity to participate in the enlargement of its capital base and future development, and to maintain their proportional interest in the Company. The Open Offer will bolster the Company's financial resources and provide the Group with the flexibility to capture property investment and development opportunities in a timely manner. The net proceeds raised by the Open Offer amounted to approximately HK\$123 million, which is intended for property investment and development.

In order to provide the Company with greater flexibility for future investment opportunities, the Company, after receiving its shareholders' approval at an annual general meeting ("AGM") held on 5 September 2014, will thereby increase the authorized share capital of the Company to HK\$200,000,000 divided into 2,000,000,000 ordinary shares by the creation of an additional 1,000,000,000 ordinary shares.

Prospects

During the first half of the financial year ending 31 March 2015, the global economy showed signs of stabilization and recovery. The Federal Reserve has finalized its timetable for tapering quantitative easing measures, which reduce to its bond-purchase program; though remaining committed to maintaining interest rates at low or near zero levels for a considerable time. The latter announcement was undoubtedly intended to remove or lessen market concerns about imminent interest rate hikes in the US. The euro zone and Japan consequently remained subdued while the PRC has pledged to maintain the nation's overall economic stability, thus its economy is expected to be healthy despite

the moderate GDP growth posted and the property market losing steam caused by excess supply in second and third-tier cities. Looking ahead, we believe that the global economy has been expanding at a moderate pace with little turbulence, and thus the path to recovery should continue in the second half of the financial year ending 31 March 2015.

In Hong Kong, its economy regained some momentum in the third quarter of 2014, growing by 2.7% in real terms over a year earlier, and up from the 1.8% in the second quarter. However, the “Occupy Movement” that has affected the city since late September 2014 and rising political tensions are causing disruptions to economic activities, particularly retail and catering activities in the affected districts. If the “Occupy Movement” continues and affects wider local economic sentiment, real GDP is expected to fall below 2.2% as previously projected. On the bright side, the financial markets have been unaffected by the launch of the newly approved Shanghai-Hong Kong Stock Connect program, which is expected to stimulate investment activity across the board; boost local consumption sentiment; and allow Hong Kong to continue playing a key role as an offshore Renminbi (“RMB”) business center promoting the internationalization of the national currency. Additionally, the possible U.S. interest rate-hike cycle has not yet started and Hong Kong’s low interest environment is expected to continue, thereby sentiment is likely to improve.

The second half of the financial year ending 31 March 2015 and the year ahead should present challenges, uncertainties and opportunities. While Jardine Center and L’hart should continue to drive the Group’s business development and provide a solid foundation for its investment properties to achieve steady growth, we will also seek to capture current market opportunities, which include attracting retailers to the upper floors of the Group’s properties given the high cost of street-level shops in traditional prime shopping districts. At the same time, the Group will continue to closely monitor market changes as it adopts a prudent approach to develop its businesses.

FINANCIAL REVIEW

Turnover

During the period under review, the Group recorded unaudited consolidated turnover of approximately HK\$25.6 million, representing a modest decline of approximately 2.3% as compared to approximately HK\$26.2 million for the corresponding period last year. Turnover was primarily derived from rental income from leasing of investment properties in Hong Kong of which Jardine Center remained the main revenue driver of the Group; contributing approximately HK\$16.8 million (2013: HK\$15.6 million), thus accounting for approximately 66% of the unaudited consolidated turnover of the Group (2013: 60%). The decline in turnover was primarily due to an unfavorable and sluggish leasing retail property market caused by a slowdown in the Hong Kong retail market, in turn the result of the economic slowdown and anti-corruption campaign affecting China.

Other income and gains

Unaudited other income and gains for the period under review amounted to approximately HK\$6.5 million, representing an increase of approximately 108% as compared with corresponding period last year. It was mainly attributable to the increase in bank deposits interest income generated from the receipts of cash inflows generated from realization of the sale consideration of disposal of subsidiaries (“Disposed Subsidiaries”) announced on 28 November 2013 (“Disposal Consideration”).

Administrative and operating expenses

Unaudited administrative and operating expenses for the period under review amounted to approximately HK\$22.6 million, representing a decrease by approximately 9% as compared with corresponding period last year. It was mainly due to (i) the curtailment of operational costs of the Disposed Subsidiaries which solely held joint venture based shanghai project; and (ii) also taken into account of the one-off and non-cash outflow accounting adjustment for the share based payment expenses in respect of grant of share options announced on 30 April 2014.

Finance costs

Unaudited finance costs for the period under review amounted to approximately HK\$12.9 million were comprised of (i) interest expenses on the bank borrowings amounted to approximately HK\$11.2 million; and (ii) interest expenses on the interest rate swap contract entered for hedging purpose amounted to approximately HK\$1.7 million. It has decreased by approximately HK\$5.6 million as compared to approximately HK\$18.5 million for the corresponding period last year. The decrease was mainly attributable to (i) the reduction in bank borrowings; and (ii) fully repaid of entire loans from related parties by application of surplus cash generated from the Disposal Consideration in the second half of financial year ended 31 March 2014.

Loss attributable to owners of the Company

Unaudited loss attributable to owners of the Company for period under review was approximately HK\$4.7 million, representing a decrease of approximately 72% from approximately HK\$16.7 million recorded in the corresponding period last year. The decrease was mainly attributable to the absence of sharing net loss in fair value of investment properties held by the Disposed Subsidiaries. Unaudited loss per share attributable to owners of the Company was approximately HK0.6 cents for the period under review, as compared to approximately HK\$2.3 cents (restated) recorded in the corresponding period last year.

Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and bank borrowings. As at 30 September 2014, the Group had cash and bank balances (including pledged deposits) of approximately HK\$1,156.9 million (as at 31 March 2014: HK\$979.8 million). The increase in cash and bank balances was mainly attributable to the combination of (i) net proceeds of the Open Offer amounted to approximately HK\$123 million which intended for the purpose of property investment and development (ii) new bank borrowing with lower interest rate of approximately HK\$100 million in order to strengthen liquidity position; and (iii) issue of new shares by exercise of share options amounted to approximately HK\$23 million. The Group's cash and bank balances are deposited in Hong Kong Dollars ("HKD"), RMB and United States Dollar ("USD") 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 granted by a bank for a new standby revolving line of approximately HK\$100 million (as at 31 March 2014: HK\$Nil) 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 2014, the Group's total bank borrowings all denominated in HKD and are on a floating rate based in aggregate amounted to approximately HK\$1,021.5 million (as at 31 March 2014: HK\$999.9 million) with maturity profile set out as follows:

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	292,251	354,251
Over 5 years	675,748	592,123
	<u>1,021,499</u>	<u>999,874</u>

To mitigate the adverse impact of interest rate upward exposure arising from long term floating rate based bank borrowings, the Group has concluded the interest rate swap arrangement with a bank thereby converting part of the Group's bank borrowings from floating interest rate into fixed interest rate.

The Group's gearing ratio as of 30 September 2014, which is calculated on the basis of total liabilities over total assets, was approximately 33.3% (as at 31 March 2014: 34.5%) whilst the current ratio of the Group which expressed a ratio of current assets over current liabilities as of 30 September 2014, to reflect the adequacy of the financial resources was approximately 29.6 (as at 31 March 2014: 28.8). 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, pursuant to the Open Offer the Company issued and allotted 148,603,879 new ordinary shares at HK\$0.85 each and thus the issued share capital of the Company enlarged from 743,019,399 ordinary shares to 891,623,278 ordinary shares. Coupled with the new issue and allotment of 36,728,983 ordinary shares by virtue of exercise of 36,728,983 share options, the issued share capital of the Company further increased from 891,623,278 ordinary shares to 928,352,261 ordinary shares as of 30 September 2014.

As at 30 September 2014, the unaudited net assets attributable to owners of the Company amounted to approximately HK\$2,113.1 million (as at 31 March 2014: HK\$1,959.4 million), representing an increase of approximately 7.8% as compared with the same as of 31 March 2014. With the total number of 928,352,261 ordinary shares in issue as of 30 September 2014, the unaudited net assets value per share was approximately HK\$2.28 (as at 31 March 2014: HK\$2.64).

Treasury Policy

The Group's business has been conducted in Hong Kong and its monetary assets and liabilities are mainly denominated in HKD and with certain cash and bank balances placed as time deposits denominated in RMB and USD for enhancement of its financial flexibility and deposits yield. Since

it is expected that there shall not be sharp depreciation of RMB and USD against HKD in near future, the directors of the Company consider that no hedging measure against RMB and USD exchange rate exposure is necessary at this stage but will closely monitor their respective fluctuations.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2014 (2013: Nil).

CHARGES ON GROUP ASSETS

At of 30 September 2014, the Group has pledged the following assets:

1. Investment properties in Hong Kong with an aggregate carrying amount of approximately HK\$1,994 million and assignment of rental proceeds for securing the bank borrowings granted from several banks to its wholly-owned subsidiaries;
2. Pledged deposits of approximately HK\$15 million for securing the interest rate swap contract; and
3. Share mortgage of several wholly-owned subsidiaries for securing their respective bank borrowings.

CONTINGENT LIABILITIES

1. At of 30 September 2014, the Group has given several corporate guarantees with an aggregate of approximately HK\$1,535 million (At 31 March 2014: HK\$1,266 million) in favour of certain banks for securing banking facilities granted to its subsidiaries; and
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.

COMMITMENTS

As of 30 September 2014, the Group had no material capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2014, the Group had about 13 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 and contributions to mandatory provident fund schemes. At the AGM of the Company held on 3 September 2013, the shareholders of the Company approved the adoption of a new share option scheme (“New Share Option Scheme”) upon the share option scheme previously adopted on 3 September 2003 (“Old Share Option Scheme”) which lapsed on 2 September 2013. Notwithstanding the expiration of the Old Share Option Scheme, the provisions of the Old Share Option Scheme shall remain in full force in all respects with respect to its outstanding 41,842,628 share options (after adjustment upon the completion of Open Offer) which will continue to be exercisable in accordance with the Old Share Option Scheme. During the period under review, the Company granted 21,801,340 share options (after adjustment upon the completion of Open Offer) under the New Share Option Scheme out of which 4,667,219 share options were exercised and 17,134,121 share options were outstanding as of 30 September 2014.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

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.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Director Mr. Ng Chun For, Henry would hold office as a non-executive Director of the Company until the close of the annual general meeting of the Company for year 2015–2016 subject to retirement and rotation in accordance with the Bye-laws of the Company. The other non-executive Director, Mr. Mak Wah Chi and all the independent non-executive Directors Mr. Li Kit Chee, Mr. Chu Tak Sum and Mr. Chan Kam Man, were re-elected at the AGM held on 5 September 2014 to hold office until the conclusion of the next annual general meeting of the Company. As such, all non-executive Directors including the independent non-executive Directors have been appointed for a specific term and accordingly the Company has been in compliance with the code provision A.4.1.
2. 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).
3. 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, Henry due to other prior business engagement, was unable to attend the AGM of the Company held on 5 September 2014.

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 2014.

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 2014/2015 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, 21 November 2014

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*