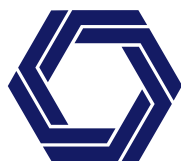


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沪港联合

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 2022**

The board of directors (the “Board”) of Hong Kong Shanghai Alliance Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th September 2022 (the “Period”).

FINANCIAL HIGHLIGHTS

For the six months ended 30th September 2022

	2022	2021	Change
	HK\$ million	HK\$ million	
Revenue	1,352.3	1,359.8	-0.6%
Gross profit	175.5	191.9	-8.6%
Operating profit	94.8	100.6	-5.8%
Profit for the period	49.7	49.2	+1.2%
Profit attributable to owners of the Company	47.9	49.6	-3.3%
Basic earnings per ordinary share (HK cents)	7.48	7.73	-3.2%
Interim dividend per ordinary share (HK cent(s))	1.00	1.50	-33.3%
Gross profit margin	13.0%	14.1%	-1.1 p.p.
Operating profit margin	7.0%	7.4%	-0.4 p.p.
Net profit margin	3.7%	3.6%	+0.1 p.p.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2022

	<i>Note</i>	Six months ended	
		30th September	
		2022	2021
		HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	1,352,305	1,359,791
Cost of sales	6	(1,176,852)	(1,167,916)
Gross profit		175,453	191,875
Other (losses)/gains – net	5	(2,319)	4,688
Selling and distribution expenses	6	(5,476)	(7,052)
Impairment loss on financial assets – net	6	(902)	(5,993)
General and administrative expenses	6	(71,984)	(82,907)
Operating profit		94,772	100,611
Finance income	7	582	634
Finance costs	7	(34,116)	(30,821)
Share of results of investments accounted for using the equity method		(1,419)	(8,314)
Profit before income tax		59,819	62,110
Income tax expense	8	(10,095)	(12,956)
Profit for the period		49,724	49,154
Profit/(loss) attributable to:			
– Owners of the Company	10	47,927	49,563
– Non-controlling interests		1,797	(409)
		49,724	49,154
Earnings per ordinary share attributable to owners of the Company for the period			
– Basic earnings per ordinary share	10	HK7.48 cents	HK7.73 cents
– Diluted earnings per ordinary share	10	HK7.48 cents	HK7.73 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2022

	Six months ended	
	30th September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	49,724	49,154
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss:</i>		
Net fair value change of cash flow hedge	1,426	175
Release of exchange reserve upon deregistration of subsidiaries	—	(1,354)
Currency translation differences	(158,962)	24,020
<i>Item that will not be reclassified to profit or loss:</i>		
Change in financial assets at fair value through other comprehensive income	1,824	1,057
Other comprehensive (loss)/income for the period	(155,712)	23,898
Total comprehensive (loss)/income for the period	(105,988)	73,052
Total comprehensive (loss)/income for the period attributable to:		
– Owners of the Company	(91,072)	71,083
– Non-controlling interests	(14,916)	1,969
	(105,988)	73,052

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPTEMBER 2022

	As at 30th September 2022 HK\$'000 (Unaudited)	As at 31st March 2022 HK\$'000 (Audited)
<i>Note</i>		
ASSETS		
Non-current assets		
Property, plant and equipment	40,917	44,141
Investment properties	1,327,484	1,482,738
Right-of-use assets	18,267	28,389
Investments accounted for using the equity method	11 309,362	347,775
Prepayments, deposits and other receivables	9,778	14,499
Deferred income tax assets	38,064	42,550
Financial assets at fair value through profit or loss	3,908	3,908
Financial assets at fair value through other comprehensive income	4,573	2,749
	<u>1,752,353</u>	<u>1,966,749</u>
Total non-current assets		
Current assets		
Prepayments, deposits and other receivables	93,877	111,204
Inventories	507,151	547,466
Trade and bill receivables	12 460,352	509,598
Derivative financial instruments	2,610	1,202
Pledged bank deposits	31,872	43,071
Cash and cash equivalents	150,239	188,931
	<u>1,246,101</u>	<u>1,401,472</u>
Total current assets		
Total assets	<u><u>2,998,454</u></u>	<u><u>3,368,221</u></u>

		As at 30th September 2022 <i>HK\$'000</i> (Unaudited)	As at 31st March 2022 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital		64,041	64,041
Reserves		826,116	926,794
		<u>890,157</u>	990,835
Non-controlling interests		<u>107,377</u>	123,393
Total equity		<u>997,534</u>	1,114,228
LIABILITIES			
Non-current liabilities			
Accrued liabilities and other payables		8,737	10,403
Deferred income tax liabilities		93,364	102,587
Borrowings	14	705,644	762,239
Lease liabilities		587	4,642
Total non-current liabilities		<u>808,332</u>	879,871
Current liabilities			
Trade and bill payables	13	264,441	433,562
Receipts in advance and deferred revenue		45,443	78,080
Accrued liabilities and other payables		50,870	61,613
Provisions		28,124	34,362
Derivative financial instruments		—	18
Current income tax liabilities		14,286	11,996
Borrowings	14	774,837	736,719
Lease liabilities		14,587	17,772
Total current liabilities		<u>1,192,588</u>	1,374,122
Total liabilities		<u>2,000,920</u>	2,253,993
Total equity and liabilities		<u>2,998,454</u>	3,368,221

NOTES

1 General information

Hong Kong Shanghai Alliance Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda on 12th January 1994 as an exempted company under the Companies Act 1981 of Bermuda (as amended). The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 18th February 1994. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Rooms 1103-05, 11th Floor, East Town Building, 41 Lockhart Road, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in distribution and processing of construction materials such as steel products; trading of sanitary wares and kitchen cabinets; and property investment and fund management businesses.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollar (“HK\$”), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue on 24th November 2022 by the Board.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September 2022 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 Company’s annual consolidated financial statements for the year ended 31st March 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. They have been prepared under the historical cost convention, as modified by financial assets/liabilities (including derivative financial instruments) at fair value through profit or loss and other comprehensive income and investment properties, which are carried at fair values.

3 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31st March 2022, as described in those annual financial statements.

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

3.1 Adoption of new accounting policy in the current interim period

(a) Amended standards, improvements and accounting guidance adopted by the Group

The following amendments to existing standards, improvements and accounting guidance are mandatory for the first time for the financial year beginning on 1st April 2022 and have been adopted by the Group:

Annual Improvements Project	Annual Improvements 2018 – 2020 Cycle
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations

The above newly adopted amendments to existing standards, improvements and accounting guidance did not have any material impact on the results and financial position of the Group.

(b) New standard, amendments to existing standards and interpretations not yet adopted by the Group

The following new standard, amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning on 1st April 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current	1st January 2023
HKFRS 17	Insurance Contracts	1st January 2023
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1st January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1st January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1st January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new standard, amendments to existing standards and interpretations when they become effective. The Group is in the process of assessing the impact of adoption of such new standard, amendments to existing standards and interpretations on the Group's results and financial position.

4 Revenue and segment information

The Group's revenue consists of the following:

	Six months ended 30th September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Recognised at a point in time – sales of goods	1,295,958	1,312,812
Recognised over time – service income	31,706	23,224
Rental income	24,641	23,755
Total revenue	<u>1,352,305</u>	<u>1,359,791</u>

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 is identified as the executive directors of the Company. The CODM considers the Group operates predominantly in three operating segments:

- (i) Steels Distribution and Processing Business;
- (ii) Building Products Distribution Business; and
- (iii) Property Investment and Fund Management Business.

The 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 this unaudited condensed consolidated interim financial information.

Segment assets by geographical market consist primarily of property, plant and equipment, investment properties, right-of-use assets, intangible assets, investments accounted for using the equity method, prepayments, deposits and other receivables. They exclude financial instruments and deferred income tax assets.

Capital expenditure comprises additions to property, plant and equipment for the six months ended 30th September 2022 and 2021.

Analysis of the Group's results by business segment for the six months ended 30th September 2022 is as follows:

	Unaudited				Total HK\$'000
	Steels Distribution and Processing Business HK\$'000	Building Products Distribution Business HK\$'000	Property Investment and Fund Management Business HK\$'000	Unallocated HK\$'000	
Revenue from contracts with customers					
– Recognised at a point in time	1,126,434	169,524	—	—	1,295,958
– Recognised over time and rental income	14	—	56,333	—	56,347
	<u>1,126,448</u>	<u>169,524</u>	<u>56,333</u>	<u>—</u>	<u>1,352,305</u>
Operating profit/(loss)	58,038	23,219	42,532	(29,017)	94,772
Finance income	135	59	118	270	582
Finance costs	(14,969)	(2,352)	(15,795)	(1,000)	(34,116)
Share of results of investments accounted for using the equity method	—	—	(1,419)	—	(1,419)
Profit/(loss) before income tax	<u>43,204</u>	<u>20,926</u>	<u>25,436</u>	<u>(29,747)</u>	<u>59,819</u>
Other (losses)/gains – net	<u>(1,411)</u>	<u>(1,212)</u>	<u>1,118</u>	<u>(814)</u>	<u>(2,319)</u>
Capital expenditure	<u>379</u>	<u>369</u>	<u>—</u>	<u>442</u>	<u>1,190</u>
Depreciation and amortisation	<u>(2,214)</u>	<u>(2,535)</u>	<u>(237)</u>	<u>(5,674)</u>	<u>(10,660)</u>

Analysis of the Group's results by business segment for the six months ended 30th September 2021 is as follows:

	Unaudited				Total <i>HK\$'000</i>
	Steels Distribution and Processing Business <i>HK\$'000</i>	Building Products Distribution Business <i>HK\$'000</i>	Property Investment and Fund Management Business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	
Revenue from contracts with customers					
– Recognised at a point in time	1,115,710	197,102	—	—	1,312,812
– Recognised over time and rental income	14	—	46,965	—	46,979
	<u>1,115,724</u>	<u>197,102</u>	<u>46,965</u>	<u>—</u>	<u>1,359,791</u>
Operating profit/(loss)	71,102	27,115	28,119	(25,725)	100,611
Finance income	555	10	66	3	634
Finance costs	(9,015)	(2,105)	(18,074)	(1,627)	(30,821)
Share of results of investments accounted for using the equity method	—	—	(8,314)	—	(8,314)
Profit/(loss) before income tax	<u>62,642</u>	<u>25,020</u>	<u>1,797</u>	<u>(27,349)</u>	<u>62,110</u>
Other (losses)/gains – net	<u>(548)</u>	<u>1,593</u>	<u>1,594</u>	<u>2,049</u>	<u>4,688</u>
Capital expenditure	<u>6,184</u>	<u>138</u>	<u>103</u>	<u>9</u>	<u>6,434</u>
Depreciation and amortisation	<u>(2,123)</u>	<u>(1,608)</u>	<u>(640)</u>	<u>(2,187)</u>	<u>(6,558)</u>

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

	Six months ended 30th September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Mainland China	337,608	382,366
Hong Kong	1,014,697	977,425
	<hr/>	<hr/>
Total revenue	<u>1,352,305</u>	<u>1,359,791</u>

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

	As at	As at
	30th September	31st March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current assets		
Hong Kong	368,681	423,543
Mainland China	1,337,127	1,493,999
	<hr/>	<hr/>
Total non-current assets	<u>1,705,808</u>	<u>1,917,542</u>

5 Other (losses)/gains - net

	Six months ended 30th September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net exchange losses	(4,665)	(571)
Gain on modification of lease	—	1,141
Dividend income	394	657
Release of exchange reserve upon deregistration of subsidiaries	—	1,354
Sundry income	1,952	2,107
	<hr/>	<hr/>
	<u>(2,319)</u>	<u>4,688</u>

6 Expenses by nature

	Six months ended 30th September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of finished goods sold	1,130,117	1,071,602
(Reversal of)/provision for written down of inventories	(1,037)	50
(Reversal of)/provision for onerous contracts	(6,238)	41,706
Depreciation of property, plant and equipment	3,396	3,317
Depreciation of right-of-use assets	7,264	2,983
Loss on disposals of property, plant and equipment	10	64
Amortisation of intangible assets	—	258
Employee benefit expenses (Note)	54,536	68,597
Legal and professional fees	1,805	1,846
Storage and handling charges	4,326	4,046
Expenses relating to short-term or low-value leases	1,054	1,602
Provision for impairment of trade and bill receivables – net	902	5,993
Freight charges	42,306	39,637
Others	16,773	22,167
Total	<u>1,255,214</u>	<u>1,263,868</u>

Note:

During the six months ended 30th September 2022, wage subsidies of HK\$950,000 and HK\$2,004,000 granted from the Employment Support Scheme under Anti-Epidemic Fund were recognised in “cost of sales” and “general and administrative expenses” respectively and offsetting with the employee benefit expenses. No wage subsidies were received by the Group for the six months ended 30th September 2021.

7 Finance income and costs

	Six months ended 30th September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Finance income		
Interest income:		
– short-term bank deposits	582	634
	-----	-----
Finance costs		
Interest expenses:		
– borrowings and hire purchase liabilities	(31,838)	(27,996)
– transfer from hedging reserve		
– interest rate swaps designated as cash flow hedges	120	(453)
– lease liabilities	(329)	(142)
Bank charges	(2,069)	(2,230)
	-----	-----
	(34,116)	(30,821)
	-----	-----
Net finance costs	(33,534)	(30,187)
	=====	=====

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% except for one of the Hong Kong incorporated subsidiaries which is subject to 8.25% for its first HK\$2,000,000 of assessable profits under the two-tiered profit tax regime during the Period (2021: Same). Subsidiaries established in Mainland China are subject to China corporate income tax at 25% (2021: Same).

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

	Six months ended 30th September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Current income tax		
– Hong Kong profits tax	3,779	4,301
– China corporate income tax	(65)	3,652
Deferred income tax	6,381	5,003
	-----	-----
	10,095	12,956
	=====	=====

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

9 Dividends

An interim dividend of HK1.00 cent (2021: HK1.50 cents) per ordinary share was declared by the Board on 24th November 2022, totalling approximately HK\$6,404,000. The interim dividend has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in equity in the year ending 31st March 2023.

A final dividend in respect of the year ended 31st March 2022 of HK1.50 cents per ordinary share, amounting to approximately HK\$9,606,000, was approved at the annual general meeting of the Company held on 18th August 2022. The final dividend yet to pay out by the Company as at 31st March 2022 was approximately HK\$9,606,000 which was paid on 5th September 2022.

10 Earnings per ordinary share

(a) Basic

Basic earnings per ordinary share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Period, excluding the ordinary shares held as treasury shares.

	Six months ended 30th September	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>47,927</u>	<u>49,563</u>
Weighted average number of ordinary shares in issue ('000)	<u>640,414</u>	<u>641,196</u>
Basic earnings per ordinary share (HK cents)	<u>7.48</u>	<u>7.73</u>

(b) Diluted

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares 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. Diluted earnings per ordinary share for the six months ended 30th September 2022 and 2021 equal to basic earnings per ordinary share, as there were no potentially dilutive ordinary shares as at both periods end.

11 Investments accounted for using the equity method

The movements of interests in an associate and a joint venture are as follows:

	Six months ended 30th September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
At beginning of period	347,775	337,430
Investment in an associate	3,723	2,723
Share of loss of investments accounted for using the equity method	(1,419)	(8,314)
Currency translation differences	(40,717)	5,998
	<hr/>	<hr/>
At end of period	309,362	337,837

12 Trade and bill receivables

Sales are either covered by letters of credit or open account with credit terms of 0 to 90 days.

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

	As at 30th September 2022 <i>HK\$'000</i> (Unaudited)	As at 31st March 2022 <i>HK\$'000</i> (Audited)
	0 - 60 days	338,800
61 - 120 days	57,466	101,857
121 - 180 days	10,348	35,368
181 - 365 days	32,720	23,729
Over 365 days	36,615	26,674
	<hr/>	<hr/>
	475,949	526,134
Less: Provision for impairment	(15,597)	(16,536)
	<hr/>	<hr/>
	460,352	509,598

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

13 Trade and bill payables

Payment terms with suppliers are either on letters of credit or open account with credit period of 30 to 180 days.

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

	As at 30th September 2022 <i>HK\$'000</i> (Unaudited)	As at 31st March 2022 <i>HK\$'000</i> (Audited)
0 - 60 days	200,809	358,632
61 - 120 days	517	5,273
121 - 180 days	62,707	68,900
181 - 365 days	111	498
Over 365 days	297	259
	<u>264,441</u>	<u>433,562</u>

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

14 Borrowings

	As at 30th September 2022 <i>HK\$'000</i> (Unaudited)	As at 31st March 2022 <i>HK\$'000</i> (Audited)
Current		
– Trust receipts bank loans	703,662	593,598
– Short-term bank loans	55,150	86,099
– Current portion of long-term bank loan, secured	8,824	49,856
– Current portion of hire purchase liability, secured	879	862
– Other loan	6,322	6,304
	<u>774,837</u>	<u>736,719</u>
Non-current		
– Long-term bank loans, secured	693,417	746,444
– Hire purchase liability, secured	2,878	3,320
– Other loan	9,349	12,475
	<u>705,644</u>	<u>762,239</u>
Total borrowings	<u>1,480,481</u>	<u>1,498,958</u>

15 Commitments

(a) Commitments under operating leases

(i) Lessor

The Group leases investment properties under non-cancellable operating lease agreements. The lease agreements are renewable at the end of the lease period at market rate. As at 30th September 2022, the Group had total commitments receivable under various non-cancellable operating lease agreements in respect of rented premises amounted to HK\$28,219,000 (unaudited) (31st March 2022: HK\$29,800,000 (audited)).

(ii) Lessee

The Group leases various retail outlets, offices, warehouses and sites under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rate. As at 30th September 2022, the Group had total commitments payable under various non-cancellable operating lease agreements in respect of short-term and low-value leases of HK\$647,000 (unaudited) (31st March 2022: HK\$638,000 (audited)) which will be recognised as an expense in the forthcoming consolidated income statement.

(b) Capital commitments

Significant commitments contracted for at the end of the reporting period but not recognised as liability is as follows:

	As at 30th September 2022 <i>HK\$'000</i> (Unaudited)	As at 31st March 2022 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
– renovation work for an investment property	2,162	81
Commitment to provide funding for associate's capital commitments, if called	7,499	11,196
	9,661	11,277

16 Contingent liabilities

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the Directors, based on current available evidence, any such existing claims and legal proceedings against the Group are not expected to have significant adverse financial impact as at 30th September 2022 (2021: Same).

Other than the above, as at 30th September 2022, the Group did not have any material contingent liability (2021: Same).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The first half of FY2022/23 represents a challenging period for the Group, as both Hong Kong and Shanghai saw difficulties in operations and sentiment. In particular, the fifth wave of COVID-19 in Hong Kong has affected the progress of construction and renovation projects, which led to delay in product delivery for the Group's Steels Distribution and Processing Business and Building Products Distribution Business. Meanwhile, the COVID-19 control and prevention measures in Shanghai has casted doubts over the region's short-term economic outlook, causing commercial clients to defer their leasing decision, which was then translated to a lower lease absorption in the market. Coupled with the escalating interest rates and increased volatility in currencies, the Group was facing notable operating pressure during the Period.

Nonetheless, supported by the Group's dedicated efforts in cost-effective steel sourcing, steels processing efficiency enhancement, and various cost containment measures, the Group was able to deliver yet another set of sustainable financial results for the Period. Amidst unpredictable pandemic situation, the Group's revenue decreased from approximately HK\$1,359.8 million, to approximately HK\$1,352.3 million in the Period, representing a modest drop of 0.6% year-on-year. Due to the high-base effect of its Steels Distribution and Processing Business and Building Products Distribution Business for the same period last year, gross profit decreased from approximately HK\$191.9 million to approximately HK\$175.5 million, with gross profit margin slightly decreased from 14.1% to 13.0%. Riding on the continuous improvement in operational leveraging, the Group's profit attributable to owners of the Company reached approximately HK\$47.9 million, representing a slight drop of 3.3% as compared with same period last year.

Under the dynamic and challenging market, the Group's business segments had varying performances in the Period. Property Investment and Fund Management Business continued to demonstrate its resilience, achieving another milestone in occupancy rate of Central Park • Huangpu, which was resulted in an additional service fee income for the Period. However, profits before income tax for both Steels Distribution and Processing Business and Building Products Distribution Business recorded a drop of 31.0% and 16.4% respectively, reaching approximately HK\$43.2 million and HK\$20.9 million, due to the high-base effect associated with the same period last year.

For the Period, the basic earnings per ordinary share was HK7.48 cents, as compared with HK7.73 cents in the same period last year.

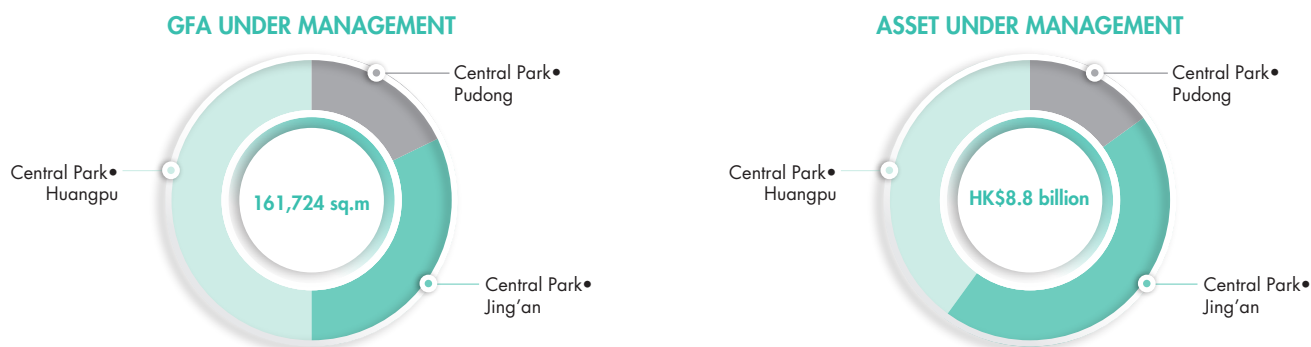
During the Period, the Group also made significant achievement in its road to sustainability, particular focusing on net carbon footprint under Hong Kong's Climate Action Plan 2050. During the Period, the solar energy generated from Phase I of the solar photovoltaic system which installed at our Tsing Yi plant was able to cover approximately over 45% of the plant's electricity consumption. In addition, the three commercial properties under the Group's management, namely Central Park • Huangpu, Central Park • Jing'an and Central Park • Pudong, have all been awarded LEED GOLD and WELL Health-Safety Rating certifications, in recognition of the Group's dedicated efforts in providing green and healthy workspace for its tenants and business partners.

BUSINESS REVIEW

Property Investment and Fund Management Business

Positioned as a niche market specialist with proven track record in asset revitalisation and value optimisation, the Group continues to embrace its “asset-light” model when developing its property projects. As at 30th September 2022, the Group manages a total gross floor area (“GFA”) of approximately 161,724 square meters, with its assets value under management reached approximately HK\$8.8 billion. Among the three Central Park projects under management, Central Park • Pudong is wholly-owned by the Group, with a view to generating sustainable rental and property management fee income, as well as achieving fair value appreciation in the medium-to-long term; while the Group is also partnering with leading investment funds for the other two revitalisation projects, namely Central Park • Jing’an and Central Park • Huangpu, where the Group takes an equity stake and acts as a general partner and/or investment manager.

Although the COVID-19 control and prevention measures in Shanghai posed momentary impact on the Group’s operation and hinder commercial activities in the region, the Central Park projects were able to carry on without significant disruptions despite obvious challenges. Rental income of the Group’s wholly-owned property, Central Park • Pudong, has increased from approximately HK\$23.7 million for the same period last year to approximately HK\$24.6 million for the Period, while the occupancy rate of Central Park • Huangpu has also improved considerably, reaching another milestone which also resulted in the increase in service fee income. By riding on its unique market position and proven capability, the Group’s Property Investment and Fund Management Business recorded a profit before income tax of approximately HK\$25.4 million, on revenue of approximately HK\$56.3 million for the Period, representing a remarkable improvement from the profit before income tax of approximately HK\$1.8 million, on revenue of approximately HK\$47.0 million in the same period last year.



Building Products Distribution Business

Building Products Distribution Business represents a comprehensive value proposition for architects and designers. It offers an extensive, well-designed, and popular portfolio of branded sanitary wares, smart toilet solutions, as well as fitting and kitchenware products, catering the needs of hotels, residential, shopping malls, airport and commercial buildings, by providing full chain of services covering design, installation, logistics and technical support.

For the Period, Building Products Distribution Business continued to deliver solid results, with a profit before income tax of approximately HK\$20.9 million, on revenue of approximately HK\$169.5 million, as compared with a profit before income tax of approximately HK\$25.0 million, on revenue of approximately HK\$197.1 million in the same period last year. The slight decrease in revenue and profit before income tax was mainly due to the high-base effect brought by certain large-size projects completed in the same period last year. This business has participated in several iconic projects, including W Hotel in Macau, as well as renovation work for Four Seasons Hotel and Island Shangri-la Hotel in Hong Kong, during the Period.

Steels Distribution and Processing Business

Steels Distribution and Processing Business mainly offers construction and industrial steel in Hong Kong and Mainland China. During the Period, the segment faced challenges on various fronts. The COVID-19 control and prevention measures in Shanghai have weakened the demand for the Group's industrial steels in Mainland China, while the delay in project progress in Hong Kong has also caused a delay in product delivery for the orders on hand. That has led to a drop in delivery quantity of approximately 11.0% for its construction steels distribution business.

Thankfully, the Group's procurement strategy has once again proven its effectiveness in managing price risk. Supported by the Group's dedicated effort in improving processing efficiency, the Steels Distribution and Processing Business continued to deliver good performance, with profit before income tax reaching approximately HK\$43.2 million, on revenue of approximately HK\$1,126.5 million, as compared with a profit before income tax of approximately HK\$62.6 million, on revenue of approximately HK\$1,115.7 million. The decrease was mainly due to the high-base effect of the same period last year, as the Group was able to capture certain ad-hoc sales orders. During the Period, the Group has participated in a number of civil infrastructure works and private projects, including the construction of Shek Wu Hui Effluent Polishing Plant, redevelopment of Mariners' Club, and private residential project in Siu Hong station and Pak Shek Kok, etc.

OUTLOOK

Heading into the second half of FY2022/23, the market is expected to remain volatile and unpredictable. The lingering COVID-19 impact, the low short-term economic visibility, as well as the expectation of sustained interest rate hike, may all continue to hinder property leasing and investment, as well as the development of private residential projects. Regional conflicts may also have further impact on global steel price, which may again put pressure on the Group's Steels Distribution and Processing Business. Nonetheless, the Group will continue to execute its prudent procurement strategy, improve its operational efficiency and asset management capability, while enhancing its cost control and capital management, in order to mitigate such headwinds.

In the medium term, the Group remains cautiously optimistic on the economic development of both Shanghai and Hong Kong. Multiple measures and policies have been issued by the municipal government of Shanghai to stimulate economic recovery and restore market confidence, laying a solid foundation for the growth of the Group's Property Investment and Fund Management Business. In Hong Kong, the recent release of Chief Executive's 2022 Policy Address also highlighted the need to accelerate the development of the Northern Metropolis, along with a series of infrastructure projects as well as initiatives that will increase overall public housing supply by 50% in the coming five years. These should represent a significant boost for our Steels Distribution and Processing Business.

Currently, our businesses are well on track to deliver sustainable profit. The Group will strive to further enhance its operating efficiency to capture the aforementioned opportunities, and will remain prudent in steel procurement and working capital management in order to mitigate risks and headwinds ahead.

CORPORATE FINANCE AND RISK MANAGEMENT

Financial Position

Compared with the financial year ended 31st March 2022, the Group's total assets decreased from approximately HK\$3,368.2 million to approximately HK\$2,998.5 million as at 30th September 2022, mainly as a result of translation difference of the Group's investment in Mainland China. With the softening of steel price in the Period, the Group's inventories decreased from approximately HK\$547.5 million to approximately HK\$507.2 million, while the Group's trade and bill receivables also decreased from approximately HK\$509.6 million to approximately HK\$460.4 million. The average inventory days of supply slightly increased to 82 days, and the average overall days of sales outstanding slightly increased to 58 days. Net asset value of the Group reduced to approximately HK\$997.5 million, mainly attributable to the translation difference arisen from the depreciation on Renminbi ("RMB") for Group's net investments in Mainland China. Net asset value per ordinary share was equivalent to approximately HK\$1.39 as at 30th September 2022.

Compared with the financial position as at 31st March 2022, the Group's cash and cash equivalents and pledged bank deposits decreased by approximately HK\$49.9 million to approximately HK\$182.1 million as at 30th September 2022. The Group's borrowings decreased by approximately HK\$18.5 million to approximately HK\$1,480.5 million as at 30th September 2022. Current ratio remained at 1.0, with 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) slightly increased from 56.1% to 59.3%. The Group will continue to closely monitor the turnover of its working capital, and will take various measures on cost containment and operational efficiency improvement to preserve working capital, minimise impact of interest rate hike, and strengthen its liquidity.

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; cost efficient funding of the Company and its subsidiaries; and 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 appropriate 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 2022, about 70.2% of the Group's interest-bearing borrowings were denominated in HK dollar, about 28.8% in RMB and about 1.0% in US dollar. These facilities are either secured by the Group's inventories held under short-term trust receipts bank loan arrangement and/or pledged bank deposits and/or corporate guarantee provided by the Company or the Group's machineries. All of the above borrowings were on floating rate basis except for certain term loans totalling HK\$56.9 million, which are converted to a fixed rate basis through an interest rate swap arrangement. 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 RMB386.0 million. Interest costs of RMB banking facilities were based on standard loan rates set by the People's Bank of China/Loan Prime Rate adjusted with competitive margin. The maturity of the Group's borrowings as at 30th September 2022 was as follows:

Maturity Profile

Within 1 year	1-2 years	2-5 years	Total
52.3%	43.5%	4.2%	100%

Charges on Assets

As at 30th September 2022, the Group had certain charges on assets which included (i) bank deposits of approximately HK\$31.9 million (31st March 2022: approximately HK\$43.1 million) and bill receivables of approximately HK\$22.1 million (31st March 2022: approximately HK\$20.7 million), which were pledged as collateral for the Group's bill payables; (ii) investment properties of approximately HK\$1,326.9 million (31st March 2022: approximately HK\$1,482.1 million) which were pledged as collaterals for certain bank borrowings of the Group; and (iii) machineries of approximately HK\$5.8 million (31st March 2022: approximately HK\$6.0 million), including in property, plant and equipment, which was secured for the Group's hire purchase liabilities.

Foreign Exchange Risk

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, among others, 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, in order 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.

Capital Expenditure

During the Period, the Group's total capital expenditure amounted to approximately HK\$1.2 million (2021: approximately HK\$6.4 million), which was primarily financed through cash generated from operating activities.

Capital Commitments

As at 30th September 2022, the Group's total capital commitments amounted to approximately HK\$9.7 million (31st March 2022: approximately HK\$11.3 million).

Contingent Liabilities

Save as disclosed in Note 16, as at 30th September 2022, the Group had no other material contingent liabilities (31st March 2022: Same).

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the Period.

HUMAN CAPITAL

The Group puts a strong emphasis on nurturing talents to support its business development. Our growth strategy has always emphasised its strong commitment to people. The Group provides competitive remuneration package, along with a safe and pleasant working environment with constant learning and growth opportunities, to attract and motivate employees. As at 30th September 2022, the Group employs 236 staff (31st March 2022: 235 staff). Total staff costs during the Period, including the contribution to retirement benefit schemes and the wage subsidies granted from the Employment Support Scheme under Anti-Epidemic Fund, amounted to approximately HK\$54.5 million. During the Period, no option has been offered and/or granted to its directors and employees under the share option schemes adopted by the Company.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.00 cent per ordinary share for the Period (2021: HK1.50 cents). The interim dividend will be payable on Friday, 30th December 2022 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 14th December 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13th December 2022 to Wednesday, 14th December 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 12th December 2022.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed and discussed auditing, internal controls, risk management and financial reporting matters including review of the results for the six months ended 30th September 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Period, the Company has applied the principles of, and complied with, the applicable code provisions set out in the section headed "Part 2 - Principles of good corporate governance, code provisions and recommended best practices" of the Corporate Governance Code (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for CG Code provision C.2.1.

CG Code provision C.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. However, Mr. Yao Cho Fai Andrew ("Mr. Yao") serves as both the Chairman and Chief Executive Officer (i.e. Chief Executive). 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, efficient usage of resources, as well as effective planning, formulation and implementation of the Company's business strategies. The day-to-day management and operation of the Group will continue to be the responsibility of the management team, under the monitoring of the executive committee of the Company and Mr. Yao's leadership.

CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, as amended from time to time, as its own code of conduct (the “Company’s Model Code”). Having made specific enquiry of all the directors of the Company, they all confirmed that they have complied with the required standard set out in the Company’s Model Code during the Period.

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 of the Company for the six months ended 30th September 2022 will be despatched to shareholders of the Company and available on the same websites in due course.

On behalf of the Board
Hong Kong Shanghai Alliance Holdings Limited
Yao Cho Fai Andrew
Chairman

Hong Kong, 24th November 2022

As at the date of this announcement, the Board comprises Mr. Yao Cho Fai Andrew 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).