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沪港联合

Hong Kong Shanghai Alliance Holdings Limited
(Stock code: 1001.HK)

Announces FY2017/18 Annual Results

Financial Highlights

For the year ended 31 March	2018 *HK$ million*	2017 *HK$ million*	Change
Revenue	**3,032.9**	3,022.9	+0.3%
Gross profit	**224.3**	335.1	-33.1%
(Loss) / Profit attributable to owners of the Company	**(147.7)**	101.8	-245.1%

(22 June 2018 – HONG KONG) Hong Kong Shanghai Alliance Holdings Limited (the "Company" or "HKSHA", together with its subsidiaries, collectively the "Group"; stock code: 1001.HK), a value-added real estate investor and a leading, regional construction materials processor, announces its annual results for the year ended 31 March 2018 (the "Year").

During the Year, the Group has encountered different challenges, both from the steel market as well as the global economy, including the continuous adverse fluctuations of steel price, the negative impact arising from the trade conflicts between major trade nations, projects delay caused by the filibustering in the Legislative Council ("Legco"), as well as the slow but ongoing transition from on-site cut-and-bend to off-site prefabricated steel reinforcement component. Despite the difficult operating environment, the Group's revenue remained at a steady level of approximately HK$3,032.9 million (2017: approximately HK$3,022.9 million), while the Group recorded a loss attributable to owners of the Company of approximately HK$147.7 million in the Year (2017: profit of approximately HK$101.8 million). Basic loss per ordinary share was HK23.02 cents for the Year, contrary to the basic earnings per ordinary share of HK15.86 cents last year. The Directors of the Company recommends the payment of a final dividend of HK1.57 cents (2017: HK2.49 cents) per ordinary share for the Year despite a loss attributable to owners of the Company was recorded for the Year.

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During the Year, the Group's Construction Materials Business had carried on with its downward migration along the value chain, by expanding its one-stop solutions through its automated rebar processing and assembly plant in Tsing Yi. Total revenue increased slightly by 4.6% year-on-year ("YoY") from approximately HK$2,132.6 million of last year, to approximately HK$2,231.6 million this year, primarily due to the increase in average selling price. However, tons sold decreased by 13.6% YoY, primarily due to infrastructure projects delay in Hong Kong caused by the filibustering at the Legislative Council. Negatively impacted by the sharp increase in steel price, delay in projects, rising trade tension and the slow but gradual transition to off-site cut-and-bend, net loss of the segment was approximately HK$131.2 million, versus a net loss of approximately HK$23.3 million of last year.

In the medium-term, however, the difficult steel market shall stabilize while there will still be ample opportunities to catch. According to the press release dated 29 May 2018 on the "Chief Executive Hong Kong Special Administrative Region" website, 29 government construction projects totalling HK$68 billion had been approved by the Public Works Subcommittee of the Legco, in which 10 government projects totalling HK$37.4 billion could be kickstarted as they had also been approved by the Finance Committee of the Legco. With 7 more Finance Committee meetings, 7 more Public Works Subcommittee meetings, and 5 more Staffing Subcommittee meetings until the summer recess of the 2017/18 legislative year, the Chief Executive of Hong Kong remains optimistic towards the approval of projects, meaning there is a strong project pipeline in the future. In addition, in the latest 2018-19 Budget, there is the proposal of setting up a HK$1 billion "Construction Innovation and Technology Fund", together with the indication in which the government will proactively promote the adoption of technology and innovative construction methods to improve productivity and cost-effectiveness, where assisting to establish large-scale and highly-automated steel reinforcing bar prefabrication plants being highlighted as a prime example. These together should expedite the transformation of the construction industry, or specifically, encouraging the adoption of off-site cut-and-bend, thus laying a solid foundation for future growth.

To realize the vast potentials from the flourishing Hong Kong construction sector and the Greater Bay area, the Group has since acquired the remaining stake of TVSC Construction Steel Solutions Limited (now known as VSC Construction Steel Solutions Limited) from NatSteel Holdings Pte. Ltd.. This will allow the Group to further integrate its process flow of combining steel trading, steel processing, and steel scrap into one, and to fully enjoy the upcoming infrastructure boom as well as the increasing emphasis of off-site, pre-fabricated construction materials in Hong Kong. The Group will also be able to further streamline its sales, marketing and operational function after the acquisition, further reducing its overhead cost as to lay a solid foundation for its profit margin. In addition, the Group will actively pursue other marketing and promotional activities, in order to further drive order volume and utilization. These combined would lay a solid foundation of rebound in the near future.

During the Year, the Group has added another mark of success to its Property Investment and Project Management Business under its project management arm Hongkong and Shanghai Land Capital Ltd. (together with its affiliated companies, collectively "HSL"). For the Group's wholly-owned Central Park Pudong, the Group has recorded a satisfactory increase in its occupancy rate, with it rising by approximately 17.7% YoY to approximately 76.0% as of 31 March 2018. In addition, the Group has also completed the formation of a joint venture with Reco Wisteria Private Limited, a company indirectly and wholly-owned by the Minister of Finance of the Government of Singapore, in order to further diversify its investment portfolio, and provide an opportunity for the Group to participate in multiple larger size investment projects. Partnering with the investment arm of the Minister of Finance of the Government of Singapore, this would also yield goodwill and enhance the Group's reputation, while providing flexibility to the Group's capital allocation.

For the Year, the segment recorded a net profit of approximately HK$38.3 million on revenue of approximately HK$63.0 million, versus a net profit of approximately HK$173.8 million on revenue of approximately HK$72.9 million, as a smaller valuation gain of approximately HK$11.1 million from its wholly-owned Central Park Pudong was recorded for the Year (2017: approximately HK$272.0 million).

As Shanghai continues its transformation of becoming a global hub, through upgrading its innovative manufacturing and becoming the host of various international events such as Expo 2010, it is expected that there will be a massive increase in demand for commercial buildings. Targeting to unleash such potentials, the Group will continue to provide one-stop solutions for revitalizing under-performing commercial buildings to valuable assets under the professional teams of HSL. With a heavy focus on the Shanghai market, the Group will also look for quality partners for setting up joint venture and / or fund partnership for business expansion, which will allow the Group to enjoy certain flexibility on capital requirements, while still be able to capture projects which have higher investment requirement and greater potential and return.

Mr. Andrew Yao, Chairman and Chief Executive Officer of the Company, said, "As we continue our journey of transformation under such adverse market situation, I would like to show my utmost appreciation to our shareholders, for their trust and patience under the wildly-changing market environment. To turn our appreciation into action, we recommend a payment of final dividend despite the unsatisfactory financial performance, as we believe that it is important, or even obligated, to reward our shareholders for their faith."

"Looking forward to the future, we believe our strategic moves in our Construction Materials Business as well as our Property Investment and Project Management Business have laid a solid foundation for future rebound, and we believe that such long-term planning will be able to deliver sustainable and positive returns to the Group, and in return, generating greater returns to our shareholders." **Mr. Yao** concluded.

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This press release is issued by DLK Advisory Limited on behalf of **Hong Kong Shanghai Alliance Holdings Limited.**

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