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 2023

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 2023 (the "Period").

FINANCIAL HIGHLIGHTS

For the six months ended 30th September 2023

	2023	2022	**Change**
	HK$ million	*HK$ million*	
Revenue	**1,246.8**	1,352.3	**-7.8%**
Gross profit	**208.9**	175.5	**+19.1%**
Operating profit	**116.5**	94.8	**+22.9%**
Profit for the period	**53.5**	49.7	**+7.7%**
Profit attributable to owners of the Company	**53.2**	47.9	**+11.0%**
Basic earnings per ordinary share (HK cents)	**8.31**	7.48	**+11.1%**
Interim dividend per ordinary share (HK cent(s))	**1.50**	1.00	**+50.0%**
Gross profit margin	**16.8%**	13.0%	**+3.8 p.p.**
Operating profit margin	**9.3%**	7.0%	**+2.3 p.p.**
Net profit margin	**4.3%**	3.7%	**+0.6 p.p.**

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2023

	Note	2023 HK$'000 (Unaudited)	2022 HK$'000 (Unaudited)
		Six months ended 30th September	
Revenue	*4*	**1,246,762**	1,352,305
Cost of sales	*6*	**(1,037,835)**	(1,176,852)
Gross profit		**208,927**	175,453
Other losses – net	*5*	**(217)**	(2,319)
Selling and distribution expenses	*6*	**(13,766)**	(5,476)
Reversal of/(provision for) impairment loss on financial assets – net	*6*	**11**	(902)
General and administrative expenses	*6*	**(70,732)**	(71,984)
Fair value loss on an investment property		**(7,735)**	—
Operating profit		**116,488**	94,772
Finance income	*7*	**620**	582
Finance costs	*7*	**(47,720)**	(34,116)
Share of results of investments accounted for using the equity method		**(1,428)**	(1,419)
Profit before income tax		**67,960**	59,819
Income tax expense	*8*	**(14,414)**	(10,095)
Profit for the period		**53,546**	49,724
Profit attributable to:			
– Owners of the Company	*10*	**53,191**	47,927
– Non-controlling interests		**355**	1,797
		53,546	49,724
Earnings per ordinary share attributable to owners of the Company for the period			
– Basic earnings per ordinary share	*10*	**HK8.31 cents**	HK7.48 cents
– Diluted earnings per ordinary share	*10*	**HK8.31 cents**	HK7.48 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2023

	Six months ended 30th September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**53,546**	49,724
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss:		
Net fair value change of cash flow hedge	**(475)**	1,426
Release of exchange reserve upon deregistration of a subsidiary	**1,549**	—
Currency translation differences	**(93,121)**	(158,962)
Item that will not be reclassified to profit or loss:		
Change in financial assets at fair value through other comprehensive income	**(1,084)**	1,824
Other comprehensive loss for the period	**(93,131)**	(155,712)
Total comprehensive loss for the period	**(39,585)**	(105,988)
Total comprehensive loss for the period attributable to:		
– Owners of the Company	**(30,168)**	(91,072)
– Non-controlling interests	**(9,417)**	(14,916)
	(39,585)	(105,988)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPTEMBER 2023

	Note	**As at 30th September 2023** ***HK$'000*** **(Unaudited)**	As at 31st March 2023 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**42,202**	38,766
Investment properties		**1,283,029**	1,376,991
Right-of-use assets		**21,528**	10,996
Investments accounted for using the equity method	*11*	**289,370**	313,118
Prepayments, deposits and other receivables		**14,100**	11,681
Deferred income tax assets		**28,511**	38,894
Financial assets at fair value through profit or loss		**3,701**	3,701
Financial assets at fair value through other comprehensive income		**3,568**	4,652
Total non-current assets		**1,686,009**	1,798,799
Current assets			
Prepayments, deposits and other receivables		**79,427**	94,058
Inventories		**487,726**	473,057
Trade and bill receivables	*12*	**421,684**	430,674
Derivative financial instruments		**1,194**	1,668
Pledged bank deposits		**10,833**	11,680
Cash and cash equivalents		**109,679**	147,485
Total current assets		**1,110,543**	1,158,622
Total assets		**2,796,552**	2,957,421

	Note	As at 30th September 2023 HK$'000 (Unaudited)	As at 31st March 2023 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**64,041**	64,041
Reserves		**857,548**	897,108
		921,589	961,149
Non-controlling interests		**99,501**	111,504
Total equity		**1,021,090**	1,072,653
LIABILITIES			
Non-current liabilities			
Accrued liabilities and other payables		**10,312**	8,136
Deferred income tax liabilities		**91,937**	98,129
Borrowings	*14*	**418,015**	64,530
Lease liabilities		**8,456**	138
Total non-current liabilities		**528,720**	170,933
Current liabilities			
Trade and bill payables	*13*	**179,994**	204,056
Contract liabilities		**48,323**	38,979
Accrued liabilities and other payables		**56,099**	61,090
Provisions		**12,961**	25,876
Current income tax liabilities		**12,562**	10,563
Borrowings	*14*	**931,901**	1,368,789
Lease liabilities		**4,902**	4,482
Total current liabilities		**1,246,742**	1,713,835
Total liabilities		**1,775,462**	1,884,768
Total equity and liabilities		**2,796,552**	2,957,421

NOTES

1 General information

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. The address of its registered office is 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 Group is 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 has been approved for issue on 28th November 2023 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 2023 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 2023, 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.

2.1 Going concern basis

As at 30th September 2023, the Group's current liabilities exceeded its current assets by approximately HK$136.2 million. In view of such circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group, the potential capital contribution to the investment in a joint venture/associate and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken by the Group to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

- management is actively negotiating with various banks for short-term and/or long-term credit facilities. Subsequent to 30th September 2023, the Group has received indicative term sheets for facilities amounting to HK$150.0 million. The Group is in the process of negotiating and finalising the terms with these banks; and

- as at 30th September 2023, the Group had unutilised banking facilities of HK$620.9 million that is subject to standard annual review process by the banks. Management maintains on-going communication with the relevant banks and these facilities are under normal utilisation in accordance with their terms and conditions. In the opinion of the Directors, these unutilised banking facilities will continue to be available to the Group for supporting its operation.

The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 30th September 2023. They are of the opinion that, taking into account of the anticipated cash flow generated from the Group's operations, the possible changes in its operating performance, the availability of the Group's bank borrowings as well as the Group's ability to draw down from its existing banking facilities, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30th September 2023. Accordingly, the Directors consider that it is appropriate to prepare the Group's unaudited condensed consolidated interim financial information on a going concern basis.

3 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 2023, 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) New standard and amended standards adopted by the Group

The following new standard and amendments to existing standards are mandatory for the first time for the financial year beginning on 1st April 2023 and have been adopted by the Group:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International tax reform – pillar two model rules
HKFRS 17	Insurance contracts
Amendments to HKFRS 17	Amendments to HKFRS 17
Amendments to HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 – Comparative information

The above newly adopted new standard and amendments to existing standards did not have any material impact on the results and financial position of the Group.

(b) Amendments to existing standards and interpretations not yet adopted by the Group

The following amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning on 1st April 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1st January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1st January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1st January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1st January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above amendments to existing standards and interpretations when they become effective. The Group is in the process of assessing the impact of adoption of such 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	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Recognised at a point in time - sales of goods	**1,205,952**	1,295,958
Recognised over time - service income	**18,370**	31,706
Rental income	**22,440**	24,641
Total revenue	**1,246,762**	1,352,305

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 who consider the business from a customer perspective and assess the performance of the operating segments based on the segment revenue and segment results for the purposes of allocating resources and assessing performance. 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, 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 2023 and 2022.

Analysis of the Group's results by business segment for the six months ended 30th September 2023 is as follows:

	Unaudited				
	Steels Distribution and Processing Business	**Building Products Distribution Business**	**Property Investment and Fund Management Business**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from contracts with customers					
– Recognised at a point in time	**1,014,088**	**191,864**	**—**	**—**	**1,205,952**
– Recognised over time and rental income	**9**	**—**	**40,801**	**—**	**40,810**
	1,014,097	**191,864**	**40,801**	**—**	**1,246,762**
Operating profit/(loss)	**102,623**	**22,507**	**14,529**	**(23,171)**	**116,488**
Finance income	**277**	**173**	**158**	**12**	**620**
Finance costs	**(30,898)**	**(2,602)**	**(14,174)**	**(46)**	**(47,720)**
Share of results of investments accounted for using the equity method	**—**	**—**	**(1,428)**	**—**	**(1,428)**
Profit/(loss) before income tax	**72,002**	**20,078**	**(915)**	**(23,205)**	**67,960**
Other gains/(losses) – net	**49**	**(301)**	**91**	**(56)**	**(217)**
Fair value loss on an investment property	**—**	**—**	**(7,735)**	**—**	**(7,735)**
Capital expenditure	**7,190**	**78**	**—**	**31**	**7,299**
Depreciation and amortisation	**(2,146)**	**(2,526)**	**(248)**	**(1,427)**	**(6,347)**

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

	Unaudited				
	Steels Distribution and Processing Business	Building Products Distribution Business	Property Investment and Fund Management Business	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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
	1,126,448	169,524	56,333	—	1,352,305
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	43,204	20,926	25,436	(29,747)	59,819
Other (losses)/gains – net	(1,411)	(1,212)	1,118	(814)	(2,319)
Capital expenditure	379	369	—	442	1,190
Depreciation and amortisation	(2,214)	(2,535)	(237)	(5,674)	(10,660)

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	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Mainland China	**353,748**	337,608
Hong Kong	**893,014**	1,014,697
Total revenue	**1,246,762**	1,352,305

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

	As at 30th September 2023	As at 31st March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets		
Hong Kong	**358,648**	365,018
Mainland China	**1,291,581**	1,386,534
Total non-current assets	**1,650,229**	1,751,552

5 Other losses - net

	Six months ended 30th September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net exchange losses	**1,508**	4,665
Gain on modification of lease	**(842)**	—
Dividend income	**—**	(394)
Release of exchange reserve upon deregistration of subsidiaries	**672**	—
Sundry income	**(1,121)**	(1,952)
	217	2,319

6 Expenses by nature

	Six months ended 30th September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of finished goods sold	**976,280**	1,130,117
Reversal of written down of inventories	**(556)**	(1,037)
Reversal of provision for onerous contracts	**(12,472)**	(6,238)
Depreciation of property, plant and equipment	**3,363**	3,396
Depreciation of right-of-use assets	**2,984**	7,264
(Gain)/loss on disposals of property, plant and equipment	**(144)**	10
Employee benefit expenses (Note)	**65,547**	54,536
Legal and professional fees	**1,263**	1,805
Storage and handling charges	**5,737**	4,326
Expenses relating to short-term or low-value leases	**2,141**	1,054
(Reversal of)/provision for impairment of trade and bill receivables – net	**(11)**	902
Freight charges	**50,514**	42,306
Others	**27,676**	16,773
Total	**1,122,322**	1,255,214

Note:

No wage subsidies were received by the Group for the six months ended 30th September 2023. 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.

7 Finance income and costs

	Six months ended 30th September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income:		
– short-term bank deposits	**620**	582
Finance costs		
Interest expenses:		
– borrowings and hire purchase liabilities	**(46,980)**	(31,838)
– transfer from hedging reserve		
– interest rate swaps designated as cash flow hedges	**937**	120
– lease liabilities	**(193)**	(329)
Bank charges	**(1,484)**	(2,069)
	(47,720)	(34,116)
Net finance costs	**(47,100)**	(33,534)

8 Income tax expense

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

Hong Kong profits tax has been provided at the rate of 16.5% (2022: Same) 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 (2022: Same). Subsidiaries established in Mainland China are subject to China corporate income tax at 25% (2022: Same).

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

	Six months ended 30th September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	**3,286**	3,779
– China corporate income tax	**912**	(65)
Deferred income tax	**10,216**	6,381
	14,414	10,095

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 HK1.50 cents (2022: HK1.00 cent) per ordinary share was declared by the Board on 28th November 2023, totalling approximately HK$9,606,000. 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 2024.

A final dividend in respect of the year ended 31st March 2023 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 2023 and paid on 8th September 2023.

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.

	Six months ended 30th September	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK$'000)	**53,191**	47,927
Weighted average number of ordinary shares in issue ('000)	**640,414**	640,414
Basic earnings per ordinary share (HK cents)	**8.31**	7.48

(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 2023 and 2022 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	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
At beginning of period	**313,118**	347,775
Contributions	**4,230**	3,723
Share of loss of investments accounted for using the equity method	**(1,428)**	(1,419)
Currency translation differences	**(26,550)**	(40,717)
At end of period	**289,370**	309,362

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 2023	As at 31st March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 - 60 days	**343,284**	358,802
61 - 120 days	**43,502**	29,443
121 - 180 days	**9,623**	4,154
181 - 365 days	**10,144**	17,810
Over 365 days	**32,965**	39,394
	439,518	449,603
Less: Provision for impairment	**(17,834)**	(18,929)
	421,684	430,674

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 2023 *HK$'000* **(Unaudited)**	As at 31st March 2023 *HK$'000* (Audited)
0 - 60 days	**177,406**	178,746
61 - 120 days	**470**	630
121 - 180 days	**972**	24,645
181 - 365 days	**1,122**	11
Over 365 days	**24**	24
	179,994	204,056

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

14 Borrowings

	As at 30th September 2023 *HK$'000* **(Unaudited)**	As at 31st March 2023 *HK$'000* (Audited)
Current		
– Trust receipts bank loans	**825,344**	785,127
– Short-term bank loans	**90,837**	100,707
– Current portion of long-term bank loans, secured	**4,300**	475,741
– Current portion of hire purchase liability, secured	**1,544**	892
– Other loan	**9,876**	6,322
	931,901	1,368,789
Non-current		
– Long-term bank loans, secured	**403,233**	55,910
– Hire purchase liability, secured	**4,770**	2,432
– Other loan	**10,012**	6,188
	418,015	64,530
Total borrowings	**1,349,916**	1,433,319

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 2023, the Group had total commitments receivable under various non-cancellable operating lease agreements in respect of rented premises amounted to HK$27,245,000 (31st March 2023: HK$27,658,000).

(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 2023, the Group had total commitments payable under various non-cancellable operating lease agreements in respect of short-term and low-value leases of HK$1,392,000 (unaudited) (31st March 2023: HK$622,000) which will be recognised as an expense in the forthcoming consolidated income statement.

(b) Capital commitments

As at 30th September 2023, the Group had total capital commitment of approximately HK$121,497,000 (31st March 2023: HK$130,874,000), mainly includes contracted but not provided for in respect of property, plant and equipment and investment property of approximately HK$861,000 (31st March 2023: HK$5,695,000) and commitment in respect of investments accounted for using equity method, if called, of approximately HK$120,636,000 (31st March 2023: HK$125,179,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group continued to see sustained challenges during the first half of FY2023/24 (the "Period"). Interest rate hikes, rising operation cost, skilled labour shortage and other macro factors have put notable pressure on the Group's Steel Distribution and Processing Business. Meanwhile, the uncertain economic outlook in the region has also led to growing conservatism on consumption and investment, with slower-than-expected lease absorption rate in Shanghai and decreasing demand for new home renovation and private construction projects in Hong Kong. Navigating such challenging and highly competitive environment, the Group focuses on maintaining a cost-effective steel sourcing mechanism, enhancing its steels processing efficiency, refining its leasing strategy, and improving its working capital and cashflow management. As a result of the combined effort, the Group is able to deliver another set of encouraging result for the Period.

The Group's revenue decreased from approximately HK$1,352.3 million to approximately HK$1,246.8 million in the Period, representing a decrease of 7.8% year-on-year, mainly attributable to the decrease in average steel price. However, gross profit increased from approximately HK$175.5 million to approximately HK$208.9 million, with gross profit margin improved notably from 13.0% to 16.8% when compare with the same period last year, as a result of effective steels procurement strategy, as well as growing sales contribution from the Steels Processing Business. Despite the high interest rate environment has resulted in increase in finance cost for the Period, the Group's profit attributable to owners of the Company could still reach approximately HK$53.2 million for the Period, representing a notable improvement of 11.0% as compared with the same period last year.

Given the dynamic and challenging market, the Group's business segments also had varying performances during the Period. Building Products Distribution Business continued to demonstrate its resilience; while Steels Distribution and Processing Business has a significant growth of 66.7%, with profit before income tax increasing from approximately HK$43.2 million to approximately HK$72.0 million. The outstanding performance has once again highlighted the effectiveness of its procurement strategy, as well as the increasing recognition of offsite prefabricated solutions from its customers. For Property Investment and Fund Management Business, due to the absence of a one-off milestone fee income from Central Park • Huangpu, along with a fair value loss of an investment property of approximately HK$7.7 million, the segment reported a modest loss approximately HK$0.9 million for the Period.

For the Period, basic earnings per ordinary share of the Company was HK8.31 cents, as compared with HK7.48 cents in the same period last year.

BUSINESS REVIEW

Steels Distribution and Processing Business

Steels Distribution and Processing Business mainly offers construction and industrial steel in Hong Kong and Mainland China. In addition to its distribution business, it operates one of the five approved steel reinforcing bar prefabrication yards in Hong Kong, providing cut-and-bend services based on customer's requirements. The prefabricated steel reinforcing bars are then ready for immediate use, offering full traceability and quality assurance to contractors that would reduce their works on site, yielding better safety and less construction wastage.

During the Period, the segment continued to face challenges on various fronts. Steels prices remain volatile as a result of geopolitical tension, fluctuation of US dollars and uncertain economic outlook, putting cost pressure on the Group's steel distribution business. On the other hand, the rising operation cost and skilled labour shortage in Hong Kong also created obstacles for its processing business. Nevertheless, with the increasing acceptance of offsite rebar fabrication in Hong Kong, the delivery quantity of its construction steels processing business recorded a significant increase of 57.9% year-on-year. Supported by the Group's proven procurement strategy, the Group is also able to mitigate the price risks, reporting an improvement in gross profit margin for the Period.

All in all, the segment profit before income tax reported a notable growth of 66.7% for the Period, reaching approximately HK$72.0 million, as compared to approximately HK$43.2 million in the same period last year. During the Period, the Group has participated in a number of notable civil infrastructures works and private projects, including the commercial complex in Hong Kong West Kowloon Railway Station, Joint-user Government Office Building in Tseung Kwan O, Shek Wu Hui Effluent Polishing Plant, public housing project in Kwun Tong, and private residential projects in Tin Wing station and Sai Kung, etc.

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. It strives to provide full chain of services covering design, installation, logistics and technical support.

Amidst the slump in residential property transactions which caused a reduction of gross margin contribution from wholesales and retail business, the segment result reported a profit before income tax of approximately HK$20.1 million, on revenue of approximately HK$191.9 million, as compared with a profit before income tax of approximately HK$20.9 million, on revenue of approximately HK$169.5 million in the same period last year. Several iconic projects delivered by the segment during the Period included the renovation work for Hong Kong Airport and Four Seasons Hotel, a new hotel development in Hung Hom, new commercial building developments in Kwun Tong and Central, and residential developments in Kai Tak and Wong Chuk Hang.

Property Investment and Fund Management Business

Positioned as a niche market specialist with a proven track record in asset revitalisation and value optimisation, the Group continues to embrace its "asset-light" model when developing its investment projects in Shanghai. As at 30th September 2023, the Group manages a total gross floor area ("GFA") of approximately 161,724 square meters, with its assets value under management reached approximately HK$8.5 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 capital appreciation in the medium-to-long term. 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.

Looking back to the Period, the conservative business sentiment among corporate tenants have generally led to hesitation and delayed leasing decisions. Compounded by the new property supplies, both occupancy rate and rent rates in Shanghai were suffered. During the Period, the segment results changed from profit of approximately HK$25.4 million on revenue of approximately HK$56.3 million, to a modest loss of approximately HK$0.9 million, on revenue of approximately HK$40.8 million. The decrease in segment profit was due to the absence of one-off milestone fee income from Central Park • Huangpu in the same period last year, along with a fair value loss of an investment property of approximately HK$7.7 million for the Period.

OUTLOOK

Heading into the second half of FY2023/24, the Group expects the market to remain challenging and unpredictable. The lingering effect of geopolitical events and tension, the low short-term economic visibility, as well as the expectation of sustained high interest rates, are all likely to pose sustained impact on global steel prices, suppressing new home renovation and private construction demand, and hindering property leasing decision and investment appetite.

Nonetheless, the Group remains cautiously optimistic on the economic development of both Shanghai and Hong Kong. For Hong Kong, the launch of series of infrastructure projects and the increase in overall public housing supply by approximately 50% over the coming five years is expected to drive the annual construction volume. The government also put forward the development of Northern Metropolis in full steam. This should lay a solid foundation for the demand of the Group's core businesses in near future and medium term.

Regarding the Property Investment and Fund Management Business, the Group saw various policies and measures that have been put forth by the government in stimulating economic recovery and restoring market confidence. The Group believes Shanghai would continue to be the ideal destination for businesses to establish or expand their presence in Mainland China. New emerging industries, such as renewable energy, new energy vehicles, chip design and fabrication and life science industries all have their presence in Shanghai, providing another growth engine for the city. The Group will continue to keep a keen eye on available market opportunities using a light asset approach, and expand its asset management capability in the future.

Currently, the Group is well on track to deliver sustainable profit. The Group will continue to execute its prudent capital management measures, so as to mitigate risks and headwinds ahead; while driving for improvement to deliver business growth and better serve its customers.

CORPORATE FINANCE AND RISK MANAGEMENT

Financial Position

Compared with the financial year ended 31st March 2023, the Group's total assets decreased from approximately HK$2,957.4 million to approximately HK$2,796.6 million as at 30th September 2023, mainly as a result of the translation difference of the Group's investments in Mainland China. The Group's inventories slightly increased from approximately HK$473.1 million to approximately HK$487.7 million. The average inventory days of supply slightly increased to 84 days. The Group's trade and bill receivables slightly decrease from approximately HK$430.7 million to approximately HK$421.7 million, with the average overall days of sales outstanding slightly decrease to 56 days. Net asset value of the Group reduced to approximately HK$1,021.1 million, mainly attributable to the translation difference arisen from the depreciation on Renminbi ("RMB") for the Group's net investments in Mainland China. Net asset value per ordinary share of the Company was equivalent to approximately HK$1.44 as at 30th September 2023.

Compared with the financial position as at 31st March 2023, the Group's cash and cash equivalents and pledged bank deposits decreased to approximately HK$120.5 million (as at 31 March 2023: HK$159.2 million). The Group's borrowings also decreased by approximately HK$83.4 million to approximately HK$1,349.9 million as at 30th September 2023. 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) maintained at approximately 57.2% (as at 31 March 2023: 57.0%).

During the Period, the Group has completed the refinancing of long-term bank loans of approximately HK$352.6 million, significantly boosting its current ratio from 0.68 to 0.89. To fulfil the Group's other short-term commitment, management continue to negotiate with various banks for short-term and/or long-term credit facilities and had received certain indicative term sheets subsequent to the Period. The Group is in the process of further negotiating and finalising the terms with these banks. In the opinion of the Directors, after due and careful consideration and taking into account of the internally generated funds as well as all the banking facilities presently available to the Group, the Group has sufficient financial resources to meet its liabilities as they fall due and is able to carry on its business without significant disruption.

The Group will continue to closely monitor its liquidity performance and the turnover of its working capital, and take various cost containment and efficiency enhancement measures so as to minimise the impact of macro factors such as interest rate hike.

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 security investments according to the Group's treasury investment policy.

The Group's trade financing remained primarily supported by its bank trading and revolving facilities. As at 30th September 2023, about 66.1% of the Group's interest-bearing borrowings were denominated in HK dollar, about 32.8% in RMB and about 1.1% in US dollar. These facilities are either secured by 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$55.0 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 RMB412.5 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 2023 was as follows:

Maturity Profile

Within 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
69.0%	6.2%	6.4%	18.4%	100.0%

Charges on Assets

As at 30th September 2023, the Group had certain charges on assets which included (i) bank deposits of approximately HK$10.8 million (31st March 2023: approximately HK$11.7 million) and bill receivables of approximately HK$5.4 million (31st March 2023: approximately HK$6.8 million), which were pledged as collateral for the Group's bill payables; (ii) investment properties of approximately HK$1,282.5 million (31st March 2023: approximately HK$1,376.4 million) and building of approximately HK$5.2 million (31st March 2023: HK$5.7 million), which was included in property, plant and equipment, were pledged as collaterals for certain bank borrowings of the Group; and (iii) machineries of approximately HK$9.6 million (31st March 2023: approximately HK$5.5 million), which was included in property, plant and equipment, and was used to secure 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 inflow to minimise exchange risk 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$7.3 million (2022: approximately HK$1.2 million), which was primarily financed through cash generated from operating activities.

Capital Commitments

As at 30th September 2023, the Group's total capital commitments amounted to approximately HK$121.5 million (31st March 2023: approximately HK$130.9 million).

Contingent Liabilities

As at 30th September 2023, the Group had no material contingent liabilities (31st March 2023: Same).

Material Acquisitions and Disposals

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

HUMAN RESOURCES

The Group puts a strong emphasis on nurturing talents to support its business development. The growth strategy has always been built around 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, so as to attract and motivate employees. As at 30th September 2023, the Group employs 234 staff (31st March 2023: 226 staff). Total staff costs during the Period, including the contribution to retirement benefit amounted to approximately HK$65.5 million (2022: 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.

DIVIDENDS

The Board has declared an interim dividend of HK1.50 cents per ordinary share for the six months ended 30th September 2023 (2022: HK1.00 cent per ordinary share). The interim dividend will be payable on Monday, 8th January 2024 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 20th December 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18th December 2023 to Wednesday, 20th December 2023, 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 Friday, 15th December 2023.

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 2023.

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.1.6 and CG Code provision C.2.1.

CG Code provision C.1.6 stipulates that generally independent non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Tam King Ching Kenny was unable to attend the annual general meeting of the Company held on 18th August 2023 due to his other engagement.

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 2023 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, 28th November 2023

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. Xu Lin Bao, Mr. Yeung Wing Sun Mike and Mr. Li Yinquan (being the independent non-executive directors).