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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 2022

HIGHLIGHTS

- During 1H 2022/23, the Group recorded revenue of approximately RMB127.0 million, mainly attributable to the delivery of residential units of Yichun Sino Harbour • Guanlan Phase 1 and Sino Harbour • Wu Lin Hui in the PRC.
- Gross profit margin in 1H 2022/23 was approximately 38.7%.
- Profit in 1H 2022/23 attributable to owners of the Company amounted to approximately RMB6.8 million.
- As at 30 September 2022, cash and bank balances were approximately RMB366.6 million and the Group’s net gearing ratio decreased to approximately 20.2% from approximately 22.5% as at 31 March 2022.

The board of directors (the “**Directors**” and the “**Board**”, respectively) of Sino Harbour Holdings Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 (the “**1H 2022/23**”) with the comparative figures for the six months ended 30 September 2021 (the “**1H 2021/22**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended 30 September 2022 <i>RMB'000</i> (Unaudited)	Six months ended 30 September 2021 <i>RMB'000</i> (Unaudited)
	<i>Notes</i>		
Revenue	3	126,991	608,411
Cost of sales		<u>(77,853)</u>	<u>(410,070)</u>
Gross profit		49,138	198,341
Other income	4	3,419	203,434
Selling and distribution expenses		(8,013)	(17,275)
Administrative expenses		<u>(31,585)</u>	<u>(30,503)</u>
Operating profit		12,959	353,997
Finance costs	5	<u>(1,795)</u>	<u>(1,923)</u>
Profit before income tax	5	11,164	352,074
Income tax expense	6	<u>(6,522)</u>	<u>(130,142)</u>
Profit for the period		4,642	221,932
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>(947)</u>	<u>534</u>
Other comprehensive income for the period		<u>(947)</u>	<u>534</u>
Total comprehensive income for the period		<u>3,695</u>	<u>222,466</u>

	Six months ended 30 September 2022	Six months ended 30 September 2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:		
Owners of the Company	6,763	152,090
Non-controlling interests	(2,121)	69,842
	<u>4,642</u>	<u>221,932</u>
Total comprehensive income attributable to:		
Owners of the Company	5,816	152,624
Non-controlling interests	(2,121)	69,842
	<u>3,695</u>	<u>222,466</u>
Earnings per share for profit attributable to owners of the Company during the period (in Renminbi (“RMB”) cents)		
Basic and diluted	8 <u>0.27</u>	<u>6.17</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022	As at 31 March 2022
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	49,830	49,328
Investment properties		1,410,742	1,410,742
Right-of-use assets		14,507	15,863
Intangibles		2,893	3,126
Financial assets at fair value through other comprehensive income		13,000	13,000
Pledged deposits		5,500	11,000
Deferred tax assets		21,415	21,415
		1,517,887	1,524,474
Current assets			
Properties held under development		1,832,499	1,658,666
Properties held for sale		328,478	392,406
Prepayments and other receivables		780,073	698,945
Tax recoverable		1,909	1,909
Contract cost assets		18,638	7,356
Pledged deposits		62,838	42,518
Cash and bank balances		366,571	291,705
		3,391,006	3,093,505
Current liabilities			
Accounts payable	10	23,254	30,546
Accruals and other payables		557,888	525,515
Contract liabilities		1,555,061	1,131,860
Provision for tax		252,830	309,953
Bank and other loans	11	82,610	142,540
Lease liabilities		5,704	5,704
		2,477,347	2,146,118
Net current assets		913,659	947,387
Total assets less current liabilities		2,431,546	2,471,861

		As at 30 September 2022 <i>RMB'000</i> (Unaudited)	As at 31 March 2022 <i>RMB'000</i> (Audited)
Non-current liabilities			
Bank loans	<i>11</i>	321,925	323,450
Lease liabilities		9,260	10,537
Deferred tax liabilities		<u>124,838</u>	<u>123,798</u>
		<u>456,023</u>	<u>457,785</u>
Net assets		<u><u>1,975,523</u></u>	<u><u>2,014,076</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	20,735	20,735
Reserves		<u>1,651,781</u>	<u>1,688,213</u>
		<u>1,672,516</u>	1,708,948
Non-controlling interests		<u>303,007</u>	<u>305,128</u>
Total equity		<u><u>1,975,523</u></u>	<u><u>2,014,076</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	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	Property revaluation 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 2022 (Audited)	20,735	565,212	137,845	(15,857)	58,500	(11,295)	953,808	1,708,948	305,128	2,014,076
Profit/(loss) for the period	-	-	-	-	-	-	6,763	6,763	(2,121)	4,642
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(947)	-	(947)	-	(947)
Total comprehensive income for the period	-	-	-	-	-	(947)	6,763	5,816	(2,121)	3,695
2022 final dividend declared	-	-	-	-	-	-	(42,248)	(42,248)	-	(42,248)
As at 30 September 2022 (Unaudited)	20,735	565,212	137,845	(15,857)	58,500	(12,242)	918,323	1,672,516	303,007	1,975,523

	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 operations	-	-	-	-	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	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September 2022 RMB'000 (Unaudited)	Six months ended 30 September 2021 RMB'000 (Unaudited)
Net cash generated from operating activities	140,934	200,609
Net cash used in investing activities	(19,452)	(29,854)
Net cash used in financing activities	(79,457)	(200,067)
Net increase/(decrease) in cash and cash equivalents	42,025	(29,312)
Effect of foreign exchange rates, net	(947)	534
Cash and cash equivalents at beginning of the period	94,195	92,212
Cash and cash equivalents at end of the period	135,273	63,434

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 2022/23 (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 2022 (the "Year 2021/22").

The accounting policies used in the preparation of the Unaudited Results are consistent with those used in the annual financial statements for the Year 2021/22, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on or after 1 April 2022.

The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 April 2022:

Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018 – 2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>

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 2022/23 RMB'000 (Unaudited)	1H 2021/22 RMB'000 (Unaudited)	1H 2022/23 RMB'000 (Unaudited)	1H 2021/22 RMB'000 (Unaudited)	1H 2022/23 RMB'000 (Unaudited)	1H 2021/22 RMB'000 (Unaudited)
Revenue from external customers	<u>118,097</u>	<u>603,464</u>	<u>8,894</u>	<u>4,947</u>	<u>126,991</u>	<u>608,411</u>
Segment profit/(loss) from operating activities	<u>27,766</u>	<u>366,615</u>	<u>(13,141)</u>	<u>(9,499)</u>	<u>14,625</u>	<u>357,116</u>
Unallocated expenses*					<u>(3,461)</u>	<u>(5,042)</u>
Profit before income tax					<u>11,164</u>	352,074
Income tax expense					<u>(6,522)</u>	<u>(130,142)</u>
Profit for the period					<u>4,642</u>	<u>221,932</u>
	As at 30 September 2022 RMB'000 (Unaudited)	As at 31 March 2022 RMB'000 (Audited)	As at 30 September 2022 RMB'000 (Unaudited)	As at 31 March 2022 RMB'000 (Audited)	As at 30 September 2022 RMB'000 (Unaudited)	As at 31 March 2022 RMB'000 (Audited)
Segment assets	<u>4,780,193</u>	4,565,164	<u>83,553</u>	51,847	<u>4,863,746</u>	4,617,011
Other corporate assets [#]					<u>45,147</u>	<u>968</u>
Total assets					<u>4,908,893</u>	<u>4,617,979</u>
Segment liabilities	<u>(2,858,420)</u>	(2,584,437)	<u>(32,702)</u>	(18,402)	<u>(2,891,122)</u>	(2,602,839)
Other corporate liabilities [#]					<u>(42,248)</u>	<u>(1,064)</u>
Total liabilities					<u>(2,933,370)</u>	<u>(2,603,903)</u>

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

[#] The other corporate assets and liabilities mainly consist of corporate bank balance and dividend payable to owners of the Company.

Other segment information:

	Property Development		Others		Total	
	1H 2022/23	1H 2021/22	1H 2022/23	1H 2021/22	1H 2022/23	1H 2021/22
	<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)
Depreciation of property, plant and equipment	(1,493)	(913)	(2,623)	(1,128)	(4,116)	(2,041)
Depreciation of right-of-use assets	-	-	(1,356)	(1,356)	(1,356)	(1,356)
Interest income	1,517	1,720	17	44	1,534	1,764
Interest expenses	(1,380)	(1,571)	(415)	(352)	(1,795)	(1,923)

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 2022 and 2021.

4. OTHER INCOME

Other income recognised during the period are as follows:

	Six months ended 30 September 2022 <i>RMB'000</i> (Unaudited)	Six months ended 30 September 2021 <i>RMB'000</i> (Unaudited)
Other income		
Net gain on land resumption	-	201,564
Government grant	317	62
Dividend income	1,170	-
Interest income	1,534	1,764
Others	398	44
	<u>3,419</u>	<u>203,434</u>

5. PROFIT BEFORE INCOME TAX

	Six months ended 30 September 2022 <i>RMB'000</i> (Unaudited)	Six months ended 30 September 2021 <i>RMB'000</i> (Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Finance costs		
– Interest on bank and other loans wholly repayable within five years	16,310	20,785
– Interest on lease liabilities	415	352
Less: amount capitalised in properties held under development	(14,930)	(19,214)
	1,795	1,923
Cost of properties held for sale recognised as expense	63,544	400,041
Depreciation of property, plant and equipment	4,116	2,041
Depreciation of right-of-use assets	1,356	1,356
Staff costs, including Directors' emoluments		
– Wages and salaries	22,870	18,150
– Retirement benefit scheme contributions – defined contribution plans	1,842	1,488
Less: amount capitalised in properties held under development	(4,876)	(3,363)
	<u>19,836</u>	<u>16,275</u>

6. INCOME TAX EXPENSE

	Six months ended 30 September 2022 <i>RMB'000</i> (Unaudited)	Six months ended 30 September 2021 <i>RMB'000</i> (Unaudited)
Current tax – the PRC		
Enterprise Income Tax (“EIT”)	1,894	97,532
Land Appreciation Tax (“LAT”)	3,588	32,610
	5,482	130,142
Deferred income tax	1,040	–
Total income tax expense	<u>6,522</u>	<u>130,142</u>

EIT has been provided on the estimated profits of subsidiaries operating in the PRC at 25% (1H 2021/22: 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 2021/22: 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 2021/22: 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 2022/23 (1H 2021/22: nil).

8. EARNINGS PER SHARE

	Six months ended 30 September 2022 (Unaudited)	Six months ended 30 September 2021 (Unaudited)
Profit attributable to owners of the Company (in RMB thousands dollars)	6,763	152,090
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>0.27</u>	<u>6.17</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 2022, the Group acquired items of property, plant and equipment at a total cost of approximately RMB4,632,000 (1H 2021/22: RMB26,441,000).

10. ACCOUNTS PAYABLE

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

	30 September 2022 RMB'000 (Unaudited)	31 March 2022 RMB'000 (Audited)
Less than 3 months	15,824	20,786
3 months–6 months	110	145
More than 6 months–1 year	1,160	1,524
More than 1 year	<u>6,160</u>	<u>8,091</u>
	<u>23,254</u>	<u>30,546</u>

11. BANK AND OTHER LOANS

	30 September 2022 RMB'000 (Unaudited)	31 March 2022 RMB'000 (Audited)
Current:		
– Portion of bank and other loans due for repayment within one year or on demand	82,610	142,540
Non-current:		
– Portion of bank and other loans due for repayment after one year	<u>321,925</u>	<u>323,450</u>
Total borrowings	<u>404,535</u>	<u>465,990</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 2021, 30 September 2021, 1 April 2022 and 30 September 2022	<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 2021, 30 September 2021, 1 April 2022 and 30 September 2022	<u>2,464,000,000</u>	<u>20,735</u>

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group entered into a capital increase agreement with an independent third party (the “ITP”) for capital contribution of RMB162 million by the ITP to the registered capital of an indirect non-wholly-owned subsidiary of the Company. Further details of this transaction are set out in the Company’s announcement on 23 November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS IN 1H 2022/23 COMPARED TO 1H 2021/22

Revenue

	1H 2022/23 RMB'000 (Unaudited)	1H 2021/22 RMB'000 (Unaudited)
Revenue from contracts with customers under HKFRS 15		
Sales of properties held for sale	91,217	569,316
Chemistry, manufacturing and control related service income	5,176	3,510
Service income	3,718	1,437
	<u>100,111</u>	<u>574,263</u>
Revenue from other source		
Rental income	<u>26,880</u>	<u>34,148</u>
	<u>126,991</u>	<u>608,411</u>

Revenue in 1H 2022/23 was approximately RMB127.0 million compared to approximately RMB608.4 million in 1H 2021/22, a decrease of 79.1%.

Revenue from sales of properties held for sale

Revenue in 1H 2022/23 was primarily derived from the delivery of residential units of Sino Harbour • Guanlan (漢港 • 觀瀾) Phase 1 in Yichun, China and 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 a decrease in revenue, cost of sales decreased to approximately RMB77.9 million in 1H 2022/23 from approximately RMB410.1 million in 1H 2021/22. Gross profit margin increased from 32.6% in 1H 2021/22 to 38.7% in 1H 2022/23.

Other Income

Other income decreased from approximately RMB203.4 million in 1H 2021/22 to approximately RMB3.4 million in 1H 2022/23. The decrease was mainly attributable to an absence of a net gain of approximately RMB201.6 million from the land resumption in Leping City, Jiangxi Province, China. Dividend income amounted to RMB1.2 million received from financial asset at FVOCI of Jiangxi Longyu Medicine Co., Limited.

Selling and Distribution Expenses

Selling and distribution expenses decreased from approximately RMB17.3 million in 1H 2021/22 to approximately RMB8.0 million in 1H 2022/23. The decrease of selling and distribution expenses in 1H 2022/23 was mainly due to a decrement in marketing expenses incurred for the launch of Sino Harbour • Guanlan located in Yichun, China.

Administrative Expenses

Administrative expenses increased to approximately RMB31.6 million in 1H 2022/23 from approximately RMB30.5 million in 1H 2021/22. It was mainly due to an increase of staff cost and depreciation expenses.

Profit for 1H 2022/23

As a cumulative effect of the foregoing factors, the Group recorded a profit before income tax of approximately RMB11.2 million in 1H 2022/23, compared to approximately RMB352.1 million in 1H 2021/22.

Income tax expense decreased from approximately RMB130.1 million in 1H 2021/22 to approximately RMB6.5 million in 1H 2022/23, which was mainly attributable to a decrease in the land appreciation tax and EIT provision in line with a decrease in profit in 1H 2022/23.

As a result, profit after income tax was approximately RMB4.6 million in 1H 2022/23, a decrease of 97.9% from approximately RMB221.9 million in 1H 2021/22.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

Properties Held Under Development

As at 30 September 2022, the Group's properties held under development increased to approximately RMB1,832.5 million from approximately RMB1,658.7 million as at 31 March 2022. The increase was due to the construction progress of Sino Harbour • Guanlan Phase 2 and property development projects located in Leping City, Jiangxi Province.

Properties Held For Sale

Properties held for sale decreased to approximately RMB328.5 million as at 30 September 2022 from approximately RMB392.4 million as at 31 March 2022. The decrease was mainly due to the handover of property units of Sino Harbour • Guanlan Phase 1 located in Yichun and Sino Harbour • Wu Lin Hui located in Hangzhou. 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 2022, the Group's prepayments and other receivables amounted to approximately RMB780.1 million compared to approximately RMB698.9 million as at 31 March 2022. The increase was mainly due to the prepayments paid to the contractors for the construction of the Group's projects.

Contract Cost Assets

During the period, the contract costs capitalised related to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Sino Harbour • Guanlan Phase 2 which were still under construction at the reporting date.

Accounts Payable, Accruals and Other Payables and Contract Liabilities

Accounts payable decreased from approximately RMB30.5 million as at 31 March 2022 to approximately RMB23.3 million as at 30 September 2022, mainly due to decrease of construction costs payable in 1H 2022/23.

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 RMB525.5 million as at 31 March 2022 to approximately RMB557.9 million as at 30 September 2022. The increase was mainly due to the increase of the accrued construction cost and other payables of Sino Harbour • Guanlan and property projects in Leping City.

Contract liabilities increased from approximately RMB1,131.9 million as at 31 March 2022 to approximately RMB1,555.1 million as at 30 September 2022. The increase was mainly due to 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 2022/23, the Group had recorded a net cash inflow of approximately RMB140.9 million from operating activities, mainly attributable to the net effect of increases in accrual and other payables and contract liabilities and the increase of properties held under development and the prepayments and other receivables.

Net cash outflow from investing activities in 1H 2022/23 was approximately RMB19.5 million, which was mainly due to a purchase of property , plant and equipment.

Net cash outflow from financing activities in 1H 2022/23 was approximately RMB79.5 million, which was mainly attributable to the repayment of borrowings and finance cost.

As at 30 September 2022, the Group had cash and bank balances of approximately RMB366.6 million (31 March 2022: RMB291.7 million), which consisted of cash and cash equivalents of approximately RMB135.3 million (31 March 2022: RMB94.2 million) and bank balances restricted for construction work of approximately RMB231.3 million (31 March 2022: RMB197.5 million), of which most of them were denominated in RMB.

Bank and Other Loans

As at 30 September 2022, the Group had total borrowings of approximately RMB404.5 million, decreased from approximately RMB466.0 million as at 31 March 2022. The decrease mainly represented the repayment of borrowings in 1H 2022/23. The Group's bank and other loans were denominated in RMB.

Gearing Ratio

Gearing ratio is measured by borrowings (total amount of bank and other loans) less related deposit collateral over total equity and then multiplied by 100%. As at 30 September 2022, the Group's gearing ratio was 20.2% (31 March 2022: 22.5%). 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

During 1H2022/23, the Company had no material acquisition or disposal of assets, subsidiaries, associated companies or joint ventures.

EVENTS AFTER 1H2022/23

On 23 November 2022, Leping City Fenghuang Jincheng Industry Co., Ltd. (“**Fenghuang Jincheng**”) and Leping Runze Real Estate Development Co., Ltd. (“**Leping Runze**”), each an indirect non-wholly-owned subsidiary of the Company, entered into a capital increase agreement (the “**Capital Increase Agreement**”) with Fuzhou Jinpeng Real Estate Co., Ltd. (“**Fuzhou Jinpeng**”), an independent third party, pursuant to which, Fuzhou Jinpeng agreed to contribute additional capital to the registered capital of Leping Runze in an amount of RMB162 million subject to the terms and conditions stipulated therein (the “**Capital Increase**”). Upon completion of the Capital Increase, the registered capital of Leping Runze will be increased from RMB6 million to RMB168 million and its equity interest will be held by Fenghuang Jincheng and Fuzhou Jinpeng as to approximately 3.57% and 96.43%, respectively. Accordingly, Leping Runze will then cease to be a subsidiary of the Company and its financial results will not be consolidated into the consolidated financial statements of the Group. As such, the Capital Increase will constitute a deemed disposal of the Group’s equity interest in Leping Runze under Chapter 14 of the Listing Rules (the “**Deemed Disposal**”).

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Deemed Disposal exceed 25%, but do not exceed 75%, the Deemed Disposal constitutes a major transaction for the Company and is therefore subject to reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As none of the Shareholders has any material interest in the Deemed Disposal as contemplated under the Capital Increase Agreement, none of the Shareholders and their associates is required to abstain from voting if a general meeting was to be convened by the Company for the approval of the Deemed Disposal. As such, the Deemed Disposal may be approved by written Shareholders’ approval in accordance with Rule 14.44 of the Listing Rules. The Company has obtained the written approval from a closely allied group of Shareholders, comprising Extra Good Enterprises Limited, Mr. Wong Lam Ping, the chairman, chief executive officer, executive Director and general manager of the Company and Ms. Chan Heung Ling, the wife of Mr. Wong, which are beneficially interested in an aggregate of 1,255,181,153 shares in the issued share capital of the Company, representing approximately 50.94% thereof as at the date of this announcement, to approve the Deemed Disposal. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Deemed Disposal. Details of the Deemed Disposal are set forth in the Company’s announcement on 23 November 2022. A circular containing, among other things, further particulars of the Deemed Disposal is expected to be despatched to the Shareholders on or before 13 December 2022 in accordance with the Listing Rules.

Save as disclosed above, no material events have occurred after 1H2022/2023 and up to the date of this announcement.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment in 1H 2022/23 (1H 2021/22: nil).

CONTINGENT LIABILITIES

As at 30 September 2022, the Group had no significant contingent liabilities (31 March 2022: nil).

EMPLOYEE AND REMUNERATION POLICY

There were 329 employees in the Group as at 30 September 2022 (31 March 2022: 311). 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 RMB24.7 million in 1H 2022/23 (1H 2021/22: RMB19.6 million).

COMPANY UPDATE

Property Pre-sales

The results of property pre-sale launches (as at 18 November 2022) 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)	223,643 sq.m. (1,920 units)
Estimated total GFA pre-sold (total units)	284,837 sq.m. (2,509 units)	191,385 sq.m. (1,645 units)
Percentage of pre-sale	99%	85%

	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)
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 September 2022 [^]	9,379 sq.m. (84 units)	179,987 sq.m. (1,549 units)
Pre-sale value not handed over to buyers as at 30 September 2022 [^]	RMB60.5 million	RMB1,469.1 million
Average selling price (“ ASP ”) per square metre*	RMB6,449	RMB8,162
Expected completion date	Completed	CY2023Q3

*: 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

Act on the gradual easing of national regulatory policies and concentrate on our principal business to enhance profitability

In 2021, the central government of China tightened its control over real estate and implemented strict control policies, such as “the three red lines”, “each city its own policies” and “housing is for living in, not for speculation”. As a result, the Group had to be more prudent in its financial management and bided its time in the face of uncertainties. Since the beginning of 2022, the real estate market has begun to stabilize. It is expected to recover at a faster pace in the second half of 2022, thereby boosting investor sentiment significantly. Real estate transactions in third- and fourth-tier cities are expected to remain on the same level year-on-year, assuming that these cities will not be hit by a new wave of the novel coronavirus disease 2019 (“**COVID-19**”) pandemic.

In 2021, the Chinese real estate market was affected by the tightening of policies, which led to a drop in real estate sales in major cities and made potential buyers think twice before buying. In the first half of 2022, the commercial residential sector in first- to fourth-tier cities performed evenly. Prices in first-tier cities rose by 0.4% month-on-month, signalling that the property market in first-tier cities is more resilient. Prices in second-tier cities fell by 0.1% month-on-month, which was on a par with first-tier cities. Prices in third- and fourth-tier cities fell by 2.2% month-on-month, indicating sluggish demand. However, the pre-sale rate of the Group's real estate project "Yichun Sino Harbour • Guanlan" (which ranked as number one in terms of sales in Yichun in 2021) reached approximately 85%, showing that high-quality real estate properties are still in demand.

In November 2022, the People's Bank of China and the China Banking and Insurance Regulatory Commission jointly issued the "Notice on Providing Adequate Financial Support for the Stable and Healthy Development of the Real Estate Market" (《關於做好當前金融支持房地產市場平穩健康發展工作的通知》) (the "16 Financial Measures") to facilitate the stable and healthy development of the real estate market. According to the 16 Financial Measures, property developers may negotiate with financial institutions to extend the repayment terms of their existing loans by one year, and each local government is encouraged to determine its own down-payment ratios and lower-bound range of mortgage interest rates for homebuyers in a reasonable manner.

The new national policy has confirmed the gradual easing of regulations on the Chinese property market. The Group is of the view that this slew of measures will shore up the Chinese property market and boost investors' confidence in Chinese property stocks. In the future, the Group will actively implement appropriate sale arrangements and development strategies that are in line with these measures, thereby grasping opportunities for development and enhancing the Group's operating capability.

Continue to allocate resources to expand our "big health" industry chain and improve our core competencies

The reporting period saw significant development of the Group's pharmaceutical "big health" segment. Pingxiang Ganghua Dentistry Hospital Company Limited, a subsidiary of the Company has officially commenced operation, thereby laying a solid foundation for the Group's goal of building a chain of dental hospitals.

As the Chinese government has attached great importance to the innovative drug industry and rolled out support policies for it in recent years, the industry has been developing rapidly. The clinical trials market has also been growing continuously. According to a research report by Frost & Sullivan, the global clinical trials market size is expected to reach approximately US\$70.6 billion by 2030. As a result, the Group has enhanced the upgrades of its hardware and software for its pharmaceutical research and development as well as services to improve its competitiveness.

Zhejiang IPS Pharmaceutical Technology Company Limited (“**Zhejiang IPS**”), a subsidiary of the Company has completed the relocation of its entire laboratory to Hangzhou Pharmaceutical Port Town. With a research site measuring nearly 3,500 square meters and outfitted with state-of-the-art equipment, Zhejiang IPS has attracted a lot of talent and set up a first-class research team. Meanwhile, in terms of qualification certification, Zhejiang IPS has passed the laboratory onsite change review and regular supervision and inspection of the China National Accreditation Service for Conformity Assessment (CNAS), as well as the application review for the change of its China Metrology Accreditation (CMA) testing and inspection institution qualification certificate, which demonstrate the high standard of operation maintained by the laboratory of Zhejiang IPS.

Zhejiang IPS now possesses full-service capabilities for generic drugs and innovative drugs in the drug discovery and pharmaceutical research stages. As to the industrialization planning of pharmaceutical products, the management of the Company has comprehensively considered the changing trends of the domestic pharmaceutical industry under the influence of centralized procurement of drugs policies. Capitalizing on the technical accumulation of Zhejiang IPS over the years, the Group has formulated the development strategy of becoming a “specialized active ingredients + preparation + innovative drugs” contract research, development and manufacturing organization. The Group has already selected a segment with a global market amounting to RMB40 billion. It has also carried out the research and development of a number of high-threshold varieties of active ingredients and preparations, seeking to build a leading pharmaceutical company with core competencies in that segment.

Enhance SHCM’s overall capability to create new revenue contribution for the Group

Hangzhou Sino Harbour Commercial Management Co., Ltd. (“**SHCM**”), a wholly-owned subsidiary of the Company has been providing property operation services to the Group’s self-owned commercial properties. As of mid-June 2022, the total area of the Group’s self-owned commercial properties managed by SHCM was approximately 55,000 square meters. SHCM is currently carrying out upgrade and renovation works for part of the Group’s self-owned commercial properties to be leased and will continue to source tenants after the completion of the works.

In addition to the Group’s self-owned commercial properties, SHCM will focus on the business of serving external property owners in the future. SHCM is currently in negotiation with certain external property owners on the provision of property operation or property sublease services to their commercial properties located in Zhejiang, Jiangxi and Jiangsu provinces in the PRC. Engagement agreements are expected to be entered into within 2022. Moreover, SHCM has entered into a cooperation agreement with a computer software technology service provider to jointly develop an integrated intelligent asset management system covering commercial property virtualization, tenant-sourcing management, energy consumption management and other functions. This system aims to strengthen SHCM’s service quality and operational management capabilities and thus differentiate SHCM from its competitors.

The future strategic positioning of SHCM will focus on developing “boutique” commercial property projects. Target projects include community commercial centers, commercial streets and various kinds of industrial parks with a scale of less than 100,000 square meters. To achieve this strategic goal, SHCM has built a team with strong business acumen in the field of retail and commercial spaces as well as extensive experience in tenant-sourcing and operation since its establishment in late 2020.

In the long run, as the COVID-19 pandemic continues to affect the norms of consumer behaviors and needs, SHCM will develop in-depth strategic partnerships with brands that are highly compatible with new consumer trends, thus improving its overall strength and market competitiveness.

The Group remains focused on real estate, with its sales performance slightly better than the market forecast. We will adhere to our philosophy of “seeking steady progress” when developing our real estate business, which will grow in tandem with our prospering “big health” business. With the easing of real estate policies in 2022, we will seize new opportunities, take solid steps and forge ahead. The Board will implement prudent and flexible financial policies to bring long-term returns to our Shareholders, while remaining cautious in a rapidly changing environment.

DIVIDEND

The Board has resolved not to declare the payment of an interim dividend in respect of 1H 2022/23 (1H 2021/22: 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 2022/23 (1H 2021/22: 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 2022/23.

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 2022/23.

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 2022/23 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 2022/23 and 1H 2021/22 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, 25 November 2022

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.