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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 2021

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 2021 (the "Period").

FINANCIAL HIGHLIGHTS

For the six months ended 30th September 2021

	2021 *HK$ million*	2020 *HK$ million*	**Change**
Revenue	**1,359.8**	955.8	**+42.3%**
Gross profit	**191.9**	140.3	**+36.8%**
Operating profit	**100.6**	51.5	**+95.3%**
Profit for the period	**49.2**	1.6	**+2,906.4%**
Profit attributable to owners of the Company	**49.6**	0.5	**+10,535.8%**
Basic earnings per ordinary share (HK cent(s))	**7.73**	0.07	**+10,942.9%**
Interim dividend per ordinary share (HK cents)	**1.50**	Nil	**N/A**
Gross profit margin	**14.1%**	14.7%	**-0.6 p.p.**
Operating profit margin	**7.4%**	5.4%	**+2.0 p.p.**
Net profit margin	**3.6%**	0.2%	**+3.4 p.p.**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2021

		Six months ended 30th September	
		2021	2020
		HK$'000	*HK$'000*
	Note	**(Unaudited)**	(Unaudited)
Revenue	*4*	**1,359,791**	955,834
Cost of sales	*6*	**(1,167,916)**	(815,546)
Gross profit		**191,875**	140,288
Other gains – net	*5*	**4,688**	4,038
Selling and distribution expenses	*6*	**(7,052)**	(8,905)
Impairment loss on financial assets – net	*6*	**(5,993)**	(2,940)
General and administrative expenses	*6*	**(82,907)**	(77,223)
Fair value loss on an investment property		**—**	(3,783)
Operating profit		**100,611**	51,475
Finance income	*7*	**634**	131
Finance costs	*7*	**(30,821)**	(33,489)
Share of results of investments accounted for using the equity method		**(8,314)**	(11,376)
Profit before income tax		**62,110**	6,741
Income tax expense	*8*	**(12,956)**	(5,106)
Profit for the period		**49,154**	1,635
Profit/(loss) attributable to:			
– Owners of the Company	*10*	**49,563**	466
– Non-controlling interests		**(409)**	1,169
		49,154	1,635
Earnings per ordinary share attributable to owners of the Company for the period			
– Basic earnings per ordinary share	*10*	**HK7.73 cents**	HK0.07 cent
– Diluted earnings per ordinary share	*10*	**HK7.73 cents**	HK0.07 cent

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2021

	Six months ended 30th September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**49,154**	1,635
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Change in financial assets at fair value through other comprehensive income	**1,057**	17
Net fair value change of cash flow hedge	**175**	(421)
Release of exchange reserve upon deregistration of subsidiaries	**(1,354)**	—
Currency translation differences	**24,020**	56,908
Other comprehensive income for the period	**23,898**	56,504
Total comprehensive income for the period	**73,052**	58,139
Total comprehensive income for the period attributable to:		
– Owners of the Company	**71,083**	51,578
– Non-controlling interests	**1,969**	6,561
	73,052	58,139

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER 2021

	Note	As at 30th September 2021 HK$'000 (Unaudited)	As at 31st March 2021 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**44,865**	41,682
Investment properties		**1,446,633**	1,422,582
Right-of-use assets		**19,526**	13,253
Intangible assets		**452**	710
Investments accounted for using the equity method		**337,837**	337,430
Prepayments, deposits and other receivables		**16,599**	12,540
Deferred income tax assets		**44,779**	49,326
Financial assets at fair value through other comprehensive income		**5,260**	4,203
Total non-current assets		**1,915,951**	1,881,726
Current assets			
Prepayments, deposits and other receivables		**102,900**	99,052
Inventories		**541,333**	443,072
Trade and bill receivables	*11*	**463,911**	363,814
Pledged bank deposits		**52,155**	54,008
Cash and cash equivalents		**158,756**	119,098
Total current assets		**1,319,055**	1,079,044
Total assets		**3,235,006**	2,960,770

	Note	As at 30th September 2021 HK$'000 (Unaudited)	As at 31st March 2021 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**64,123**	64,123
Reserves		**888,174**	823,598
		952,297	887,721
Non-controlling interests		**122,756**	120,787
Total equity		**1,075,053**	1,008,508
LIABILITIES			
Non-current liabilities			
Accrued liabilities and other payables		**13,232**	11,147
Deferred income tax liabilities		**96,093**	94,081
Borrowings	*13*	**765,171**	779,749
Lease liabilities		**5,746**	1,991
Total non-current liabilities		**880,242**	886,968
Current liabilities			
Trade and bill payables	*12*	**173,837**	245,354
Receipts in advance and deferred revenue		**61,283**	53,537
Accrued liabilities and other payables		**51,817**	39,220
Provisions		**75,805**	35,298
Derivative financial instruments		**909**	1,084
Borrowings	*13*	**893,898**	674,893
Lease liabilities		**5,701**	4,528
Current income tax liabilities		**16,461**	11,380
Total current liabilities		**1,279,711**	1,065,294
Total liabilities		**2,159,953**	1,952,262
Total equity and liabilities		**3,235,006**	2,960,770

NOTES

1 General information

The Company is a limited liability company incorporated in Bermuda on 12th January 1994 as an exempted company under the Companies Act 1981 of Bermuda. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18th February 1994. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Rooms 1103-05, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong.

The Group is principally engaged in distribution and processing of construction materials such as steel products; trading of sanitary wares and kitchen cabinets; and property investment and project management businesses.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollar ("HK$"), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue on 29th November 2021 by the Board of the Company.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September 2021 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"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31st March 2021, 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 other comprehensive income, derivative financial instruments and investment properties, which are carried at fair values.

3 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31st March 2021.

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

3.1 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 2021 and are currently relevant to the Group:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions

The Group has adopted HKFRS 16 (Amendments) – COVID-19-Related Rent Concessions retrospectively from 1st April 2021. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before 30th September 2021; and (c) there is no substantive change to other terms and conditions of the lease.

The Group has elected not to apply the optional practical expedient to all qualifying COVID-19-related rent concessions, and all the COVID-19-related rent concessions were consistently accounted for as lease modification in accordance with HKFRS 16.

The above newly adopted amendments to existing standards did not have any material impact on the results and financial position of the Group.

(b) New and amended standard not yet adopted by the Group

The following new standards, new interpretations and amendments to standards have been issued but are not effective for the financial year beginning on 1st April 2021 and have not been early adopted by the Group:

	Effective for annual periods beginning on or after
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
Hong Kong Accounting Guideline 5 (Revised)	1st January 2022
HKFRS 17, "Insurance Contracts"	1st January 2023
Amendments to HKAS 1, "Classification of Liabilities as Current or Non-current"	1st January 2023
HK (IFRIC) – Int 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"	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 standards, new interpretations and amendments to standards when they become effective. The Group is in the process of assessing the impact of adoption of such new standards, new interpretations and amendments to standards on the Group's results and financial position.

3.2 Hire purchase liabilities

Property, plant and equipment acquired under hire purchase are capitalised in the unaudited condensed consolidated interim financial position and depreciated in accordance with the policy set out in Note 2.7 of the annual financial statements for the year ended 31st March 2021.

The corresponding outstanding obligations due under the hire purchase after deducting finance expenses are included as liabilities in the unaudited condensed consolidated interim statement of financial position. Finance charges are allocated to profit or loss over the period of the hire purchase agreements on a straight line basis.

4 Revenue and segment information

The Group's revenue consists of the following:

	Six months ended 30th September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of goods	**1,312,812**	904,481
Service income	**23,224**	34,537
Rental income	**23,755**	16,816
Total revenue	**1,359,791**	955,834

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 2021 and 2020.

Analysis of the Group's results by business segment for the six months ended 30th September 2021 is as follows:

	Unaudited				
	Construction materials business	**BDS business**	**Property investment and project management business**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from contracts with customers					
– Recognised at a point in time	**1,115,710**	**197,102**	**—**	**—**	**1,312,812**
– Recognised over time	**—**	**—**	**23,224**	**—**	**23,224**
– Rental income	**14**	**—**	**23,741**	**—**	**23,755**
	1,115,724	**197,102**	**46,965**	**—**	**1,359,791**
Operating profit/(loss)	**71,102**	**27,115**	**28,119**	**(25,725)**	**100,611**
Finance income	**555**	**10**	**66**	**3**	**634**
Finance costs	**(9,015)**	**(2,105)**	**(18,074)**	**(1,627)**	**(30,821)**
Share of results of investments accounted for using the equity method	**—**	**—**	**(8,314)**	**—**	**(8,314)**
Profit/(loss) before income tax	**62,642**	**25,020**	**1,797**	**(27,349)**	**62,110**
Other (loss)/gains – net	**(548)**	**1,593**	**1,594**	**2,049**	**4,688**
Capital expenditure	**6,184**	**138**	**103**	**9**	**6,434**
Depreciation and amortisation	**(2,123)**	**(1,608)**	**(640)**	**(2,187)**	**(6,558)**

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

	Unaudited				
	Construction materials business *HK$'000*	BDS business *HK$'000*	Property investment and project management business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
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
	748,387	151,220	51,340	4,887	955,834
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	—	—	(11,376)	—	(11,376)
Profit/(loss) before income tax	26,390	15,987	(2,331)	(33,305)	6,741
Other gains – net	497	500	408	2,633	4,038
Fair value loss on an investment property	—	—	(3,783)	—	(3,783)
Capital expenditure	163	219	513	—	895
Depreciation and amortisation	(2,640)	(2,893)	(848)	(10,102)	(16,483)

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

	Six months ended 30th September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Mainland China	**382,366**	323,063
Hong Kong	**977,425**	632,771
Total revenue	**1,359,791**	955,834

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

	As at 30th September 2021	As at 31st March 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets		
Hong Kong	**408,042**	394,128
Mainland China	**1,457,870**	1,434,069
Total non-current assets	**1,865,912**	1,828,197

5 Other gains - net

	Six months ended 30th September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net exchange (losses)/gain	**(571)**	546
Gain on modification of lease	**1,141**	—
Dividend income	**657**	—
Release of exchange reserve upon deregistration of subsidiaries	**1,354**	—
Sundry income	**2,107**	3,492
	4,688	4,038

6 Expenses by nature

	Six months ended 30th September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of finished goods sold	**1,071,602**	784,148
Provision for/(reversal of) impairment of inventories	**50**	(650)
Provision for onerous contracts	**41,706**	—
Depreciation of property, plant and equipment	**3,317**	8,198
Depreciation of right-of-use assets	**2,983**	7,761
Loss on disposals of property, plant and equipment	**64**	64
Amortisation of intangible assets	**258**	524
Employee benefit expenses (Note)	**68,597**	51,622
Legal and professional fees	**1,846**	1,537
Storage and handling charges	**4,046**	3,731
Expenses relating to short-term or low-value leases	**1,602**	343
Provision for impairment of trade and bill receivables – net	**5,993**	2,940
Freight charges	**39,637**	23,438
Others	**22,167**	20,958
Total	**1,263,868**	904,614

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. No wage subsidies were received by the Group for the six months ended 30th September 2021.

7 Finance income and costs

	Six months ended 30th September	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
– interest income on short-term bank deposits	**634**	131
Finance costs		
– interest expenses on bank borrowings	**(28,449)**	(31,466)
– interest expenses arising from lease liabilities	**(142)**	(556)
– bank charges	**(2,230)**	(1,467)
	(30,821)	(33,489)
Net finance costs	**(30,187)**	(33,358)

8 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 (2020: Same). Subsidiaries established in Mainland China are subject to China corporate income tax at 25% (2020: 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	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	**4,301**	2,225
– China corporate income tax	**3,652**	1,769
Deferred income tax	**5,003**	1,112
	12,956	5,106

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

9 Dividends

An interim dividend of HK1.50 cents (2020: Nil) per ordinary share was declared by the Board on 29th November 2021, totalling approximately HK$9,614,000. The interim dividend has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in equity in the year ending 31st March 2022.

A special dividend in respect of the year ended 31st March 2021 of HK1.00 cent per ordinary share, amounting to HK$6,412,000 was approved at the annual general meeting of the Company held on 11th August 2021. The special dividend yet to pay out by the Company as at 31st March 2021 was HK$6,412,000 which was paid on 27th August 2021.

10 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, excluding the ordinary shares held as treasury shares.

	Six months ended 30th September	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**49,563**	466
Weighted average number of ordinary shares in issue ('000)	**641,196**	641,232
Basic earnings per ordinary share (HK cent(s))	**7.73**	0.07

(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. Diluted earnings per ordinary share for the periods ended 30th September 2021 and 2020 equal to basic earnings per ordinary share as there were no potentially dilutive ordinary shares as at both periods end.

11 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 2021	As at 31st March 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 - 60 days	**353,777**	282,560
61 - 120 days	**72,107**	45,458
121 - 180 days	**13,475**	14,490
181 - 365 days	**17,523**	16,762
Over 365 days	**33,127**	25,335
	490,009	384,605
Less: Provision for impairment	**(26,098)**	(20,791)
	463,911	363,814

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

12 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 2021	As at 31st March 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 - 60 days	**171,279**	244,911
61 - 120 days	**1,198**	196
121 - 180 days	**798**	30
181 - 365 days	**330**	33
Over 365 days	**232**	184
	173,837	245,354

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

13 Borrowings

	As at 30th September 2021 HK$'000 (Unaudited)	As at 31st March 2021 HK$'000 (Audited)
Current		
– Trust receipts bank loans	**736,964**	546,798
– Short-term bank loans	**92,631**	62,699
– Current portion of long-term bank loan, secured	**49,624**	48,834
– Current portion of hire purchase liabilities, secured	**844**	—
– Other loan	**13,835**	16,562
	893,898	674,893
Non-current		
– Long-term bank loans, secured	**761,415**	779,749
– Hire purchase liabilities, secured	**3,756**	—
Total borrowings	**1,659,069**	1,454,642

14 Commitments

(a) Commitments under operating leases

(i) 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 2021 HK$'000 (Unaudited)	As at 31st March 2021 HK$'000 (Audited)
Not later than one year	**28,486**	25,235

(ii) Lessee

The Group leases various retail shops, offices, warehouses and sites under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rate.

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

	As at 30th September 2021 ***HK$'000*** **(Unaudited)**	As at 31st March 2021 *HK$'000* (Audited)
Not later than one year	**632**	781

(b) Capital commitments

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

	As at 30th September 2021 ***HK$'000*** **(Unaudited)**	As at 31st March 2021 *HK$'000* (Audited)
Contracted but not provided for:		
Renovation work for the investment property	**1,926**	39
Commitment to provide funding for associate's capital commitments, if called	**15,611**	18,313
	17,537	18,352

15 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 2021 (2020: Same).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the first half of FY2021/22, the Novel Coronavirus pandemic ("COVID-19") situation has unfortunately persisted, which brought lingering impacts to the Group's operation. The momentary mismatch between global steel supply and demand, the disruption and delay in global logistics chains, as well as the ongoing border restrictions, have all created difficulties despite countries and companies striving to cope with the "new normal". On a more positive note, the COVID-19 situation in China and Hong Kong became increasingly stable and largely under control, with economic activities gradually returned to normal, thanks to the effective pandemic control measures and rising vaccination rate. As a result, office leasing in Shanghai, along with construction projects in Hong Kong and Macau, have demonstrated a stable yet sustainable rebound in demand. Compounded by the Group's unremitting effort in steel sourcing and cost control, the Group was able to deliver a set of encouraging results for the Period.

During the Period, revenue increased from approximately HK$955.8 million corresponding period last year, to approximately HK$1,359.8 million, representing a year-on-year growth of 42.3%, mainly attributable to increase in steel price as well as surge in order delivery of Construction Materials Business. In line with the increase in revenue, gross profit increased from approximately HK$140.3 million to approximately HK$191.9 million, with gross profit margin largely remained stable at approximately 14.1% (1H2020/21: approximately 14.7%). Together with improving cost control and reduction in depreciation charges, net profit attributable to owners of the Company reached approximately HK$49.6 million, representing a significant increase of 105 times as compared with the same period last year.

In terms of business segments, whilst Property Investment and Project Management Business demonstrated gradual recovery, the Construction Materials Business and Building and Design Solutions Business have showed significant improvement in operating results.

Benefitted from the continuous increase in order volume of its reinforcing bar processing and assembly plant in Hong Kong, as well as the increase in order volume and expanding profit margin for both construction materials and surface critical coil distribution business in Hong Kong and China, the Group's Construction Materials Business was well on track to achieve satisfactory profit growth. In particular, for the Group's construction materials distribution business and reinforcing bar processing and assembly business in Hong Kong, the quantity delivered during the Period increased by 12.9% and 18.3% respectively, leading to a 49.1% surge in revenue and 137.4% growth in profit before income tax.

Contributed by the notable rebound in renovation projects for commercial buildings and hotels in Hong Kong, as well as our successful order fulfillment for key projects in Macau, Building and Design Solutions Business also achieved remarkable results for the Period, with segment revenue and profit before income tax increased by 30.3% and 56.5% respectively.

For the Group's Property Investment and Project Management Business, its Central Park•Pudong (wholly-owned investment property) and Central Park•Jing'an (investments via partnership with investment funds) have both recorded notable rebound in occupancy rates and rent rates. Specifically, rental income of Central Park•Pudong increased to approximately HK$23.7 million during the Period, representing a 41.3% growth as compared with the same period last year. On the other hand, thanks to the Group's expanding partner network and growing execution capability, the revitalisation project for Central Park•Huangpu (investments via partnership with investment funds) has been progressing well. With major renovation work being completed in September 2021, tenants have gradually moved into such landmark building located in Huangpu District, Shanghai.

For the Period, basic earnings per ordinary share was HK7.73 cents, as compared with HK0.07 cent of the same period last year.

BUSINESS REVIEW

PROPERTY PLUS

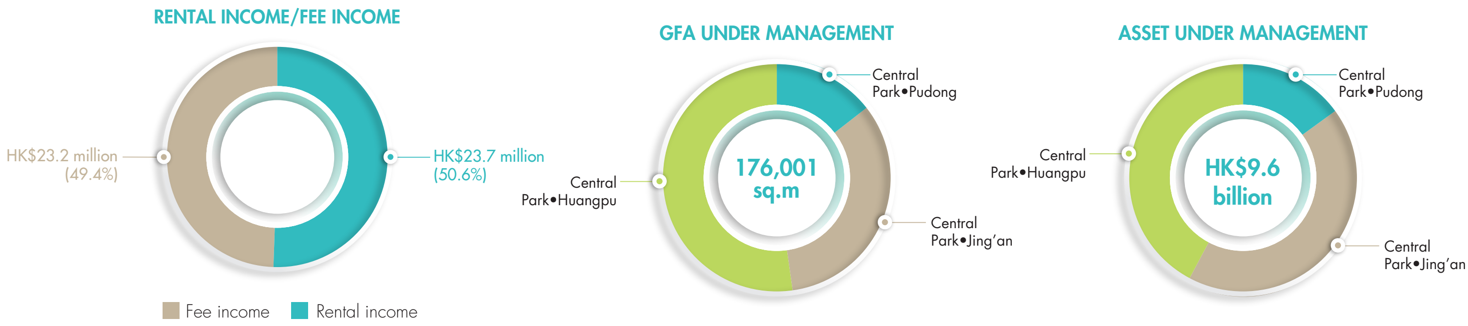
As a real estate value-added investor with strong capabilities and proven track record, the Group continued to roll out its Property Plus strategy via two operating segments, namely Property Investment and Project Management Business and Building and Design Solutions Business. The Group is dedicated to providing best-in-class, total value solutions to its investors/investment partners and customers, with the aim to improve user experiences and unlock property values.

Property Investment and Project Management Business

Positioned as a niche market specialist with proven track records in asset revitalisation and value optimisation, the Group's Property Investment and Project Management Business primarily focuses on the Shanghai commercial property market, through (i) direct acquisition of properties for investment, such as its wholly-owned Central Park•Pudong, which generates rental and property management fee income, with the opportunity to realise fair value appreciation 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. During the Period, the Group continued to roll-out its "asset-light" model by partnering with leading investment funds for two revitalisation projects, namely Central Park•Jing'an and Central Park•Huangpu respectively.

As the Shanghai office leasing market continued to recover from COVID-19, occupancy rates of Central Park•Pudong and Central Park•Jing'an were also on the rise. For Central Park•Huangpu, its renovation has been progressing well, and some reputable corporations have already moved into this landmark building located in Huangpu District, Shanghai. The Group's Property Investment and Project Management Business recorded a profit before income tax of approximately HK$1.8 million on revenue of approximately HK$47.0 million for the Period, as compared with a loss before income tax of approximately HK$2.3 million on revenue of approximately HK$51.3 million in the same period last year.

Review of major investment properties/significant investments held



Central Park•Pudong

Central Park•Pudong is a 12-storey office tower with a total gross floor area ("GFA") of approximately 25,667 square meters (excluding the car-parking spaces). Located on Inner Ring Road, a prime location of the Pudong New District, Shanghai, the tower is in close proximity to Luijiazui's central business district, and is conveniently located near Beiyangjing Road station of Line 6 of Shanghai metro. To provide a convenient and sustainable office environment for its tenants, Central Park•Pudong was revitalised into a modern and well-equipped Grade A office building with Gold rating in LEED certification.

The Group strives to create a perfect workspace and office environment for existing and potential tenants. Hence, the Group has taken various initiatives to offer fit-out office space, allowing quick and flexible move-in for tenants. Due to the value we added and benefits we created, both occupancy rate and rent rate of Central Park•Pudong have enjoyed a steady rebound, with occupancy rate increased to approximately 76.3% as at 30th September 2021, and rental income reached approximately HK$23.7 million for the Period, represented a year-on-year growth of 41.3%.

Central Park•Jing'an

Central Park•Jing'an is a 29-storey Grade A office building with a retail podium on the ground floor, totalling approximately 58,601 square meters in GFA. The premises are situated at the junction of Hengfeng Road and Hanzhong Road, two major pathways across Jing'an District and within the Everbright City of Jing'an. Surrounded by metro-connected retail shopping malls, hotel amenities and a number of Grade A office buildings, Central Park•Jing'an enjoys locational excellence with the 3 easily-accessible metro lines, and is within 10 minutes' walking distance to Shanghai Railway Station.

The Group invested in Central Park•Jing'an by partnering with a leading sovereign wealth fund to form a joint venture, namely HSL Shanghai Office Partners I Limited and its subsidiaries, which the Group holds effective 9.3% of equity interests. In addition to the potential value appreciation, the Group also earns fee income through the provision of management services. The project underwent revitalisation in September 2018, and upon completion, it is positioned as a Grade A office with healthier and modernised office and workspace facilities. Both valuation, rental yield as well as occupancy rate showed notable improvement since acquisition, further showcasing the Group's revitalisation capabilities.

During the Period, Central Park•Jing'an recorded an improving financial performance, with the Group's share of loss of investment accounted for using the equity method reduced to approximately HK$3.0 million (1H2020/21: share of loss of approximately HK$5.6 million).

Central Park•Huangpu

Central Park•Huangpu is a 53-storey high-rise landmark located at the heart of Huangpu's central business district, near the intersection of Dapu Road and Xujiahui Road and a 5-minute-walk from metro station. As a regional landmark commercial complex with a total GFA of approximately 91,733 square meters, Central Park•Huangpu is the host to Pullman Shanghai Skyway Hotel (a 5-star hotel managed by Accor Hotel Group), as well as various office buildings, conference halls, catering facilities and retail outlets.

The Group invested in Central Park•Huangpu by partnering with a leading private equity fund to form an associate, namely Skyline Holdings (BVI) Limited and its subsidiaries, which the Group holds 5% of equity interests. In addition to the potential value appreciation, the Group also earns fee income through the provision of management services. The project underwent revitalisation in June 2020, and thanks to the dedicated efforts from its execution team and partners, most of the renovation and facilities upgrade has been completed within the 15-month period, despite conducted under the COVID-19. Leasing of the offices is now underway, and occupancy rate has already tripled, and overall average rent rate has already increased by over 20% as compared with the time of acquisition.

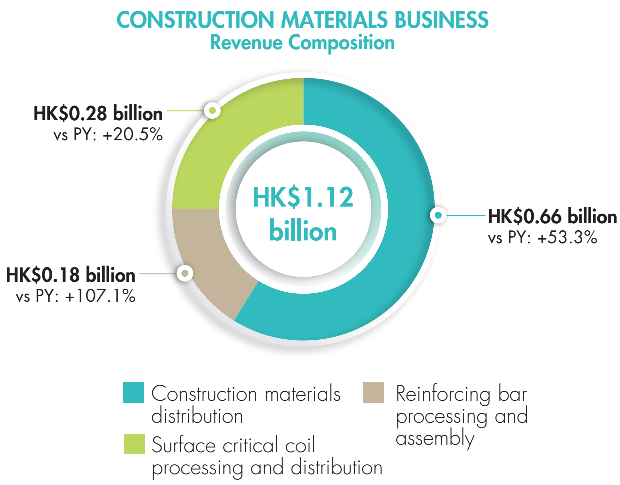
During the Period, the Group's share of loss of investment accounted for using the equity method for this project continued to narrow to approximately HK$5.3 million (1H2020/21: share of loss of approximately HK$5.8 million).

Building and Design Solutions Business

Building and Design Solutions Business represents a comprehensive value proposition for architects and designers, as it provides full-chain services covering design, installation, inventory management, logistics and technical support for sanitary wares, fitting and kitchenware products, serving hotels, residential, shopping malls, airport and commercial buildings. Equipped with an extensive, well-designed and popular portfolio of branded sanitary wares and fitting products, the Group is well-positioned to capture the rising demand from the growing hygiene awareness amidst the COVID-19, as well as the growing call for high-quality lifestyle products.

Supported by the unremitting effort of the team and branded partners, Building and Design Solutions Business continued to deliver strong financial performance, with profit before income tax increasing by 56.5% to approximately HK$25.0 million, on revenue of approximately HK$197.1 million, as compared with a profit before income tax of approximately HK$16.0 million, on revenue of approximately HK$151.2 million in the same period last year. During the Period, the Group has completed several iconic projects, including the new Phase 3 of Macau Galaxy project, and the renovation projects for Alexandra House and Central Plaza in Hong Kong.

Construction Materials Business



Construction Materials Business comprises (i) Hong Kong construction materials distribution; (ii) Hong Kong reinforcing bar processing and assembly; and (iii) surface critical coil processing and distribution in China.

Construction Materials Business continued to face different challenges on various fronts in the Period. The continuous disruption to steel supply and the required logistics services due to the COVID-19, along with the changes of certain environmental and export policies in China, have together contributed to the increasing volatility of global steel price. Thankfully, construction companies in Hong Kong have largely adapted to the "new normal", and there was notable recovery in the number of public and private construction projects. In fact, for the Group's construction materials distribution business and reinforcing bar processing and assembly business in Hong Kong, the quantity delivered during the Period has increased by 12.9% and 18.3% respectively. The key projects that the Group has been contributing include both civil infrastructure works and private projects, such as Tsueng Kwan O – Lam Tin Tunnel, Shek Wu Hui Effluent Polishing Plant, hotel projects in Cheung Sha Wan, and residential projects in Siu Hong station.

During the Period, Construction Materials Business continued to make good progress to restore profit growth. Attributable to the close cooperation with other partners in the supply chain, as well as the continuous improvement in production efficiency of its reinforcing bar processing and assembly plant in Hong Kong, profit before income tax reached approximately HK$62.6 million (1H2020/21: approximately HK$26.4 million), on revenue of approximately HK$1,115.7 million (1H2020/21: approximately HK$748.4 million), representing a significant improvement in profit before income tax of approximately 137.4%.

OUTLOOK

Property Investment and Project Management Business

Shanghai's economy continues to show signs of improvement since the beginning of 2021, and the office leasing market continues to regain its momentum. Increase in net take up has pushed down market vacancy and driven up market rent rate. Despite expecting an increase in office space supplies in the second half, the Group remains optimistic over the performance of the three Central Park projects currently under management, as well as the medium-to-long-term growth in demand of premium-grade offices in Shanghai.

With major renovation work of Central Park•Huangpu being completed, the Group will also work closely with its partners to attract new tenants, and create a better workspace for tenants and the nearby community. Leveraging its expanding capability, the Group believes that the project will be able to deliver long-term business growth, and will continue to keep a keen eye on other possible opportunities in order to generate better returns for both our partners and our shareholders.

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 us to capture market opportunities arising from rising hygiene awareness as well as consumer's personality and customisation. Leveraging the strong market presence of our brand partners, the Group will continue to target large and iconic projects to drive business growth.

Construction Materials Business

Despite sailing through the difficult times, where the construction industry was hit by social unrest and disruption from COVID-19, the Group remains cautiously optimistic in the medium-to-long-term development of the construction industry in Hong Kong.

According to the Budget 2021/22 and the Chief Executive's 2021 Policy Address, the Hong Kong Government is expected to position infrastructure investment as a major focus of its future economic plan, committing an annual capital works expenditure of exceeding HK$100 billion in the coming years. Following the establishment of the National Security Law and the ongoing refinement to Hong Kong's electoral system which made quicker approval at the legislative council for key infrastructure projects. For example, the funding for capital works projects approved by the Finance Committee has reached a record high of HK$220 billion during the recent legislative session. This should also lay a solid foundation and pipeline for the future demand of construction materials. The prospect of development of an international innovation and technology hub in the Northern Metropolis, as well as the expansion of Harbour Metropolis for the reclaimed lands under the Lantau Tomorrow Vision, could also bring sustainable growth to the industry in long run.

Currently, the business is well on track to deliver profit growth. The Group will strive to further improve its operating efficiency to capture the aforementioned opportunities, and remain prudent in its steel procurement strategy in order to mitigate the risks brought by steel price volatility and lingering COVID-19 impact.

CORPORATE FINANCE AND RISK MANAGEMENT

Financial Position

Compared with the financial year ended 31st March 2021, the Group's total assets increased from approximately HK$2,960.8 million to approximately HK$3,235.0 million as at 30th September 2021. Due to the recent surge in steel price, the Group's inventories increased from approximately HK$443.1 million to approximately HK$541.3 million, while the Group's trade and bill receivables increased from approximately HK$363.8 million to approximately HK$463.9 million. The average inventory days of supply slightly decreased to 85 days, and the average overall days of sales outstanding also slightly decreased to 55 days. Net asset value of the Group increased from approximately HK$1,008.5 million to approximately HK$1,075.1 million, mainly attributable to the significant increase in profit for the Period, as well as the translation gain arisen from the appreciation on Renminbi ("RMB") for Group's net investments in Mainland China. Net asset value per ordinary share was equivalent to approximately HK$1.49 as at 30th September 2021.

Compared with the financial position as at 31st March 2021, the Group's cash and cash equivalents and pledged bank deposits increased by approximately HK$37.8 million to approximately HK$210.9 million as at 30th September 2021. Due to the surge in steel price, the Group's borrowings increased by approximately HK$204.4 million to approximately HK$1,659.1 million as at 30th September 2021. Current ratio remained at 1.0, 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 increased from 59.1% to 60.3%. The Group will continue to monitor the turnover of its working capital, and take various measures on cost containment and operational efficiency improvement to preserve working capital and strengthen its liquidity.

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; cost efficient funding of the Company and its subsidiaries; and 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 2021, about 61.0% of the Group's interest-bearing borrowings were denominated in HK dollar, about 31.4% in RMB and about 7.6% in US dollar/EUR 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 or the Group's machineries. All of the above borrowings were on floating rate basis except for certain term loans totalling HK$97.8 million, which are converted to a fixed rate basis through an interest rate swap arrangement and a hire purchase arrangement of HK$4.6 million. 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 RMB432.5 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. The maturity of the Group's borrowings as at 30th September 2021 was as follows:

Maturity Profile			
Within 1 year	**1-2 years**	**2-5 years**	**Total**
53.9%	18.7%	27.4%	100%

Charges on Assets

As at 30th September 2021, the Group had certain charges on assets which included (i) bank deposits of approximately HK$52.2 million (31st March 2021: approximately HK$54.0 million) which were pledged as collateral for the Group's bill payables; (ii) investment properties of approximately HK$1,446.0 million (31st March 2021: approximately HK$1,422.0 million) which were pledged as collaterals for certain bank borrowings of the Group; and (iii) machineries of approximately HK$6.0 million, included in property, plant and equipment, which was secured for the Group's hire purchase liabilities.

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$6.4 million (2020: approximately HK$0.9 million) which was primarily financed through cash generated from operating activities and a hire purchase arrangement.

Capital Commitments

As at 30th September 2021, the Group's total capital commitments amounted to approximately HK$17.5 million (31st March 2021: approximately HK$18.4 million).

Contingent Liabilities

Save as disclosed in Note 15, as at 30th September 2021, the Group had no other material contingent liabilities (31st March 2021: Nil).

Material 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 nurturing talents to support the Group's future development. Our growth strategy has always emphasised our strong commitment to people. We provide competitive remuneration package to attract and motivate employees. We always provide a safe and pleasant working environment with constant learning and growth opportunities. As at 30th September 2021, the Group employed 239 staff (31st March 2021: 244 staff). Total staff costs including the contribution to retirement benefit schemes incurred during the Period amounted to approximately HK$68.6 million. During the Period, no option has been offered and/or granted to directors and our employees under the share option schemes adopted on 11th August 2011 and 11th August 2021.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.50 cents per ordinary share for the Period (2020: Nil). The interim dividend will be payable on Tuesday, 4th January 2022 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 17th December 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be close from Thursday, 16th December 2021 to Friday, 17th December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15th December 2021.

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

During the Period, the Company repurchased a total of 318,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration (before expenses) of HK$95,400. All the repurchased shares were subsequently cancelled on 29th October 2021. The directors believe that share repurchases will be beneficial to the shareholders as the shares are traded at a discount to the net asset value per share. Details of the shares repurchased are as follows:

Month of repurchase	**Number of shares repurchased**	**Purchase price per share**		**Aggregate consideration (before expenses)**
		Highest	**Lowest**	
		(HK$)	*(HK$)*	*(HK$)*
September	318,000	0.3	0.3	95,400
Total	**318,000**			**95,400**

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed and discussed auditing, internal controls, risk management and financial reporting matters including review of the results for the six months ended 30th September 2021.

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 (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, efficient 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 of the Company and Mr. Yao's leadership.

CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, as amended from time to time, as its own code of conduct (the "Company's Model Code"). Having made specific enquiry of all our directors, they all confirmed that they have complied with the required standard set out in the Company's Model Code during the Period.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.hkshalliance.com) and the Stock Exchange (www.hkexnews.hk). The interim report for the six months ended 30th September 2021 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, 29th November 2021

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).