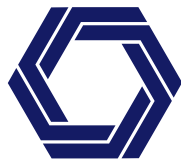


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沪港联合

**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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

The board of directors (the “Board”) of Hong Kong Shanghai Alliance Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th September 2020 (the “Period”).

**FINANCIAL HIGHLIGHTS**

*For the six months ended 30th September 2020*

	<b>2020</b>	2019	<b>Change</b>
	<b>HK\$ million</b>	HK\$ million	
Revenue	<b>955.8</b>	1,219.1	<b>-21.6%</b>
Gross profit	<b>140.3</b>	127.3	<b>+10.2%</b>
Operating profit	<b>51.5</b>	57.0	<b>-9.7%</b>
Profit for the period	<b>1.6</b>	1.4	<b>+20.7%</b>
Profit attributable to owners of the Company	<b>0.5</b>	2.5	<b>-81.1%</b>
Basic earnings per ordinary share (HK cent)	<b>0.07</b>	0.38	<b>-81.1%</b>
Gross profit margin	<b>14.7%</b>	10.4%	<b>+4.3 p.p.</b>
Operating profit margin	<b>5.4%</b>	4.7%	<b>+0.7 p.p.</b>
Net profit margin	<b>0.2%</b>	0.1%	<b>+0.1 p.p.</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

	<i>Note</i>	<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2020</b>	2019
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>955,834</b>	1,219,088
Cost of sales	5	<b>(815,546)</b>	(1,091,762)
<b>Gross profit</b>		<b>140,288</b>	127,326
Other gains – net	4	<b>4,038</b>	2,573
Selling and distribution expenses	5	<b>(8,905)</b>	(6,366)
(Impairment loss)/reversal of financial assets – net	5	<b>(2,940)</b>	4,044
General and administrative expenses	5	<b>(77,223)</b>	(107,165)
Fair value (loss)/gain on an investment property		<b>(3,783)</b>	36,606
<b>Operating profit</b>		<b>51,475</b>	57,018
Finance income	6	<b>131</b>	574
Finance costs	6	<b>(33,489)</b>	(40,789)
Share of results of investments accounted for using the equity method - net		<b>(11,376)</b>	(5,474)
<b>Profit before income tax</b>		<b>6,741</b>	11,329
Income tax expense	7	<b>(5,106)</b>	(9,974)
<b>Profit for the period</b>		<b>1,635</b>	1,355
<b>Profit/(loss) attributable to:</b>			
– Owners of the Company	9	<b>466</b>	2,467
– Non-controlling interests		<b>1,169</b>	(1,112)
		<b>1,635</b>	1,355
<b>Earnings per ordinary share attributable to owners of the Company for the period</b>			
– Basic earnings per share	9	<b>HK0.07 cent</b>	HK0.38 cent
– Diluted earnings per share	9	<b>HK0.07 cent</b>	HK0.38 cent

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period</b>	<b>1,635</b>	<b>1,355</b>
<b>Other comprehensive income/(loss):</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Change in financial assets at fair value through other comprehensive income	17	(37)
Net fair value change of cash flow hedge	(421)	—
Currency translation differences	<b>56,908</b>	(80,521)
<b>Other comprehensive income/(loss) for the period</b>	<b>56,504</b>	(80,558)
<b>Total comprehensive income/(loss) for the period</b>	<b>58,139</b>	(79,203)
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
– Owners of the Company	<b>51,578</b>	(70,517)
– Non-controlling interests	<b>6,561</b>	(8,686)
	<b>58,139</b>	(79,203)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
*AS AT 30TH SEPTEMBER 2020*

	<b>As at 30th September 2020 HK\$'000 (Unaudited)</b>	<b>As at 31st March 2020 HK\$'000 (Audited)</b>
	<i>Note</i>	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	40,017	48,979
Investment properties	1,378,483	1,324,824
Right-of-use assets	15,237	32,090
Intangible assets	1,069	1,493
Investments accounted for using the equity method	327,517	313,823
Deferred income tax assets	51,891	53,104
Prepayments, deposits and other receivables	4,046	18,038
Financial assets at fair value through other comprehensive income	3,225	62
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>1,821,485</b>	<b>1,792,413</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>		
Prepayments, deposits and other receivables	105,786	81,843
Inventories	420,972	354,859
Trade and bill receivables	331,006	358,932
Financial assets at fair value through profit or loss	29,019	15,820
Pledged bank deposits	69,169	9,137
Cash and cash equivalents	95,297	120,045
	<hr/>	<hr/>
<b>Total current assets</b>	<b>1,051,249</b>	<b>940,636</b>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>	<b>2,872,734</b>	<b>2,733,049</b>
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		As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		64,123	64,123
Reserves		796,858	741,722
		<u>860,981</u>	<u>805,845</u>
<b>Non-controlling interests</b>		<b>113,926</b>	110,923
		<u>974,907</u>	<u>916,768</u>
		-----	-----
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Accrued liabilities and other payables		10,957	11,144
Deferred income tax liabilities		93,222	89,541
Borrowings	12	813,700	855,083
Lease liabilities		66	3,499
		<u>917,945</u>	<u>959,267</u>
<b>Total non-current liabilities</b>		<b>917,945</b>	959,267
		-----	-----
<b>Current liabilities</b>			
Trade and bill payables	11	238,522	166,929
Derivative financial instrument		421	—
Receipts in advance		53,665	51,296
Accrued liabilities and other payables		50,498	47,170
Current income tax liabilities		8,581	7,371
Borrowings	12	618,279	560,555
Lease liabilities		9,916	23,693
		<u>979,882</u>	<u>857,014</u>
<b>Total current liabilities</b>		<b>979,882</b>	857,014
		-----	-----
<b>Total liabilities</b>		<b>1,897,827</b>	1,816,281
		-----	-----
<b>Total equity and liabilities</b>		<b>2,872,734</b>	2,733,049
		<u><u>2,872,734</u></u>	<u><u>2,733,049</u></u>

## NOTES

### 1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31st March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. They have been prepared under the historical cost convention, as modified by financial asset at fair value through profit or loss and other comprehensive income, derivative financial instrument and investment properties, which are carried at fair values.

### 2 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st March 2020, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### 2.1 Adoption of new accounting policy in the current interim period

##### (a) Amended standards adopted by the Group

The following amendments to existing standards are mandatory for the first time for the financial year beginning on 1st April 2020 and are currently relevant to the Group. The adoption of the amendments did not result in any significant impact on the results and financial position of the Group.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
HKFRS 3 (Amendments)	Definition of Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions

## (b) New and amended standards not yet adopted

The following new standards and amendments have been issued but are not effective for the financial year beginning on 1st April 2020 and have not been early adopted:

	<b>Effective for annual periods beginning on or after</b>
HKFRS 17, “Insurance Contracts”	1st January 2021
Annual Improvements to HKFRS Standards 2018 - 2020	1st January 2022
Amendments to HKFRS 3, HKAS 16, and HKAS 37, “Narrow-scope amendments”	1st January 2022
Amendments to HKAS 1, “Classification of Liabilities as Current or Non-current”	1st January 2023
Amendments to HKFRS 10 and HKAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined

The Group will adopt the above new and amended standards when they become effective. The Group is in the process of assessing the impact of adoption of such new and amended standards on the Group’s results and financial position.

## 2.2 Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

## 2.3 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months or if the counter party has the right to terminate the hedging instruments anytime. Trading derivatives are classified as a current asset or liability.

Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within “Other gains – net”.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset, both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.



### 3 Revenue and segment information

The Group's revenue consists of the following:

	Six months ended 30th September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of goods	<b>904,481</b>	1,175,396
Service income	<b>34,537</b>	14,710
Rental income	<b>16,816</b>	28,982
Total revenue	<b>955,834</b>	1,219,088

The Group's businesses are managed according to the nature of their operations and the products and services they provide.

Management has determined the operating segments based on the reports reviewed by the Group's Chief Operating Decision Maker ("CODM") that are used to make strategic decisions. The CODM considers the Group operates predominantly in three operating segments:

- (i) Construction materials business;
- (ii) Building and design solutions ("BDS") business; and
- (iii) Property investment and project management business.

The CODM assesses the performance of operating segments based on a measure of profit before income tax.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in this unaudited condensed consolidated interim financial information.

Capital expenditure comprises additions to property, plant and equipment and investment properties for the six months ended 30th September 2020 and 2019.

The comparative figures have been reclassified to conform with the current period's presentation of the financial information.

Analysis of the Group's results by business segment for the six months ended 30th September 2020 is as follows:

	<b>Unaudited</b>				
	<b>Construction</b>	<b>BDS</b>	<b>Property</b>	<b>Unallocated</b>	<b>Total</b>
	<b>materials</b>	<b>business</b>	<b>investment</b>	<b>business</b>	<b>business</b>
	<b>business</b>	<b>business</b>	<b>and project</b>	<b>business</b>	<b>business</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>management</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>business</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from contracts with customers					
– Recognised at a point in time	748,374	151,220	—	4,887	904,481
– Recognised over time	—	—	34,537	—	34,537
– Rental income	13	—	16,803	—	16,816
	<u>748,387</u>	<u>151,220</u>	<u>51,340</u>	<u>4,887</u>	<u>955,834</u>
Operating profit/(loss)	35,065	18,095	29,345	(31,030)	51,475
Finance income	68	17	40	6	131
Finance costs	(8,743)	(2,125)	(20,340)	(2,281)	(33,489)
Share of results of investments accounted for using the equity method – net	—	—	(11,376)	—	(11,376)
Profit/(loss) before income tax	<u>26,390</u>	<u>15,987</u>	<u>(2,331)</u>	<u>(33,305)</u>	<u>6,741</u>
Other gains – net	<u>497</u>	<u>500</u>	<u>408</u>	<u>2,633</u>	<u>4,038</u>
Fair value loss on an investment property	<u>—</u>	<u>—</u>	<u>(3,783)</u>	<u>—</u>	<u>(3,783)</u>
Capital expenditure	<u>163</u>	<u>219</u>	<u>513</u>	<u>—</u>	<u>895</u>
Depreciation and amortisation	<u>(2,640)</u>	<u>(2,893)</u>	<u>(848)</u>	<u>(10,102)</u>	<u>(16,483)</u>

Analysis of the Group's results by business segment for the six months ended 30th September 2019 is restated as follows:

	Unaudited				Total <i>HK\$'000</i>
	Construction materials business <i>HK\$'000</i>	BDS business <i>HK\$'000</i>	Property investment and project management business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	
Revenue from contracts with customers					
– Recognised at a point in time	958,464	152,351	—	64,581	1,175,396
– Recognised over time	—	—	14,710	—	14,710
– Rental income	182	—	28,800	—	28,982
	<u>958,646</u>	<u>152,351</u>	<u>43,510</u>	<u>64,581</u>	<u>1,219,088</u>
Operating profit/(loss)	27,294	18,600	62,138	(51,014)	57,018
Finance income	332	30	20	192	574
Finance costs	(16,433)	(2,025)	(19,068)	(3,263)	(40,789)
Share of results of investments accounted for using the equity method – net	—	—	(5,474)	—	(5,474)
Profit/(loss) before income tax	<u>11,193</u>	<u>16,605</u>	<u>37,616</u>	<u>(54,085)</u>	<u>11,329</u>
Other gains/(losses) – net	<u>862</u>	<u>1,366</u>	<u>1,762</u>	<u>(1,417)</u>	<u>2,573</u>
Fair value gain on an investment property	<u>—</u>	<u>—</u>	<u>36,606</u>	<u>—</u>	<u>36,606</u>
Capital expenditure	<u>4,845</u>	<u>189</u>	<u>987</u>	<u>8</u>	<u>6,029</u>
Depreciation and amortisation	<u>(2,872)</u>	<u>(2,893)</u>	<u>(1,459)</u>	<u>(25,824)</u>	<u>(33,048)</u>

The Group is domiciled in Hong Kong and Mainland China. Analysis of the Group's revenue by geographical market is as follows:

	<b>Six months ended 30th September</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Mainland China	<b>323,063</b>	347,487
Hong Kong	<b>632,771</b>	871,601
<b>Total revenue</b>	<b><u>955,834</u></b>	<b><u>1,219,088</u></b>

Non-current assets, other than financial instruments and deferred income tax assets by geographical market is as follows:

	<b>As at</b>	<b>As at</b>
	<b>30th September</b>	<b>31st March</b>
	<b>2020</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>		
Hong Kong	<b>381,483</b>	405,817
Mainland China	<b>1,384,886</b>	1,333,430
<b>Total non-current assets</b>	<b><u>1,766,369</u></b>	<b><u>1,739,247</u></b>

#### 4 Other gains - net

	<b>Six months ended 30th September</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net exchange gain/(losses) - net	<b>546</b>	(1,972)
Loss on disposal of a subsidiary and an associate	<b>—</b>	(41)
Sundry income	<b>3,492</b>	4,586
	<b><u>4,038</u></b>	<b><u>2,573</u></b>

## 5 Expenses by nature

	Six months ended 30th September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of finished goods sold	784,148	1,052,293
(Reversal of)/provision for impairment of inventories	(650)	592
Depreciation of property, plant and equipment	8,198	20,340
Depreciation of right-of-use assets	7,761	12,180
Loss/(gain) on disposals of property, plant and equipment	64	(66)
Amortisation of intangible assets	524	528
Employee benefit expenses (Note)	51,622	60,783
Legal and professional fees	1,537	3,068
Storage and handling charges	3,731	4,401
Expenses relating to short-term or low-value leases	343	2,724
Provision for/(reversal of) impairment of trade and bill receivables – net	2,940	(4,044)
Freight charges	23,438	24,944
Others	20,958	23,506
	<hr/>	<hr/>
Total	<b>904,614</b>	<b>1,201,249</b>
	<hr/> <hr/>	<hr/> <hr/>

Note:

During the six months ended 30th September 2020, wage subsidies of HK\$2,811,000 and HK\$3,741,000 granted from the Employment Support Scheme under Anti-Epidemic Fund was recognised in “cost of sales” and “general and administrative expenses” respectively and had been offset with the employee benefit expenses.

## 6 Finance income and costs

	Six months ended 30th September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Finance income		
– interest income on short-term bank deposits	131	574
	<hr/>	<hr/>
Finance costs		
– interest expenses on bank borrowings	(31,466)	(37,365)
– interest expenses arising from lease liabilities	(556)	(1,129)
– bank charges	(1,467)	(2,295)
	<hr/>	<hr/>
	<b>(33,489)</b>	<b>(40,789)</b>
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Net finance costs	<b>(33,358)</b>	<b>(40,215)</b>
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## 7 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% except for one of the Hong Kong incorporated subsidiaries which is subject to 8.25% for its first HK\$2,000,000 of assessable profits under the two-tiered profit tax regime during the Period (2019: Same). Subsidiaries established in Mainland China are subject to China corporate income tax at 25% (2019: Same).

The amount of income tax expense recorded in the unaudited condensed consolidated interim statement of profit or loss represents:

	Six months ended 30th September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	2,225	2,177
– China corporate income tax	1,769	550
Deferred income tax	1,112	7,247
	<u>5,106</u>	<u>9,974</u>

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## 8 Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2020 (2019: Nil).

## 9 Earnings per ordinary share

### (a) Basic

Basic earnings per ordinary share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th September	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>466</u>	<u>2,467</u>
Weighted average number of ordinary shares in issue ('000)	<u>641,232</u>	<u>641,232</u>
Basic earnings per ordinary share (HK cent)	<u>0.07</u>	<u>0.38</u>

### (b) Diluted

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares arising from share options, for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30th September	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company and used to determine diluted earnings per ordinary share (HK\$'000)	<u>466</u>	<u>2,467</u>
Weighted average number of ordinary shares in issue ('000)	<u>641,232</u>	<u>641,232</u>
Adjustment for share options ('000)	<u>—</u>	<u>3,538</u>
Weighted average number of ordinary shares for diluted earnings per ordinary share ('000)	<u>641,232</u>	<u>644,770</u>
Diluted earnings per ordinary share (HK cent)	<u>0.07</u>	<u>0.38</u>

## 10 Trade and bill receivables

Sales are either covered by letters of credit or open account with credit terms of 0 to 90 days.

Ageing analysis of trade and bill receivables by invoice date is as follows:

	As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
0 - 60 days	254,723	276,458
61 - 120 days	53,550	42,819
121 - 180 days	7,568	20,419
181 - 365 days	8,778	14,668
Over 365 days	29,170	23,473
	<hr/>	<hr/>
	353,789	377,837
Less: Provision for impairment	(22,783)	(18,905)
	<hr/>	<hr/>
	<b>331,006</b>	<b>358,932</b>
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of net trade and bill receivables approximated their fair values.

## 11 Trade and bill payables

Payment terms with suppliers are either on letters of credit or open account with credit period of 30 to 120 days.

Ageing analysis of the trade and bill payables by invoice date is as follows:

	As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
0 - 60 days	237,935	166,472
61 - 120 days	107	185
121 - 180 days	78	70
181 - 365 days	163	—
Over 365 days	239	202
	<hr/>	<hr/>
	238,522	166,929
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of trade and bill payables approximated their fair values.



## 12 Borrowings

	As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
Current		
– Trust receipts bank loans	466,486	480,312
– Short-term bank loans	62,590	22,911
– Current portion of long-term bank loan, secured	89,203	57,332
	<u>618,279</u>	<u>560,555</u>
Non-current		
– Long-term bank loans, secured	813,700	855,083
Total borrowings	<u><u>1,431,979</u></u>	<u><u>1,415,638</u></u>

## 13 Commitments

### (a) Commitments under operating leases

Lessor

The Group leases investment properties under non-cancellable operating lease agreements. The lease agreements are renewable at the end of the lease period at market rate.

Total commitments receivable under various non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

	As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
Not later than one year	<u><u>22,809</u></u>	<u><u>22,493</u></u>

(b) **Capital commitments**

Capital commitments at the end of the reporting period are as follows:

	<b>As at 30th September 2020 <i>HK\$'000</i> (Unaudited)</b>	<b>As at 31st March 2020 <i>HK\$'000</i> (Audited)</b>
Contracted but not provided for:		
Renovation work for the investment property	<b>49</b>	62
Commitment to provide funding for associate's capital commitments, if called	<b>20,966</b>	30,348
	<b>21,015</b>	30,410

**14 Contingent liabilities**

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact as at 30th September 2020 (2019: Same).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The first half of FY20/21 continues to be challenging, as the outbreak of the coronavirus disease 2019 (“COVID-19 pandemic”) has led to lower market visibility and weakened business confidence, which in turn, causing shrinking demand in new leases in Shanghai. Meanwhile, the delay and postponement of construction and hotel upgrade projects have put further pressure on the Group, affecting the demand of its Construction Materials Business and Building and Design Solutions Business.

As a result, the Group recorded a revenue of approximately HK\$955.8 million during the Period, versus a revenue of approximately HK\$1,219.1 million in the same period last year. Yet, benefitting from the increase in gross profit margin from approximately 10.4% to approximately 14.7%, gross profit reached approximately HK\$140.3 million, as compared to approximately HK\$127.3 million in the same period last year.

Net profit and net profit attributable to owners of the Company for the Period was approximately HK\$1.6 million and HK\$0.5 million respectively, as compared to approximately HK\$1.4 million and HK\$2.5 million in the same period last year. The decrease in net profit attributable to owners of the Company was mainly due to the fair value loss, net of tax of approximately HK\$2.8 million from a Group’s investment property during the Period, as compared to the approximately HK\$27.5 million fair value gain, net of tax in the same period last year.

Basic earnings per ordinary share was HK0.07 cent for the Period, versus HK0.38 cent in the same period last year.

During the Period, in order to cope with the difficult business environment and minimise the impact of COVID-19 pandemic, the Group continued to closely monitor its operating costs to preserve working capital. Specifically, the Group paid extra effort to refine its organisational structure, streamline its non-core Engineering Plastics Business, while closely monitoring the procurement and turnover of inventories, developing effective leasing strategy and strengthening its financial position. Through such dedicated efforts and measures, the Group’s Construction Materials Business was able to deliver a rebound in profit before income tax by approximately 135.8% year-over-year (“YOY”), whereas the performance of Building and Design Solutions Business remained stable and, as benefited from the launch of new project with a private equity fund, the fee income of Property Investment and Project Management Business also increase under this challenging market, which partially offsets the adverse impact caused by the change in fair value of the Group’s investment property.

### Property Investment and Project Management Business

Being a leading private equity real estate investor and investment manager with proven track record, the Group specialises in property enhancement work through alterations, additions, as well as provision of quality property management services, with the aim of unlocking property values in niche markets.

The Group's Property Investment and Project Management Business consists of (i) direct acquisitions of properties for investment such as our wholly-owned Central Park·Pudong, which generates rental and property management fee income together with the appreciation in fair value in the medium-to-long term; and (ii) investments in properties via partnerships or investment funds where the Group takes an equity stake and acts as a general partner and/or investment manager to earn fee income. As of 30th September 2020, the Group has partnerships with two leading private equity funds on the development of two revitalisation projects, namely Central Park·Jing'an and Great Wall Financial Building (also known as Central Park·Huangpu), respectively.

Although the demand for office leasing in Shanghai is progressively regaining its momentum as the COVID-19 pandemic is largely under control in China, the short-term uncertainties have suppressed both market occupancy and rent rate in Shanghai during the Period. Thus, the Property Investment and Project Management Business recorded a loss before income tax of approximately HK\$2.3 million on revenue of approximately HK\$51.3 million, versus a profit before income tax of approximately HK\$37.6 million on revenue of approximately HK\$43.5 million in the same period last year. The change from profit to loss was mainly due to the fair value gain of HK\$36.6 million from Central Park·Pudong in the same period last year, as compared to a fair value loss of HK\$3.8 million during the Period.

Nonetheless, the Group has completed the acquisition of Central Park·Huangpu in June 2020 with its revitalisation now in full swing during the Period. It also contributes additional fee income to the Group.

During the Period, the Group shared the losses of investments accounted for using the equity method of HK\$11.4 million, as compared to a share of loss of HK\$5.5 million in the same period last year.

### **Building and Design Solutions Business**

The Group's Building and Design Solutions Business dedicates to provide comprehensive value proposition for sanitary ware and fittings and kitchen products, through the provision of services including design, installation, inventory management, logistics and technical support. The Group equips with an extensive, well-designed and popular branded sanitary wares and fittings product portfolio, which is well-positioned to capture the rising demand from the enhanced hygiene awareness amidst the COVID-19 pandemic, as well as the growing call for high-quality lifestyle products.

Supported by the Group's unremitting efforts, the Building and Design Solutions Business recorded a profit before income tax of approximately HK\$16.0 million on revenue of approximately HK\$151.2 million, versus a profit before income tax of approximately HK\$16.6 million on revenue of approximately HK\$152.4 million in the same period last year.

### **Construction Materials Business**

The Group's Construction Materials Business comprises (i) Hong Kong construction products processing and distribution; (ii) reinforcing bar processing and assembly, and (iii) surface critical coil processing and distribution in the PRC.

During the Period, the Construction Materials Business continued to face multiple challenges, particularly over the global steel market remains volatile during the COVID-19 pandemic. On the demand side, the growing list of government projects pending for funding approval, as well as the delay in private construction projects due to the disruptions in construction material supply and/or government quarantine measures, have altogether slowed product demand in the first quarter of FY20/21.

Despite that the performance of our Construction Materials Business still lags behind expectation, recent earnings have shown progressive improvements. During the Period, the Construction Materials Business recorded a profit before income tax of approximately HK\$26.4 million on revenue of approximately HK\$748.4 million, versus a profit before income tax of approximately HK\$11.2 million on revenue of approximately HK\$958.6 million in the same period last year. The drop in total revenue by approximately 21.9% YoY was mainly attributable to the slowdown in demand in the Hong Kong construction market. However, leveraging the improvement in production efficiency of its reinforcing bar processing and assembly business as well as cost containment measures which boosted gross profit margin, profit before income tax has improved by approximately 135.8% YoY.

## **OUTLOOK**

### **Property Investment and Project Management Business**

With the COVID-19 pandemic situation largely under control in China, the Group remains optimistic on the medium-to-long-term growth in demand of premium-grade offices in Shanghai, the city which has a strategic locational advantage and is regarded as the key financial and economic hub of China. In particular, it begins to show a stable and ongoing rebound in demand, as companies have restored confidence in putting forth leasing decisions.

The Shanghai market will continue to be the focus, and the Group will look to further establish itself as a niche market specialist in property revitalisation and value optimisation with proven track records.

### **Building and Design Solutions Business**

The Group will continue to roll out its segment-based growth strategy in Hong Kong, Macau, Shanghai and Wuhan. Its extensive, prime-quality and well-designed sanitary products and fitting portfolio will allow it to capture market opportunities arising from rising hygiene awareness, consumer's personality and customisation in Hong Kong as well as the continuous hotel expansion in Macau. Leveraging the strong market presence of our brand partners, the Group will target primarily large and iconic projects in Hong Kong, Macau, Shanghai and Wuhan.

### **Construction Materials Business**

The Group expects the global steel market to remain volatile in the second half of FY20/21 due to the unforeseeable disruptions in global demand and supply during COVID-19 pandemic. However, with the expectation of increasing public spending in annual capital works investments, which encompasses public housing development, hospital redevelopment and expansion and new towns development for the next few years, as well as the probable rebound in private market demand upon launches of major construction projects in Kai Tak and Chek Lap Kok area, the Group remains cautiously optimistic in the medium and long-term development of the industry in Hong Kong.

Currently, the business is well on track to restore profit growth. The Group will strive to secure the most cost-efficient steel supply around the globe, seising opportunities to improve margin of our steel distribution business. By further improving its reinforcing bar processing efficiency and steel procurement strategy, the Group have laid a solid foundation to strengthen its position in the industry, seising opportunities for cross-selling, and providing one-stop solutions to our valued customers.

## **FINANCIAL REVIEW**

### **Financial Position**

Compared with the financial year ended 31st March 2020, as at 30th September 2020, the Group's total assets increased from approximately HK\$2,733.0 million to approximately HK\$2,872.7 million. The Group's inventories increased from approximately HK\$354.9 million to approximately HK\$421.0 million, mainly due to the preparation of inventories for orders in second half of the fiscal year. The average inventory days of supply increased to 94 days. The Group's trade and bill receivables decreased from approximately HK\$358.9 million to approximately HK\$331.0 million. The average overall day of sales outstanding decreased to 53 days. Net asset value of the Group increased from approximately HK\$916.8 million as at 31st March 2020 to approximately HK\$974.9 million, mainly attributable to the translation gain arisen from the appreciation of RMB for the Group's net investments in the PRC. Net asset value per ordinary share was equivalent to approximately HK\$1.34 as at 30th September 2020.

Comparing with the financial position as at 31st March 2020, the Group's cash and cash equivalents and pledged bank deposits has increased by approximately HK\$35.3 million to approximately HK\$164.5 million while the Group's borrowings slightly increased by approximately HK\$16.3 million to approximately HK\$1,432.0 million as at 30th September 2020. Current ratio slightly decreased from 1.10 to 1.07, with gearing ratio (net debt, which is total borrowings minus pledged bank deposits and cash and cash equivalents, divided by capital and reserves attributable to owners of the Company plus net debt) slightly decreased from 61.5% to 59.5%. The Group will continue to monitor its working capital closely and take various measures on cost containment and operational efficiency improvement.

### **Financial Resources**

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The Group's overall treasury and funding policies focus on managing financial risks including interest rate and foreign exchange risks; on cost efficient funding of the Company and its subsidiaries; and on yield enhancement from time to time when the Group's cash position allows. The Group has always adhered to prudent financial management principles, including the selection of investment securities according to the Group's treasury investment policy.

The Group's trade financing remained primarily supported by its bank trading and term loan facilities. As at 30th September 2020, about 56.3% of the Group's interest-bearing borrowings were denominated in HK dollar, about 35.5% in RMB and about 8.2% in US dollar. These facilities are either secured by the Group's inventories held under short-term trust receipts bank loan arrangement and/or pledged bank deposits and/or corporate guarantee provided by the Company. All of the above borrowings were on floating rate basis except for a term loan of HK\$70.0 million which is converted to a fixed rate basis through an interest rate swap arrangement. Interest costs of import bank loans were levied on interbank offered rates plus very competitive margin. RMB loans of the Group have been obtained from domestic and foreign banks in the amount of RMB447.1 million. Interest costs of RMB banking facilities were based on standard loan rates set by the People's Bank of China/ Loan Prime Rate adjusted with competitive margin.

### **Charges on Assets**

As at 30th September 2020, the Group had certain charges on assets which included (i) bank deposits of approximately HK\$69.2 million (31st March 2020: HK\$9.1 million) which were pledged as collateral for the Group's bill payables; and (ii) investment properties of approximately HK\$1,377.9 million (31st March 2020: HK\$1,324.3 million) which were pledged as collaterals for certain bank borrowings and bill payables of the Group.

### **Foreign Exchange Risk**

The Group's businesses are primarily transacted in HK dollars, US dollars and RMB. As exchange rate between HK dollars and the US dollars is pegged, the Group believes its exposure to exchange rate risk arising from US dollars is not material. Facing the volatility of RMB, the Group will continue to match RMB payments with RMB receipts to minimise exchange exposure.

Forward foreign exchange contracts would be entered into when suitable opportunities arise and when management of the Group considers appropriate, to hedge against major non-HK dollars currency exposures. It is the Group's policy not to enter into any derivative transaction for speculative purposes.

### **Capital Expenditure**

During the Period, the Group's total capital expenditure amounted to approximately HK\$0.9 million (2019: approximately HK\$6.0 million).

### **Capital Commitments**

As at 30th September 2020, the Group's total capital commitments amounted to approximately HK\$21.0 million (31st March 2020: approximately HK\$30.4 million).

### **Contingent Liabilities**

Save as disclosed in Note 14, as at 30th September 2020, the Group's had no material contingent liabilities (31st March 2020: Same).

## **Major Acquisitions and Disposals**

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the Period.

## **HUMAN CAPITAL**

The Group is focusing on talent development to lead the Group to future success, and its growth strategy has always embraced its commitment to people. The Group aims to provide competitive remuneration package to attract and motivate employees, and has always provided a safe and pleasant working environment with constant learning and growth opportunities. As at 30th September 2020, the Group employed 237 staff (31st March 2020: 267 staff). Total staff costs including contribution to retirement benefit schemes incurred while netted off with the wage subsidies received under the Employment Support Scheme, amounted to approximately HK\$51.6 million during the Period. No options have been offered and/or granted to Directors and our employees under the share option scheme adopted on 11th August 2011 during the Period.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2020 (2019: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Audit Committee has discussed auditing, internal controls, risk management and financial reporting matters including review of the results for the six months ended 30th September 2020.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for CG Code provision A.2.1 for the Period.

CG Code provision A.2.1 stipulates that the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. Mr. Yao Cho Fai Andrew ("Mr. Yao") serves as both the Chairman and Chief Executive Officer (i.e. the Chief Executive). The Board believes that the vesting of the roles of both Chairman and Chief Executive Officer in Mr. Yao will enable him to continue to provide the Group with strong leadership, efficiency usage of resources as well as allow for effective planning, formulation and implementation of the Company's business strategies which will enable the Group to sustain the development of its business efficiently. The day-to-day management and operation of the Group will continue to be the responsibility of the management team under the monitor of the Executive Committee and Mr. Yao's leadership.



## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the websites of the Company ([www.hkshalliance.com](http://www.hkshalliance.com)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report for the six months ended 30th September 2020 of the Company containing all information required by the Listing Rules will be despatched to shareholders and available on the same websites in due course.

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

Hong Kong, 26th November 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).*