【For immediate release】 **26 November 2020**

沪港联合

Hong Kong Shanghai Alliance Holdings Limited

(Stock code: 1001.HK)

Announces FY2020/21 Interim Results

Operating Efficiency Improvement to Drive 10.2% YoY Growth in Gross Profit
Solid Financial Position to Navigate Challenging Operating Environment

Financial Highlights

For the six months ended 30 September	2020 *HK$ million (Unaudited)*	2019 *HK$ million (Unaudited)*	Change
Revenue	**955.8**	**1,219.1**	-21.6%
Gross profit	**140.3**	**127.3**	+10.2%
Profit for the period	**1.6**	**1.4**	+20.7%
Profit attributable to owners of the Company	**0.5**	**2.5**	-81.1%
Basic earnings per ordinary share (HK cent)	**0.07**	**0.38**	-81.1%

(26 November 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, hereby announce its interim results for the six months ended 30 September 2020 (the "Period").

Macro Uncertainties Dragged Company Performance

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.

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The Group recorded a revenue of approximately HK$955.8 million during the Period (1H19/20: approximately HK$1,219.1 million) due to the above factors and the scaling back of our Engineering Plastics Business. 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 (1H19/20: approximately HK$127.3 million). The increase in gross profit margin is mainly resulted from the improvement in operating efficiency of our Construction Materials Business. Due to the fair value loss, net of tax of approximately HK$2.8 million from a Group's investment property (1H19/20: approximately HK$27.5 million of fair value gain, net of tax), net profit and net profit attributable to owners of the Company was approximately HK$1.6 million and HK$0.5 million respectively (1H19/20: approximately HK$1.4 million and HK$2.5 million) during the Period. Basic Earnings per ordinary share was HK0.07 cent (1H19/20: HK0.38 cent) for the Period.

Stable Business Performance Amidst a Highly Challenging Environment

During the Period, office leasing demand in Shanghai has progressively regained its momentum, as the COVID-19 pandemic was largely being brought under control in China. Despite that, short-term uncertainties have suppressed both market occupancy and rent rate in Shanghai, with Property Investment and Project Management Business reporting a loss before income tax of approximately HK$2.3 million on revenue of approximately HK$51.3 million (1H19/20: profit before income tax of approximately HK$37.6 million on revenue of approximately HK$43.5 million). Nonetheless, the Group has completed the acquisition of Great Wall Financial Building (長城金融大廈) (also known as Central Park·Huangpu(中港滙·黃浦)) in June during the Period, with its revitalisation now in full swing. The successful acquisition and follow-up revitalisation of Central Park·Huangpu has contributed additional recurring fee income to our Property Investment and Project Management Business during this challenging period and is expected to prepare the Group for future opportunities upon market recovery.

As for the Group's Construction Materials Business, the segment faced multiple challenges during the Period. The short-term fluctuations in global demand and supply during the COVID-19 pandemic, 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. Despite the backdrop of such a pessimistic operating environment, the segment recorded a profit before income tax of approximately HK$26.4 million on revenue of approximately HK$748.4 million (1H19/20: profit before income tax of approximately HK$11.2 million on revenue of approximately HK$958.6 million), representing a segment profit growth of approximately 135.8%, attributable to the improvement in production efficiency of its reinforcing bar processing and assembly business as well as cost containment measures which boosted gross profit margin.

Our Building and Design Solutions Business also recorded steady performance during the Period.

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Prudent Financial Management to Maintain Long-term Sustainability

Under such a difficult period, prudent financial management became the key to sustainability. In light of this, the Group has closely monitored its operating costs to preserve working capital, as reflected in the decrease in general and administrative expenses, as well as the increase in cash and cash equivalents and pledged bank deposits. Trade receivables and payables also remained at a stable level, ensuring a healthy financial position.

Cautiously Anticipating a Probable Market Recovery

The Group is of the view that after the short-term fluctuation, Shanghai's position as China's key financial and economic hub will remain unchallenged, which should lead to the gradual recovery in demand for commercial space. For its Construction Materials Business, while the Group expects the global steel market to remain volatile, the proposed increase in annual capital works investments and the probable rebound in private market demand should provide optimistic to the Group's medium-to-long-term development.

Mr. Andrew Yao, Chairman and Chief Executive Officer of HKSHA, said, "The first half of FY20/21 has been extremely challenging for many sectors due to the economic downturn associated with the COVID-19 pandemic. Instead of predicting what lies ahead, the Group will maintain its healthy financial position through a series of cost containment measures, in order to maintain business sustainability and be prepared for future opportunities. Leveraging our excellent track record as a niche market specialist in property revitalisation, we will continue to explore the Shanghai market and search for reputable strategic partners to unlock premium investment opportunities."

Mr. Yao further commented, "Despite the macro difficulties, we are pleased that the Construction Materials Business had achieved improvements and that the Building and Design Solutions Business performed admirably. As market gradually recovers, we expect that there will be more opportunities that the Group can exploit, paving the way for the Group's long-term development."

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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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