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 2017

HIGHLIGHTS

- Revenue increased by approximately 8.4% to approximately HK$1,643.7 million, versus approximately HK$1,515.8 million of the same period last year

- Unaudited loss attributable to owners of the Company amounted to approximately HK$25.2 million, compared with an unaudited profit attributable to owners of the Company of approximately HK$48.5 million of the same period last year

- Unaudited consolidated net assets value (the "**NAV**") was approximately HK$1,149.7 million as at 30th September 2017, versus the audited consolidated NAV of approximately HK$1,130.9 million as at 31st March 2017

- Gross profit margin decreased to approximately 8.8% from approximately 14.6% compared with the same period last year, mainly affected by adverse fluctuation of steel price

- Successful disposal of our 29.44% indirect investment in Park Lane in Shanghai at a gain in September 2017

- Maintained the occupancy rate of our wholly-owned Central Park Pudong in Shanghai at a stable level and successfully increased the occupancy rate to about 65% as of the date of this announcement

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 2017, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30th September 2017

		Six months ended 30th September	
		2017	2016
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,643,735**	1,515,757
Cost of sales	*5*	**(1,499,738)**	(1,295,175)
Gross profit		**143,997**	220,582
Other losses – net	*4*	**(27,829)**	(40,268)
Selling and distribution expenses	*5*	**(29,555)**	(34,079)
General and administrative expenses	*5*	**(133,472)**	(128,859)
Fair value gain on an investment property		**—**	233,513
Operating (loss)/profit		**(46,859)**	250,889
Finance income	*6*	**1,294**	441
Finance costs	*6*	**(33,760)**	(47,371)
Share of results of joint ventures – net		**47,849**	(78,733)
(Loss)/profit before income tax		**(31,476)**	125,226
Income tax credit/(expense)	*7*	**13,693**	(77,918)
(Loss)/profit for the period		**(17,783)**	47,308
(Loss)/profit attributable to:			
— Owners of the Company	*9*	**(25,196)**	48,468
— Non-controlling interests		**7,413**	(1,160)
		(17,783)	47,308
(Loss)/earnings per ordinary share attributable to owners of the Company			
— Basic (loss)/earnings per share	*9*	**HK(3.9) cents**	HK7.6 cents
— Diluted (loss)/earnings per share	*9*	**HK(3.9) cents**	HK7.5 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2017

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(17,783)**	47,308
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	**(134)**	115
Currency translation differences	**51,269**	(50,401)
Other comprehensive income/(loss) for the period	**51,135**	(50,286)
Total comprehensive income/(loss) for the period	**33,352**	(2,978)
Total comprehensive income/(loss) for the period attributable to:		
— Owners of the Company	**24,686**	(1,818)
— Non-controlling interests	**8,666**	(1,160)
	33,352	(2,978)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30th September 2017

	Note	**As at 30th September 2017 *HK$'000* (Unaudited)**	As at 31st March 2017 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**153,385**	163,489
Investment property		**1,280,370**	1,222,682
Land use rights		**9,417**	9,518
Investments in joint ventures		**39,951**	110,631
Prepayments, deposits and other receivables		**58,164**	52,860
Deferred income tax assets		**38,102**	21,370
Available-for-sale financial asset		**372**	506
Total non-current assets		**1,579,761**	1,581,056
Current assets			
Inventories		**161,287**	395,628
Trade and bill receivables	*10*	**472,695**	495,033
Prepayments, deposits and other receivables		**157,659**	165,281
Financial assets at fair value through profit or loss		**—**	15,500
Amounts due from joint ventures		**75,282**	34,360
Pledged bank deposits		**24,040**	68,659
Cash and cash equivalents		**532,823**	628,382
Total current assets		**1,423,786**	1,802,843
Total assets		**3,003,547**	3,383,899

	Note	As at 30th September 2017 HK$'000 (Unaudited)	As at 31st March 2017 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**64,188**	64,188
Reserves		**1,055,432**	1,045,323
		1,119,620	1,109,511
Non-controlling interests		**30,053**	21,387
Total equity		**1,149,673**	1,130,898
LIABILITIES			
Non-current liabilities			
Accrued liabilities and other payables		**8,875**	7,223
Deferred income tax liabilities		**71,300**	69,638
Borrowings		**591,865**	509,190
Total non-current liabilities		**672,040**	586,051
Current liabilities			
Trade and bill payables	*11*	**179,229**	143,604
Receipts in advance		**43,757**	28,696
Accrued liabilities and other payables		**83,418**	163,688
Amount due to a joint venture		**—**	49,900
Current income tax liabilities		**1,334**	67,916
Borrowings		**874,096**	1,213,146
Total current liabilities		**1,181,834**	1,666,950
Total liabilities		**1,853,874**	2,253,001
Total equity and liabilities		**3,003,547**	3,383,899

NOTES

1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September 2017 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

2 Accounting policies

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual consolidated financial statements for the year ended 31st March 2017 as described in those annual consolidated financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31st March 2018.

(a) The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1st April 2017 and currently relevant to the Group:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements Project HKFRS 12 (Amendment)	Annual Improvements 2014–2016 Cycle (Amendments)

The Group has adopted these standards and the adoption of these standards do not have significant impacts on the Group's condensed consolidated interim financial information.

(b) The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1st April 2017 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
Annual Improvements Project HKFRS 1 and HKAS 28 (Amendment)	Annual Improvements 2014–2016 Cycle	1st January 2018
HKAS 40	Transfers of Investment Property (Amendment)	1st January 2018
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 15 (Amendment)	Clarifications to HKFRS 15	1st January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1st January 2018
HKFRS 16	Leases	1st January 2019

The Group is in the process of making an assessment of what the impact of these new standards and amendments to existing standards would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

3 Revenue and segment information

The Group's revenue consists of the following:

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of goods	**1,583,259**	1,469,477
Service income	**47,039**	21,502
Rental income	**13,437**	24,778
Total revenue	**1,643,735**	1,515,757

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 business;

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

(iii) Engineering plastics business; and

(iv) Property investment and project management business.

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 the Group's CODM is measured in a manner consistent with that in the unaudited condensed consolidated interim financial information.

During the year ended 31st March 2017, the Group reclassified the corporate operating expenses for its office building in Tsing Yi, which is for corporate use starting from 1st April 2016, from the construction materials segment to unallocated expenses. The results by segment for the six months ended 30th September 2016 were restated accordingly.

Analysis of the Group's results by business segment for the six months ended 30th September 2017 is as follows:

	Unaudited					
	Construction materials business	**BDS business**	**Engineering plastics business**	**Property investment and project management business**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	**1,204,283**	**183,640**	**195,336**	**45,691**	**14,785**	**1,643,735**
Operating (loss)/profit	**(40,798)**	**18,579**	**8,516**	**10,353**	**(43,509)**	**(46,859)**
Finance income	**762**	**5**	**131**	**270**	**126**	**1,294**
Finance costs	**(14,834)**	**(2,598)**	**(222)**	**(14,805)**	**(1,301)**	**(33,760)**
Share of results of joint ventures – net	**—**	**—**	**—**	**47,849**	**—**	**47,849**
(Loss)/profit before income tax	**(54,870)**	**15,986**	**8,425**	**43,667**	**(44,684)**	**(31,476)**
Other (losses)/gains – net	**(26,639)**	**827**	**2,174**	**(4,603)**	**412**	**(27,829)**
Fair value gain on an investment property	**—**	**—**	**—**	**—**	**—**	**—**
Depreciation and amortisation	**(1,243)**	**(395)**	**(13)**	**(292)**	**(17,900)**	**(19,843)**

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

	Unaudited					
	Construction materials business	**BDS business**	**Engineering plastics business**	**Property investment and project management business**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	1,063,130	269,804	136,827	29,682	16,314	1,515,757
Operating profit/(loss)	43,331	29,339	984	225,647	(48,412)	250,889
Finance income	80	3	68	84	206	441
Finance costs	(9,585)	(1,613)	(240)	(33,986)	(1,947)	(47,371)
Share of results of joint ventures — net	(8,937)	—	—	(69,796)	—	(78,733)
Profit/(loss) before income tax	24,889	27,729	812	121,949	(50,153)	125,226
Other losses – net	(1,389)	(15,231)	(1,642)	(21,941)	(65)	(40,268)
Fair value gain on an investment property	—	—	—	233,513	—	233,513
Depreciation and amortisation	(2,077)	(1,699)	(20)	(1,355)	(18,115)	(23,266)

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

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Mainland China	**989,898**	716,714
Hong Kong	**653,837**	799,043
Total revenue	**1,643,735**	1,515,757

4 Other losses — net

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision for onerous contracts	**(30,534)**	(2,000)
Impairment of goodwill	**—**	(10,478)
Impairment of intangible assets	**—**	(4,079)
Net exchange losses	**(2,444)**	(27,527)
Net unrealised fair value change on financial assets at fair value through profit or loss	**—**	(11)
Realised loss on steel future contracts	**—**	(130)
Net sundry income	**5,149**	3,957
	(27,829)	(40,268)

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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of finished goods sold	**1,486,842**	1,275,604
Provision/(write-back of provision) for impairment of inventories	**12**	(635)
Depreciation of property, plant and equipment	**19,742**	21,808
Loss on disposals of property, plant and equipment	**145**	838
Amortisation of land use rights	**101**	773
Amortisation of intangible assets	**—**	685
Employee benefit expenses	**54,136**	58,123
Legal and professional fees	**6,880**	3,340
Service fee paid to a joint venture	**9,135**	—
Operating lease rental expense in respect of retail outlets, offices and warehouses	**22,072**	24,367
Provision for impairment of trade receivables, net	**816**	977
Freight charges – outbound	**20,315**	26,320
Freight charges – inbound	**8,229**	13,616
Others	**34,340**	32,297
Total cost of sales, selling and distribution expenses and general and administrative expenses	**1,662,765**	1,458,113

6 Finance income and costs

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
— interest income on short-term bank deposits	**1,294**	441
Finance costs		
— interest expenses on bank borrowings	**(30,888)**	(45,326)
— bank charges	**(2,872)**	(2,045)
	(33,760)	(47,371)
Net finance costs	**(32,466)**	(46,930)

7 Income tax credit/(expense)

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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% (2016: 25%).

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

	Six months ended 30th September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong profits tax	**(2,827)**	(4,866)
— China corporate income tax	**(1,197)**	(7,636)
Deferred income tax	**17,717**	(65,416)
	13,693	(77,918)

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

8 Dividends

The Board does not declare payment of interim dividend for the six months ended 30th September 2017 (2016: HK2.26 cents).

A final dividend in respect of the year ended 31st March 2017 of HK2.49 cents per ordinary share, amounting to approximately HK$15,983,000 was approved at the annual general meeting of the Company held on 18th August 2017 and was paid on 8th September 2017.

9 (Loss)/earnings per ordinary share

(a) Basic

Basic (loss)/earnings per ordinary share is calculated by dividing the (loss)/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	
	2017	2016
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company *(HK$'000)*	**(25,196)**	48,468
Weighted average number of ordinary shares in issue *('000)*	**641,883**	641,883
Basic (loss)/earnings per ordinary share *(HK cents)*	**(3.9)**	7.6

(b) Diluted

Diluted (loss)/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	
	2017	2016
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company and used to determine diluted (loss)/earnings per ordinary *share (HK$'000)*	**(25,196)**	48,468
Weighted average number of ordinary shares in issue *('000)*	**641,883**	641,883
Adjustment for share options *('000)*	**—**	8,575
Weighted average number of ordinary shares for diluted (loss)/earnings per ordinary share *('000)*	**641,883**	650,458
Diluted (loss)/earnings per ordinary share *(HK cents)*	**(3.9)**	7.5

Diluted loss per share for the six months ended 30 September 2017 was the same as basic loss per share since all potential ordinary shares are anti-dilutive.

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 2017	As at 31st March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–60 days	**314,123**	374,036
61–120 days	**53,536**	66,836
121–180 days	**44,971**	17,922
181–365 days	**39,864**	27,673
Over 365 days	**35,420**	23,175
	487,914	509,642
Less: Provision for impairment	**(15,219)**	(14,609)
	472,695	495,033

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 2017 *HK$'000* **(Unaudited)**	As at 31st March 2017 *HK$'000* (Audited)
0–60 days	**177,879**	141,931
61–120 days	**152**	756
121–180 days	**120**	94
181–365 days	**280**	204
Over 365 days	**798**	619
	179,229	143,604

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

12 Commitments

(a) Commitments under operating leases

(i) Lessor

The Group leases an investment property under non-cancellable operating lease agreements. The lease terms are between 1 and 8 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 2017 *HK$'000* **(Unaudited)**	As at 31st March 2017 *HK$'000* (Audited)
Not later than one year	**31,449**	25,603
Later than one year and not later than five years	**50,015**	40,299
Later than five years	**7,313**	—
	88,777	65,902

(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 2017	As at 31st March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Not later than one year	**34,742**	31,308
Later than one year and not later than five years	**60,782**	65,005
	95,524	96,313

(b) Capital commitments

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

	As at 30th September 2017	As at 31st March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for:		
Renovation work for the investment property	**7,419**	13,395
Leasehold improvement	**—**	458
Total	**7,419**	13,853

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September 2017 (the "**current period**"), the Group recorded a revenue of approximately HK$1,643.7 million, increased by approximately 8.4% from approximately HK$1,515.8 million of the same period last year. However, due to the adverse fluctuation of steel price during the current period and the negative impact arising from the adverse market situation in global commodity market, the Group recorded an unaudited loss attributable to owners of the Company of approximately HK$25.2 million, compared with an unaudited profit attributable to owners of the Company of approximately HK$48.5 million of the same period last year.

The unaudited basic loss per ordinary share was HK3.9 cents for the current period, contrary to unaudited basic earnings per ordinary share of HK7.6 cents of the same period last year.

According to the Bye-laws of the Company, the Board may pay interim dividend to the shareholders justified by the profits of the Company. As an unaudited loss attributable to owners of the Company was recorded for the current period, the Board does not declare payment of interim dividend for the current period (2016: HK2.26 cents).

During the current period, we continued our downward migration along the value chain by expanding our one-stop solutions covering the processing, logistics and new products needs of our customers, through the introduction of our automated rebar processing and assembly plant in Tsing Yi. By taking the lead in automation conversion, we aim to convert the Hong Kong construction materials market into a safer, more efficient and more transparent environment. The Group will continue to expand its downstream coverage in facilitating the ramp up and as an approved processed rebar supplier to the housing sector in Hong Kong, we aim to become one of the key suppliers of processed rebar to housing projects. With an increasing number of real estate development taking place in Hong Kong, it is expected that it would become one of the key growth drivers of the Group in the future.

We will also look to consolidate our market position in Hong Kong for our Construction Materials and Building and Design Solutions Businesses through an increasing penetration into the local housing market. Recently registered on the 'List of Approved Steel Reinforcing Bar Prefabrication Yard for Public Works', we will be able to provide construction steel to the ever-growing housing market, while our latest line of sanitary products will allow us to capture market opportunities arose from changing housing size and needs. In the future, we will also explore opportunities outside of Hong Kong, particularly in the Greater Bay Area, where its GDP has reached US$1.4 trillion, as its infrastructure development would bring huge demand to our Construction Materials and Building and Design Solutions businesses.

As we worked our way towards the transformation of the Group's steel business, we have also enjoyed considerable success in our property investment and project management business, as the successful disposal of our investment in Central Park Putuo in March 2017 was quickly followed up by the sale of our indirect investment in Park Lane at a gain in late September 2017. Through our value enhancement and tenant upgrade effort for Central Park Pudong, we were able to achieve an increase in rental revenue, while its occupancy rate has also been increased to about 65% as of the date of this announcement. It is targeted that the occupancy rate will be further increased to over 80% by the end of the current fiscal year. These achievements have demonstrated the effectiveness of our property investment and project management business model, in where we have been devoting our efforts in value-added renovation, offering design expertise and product application knowledge, as well as cultivating supplier relationship. As Shanghai will be upgrading its innovative manufacturing and transforming into a global hub by 2020, it is expected that there will be a massive increase in the demand for commercial buildings. Targeting to unleash such potentials, we will continue to focus on the Shanghai market with our proven track record and capabilities.

BUSINESS REVIEW

Property Investment and Project Management Business

We are a value-added real estate investor and a property enhancement specialist. Our Property Investment and Project Management Business consists of (i) direct acquisitions of properties for investment such as our wholly-owned Central Park Pudong, which generates rental income and appreciation in fair value to the Group; and (ii) investments in properties such as Park Lane via partnerships or investment funds where the Group takes equity stake.

The Group focuses on office properties in Shanghai, which is the most economically-developed, financial and economic center of China. Ranked as the number one city in China in terms of GDP and disposable income and number two city in terms of population, its steady-growing GDP, driven by tertiary industries such as finance, technology and advanced businesses, along with initiatives such as Shanghai Free Trade Zone and the Shanghai-Hong Kong Stock Connect introduced by the Central Government, have together generated sustainable demand in premium-grade offices, which lead to an increasing rental level.

Central Park Pudong is a 12-storey (plus one basement level) Grade-B office building with a total gross floor area of approximately 33,191.02 square meter located in Pudong New District, Shanghai Municipality, PRC. It is conveniently located near a metro station in a developing business area of China (Shanghai) Pilot Free Trade Zone, with close proximity to the central districts of Shanghai and is equipped with a Grade-A structure. The Group has carried out value enhancement work (including re-design, renovation, rebranding, sales and marketing to bring about an improvement in tenant mix, occupancy rate and rental income) and has successfully transformed Central Park Pudong into a modern and well-equipped Grade-A office building to cater for the high demand of premium quality offices in financial and commercial districts of Shanghai.

Our project management arm Hongkong and Shanghai Land Capital Ltd. is a boutique property project manager, together with its affiliated companies (collectively "**HSL**") have a team of industry veterans and proven track record in asset revitalization and optimization. HSL provides integrated value add framework which involves re-positioning, re-development, re-leasing and refurbishment of commercial assets. It carries out value enhancement works on the properties and their surrounding common areas at a minimum renovation cost, while implementing successfully leasing strategy to remix tenants in order to secure premium tenants and drive up rental income, with the eventual target of generating significant capital gains for our Group's investments. The team's members have over 50 years of business experience in Greater China, and HSL has built a strong business network with leading state-owned enterprises, local governments and property developers in Shanghai. Through the concerted efforts of these specialists, HSL carries out refurbishment works to improve tenancy mix and maximize occupancy rate, which involves active property management through partnership with experts for accretion of fair value of our wholly-owned investment property, as well as our non-controlling investment property via the partnership.

During the current period, our Property Investment and Project Management Business recorded an unaudited net profit of approximately HK$43.5 million on revenue of approximately HK$45.7 million, versus a net profit of approximately HK$59.8 million on revenue of approximately HK$29.7 million of the same period last year. The decrease in net profit was mainly because no revaluation gain on our wholly-owned Central Park Pudong was recorded in the current period (2016: HK$233.5 million).

As of 30th September 2017, Central Park Pudong's occupancy rate was approximately 57.2%, comparable to that of 31st March 2017. The Board is of the view that its valuation remained the same as that of 31st March 2017 and hence, no valuation gain was recorded in the current period. However, the occupancy rate of Central Park Pudong has successfully increased to about 65% as of the date of this announcement, and is expected to increase to over 80% by end of the current fiscal year.

Our 29.44% investment in Park Lane was acquired by our first investment fund partnership HSL China Metropolitan Fund I L.P. (the "**Partnership**") in December 2014 and managed under HSL. After HSL's refurbishment plan, Park Lane was repositioned as a high-end residential property, and the Partnership disposed its investment in Park Lane to an independent third party in September 2017 at a gain. The Partnership distributed our initial capital investment of RMB106 million to the Group in late September 2017, and it is expected that the Partnership will make a final distribution for the disposal gain (net of expenses and tax) to the Group in the second half of the current fiscal year. As a result of the disposal, HSL has received a disposal fee income and will receive an upside bonus from the Partnership when the final distribution of the Partnership is made. During the current period, the Group shared an unaudited net profit of approximately HK$47.8 million, versus a net loss of approximately HK$69.8 million of the same period last year from the investment. HSL recorded an asset management fee income and a disposal fee income totaling approximately HK$23.8 million in the current period, up by approximately HK$18.6 million over that of the same period last year.

Building and Design Solutions Business

Our Building and Design Solutions Business provides a comprehensive value proposition that includes design, installation, inventory management, logistics as well as technical support of bathroom and kitchen products to developers, architects, designers and distributor partners. As one of the established players in the market, we offer an expansive product portfolio covering various well-known brands.

The Building and Design Solutions Business recorded an unaudited net profit of approximately HK$12.6 million on revenue of approximately HK$183.6 million in the current period, versus a net profit of approximately HK$15.4 million on revenue of approximately HK$269.8 million of the same period last year. The decrease in revenue was mainly caused by a delay in delivery of major projects.

Construction Materials Business

Construction Materials Business comprises Hong Kong construction products processing and distribution, 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).

The Construction Material Business recorded a total revenue of approximately HK$1,204.3 million for the current period, up approximately 13.3% compared with the same period last year, primarily due to the increase in average selling price. Our tons sold decreased by 3.4%, primarily due to infrastructure projects delay in Hong Kong, caused by the filibustering at the Legislative Council.

Unaudited net loss of Construction Materials Business was approximately HK$45.1 million, versus a net profit of approximately HK$14.4 million of the same period last year mainly due to (i) the decrease in total net profit of Hong Kong construction products and surface critical coil processing and distribution by approximately 281.7% YOY to approximately HK$43.2 million net loss in the current period, as their total gross profit margin dropped by 6.8% to approximately 1.8%; and (ii) the net loss of steel recycling of about HK$1.9 million in the current period, decreased by approximately HK$7.4 million YOY, due to the 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.

Engineering Plastics Business

The Engineering Plastics Business recorded a revenue of approximately HK$195.3 million, increased by approximately 42.8% YOY, with tons sold also increased by approximately 20.1% YOY, as we moved away from customers where margins were too low or credit risk was high, and focused on high growth segments. This business recorded an unaudited net profit of approximately HK$7.4 million in the current period, versus a net profit of approximately HK$300,000 of the same period last year, driven by higher margins, lower expense, strong growth in selected segments and geographic expansion.

OUTLOOK

Property Investment and Project Management Business

As Shanghai will be upgrading its innovative manufacturing and transforming into a global hub by 2020, it is expected that there will be a massive increase in demand for commercial buildings. Targeting to unleash such potentials, we will continue to focus on the Shanghai market for good property investment opportunities. Our wholly-owned Central Park Pudong targets to increase its occupancy rate to over 80% in the near future.

Also, by leveraging HSL's proven successful track record in transforming under-performing buildings into modern, productive and valuable assets in the last two fiscal years, we aim to expand our Property Investment and Project Management Business through setting up joint ventures and/or fund partnership and assume a management role in these forms of cooperation. We believe the target expansion of our Property Investment and Project Management Business by way of joint ventures and/or fund partnership is beneficial to the development of our Group, as HSL will be entitled to full management rights via acting as the general partner and investment manager of the partnership or investment funds, while providing more flexibility on capital requirements for the Group. HSL has been actively exploring opportunities for raising capital, focusing on office buildings in Shanghai on joint ventures and/or fund partnership basis and acting as a general partner for the partnership or investment funds to earn service fee income.

Building and Design Solutions Business

We will continue to roll out our segment based growth strategy for our Building and Design Solutions Business. Our brand partners continue to have a strong market presence and our project strategy has allowed us to capture large and iconic projects in Hong Kong.

Construction Materials Business

We expect the global steel market to continue its volatile evolution, as China's demand continues to slow down while production output is reduced due to environmental initiatives. China's steel production consolidation and its drive for cleaner air may lead us to search for supply outside of China. In recent months, Turkey and Russia rebar prices have become more competitive, and we will stay close to these and other markets to ensure that we are able to purchase steel at the lowest possible price, along with better timing in our purchases and coverage for maximum margin levels. We will also continue to improve the connection of our recycling business to existing contractors in order to increase our bargaining power in procurement.

Engineering Plastics Business

Our Engineering Plastics Business has been undergoing a major re-organization over the past two years, as we moved away from segments such as toys, and moved towards to segments such as home appliances, consumer electronics and automotive, while changing our offer to include higher margin products and services. We remain confident in our new model of specialized segment sales, as the transformation is already yielding margin enhancement, working capital improvement and sustainable growth.

FINANCIAL REVIEW

Financial Positions

Compared with the financial year ended 31st March 2017, as at 30th September 2017, the Group's total assets decreased from approximately HK$3,383.9 million to approximately HK$3,003.5 million. The Group's inventories decreased from approximately HK$395.6 million to approximately HK$161.3 million. The average inventory days of supply decreased by 34 days to 20 days. The Group's trade and bill receivables decreased from approximately HK$495.0 million to approximately HK$472.7 million. The average overall day of sales outstanding decreased from 56 days to 48 days. Net assets value of the Group increased from approximately HK$1,130.9 million as at 31st March 2017 to approximately HK$1,149.7 million, equivalent to HK$1.8 per ordinary share as at 30th September 2017.

Compared with the financial position at 31st March 2017, the Group's cash and cash equivalents and pledged bank deposits, decreased by approximately HK$140.2 million to approximately HK$556.9 million while the Group's borrowings decreased by approximately HK$256.4 million to approximately HK$1,466.0 million as at 30th September 2017. Current ratio increased from 1.08 to 1.20, 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) decreased from 48.0% to 44.8%.

Financial Resources

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

The Group's trade financing remained primarily supported by its bank trading and term loan facilities. As at 30th September 2017, about 28.1% of the Group's interest-bearing borrowings for trade financing purpose and financing of investment properties were denominated in HK dollar, about 39.8% in RMB and about 32.1% 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 of the Group have been obtained from domestic and foreign banks in the amount of RMB496.0 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 2017, the Group had certain charges on assets which included (i) bank deposits of approximately HK$24.0 million which were pledged as collateral for the Group's bank borrowings and banking facilities; and (ii) an investment property of approximately HK$1,280.4 million which was 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 minimize 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 2017, the Group's had no material contingent liability.

HUMAN CAPITAL

The Group is focusing on building talent development to help lead the Group to future success. Our growth strategy has always included a strong sense of commitment to people. We provide a 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 2017, the Group employed 246 staff. Total staff costs including contribution to retirement benefits schemes incurred during the six months ended 30th September 2017 amounted to approximately HK$54.1 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

According to the Bye-laws of the Company, the Board may pay interim dividend to the shareholders justified by the profits of the Company. As an unaudited loss attributable to owners of the Company was recorded for the current period, the Board does not declare payment of interim dividend for the current period (2016: HK2.26 cents).

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

During the six months ended 30th September 2017, 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 2017.

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 2017.

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 2017 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 2017

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. 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).