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沪港联合

HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED
滬港聯合控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1001)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018

The board of directors (the "**Board**") of Hong Kong Shanghai Alliance Holdings Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30th September 2018, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018

		Six months ended 30th September	
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**1,485,486**	1,643,735
Cost of sales	*6*	**(1,340,712)**	(1,499,738)
Gross profit		**144,774**	143,997
Other gains/(losses) — net	*5*	**43,164**	(27,829)
Selling and distribution expenses	*6*	**(36,239)**	(29,555)
General and administrative expenses	*6*	**(158,007)**	(133,472)
Fair value gain on an investment property		**40,846**	—
Operating profit/(loss)		**34,538**	(46,859)
Finance income	*7*	**3,718**	1,294
Finance costs	*7*	**(40,859)**	(33,760)
Share of results of an associate		**2,106**	—
Share of results of joint ventures — net		**(1,015)**	47,849
Loss before income tax		**(1,512)**	(31,476)
Income tax credit	*8*	**3,537**	13,693
Profit/(loss) for the period		**2,025**	(17,783)

	Note	Six months ended 30th September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Profit/(loss) attributable to:			
— Owners of the Company	*10*	**8,131**	(25,196)
— Non-controlling interests		**(6,106)**	7,413
		2,025	(17,783)
Earnings/(loss) per ordinary share attributable to owners of the Company			
— Basic earnings/(loss) per share	*10*	**HK1.3 cents**	HK(3.9) cents
— Diluted earnings/(loss) per share	*10*	**HK1.3 cents**	HK(3.9) cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018

	Six months ended 30th September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	**2,025**	(17,783)
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)
Change in financial assets at fair value through other comprehensive income	**(140)**	—
Currency translation differences	**(105,429)**	51,269
Other comprehensive (loss)/income for the period	**(105,569)**	51,135
Total comprehensive (loss)/income for the period	**(103,544)**	33,352
Total comprehensive (loss)/income for the period attributable to:		
— Owners of the Company	**(88,639)**	24,686
— Non-controlling interests	**(14,905)**	8,666
	(103,544)	33,352

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER 2018

	Note	**As at 30th September 2018** *HK$'000* **(Unaudited)**	As at 31st March 2018 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**138,772**	131,319
Investment properties		**1,309,904**	1,389,377
Land use rights		**9,215**	9,316
Intangible assets		**5,932**	6,607
Investment in an associate		**1,995**	—
Investments in joint ventures		**272,206**	19,931
Prepayments, deposits and other receivables		**21,088**	22,628
Deferred income tax assets		**44,779**	24,817
Financial assets at fair value through other comprehensive income		**146**	—
Available-for-sale financial asset		**—**	286
Total non-current assets		**1,804,037**	1,604,281
Current assets			
Inventories		**254,016**	289,566
Trade and bill receivables	*11*	**567,439**	528,238
Prepayments, deposits and other receivables		**146,581**	186,102
Financial assets at fair value through profit or loss		**5,685**	135,535
Amount due from a joint venture		**—**	17,593
Pledged bank deposits		**45,933**	57,807
Cash and cash equivalents		**201,652**	312,766
Total current assets		**1,221,306**	1,527,607
Total assets		**3,025,343**	3,131,888

	Note	As at 30th September 2018 HK$'000 (Unaudited)	As at 31st March 2018 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**64,055**	64,055
Reserves		**891,415**	993,648
		955,470	1,057,703
Non-controlling interests		**123,080**	29,738
Total equity		**1,078,550**	1,087,441
LIABILITIES			
Non-current liabilities			
Accrued liabilities and other payables		**14,409**	11,813
Deferred income tax liabilities		**74,651**	71,156
Borrowings		**568,519**	611,292
Total non-current liabilities		**657,579**	694,261
Current liabilities			
Trade and bill payables	*12*	**192,530**	284,811
Receipts in advance		**36,068**	24,174
Accrued liabilities and other payables		**75,607**	81,604
Current income tax liabilities		**14,765**	12,032
Borrowings		**970,244**	947,565
Total current liabilities		**1,289,214**	1,350,186
Total liabilities		**1,946,793**	2,044,447
Total equity and liabilities		**3,025,343**	3,131,888

NOTES

1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September 2018 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

The Group's current liabilities exceeded its current assets by HK$67,908,000 as at 30th September 2018 (31st March 2018: net current assets of HK$177,421,000). During the six months ended 30th September 2018, the Group has invested HK$289,590,000 in a new joint venture by using both external and internal funds. Based on the Group's history of its operating performance, availability of banking facilities and its expected future working capital requirements, the directors consider that there are sufficient financial resources available to the Group to meet its obligations as and when they fall due. Accordingly, this condensed consolidated interim financial information has been prepared on a going concern basis.

2 Accounting policies

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31st March 2018 as described in those annual 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 2019.

(a) The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning on 1st April 2018 and currently relevant to the Group:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements project HKFRS 1 and HKAS 28 (Amendments)	Annual improvements 2014-2016 cycle

The impact of the adoption of HKFRS 9 Financial Instruments ("**HKFRS 9**") and HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**") are disclosed in Note 3.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

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 on 1st April 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1st January 2019
HKFRS 16	Leases	1st January 2019
HK (IFRIC) Int-23	Uncertainty over Income Tax Treatments	1st January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1st January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1st January 2019
Amendments to HKAS 28	Investment in Associates and Joint Ventures	1st January 2019
HKFRS 17	Insurance Contracts	1st January 2021
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 the above is expected to have a significant effect on the Group's consolidated financial statements, except the following:

(i) HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It 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.

The standard will affect primarily the accounting for the Group's operating leases. As at the date of this announcement, the Group has non-cancellable operating lease commitments of approximately HK$72,822,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's unaudited condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1st April 2018, where they are different to those applied in prior periods.

(a) Impact on condensed consolidated interim financial information

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The adjustments arising from the new impairment rules are therefore not reflected in the consolidated statement of financial position as at 31st March 2018, but are recognised in the opening of the unaudited condensed consolidated interim statement of financial position on 1st April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	Audited	**Unaudited**		
Statement of financial position (extract)	**31st March 2018 As originally presented**	**HKFRS 9**	**HKFRS 15**	**1st April 2018 Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Available-for-sale financial assets	286	(286)	—	—
Financial assets at fair value through other comprehensive income	—	286	—	286
Current assets				
Trade receivables	528,238	(5,190)	—	523,048
Total assets	3,131,888	(5,190)	—	3,126,698
Equity				
Reserves	993,648	(4,672)	—	988,976
Non-controlling interests	29,738	(518)	—	29,220
Total equity	1,087,441	(5,190)	—	1,082,251

(b) HKFRS 9 — Impact on adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of HKFRS 9 from 1st April 2018 resulted in changes in accounting policies. The new accounting policies are set out as follows.

The total impact on the Group's retained earnings and non-controlling interests as at 1st April 2018 is as follows:

	31st March 2018 (HKAS 39) *HK$'000*	**Increase in provision of impairment of trade receivables** *HK$'000*	**1st April 2018 (HKFRS 9)** *HK$'000*
Retained earnings	350,852	(4,672)	346,180
Non-controlling interests	29,738	(518)	29,220
	380,590	(5,190)	375,400

(i) Classification and measurement

On 1st April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group elected to present changes in the fair value of all of its previously classified as available-for-sale financial assets in other comprehensive income.

The impact of classification is as follows:

	Available-for-sale assets *HK$'000*	**Financial assets at fair value through other comprehensive income** *HK$'000*
Closing balance as at 31st March 2018 — HKAS 39	286	—
Reclassify investment from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(286)	286
Opening balance as at 1st April 2018 — HKFRS 9	—	286

The impact of these changes on the Groups' equity is as follows:

	Available-for-sale reserve	Financial assets at fair value through other comprehensive income reserve
	HK$'000	*HK$'000*
Closing balance as at 31st March 2018 — HKAS 39	203	—
Reclassify investment from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(203)	203
Opening balance as at 1st April 2018 — HKFRS 9	—	203

(ii) Impairment of financial assets

The Group's significant financial assets which are subject to the new expected credit loss model include trade and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of financial assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in Note 3(a) above.

While cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The range of expected credit loss rate is 0% to 30% for current to 121-180 days past due, and 22% to 80% for over 180 days past due.

The loss allowances for trade receivables as at 31st March 2018 reconcile to the opening loss allowances on 1st April 2018 as follows:

	Unaudited
	HK$'000
Closing loss allowance as at 31st March 2018	
— calculated under HKAS 39	17,536
Amounts restated through opening retained earnings	4,672
Amounts restated through opening non-controlling interests	518
Opening loss allowances as at 1st April 2018	
— calculated under HKFRS 9	22,726

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there are no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The amount of impairment of financial assets in the current period and period to date by the application of HKFRS 9 as compared to HKAS 39 that was previously in effect before the adoption of HKFRS 9 is as follows:

	Six months ended 30th September 2018		
Statement of profit or loss (extract)	**Amounts without the adoption of HKFRS 9**	**Effects of the adoption of HKFRS 9**	**Amounts as reported**
	HK$'000	*HK$'000*	*HK$'000*
General and administrative expenses	157,093	914	158,007
Profit attributable to:			
— Owners of the Company	9,257	(1,126)	8,131
— Non-controlling interests	(6,318)	212	(6,106)
	2,939	(914)	2,025

(c) HKFRS 9 — Accounting policies applied from 1st April 2018

(i) Classification

From 1st April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**FVOCI**"), or through profit or loss ("**FVTPL**")); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies all its debt instruments as amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the condensed consolidated interim statement of comprehensive income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in the profit or loss, there is no subsequent reclassification of fair value gains and losses to the comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses), net" in the condensed consolidated interim statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured in FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

From 1st April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) HKFRS 15 — Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 "Revenue" which resulted in changes in accounting policies that relate to timing of revenue recognition and presentation of contract assets and liabilities.

The directors consider the application of HKFRS 15 has no material impact on the timing and amounts of revenue recognised.

(e) HKFRS 15 — Accounting policies

(i) Sales of goods

Revenue is recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Sales of services — shipping arrangement

The Group provides shipping services the goods sold to the customers under certain sales contracts.

Shipping services give rise to a separate performance obligation when the Group promises to deliver the products after the control of the products are transferred to the customers.

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customers receive and use the benefits simultaneously.

(iii) Service income

For sales of services, revenue is recognised in accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

(iv) Rental income

Rental income from investment properties are recognised on a straight-line basis over the period of the relevant leases.

4 Revenue and segment information

The Group's revenue consists of the following:

	Six months ended 30th September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of goods	**1,426,701**	1,583,259
Service income	**31,012**	47,039
Rental income	**27,773**	13,437
Total revenue	**1,485,486**	1,643,735

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 ("**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.

Analysis of the Group's results by business segment for the six months ended 30th September 2018 is as follows:

	Unaudited					
	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*
Revenue from external customers	**1,057,884**	**194,031**	**174,785**	**56,321**	**2,465**	**1,485,486**
Operating profit/(loss)	**36,414**	**16,007**	**(2,929)**	**31,380**	**(46,334)**	**34,538**
Finance income	**3,085**	**33**	**50**	**31**	**519**	**3,718**
Finance costs	**(17,525)**	**(1,893)**	**(536)**	**(18,628)**	**(2,277)**	**(40,859)**
Share of results of an associate	**2,106**	**—**	**—**	**—**	**—**	**2,106**
Share of results of joint ventures — net	**(1,377)**	**—**	**—**	**362**	**—**	**(1,015)**
Profit/(loss) before income tax	**22,703**	**14,147**	**(3,415)**	**13,145**	**(48,092)**	**(1,512)**
Other gains/(losses) — net	**57,912**	**(1,882)**	**(6,025)**	**(5,441)**	**(1,400)**	**43,164**
Fair value gain on an investment property	**—**	**—**	**—**	**40,846**	**—**	**40,846**
Depreciation and amortisation	**(2,752)**	**(441)**	**(42)**	**(925)**	**(18,104)**	**(22,264)**

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

	Unaudited					
	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*
Revenue from external customers	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)

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

	Six months ended 30th September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Mainland China	**603,128**	653,837
Hong Kong	**882,358**	989,898
Total revenue	**1,485,486**	1,643,735

5 Other gains/(losses) — net

	Six months ended 30th September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reversal of provision/(provision) for onerous contracts	**40,656**	(30,534)
Net exchange losses	**(21,382)**	(2,444)
Net realised fair value change on financial assets at fair value through profit or loss	**(1,559)**	—
Gain on bargain purchase from the acquisition of a subsidiary	**18,554**	—
Net sundry income	**6,895**	5,149
	43,164	(27,829)

6 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of finished goods sold	**1,318,031**	1,486,842
Provision for impairment of inventories	**325**	12
Depreciation of property, plant and equipment	**21,488**	19,742
(Gain)/loss on disposals of property, plant and equipment	**(57)**	145
Amortisation of land use rights	**101**	101
Amortisation of intangible assets	**675**	—
Employee benefit expenses	**63,001**	54,136
Legal and professional fees	**5,286**	6,880
Service fee paid to a joint venture	**—**	9,135
Professional fees associated with the formation of a joint venture	**37,383**	—
Operating lease rental expense in respect of retail outlets, offices and warehouses	**21,889**	22,072
Provision for impairment of trade receivables, net	**2,785**	816
Freight charges	**33,223**	28,544
Others	**30,828**	34,340
Total cost of sales, selling and distribution expenses and general and administrative expenses	**1,534,958**	1,662,765

7 Finance income and costs

	Six months ended 30th September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
— interest income on short-term bank deposits	**3,718**	1,294
Finance costs		
— interest expenses on bank borrowings	**(37,781)**	(30,888)
— bank charges	**(3,078)**	(2,872)
	(40,859)	(33,760)
Net finance costs	**(37,141)**	(32,466)

8 Income tax credit

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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% (2017: 25%).

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

	Six months ended 30th September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong profits tax	**(2,936)**	(2,827)
— China corporate income tax	**(3,484)**	(1,197)
Deferred income tax	**9,957**	17,717
	3,537	13,693

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

9 Dividends

The Board does not declare payment of interim dividend for the six months ended 30th September 2018 (2017: nil).

A final dividend in respect of the year ended 31st March 2018 of HK1.57 cents per ordinary share, amounting to approximately HK$10,057,000 was approved at the annual general meeting of the Company held on 17th August 2018 and was paid on 5th September 2018.

10 Earnings/(loss) per ordinary share

(a) Basic

Basic earnings/(loss) per ordinary share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th September	
	2018	2017
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company *(HK$'000)*	**8,131**	(25,196)
Weighted average number of ordinary shares in issue *('000)*	**640,547**	641,883
Basic earnings/(loss) per ordinary share *(HK cents)*	**1.3**	(3.9)

(b) Diluted

Diluted earnings/(loss) 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.

	Six months ended 30th September	
	2018	2017
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company and used to determine diluted earnings/(loss) per ordinary share *(HK$'000)*	**8,131**	(25,196)
Weighted average number of ordinary shares in issue *('000)*	**640,547**	641,883
Adjustment for share options *('000)*	**6,034**	—
Weighted average number of ordinary shares for diluted earnings/(loss) per ordinary share *('000)*	**646,581**	641,883
Diluted earnings/(loss) per ordinary share *(HK cents)*	**1.3**	(3.9)

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

11 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 2018	As at 31st March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 — 60 days	**402,775**	349,681
61 — 120 days	**107,572**	99,638
121 — 180 days	**30,012**	12,464
181 — 365 days	**16,179**	42,460
Over 365 days	**34,302**	41,531
	590,840	545,774
Less: Provision for impairment	**(23,401)**	(17,536)
	567,439	528,238

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

12 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 2018 ***HK$'000*** **(Unaudited)**	As at 31st March 2018 *HK$'000* (Audited)
0 — 60 days	**142,064**	239,723
61 — 120 days	**49,718**	43,961
121 — 180 days	**81**	299
181 — 365 days	**396**	74
Over 365 days	**271**	754
	192,530	284,811

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

13 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 2018 ***HK$'000*** **(Unaudited)**	As at 31st March 2018 *HK$'000* (Audited)
Not later than one year	**57,891**	49,247
Later than one year and not later than five years	**104,160**	72,426
Later than five years	**7,139**	—
	169,190	121,673

(ii) Lessee

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 3 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 2018 *HK$'000* **(Unaudited)**	As at 31st March 2018 *HK$'000* (Audited)
Not later than one year	**36,700**	33,490
Later than one year and not later than five years	**36,122**	48,298
	72,822	81,788

(b) Capital commitments

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

	As at 30th September 2018 *HK$'000* **(Unaudited)**	As at 31st March 2018 *HK$'000* (Audited)
Contracted but not provided for:		
Renovation work for the investment property	**2,631**	3,865

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September 2018 (the "**current period**"), the Group recorded an unaudited profit attributable to owners of the Company of approximately HK$8.1 million on a revenue of approximately HK$1,485.5 million, versus an unaudited net loss of approximately HK$25.2 million on a revenue of approximately HK$1,643.7 million for the same period last year.

The unaudited basic earnings ordinary share was HK1.3 cents for the current period, versus the unaudited basic loss per ordinary share of HK3.9 cents of the same period last year. The Board does not declare payment of interim dividend for the current period (2017: Nil).

During the current period, the Group has added another mark of success to its Property Investment and Project Management Business under its project management arm Hongkong and Shanghai Land Capital Ltd. (together with its affiliated companies, collectively "**HSL**"). Through our value enhancement and tenant upgrade effort for our wholly-owned Central Park Pudong, we were able to achieve an increase in rental revenue, with its occupancy rate increased from approximately 76% as of 31st March 2018 to approximately 91% as of 30th September 2018. In addition, the Group has also completed the formation of a co-investment venture (the "**JV**") with Reco Wisteria Private Limited under a sovereign wealth fund GIC ("**GIC**") which is wholly-owned by the Minister of Finance of the Government of Singapore, in order to further diversify its investment portfolio and provide an opportunity for the Group to participate in multiple larger size investment projects. GIC is a global long-term investor and among the largest real estate investors worldwide. Partnering with GIC would yield goodwill and enhance the Group's reputation, while providing flexibility to the Group's capital allocation. These achievements have demonstrated the effectiveness of our property investment and project management business model, in which we have been devoting our efforts in value-added renovation, offering design expertise and product application knowledge, as well as cultivating supplier relationship.

BUSINESS REVIEW

Property Investment and Project Management Business

We are a leading private equity real estate investor and investment manager. 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 HSL acts a general partner and/or investment manager to earn fee income.

The core value of our property investment and project management business lies on the ability of the property team to generate and unlock value for property projects through alternations and additions works and provision of active property services. HSL has a team of industry veterans and proven track record in asset revitalisation and optimisation. 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 members of HSL 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 Mainland China.

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 wholly-owned investment property — Central Park Pudong, a 12-storey (plus basement level) office building with a total gross floor area of about 33,191 square meters located in Pudong, Shanghai, China, its occupancy rate increased from approximately 76% at end of March 2018 to approximately 91% at end of September 2018. Based on a valuation report issued by an independent international property valuer, the carrying amount of this investment property was approximately HK$1,301.9 million (equivalent to RMB1,145.0 million), resulted in a valuation gain of HK$40.8 million and a deferred tax liability of HK$10.2 million for the current period.

In June 2018, the Group successfully set up a JV with GIC, with an initial fund size of US$350.0 million (approximately HK$2.7 billion) for the purposes of acquiring under-utilized office buildings in prime locations in Shanghai with value-add potential, and implementing value enhancement with efficient capital expenditure and other asset management initiatives. As of 30th September 2018, the Group has an effective equity stake of 9.3% in the JV. The JV completed its first investment in Longyu International Plaza ("**Longyu**") in September 2018. Longyu is a 58,601 sqm Grade A-office building conveniently located in Jing'an District, Shanghai with direct access to 3 metro lines. HSL plans to renovate the project to uplift the quality and recruit new tenants to enhance both rental and occupancy. The Group shared profit of approximately HK$0.4 million from its investment in the JV in the current period.

During the current period, our Property Investment and Project Management Business recorded an unaudited net profit of approximately HK$3.3 million on revenue of approximately HK$56.3 million, versus a net profit of approximately HK$43.5 million on revenue of approximately HK$45.7 million of the same period last year. The year-on-year ("**YOY**") increase in revenue was mainly due to the increase of occupancy rate in our wholly-owned Central Park Pudong in current period. The decrease of net profits was mainly due to professional fees of approximately HK$37.4 million associated with the formation of the JV charged by several independent third parties (2017: Nil).

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$10.3 million on revenue of approximately HK$194.0 million in the current period, versus a net profit of approximately HK$12.6 million on revenue of approximately HK$183.6 million of the same period last year. The increase in revenue was mainly due to increase in contributions from real estate and hotel projects in Hong Kong and Macau in current period. The decrease of net profit was mainly due to a bad debt provision of approximately HK$3.9 million recorded in the current period.

Construction Materials Business

Construction Materials Business comprises Hong Kong construction products processing and distribution, steel recycling, reinforcing bar processing and assembly business conducted through our wholly-owned VSC Construction Steel Solutions Limited, and PRC surface critical coil processing and distribution. During the current period, the Group continued to encounter different challenges, both from the steel market as well as the global economy, including the continuous adverse fluctuations of steel price, the negative impact arising from the trade conflicts between major trade nations, projects delay in Hong Kong, as well as slow but ongoing transition from on-site cut-and-bend to offsite prefabricated steel reinforcement component.

The Construction Materials Business recorded a total revenue of approximately HK$1,057.9 million for the current period, down approximately 12.2% compared with the same period last year, primarily due to the decrease in tons sold by approximately 22.8% due to infrastructure projects delay in Hong Kong.

Unaudited net profit of Construction Materials Business was approximately HK$32.9 million for the current period, versus a net loss of approximately HK$45.1 million of the same period last year, mainly due to the reversal of provision for onerous contracts of approximately HK$40.7 million in the current period because of the recoup of profit margin for our outstanding sales contract orders as of 30th September 2018.

Engineering Plastics Business

The Engineering Plastics Business recorded a revenue of approximately HK$174.8 million, down by approximately 10.5% YOY, with tons sold also decreased by approximately 28.4% 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 loss of approximately HK$4.1 million in the current period, versus a net profit of approximately HK$7.4 million of the same period last year, primarily due to a translation loss of HK$6.0 million resulting from RMB depreciation against USD and HKD in the current period. Discounting this translation loss of HK$6.0 million in the current period, the Engineering Plastics Business achieved an unaudited net profit of about HK$2.0 million, down by HK$3.2 million compared to an unaudited net profit of HK$5.2 million in the same period last year. This drop in net profit was mainly due to lower sales and re-organisation expenses of approximately HK$0.8 million for our Guangzhou and Xiamen offices closed down in current period.

OUTLOOK

Property Investment and Project Management Business

As Shanghai continues its transformation of becoming a global hub, through upgrading its innovative manufacturing and becoming the host of various international events, 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. The Group will also continue to provide one-stop solutions for revitalizing under-performing commercial buildings to valuable assets under the professional teams of HSL.

Building and Design Solutions Business

We will continue to roll out our segment based growth strategy for our Building and Design Solutions Business in Hong Kong and Macau. Our latest line of sanitary products will allow us to capture market opportunities arose from changing housing size and needs in Hong Kong and the booming real estate and hotel industry in Macau.

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.

In the future, we will also explore opportunities outside of Hong Kong, particularly in the Greater Bay Area, where its GDP is expected to reach US$4.62 trillion by 2030, as its infrastructure development would bring huge demand to our Building and Design Solutions businesses.

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 continue to search for supply outside of China.

Despite the negativities in the steel market, the Group remains optimistic in the long-term development of the construction industry in Hong Kong, as favourable policies and government planning were recently announced. The setting up of HK$1 billion "Construction Innovation and

Technology Fund" together with the government's proactive promotion in adoption of technology and innovative construction methods to improve quality, productivity and cost-effectiveness should expedite the transformation of the construction industry, and specifically, encouraging the adoption of factory cut-and-bend production, and 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.

Furthermore, to realise the vast potentials from the flourishing Hong Kong construction sector and the Greater Bay area, the Group has acquired the remaining stake of VSC Construction Steel Solutions Limited from NatSteel Holdings Pte. Ltd. in May 2018. This allows 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. The Group is able to streamline its sales, marketing and operational function and further reduce its overhead cost as to lay a solid foundation for its profit margin. In addition, the Group will continue to actively pursue other marketing and promotional activities to drive order volume and utilization. These combined moves would lay a solid foundation of rebound in the near future.

Engineering Plastics Business

Our Engineering Plastics Business has been undergoing a major re-organisation 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 will continue to monitor our costs and working capital closely.

FINANCIAL REVIEW

Financial Positions

Compared with the financial year ended 31st March 2018, as at 30th September 2018, the Group's total assets decreased from approximately HK$3,131.9 million to approximately HK$3,025.3 million. The Group's inventories decreased from approximately HK$289.6 million to approximately HK$254.0 million. The average inventory days of supply decreased by 3 days to 35 days. The Group's trade and bill receivables increased from approximately HK$528.2 million to approximately HK$567.4 million. The average overall day of sales outstanding increased from 61 days to 65 days. Net assets value of the Group maintained at approximately HK$1,087.4 million as at 31st March 2018 to approximately HK$1,078.6 million, equivalent to HK$1.68 per ordinary share as at 30th September 2018.

Compared with the financial position at 31st March 2018, the Group's cash and cash equivalents and pledged bank deposits, decreased by approximately HK$123.0 million to approximately HK$247.6 million while the Group's borrowings decreased by approximately HK$20.1 million to approximately HK$1,538.8 million as at 30th September 2018. Current ratio decreased from 1.13 to 0.95, while gearing ratio (net debt, which is total borrowings minus pledged bank deposits and cash and cash equivalents, divided by capital and reserves attributable to owners of the Company plus net debt) increased from 52.9% to 57.5%. The Group will continue to monitor its working capital closely and take various measures on cost reduction and improvement of operational efficiency.

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 2018, about 50.5% of the Group's interest-bearing borrowings for trade financing purpose and financing of investment properties were denominated in HK dollar, about 38.0% in RMB and about 11.5% 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 of the Group have been obtained from domestic and foreign banks in the amount of RMB514.8 million. Interest costs of RMB banking facilities were based on standard loan rates set by the People's Bank of China adjusted with competitive margin.

Charges on Assets

As at 30th September 2018, the Group had certain charges on assets which included (i) bank deposits of approximately HK$45.9 million which were pledged as collateral for the Group's bank borrowings and bill payables; and (ii) investment properties of approximately HK$1,309.3 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 30th September 2018, 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 2018, the Group employed 297 staff. Total staff costs including contribution to retirement benefits schemes incurred during the six months ended 30th September 2018 amounted to approximately HK$63.0 million. During the current period, no options have been offered and/or granted to Directors and our employees under the share option scheme adopted on 11th August 2011.

INTERIM DIVIDEND

The Board does not declare payment of interim dividend for the current period (2017: Nil).

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

During the six months ended 30th September 2018, 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 2018.

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 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 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 2018 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, 28th November 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. Yeung Wing Sun Mike and Mr. Li Yinquan (being the independent non-executive directors).