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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2021

The board of directors (the “Board”) of Hong Kong Shanghai Alliance Holdings Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st March 2021 (the “Year”).

FINANCIAL HIGHLIGHTS

For the year ended 31st March

	2021	2020	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue	2,073.6	2,325.0	-10.8%
Gross profit	253.0	241.6	+4.7%
Operating profit	96.0	4.8	+1,895.0%
Profit/(loss) for the year	3.8	(88.2)	N/A
Profit/(loss) attributable to owners of the Company	1.7	(90.3)	N/A
Basic earnings/(loss) per ordinary share (HK cent(s))	0.26	(14.08)	N/A
Proposed special dividend per ordinary share (HK cent)	1.00	—	N/A
Gross profit margin	12.2%	10.4%	+1.8 p.p.
Operating profit margin	4.6%	0.2%	+4.4 p.p.
Net profit/(loss) margin	0.2%	(3.8%)	+4.0 p.p.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2021

		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	2,073,632	2,325,031
Cost of sales	4	<u>(1,820,613)</u>	<u>(2,083,428)</u>
Gross profit		253,019	241,603
Selling and distribution expenses	4	(15,728)	(11,803)
(Impairment loss on)/reversal of financial assets - net	4	(293)	3,020
General and administrative expenses	4	(140,703)	(217,810)
Other gains/(losses) - net	3	8,067	(10,110)
Net fair value loss on investment properties		<u>(8,362)</u>	<u>(88)</u>
Operating profit		96,000	4,812
Finance income	5	1,110	1,216
Finance costs	5	(64,024)	(79,616)
Share of results of investments accounted for using the equity method		<u>(19,724)</u>	<u>(12,947)</u>
Profit/(loss) before income tax		13,362	(86,535)
Income tax expense	6	<u>(9,539)</u>	<u>(1,616)</u>
Profit/(loss) for the year		<u>3,823</u>	<u>(88,151)</u>
Profit/(loss) attributable to:			
— Owners of the Company		1,673	(90,309)
— Non-controlling interests		<u>2,150</u>	<u>2,158</u>
		<u>3,823</u>	<u>(88,151)</u>
Earnings/(loss) per ordinary share attributable to owners of the Company for the year			
Basic earnings/(loss) per ordinary share	8	<u>HK0.26 cent</u>	<u>HK(14.08) cents</u>
Diluted earnings/(loss) per ordinary share	8	<u>HK0.26 cent</u>	<u>HK(14.08) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) for the year	3,823	(88,151)
Other comprehensive income/(loss):		
<u>Items that may be reclassified subsequently to profit or loss:</u>		
– Change in fair value of financial asset at fair value through other comprehensive income	996	(82)
– Net fair value change of cash flow hedge	(1,084)	—
– Currency translation differences	111,847	(88,438)
Other comprehensive income/(loss) for the year	111,759	(88,520)
Total comprehensive income/(loss) for the year	115,582	(176,671)
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	102,594	(170,433)
– Non-controlling interests	12,988	(6,238)
	115,582	(176,671)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		41,682	48,979
Investment properties		1,422,582	1,324,824
Right-of-use assets		13,253	32,090
Intangible assets		710	1,493
Investments accounted for using the equity method		337,430	313,823
Prepayments, deposits and other receivables		12,540	18,038
Deferred income tax assets		49,326	53,104
Financial asset at fair value through other comprehensive income		4,203	62
		<hr/>	<hr/>
Total non-current assets		1,881,726	1,792,413
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Prepayments, deposits and other receivables		99,052	81,843
Inventories		443,072	354,859
Trade and bill receivables	9	363,814	358,932
Financial asset at fair value through profit or loss		—	15,820
Pledged bank deposits		54,008	9,137
Cash and cash equivalents		119,098	120,045
		<hr/>	<hr/>
Total current assets		1,079,044	940,636
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		2,960,770	2,733,049
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	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		64,123	64,123
Reserves		823,598	741,722
		887,721	805,845
Non-controlling interests		120,787	110,923
Total equity		1,008,508	916,768
Liabilities			
Non-current liabilities			
Accrued liabilities and other payables		11,147	11,144
Deferred income tax liabilities		94,081	89,541
Borrowings		779,749	855,083
Lease liabilities		1,991	3,499
Total non-current liabilities		886,968	959,267
Current liabilities			
Trade and bill payables	<i>10</i>	245,354	166,929
Receipts in advance and deferred revenue		53,537	57,258
Accrued liabilities and other payables		39,220	37,183
Provisions		35,298	4,025
Derivative financial instruments		1,084	—
Current income tax liabilities		11,380	7,371
Borrowings		674,893	560,555
Lease liabilities		4,528	23,693
Total current liabilities		1,065,294	857,014
Total liabilities		1,952,262	1,816,281
Total equity and liabilities		2,960,770	2,733,049

NOTES:

1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). 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.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Certain comparative figures have been regrouped to conform with the current year’s presentation of the consolidated financial statements.

1.1 Amended standards and revised conceptual framework adopted by the Group

The Group has applied the following amendments to standards and revised conceptual framework for the first time for their annual reporting period commencing on 1st April 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
HKFRS 3 (Amendments)	Definition of Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The newly adopted amendments to existing standards and revised conceptual framework listed above did not have material impact on the results and financial position of the Group.

1.2 New and amended standards, improvement, interpretation and accounting guideline not yet adopted

The following new standard, amendments to existing standards, improvement, interpretation and accounting guideline have been issued but are not effective for the financial year beginning on 1st April 2020 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions	1st June 2020
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1st January 2021
Annual Improvements Project	Annual Improvements to HKFRSs Standards 2018 - 2020	1st January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1st January 2022
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1st January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1st January 2023
HKFRS 17	Insurance Contracts	1st January 2023
HK (IFRIC) – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2023
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 new standard, amendments to existing standards, improvement, interpretation and accounting guideline when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standard, amendments, improvement, interpretation and accounting guideline, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

2 Revenue and segment information

The Group's revenue consists of the following:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	1,979,423	2,231,275
Service income	56,563	42,038
Rental income	37,646	51,718
	<hr/>	<hr/>
Total revenue	<u>2,073,632</u>	<u>2,325,031</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 chief operating decision-maker ("CODM") that are used to making strategic decisions. The CODM is identified as the Executive Directors of the Company. The Executive Directors 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. These reports are prepared on the same basis as these consolidated financial statements. The CODM considers the Group operates predominantly in three operating segments:

- (i) Construction materials business;
- (ii) Building and design solutions ("BDS") business; and
- (iii) Property investment and project 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 the consolidated financial statements.

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 investment properties and property, plant and equipment for the Year.

During the Year, the management has grouped the financial result of Engineering Plastics Business segment into unallocated due to the scaling down of its operation.

Analysis of the Group's results by business segment for the year ended 31st March 2021 is as follows:

	Construction materials business	BDS business	Property investment and project management business	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers					
– Recognised at a point in time	1,660,669	313,867	—	4,887	1,979,423
– Recognised over time	—	—	56,563	—	56,563
– Rental income	93	—	37,553	—	37,646
	<u>1,660,762</u>	<u>313,867</u>	<u>94,116</u>	<u>4,887</u>	<u>2,073,632</u>
Operating profit/(loss)	55,722	38,854	51,473	(50,049)	96,000
Finance income	917	41	105	47	1,110
Finance costs	(15,931)	(4,663)	(39,432)	(3,998)	(64,024)
Share of results of investments accounted for using the equity method	—	—	(19,724)	—	(19,724)
Profit/(loss) before income tax	<u>40,708</u>	<u>34,232</u>	<u>(7,578)</u>	<u>(54,000)</u>	<u>13,362</u>
Other gains/(losses) - net					
– Impairment of property, plant and equipment	—	—	—	(572)	(572)
– Others	276	955	2,352	5,056	8,639
	<u>276</u>	<u>955</u>	<u>2,352</u>	<u>4,484</u>	<u>8,067</u>
Fair value loss on investment properties	—	—	(8,362)	—	(8,362)
Capital expenditure	<u>275</u>	<u>316</u>	<u>1,595</u>	<u>8</u>	<u>2,194</u>
Depreciation and amortisation	<u>(5,089)</u>	<u>(5,786)</u>	<u>(1,630)</u>	<u>(13,632)</u>	<u>(26,137)</u>

Analysis of the Group's results by business segment for the year ended 31st March 2020 is as follows:

	Construction materials business <i>HK\$'000</i>	BDS business <i>HK\$'000</i>	Property investment and project management business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers					
– Recognised at a point in time	1,864,565	275,915	—	90,795	2,231,275
– Recognised over time	—	—	42,038	—	42,038
– Rental income	215	—	51,503	—	51,718
	<u>1,864,780</u>	<u>275,915</u>	<u>93,541</u>	<u>90,795</u>	<u>2,325,031</u>
Operating profit/(loss)	38,526	30,250	57,852	(121,816)	4,812
Finance income	847	65	47	257	1,216
Finance costs	(31,176)	(4,210)	(38,615)	(5,615)	(79,616)
Share of results of investments accounted for using the equity method	—	—	(12,947)	—	(12,947)
Profit/(loss) before income tax	<u>8,197</u>	<u>26,105</u>	<u>6,337</u>	<u>(127,174)</u>	<u>(86,535)</u>
Other (losses)/gains - net					
– Impairment of property, plant and equipment	—	—	—	(20,000)	(20,000)
– Others	6,756	2,675	2,355	(1,896)	9,890
	<u>6,756</u>	<u>2,675</u>	<u>2,355</u>	<u>(21,896)</u>	<u>(10,110)</u>
Fair value (loss)/gain on investment properties	<u>(843)</u>	<u>—</u>	<u>755</u>	<u>—</u>	<u>(88)</u>
Capital expenditure	<u>5,780</u>	<u>237</u>	<u>1,539</u>	<u>2,096</u>	<u>9,652</u>
Depreciation and amortisation	<u>(5,735)</u>	<u>(6,393)</u>	<u>(2,780)</u>	<u>(50,849)</u>	<u>(65,757)</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	1,393,815	1,725,744
Mainland China	679,817	599,287
	<u>2,073,632</u>	<u>2,325,031</u>

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

	2021	2020
	HK\$'000	HK\$'000
Hong Kong	394,128	405,817
Mainland China	1,434,069	1,333,430
	<u>1,828,197</u>	<u>1,739,247</u>

(a) Revenue recognition in relation to contract liabilities

As at 31st March 2021, contract liabilities included receipts in advance and deferred revenue amounting to HK\$53,537,000 (2020: HK\$57,258,000). The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward receipts in advance and deferred revenue:

	2021	2020
	HK\$'000	HK\$'000
Revenue recognised that was included in the receipts in advance and deferred revenue at the beginning of the year	<u>57,258</u>	<u>33,992</u>

(b) Unsatisfied long-term contract

The following table shows unsatisfied performance obligations resulting from fixed-price long-term sales contracts recognised at a point in time:

	2021	2020
	HK\$'000	HK\$'000
Aggregate amount of the transaction price allocated to long-term sales contracts that are partially or fully unsatisfied as at 31st March	<u>409,094</u>	<u>—</u>

Management expects that 93.4% of the transaction price (HK\$382,297,000) allocated to unsatisfied performance obligations as of 31st March 2021 will be recognised as revenue during the next reporting period. The remaining 6.6% (HK\$26,797,000) will be recognised in the 2022/23 financial year.

All other contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

3 Other gains/(losses) - net

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net exchange gains	277	2,096
Impairment losses on property, plant and equipment	(572)	(20,000)
Gain on modification of lease	2,865	109
Loss on disposal of a subsidiary and an associate	—	(41)
Penalty income from tenants in relation to early termination of rental agreements	2,402	2,022
Sundry income	3,095	5,704
	<u>8,067</u>	<u>(10,110)</u>

4 Expenses by nature

Expenses included in “cost of sales”, “selling and distribution expenses”, “(impairment loss on)/reversal of financial assets - net” and “general and administrative expenses” are analysed as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of finished goods sold	1,703,668	1,992,552
Reversal of impairment of inventories	(1,825)	(2,229)
Provision for onerous contracts	33,280	—
Depreciation of property, plant and equipment	13,046	40,669
Depreciation of right-of-use assets	12,308	23,979
Loss/(gain) on disposals of property, plant and equipment	145	(48)
Amortisation of intangible assets	783	1,109
Employee benefit expenses (Note)	98,603	120,574
Expenses relating to short-term or low-value leases	946	3,125
Property tax for investment properties	7,160	7,239
Provision for/(reversal of) impairment of trade and bill receivables - net	293	(3,020)
Auditor's remuneration		
- Audit services	2,650	2,738
- Non-audit services	116	194
Legal and professional fees	3,393	6,432
Freight charges	63,654	65,983
Storage and handling charges	7,487	8,405
Others	31,630	42,319
Total	<u>1,977,337</u>	<u>2,310,021</u>

Note:

During the year ended 31st March 2021, wage subsidies of HK\$3,632,000 and HK\$5,596,000 granted from the Employment Support Scheme under Anti-Epidemic Fund were recognised in “cost of sales” and “general and administrative expenses” respectively and had been offset with the employee benefit expenses.

5 Finance income and costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income		
Interest income:		
– short-term bank deposits	1,110	1,216
Finance costs		
Interest expenses:		
– bank borrowings	(59,719)	(73,981)
– transfer from hedging reserve		
– interest rate swaps designated as cash flow hedges	(144)	—
– lease liabilities	(824)	(2,147)
Bank charges	(3,337)	(3,488)
	<u>(64,024)</u>	<u>(79,616)</u>
Net finance costs	<u>(62,914)</u>	<u>(78,400)</u>

6 Income tax expenses

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

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the Year.

During the Year, subsidiaries established in Mainland China are subject to China corporate income tax at 25% (2020: 25%).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	4,129	2,926
– China corporate income tax	3,138	808
Deferred income tax	1,010	(2,118)
Under-provision in prior years	1,262	—
	<u>9,539</u>	<u>1,616</u>

7 Dividends

No final dividend was paid or proposed for shareholders of the Company for the years ended 31st March 2021 and 2020. A special dividend for the Year of HK1.00 cent (2020: Nil) per ordinary share, totalling approximately HK\$6,412,000 has been recommended by the Board and is subject to approval by shareholders at the forthcoming annual general meeting of the Company.

The proposed special dividend for the Year in the amount of approximately HK\$6,412,000 is calculated on the basis of 641,232,315 shares in issue as at 25th June 2021.

8 Earnings/(loss) per ordinary share

(a) Basic

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

	2021	2020
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u>1,673</u>	<u>(90,309)</u>
Weighted average number of ordinary shares in issue ('000)	<u>641,232</u>	<u>641,232</u>
Basic earnings/(loss) per ordinary share (HK cent(s))	<u>0.26</u>	<u>(14.08)</u>

(b) Diluted

Diluted earnings/(loss) per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares arising from share options, for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted earnings per ordinary share for the years ended 31st March 2021 and 2020 equal to basic earnings per ordinary share as there were no potentially dilutive ordinary shares as at both year end.

9 Trade and bill receivables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	365,806	302,689
Bill receivables	18,799	75,148
Less: Provision for impairment	<u>(20,791)</u>	<u>(18,905)</u>
Trade and bill receivables - net	<u>363,814</u>	<u>358,932</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 60 days	282,560	276,458
61 to 120 days	45,458	42,819
121 to 180 days	14,490	20,419
181 to 365 days	16,762	14,668
Over 365 days	<u>25,335</u>	<u>23,473</u>
	384,605	377,837
Less: Provision for impairment	<u>(20,791)</u>	<u>(18,905)</u>
	<u>363,814</u>	<u>358,932</u>

The carrying amounts of net trade and bill receivables approximated their fair values as at 31st March 2021.

10 Trade and bill payables

Payment terms with suppliers are either on letters of credit or open account with credit period of 30 to 120 days.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days	244,911	166,472
61 to 120 days	196	185
121 to 180 days	30	70
181 to 365 days	33	—
Over 365 days	184	202
	245,354	166,929

The carrying amounts of trade and bill payables approximated their fair values as at 31st March 2021.

11 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 to the Group as at 31st March 2021.

Other than the above, as at 31st March 2021, the Group did not have any material contingent liability (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

FY2020/2021 (the “Year”) continued to be challenging under the sustained impact of Novel Coronavirus (“COVID-19”) pandemic, with market visibility remained low and economic activities yet to be fully recovered. Disrupted by momentary mismatch of global steel supply and demand, steel price has recorded an expanding magnitude and increasing frequency of volatility, putting pressure on the Group’s performance.

However, supported by the dedicated efforts of our teams and the close collaborations with our business partners, the Group managed to record a turnaround in financial results, from a net loss attributable to owners of the Company of approximately HK\$90.3 million last year, to a net profit attributable to owners of the Company of approximately HK\$1.7 million for the Year. Gross profit also increased from approximately HK\$241.6 million on revenue of approximately HK\$2,325.0 million, to approximately HK\$253.0 million on revenue of approximately HK\$2,073.6 million for the Year. Gross profit margin rose from approximately 10.4% last year, to approximately 12.2% for the Year.

The turnaround is mainly attributable to the improvement in performance of the Construction Materials Business, with its profit before income tax grew by approximately 396.6% year-on-year (“YoY”), as a result of the increasing utilisation of the Group’s automated rebar processing and assembly plant in Hong Kong, as well as the expanding profit margin for both construction products and surface critical coil distribution in Hong Kong and China. Together with the effective cost control measures, reduction in depreciation charges and government subsidies received under the Anti-Epidemic Fund, these have also greatly reduced the Group’s overall operating expenses, facilitating the turnaround in profit attributable to owners of the Company for the Year.

On our Property Investment and Project Management Business, during the Year, the Group has completed the acquisition of Great Wall Financial Building (also known as Central Park·Huangpu) in Shanghai by partnering with a leading private equity fund. The revitalisation of Central Park·Huangpu is now in full swing, and has contributed additional fee income to the Group since the second half of the Year. However, due to the short-term suppressed rent rate of Shanghai’s office market, the Group’s investment properties recorded a fair value loss of approximately HK\$8.4 million which brought a negative impact to the Group’s performance for the Year.

Basic earnings per ordinary share was HK0.26 cent for the Year, versus a basic loss per ordinary share of HK14.08 cents last year.

BUSINESS REVIEW

Property Investment and Project Management Business

Being a leading private equity real estate investor and investment manager with proven track record, the Group specialises in property enhancement, alterations and additions, as well as the provision of quality property management services, with a view to unlocking property values in niche markets.

Our Property Investment and Project Management Business comprises (i) direct acquisitions of properties for investment, such as our wholly-owned Central Park·Pudong, which generates rental and property management fee income, while providing the opportunity to realise the appreciation in fair value in the medium-to-long term; and (ii) investments in properties via partnerships or investment funds, where the Group takes an equity stake and acts as a general partner and/or investment manager to earn fee income. As of 31st March 2021, the Group has partnerships with two leading private equity funds on the development of two revitalisation projects, namely Central Park·Jing’an and Central Park·Huangpu, respectively.

Although Shanghai office leasing demand has progressively regained momentum since the third quarter of the Year, a time when the COVID-19 pandemic was largely under control in China, short-term uncertainties have suppressed market occupancy rate, rent rate and property valuation. Hence, our Property Investment and Project Management Business recorded a loss before income tax of approximately HK\$7.6 million on revenue of approximately HK\$94.1 million for the Year, as compared with a profit before income tax of approximately HK\$6.3 million on revenue of approximately HK\$93.5 million last year. The change from profit to loss is mainly due to a fair value loss of approximately HK\$8.4 million from Central Park·Pudong during the Year, as compared with a fair value gain of approximately HK\$0.8 million last year.

The Group also shared the losses of investments accounted for using the equity method of approximately HK\$19.7 million for the Year for our investment in Central Park·Huangpu and Central Park·Jing'an. Yet, the revitalisation project for Central Park·Huangpu has been progressing well, and some reputable corporations have already been secured as potential tenants. The Group anticipates that Central Park·Huangpu will have significant improvement in its performance in the upcoming financial year.

Building and Design Solutions Business

Our Building and Design Solutions Business offers a comprehensive value proposition on sanitary wares, fittings and kitchenware products, through the provision of full-chain services covering design, installation, inventory management, logistics and technical support. The Group is equipped with an extensive, well-designed and popular branded sanitary wares and fittings product portfolio, and is well-positioned to capture the rising demand from the enhanced hygiene awareness amidst the COVID-19 pandemic, as well as the growing call for high-quality lifestyle products.

With the unremitting efforts of the Group and the full support from our brand partners, there was a rebound in the number of hotel and shopping mall development and upgrade projects in the Year, the Building and Design Solutions Business recorded a notable improvement in financial performance, with profit before income tax increasing by 31.1% YoY to approximately HK\$34.2 million, on revenue of approximately HK\$313.9 million, as compared with a profit before income tax of approximately HK\$26.1 million, on revenue of approximately HK\$275.9 million last year.

Construction Materials Business

Our Construction Materials Business comprises (i) Hong Kong construction products processing and distribution; (ii) reinforcing bar processing and assembly; and (iii) surface critical coil processing and distribution in China.

The Construction Materials Business continues to face different challenges on various fronts. On the supply side, the short-term yet drastic fluctuation in demand and supply amidst COVID-19 pandemic, the unstable and ever-changing trade tensions among major nations, as well as the changes of certain environmental and export policies in China, have all led to the increasing volatility of global steel price. On the demand side, the disruptions in construction material supply and/or government quarantine measures have led to the delay in public and private construction projects, affecting product demand particularly in first half of the Year. Nonetheless, there was a notable recovery since second half of the Year, with construction companies largely adapting to the new normal.

During the Year, the Construction Materials Business made good progress to restore profit growth. Attributable to the improvement in production efficiency of its reinforcing bar processing and assembly business, cost containment measures adopted, as well as better profit margin in the distribution business, profit before income tax reached approximately HK\$40.7 million, on revenue of approximately HK\$1,660.8 million. This shows significant improvement when comparing with a profit before income tax of approximately HK\$8.2 million, representing a growth of 396.6% YoY, on revenue of approximately HK\$1,864.8 million last year.

OUTLOOK

Property Investment and Project Management Business

Pioneering as a niche market specialist in property revitalisation and value optimisation, the Shanghai property market remains our primary focus for investment.

Shanghai market begins to show a stable and ongoing rebound in demand, as companies have restored confidence in putting forth leasing decisions to capture the temporary low market rent. With the COVID-19 pandemic situation largely under control in China, together with the completion of renovation of Central Park-Huangpu in coming year, and the restoration of high occupancy rate in Central Park-Pudong and Central Park-Jing'an, since the last quarter of the Year, the Group remains optimistic over the performance of its Property Investment and Project Management Business, as well as the medium to long-term growth in demand of premium-grade offices in Shanghai.

Building and Design Solutions Business

The Group will continue to roll out its segment-based growth strategy in Hong Kong, Macau, Shanghai and Wuhan. Its extensive, prime-quality and well-designed sanitary products and fitting portfolio will allow it to capture market opportunities arising from rising hygiene awareness, consumer's personality and customisation in Hong Kong, as well as the continuous hotel expansion projects in Macau. Leveraging the strong market presence of our brand partners, the Group will target primarily large and iconic projects in Hong Kong, Macau, Shanghai and Wuhan to drive business growth.

Construction Materials Business

The Group expects the global steel market to remain volatile due to the unforeseeable disruptions to global demand and supply. However, with the expectation of increasing public spending in annual capital works investments, which encompasses public housing development, hospital redevelopment and expansion, and new towns development across the next few years, along with the probable rebound in private market demand upon launches of major construction projects in Kai Tak and Chek Lap Kok area, the Group remains cautiously optimistic in the medium to long-term development of the industry in Hong Kong.

Currently, the business is well on track to deliver profit growth. The Group will strive to further improve its reinforcing bar processing efficiency and steel procurement strategy to secure the most cost-efficient steel supply around the globe. The Group has laid a solid foundation for its market-leading position, and will continue to provide one-stop solutions to its valued customers.

FINANCIAL REVIEW

Financial Position

Compared with the financial year ended 31st March 2020, the Group's total assets increased from approximately HK\$2,733.0 million to approximately HK\$2,960.8 million as at 31st March 2021. The Group's inventories increased from approximately HK\$354.9 million to approximately HK\$443.1 million, mainly due to the surge in steel price and the advanced preparation of stocks for orders in the first half of FY2021/2022. The average inventory days of supply increased to 89 days. The Group's trade and bill receivables slightly increased from approximately HK\$358.9 million to approximately HK\$363.8 million. The average overall days of sales outstanding increased to 56 days. Net asset value of the Group increased from approximately HK\$916.8 million to approximately HK\$1,008.5 million, mainly attributable to the translation gain arisen from the appreciation on Renminbi ("RMB") for Group's net investments in Mainland China. Net asset value per ordinary share was equivalent to approximately HK\$1.38 as at 31st March 2021.

Compared with the financial position as at 31st March 2020, the Group's cash and cash equivalents and pledged bank deposits increased by approximately HK\$43.9 million to approximately HK\$173.1 million, while the Group's borrowings increased by approximately HK\$39.0 million to approximately HK\$1,454.6 million as at 31st March 2021. Current ratio slightly decreased from 1.1 to 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 decreased from 61.5% to 59.1%. The Group will continue to monitor the turnover of its working capital, and take various measures on cost containment and operational efficiency improvement to preserve working capital 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 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 31st March 2021, about 58.1% of the Group's interest-bearing borrowings were denominated in HK dollar, about 33.0% in RMB and about 8.9% 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. All of the above borrowings were on floating rate basis except for certain term loans of HK\$128.0 million, which is 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 RMB400.9 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.

Charges on Assets

As at 31st March 2021, the Group had certain charges on assets which included (i) bank deposits of approximately HK\$54.0 million (2020: approximately HK\$9.1 million) which were pledged as collateral for the Group's bill payables; and (ii) investment properties of approximately HK\$1,422.0 million which were pledged as collaterals for certain bank borrowings of the Group (2020: approximately HK\$1,324.3 million which were pledged as collaterals for certain bank borrowings and bill payables of the Group).

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 continue to match RMB payments with RMB receipts to minimise exchange exposure.

Forward foreign exchange contracts would be entered into when suitable opportunities arise and when management of the Group considers appropriate, to hedge against major non-HK dollars currency exposures. It is the Group's policy not to enter into any derivative transaction for speculative purposes.

Capital Expenditure

During the Year, the Group's total capital expenditure amounted to approximately HK\$2.2 million (2020: approximately HK\$9.7 million).

Capital Commitments

As at 31st March 2021, the Group's total capital commitments amounted to approximately HK\$18.4 million (2020: approximately HK\$30.4 million).

Contingent Liabilities

Save as disclosed in Note 11, as at 31st March 2021, the Group had no other material contingent liabilities (2020: Nil).

Material Acquisitions and Disposals

Except for the disclosable and connected transactions in relation to the acquisitions of the remaining 40% equity interests of certain subsidiaries of the Company as set out in the Company's announcement on 4th December 2020, the Group did not have any other material acquisitions and disposals of subsidiaries and associated companies during the Year.

HUMAN CAPITAL

The Group is focusing on nurturing talents to support the Group's future development. Our growth strategy has always emphasised our strong commitment to people. We provide competitive remuneration package to attract and motivate employees. We always provide a safe and pleasant working environment with constant learning and growth opportunities. As at 31st March 2021, the Group employed 244 staff (2020: 267 staff). Total staff costs including the contribution to retirement benefit schemes incurred during the Year amounted to approximately HK\$98.6 million. During the Year, no option has been offered and/or granted to directors and our employees under the share option scheme adopted on 11th August 2011.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2020: Nil).

Determined to reward shareholders of the Company for their unequivocal support, the Board has recommended the payment of a special dividend of HK1.00 cent per ordinary share for the year ended 31st March 2021 (2020: Nil), payable to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 19th August 2021, subject to the approval of shareholders at the annual general meeting of the Company to be held on Wednesday, 11th August 2021 (the "2021 AGM"). Special dividend is expected to be paid on Friday, 27th August 2021.

During the year, no interim dividend was declared and paid to the shareholders by the Company.

CLOSURE OF REGISTER OF MEMBERS

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

(i) For ascertaining the shareholders' entitlement to attend and vote at the 2021 AGM:

The register of members of the Company will be closed from Friday, 6th August 2021 to Wednesday, 11th August 2021, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 AGM, 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 (the "Branch Share Registrar") of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 5th August 2021.

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

On the assumption that the resolution for declaring the special dividend is duly passed at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 17th August 2021 to Thursday, 19th August 2021, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the special dividend. In order to qualify for the special dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar for registration no later than 4:30 p.m. on Monday, 16th August 2021.

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

During the year ended 31st March 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed auditing, internal controls and financial reporting matters including review of the results for the year ended 31st March 2021.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of this preliminary announcement of the Group’s results for the year ended 31st March 2021 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31st March 2021. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) except for CG Code provision A.2.1 for the year ended 31st March 2021.

CG Code provision A.2.1 stipulates that the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. Mr. Yao Cho Fai Andrew (“Mr. Yao”) serves as both the Chairman and Chief Executive Officer (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 allow for effective planning, formulation and implementation of the Company’s business strategies which will enable the Group to sustain the development of its business efficiently. The day-to-day management and operation of the Group will continue to be the responsibility of the management team under the monitor of the executive committee of the Company and Mr. Yao’s leadership.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.hkshalliance.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31st March 2021 containing all information required by the Listing Rules will be despatched to shareholders and available on the same websites in due course.

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

Hong Kong, 25th June 2021

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).