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沪港联合

HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED

滬港聯合控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

PROFIT WARNING

This announcement is made by Hong Kong Shanghai Alliance Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary review of the Group’s unaudited consolidated management accounts for the year ended 31st March 2020 (the “**Year**”), the Group is expected to record a loss attributable to owners of the Company within a range of approximately HK\$85.0 million to HK\$95.0 million for the Year as compared to the profit attributable to owners of the Company of approximately HK\$13.9 million for the year ended 31st March 2019. The expected change from profit to loss for the Year is attributable to the expected impairment loss of approximately HK\$20.0 million against the property, plant and equipment; and we recognised a fair value gain, net of tax of the Group’s investment properties of approximately HK\$81.7 million for the year ended 31st March 2019.

Impairment of property, plant and equipment

As required by the Hong Kong Accounting Standards, an impairment review is required for property, plant and equipment whenever there is an indication that the assets may be impaired.

Given the combined effect of social incidents and the outbreak of the coronavirus disease (“COVID-19”) in Hong Kong, the progress of certain existing construction projects and the launch of new government and private construction projects have been slowed down. Management has since undertaken a preliminary assessment on the impairment of property, plant and equipment at the end of the Year, and has decided to reset the base of the growth in utilisation of the Group’s Tsing Yi plant in the near term, in order to reflect the latest challenging market conditions. As a result, the recoverable amount of certain property, plant and equipment is less than their carrying values, which resulted in an impairment loss estimated to be approximately HK\$20.0 million.

This impairment charge is a non-cash item and does not have any impact on the Group’s cash flows, operations and liquidity. However, it will have a significant impact on the reported earnings for the Year.

Valuation of investment properties

Due to the uncertainty in the future business environment in China as a consequence of the outbreak of COVID-19, the Group’s investment properties located in Shanghai, China, are expected to record a minimal fair value movement for the Year, as compared to a fair value gain, net of tax of approximately HK\$81.7 million for the year ended 31st March 2019. Based on the preliminary valuation report prepared by an independent international property valuer, the fair value of the Group’s major investment property, Central Park Pudong, is approximately RMB1,208.0 million (equivalent to approximately HK\$1,318.0 million) at the end of the Year (compared to approximately RMB1,206.0 million (equivalent to approximately HK\$1,404.9 million) at the end of 31st March 2019).

As the Group’s investment properties are held as medium to long-term investments for stable and recurring income, there will be no material impact on operating cash flow.

Impact of COVID-19

In the early stage of the outbreak of COVID-19 in both China and Hong Kong, as impacted by the containment measures implemented, the Group’s sales in both Construction Material Business and Building and Design Solution Business were slowed down in the last quarter of the Year due to the delay in deliveries made to construction/renovation sites. Operations in certain construction/renovation sites were temporarily suspended as a result of the shortage of construction materials from China and/or self-isolation of workers who had travel records. By considering the recent resumption of work in both China and Hong Kong, management expects the delivery to construction/renovation sites shall return to normal and sales will progressively regain momentum in the near term.

Management also continues to implement various measures, including an all-out effort to control operating costs, streamline operation process and organizational structure, closely monitor the procurement and turnover of inventories, develop an effective leasing strategy and improve liquidity, in an attempt to preserve working capital. We believe this would in turn provide sufficient flexibility to cope with acute challenges arising from the outbreak of COVID-19, and to maintain the Group's competitive advantages for its long term development.

The information contained in this announcement has not been reviewed or audited by the Company's auditors and is only based on the Board's preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31st March 2020. The Group is still in the course of finalising its accounts which are subject to further review and assessment by the Board and the Company's auditors. Therefore, the Group's results for the year ended 31st March 2020 may be different from the information as set out in this announcement. The final results of the Group for the year ended 31st March 2020 will be published by the Company within the timeframe stipulated under the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing with shares of the Company.

On behalf of the Board
Hong Kong Shanghai Alliance Holdings Limited
Yao Cho Fai Andrew
Chairman

Hong Kong, 29th May 2020

As at the date of this announcement, the Board comprises Mr. Yao Cho Fai Andrew and Mr. Lau Chi Chiu (being the executive directors); Mr. Tam King Ching Kenny, Mr. Xu Lin Bao, Mr. Yeung Wing Sun Mike and Mr. Li Yinquan (being the independent non-executive directors).