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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 2023

HIGHLIGHTS

- During 1H 2023/24, the Group recorded revenue of approximately RMB351.4 million, mainly attributable to the delivery of residential units of Sino Harbour • Guanlan (漢港 • 觀瀾) Phase 2 in Yichun, the PRC.
- Gross profit margin in 1H 2023/24 was approximately 34.9%.
- Profit in 1H 2023/24 attributable to owners of the Company amounted to approximately RMB20.2 million.
- As at 30 September 2023, cash and bank balances were approximately RMB259.1 million and the Group’s net gearing ratio decreased to approximately 24.6% from approximately 22.7% as at 31 March 2023.

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 2023 (the “**1H 2023/24**”) with the comparative figures for the six months ended 30 September 2022 (the “**1H 2022/23**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Six months ended 30 September 2023	Six months ended 30 September 2022
	Notes	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	3	351,405	126,991
Cost of sales		<u>(228,853)</u>	<u>(77,853)</u>
Gross profit		122,552	49,138
Other income	4	3,512	3,419
Selling and distribution expenses		(9,290)	(8,013)
Administrative expenses		<u>(31,976)</u>	<u>(31,585)</u>
Operating profit		84,798	12,959
Finance costs	5	<u>(1,455)</u>	<u>(1,795)</u>
Profit before income tax	5	83,343	11,164
Income tax expense	6	<u>(65,341)</u>	<u>(6,522)</u>
Profit for the period		18,002	4,642
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>(507)</u>	<u>(947)</u>
Other comprehensive income for the period		<u>(507)</u>	<u>(947)</u>
Total comprehensive income for the period		<u>17,495</u>	<u>3,695</u>

	Six months ended 30 September 2023	Six months ended 30 September 2022
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:		
Owners of the Company	20,197	6,763
Non-controlling interests	(2,195)	(2,121)
	<u>18,002</u>	<u>4,642</u>
Total comprehensive income attributable to:		
Owners of the Company	19,690	5,816
Non-controlling interests	(2,195)	(2,121)
	<u>17,495</u>	<u>3,695</u>
Earnings per share for profit attributable to owners of the Company during the period (in Renminbi (“RMB”) cents)		
Basic and diluted	8 <u>0.82</u>	<u>0.27</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023	As at 31 March 2023
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	52,766	38,860
Investment properties		1,491,150	1,491,150
Right-of-use assets		9,367	22,689
Intangibles		1,850	2,083
Financial assets at fair value through other comprehensive income		8,650	8,650
Pledged deposits		5,500	5,500
Deferred tax assets		<u>20,375</u>	<u>20,375</u>
		<u>1,589,658</u>	<u>1,589,307</u>
Current assets			
Properties held under development		1,117,648	1,720,798
Properties held for sale		971,880	237,021
Prepayments and other receivables		739,597	761,625
Tax recoverable		1,909	1,909
Contract cost assets		20,459	25,099
Pledged deposits		54,697	54,930
Cash and bank balances		<u>259,055</u>	<u>434,572</u>
		<u>3,165,245</u>	<u>3,235,954</u>
Current liabilities			
Accounts payable	10	57,184	59,829
Accruals and other payables		388,271	211,149
Contract liabilities		1,424,900	1,724,458
Lease liabilities		573	5,334
Bank loans	11	67,900	66,900
Provision for tax		<u>249,414</u>	<u>237,766</u>
		<u>2,188,242</u>	<u>2,305,436</u>
Net current assets		<u>977,003</u>	<u>930,518</u>
Total assets less current liabilities		<u>2,566,661</u>	<u>2,519,825</u>

		As at 30 September 2023	As at 31 March 2023
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current liabilities			
Bank loans	<i>11</i>	428,500	388,500
Lease liabilities		8,844	19,503
Deferred tax liabilities		131,474	131,474
		<u>568,818</u>	<u>539,477</u>
Net assets		<u>1,997,843</u>	<u>1,980,348</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	20,735	20,735
Reserves		1,681,789	1,662,099
		<u>1,702,524</u>	<u>1,682,834</u>
Non-controlling interests		295,319	297,514
		<u>1,997,843</u>	<u>1,980,348</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	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 2023 (Audited)	20,735	565,212	142,909	(20,357)	58,500	(9,254)	925,089	1,682,834	297,514	1,980,348
Profit/(loss) for the period	-	-	-	-	-	-	20,197	20,197	(2,195)	18,002
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(507)	-	(507)	-	(507)
Total comprehensive income for the period	-	-	-	-	-	(507)	20,197	19,690	(2,195)	17,495
As at 30 September 2023 (Unaudited)	<u>20,735</u>	<u>565,212</u>	<u>142,909</u>	<u>(20,357)</u>	<u>58,500</u>	<u>(9,761)</u>	<u>945,286</u>	<u>1,702,524</u>	<u>295,319</u>	<u>1,997,843</u>

	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)	<u>20,735</u>	<u>565,212</u>	<u>137,845</u>	<u>(15,857)</u>	<u>58,500</u>	<u>(12,242)</u>	<u>918,323</u>	<u>1,672,516</u>	<u>303,007</u>	<u>1,975,523</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended 30 September 2023 <i>RMB'000</i> (Unaudited)	Six months ended 30 September 2022 <i>RMB'000</i> (Unaudited)
Net cash (used in)/generated from operating activities	(40,446)	140,934
Net cash used in investing activities	(7,719)	(19,452)
Net cash generated from/(used in) financing activities	<u>12,301</u>	<u>(79,457)</u>
Net (decrease)/increase in cash and cash equivalents	(35,864)	42,025
Effect of foreign exchange rates, net	(507)	(947)
Cash and cash equivalents at beginning of the period	<u>99,603</u>	<u>94,195</u>
Cash and cash equivalents at end of the period	<u><u>63,232</u></u>	<u><u>135,273</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 2023/24 (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 2023 (the "Year 2022/23").

The accounting policies used in the preparation of the Unaudited Results are consistent with those used in the annual financial statements for the Year 2022/23, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on or after 1 April 2023.

The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 April 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policy</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Referred Tax related to Assets and Liabilities arising from a single transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</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 2023/24 RMB'000 (Unaudited)	1H 2022/23 RMB'000 (Unaudited)	1H 2023/24 RMB'000 (Unaudited)	1H 2022/23 RMB'000 (Unaudited)	1H 2023/24 RMB'000 (Unaudited)	1H 2022/23 RMB'000 (Unaudited)
Revenue from external customers	<u>344,362</u>	<u>118,097</u>	<u>7,043</u>	<u>8,894</u>	<u>351,405</u>	<u>126,991</u>
Segment profit/(loss) from operating activities	<u>105,638</u>	<u>27,766</u>	<u>(20,859)</u>	<u>(13,141)</u>	<u>84,779</u>	<u>14,625</u>
Unallocated expenses*					<u>(1,436)</u>	<u>(3,461)</u>
Profit before income tax					<u>83,343</u>	11,164
Income tax expense					<u>(65,341)</u>	<u>(6,522)</u>
Profit for the period					<u>18,002</u>	<u>4,642</u>
	As at 30 September 2023 RMB'000 (Unaudited)	As at 31 March 2023 RMB'000 (Audited)	As at 30 September 2023 RMB'000 (Unaudited)	As at 31 March 2023 RMB'000 (Audited)	As at 30 September 2023 RMB'000 (Unaudited)	As at 31 March 2023 RMB'000 (Audited)
Segment assets	<u>4,666,515</u>	4,761,122	<u>85,036</u>	63,136	<u>4,751,551</u>	4,824,258
Other corporate assets [#]					<u>3,352</u>	<u>1,003</u>
Total assets					<u>4,754,903</u>	<u>4,825,261</u>
Segment liabilities	<u>(2,723,547)</u>	(2,817,562)	<u>(33,513)</u>	(27,287)	<u>(2,757,060)</u>	(2,844,849)
Other corporate liabilities [#]					<u>-</u>	<u>(64)</u>
Total liabilities					<u>(2,757,060)</u>	<u>(2,844,913)</u>

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

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

Other segment information:

	Property Development		Others		Total	
	1H 2023/24	1H 2022/23	1H 2023/24	1H 2022/23	1H 2023/24	1H 2022/23
	<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	(2,018)	(1,493)	(7,126)	(2,623)	(9,144)	(4,116)
Depreciation of right-of-use assets	-	-	(362)	(1,356)	(362)	(1,356)
Interest income	2,284	1,517	14	17	2,298	1,534
Interest expenses	(1,199)	(1,380)	(256)	(415)	(1,455)	(1,795)

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 2023 and 2022.

4. OTHER INCOME

Other income recognised during the period are as follows:

	Six months ended 30 September 2023 <i>RMB'000</i> (Unaudited)	Six months ended 30 September 2022 <i>RMB'000</i> (Unaudited)
Other income		
Government grant	80	317
Dividend income	-	1,170
Interest income	2,298	1,534
Others	1,134	398
	<u>3,512</u>	<u>3,419</u>

5. PROFIT BEFORE INCOME TAX

	Six months ended 30 September 2023 <i>RMB'000</i> (Unaudited)	Six months ended 30 September 2022 <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	15,461	16,310
– Interest on lease liabilities	256	415
Less: amount capitalised in properties held under development	(14,262)	(14,930)
	1,455	1,795
Cost of properties held for sale recognised as expense	206,863	63,544
Depreciation of property, plant and equipment	9,144	4,116
Depreciation of right-of-use assets	362	1,356
Staff costs, including Directors' emoluments		
– Wages and salaries	21,210	22,870
– Retirement benefit scheme contributions – defined contribution plans	2,385	1,842
Less: amount capitalised in properties held under development	(1,140)	(4,876)
	<u>22,455</u>	<u>19,836</u>

6. INCOME TAX EXPENSE

	Six months ended 30 September 2023 <i>RMB'000</i> (Unaudited)	Six months ended 30 September 2022 <i>RMB'000</i> (Unaudited)
Current tax – the PRC		
Enterprise Income Tax (“EIT”)	16,213	1,894
Land Appreciation Tax (“LAT”)	49,128	3,588
	65,341	5,482
Deferred income tax	–	1,040
Total income tax expense	<u>65,341</u>	<u>6,522</u>

EIT has been provided on the estimated profits of subsidiaries operating in the PRC at 25% (1H 2022/23: 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 2022/23: 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 2022/23: 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 2023/24 (1H 2022/23: nil).

8. EARNINGS PER SHARE

	Six months ended 30 September 2023 (Unaudited)	Six months ended 30 September 2022 (Unaudited)
Profit attributable to owners of the Company (in RMB thousands)	20,197	6,763
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>0.82</u>	<u>0.27</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 2023, the Group acquired items of property, plant and equipment at a total cost of approximately RMB7,952,000 (1H 2022/23: RMB4,632,000).

10. ACCOUNTS PAYABLE

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

	30 September 2023 RMB'000 (Unaudited)	31 March 2023 RMB'000 (Audited)
Less than 3 months	43,768	45,795
3 months–6 months	893	932
More than 6 months–1 year	1,698	1,775
More than 1 year	<u>10,825</u>	<u>11,327</u>
	<u>57,184</u>	<u>59,829</u>

11. BANK LOANS

	30 September 2023 RMB'000 (Unaudited)	31 March 2023 RMB'000 (Audited)
Current:		
– Portion of bank loans due for repayment within one year or on demand	67,900	66,900
Non-current:		
– Portion of bank loans due for repayment after one year	<u>428,500</u>	<u>388,500</u>
Total borrowings	<u>496,400</u>	<u>455,400</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 2022, 30 September 2022, 1 April 2023 and 30 September 2023	<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 2022, 30 September 2022, 1 April 2023 and 30 September 2023	<u>2,464,000,000</u>	<u>20,735</u>

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, on 11 October 2023, Hangzhou Gangze Enterprises Management Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into property rental agreements with Hangzhou Binjiang Housing Assets Management Co., Ltd. and Hangzhou Binjiang Real Estate Group Co., Ltd., respectively, both being independent third parties, in respect of leasing of two properties. Further details are set out in the Company's announcements dated 11 October 2023 and 16 October 2023.

Subsequent to the reporting period, on 13 November 2023, the Group entered into a strategic cooperation framework agreement with Guangzhou Nansha Assets Operation Group Co., Ltd., a state-owned enterprise funded and established by the Nansha Development Zone Management Committee. Further details are set out in the Company's announcement dated 14 November 2023.

Further details of the above events are disclosed in the section headed "EVENTS AFTER 1H 2023/24" of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS IN 1H 2023/24 COMPARED TO 1H 2022/23

Revenue

	1H 2023/24	1H 2022/23
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers under HKFRS 15		
Sales of properties held for sale	320,526	91,217
Chemistry, manufacturing and control related service income	1,947	5,176
Dental service income	5,096	3,718
	327,569	100,111
Revenue from other source		
Rental income	23,836	26,880
	351,405	126,991

Revenue in 1H 2023/24 was approximately RMB351.4 million compared to approximately RMB127.0 million in 1H 2022/23, an increase of 176.7%.

Revenue from sales of properties held for sale

Revenue in 1H 2023/24 was primarily derived from the delivery of residential units of Sino Harbour • Guanlan (漢港 • 觀瀾) Phase 2 in Yichun, China (the “**Guanlan Phase 2**”).

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 RMB228.9 million in 1H 2023/24 from approximately RMB77.9 million in 1H 2022/23. Gross profit margin decreased from 38.7% in 1H 2022/23 to 34.9% in 1H 2023/24.

Other Income

Other income increased from approximately RMB3.4 million in 1H 2022/23 to approximately RMB3.5 million in 1H 2023/24. The increase was mainly attributable to increase of interest income.

Selling and Distribution Expenses

Selling and distribution expenses increased from approximately RMB8.0 million in 1H 2022/23 to approximately RMB9.3 million in 1H 2023/24. The increase of selling and distribution expenses in 1H 2023/24 was mainly due to an increment in marketing expenses incurred for Sino Harbour • Guanlan located in Yichun, China.

Administrative Expenses

Administrative expenses increased to approximately RMB32.0 million in 1H 2023/24 from approximately RMB31.6 million in 1H 2022/23. It was mainly due to net effect of increase of staff cost and depreciation expenses and decrease in utility expense.

Profit for 1H 2023/24

As a cumulative effect of the foregoing factors, the Group recorded a profit before income tax of approximately RMB83.3 million in 1H 2023/24, compared to approximately RMB11.2 million in 1H 2022/23.

Income tax expense increased from approximately RMB6.5 million in 1H 2022/23 to approximately RMB65.3 million in 1H 2023/24, which was mainly attributable to an increase in the LAT and EIT provision in line with an increase in profit in 1H 2023/24.

As a result, profit after income tax was approximately RMB18.0 million in 1H 2023/24, an increase of 287.8% from approximately RMB4.6 million in 1H 2022/23.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

Properties Held Under Development

As at 30 September 2023, the Group's properties held under development decreased to approximately RMB1,117.6 million from approximately RMB1,720.8 million as at 31 March 2023. The decrease was due to the completion of Guanlan Phase 2.

Properties Held For Sale

Properties held for sale increased to approximately RMB971.9 million as at 30 September 2023 from approximately RMB237.0 million as at 31 March 2023. The increase was mainly due to the completion of property units of Guanlan Phase 2. 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 2023, the Group's prepayments and other receivables amounted to approximately RMB739.6 million compared to approximately RMB761.6 million as at 31 March 2023. The decrease was mainly due to the prepayments paid to the contractors transferred to properties held for sales upon completion of Guanlan Phase 2.

Contract Cost Assets

During the 1H 2023/24, the contract costs amortised related to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Guanlan Phase 2.

Accounts Payable, Accruals and Other Payables and Contract Liabilities

Accounts payable decreased from approximately RMB59.8 million as at 31 March 2023 to approximately RMB57.2 million as at 30 September 2023, mainly due to decrease of construction costs payable in 1H 2023/24.

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 RMB211.1 million as at 31 March 2023 to approximately RMB388.3 million as at 30 September 2023. 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 decreased from approximately RMB1,724.5 million as at 31 March 2023 to approximately RMB1,424.9 million as at 30 September 2023. The decrease was mainly due to the handover of the Guanlan Phase 2.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Position

Cash and Bank Balances

In 1H 2023/24, the Group had recorded a net cash outflow of approximately RMB40.4 million (1H 2022/23: inflow of approximately RMB140.9 million) from operating activities, mainly attributable to the decreases in accrual and other payables and contract liabilities and the increase of properties held for sales offset by the decrease in restricted bank balances.

Net cash outflow from investing activities in 1H 2023/24 was approximately RMB7.7 million (1H 2022/23: approximately RMB19.5 million), which was mainly due to a purchase of property, plant and equipment.

Net cash inflow from financing activities in 1H 2023/24 was approximately RMB12.3 million (1H 2022/23: outflow of approximately RMB79.5 million), which was mainly attributable to the net effect of new borrowings and repayment of borrowings and finance cost.

As at 30 September 2023, the Group had cash and bank balances of approximately RMB259.0 million (31 March 2023: RMB434.6 million), which consisted of cash and cash equivalents of approximately RMB63.2 million (31 March 2023: RMB99.6 million) and bank balances restricted for construction work of approximately RMB195.8 million (31 March 2023: RMB335.0 million), of which most of them were denominated in RMB.

Bank Loans

As at 30 September 2023, the Group had total borrowings of approximately RMB496.4 million, increased from approximately RMB455.4 million as at 31 March 2023. The increase mainly represented the net effect of addition and repayment of borrowings in 1H 2023/24. The Group's bank loans were denominated in RMB.

Gearing Ratio

Gearing ratio is measured by borrowings (total amount of bank loans) less related deposit collateral over total equity and then multiplied by 100%. As at 30 September 2023, the Group's gearing ratio was 24.6% (31 March 2023: 22.7%). 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 1H2023/24, the Company had no material acquisition or disposal of assets, subsidiaries, associated companies or joint ventures.

EVENTS AFTER 1H 2023/24

Acquisition of Right of Use Assets in Relation to Property Rental Agreements (the “Acquisition”)

On 11 October 2023, Hangzhou Gangze Enterprises Management Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into property rental agreements (the “**Property Rental Agreements**”) with Hangzhou Binjiang Housing Assets Management Co., Ltd. and Hangzhou Binjiang Real Estate Group Co., Ltd., respectively, both being independent third parties, in respect of leasing two properties each for a lease term of nineteen years and six months for the period from 12 April 2024 to 11 October 2043 (both days inclusive). The entering into the Property Rental Agreements and the transactions contemplated thereunder were regarded as acquisition of assets by the Group under the Listing Rules. The unaudited value of right-of-use assets to be recognised by the Company under the Property Rental Agreements amounted to approximately RMB56.1 million and approximately RMB19.0 million respectively. For details of the Acquisition, please refer to the Company’s announcements dated 11 October 2023 and 16 October 2023.

Entering into Strategic Cooperation Framework Agreement

On 13 November 2023, the Company entered into a strategic cooperation framework agreement (the “**Framework Agreement**”) with Guangzhou Nansha Assets Operations Group Co., Ltd., a state-owned enterprise, for the intention of establishing comprehensive cooperation partnership in real estate development, stock asset revitalization, commercial property management and other related fields. The transactions contemplated thereunder do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules or connected transactions under Chapter 14A of the Listing Rules and are still subject to the entering into of definitive business agreements and may or may not proceed. For details of the Framework Agreement, please refer to the Company’s announcement dated 14 November 2023.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment in 1H 2023/24 (1H 2022/23: nil).

CONTINGENT LIABILITIES

As at 30 September 2023, the Group had no significant contingent liabilities (31 March 2023: nil).

EMPLOYEE AND REMUNERATION POLICY

There were 337 employees in the Group as at 30 September 2023 (31 March 2023: 333). 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 RMB23.6 million in 1H 2023/24 (1H 2022/23: RMB24.7 million).

COMPANY UPDATE

Property Pre-sales

The results of property pre-sale launches (as at 26 November 2023) 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)	211,149 sq.m. (1,814 units)
Percentage of pre-sale	99%	94%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 September 2023 [^]	2,643 sq.m. (23 units)	168,504 sq.m. (1,549 units)
Pre-sale value not handed over to buyers as at 30 September 2023 [^]	RMB16.7 million	RMB1,367.0 million
Average selling price (“ASP”) per square metre*	RMB6,364	RMB8,113
Expected completion date	Completed	Completed

[^]: 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).

*: 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.

FUTURE OUTLOOK

Actively seizing development opportunities, and diversifying development blueprint

Various departments of the central government have recently launched a number of housing control optimisation and adjustment policies, including the unified reduction of the minimum down payment ratio for commercial loans and the minimum mortgage rate for the second housing loans, the reduction of the interest rate for first home loans of stock housing, the promotion of the implementation of “mortgages on second homes to be treated in the same way as a first mortgage, as long as the buyer has paid off the first loan” and the policies on the refund of personal tax for deferred purchase of residential properties, which have provided support for reasonable housing demand.

The Group believes that the multi-angle policies of the central government will gradually stimulate the property market in the middle of next year, which will further promote the purchasing power of residents for housing in the future and bring a positive impact on the development of the Group. In the future, the Group will continue to follow relevant policies to launch appropriate sales arrangements and development strategies, supplemented by consistent high-quality projects, so as to seize development opportunities.

In addition to the existing development projects, the Group also actively explores new business markets and advances to markets with high development potential. For example, the Group has recently entered into a strategic cooperation framework agreement with Guangzhou Nansha Assets Management Group Co., Ltd.(廣州南沙資產經營集團有限公司), a state-owned enterprise invested and established by Nansha Development Zone Management Committee(南沙開發區管委會). Through win-win cooperation, the Group will be able to develop new markets with strategic resources, expand the Company’s business presence and enhance its profitability and market influence, while deepening its cooperation with local governments. It will bring unparalleled advantages to the future development of the Group.

The Group will also continue to invest resources to develop the “Big Health” business. 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, and further planning the development blueprint of the Group’s “Big Health” business.

Looking forward, the Group will continue to maintain the sustainable operating strategy under a diversified business model focusing on real estate, complemented by “Big Health” and commercial management businesses. The Group’s development direction remains to be the main business focus of making progress while maintaining stability and achieving steady growth.

The global economic environment will remain challenging in the future. The Board will maintain a prudent attitude in the ever-changing operating environment, implement prudent and flexible financial policies, adhere to prudent financial management strategies, and maintain a reasonable and safe debt level to ensure the healthy and long-term development of the Group, thereby bringing long-term investment value returns to Shareholders.

DIVIDEND

The Board has resolved not to declare the payment of an interim dividend in respect of 1H 2023/24 (1H 2022/23: 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 2023/24 (1H 2022/23: 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 as stated in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “**CG Code**”) during 1H 2023/24.

Under code provision C.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 2023/24.

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 2023/24 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 2023/24 and 1H 2022/23 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, 28 November 2023

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.