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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2018

The board of directors (the "**Board**") of Hong Kong Shanghai Alliance Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31st March 2018 (the "**Year**").

For the Year, the Group recorded a revenue of approximately HK$3,032.9 million, which was comparable to the revenue of approximately HK$3,022.9 million of last year. However, due to the continuous adverse fluctuation of steel price in the Year and the negative impact arising from the adverse market situation in global commodity market, the Group recorded a loss attributable to owners of the Company of approximately HK$147.7 million in the Year, as compared to a profit attributable to owners of the Company of approximately HK$101.8 million of last year.

The basic loss per ordinary share was HK23.02 cents for the Year, contrary to the basic earnings per ordinary share of HK15.86 cents last year.

The Board has recommended a final dividend of HK1.57 cents (2017: HK2.49 cents) per ordinary share for the Year.

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 via partnerships or investment funds where the Group takes equity stake and acts a general partner and/or investment manager to earn fee income.

The Group focuses on office properties in Shanghai, which is the most economically-developed, financial and economic center of China. 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.

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 the Group's investments. The team's members have substantial 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 Year, our Property Investment and Project Management Business recorded a net profit of approximately HK$38.3 million on revenue of approximately HK$63.0 million, versus a net profit of approximately HK$173.8 million on revenue of approximately HK$72.9 million of last year. The decrease in net profit was mainly due to a smaller valuation gain of approximately HK$11.1 million on our wholly-owned Central Park Pudong was recorded in the Year, versus valuation gain of approximately HK$272.0 million recorded in last year.

Central Park Pudong is a 12-storey (plus one basement level) 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. HSL 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.

As of 31st March 2018, Central Park Pudong's occupancy rate was approximately 76.0%, increased by 17.7% year-on-year ("**YOY**"). Based on a valuation report issued by an independent international property valuer, the carrying amount of this investment property is approximately HK$1,380.6 million (equivalent to approximately RMB1,108.0 million) at end of the Year, resulted in a valuation gain of approximately HK$11.1 million and a related deferred tax liability provision of approximately HK$2.8 million for the Year.

Our 29.44% investment in Park Lane Shanghai was acquired by our first investment fund partnership HSL China Metropolitan Fund I L.P. (the "**Partnership**") and managed under HSL. After HSL's refurbishment plan, Park Lane Shanghai was repositioned as a high-end residential property, and the Partnership disposed its investment in Park Lane Shanghai to an independent third party in September 2017 at a gain. The Partnership distributed our initial capital investment of RMB106.0 million to the Group in late September 2017, and the Partnership has made a final distribution for the disposal gain (net of expenses and tax) of HK$42.6 million to the Group in the second half of the Year. As a result of the disposal, HSL has received a disposal fee income and an upside bonus from the Partnership. During the Year, the Group shared a net profit of approximately HK$39.4 million, versus a net loss of approximately HK$13.8 million of last year from the investment. HSL recorded an asset management fee income and a disposal fee income totaling approximately HK$31.2 million in the Year, up by approximately HK$21.1 million over that of 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 a net profit of approximately HK$19.9 million on revenue of approximately HK$330.1 million in the Year, versus a net profit of approximately HK$23.5 million on revenue of approximately HK$490.7 million in last year. The decrease in revenue was mainly caused by a delay in delivery of major projects and slow supplies from suppliers in the PRC.

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.

The Construction Material Business recorded a total revenue of approximately HK$2,231.6 million for the Year, up approximately 4.6% compared with last year, primarily due to the increase in average selling price. Our tons sold decreased by 13.6%, primarily due to infrastructure projects delay in Hong Kong, caused by the filibustering at the Legislative Council.

Net loss of Construction Materials Business was approximately HK$131.2 million, versus a net loss of approximately HK$23.3 million of last year. The increase of net loss in the Year was mainly due to (i) a net loss of HK$25.0 million from our 50%-owned TVSC Construction Steel Solutions Limited ("**TVSC**", now known as VSC Construction Steel Solutions Limited); (ii) the continuous adverse fluctuation of steel price and the negative impact arising from the adverse market situation in global commodity market; and (iii) the increase of onerous contract provision by approximately HK$24.7 million to approximately HK$26.7 million in the Year.

Engineering Plastics Business

The Engineering Plastics Business recorded a revenue of approximately HK$378.5 million, increased by approximately 27.5% YOY, with tons sold also increased by approximately 8.3% 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 audited net profit of approximately HK$13.0 million in the Year, up approximately 331.6% YOY, 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 85% in the near future.

The Group will endure to provide one-stop solutions for revitalizing under-performing commercial buildings to valuable assets under the professional teams of HSL. In addition, leveraging our proven track record, the Group will continue to look for quality partners for setting up joint venture and/or fund partnership for business expansion. This will allow the Group to enjoy certain flexibility on capital requirements, while still be able to capture projects which have higher investment requirement and greater potential and returns.

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 and Macau.

Construction Materials Business

We expect the difficult steel market shall stabilize while there will still be ample opportunities. From the industry perspective, fluctuations in steel price shall hover, where reduction on production capacity of steel will be maintained as environmental concerns continue to grow, and the tension within the global market shall retain. Nevertheless, with a forecasted growth rate of 6.6% of the China's economy, the Group remains confident in our Construction Materials Business as favourable policies and promising microeconomics will prevail.

Furthermore, to realize the vast potentials from the flourishing Hong Kong construction sector and the Greater Bay area, the Group has acquired the remaining 50% equity interest of TVSC from NatSteel Holdings Pte. Ltd. in May 2018. This will allow the Group to further integrate its process flow of combining steel trading, steel processing, and steel scrap into one, and to fully enjoy the upcoming infrastructure boom as well as the increasing emphasis of off-site, pre-fabricated construction materials in Hong Kong. In addition, TVSC being one of the two suppliers registered on the "List of Approved Steel Reinforcing Bar Prefabrication Yard for Public Works" in Hong Kong, the Group will be able to further expand its clientele, by providing construction steel to the ever-growing housing market.

According to the press release dated 29th May 2018 on the "Chief Executive Hong Kong Special Administrative Region" website, 29 government construction projects totalling HK$68 billion had been approved by the Public Works Subcommittee of the Hong Kong Legislative Council ("**Legco**"), in which 10 government projects totalling HK$37.4 billion could be kickstarted as they had also been approved by the Finance Committee of the Legco. With seven more Finance Committee meetings, seven more Public Works Subcommittee meetings, and five more Staffing Subcommittee meetings until the summer recess of the 2017/18 legislative year, the Chief Executive of Hong Kong remains optimistic towards the approval of projects, meaning there is a strong project pipeline in the future. Furthermore, the government's initiative to set up a HK$1 billion "Construction Innovation and Technology Fund" as proposed in the 2018–19 Budget will expedite the transformation of the construction industry through innovation and technology adoption. The Budget also indicated that the government will adopt building information modelling technology in the design and construction of major government capital works projects. It will help equip the industry and encourage the use of such technology in private works projects. With the government's support in large-scale, highly-automated steel reinforcing bar prefabrication plants for production of prefabricated steel reinforcement components, it will create opportunities for the Group to capture, as it continues its downward migration along the value chain by providing one-stop solutions covering the processing, logistics and new product needs.

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 yielding margin enhancement, working capital improvement and sustainable growth.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	2	**3,032,852**	3,022,923
Cost of sales	4	**(2,808,579)**	(2,687,782)
Gross profit		**224,273**	335,141
Selling and distribution expenses	4	**(58,610)**	(129,277)
General and administrative expenses	4	**(279,270)**	(295,061)
Other gains — net	3	**8,109**	217,961
Fair value gain on investment properties		**14,818**	271,985
Operating (loss)/profit		**(90,680)**	400,749
Finance income	5	**5,010**	1,964
Finance costs	5	**(70,708)**	(119,085)
Share of results of joint ventures — net		**14,366**	(36,511)
(Loss)/profit before income tax		**(142,012)**	247,117
Income tax credit/(expense)	6	**1,772**	(147,981)
(Loss)/profit for the year		**(140,240)**	99,136
(Loss)/profit attributable to:			
Owners of the Company		**(147,712)**	101,776
Non-controlling interests		**7,472**	(2,640)
		(140,240)	99,136
(Loss)/earnings per ordinary share attributable to owners of the Company for the year			
Basic (loss)/earnings per share	8	**HK(23.02) cents**	HK15.86 cents
Diluted (loss)/earnings per share	8	**HK(23.02) cents**	HK15.63 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2018

	2018 *HK$'000*	2017 *HK$'000*
(Loss)/profit for the year	**(140,240)**	99,136
Other comprehensive (loss)/income:		
Items that have been reclassified or may be subsequently reclassified to profit or loss:		
Change in fair value of available-for-sale financial asset	**(220)**	19
Currency translation differences	**118,928**	(109,890)
Realisation of translation reserve upon disposal of subsidiaries	**—**	87,383
Other comprehensive income/(loss) for the year	**118,708**	(22,488)
Total comprehensive (loss)/income for the year	**(21,532)**	76,648
Total comprehensive (loss)/income attributable to:		
— Owners of the Company	**(32,114)**	79,310
— Non-controlling interests	**10,582**	(2,662)
	(21,532)	76,648

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**131,319**	163,489
Investment properties		**1,389,377**	1,222,682
Land use rights		**9,316**	9,518
Intangible assets		**6,607**	—
Investments in joint ventures		**19,931**	110,631
Prepayments, deposits and other receivables		**22,628**	52,860
Deferred income tax assets		**24,817**	21,370
Available-for-sale financial asset		**286**	506
		1,604,281	1,581,056
Current assets			
Prepayments, deposits and other receivables		**186,102**	165,281
Inventories		**289,566**	395,628
Amount due from a joint venture		**17,593**	34,360
Trade and bill receivables	9	**528,238**	495,033
Financial assets at fair value through profit or loss		**135,535**	15,500
Pledged bank deposits		**57,807**	68,659
Cash and cash equivalents		**312,766**	628,382
		1,527,607	1,802,843
Total assets		**3,131,888**	3,383,899

	Note	2018 HK$'000	2017 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**64,055**	64,188
Reserves		**993,648**	1,045,323
		1,057,703	1,109,511
Non-controlling interests		**29,738**	21,387
Total equity		**1,087,441**	1,130,898
Liabilities			
Non-current liabilities			
Accrued liabilities and other payables		**11,813**	7,223
Deferred income tax liabilities		**71,156**	69,638
Borrowings		**611,292**	509,190
		694,261	586,051
Current liabilities			
Trade and bill payables	10	**284,811**	143,604
Receipts in advance		**24,174**	28,696
Accrued liabilities and other payables		**81,604**	163,688
Amount due to a joint venture		**—**	49,900
Current income tax liabilities		**12,032**	67,916
Borrowings		**947,565**	1,213,146
		1,350,186	1,666,950
Total liabilities		**2,044,447**	2,253,001
Total equity and liabilities		**3,131,888**	3,383,899

NOTES:

1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset, financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

(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 Group's accounting year beginning on or after 1st April 2017:

HKAS 7 (Amendment)	Disclosure initiative
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses
HKFRS 12 (Amendment)	Disclosure of interest in other entities

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) Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31st March 2018 reporting period and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after	
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1st January 2018	
Amendments to HKFRS 4	Insurance contracts	1st January 2018	
Amendments to annual improvement project HKFRS 1 and HKAS 28	Annual improvements 2014-2016 cycle	1st January 2018	
HKFRS 9	Financial instruments	1st January 2018	(i)
HKFRS 15	Revenue from contracts with customers	1st January 2018	(ii)
Amendments to HKFRS 15	Clarifications to HKFRS 15	1st January 2018	(ii)
HK(IFRIC)-Int 22	Foreign currency transactions and advance considerations	1st January 2018	
Amendments to HKAS 40	Transfers of investment property	1st January 2018	
HKFRS 16	Leases	1st January 2019	(iii)
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1st January 2019	
Amendments to HKFRS 9	Prepayment features with negative compensation	1st January 2019	
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out below:

(i) HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

Management is currently assessing the effects of applying the new standard on the Group's financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1st April 2018:

The financial assets held by the Group include:

(i) Financial instruments currently classified as available-for-sale for which a fair value through other comprehensive income ("**FVOCI**") election is available;

(ii) Investments currently measured at fair value through profit or loss ("**FVTPL**") which will continue to be measured on the same basis under HKFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realized on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the available-for-sale financial assets fair value reserve to retained earnings.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Group does not have any such liabilities. The derecognition rules have been transferred from Hong Kong Accounting Standards ("**HKAS**") 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact from the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

HKFRS 9 is mandatory for financial years commencing on or after 1st January 2018. The Group will apply the new rules retrospectively from 1st April 2018, with the practical expedients permitted under the standard. Comparative figures for the year ended 31st March 2018 will not be restated.

(ii) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is currently assessing the effects of applying the new standard on the Group's financial statements and anticipates that the application of HKFRS 15 may result in the identification of separate performance obligations in relation to revenue contracts which could affect the timing of the recognition of revenue going forward. However, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amount of revenue recognised in the respective reporting periods. More detailed assessments will be carried out by the Group to estimate the impact of the new rules on the Group's financial statements.

Date of adoption by the Group

HKFRS 15 is mandatory for financial years commencing on or after 1st January 2018. At this stage, the Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1st April 2018 and that comparatives will not be restated.

(iii) HKFRS 16 Leases

Nature of change

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$81,788,000. The Group estimates those related to payments for short-term and low value lease which will be recognised on straight-line basis as an expense in profit or loss are insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Date of adoption by the Group

HKFRS 16 is mandatory for financial years commencing on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 Revenue and segment information

The Group's revenue consists of the following:

	2018	2017
	HK$'000	*HK$'000*
Sales of goods	**2,938,258**	2,917,768
Service income	**63,963**	42,333
Rental income	**30,631**	62,822
Total revenue	**3,032,852**	3,022,923

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 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 ("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 CODM is measured in a manner consistent with that in the consolidated financial statements.

Analysis of the Group's results by business segment for the year ended 31st March 2018 is as follows:

	Construction materials business *HK$'000*	**BDS business** *HK$'000*	**Engineering plastics business** *HK$'000*	**Property investment and project management business** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
External revenue	2,231,620	330,091	378,537	63,034	29,570	3,032,852
Operating (loss)/profit	(67,829)	28,096	15,231	24,551	(90,729)	(90,680)
Finance income	3,951	21	158	418	462	5,010
Finance costs	(31,921)	(3,229)	(553)	(30,493)	(4,512)	(70,708)
Share of results of joint ventures — net	(25,069)	—	—	39,435	—	14,366
(Loss)/profit before income tax	(120,868)	24,888	14,836	33,911	(94,779)	(142,012)
Other (losses)/gains — net	(15,575)	2,166	5,484	14,010	2,024	8,109
Fair value gain on investment properties	3,671	—	—	11,147	—	14,818
Depreciation and amortisation	(2,273)	(808)	(29)	(1,270)	(36,117)	(40,497)

Analysis of the Group's results by business segment for the year ended 31st March 2017 is as follows:

	Construction materials business *HK$'000*	BDS business *HK$'000*	Engineering plastics business *HK$'000*	Property investment and project management business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	2,132,550	490,653	296,786	72,929	30,005	3,022,923
Operating profit/(loss)	32,809	41,454	3,628	408,622	(85,764)	400,749
Finance income	917	7	98	364	578	1,964
Finance costs	(22,187)	(2,928)	(342)	(89,536)	(4,092)	(119,085)
Share of results of joint ventures — net	(22,721)	—	—	(13,790)	—	(36,511)
(Loss)/profit before income tax	(11,182)	38,533	3,384	305,660	(89,278)	247,117
Other gains/(losses) — net	37,099	(15,439)	(3,742)	200,186	(143)	217,961
Gain on disposal of subsidiaries (i)	—	—	—	229,023	—	229,023
Fair value gain on an investment property	—	—	—	271,985	—	271,985
Depreciation and amortisation	(3,439)	(2,374)	(37)	(2,679)	(36,153)	(44,682)

(i) The amount was included in "other gains — net".

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

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**1,766,988**	1,666,458
Mainland China	**1,265,864**	1,356,465
	3,032,852	3,022,923

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**175,298**	322,713
Mainland China	**1,399,516**	1,232,306
	1,574,814	1,555,019

3 Other gains — net

	2018	2017
	HK$'000	*HK$'000*
Provision for onerous contracts	**(26,656)**	(2,000)
Unrealised fair value loss on financial assets at fair value through profit or loss	**(2,133)**	—
Realised loss on financial assets at fair value through profit or loss	**—**	(103)
Net exchange gain/(loss)	**13,387**	(42,429)
Gain on disposal of subsidiaries	**—**	229,023
Impairment of goodwill and intangible assets	**—**	(14,284)
Compensation in relation to an unfulfilled contract (i)	**—**	38,860
Penalty income from tenants in relation to early termination of rental agreements	**4,086**	—
Disposal service income received from a joint venture	**11,703**	—
Sundry income	**7,722**	8,894
	8,109	217,961

(i) The amount represented the compensation from a supplier for an unfulfilled contract in year 2017.

4 Expenses by nature

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

	2018	2017
	HK$'000	*HK$'000*
Cost of finished goods sold	**2,765,195**	2,626,722
Provision for/(write-back of provision for) impairment of inventories	**1,007**	(987)
Depreciation of property, plant and equipment	**39,705**	42,199
Loss/(gain) on disposals of property, plant and equipment	**39**	(531)
Amortisation of land use rights	**202**	1,522
Amortisation of intangible assets	**590**	961
Employee benefit expenses	**113,135**	145,416
Operating lease rental expenses in respect of retail outlets, offices and warehouses	**46,574**	52,203
Property tax for investment properties	**7,098**	11,465
Provision for impairment of trade receivables — net	**1,218**	4,966
Service fee paid to a joint venture	**9,029**	53,502
Auditor's remuneration		
— Audit services	**2,320**	2,340
Legal and professional fees	**14,408**	7,316
Freight charges — inbound	**32,583**	53,219
Freight charges — outbound	**39,785**	52,079
Storage and handling charges	**7,890**	7,160
Others	**65,681**	52,568
Total cost of sales, selling and distribution expenses and general and administrative expenses	**3,146,459**	3,112,120

5 Finance income and costs

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Interest income:		
— short-term bank deposits	**5,010**	1,715
— shareholder's loan to a joint venture	**—**	249
	5,010	1,964
Finance costs		
Interest expenses:		
— bank borrowings	**(63,925)**	(113,021)
Bank charges	**(6,783)**	(6,064)
	(70,708)	(119,085)
Net finance costs	**(65,698)**	(117,121)

6 Income tax (credit)/expense

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

During the year, subsidiaries established in Mainland China are subject to China corporate income tax at 25% (2017: 25%).

The amount of income tax (credit)/expense recorded in the consolidated income statement represents:

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**3,706**	2,248
— China corporate income tax	**3,025**	15,307
Deferred income tax	**(8,503)**	65,876
Withholding tax arising on disposal of subsidiaries	**—**	64,342
Under provision in prior years	**—**	208
	(1,772)	147,981

7 Dividends

	2018	2017
	HK$'000	*HK$'000*
Interim dividend of HK2.26 cents per ordinary share for year 2017	**—**	14,507
Proposed final dividend of HK1.57 cents (2017: HK2.49 cents) per ordinary share	**10,057**	15,983
	10,057	30,490

A final dividend for the year ended 31st March 2018 of HK1.57 cents (2017: HK2.49 cents) per ordinary share, totalling approximately HK$10,057,000 (2017: HK$15,983,000) has been recommended by the Board for approval at the forthcoming annual general meeting of the Company. The proposed final dividend has not been dealt with as dividend payable as at 31st March 2018.

The proposed final divided for the year ended 31st March 2018 in the amount of approximately HK$10,057,000 is calculated on the basis of 640,546,674 shares in issue as at 22nd June 2018.

8 (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 year.

	2018	2017
(Loss)/profit attributable to owners of the Company (HK$'000)	**(147,712)**	101,776
Weighted average number of ordinary shares in issue ('000)	**641,719**	641,883
Basic (loss)/earnings per ordinary share (HK cents)	**(23.02)**	15.86

(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 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.

	2018	2017
(Loss)/profit attributable to owners of the Company and used to determine diluted (loss)/earnings per ordinary share (HK$'000)	**(147,712)**	101,776
Weighted average number of ordinary shares in issue ('000)	**641,719**	641,883
Adjustment for share options ('000) (i)	**—**	9,371
Weighted average number of ordinary shares for diluted (loss)/earnings per ordinary share ('000)	**641,719**	651,254
Diluted (loss)/earnings per ordinary share (HK cents)	**(23.02)**	15.63

(i) Diluted loss per share for the year ended 31st March 2018 was the same as basic loss per share since all potential ordinary shares are anti-dilutive.

9 Trade and bill receivables

	2018	2017
	HK$'000	*HK$'000*
Trade and bill receivables		
— from third parties	**504,249**	488,087
— from an associate and a joint venture	**41,525**	21,555
Less: Provision for impairment of trade receivables	**(17,536)**	(14,609)
Trade and bill receivables — net	**528,238**	495,033

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:

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**349,681**	374,036
61 to 120 days	**99,638**	66,836
121 to 180 days	**12,464**	17,922
181 to 365 days	**42,460**	27,673
Over 365 days	**41,531**	23,175
	545,774	509,642
Less: Provision for impairment of trade receivables	**(17,536)**	(14,609)
	528,238	495,033

The carrying amounts of net trade and bill receivables approximated their fair values as at 31st March 2018.

10 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 trade and bill payables by invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**239,723**	141,931
61 to 120 days	**43,961**	756
121 to 180 days	**299**	94
181 to 365 days	**74**	204
Over 365 days	**754**	619
	284,811	143,604

The carrying amounts of trade and bill payables approximated their fair values as at 31st March 2018.

11 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 5 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:

	2018	2017
	HK$'000	*HK$'000*
Not later than one year	**49,247**	25,603
Later than one year and not later than five years	**72,426**	40,299
	121,673	65,902

(ii) Lessee

The Group leases various retail outlets, offices, warehouses and site under non-cancellable operating lease agreements. The lease terms are between 1 and 4 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

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

	2018	2017
	HK$'000	*HK$'000*
Not later than one year	**33,490**	31,308
Later than one year and not later than five years	**48,298**	65,005
	81,788	96,313

(b) *Capital commitments*

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

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for:		
Renovation work for an investment property	**3,865**	13,395
Leasehold improvement	**—**	458
	3,865	13,853

12 Subsequent events

(a) *Formation of co-investment venture*

On 18th April 2018, the Company, Plentiful Praise Limited ("**Plentiful**", a 62% indirect subsidiary of the Company), Reco Wisteria Private Limited ("**RECO**", an independent third party), Hongkong and Shanghai Land Capital Ltd. ("**Venture Manager**", a 60% indirect subsidiary of the Company) and HSL Shanghai Office Partners I Limited (the "**Venture**") entered into the subscription and shareholders' agreement, pursuant to which Plentiful will subscribe for 0.45 shares of the Venture at US$4,500 and RECO will subscribe for 2.55 shares of the Venture at US$25,500 (the "**Transaction**"). The Transaction was completed on 1st June 2018, the Venture is owned as to 15% by Plentiful and 85% by RECO.

The Venture will focus on acquiring under-utilised office buildings in prime locations in Shanghai with value-add potential, and implementing value enhancement with efficient capital expenditure and other asset management initiatives. Following completion and upon request by the Venture Manager, RECO and Plentiful have agreed to contribute further capital of up to an aggregate amount of US$350,000,000 on a pro rata basis for operation of the Venture. The maximum commitment from Plentiful shall be US$52,500,000, while the maximum commitment from RECO shall be US$297,500,000.

The Venture will be accounted for in the consolidated financial statements of the Company as an investment in a joint venture and the amount of capital contribution provided by the Group will be recognised in its consolidated financial statements.

On 1st June 2018, the Venture's indirect wholly-owned subsidiaries entered into certain agreements with independent third parties for the acquisition of an office building and commercial plaza located at Shanghai, the PRC at a consideration of RMB3,226,000,000 in which RMB1,550,000,000 will be funded by the equity of the Venture and the remaining will be funded by debt financing. As such, Plentiful Praise shall contribute RMB232,500,000 which is 15% of RMB1,550,000,000.

On 13th June 2018, the Group entered into a 5-year loan facility agreement for a loan amounting to HK$380,000,000 for the purpose of funding the commitment.

(b) Acquisition of 50% equity interest of TVSC Construction Steel Solutions Limited ("TVSC", now known as VSC Construction Steel Solutions Limited)

On 30th April 2018, NatSteel Holdings Pte. Ltd. ("**NatSteel**"), VSC Steel Processing Limited ("**VSC Processing**", an indirect wholly-owned subsidiary of the Company), VSC Steel Processing Holdings Limited (an indirect wholly-owned subsidiary of the Company), the Company and TVSC entered into an agreement for certain arrangements in relation to TVSC, among others, (i) each of NatSteel and VSC Processing has agreed to subscribe for 45,000,000 shares, respectively, in the share capital of TVSC (the "**Share Subscriptions**"); and (ii) following the completion of the Share Subscriptions, NatSteel shall transfer to VSC Processing the legal and beneficial interests of all its shares of TVSC held or owned by NatSteel at a nominal consideration of HK$1 payable by VSC Processing.

The transfer of shares of TVSC from NatSteel to VSC Processing was completed on 9th May 2018, since then TVSC has become an indirect wholly-owned subsidiary of the Company.

CHARGES ON ASSETS

As at 31st March 2018, the Group had certain charges on assets which included (i) bank deposits of approximately HK$57.8 million which were pledged as collateral for the Group's bill payables; and (ii) an investment property of approximately HK$1,380.6 million which 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 31st March 2018, 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 31st March 2018, the Group employed 235 staff. Total staff costs including contribution to retirement benefit schemes incurred during the Year amounted to approximately HK$113.1 million. During the Year, no options have been offered and/or granted to directors and our employees under the share option scheme adopted on 11th August 2011.

FINAL DIVIDEND

The Board has recommended payment of a final dividend of HK1.57 cents per ordinary share for the year ended 31st March 2018, payable to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 27th August 2018, subject to the approval of shareholders at the annual general meeting of the Company to be held on 17th August 2018 (the "**2018 AGM**"). Final dividend warrants are expected to be despatched to shareholders on or about Wednesday, 5th September 2018.

No interim dividend was declared and paid to the shareholders during the Year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods and during these periods, no transfer of shares will be registered:

(i) For ascertaining the shareholders' entitlement to attend and vote at the 2018 AGM:

From Tuesday, 14th August 2018 to Friday, 17th August 2018, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2018 AGM. In order to be eligible to attend and vote at the 2018 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (the "**Branch Share Registrar**") 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. on Monday, 13th August 2018.

(ii) For ascertaining the shareholders' entitlement to the final dividend:

From Thursday, 23rd August 2018 to Monday, 27th August 2018, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar for registration no later than 4:30 p.m. on Wednesday, 22nd August 2018.

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

During the year ended 31st March 2018, pursuant to the mandate to buy-back shares of the Company obtained from the shareholders at the annual general meeting of the Company held on 18th August 2017, the Company has bought back an aggregate of 1,336,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$933,500 (before expenses) and all these shares were subsequently cancelled by the Company.

Particulars of the buy-backs are as follows:

Month/year	Number of shares bought-back	Purchase price per share (HK$)		Aggregate consideration (before expenses) (HK$)
		Highest	Lowest	
November 2017	26,000	0.79	0.77	20,320
December 2017	188,000	0.78	0.72	138,720
February 2018	552,000	0.69	0.67	375,460
March 2018	570,000	0.70	0.70	399,000
Total	1,336,000			933,500

The shares buy-backs were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the net asset value per share and/or earning per share.

Save as disclosed above, there were no other purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31st March 2018.

AUDIT COMMITTEE

The Audit Committee has discussed auditing, internal controls and financial reporting matters including review of the results for the year ended 31st March 2018.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31st March 2018 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31st March 2018. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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 ("**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") except for CG Code provision A.2.1 for the year ended 31st March 2018.

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 ANNUAL 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 annual report of the Company for the year ended 31st March 2018 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, 22nd June 2018

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).