

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

INTERIM REPORT

Gin-za-i-za-tion

[noun] UK  gĕn-ză .aɪ'zeɪ.jən

Definition

The rising trend of retail businesses to operate from above the ground-floor level of buildings to maintain an effective presence in the CBD of a city.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Ng Ian (*Chairman*)
Mr. Chan Kwok Hung

Non-executive directors

Mr. Ng Chun For, Henry
Mr. Mak Wah Chi

Independent non-executive directors

Mr. Li Kit Chee
Mr. Chan Kam Man
Mr. Chu Tak Sum

COMMITTEES

Audit Committee

Mr. Li Kit Chee*
Mr. Mak Wah Chi
Mr. Chan Kam Man

Nomination Committee

Mr. Chan Kam Man*
Mr. Mak Wah Chi
Mr. Chu Tak Sum

Remuneration Committee

Mr. Li Kit Chee*
Mr. Mak Wah Chi
Mr. Chu Tak Sum
* *Committee Chairman*

AUTHORISED REPRESENTATIVES

Mr. Chan Kwok Hung
Mr. Lee Pui Lam

COMPANY SECRETARY

Mr. Lee Pui Lam

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS

Suite 1711
Tower 2 Times Square
1 Matheson Street
Causeway Bay
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

www.henrygroup.hk

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited

STOCK CODE

859

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 pursuing 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		Change
	2017 HK\$'000	2016 HK\$'000	
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 and Cockloft 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 including Cockloft, 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 and Cockloft Floor, No. 38 Jardine's Bazaar	100,000
First Floor, Nos. 38-40 Jardine's Bazaar	14,000
Ground Floor including Cockloft, 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 HK\$'000	Audited 31 March 2017 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 report, 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 amount 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.

ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

SHARE OPTION SCHEMES

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the Annual General Meeting (“AGM”) held on 3 September 2013 (the “2013 Scheme”) upon the share option scheme previously adopted on 3 September 2003 and lapsed on 2 September 2013 (the “2003 Scheme”). Upon the expiration of the 2003 Scheme, no further option could be granted under the 2003 Scheme, but the provisions of the 2003 Scheme applicable for outstanding 3,551,144 share options as at 30 September 2017 shall remain in full force in all respects.

The primary purpose of 2013 Scheme is to provide incentives to participants (as defined including but not limited to (a) any employees; (b) any supplier of goods or services to any member of the Group; (c) any customer of the Group; and (d) any director or independent non-executive director and/or shareholder of the Company and/or any member of the Group) who has contribution to the Group and to enable the Group to recruit and retain high caliber employees.

Pursuant to Note (2) to Rule (2) to Rule 17.03(3) of the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercise under the 2013 Scheme and any other share option schemes of the Company must not exceed 30% of the number of the Company’s shares in issue from time to time. No options may be granted under any scheme of the Company if this will result in this 30% limit being exceeded.

The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares in issue, subject to approval from shareholders of the Company. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit. The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the annual general meeting held on 12 August 2016, the share of the Company (the "Share") in issue at the annual general meeting held on 12 August 2016 was 971,798,352 Shares and thus the maximum number of Shares allowed to be issued upon exercise of all options to be granted under the 2013 Scheme and any other share option scheme of the Company shall not exceed 97,179,835 Shares which represented 10% of the issued share capital of the Company as at the annual general meeting held on 12 August 2016.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the board of directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

- (a) the closing price of shares at the date of grant of a share option;
- (b) the average closing price of the shares for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a share.

Movements in the share options granted to the directors, employees of the Company and other eligible participants under the 2003 Scheme during the period were as follows:

Name of Grantee	Notes	Date of grant of share options	Exercise price HK\$	Exercise price per share after adjustments (note 3) HK\$	Number of share options		
					Outstanding as at 1 April 2017	Exercised during the period	Outstanding as at 30 September 2017
					Eligible participants	(1)	31 August 2007
Employees	(2)	18 April 2011	0.66	0.6505	3,551,144	—	3,551,144
					4,065,756	(514,612)	3,551,144

Notes:

- (1) The exercisable period is from 31 August 2007 to 30 August 2017 (both dates inclusive).
- (2) The exercisable period is from 18 April 2016 to 17 April 2021 (both dates inclusive).
- (3) Adjustments for the open offer applicable to share options of the 2003 Scheme remained outstanding as of 4 September 2014 with effect from 4 September 2014. Details of the adjustments to the share options, please refer to the Company's announcement dated 4 September 2014.

Movements in the share options granted to the directors, employees of the Company and other eligible participants under the 2013 Scheme during the period were as follows:

Name of Grantee	Notes	Date of grant of share options	Exercise price HK\$	Exercise price per share after adjustments (note 5) HK\$	Number of share options			Outstanding as at 30 September 2017
					Outstanding as at 1 April 2017	Granted during the period	Exercised during the period	
Mr. Ng Ian (<i>Director</i>)	(3)	28 August 2015	0.878	N/A	5,300,000	—	—	5,300,000
	(6)	2 September 2016	1.114	N/A	4,488,000	—	—	4,488,000
				Sub-total	9,788,000	—	—	9,788,000
Mr. Chan Kwok Hung (<i>Director</i>)	(1)	30 April 2014	1.036	1.0211	1,014,612	—	—	1,014,612
	(2)	5 September 2014	0.910	N/A	2,850,000	—	—	2,850,000
	(3)	28 August 2015	0.878	N/A	5,198,000	—	—	5,198,000
	(4)	31 March 2016	1.382	N/A	4,517,000	—	—	4,517,000
				Sub-total	13,579,612	—	—	13,579,612
Eligible participants	(1)	30 April 2014	1.036	1.0211	7,102,290	—	—	7,102,290
	(4)	31 March 2016	1.382	N/A	9,717,000	—	—	9,717,000
				Sub-total	16,819,290	—	—	16,819,290
				Total	40,186,902	—	—	40,186,902

Notes:

- (1) The exercisable period is from 30 April 2014 to 29 April 2024 (both dates inclusive).
- (2) The exercisable period is from 5 September 2014 to 4 September 2024 (both dates inclusive).
- (3) The exercisable period is from 28 August 2015 to 27 August 2025 (both dates inclusive).
- (4) The exercisable period is from 31 March 2016 to 30 March 2026 (both dates inclusive).
- (5) Adjustments for the open offer applicable to share options of the 2013 Scheme remained outstanding as of 4 September 2014 with effect from 4 September 2014. Details of the adjustments to the share options, please refer to the Company's announcement dated 4 September 2014.
- (6) The exercisable period is from 2 September 2016 to 1 September 2026 (both dates inclusive).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 September 2017, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

(a) Long positions in ordinary shares of HK\$0.1 each of the Company ("Share")

Name of Directors	Number of Shares held (long position)		Number of underlying Shares in respect of		Total	Approximate percentage of issued share capital of the Company
	Personal Interest	Corporate Interest	Share options	Convertible notes		
Mr. Ng Ian*	—	818,571,410 (note 1)	9,788,000 (note 2)	13,715,710 (note 3)	842,075,120	76.91%
Mr. Ng Chun For, Henry	127,200	—	—	—	127,200	0.01%
Mr. Chan Kwok Hung	2,000	—	13,579,612 (note 2)	—	13,581,612	1.24%
Mr. Mak Wah Chi	2,029,225	—	—	—	2,029,225	0.18%

* Son of Mr. Ng Chun For, Henry

Notes:

- (1) Mr. Ng Ian is deemed to be interested in 818,571,410 Shares which represented an aggregate of (i) 806,007,527 Shares were held by Golden Tool International Limited ("Golden Tool"); and (ii) 12,563,883 Shares were held by Trade Icon Holdings Limited ("Trade Icon"). Golden Tool and Trade Icon both are wholly and beneficially owned by him.
- (2) These interests represented the interests in underlying Shares in respect of share options granted by the Company under the 2013 Scheme to these directors as beneficial owners, the details of which are set out in the share options section as set out on page 20 and 21 of this interim report.
- (3) Mr. Ng Ian is deemed to be interested in 13,715,710 underlying Shares which represented a convertible note with principal amount of HK\$11 million carrying rights to convert into 13,715,710 Shares at HK\$0.802 per Share (in accordance with the terms and conditions of the Convertible Note with effect from 24 August 2017 (being the date immediately after the record date for determining the entitlement to the final dividend for the year ended 31 March 2017).

(II) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Associated Corporations of the Company

Long positions in the shares of the associated corporation of the Company:

Name of Director	Name of associated corporation	Capacity and nature of interests	Number of issued ordinary shares held	Approximately percentage of issued share capital of the associated corporation
Mr. Ng Ian	Golden Tool	Personal interests (held as beneficial owner)	1	100%
Mr. Ng Ian	Trade Icon	Personal interests (held as beneficial owner)	1	100%
Mr. Ng Ian	Superb	Personal interests (held as beneficial owner)	1	100%

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 30 September 2017, shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange were as follows:

Name of substantial shareholder	Capacity and nature of interest	Number of ordinary shares held (long position)	Number of underlying shares held	Total	Approximate percentage of issued share capital of the Company
Mr. Ng Ian	Personal and interests in corporation	818,571,410 (note 1)	23,503,710 (note 2)	842,075,120	76.91%
Golden Tool	Beneficial owner	806,007,527 (note 1)	—	806,007,527	73.62%

Notes:

- (1) Mr. Ng Ian is deemed to be interested in 818,571,410 Shares (which represented an aggregate of 818,571,410 Shares held by corporate interests via his controlled corporations including (i) 806,007,527 Shares held by Golden Tool; and (ii) 12,563,883 Shares held by Trade Icon.
- (2) Mr. Ng Ian is deemed to be interested in 23,503,710 underlying Shares (which represented an aggregate of (i) 9,788,000 underlying Shares by his personal interests in 9,788,000 share options; and (ii) 13,715,710 underlying Shares through his controlled corporation, Superb which is the beneficial owner of the convertible note.

Save as disclosed above, as at 30 September 2017, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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:

1. Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. After the appointment of Mr. Ng Ian as the Chairman of the Company with effect from 28 March 2013, he resigned as the Deputy Chairman and Chief Executive Officer (“CEO”) of the Company. The Board considered that the management structure of the Board could be optimised by Mr. Ng Ian (the former CEO of the Company, the current Chairman and executive Director of the Company) taking up both the roles of Chairman and CEO of the Company after considering the following factors:
 - a. it will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues pertaining to the operations of the Company;
 - b. it is conducive to strong and consistent leadership, and enables the Group to make and implement decisions promptly and efficiently; and
 - c. it is beneficial to the Company and its shareholders as a whole having taken into account that the Group’s business scale has been narrowed down to business operation in Hong Kong after disposal of the joint-venture-based property under construction (located at No. 68 Yu Yuan Road, Jing An district of Shanghai).
2. Under Code provision A.6.7 stipulates that 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 condensed consolidated interim financial information of the Group for the six months ended 30 September 2017 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.

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

Hong Kong, 31 October 2017

The directors of the Company as at the date of this report are:

Executive directors

Mr. Ng Ian (*Chairman*)

Mr. Chan Kwok Hung

Non-executive directors

Mr. Ng Chun For, Henry

Mr. Mak Wah Chi

Independent non-executive directors

Mr. Li Kit Chee

Mr. Chan Kam Man

Mr. Chu Tak Sum

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017 (Unaudited)

	Notes	Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)
 For the six months ended 30 September 2017 (Unaudited)

	Notes	Unaudited Six months ended 30 September	
		2017 HK\$	2016 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

At 30 September 2017 (Unaudited)

	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

	Notes	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
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)	14	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

	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)	14	633,075	1,142,725
Convertible notes	15	7,596	47,018
Deferred tax liabilities	16	9,191	18,218
		656,326	1,219,846
NET ASSETS		2,028,822	2,227,117
CAPITAL AND RESERVES			
Share capital	17	109,486	102,904
Reserves		1,919,336	2,124,213
TOTAL EQUITY		2,028,822	2,227,117

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017 (Unaudited)

	Attributable to the owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve (note 18(a)) HK\$'000	Capital reserve (note 18(b)) HK\$'000	Share-based payment reserve (note 18(c)) HK\$'000	Convertible note reserve (note 18(d)) HK\$'000	Contributions from shareholders (note 18(e)) HK\$'000	Contribution surplus (note 18(f)) HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 31 March 2017 (Audited) and 1 April 2017 (Unaudited)	102,904	66,446	9,628	780	23,323	36,783	245,461	170,701	—	1,571,091	2,227,117
Profit for the period	—	—	—	—	—	—	—	—	—	3,079	3,079
Total comprehensive income for the period	—	—	—	—	—	—	—	—	—	3,079	3,079
Issue of shares upon conversion of convertible notes	6,531	55,768	—	—	—	(34,522)	—	—	—	—	27,777
Issue of shares upon exercise of share options	51	778	—	—	(241)	—	—	—	—	—	588
Release of deferred tax liability upon conversion of convertible notes	—	—	—	—	—	3,358	—	—	—	—	3,358
Final dividends for the year ended 31 March 2017 paid (Note 9)	—	—	—	—	—	—	—	(170,701)	—	(62,396)	(233,097)
At 30 September 2017 (Unaudited)	109,486	122,992	9,628	780	23,082	5,619	245,461	—	—	1,511,774	2,028,822

	Attributable to the owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve (note 18(a)) HK\$'000	Capital reserve (note 18(b)) HK\$'000	Share-based payment reserve (note 18(c)) HK\$'000	Convertible notes reserve (note 18(d)) HK\$'000	Contributions from shareholders (note 18(e)) HK\$'000	Contribution surplus (note 18(f)) HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 31 March 2016 (Audited) and 1 April 2016 (Unaudited)	97,180	16,045	9,628	926	21,263	63,859	250,139	170,701	1,119	1,531,042	2,161,902
Profit for the period	—	—	—	—	—	—	—	—	—	4,831	4,831
Total comprehensive income for the period	—	—	—	—	—	—	—	—	—	4,831	4,831
Recognition of share-based payment	—	—	—	—	2,312	—	—	—	—	—	2,312
Issue of shares upon conversion of convertible notes	5,674	46,296	—	—	—	(27,076)	—	—	—	—	24,894
Transfer of contributions from shareholders to retained profits upon strike off of a subsidiary	—	—	—	—	—	—	(4,678)	—	—	4,678	—
Transfer of capital reserve and other reserve to retained profits upon de-registration of a subsidiary	—	—	—	(146)	—	—	—	—	(1,119)	1,265	—
At 30 September 2016 (Unaudited)	102,854	62,341	9,628	780	23,575	36,783	245,461	170,701	—	1,541,816	2,193,939

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017 (Unaudited)

	Notes	Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000
Net cash (used in)/generated from operating activities		(2,540)	24,512
Cash flows from investing activities			
Sale proceeds received from disposal of investment property	5	205,000	—
Deposits received from disposal of subsidiaries		193,000	—
Other investing activities		1,256	(2,703)
Net cash generated from/(used in) investing activities		399,256	(2,703)
Cash flows from financing activities			
New bank borrowing raised		—	656,000
Repayment of bank borrowings		(88,650)	(550,698)
Dividend paid	9	(233,097)	—
Other financing activities		4,873	(14,403)
Net cash (used in)/generated from financing activities		(316,874)	90,899
Net increase in cash and cash equivalents		79,842	112,708
Cash and cash equivalents at beginning of the period		400,107	299,680
Cash and cash equivalents at end of the period		479,949	412,388

	Notes	Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000
Analysis of balances of cash and cash equivalents			
Being:			
Cash and cash equivalents		477,947	412,388
Cash and cash equivalents included in assets classified as held for sale	13	2,002	—
		479,949	412,388

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017 (Unaudited)

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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 HK\$'000	2016 HK\$'000
Bank interest income	813	465
Forfeiture of convertible notes interest payable (note 15)	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 HK\$'000	2016 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 HK\$'000	2016 HK\$'000
Interest on bank borrowings	10,248	10,608
Change in fair value of derivative financial assets component of convertible notes (note 15)	2,282	2,854
Effective interest expense on convertible notes (note 15)	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
	2,616	1,726
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

10. EARNINGS PER SHARE (CONTINUED)

	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.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 HK\$'000	Audited 31 March 2017 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 15 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.

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

	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 (note 14)	430,000
Other payables, rental deposits received and accruals	7,238
Tax payable	514
Provision for litigation	2,300
Deferred tax liabilities (note 16)	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. BANK BORROWINGS — SECURED

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Bank loans	1,084,375	1,173,025
Less: current portion	21,300	30,300
Bank borrowings classified as liabilities directly associated with assets classified as held for sale (note 13)	430,000	—
Non-current portion	633,075	1,142,725

The bank borrowings (excluding those classified as liabilities directly associated with assets classified as held for sale) are repayable as follows:

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
On demand or within one year	21,300	30,300
After one year but within two years	21,300	33,300
After two years but within five years	161,775	275,425
After five years	450,000	834,000
	654,375	1,173,025
Less: current portion	(21,300)	(30,300)
	633,075	1,142,725

The bank borrowings are secured by the Group's assets which were set out in the paragraph under the heading "Charges On Group Assets" under the Management Discussion and Analysis section of this interim report on page 10.

15. 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:

15. CONVERTIBLE NOTES (CONTINUED)

	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 of deferred tax liability upon conversion of convertible notes (note 16)	—	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

15. CONVERTIBLE NOTES (CONTINUED)

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 (30 September 2016: HK\$72,000,000).

16. 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

17. 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 31 March 2017 (Audited) and 1 April 2017 (Unaudited)/31 March 2016 (Audited) and 1 April 2016 (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
At 30 September 2017 (Unaudited)/31 March 2017 (Audited)	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.

17. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

- (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.

18. RESERVES

Nature of reserves

(a) *Special reserve*

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the Group reorganisation in April 2000.

(b) *Capital reserve*

The capital reserve represents capital contribution from a related company, a shareholder, and a non-controlling shareholder in the form of interest free loans. The amounts are estimated by discounting the nominal value of their non-interest bearing loans to the Group at current market interest rate for similar financial instruments.

(c) *Share-based payment reserve*

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors or employees of the Company recognised in accordance with the accounting policy adopted for share based payment.

(d) *Convertible notes equity reserve*

The convertible notes equity reserve represents the equity component (conversion rights) of convertible notes issued by the Company. If the convertible notes are not converted at the maturity date, the convertible notes equity reserve will be reclassified subsequently to profit or loss.

18. RESERVES (CONTINUED)

Nature of reserves (Continued)

(e) Contribution from shareholders

The contributions from shareholders represent the aggregation of discount on acquisitions of three indirectly wholly owned subsidiaries — Seedtime International Limited, Honeyguide Investments Limited (“Honeyguide”) and Uptodate Management Limited with their respective amount of approximately HK\$11,855,000, HK\$4,678,000 and HK\$233,606,000 from the former controlling shareholder — Mr. Ng Chun For, Henry. Upon Honeyguide was struck off for six month ended 30 September 2016, its attributable contributions from shareholders amounted to approximately HK\$4,678,000 transferred to retained profits for six month ended 30 September 2016.

(f) Contributed surplus

The contributed surplus is a distributable reserve and will be used for payment of dividends and for such other purposes as allowed by the Companies Act 1981 of Bermuda.

19. FINANCIAL RISK MANAGEMENT

Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ (financial liabilities)	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000			
Derivative financial asset component of convertible notes	936	16,085	Level 3	The binomial pricing model	Risk-free rate adopted was 1.47% (31 March 2017: 1.22%). Expected volatility of 68.31% (31 March 2017: 70.98%)

There were no transfers between Level 1 and 2 in the period.

Please refer to note 15 for the fair value reconciliation of derivative financial asset component of convertible notes for the six months ended 30 September 2017.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values measurements of financial instruments (Continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities are determined as follows:

- a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated interim financial statements approximate to their fair values.

	Unaudited 30 September 2017		Audited 31 March 2017	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Financial liabilities				
Convertible notes	7,596	8,033	47,018	48,925

20. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Within one year	1,275	1,288
In the second to fifth years inclusive	1,134	1,765
	2,409	3,053

Operating lease payments represented rental payables by the Group for certain of its office and warehouse premises. Leases are negotiated for an average term of 3 years and rentals are fixed during the lease period.

The Group as lessor

At the end of the reporting period, the Group had contracted with certain tenants for the following future minimum lease receivables:

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Within one year	40,587	40,412
In the second to fifth years inclusive	20,871	20,666
	61,458	61,078