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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 2016

HIGHLIGHTS

- Earnings before interests and tax (the "EBIT") increased by approximately 132.5% to approximately HK$250.9 million, versus approximately HK$107.9 million in the same period last year

- Unaudited profit attributable to owners of the Company increased by approximately 13.6% to approximately HK$48.5 million, versus approximately HK$42.7 million in the same period last year

- Unaudited consolidated net assets value (the "NAV") was approximately HK$1,053.4 million as at 30th September 2016, versus the audited consolidated NAV of approximately HK$1,061.5 million as at 31st March 2016

- Gross profit margin increased to approximately 14.6% from approximately 10.0% compared with the same period last year

- Annualised return on assets (EBIT/operating assets) improved to approximately 63.9% as of 30th September 2016 compared with approximately 22.3% of the same period last year

- Interim dividend of HK2.26 cents per ordinary share declared

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 (the "Group") for the six months ended 30th September 2016, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

		Six months ended 30th September	
		2016	2015
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,515,757**	1,753,802
Cost of sales	*5*	**(1,295,175)**	(1,578,916)
Gross profit		**220,582**	174,886
Other losses — net	*4*	**(40,268)**	(8,255)
Selling and distribution expenses	*5*	**(34,079)**	(40,398)
General and administrative expenses	*5*	**(128,859)**	(130,824)
Fair value gains on investment properties		**233,513**	112,494
Operating profit		**250,889**	107,903
Finance income	*6*	**441**	651
Finance costs	*6*	**(47,371)**	(29,148)
Share of results of associates — net		**—**	(801)
Share of results of joint ventures — net		**(78,733)**	(3,646)
Profit before income tax		**125,226**	74,959
Income tax expense	*7*	**(77,918)**	(31,209)
Profit for the period		**47,308**	43,750
Profit/(loss) attributable to:			
— Owners of the Company	*9*	**48,468**	42,650
— Non-controlling interests		**(1,160)**	1,100
		47,308	43,750
Earnings per ordinary share attributable to owners of the Company during the period			
— Basic earnings per share	*9*	**HK7.6 cents**	HK6.7 cents
— Diluted earnings per share	*9*	**HK7.5 cents**	HK6.5 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2016

	Six months ended 30th September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**47,308**	43,750
Other comprehensive (loss)/income		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of an available-for-sale financial asset	**115**	(113)
Currency translation differences	**(50,401)**	(55,246)
Other comprehensive loss for the period	**(50,286)**	(55,359)
Total comprehensive loss for the period	**(2,978)**	(11,609)
Total comprehensive (loss)/income attributable to:		
— Owners of the Company	**(1,818)**	(12,709)
— Non-controlling interests	**(1,160)**	1,100
	(2,978)	(11,609)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER 2016

	Note	**As at 30th September 2016** *HK$'000* **(Unaudited)**	As at 31st March 2016 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**196,960**	220,536
Investment properties		**2,482,213**	1,311,600
Land use rights		**42,670**	44,536
Intangible assets		**62,618**	80,178
Investments in joint ventures		**60,577**	148,108
Prepayments, deposits and other receivables		**26,291**	286,316
Loan to a joint venture		**11,634**	—
Deferred income tax assets		**12,982**	18,456
Available-for-sale financial asset		**602**	487
Total non-current assets		**2,896,547**	2,110,217
Current assets			
Inventories		**203,629**	175,634
Trade and bill receivables	*10*	**527,003**	461,717
Prepayments, deposits and other receivables		**161,926**	147,541
Financial assets at fair value through profit or loss		**15,500**	15,630
Amount due from an associate		**4,648**	—
Amount due from joint ventures		**18,970**	15,593
Pledged bank deposits		**77,145**	59,166
Cash and cash equivalents		**224,100**	546,261
Total current assets		**1,232,921**	1,421,542
Total assets		**4,129,468**	3,531,759

	Note	As at 30th September 2016 HK$'000 (Unaudited)	As at 31st March 2016 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**64,188**	64,064
Reserves		**988,312**	995,360
		1,052,500	1,059,424
Non-controlling interests		**919**	2,079
Total equity		**1,053,419**	1,061,503
LIABILITIES			
Non-current liabilities			
Accrued liabilities and other payables		**16,653**	10,755
Deferred income tax liabilities		**253,546**	200,438
Borrowings		**1,579,892**	1,140,423
Total non-current liabilities		**1,850,091**	1,351,616
Current liabilities			
Trade and bill payables	*11*	**169,008**	132,581
Receipts in advance		**49,769**	36,688
Accrued liabilities and other payables		**86,473**	83,233
Financial liability at fair value through profit or loss		**11**	—
Current income tax liabilities		**20,603**	14,177
Borrowings		**900,094**	851,961
Total current liabilities		**1,225,958**	1,118,640
Total liabilities		**3,076,049**	2,470,256
Total equity and liabilities		**4,129,468**	3,531,759

NOTES

1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September 2016 has been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting". The unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31st March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31st March 2016, as described in those annual consolidated financial statements.

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

(a) The Group has adopted the following new, revised and amended standards and interpretations to existing standards ("new HKFRSs") that have been issued and are effective for the Company's accounting period beginning on or after 1st April 2016:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements 2012-2014 Cycle	Annual Improvements to HKFRSs issued in October 2014

The adoption of these new HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

(b) The following new, revised and amended standards that are effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 7 (Amendment)	Disclosure Initiative	1st January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019

The Group has commenced an assessment of the impact of these new, revised and amended standards, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3 Revenue and segment information

The Group's revenue consists of the following:

	Six months ended 30th September	
	2016	2015
	HK$'000	*HK$'000*
Sales of goods	**1,469,477**	1,725,153
Service income	**21,502**	5,046
Rental income	**24,778**	23,603
Total revenue	**1,515,757**	1,753,802

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 (the "CODM") that are used to make strategic decisions. The CODM considers the Group operates predominantly in four operating segments:

(i) Construction materials;

(ii) Building and design solutions (the "BDS");

(iii) Engineering plastics; and

(iv) Property.

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

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

Analysis of the Group's results by business segment for the six months ended 30th September 2016 is as follows:

	Construction materials	BDS	Engineering plastics	Property	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	**1,079,444**	**269,804**	**136,827**	**29,682**	**—**	**1,515,757**
Operating profit/(loss)	**32,297**	**29,339**	**984**	**225,647**	**(37,378)**	**250,889**
Finance income	**196**	**3**	**68**	**84**	**90**	**441**
Finance costs	**(11,492)**	**(1,613)**	**(240)**	**(33,986)**	**(40)**	**(47,371)**
Share of results of joint ventures — net	**(8,937)**	**—**	**—**	**(69,796)**	**—**	**(78,733)**
Profit/(loss) before income tax	**12,064**	**27,729**	**812**	**121,949**	**(37,328)**	**125,226**
Other losses — net	**(1,385)**	**(15,231)**	**(1,642)**	**(21,941)**	**(69)**	**(40,268)**
Fair value gains on investment properties	**—**	**—**	**—**	**233,513**	**—**	**233,513**
Depreciation and amortisation	**(18,778)**	**(1,699)**	**(20)**	**(1,355)**	**(1,414)**	**(23,266)**

Analysis of the Group's results by business segment for the six months ended 30th September 2015 is as follows:

	Construction materials *HK$'000*	BDS *HK$'000*	Engineering plastics *HK$'000*	Property *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	1,269,412	259,035	197,222	28,133	—	1,753,802
Operating profit/(loss)	31,460	7,967	(3,344)	127,115	(55,295)	107,903
Finance income	435	4	69	31	112	651
Finance costs	(12,087)	(2,222)	(257)	(14,433)	(149)	(29,148)
Share of results of associates — net	(789)	—	—	(12)	—	(801)
Share of results of joint ventures — net	—	—	—	(3,646)	—	(3,646)
Profit/(loss) before income tax	19,019	5,749	(3,532)	109,055	(55,332)	74,959
Other losses — net	(315)	(439)	(5,048)	(474)	(1,979)	(8,255)
Fair value gain on an investment property	—	—	—	112,494	—	112,494
Depreciation and amortisation	(3,219)	(1,235)	(78)	(1,450)	(1,302)	(7,284)

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

	Six months ended 30th September	
	2016	2015
	HK$'000	*HK$'000*
Revenue		
Mainland China	**716,714**	753,236
Hong Kong	**799,043**	1,000,566
Total revenue	**1,515,757**	1,753,802

4 Other losses — net

	Six months ended 30th September	
	2016	2015
	HK$'000	*HK$'000*
Net unrealised fair value change on financial assets/liability at fair value through profit or loss	**(11)**	151
Realised (loss)/gain on steel future contracts	**(130)**	484
Gain on disposals of investments in corporate notes	**—**	2,891
Provision for onerous contracts	**(2,000)**	—
Impairment of goodwill *(Note)*	**(10,478)**	—
Impairment of intangible assets *(Note)*	**(4,079)**	—
Net exchange losses	**(27,527)**	(12,443)
Net sundry income	**3,957**	662
	(40,268)	(8,255)

Note:

Management has reviewed the financial performance of Wuhan BDS and Changsha BDS for the current period and prior years and the market conditions. Accordingly, management has concluded that the goodwill, amounting to HK$10,478,000, and distribution rights, amounting to HK$4,079,000, need to be fully impaired.

5 Expenses by nature

Expenses included in "cost of sales", "selling and distribution expenses" and "general and administrative expenses" are analysed as follows:

	Six months ended 30th September	
	2016	2015
	HK$'000	*HK$'000*
Cost of finished goods sold	**1,275,604**	1,547,718
(Write-back of provision)/provision for impairment of inventories	**(635)**	779
Depreciation of property, plant and equipment	**21,808**	5,735
Loss on disposals of property, plant and equipment	**838**	1,211
Amortisation of land use rights	**773**	819
Amortisation of intangible assets	**685**	730
Employee benefit expenses	**58,123**	76,636
Legal and professional fees	**3,340**	18,524
Operating lease rental expense in respect of retail outlets, offices and warehouses	**24,367**	17,924
Provision/(write-back of provision) for impairment of trade receivables, net	**977**	(430)
Freight charges — outbound	**26,320**	30,972
Freight charges — inbound	**13,616**	20,832
Others	**32,297**	28,688
Total cost of sales, selling and distribution expenses and general and administrative expenses	**1,458,113**	1,750,138

6 Finance income and costs

	Six months ended 30th September	
	2016	2015
	HK$'000	*HK$'000*
Finance income		
— interest income on short-term bank deposits	**441**	651
Finance costs		
— interest expenses on bank borrowings	**(45,326)**	(24,814)
— bank charges	**(2,045)**	(4,334)
	(47,371)	(29,148)
Net finance costs	**(46,930)**	(28,497)

7 Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong. Subsidiaries established in Mainland China are subject to China corporate income tax at rate of 25% (2015: 25%).

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

	Six months ended 30th September	
	2016	2015
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**4,866**	9,820
— China corporate income tax	**7,636**	2,839
Deferred income tax	**65,416**	18,550
	77,918	31,209

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

8 Dividends

An interim dividend of HK2.26 cents (2015: HK1.8 cents) per ordinary share was declared by the Board on 24th November 2016, totaling approximately HK$14,507,000 (2015: HK$11,531,000). 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 2017.

A final dividend in respect of the year ended 31st March 2016 of HK1.0 cents per ordinary share, amounting to HK$6,419,000 was approved at the annual general meeting of the Company held on 19th August 2016. The dividend yet to pay out by the Company as at 30th September 2016 was HK$6,419,000 which was paid on 6th October 2016.

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	
	2016	2015
Profit attributable to owners of the Company *(HK$'000)*	**48,468**	42,650
Weighted average number of ordinary shares in issue *('000)*	**641,883**	639,388
Basic earnings per ordinary share *(HK cents)*	**7.6**	6.7

(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 are 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	
	2016	2015
Profit attributable to owners of the Company and used to determine diluted earnings per ordinary share *(HK$'000)*	**48,468**	42,650
Weighted average number of ordinary shares in issue *('000)*	**641,883**	639,388
Adjustment for share options *('000)*	**8,575**	17,172
Weighted average number of ordinary shares for diluted earnings per ordinary share *('000)*	**650,458**	656,560
Diluted earnings per ordinary share *(HK cents)*	**7.5**	6.5

10 Trade and bill receivables

Sales are either covered by letters of credit or open account with credit terms of 15 to 90 days.

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

	As at 30th September 2016	As at 31st March 2016
	HK$'000	*HK$'000*
0 — 60 days	**382,014**	347,169
61 — 120 days	**69,578**	61,663
121 — 180 days	**31,251**	14,706
181 — 365 days	**27,301**	27,879
Over 365 days	**30,556**	24,325
	540,700	475,742
Less: Provision for impairment	**(13,697)**	(14,025)
	527,003	461,717

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 60 days.

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

	As at 30th September 2016	As at 31st March 2016
	HK$'000	*HK$'000*
0 — 60 days	**165,961**	127,894
61 — 120 days	**855**	3,001
121 — 180 days	**683**	430
181 — 365 days	**714**	724
Over 365 days	**795**	532
	169,008	132,581

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

12 Commitments

(a) Commitments under operating leases

(i) Lessor

The Group leases investment properties under non-cancellable operating lease agreements. The lease terms are between 1 and 7 years, and 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 2016 *HK$'000*	As at 31st March 2016 *HK$'000*
Not later than one year	**71,469**	55,381
Later than one year and not later than five years	**116,068**	67,696
Later than five years	**11,420**	15,727
	198,957	138,804

(ii) Lessee

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and majority of lease agreements are renewable at the end of 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 2016 *HK$'000*	As at 31st March 2016 *HK$'000*
Not later than one year	**47,191**	50,119
Later than one year and not later than five years	**79,907**	86,407
Later than five years	**—**	8,041
	127,098	144,567

(b) Capital commitments

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

	As at 30th September 2016 *HK$'000*	As at 31st March 2016 *HK$'000*
Contracted but not provided for:		
Purchase of an investment property	**—**	721,571
Renovation work for the investment properties	**10,277**	5,082
Total	**10,277**	726,653
Authorised but not contracted for:		
Capital injection to a joint venture	**—**	15,508

(c) Commitments under derivative contracts

As at 30th September 2016, the notional principal amounts of the outstanding steel future contracts are approximately HK$801,000 and HK$398,000 with the settlement dates on 15th May 2017 and 10th May 2017 respectively.

As at 31st March 2016, the total notional principal amount of the outstanding steel future contracts was approximately HK$1,720,000 with the settlement date on 14th September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Volatility in commodity pricing and weaker regional demand created a challenging environment for our Construction Materials Business. In spite of bottom line improvements in our coil processing and steel recycling division, net profit in Construction Materials Business decreased when compared to the same period last year. Sudden and sharp rebar price increases put pressure on margins of rebar contracts in prior months. Our Hong Kong rebar sales model calls for project pricing up to one year and upward pricing impact margin negatively. In addition to external pressures, our new investment in Hong Kong's first, automated rebar processing and assembly plant started operations in early 2016 increasing fixed expenses as expected. Engineering Plastics Business and Building and Design Solutions Business showed significant improvements in net profit. Hong Kong Building and Design Solutions projects drove growth and margin improvement, and increased margins and lower expenses resulted in a slight profit in Engineering Plastics Business. While bottom line performance in our core business of construction steel in Hong Kong suffered, net profit at businesses like Engineering Plastics, Building and Design Solutions and surface critical coil processing improved due to efforts in margin enhancement and expense reduction. Corporate expense was also reduced significantly. We are working to deliver a flat and agile organization and will continue to restructure as our business model is changed. Corporate expense continues to represent an opportunity for expense reduction.

As market trends created margin and top line pressure, our team reacted by aggressively reducing expenses and working capital. The average inventory days of supply was reduced by 10 days in Construction Materials Business and 5 days in Building and Design Solutions Business. Our Group's cash cycle was improved significantly as we reduced operating assets by approximately HK$183.6 million when compared to the same period last year.

Despite market pressure, our coil processing and steel recycling businesses continue to deliver sustainable bottom line improvements. We remain committed to converting our sales from product and price to a total processing and delivery solutions based value proposition. We are now actively leading the conversion of the Hong Kong construction market and expect our new investment in rebar processing will start contributing in 2018. This new investment will also allow us to move away from a price driven strategy to technological solutions that allow us to capture a different part of the construction supply chain revenue stream. The timing of our investment is critical in allowing us to offer Hong Kong construction market a differentiated value proposition that is proven in other parts of the world. Our surface critical coil processing business based in Shanghai delivered great improvements in terms of margin. We continue to grow sales in automotive industry and are now active in Guangdong, Shandong and Jiangsu provinces. All businesses worked to manage risk related to potential bad debt.

For the six months ended 30th September 2016 (the "current period"), the Group's unaudited profit attributable to owners of the Company increased by approximately 13.6% to approximately HK$48.5 million on revenue of approximately HK$1,515.8 million, compared with an unaudited profit attributable to owners of the Company of approximately HK$42.7 million on revenue of approximately HK$1,753.8 million in the same period last year. Gross profit was approximately HK$220.6 million, up approximately 26.1% year-on-year ("YOY") while gross profit margin increased to approximately 14.6% from approximately 10.0% compared with the same period last year.

Annualized return on assets (EBIT/operating assets) improved to approximately 63.9% from approximately 22.3% compared with the same period last year, which was mainly driven by increase of operating profit by approximately 132.5% YOY to approximately HK$250.9 million in the current period, together with improved controls and stricter policies which helped to reduce bad debt and obsolete inventory risk. Basic earnings per ordinary share was HK7.6 cents as at 30th September 2016 (2015: HK6.7 cents). An interim dividend of HK2.26 cents per ordinary share (2015: HK1.8 cents) was declared by the Board for the current period.

BUSINESS REVIEW

Construction Materials Business

Construction Materials Business comprises Hong Kong construction products processing and distribution (mainly rebars and pilings in the current period), surface critical coil processing and distribution, steel recycling and reinforcing bar processing and assembly business (conducted through our 50% joint venture TVSC Construction Steel Solutions Limited, "TVSC").

This business recorded total revenue of approximately HK$1,079.4 million for the current period, approximately 85.0% of the same period last year. This was mainly due to steel price decrease during late 2015 and early 2016. Our tons decreased by 6.0%, primarily due to weaker demand in Hong Kong project construction.

The net profit of Construction Materials Business was approximately HK$3.7 million, approximately 26.9% of the same period last year mainly due to (i) decrease of total net profit of Hong Kong construction products and surface critical coil processing and distribution by approximately 22.6% YOY to approximately HK$26.1 million in the current period, primarily due to a decrease in their total revenue by approximately 14.7% to approximately HK$1,008.9 million in the current period in spite of an increase of their total gross profit margin by 49 basis points to approximately 8.6%, as steel price decreased in the current period; (ii) net loss of steel recycling of about HK$9.3 million in the current period, down approximately HK$9.5 million YOY, due to various cost saving measures to reduce variable expenses and overheads and expansion of revenue stream by increasing the utilization of fixed assets and workforce for our affiliated companies and other third party customers; (iii) rental and depreciation expenses for our automated rebar processing and assembly plant in Tsing Yi totaling approximately HK$25.9 million in current period; and (iv) net loss from the share of result of joint venture of approximately HK$8.9 million from our 50% joint venture TVSC.

Engineering Plastics Business

Engineering Plastics Business recorded revenue of approximately HK$136.8 million, down approximately 30.6% YOY, with tons sold decreased by approximately 20.1% YOY, as we moved away from customers in Hong Kong and Southern China where margins were too low or credit risk was high. This business recorded a net profit of approximately HK$0.3 million in the current period, versus a net loss of approximately HK$3.0 million in the same period last year driven by higher margins and lower expenses.

Building and Design Solutions Business

Building and Design Solutions Business delivered revenue of approximately HK$269.8 million in the current period, up approximately 4.2% YOY. Net profit increased by approximately 253.9% to approximately HK$15.4 million in the current period, mainly due to YOY increase of sales and net profit of the Hong Kong business by 33.3% and 464.2% respectively. Strong project sales growth in Hong Kong helped to improve segment profit.

Property Business

During the current period, Property Business recorded a net profit of approximately HK$59.8 million on revenue of approximately HK$29.7 million, versus a net profit of approximately HK$78.4 million on revenue of approximately HK$28.1 million in the same period last year. The decrease of net profit in the current period was mainly due to an unrealized foreign exchange loss of approximately HK$26.5 million on foreign currency bank loans.

For our wholly-owned investment property, namely Central Park Putuo, we successfully increased the occupancy rate from 90.0% at end of March 2016 to 92.0% at end of the current period and increased the average market rental by approximately 7.2% in the current period.

For our wholly-owned investment property, namely Central Park Pudong (previously named as 創屹商務大廈Chuang Yi Tower, the acquisition of which was completed in late June 2016), based on a valuation report issued by an independent international property valuer, the carrying amount of this investment property was approximately HK$1,208.5 million (equivalent to approximately RMB1,040.0 million) at end of the current period, resulted in a valuation gain of approximately HK$233.5 million and a related deferred tax liability provision of HK$58.4 million for the current period.

For our investment in Park Lane project of which we own 29.44% equity interest, strata-sale promotion program has been started in mid-December 2015 and up to 30th September 2016, sale and purchase contracts for about 93.3% of the units offered had been signed. During the current period, the Group shared a net loss of approximately HK$69.8 million from this investment due to (i) our 29.44% share of the 100% write-off of the goodwill of HK$166.1 million arising from the acquisition of Park Lane or HK$48.9 million; and (ii) share of net loss of approximately HK$20.9 million from Park Lane, mainly due to transaction taxes and marketing expenses incurred during the current period.

OUTLOOK

In spite of a challenging market, Construction Materials Business managed to increase market share. The Group's margin percentage and total margin also increased. New investments have started to impact top and bottom line but will take time to reach optimum levels.

We are excited to operate one of the world's most modern and automated rebar processing and assembly plant in Hong Kong. This new investment allows us to become strategically important to our customers and the value we will provide makes us essential to their success and difficult to be replaced.

Our property investments are all located in strategic areas of Shanghai that are still transforming and increasing in value.

Our biggest challenge is maintaining margin levels while reducing expenses as we become more efficient. We expect the volatility in the global economy to continue in the near term. Our focus will be to reduce expense, manage cash effectively, while addressing risk.

We expect the global steel market to continue to face imbalances. Mainland China's steel production continues to outpace demand and will continue to put pressure on our margins. While we saw price recovery in the first few months of 2016, we feel that fundamentals do not exist to support these price levels. Iron ore output continues to outpace demand giving steel mills some cost relief as steel price falls. As a leading regional provider of construction materials, we are confident that our Construction Materials Business will be able to further expand its business scale as it has (i) successfully transformed itself from an ordinary steel distributor into a market leading, highly customized and automated steel processor with leading technologies; and (ii) moved from a product driven offer to a service-based and supply chain management value proposition. In particular, Construction Materials Business has started operations of Hong Kong's first automated rebar processing and assembly plant in Tsing Yi in early 2016 which will enable highly automated steel processing to be carried out in a more efficient, less costly and much safer environment. This new investment is now at the ramp up stage and we anticipate that it will start contributing in 2018.

As demand for construction materials is expected to increase as a result of PRC's government policies such as "the Belt and Road" initiative, Construction Materials Business is well positioned to capture such opportunity through its enhanced supply chain model; which will not only enable it to serve its customers that have expanded or are expanding trade and investment beyond Hong Kong to serve "the Belt and Road" initiative, but also to expand regionally into Southeast Asia.

For Building and Design Solutions Business, we will work closely with our brand partners to increase sales by offering new products and eliminate non-performing products, exercising strict cost and expense control, focusing on assets and working capital management. With this approach, we will work to minimise the impact from the market slowdown in Mainland China and strengthen our position for the market recovery.

Engineering Plastics Business will continue to focus on higher margin products and growing segments such as automotive, home appliances and electronics to drive sales growth in Mainland China, especially Xiamen, Shanghai and Suzhou. We have worked to strengthen our ties to supplier partners and revised our incentive program to improve contribution margin and reduce operating expenses.

Property Business will help us further enhance our revenue and profit sources. Central Park Putuo completed its renovation in April 2016. Central Park Pudong has started its renovation since July 2016 and expect to complete the renovation before the end of December 2016. We will continue to exert considerable efforts in revitalizing properties under our portfolio and invest in further opportunities and properties in Shanghai which may be identified and evaluated by our property team from time to time and are considered to be sound. The total floor area of properties managed by our property team following the acquisition of Central Park Pudong in late June 2016 exceeds 1.2 million square feet. Shanghai shall continue to be a geographical focus and core investment market of our Property Business as we are confident that the continuous evolution of Shanghai towards a service-driven economy will not only boost its international stature, but also generate demand for quality office space.

To tackle the foreign exchange translation exposure of our Property Business, we are exploring hedging and Renminbi ("RMB") refinancing opportunities for the foreign currency bank loans.

FINANCIAL REVIEW

Financial Positions

Compared with financial year ended 31st March 2016, as at 30th September 2016, the Group's total assets increased from approximately HK$3,531.8 million to approximately HK$4,129.5 million. The Group's inventories increased from approximately HK$175.6 million to approximately HK$203.6 million. The average inventory days of supply increased by 7 days to 29 days. The Group's trade and bill receivables increased from approximately HK$461.7 million to approximately HK$527.0 million. The average overall day of sales outstanding increased from 46 days to 57 days. Net assets value of the Group decreased from approximately HK$1,061.5 million to approximately HK$1,053.4 million, equivalent to HK$1.6 per ordinary share as at 30th September 2016.

Compared with the financial position at 31st March 2016, the Group's cash and cash equivalents and pledged bank deposits, decreased by approximately HK$304.2 million to approximately HK$301.2 million while the Group's borrowings increased by approximately HK$487.6 million to approximately HK$2,480.0 million as at 30th September 2016. Current ratio decreased from 1.27 to 1.01, while 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) increased from 56.7% to 67.4%.

Financial Resources

All of 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, and on cost efficient funding of the Company and its subsidiaries. The Group has always adhered to prudent financial management principles.

The Group's trade financing remained primarily supported by its bank trading and term loan facilities. As at 30th September 2016, about 44.6% of the Group's interest-bearing borrowings for trade financing purpose and financing of investment properties were denominated in HK dollar, about 21.1% in RMB and about 34.3% in US dollar. These facilities are either secured by the Group's inventory 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. Interest costs of import bank loans were levied on interbank offered rates plus very competitive margin. RMB loans and bill exchange facilities have been obtained from domestic and foreign banks in the amount of RMB596.8 million. Interest costs of RMB banking facilities were based on standard loan rates set by the People's Bank of China adjusted with competitive margin.

Charges on Assets

As at 30th September 2016, the Group had certain charges on assets which included (i) bank deposits of approximately HK$77.1 million which were pledged as collateral for the Group's bank borrowings and banking facilities; and (ii) investment properties; property, plant and equipment; and land use rights of approximately HK$2,482.2 million, HK$12.9 million and HK$33.1 million respectively were pledged as collaterals for certain bank borrowings of the Group.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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.

Contingent Liabilities

As at 30th September 2016, the Group's had no material contingent liability.

HUMAN CAPITAL

The Group is focusing on building an elite team to help lead the Group to future success. Our growth strategy has always included a strong sense of commitment to people. We provide competitive remuneration package to attract and motivate the employees. We always provide a safe and pleasant working environment with constant learning and growth opportunities.

As at 30th September 2016, the Group employed 308 staff. Total staff costs including contribution to retirement benefits schemes incurred during the six months ended 30th September 2016 amounted to approximately HK$58.1 million. During the current period, no options have been offered and/or granted to Directors and our employees under the share option scheme adopted on 11th August 2011.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.26 cents per ordinary share for the six months ended 30th September 2016 payable to shareholders whose names appear on the register of members of the Company at the close of business on 22nd December 2016. Dividend warrants are expected to be despatched to shareholders on 18th January 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21st December 2016 to 22nd December 2016, both days inclusive, during which period no transfers 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 Company's branch share registrar 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 no later than 4:30 p.m. (Hong Kong time) on 20th December 2016.

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

During the six months ended 30th September 2016, 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 2016.

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 of 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 six months ended 30th September 2016.

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. 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) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The interim report for the six months ended 30th September 2016 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, 24th November 2016

As at the date of this announcement, the Board comprises Mr. Yao Cho Fai Andrew, Ms. Luk Pui Yin Grace and Mr. Lau Chi Chiu (being the executive directors); Mr. Dong Sai Ming Fernando (being the non-executive director); Mr. Tam King Ching Kenny, Mr. Xu Lin Bao, Mr. Tse Lung Wa Teddy and Mr. Yeung Wing Sun Mike (being the independent non-executive directors).