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Sino Harbour Holdings Group Limited

漢港控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1663)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

HIGHLIGHTS

- During 1H 2021/22, the Group recorded revenue of approximately RMB608.4 million, mainly attributable to the delivery of residential units of Yichun Sino Harbour • Guanlan Phase 1 in the PRC.
- Gross profit margin in 1H 2021/22 was approximately 32.6%.
- Profit in 1H 2021/22 attributable to owners of the Company amounted to approximately RMB152.1 million.
- As at 30 September 2021, cash and bank balances were approximately RMB304.3 million and the Group’s net gearing ratio decreased to approximately 22.1% from approximately 35.4% as at 31 March 2021.

The board of directors (the “**Directors**” and the “**Board**”, respectively) of Sino Harbour Holdings Group 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 2021 (the “**1H 2021/22**”) with the comparative figures for the six months ended 30 September 2020 (the “**1H 2020/21**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended 30 September 2021 RMB'000 (Unaudited)	Six months ended 30 September 2020 RMB'000 (Unaudited) (Restated)
	<i>Notes</i>		
Revenue	3	608,411	313,866
Cost of sales		<u>(410,070)</u>	<u>(192,686)</u>
Gross profit		198,341	121,180
Other income	4	203,434	3,935
Selling and distribution expenses		(17,275)	(11,857)
Administrative expenses		<u>(30,503)</u>	<u>(28,369)</u>
Operating profit		353,997	84,889
Finance costs	5	<u>(1,923)</u>	<u>(1,769)</u>
Profit before income tax	5	352,074	83,120
Income tax expense	6	<u>(130,142)</u>	<u>(47,812)</u>
Profit for the period		221,932	35,308
Other comprehensive income (net of tax)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u>534</u>	<u>2,119</u>
Other comprehensive income for the period		<u>534</u>	<u>2,119</u>
Total comprehensive income for the period		<u><u>222,466</u></u>	<u><u>37,427</u></u>

	Six months ended 30 September 2021 <i>Note</i> RMB'000 (Unaudited)	Six months ended 30 September 2020 <i>RMB'000</i> (Unaudited) (Restated)
Profit/(loss) for the period attributable to:		
Owners of the Company	152,090	38,342
Non-controlling interests	69,842	(3,034)
	221,932	35,308
Total comprehensive income attributable to:		
Owners of the Company	152,624	40,461
Non-controlling interests	69,842	(3,034)
	222,466	37,427
Earnings per share for profit attributable to owners of the Company during the period (in Renminbi (“RMB”) cents)		
Basic and diluted	8 6.17	1.56

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	102,614	79,281
Investment properties		1,127,324	1,127,324
Right-of-use assets		13,799	15,155
Intangibles		4,359	4,592
Financial assets at fair value through other comprehensive income		10,297	10,297
Pledged deposits		5,500	5,500
Deferred tax assets		11,538	11,538
		<u>1,275,431</u>	<u>1,253,687</u>
Current assets			
Properties held under development		1,632,020	1,903,272
Properties held for sale		1,391,727	542,785
Prepayments and other receivables		673,628	1,081,562
Tax recoverable		14,418	44,297
Contract cost assets		8,004	10,509
Pledged deposits		37,987	34,574
Cash and bank balances		304,313	299,378
		<u>4,062,097</u>	<u>3,916,377</u>
Current liabilities			
Accounts payable	10	49,580	33,182
Accruals and other payables		899,376	667,014
Contract liabilities		1,827,833	2,000,323
Provision for tax		177,110	108,954
Bank and other loans	11	120,112	240,690
Lease liabilities		2,481	2,465
		<u>3,076,492</u>	<u>3,052,628</u>
Net current assets		<u>985,605</u>	<u>863,749</u>
Total assets less current liabilities		<u>2,261,036</u>	<u>2,117,436</u>

		As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Bank loans	11	291,275	351,350
Lease liabilities		11,575	12,808
Deferred tax liabilities		<u>96,863</u>	<u>96,863</u>
		<u>399,713</u>	<u>461,021</u>
Net assets		<u>1,861,323</u>	<u>1,656,415</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	20,735	20,735
Reserves		<u>1,518,921</u>	<u>1,386,795</u>
		1,539,656	1,407,530
Non-controlling interests		<u>321,667</u>	<u>248,885</u>
Total equity		<u>1,861,323</u>	<u>1,656,415</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Unaudited								
	Equity attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Fair value through other comprehensive income reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
As at 1 April 2021 (Audited)	20,735	565,212	98,450	(18,560)	(13,309)	755,002	1,407,530	248,885	1,656,415
Profit for the period	-	-	-	-	-	152,090	152,090	69,842	221,932
Other comprehensive income									
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	534	-	534	-	534
Total comprehensive income for the period	-	-	-	-	534	152,090	152,624	69,842	222,466
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	2,940	2,940
2021 final dividend declared	-	-	-	-	-	(20,498)	(20,498)	-	(20,498)
As at 30 September 2021 (Unaudited)	20,735	565,212	98,450	(18,560)	(12,775)	886,594	1,539,656	321,667	1,861,323

	Unaudited								
	Equity attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Fair value through other comprehensive income reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
As at 1 April 2020 (Audited)	20,735	565,212	91,509	(21,192)	(14,000)	726,930	1,369,194	250,155	1,619,349
Profit/(loss) for the period	-	-	-	-	-	38,342	38,342	(3,034)	35,308
Other comprehensive income									
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	2,119	-	2,119	-	2,119
Total comprehensive income for the period	-	-	-	-	2,119	38,342	40,461	(3,034)	37,427
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	3,430	3,430
2020 final dividend declared	-	-	-	-	-	(22,531)	(22,531)	-	(22,531)
As at 30 September 2020 (Unaudited)	20,735	565,212	91,509	(21,192)	(11,881)	742,741	1,387,124	250,551	1,637,675

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2021*

	Six months ended 30 September 2021 <i>RMB'000</i> (Unaudited)	Six months ended 30 September 2020 <i>RMB'000</i> (Unaudited)
Net cash generated from operating activities	200,609	42,674
Net cash generated (used in)/from investing activities	(29,854)	190,481
Net cash used in financing activities	<u>(200,067)</u>	<u>(230,816)</u>
Net (decrease)/increase in cash and cash equivalents	(29,312)	2,339
Effect of foreign exchange rates, net	534	3,904
Cash and cash equivalents at beginning of the period	<u>92,212</u>	<u>367,253</u>
Cash and cash equivalents at end of the period	<u><u>63,434</u></u>	<u><u>373,496</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 5 January 2011 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is located at Room 1215, Tower B, Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong.

The Company acts as an investment holding company and its subsidiaries are principally engaged in property development in the People's Republic of China (the “PRC” or “China”).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated interim results of the Group for 1H 2021/22 (the “Unaudited Results”) have been prepared in accordance with accounting principles generally accepted in Hong Kong, Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). They have been prepared under the historical cost basis except for investment properties and financial assets at fair value through other comprehensive income, which are stated at fair value. The Unaudited Results do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2021 (the “Year 2020/21”).

The accounting policies used in the preparation of the Unaudited Results are consistent with those used in the annual financial statements for the Year 2020/21, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on or after 1 April 2021.

The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 April 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7,
HKFRS 9 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 16

*Covid-19-Related Rent Concessions beyond
30 June 2021*

The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

3. SEGMENT REPORTING

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive Directors in order to allocate resources and assess performance of the segment. For the period presented, executive Directors considered the segment from a business perspective, including sale and leasing of self-constructed properties (“**Property Development**”) and other businesses (mainly including investment and operation in chemistry, manufacturing and control process and medical service sector) (“**Others**”). The executive Directors assess the performance of the operating segments based on the measure of segment result.

Reconciliations of segment revenue, profit or loss, assets and liabilities:

	Property Development		Others		Total	
	1H 2021/22	1H 2020/21	1H 2021/22	1H 2020/21	1H 2021/22	1H 2020/21
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Revenue from external customers	<u>603,464</u>	<u>310,652</u>	<u>4,947</u>	<u>3,214</u>	<u>608,411</u>	<u>313,866</u>
Segment profit/(loss) from operating activities	<u>366,615</u>	<u>91,359</u>	<u>(9,499)</u>	<u>(1,686)</u>	<u>357,116</u>	<u>89,673</u>
Unallocated expenses*					<u>(5,042)</u>	<u>(6,553)</u>
Profit before income tax					352,074	83,120
Income tax expense					<u>(130,142)</u>	<u>(47,812)</u>
Profit for the period					<u>221,932</u>	<u>35,308</u>
	As at	As at	As at	As at	As at	As at
	30 September	31 March	30 September	31 March	30 September	31 March
	2021	2021	2021	2021	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	5,249,111	5,088,586	81,907	73,516	5,331,018	5,162,102
Other corporate assets					<u>6,510</u>	<u>7,962</u>
Total assets					<u>5,337,528</u>	<u>5,170,064</u>
Segment liabilities	3,445,610	3,492,017	30,531	21,568	3,476,141	3,513,585
Other corporate liabilities					<u>64</u>	<u>64</u>
Total liabilities					<u>3,476,205</u>	<u>3,513,649</u>

* The unallocated expenses mainly consist of staff costs, Directors’ emoluments and exchange difference.

Other segment information:

	Property Development		Others		Total	
	1H 2021/22	1H 2020/21	1H 2021/22	1H 2020/21	1H 2021/22	1H 2020/21
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)		(Restated)
Depreciation of property, plant and equipment	(913)	(222)	(1,128)	(979)	(2,041)	(1,201)
Depreciation of right-of-use assets	–	–	(1,356)	–	(1,356)	–
Interest income	1,720	3,820	44	49	1,764	3,869
Interest expenses	(1,571)	(1,769)	(352)	–	(1,923)	(1,769)

The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation. In the opinion of the Directors, the majority of the Group's operation and centre of management are sourced from its subsidiaries in the PRC, which considered that the operation base of the Group is domiciled in the PRC, as there is only one geographical location, and therefore, no analysis of geographical information is presented.

The total revenue from external customers is mainly sourced from the PRC.

There is no single customer that contributed to 10% or more of the Group's revenue for the six months ended 30 September 2021 and 2020.

4. OTHER INCOME

Other income recognised during the period are as follows:

	Six months ended 30 September 2021 <i>RMB'000</i> (Unaudited)	Six months ended 30 September 2020 <i>RMB'000</i> (Unaudited) (Restated)
Other income		
Net gain on land resumption	201,564	–
Government grant	62	66
Interest income	1,764	3,869
Others	44	–
	<u>203,434</u>	<u>3,935</u>

5. PROFIT BEFORE INCOME TAX

	Six months ended 30 September 2021 RMB'000 (Unaudited)	Six months ended 30 September 2020 RMB'000 (Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Finance costs		
– Interest on bank and other loans wholly repayable within five years	20,785	13,727
– Interest on lease liabilities	352	–
Less: amount capitalised in properties held under development	(19,214)	(11,958)
	1,923	1,769
Cost of properties held for sale recognised as expense	400,041	184,147
Depreciation of property, plant and equipment	2,041	1,201
Depreciation of right-of-use assets	1,356	–
Staff costs, including Directors' emoluments		
– Wages and salaries	18,150	18,507
– Retirement benefit scheme contributions		
– defined contribution plans	1,488	1,309
Less: amount capitalised in properties held under development	(3,363)	(4,040)
	<u>16,275</u>	<u>15,776</u>

6. INCOME TAX EXPENSE

	Six months ended 30 September 2021 RMB'000 (Unaudited)	Six months ended 30 September 2020 RMB'000 (Unaudited)
Current tax – the PRC		
Enterprise Income Tax (“EIT”)	97,532	25,767
Land Appreciation Tax (“LAT”)	<u>32,610</u>	<u>22,045</u>
Total income tax expense	<u>130,142</u>	<u>47,812</u>

EIT has been provided on the estimated profits of subsidiaries operating in the PRC at 25% (1H 2020/21: 25%).

Under the law of the PRC on EIT, corporate withholding income tax is levied on the foreign investor for the dividends distributed out of the profits generated by the foreign investment enterprises. The Group's applicable withholding income tax rate is at 5% (1H 2020/21: 5%).

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business tax and all property development expenditures. The tax is incurred upon transfer of property ownership. There are certain exemptions available for the sales of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million (1H 2020/21: 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million).

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for both periods.

7. DIVIDENDS

The Board has resolved not to declare the payment of an interim dividend to the shareholders of the Company (the "Shareholders") for 1H 2021/22 (1H 2020/21: nil).

8. EARNINGS PER SHARE

	Six months ended 30 September 2021 (Unaudited)	Six months ended 30 September 2020 (Unaudited)
Profit attributable to owners of the Company (in RMB thousands dollars)	152,090	38,342
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share (shares in thousands)	<u>2,464,000</u>	<u>2,464,000</u>
Basic earnings per share (in RMB cents)	<u><u>6.17</u></u>	<u><u>1.56</u></u>

The Company did not have dilutive potential ordinary shares outstanding during both the current and prior periods. Accordingly, the diluted earnings per share was the same as the basic earnings per share for both the current and prior periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired items of property, plant and equipment at a total cost of approximately RMB26,441,000 (1H 2020/21: RMB5,093,000).

10. ACCOUNTS PAYABLE

The ageing analysis of accounts payable, based on invoice date, is as follows:

	30 September 2021 <i>RMB'000</i> (Unaudited)	31 March 2021 <i>RMB'000</i> (Audited)
Less than 3 months	15,047	15,082
3 months–6 months	15,141	59
More than 6 months–1 year	1,351	250
More than 1 year	18,041	17,791
	<u>49,580</u>	<u>33,182</u>

11. BANK AND OTHER LOANS

	30 September 2021 <i>RMB'000</i> (Unaudited)	31 March 2021 <i>RMB'000</i> (Audited)
Current:		
– Portion of bank and other loans due for repayment within one year or on demand	120,112	240,690
Non-current:		
– Portion of bank and other loans due for repayment after one year	<u>291,275</u>	<u>351,350</u>
Total borrowings	<u>411,387</u>	<u>592,040</u>

12. SHARE CAPITAL

	<i>Number of shares</i>	<i>RMB'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 April 2020, 30 September 2020, 1 April 2021 and 30 September 2021	<u>4,500,000,000</u>	<u>37,401</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 April 2020, 30 September 2020, 1 April 2021 and 30 September 2021	<u><u>2,464,000,000</u></u>	<u><u>20,735</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS IN 1H 2021/22 COMPARED TO 1H 2020/21

Revenue

	1H 2021/22 RMB'000 (Unaudited)	1H 2020/21 RMB'000 (Unaudited) (Restated)
Revenue from contracts with customers under HKFRS 15		
Sales of properties held for sale	569,316	291,445
Chemistry, manufacturing and control related service income	3,510	2,640
Service income	1,437	574
	<u>574,263</u>	<u>294,659</u>
Revenue from other source		
Rental income	34,148	19,207
	<u>608,411</u>	<u>313,866</u>

Revenue in 1H 2021/22 was approximately RMB608.4 million compared to approximately RMB313.9 million in 1H 2020/21, an increase of 93.8%.

Revenue from sales of properties held for sale

Revenue in 1H 2021/22 was primarily derived from the delivery of residential units of Sino Harbour • Guanlan (漢港 • 觀瀾) Phase 1 in Yichun, China. In 1H 2020/21, revenue was mainly attributable to the delivery of the residential units and commercial units of Sino Harbour • Wu Lin Hui (漢港 • 武林匯) in Hangzhou, China.

As the Group is primarily engaged in property development business, revenue recognition is dependent on the launch of new projects and completion of handover of properties that are sold. Consequently, revenue and profit for the Group looking across the quarters will appear irregular.

Cost of Sales and Gross Profit Margin

In line with an increase in revenue, cost of sales increased to approximately RMB410.1 million in 1H 2021/22 from approximately RMB192.7 million in 1H 2020/21. Gross profit margin decreased from 38.6% in 1H 2020/21 to 32.6% in 1H 2021/22.

Other Income

Other income increased from approximately RMB3.9 million in 1H 2020/21 to approximately RMB203.4 million in 1H 2021/22. The increase was mainly attributable to the net effect of a net gain of approximately RMB201.6 million from the land resumption in Leping City, Jiangxi Province, China and a decrease of interest income.

Selling and Distribution Expenses

Selling and distribution expenses increased from approximately RMB11.9 million in 1H 2020/21 to approximately RMB17.3 million in 1H 2021/22. The increase of selling and distribution expenses in 1H 2021/22 was mainly due to an increment in marketing expenses incurred for the launch of Sino Harbour • Guanlan located in Yichun, China.

Administrative Expenses

Administrative expenses increased to approximately RMB30.5 million in the 1H 2021/22 from approximately RMB28.4 million in 1H 2020/21. It was mainly due to an increase of staff cost and depreciation expenses.

Profit for 1H 2021/22

As a cumulative effect of the foregoing factors, the Group recorded a profit before income tax of approximately RMB352.1 million in 1H 2021/22, compared to approximately RMB83.1 million in 1H 2020/21.

Income tax expense increased from approximately RMB47.8 million in 1H 2020/21 to approximately RMB130.1 million in 1H 2021/22, which was mainly attributable to an increase in the land appreciation tax and EIT provision in line with an increase in profit in 1H 2021/22.

As a result, profit after income tax was approximately RMB221.9 million in 1H 2021/22, an increase of 528.6% from approximately RMB35.3 million in 1H 2020/21.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

Properties Held Under Development

As at 30 September 2021, the Group's properties held under development decreased to approximately RMB1,632.0 million from approximately RMB1,903.3 million as at 31 March 2021. The decrease was the net effect of the transfer of Sino Harbour • Guanlan Phase 1 to properties held for sale upon the completion of construction and the construction progress of Phase 2 and property development projects located in Leping City, Jiangxi Province.

Properties Held For Sale

Properties held for sale increased to approximately RMB1,391.7 million as at 30 September 2021 from approximately RMB542.8 million as at 31 March 2021. The increase was mainly due to the net effect of the completion of construction and handover of property units of Sino Harbour • Guanlan Phase 1 located in Yichun. The properties held for sale are transferred to cost of sales in line with the recognition of revenue upon the handover of properties.

Prepayments and Other Receivables

As at 30 September 2021, the Group's prepayments and other receivables amounted to approximately RMB673.6 million compared to approximately RMB1,081.6 million as at 31 March 2021. The decrease was mainly due to the transfer of prepayment and the bidding deposit of the land acquisition in Leping City to properties held under development after obtaining land-use-rights.

Tax Recoverable

Tax recoverable decreased from approximately RMB44.3 million as at 31 March 2021 to approximately RMB14.4 million as at 30 September 2021, which was mainly attributable to a decrease in prepayment of EIT during 1H 2021/22.

Accounts Payable, Accruals and Other Payables and Contract Liabilities

Accounts payable increased from approximately RMB33.2 million as at 31 March 2021 to approximately RMB49.6 million as at 30 September 2021, mainly due to increase of construction costs payable in 1H 2021/22.

Accruals and other payables mainly comprised the accrued construction costs and project-related expenses that are based on the progress of project development but are not due for payment.

Contract liabilities were the advance receipts from customers in respect of the deposits and prepayments for pre-sales of the Group's properties.

Accruals and other payables increased from approximately RMB667.0 million as at 31 March 2021 to approximately RMB889.4 million as at 30 September 2021. The increase was mainly due to the net effect of the increase of the accrued construction cost and other payables of Sino Harbour • Guanlan and property projects in Leping City and the absence of the consideration receipt in advance of RMB222.8 million in relation to the land resumption of the Group's land located in Leping City, Jiangxi Province, China.

Contract liabilities increased from approximately RMB2,000.3 million as at 31 March 2021 to approximately RMB1,827.8 million as at 30 September 2021. The increase was mainly due to the net effect of the handover of completed properties of Phase 1 and the increase of pre-sale proceeds of Phase 2 from Sino Harbour • Guanlan.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

Cash and Bank Balances

In 1H 2021/22, the Group had recorded a net cash inflow of approximately RMB200.6 million from operating activities, mainly attributable to the net effect of increases in accrual and other payables and properties held under development and held for sale and the decrease of the prepayments and other receivables.

Net cash outflow from investing activities in 1H 2021/22 was approximately RMB29.9 million, which was mainly due to a purchase of property, plant and equipment.

Net cash outflow from financing activities in 1H 2021/22 was approximately RMB200.1 million, which was mainly attributable to the repayment of borrowings and finance cost.

As at 30 September 2021, the Group had cash and bank balances of approximately RMB304.3 million (31 March 2021: RMB299.4 million), which consisted of cash and cash equivalents of approximately RMB63.4 million (31 March 2021: RMB92.2 million) and bank balances restricted for construction work of approximately RMB240.9 million (31 March 2021: RMB207.2 million), of which most of them were denominated in RMB.

Bank and Other Loans

As at 30 September 2021, the Group had total borrowings of approximately RMB411.4 million, decreased from approximately RMB592.0 million as at 31 March 2021. The decrease mainly represented the repayment of borrowings in 1H 2021/22. The Group's bank and other loans were denominated in RMB.

Gearing Ratio

Gearing ratio is measured by dividing total equity by borrowings (total amount of bank and other loans) less related deposit collateral at the respective end of the period/year multiplied by 100%. As at 30 September 2021, the Group's gearing ratio was 22.1% (31 March 2021: 35.4%). The Group has implemented certain loan management policies which include close monitoring of the gearing ratio and any changes in interest rates.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Historically, we have met our capital expenditures, working capital and other liquidity requirements principally from cash generated from our operations and bank and other borrowings. Going forward, we expect to fund our working capital, capital expenditures and other capital requirements with a combination of various sources, including but not limited to cash generated from our operations, bank and other borrowings as well as other external equity and debt financing. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

FOREIGN CURRENCY RISK

Most of the Group's transactions are carried out in RMB which is the functional currency of the Company and most of its operating subsidiaries. Exposures to currency exchange rates arise from certain of the Group's cash and bank balances which are denominated in Hong Kong dollars ("HK\$"). The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and believes that there is no significant exposure on its foreign exchange risk.

MATERIAL ACQUISITION AND DISPOSAL

On 21 May 2021, Leping City Fenghuang Jincheng Industry Co., Ltd ("**Fenghuang Jincheng**"), an indirect non-wholly-owned subsidiary of the Company, has surrendered its land parcel located at the Hushan Meiyuan Reclamation Farm, Leping City, Jingdezhen City, Jiangxi Province, the PRC to the Leping City Natural Resources and Planning Bureau at a consideration by way of cash compensation of RMB222,760,000 (the "**Land Resumption**") (details of which are disclosed in the announcement of the Company dated 26 March 2021, the circular of the Company dated 30 April 2021 and poll results announcement of the special general meeting of the Company dated 21 May 2021.)

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Land Resumption exceed 75%, the Land Resumption constitutes a very substantial disposal transaction for the Company and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

On 16 July 2021, the finance lease arrangements (the “**Finance Lease Arrangements**”) were agreed between Zhejiang IPS Pharmaceutical Technology Company Limited (“**Zhejiang IPS**”), an indirect non-wholly-owned subsidiary of the Company, as lessee and Jiangsu Financial Leasing Co., Ltd. (“**Jiangsu Financial Leasing**”) as lessor. Pursuant to the Finance Lease Arrangements, Jiangsu Financial Leasing agreed to purchase certain equipment (the “**Leased Assets**”) from Hangzhou Ruiteshi Technology Co., Ltd. for a consideration of RMB25,600,000, and lease the Leased Assets to Zhejiang IPS for a term of five (5) years.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Finance Lease Arrangements exceed 5% but less than 25%, the transactions contemplated under the Finance Lease Arrangements constitute discloseable transactions of the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment in 1H 2021/22 (1H 2020/21: nil).

CONTINGENT LIABILITIES

As at 30 September 2021, the Group had no significant contingent liabilities (31 March 2021: nil).

EMPLOYEE AND REMUNERATION POLICY

There were 304 employees in the Group as at 30 September 2021 (31 March 2021: 240). Staff remuneration packages are determined, taking the market conditions and the performance of the individuals concerned into consideration, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance and discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group. Employee costs, including Directors' emoluments, amounted to approximately RMB19.6 million in 1H 2021/22 (1H 2020/21: RMB19.8 million).

COMPANY UPDATE

Property Pre-sales

The results of property pre-sale launches (as at 22 November 2021) are summarised in the table below:

Residential Units

	Yichun Sino Harbour • Guanlan Phase 1 (宜春漢港 • 觀瀾一期)	Yichun Sino Harbour • Guanlan Phase 2 (宜春漢港 • 觀瀾二期)
Estimated total gross floor area (“GFA”) released for sale (total units)	285,219 sq.m. (2,512 units)	156,880 sq.m. (1,345 units)
Estimated total GFA pre-sold (total units)	284,531 sq.m. (2,507 units)	95,166 sq.m. (817 units)
Percentage of pre-sale	99.8%	60.7%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 September 2021 [^]	199,417 sq.m. (1,801 units)	90,931 sq.m. (780 units)
Pre-sale value not handed over to buyers as at 30 September 2021 [^]	RMB1,297.4 million	RMB765.8 million
Average selling price (“ASP”) per square metre*	RMB6,506	RMB8,422
Expected completion date	CY2021Q4	CY2022Q2

*: ASP of the projects is computed as follows: Pre-sale value not handed over to buyers divided by pre-sale GFA not handed over to buyers.

[^]: Pre-sale value not handed over to buyers is computed as follows: Beginning period pre-sales plus new pre-sales during the period less those handed over to buyers during the period (Recognised as sales during the period).

FUTURE OUTLOOK

In the first half of 2021, the central government continued to focus on the main tone of “housing is for living in, not for speculation”, and put more emphasis on “stabilising land prices, housing prices and expectations” as the future real estate development goal. In addition, the government strengthened its regulations of the domestic real estate industry. The “Three Red Lines” have required many real estate enterprises to prudently manage their financing and borrowing, and major enterprises need to reserve sufficient cash flow to cope with future uncertainties.

Looking into the second half of the financial year 2021/22 (the “**Year**”), the central government will still target on the “three stabilities” and a slowdown in growth is expected. According to data, sales of commodity housing amounted to RMB14,718.5 billion, representing an increase of 11.8%, of which residential sales increased by 12.7%. The epidemic in the PRC has been completely under control, and real estate transactions in different places have steadily rebounded. The number of transactions in first-tier cities showed signs of decline due to the control policies. Second-tier and third-tier cities were also affected by policies, with short-term market transactions slowing down, while housing price stabilisation policies increased housing demand, which is expected to be strengthened in the second half of the Year. As for fourth-tier cities, performance was active and the market heat has increased in the short term.

Pingxiang Ganghua Dentistry Hospital Company Limited (萍鄉港華口腔醫院有限公司) (“**Ganghua Dentistry**”), a non-wholly owned subsidiary of the Company, officially commenced operation on 29 September 2021. Ganghua Dentistry is recognised as a grade A class II dentistry hospital. Equipped with operating theatres, radiology rooms, independent treatment rooms, etc., the hospital has a total of about 48 doctors and nurses to serve the public. According to data, the demand for domestic dental market has been increasing. From 2016 to 2020, the size of China’s dental market increased from RMB78.3 billion to RMB112.4 billion, representing a compound annual growth rate of 9.46%. The size of China’s dental market is expected to reach at least RMB120.7 billion in the future.

The Group believes that the “big health” business and the real estate business will become the two-headed carriage, leading the Group to expand its business scope and achieve dual development. The Group will continue to focus on dental care and pharmaceutical inspection, seek progress while maintaining stability along with the Group’s real estate business, and seize business opportunities to expand its business and create value for the Shareholders. Nevertheless, the Board will remain cautious in the rapidly changing environment.

DIVIDEND

The Board has resolved not to declare the payment of an interim dividend in respect of 1H 2021/22 (1H 2020/21: nil).

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

The Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell such securities in 1H 2021/22 (1H 2020/21: nil).

CORPORATE GOVERNANCE COMPLIANCE

The Company focuses on maintaining a high standard of corporate governance in order to achieve sustainable development and enhance corporate performance especially in the areas of internal control, fair disclosure and accountability to all Shareholders.

Save as disclosed below, the Company has applied the principles and complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “**CG Code**”) during 1H 2021/22.

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

In view of the present composition of the Board as well as the in-depth knowledge and experience of Mr. WONG Lam Ping (“**Mr. WONG**”), the chairman of the Board (the “**Chairman**”), an executive Director (the “**ED**”) as well as the Company’s chief executive officer (the “**Chief Executive Officer**”) and general manager, in relation to the operation and business of the Group and in the industry, the Board is of the opinion that it is appropriate and in the best interest of the Company at the present stage to vest the roles of the Chairman and the Chief Executive Officer in the same person as it helps to facilitate the execution of the Group’s business strategies and maximise the effectiveness of its operation. In addition, Mr. SHI Feng, the deputy Chairman and an ED, will be a balance of power and authority for Mr. WONG as both the Chairman and the Chief Executive Officer.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors’ securities transactions (the “**Own Code of Conduct**”) on terms no less exacting from the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code and its Own Code of Conduct throughout 1H 2021/22.

AUDIT COMMITTEE AND REVIEW OF RESULTS

The audit committee of the Board (the “**Audit Committee**”) consists of three independent non-executive Directors (the “**INEDs**”), namely Mr. WONG Ping Kuen (*Chairman*), Mr. XIE Gang and Mr. HE Dingding. The Group’s unaudited condensed consolidated interim results for 1H 2021/22 were reviewed by the members of the Audit Committee before submission to the Board for approval.

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim results and operational statistics for 1H 2021/22 and 1H 2020/21 are based on the Group’s internal information. Investors should note that undue reliance on or use of such information may cause investment risks. **Investors are advised to exercise caution when dealing in the securities of the Company.**

This announcement contains forward-looking statements regarding the objectives and expectations of the Group with respect to its opportunities and business prospects. Such forward-looking statements do not constitute guarantees of future performance of the Group and are subject to factors that could cause the Company’s actual results, plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but are not limited to, general industry and economic conditions, shifts in customer demands and changes in government policies. The Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

This announcement is originally prepared in English. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

By Order of the Board
Sino Harbour Holdings Group Limited
WONG Lam Ping
*Chairman, Chief Executive Officer,
Executive Director and General Manager*

Hong Kong, 26 November 2021

As at the date of this announcement, the Board comprises eight Directors, including four EDs, namely Mr. WONG Lam Ping (Chairman, Chief Executive Officer and General Manager), Mr. SHI Feng (Deputy Chairman), Mr. WONG Lui and Ms. GAO Lan; one non-executive Director, namely Mr. CHAN Kin Sang; and three INEDs, namely Mr. XIE Gang, Mr. HE Dingding and Mr. WONG Ping Kuen.