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沪港联合

Hong Kong Shanghai Alliance Holdings Limited

(Stock code: 1001.HK)

Announces FY2019/20 Annual Results

Gross Profit Margin Improved by 0.9 p.p. to 10.4%
Resilient Business Performance Supported by Efficient Cost Control Measures

Financial Highlights

For the year ended 31 March	2020 *HK$ million*	2019 *HK$ million*	Change
Revenue	**2,325.0**	2,882.6	-19.3%
Gross profit	**241.6**	275.1	-12.2%
(Loss) / profit attributable to owners of the Company	**(90.3)**	13.9	N/A
Basic (loss) / earnings per ordinary share (HK cents)	**(14.08)**	2.17	N/A

(26 June 2020 – HONG KONG) Hong Kong Shanghai Alliance Holdings Limited (the "Company" or "HKSHA", together with its subsidiaries, collectively the "Group"; stock code: 1001.HK), a leading real estate investor/manager and regional construction materials processor, announce its annual results for the year ended 31 March 2020 (the "Year").

Resilient Business Performance Under Extremely Challenging Environment

Year 2019/20 came with significant challenges in the form of macro unpredictability. The social incidents in Hong Kong, trade conflicts between major nations and the recent outbreak of coronavirus disease ("COVID-19") have together put tremendous pressure on the Group's performance. For its Property Investment and Project Management Business, occupancy and rent rates of commercial buildings suffered as a result of market pessimism, whereas for its Construction Materials Business and Building and Design Solutions ("BDS") Business, sales volume was also negatively impacted due to the delay in progress of construction projects.

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As a result, the Group recorded a 19.3% year-on-year ("YoY") decrease in revenue from approximately HK$2,882.6 million last year to approximately HK$2,325.0 million this year. Gross profit also decreased by 12.2% YoY to approximately HK$241.6 million (FY2018/19: approximately HK$275.1 million), yet gross profit margin was improved by 0.9 p.p. to 10.4% (FY2018/19: 9.5%) due to the improvement in procurement strategy and cost control. Offset by non-cash items including impairment loss of property, plant and equipment of approximately HK$20.0 million, and the significant reduction in fair value gain on investment properties, net of tax (FY2018/19: HK$81.6 million), net loss attributable to owners of the Company for the Year was approximately HK$90.3 million (FY2018/19: profit of approximately HK$13.9 million). Basic loss per ordinary share was HK14.08 cents (FY2018/19: earnings of HK2.17 cents).

Light-asset Model and Lean Operating Structure to Fuel Business Growth

Following the formation of a co-investment venture (the "HSO Venture") with Reco Wisteria Private Limited (an indirect wholly-owned subsidiary of GIC (Realty) Private Limited ("GIC") which is wholly-owned by the Minister for Finance of the Government of Singapore), the Group has successfully formed a co-investment venture with Apollo Skyline Holding Limited (an indirect wholly-owned subsidiary of one or more private equity funds managed and/or advised by affiliates of Apollo Global Management, Inc. (NYSE: APO)) in the Year, for the purpose of acquiring the majority of the gross floor area of Great Wall Financial Building (the "Building"). As a high-rise landmark located in the heart of the central business district of Huangpu, the Building is host to Pullman Shanghai Skyway Hotel (a 5-star hotel managed by Accor Hotel Group), office buildings, conference halls, catering facilities and retail outlets. Such collaboration represented yet another key milestone for the Group's Property Investment and Project Management Business, as it has showcased its brand equity in attracting leading private equity funds for collaborations, its ability to identify underperforming commercial properties in the Shanghai market, as well as its success in participating larger property projects under a light-asset operation.

Supported by the collaborated efforts from its revitalisation team and partners, the HSO Venture with GIC has completed the renovation of its first investment property in May 2019 and successfully rebranded it as Central Park•Jing'an. Despite strong competition in the Shanghai leasing market, the occupancy rate and average daily rent rate of Central Park•Jing'an has outperformed by showing steady increment since the completion of renovation.

Meanwhile, in order to be better prepared for the unpredictable market, the Group also attempted to minimize its operational gearing during the Year, by specific measures such as dismissing its headquarter in Shanghai, scaling-down the loss-making Engineering Plastics Business, and renegotiating bank loans' interest rates, such that it can maneuver the volatile market to the best of its abilities.

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Uncertainties Remain but Brighter Future Ahead

Despite the short-term uncertainties arising from the outbreak of COVID-19, which have suppressed both occupancy and rent rates, the Group remains cautiously optimistic in the medium to long-term growth in demand for premium-grade offices in Shanghai. The Group also believes that for its Construction Materials Business, the rebound in market demand upon the launch of major construction projects in Kai Tak and Chek Lap Kok area will present a solid foundation for future profit growth.

Mr. Andrew Yao, Chairman and Chief Executive Officer of HKSHA, said, "The Group will maintain its focus on the Shanghai market as a niche market specialist in property revitalisation and value optimization, and aims to continue to excel in the industry with a growing and proven track record. The Group will also continue the integration of its steel processing and distribution business, and will raise its efforts in streamlining the process flow, seizing opportunities for cross-selling, and providing one-stop solutions to its customers in order to further reduce overhead cost and diversify income sources. These combined strategies should set us well in capturing further opportunities and generating stable and recurring income."

Mr. Yao further commented, "Looking forward, business visibility remains low, and there are still many uncertainties that we need to navigate. On the one hand, we may be back to square one on the trade deal as Sino-U.S. tension grows; on the other hand, we may have yet experienced the full financial impact of COVID-19 as micro economic issues slowly surface. Nevertheless, the Group will continue to maintain its focus on business operation, while keeping an eye on suitable market opportunities that favour a light-asset operation with lower capital commitment and risk."

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

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