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
FOR THE YEAR ENDED 31ST MARCH 2016
AND
APPOINTMENT OF MEMBER OF NOMINATION COMMITTEE

The board of directors (the "Board") of Hong Kong Shanghai Alliance Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2016 (the "year").

FINANCIAL HIGHLIGHTS

For the year ended 31 March

	2016	2015	**Change**
	HK$ million	*HK$ million*	
Revenue	**3,380**	3,868	-12.6%
Gross profit	**416**	390	+6.7%
Earnings before interests and tax ("EBIT")	**213**	348	-38.8%
Profit attributable to equity holders of the Company	**70**	216	-67.6%
Basic earnings per share (HK cents)	**10.95**	39.72	-28.77 cents
Gross profit margin	**12.3%**	10.1%	+2.2p.p.
EBIT margin	**6.3%**	9.0%	-2.7p.p.
Net profit margin	**2.1%**	5.6%	-3.5p.p.
Return on equity	**6.6%**	20.1%	-13.5p.p.

For the year, the Group recorded an audited profit attributable to equity holders of approximately HK$70.1 million on revenue of approximately HK$3,380.2 million, versus an audited profit attributable to equity holders of approximately HK$215.5 million on revenue of approximately HK$3,868.4 million last year. Gross profit was approximately HK$415.6 million, up approximately 6.7% year-on-year ("YOY") while gross profit margin increased to approximately 12.3% from approximately 10.1% compared with last year.

Annualised return on assets (EBIT/operating assets) decreased from approximately 42.4% YOY to approximately 27.1%, which was mainly driven by decrease of operating profit by approximately 38.8% YOY to approximately HK$212.5 million in the year. Basic earnings per ordinary share was HK10.95 cents as at 31st March 2016 (2015: HK39.72 cents). The Board recommended a final dividend of HK1.00 cents (2015: HK5.00 cents) per ordinary share for the year.

OVERVIEW

The Group faced a challenging year for the year primarily due to an increase in expenses related to new investments, change in business model and personnel.

As we have done before during difficult cycles, we are working diligently to manage through and deliver value to shareholders.

Volume in steel grew by approximately 14.9% in Hong Kong and 5.6% in Mainland China as we increased market share. However, steel prices decreased throughout the year causing our top line to decrease by 12.6% when compared to last year.

The Group's gross profit margin increased from approximately 10.1% to 12.3% and grew by 6.7% in absolute terms when compared to last year.

Our bottom line did not increase due to an increase in expenses and a decrease in revaluation gain from property when compared to last year. Expenses increased by approximately 45.7% due to new investments in steel recycling, rebar processing and property. We built an automated rebar processing and assembly plant in Tsing Yi, Hong Kong which started operations in January 2016 and, as planned, this business will be accretive to our bottom line in 2018. The purchase of 創屹商務大廈 (Chuang Yi Tower) in Pudong, Shanghai is expected to be completed in June 2016, we expect it to be accretive to our bottom line in 2018. While these new investments and the change to our distribution model in Hong Kong caused a decrease in our results, we remain confident that both projects will provide long term and sustainable profits once we reach maturity levels of operation. Our investment in downstream processing is now active and as we ramp up, our margin will improve as will our top line due to value to volume efforts.

We have started to address expense levels. By moving our sales and operations together in one location, we will be able to rationalize headcount and reduce expenses. We have already identified ways to significantly reduce expenses, our main challenge to profit in the year.

During the year, we changed our Company name from "Van Shung Chong Holdings Limited" to "Hong Kong Shanghai Alliance Holdings Limited". We firmly believe that Hong Kong and Shanghai will continue to complement each other and become regional and global benchmarks of success through careful and planned economic evolution. Cooperation between Hong Kong and Shanghai continues to showcase opportunity for sustainable development and will result in long-term mutual benefits. We believe our Group with a culture of excellence through cooperation will continue to build on our history to deliver our goals and create sustainable value to shareholders.

BUSINESS REVIEW

Construction Materials Business

Construction Materials Business comprises Hong Kong construction products processing and distribution (mainly rebars and pilings in the year), surface critical coil processing and distribution, steel recycling (acquired in September 2014) and reinforcing bar processing and assembly business (conducted through our 50%-owned joint venture TVSC Construction Steel Solutions Limited which started operation in January 2016). This business recorded total revenue of approximately HK$2,465.8 million for the year, approximately 84.7% of last year in spite of YOY increase of tons sold of approximately 16.7%, 7.0% and 4.8% respectively in Hong Kong construction products processing and distribution, surface critical coil processing and distribution and steel recycling, as steel price decreased in the year.

The net profit of Construction Materials Business was approximately HK$69.9 million, approximately 57.7% of last year mainly due to (i) decrease of total net profit of Hong Kong construction products and surface critical coil processing and distribution by approximately 19.1% YOY to approximately HK$112.3 million in the year, primarily due to a decrease in their total revenue by approximately 14.8% to approximately HK$2,337.9 million in the year in spite of an increase of their total gross profit margin by 246 basis points to approximately 11.1% and tons sold increased by 13.8% YOY, as steel price decreased in the year; and (ii) increase of net loss of steel recycling due to YOY increase of selling, general and administrative expenses by approximately HK$26.2 million (12-month expenses in the year versus 5.5-month expenses in last year), including one-off restructuring expenses of approximately HK$2.2 million incurred in the year. As disclosed previously, we are more selective in our customers and we have changed our sales channels and product mix (mainly construction steel scraps from customers of our construction products distribution business). We have also started to take various cost saving measures to reduce variable expenses and overheads and expand revenue stream by increasing the utilization of fixed assets and workforce for our affiliated companies and other third party customers.

Building and Design Solutions Business

Building and Design Solutions ("BDS") Business delivered revenue of approximately HK$488.9 million in the year, down approximately 3.6% YOY. Net profit decreased by approximately 86.6% to approximately HK$1.9 million in the year, mainly due to (i) one-off restructuring expenses of approximately HK$0.6 million of our Mainland China BDS business; (ii) one-off impairment of long-outstanding and doubtful accounts receivables totaling approximately HK$7.5 million related to customers in Hunan and Hubei Provinces; (iii) slowdown of the residential property market in Mainland China which affected our wholesale sales and margin in the year; and (iv) projects delay in Hong Kong.

Engineering Plastics Business

Engineering Plastics Business recorded revenue of approximately HK$365.2 million, down approximately 8.8% YOY, with tons sold and average selling price per ton decreased by approximately 2.4% and 6.6% respectively YOY, as we moved away from customers in Hong Kong and Southern China where margins were too low or credit risk was high. Due to an unrealized exchange loss of approximately HK$4.5 million arising mainly from translation of foreign currency trade payables of our operating subsidiaries in Mainland China and restructuring expenses of approximately HK$0.1 million, this business recorded a net loss of approximately HK$4.3 million in the year, versus a net profit of approximately HK$1.0 million in the last year.

Property Business

Our expertise and proven track record of carrying out value enhancement works on properties under management (Central Park and Park Lane (previously named as Metro Park)) in the year which has the effect of improving tenant mix and occupancy rate, increasing rental return and bringing valuation appreciation continued to help us achieve success and deliver excellent results in the year. For our wholly-owned Central Park, we successfully increased the occupancy rate from 74% at end of March 2015 to 90% at end of the year and increased the average rental by approximately 15.5% in the year. Based on a valuation report issued by an independent international property valuer, the carrying amount of our investment property Central Park increased by approximately 14.6% YOY to approximately HK$1,311 million (equivalent to approximately RMB1,093 million) at end of the year, resulted in a valuation gain of approximately HK$200 million for the year. For Park Lane of which we own 29.44% equity interest, strata-sale promotion program has been started in mid-December 2015 and up to 31st March 2016, sale and purchase contracts for about 72% of the units offered had been signed. During the year, the Group shared a net profit of approximately HK$15.0 million from its investment on Park Lane. Including an unrealized foreign exchange loss of approximately HK$29.7 million on the foreign currency bank loan, Property Business recorded a net profit of approximately HK$111.8 million on revenue of approximately HK$60.3 million in the year, versus a net profit of approximately HK$153.5 million on revenue of approximately HK$48.6 million in last year.

As disclosed in our circular dated 28th October 2015, 上海新施房地產經紀有限公司 (Shanghai Xinshi Real Estate Brokerage Co., Ltd.) ("Shanghai Xinshi"), a wholly-owned subsidiary of the Company, as the purchaser, and 上海電氣集團置業有限公司 (Shanghai Electric Group Real Estate Co., Ltd.) (an independent third party) as the vendor entered into a framework agreement dated 16th September 2015 to acquire 創屹商務大廈 (Chuang Yi Tower) located at Pudong, Shanghai for a total consideration of RMB801,308,900 (equivalent to approximately HK$970,385,000). This acquisition was approved by our shareholders in a special general meeting held on 26th November 2015, it is expected to be completed in June 2016.

OUTLOOK

In spite of a challenging market, Construction Materials Business managed to increase market share. Group margin percentage and total margin also increased. New investments have started to impact top and bottom line but will take time to reach optimum levels.

We are excited to operate one of the world's most modern and automated rebar processing and assembly plant in Hong Kong. This new investment allows us to become strategically important to our customers and the value we will provide makes us essential to their success and difficult to be replaced. Our property investments are all located in strategic areas of Shanghai that are still transforming and increasing in value. Our biggest challenge is maintaining margin levels while reducing expenses as we become more efficient. We expect the volatility in the global economy to continue in the near term. Our focus will be to reduce expense, manage cash effectively, while address risk.

We expect the global steel market to continue to face imbalances. Mainland China's steel production continues to outpace demand and will continue to put pressure on pricing. While we saw price recovery in the first few months of 2016, fundamentals do not exist to support these price levels. Iron ore output continues to outpace demand giving steel mills some cost relief as steel price falls. As a leading regional provider of construction materials, we are confident that our Construction Materials Business will be able to further expand its business scale as it has (i) successfully transformed itself from an ordinary steel supplier into a market leading, highly customized and automated steel processor with leading technologies; and (ii) moved from a product driven offer to a service-based and supply chain management value proposition. In particular, Construction Materials Business has completed the construction of Hong Kong's first automated rebar processing and assembly plant in Tsing Yi in January 2016 which will enable highly automated steel processing to be carried out in a more efficient, less costly and much safer environment. As demand for construction materials is expected to increase as a result of PRC's government policies such as the "the Belt and Road" initiative, Construction Materials Business is well positioned to capture such opportunity through its enhanced supply chain model; which will not only enable it to serve its customers that have expanded or are expanding trade and investment beyond Hong Kong to serve the "the Belt and Road" initiative, but also to expand regionally into Southeast Asia.

For BDS Business, we will work closely with our brand partners to increase sales by offering new products and eliminate non-performing products, exercising strict cost and expense control, focusing on assets and working capital management. With this approach, we will work to minimise the impact from the market slowdown in Mainland China and strengthen our position for the market recovery.

Engineering Plastics Business will focus on higher margin products and growing segments such as automotive, home appliances and electronics to drive sales growth in Hong Kong and Mainland China, especially Xiamen, Shanghai and Suzhou. We have worked to strengthen our ties to supplier partners and revised our incentive program to improve contribution margin and reduce operating expenses.

Property Business will help us further enhance our revenue and profit sources. Central Park has completed its renovation in April 2016. We will continue to exert considerable efforts in revitalising properties under our portfolio and invest in further opportunities and properties in Shanghai which may be identified and evaluated by our property team from time to time and are considered to be sound. The total floor area of properties managed by our property team following the acquisition of 創屹商務大廈 (Chuang Yi Tower) exceeds 1.2 million square feet. Shanghai shall continue to be a geographical focus and core investment market of our Property Business as we are confident that the continuous evolution of Shanghai towards a service-driven economy will not only boost its international stature, but also generate demand for quality office space.

To tackle the foreign exchange translation exposure of our Property Business, we are exploring hedging and Renminbi refinancing opportunities for the foreign currency bank loans.

We are grateful to our dedicated employees, loyal customers, suppliers, banking partners and shareholders for their constant support.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2016

	Note	**2016**	2015
		HK$'000	*HK$'000*
Revenue	*2*	**3,380,161**	3,868,393
Cost of sales	*4*	**(2,964,591)**	(3,478,595)
Gross profit		**415,570**	389,798
Selling and distribution expenses	*4*	**(78,624)**	(68,833)
General and administrative expenses	*4*	**(302,866)**	(193,043)
Other (losses)/gains – net	*3*	**(21,059)**	15,938
Fair value gain on investment property		**199,514**	204,108
Operating profit		**212,535**	347,968
Finance income	*5*	**2,065**	3,883
Finance costs	*5*	**(65,404)**	(59,150)
Share of results of associates – net		**(7,364)**	(1,056)
Share of results of joint ventures – net		**4,437**	1,930
Profit before income tax		**146,269**	293,575
Income tax expense	*6*	**(75,005)**	(74,309)
Profit for the year		**71,264**	219,266
Attributable to:			
Equity holders of the Company	*8*	**70,105**	215,533
Non-controlling interests		**1,159**	3,733
		71,264	219,266
Earnings per ordinary share attributable to the equity holders of the Company			
Basic	*8*	**HK10.95 cents**	HK39.72 cents
Diluted	*8*	**HK10.72 cents**	HK38.64 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**71,264**	219,266
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of available-for-sale financial asset	**(99)**	175
Currency translation differences	**(43,438)**	2,832
Other comprehensive (loss)/income for the year	**(43,537)**	3,007
Total comprehensive income for the year	**27,727**	222,273
Total comprehensive income attributable to:		
– Equity holders of the Company	**26,568**	218,513
– Non-controlling interests	**1,159**	3,760
	27,727	222,273

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**220,536**	73,820
Investment property		**1,311,600**	1,144,634
Land use rights		**44,536**	47,977
Intangible assets		**80,178**	85,786
Investments in associates		**—**	7,696
Investments in joint ventures		**148,108**	135,159
Prepayments, deposits and other receivables		**286,316**	32,735
Deferred income tax assets		**18,456**	21,460
Available-for-sale financial asset		**487**	458
		2,110,217	1,549,725
Current assets			
Prepayments, deposits and other receivables		**147,541**	92,384
Inventories		**175,634**	320,015
Amounts due from joint ventures		**15,593**	4,468
Trade and bill receivables	*9*	**461,717**	553,352
Financial assets at fair value through profit or loss		**15,630**	7,989
Pledged bank deposits		**59,166**	38,876
Cash and cash equivalents		**546,261**	354,997
		1,421,542	1,372,081
Total assets		**3,531,759**	2,921,806

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31st March 2016

	Note	2016 HK$'000	2015 HK$'000
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**64,064**	63,227
Reserves		**995,360**	1,007,954
		1,059,424	1,071,181
Non-controlling interest		**2,079**	920
Total equity		**1,061,503**	1,072,101
Liabilities			
Non-current liabilities			
Accrued liabilities and other payables		**10,755**	7,520
Deferred income tax liabilities		**200,438**	158,594
Borrowings		**1,140,423**	565,539
		1,351,616	731,653
Current liabilities			
Trade and bill payables	*10*	**132,581**	151,604
Receipts in advance		**36,688**	27,986
Accrued liabilities and other payables		**83,233**	40,577
Current income tax liabilities		**14,177**	14,942
Borrowings		**851,961**	882,943
		1,118,640	1,118,052
Total liabilities		**2,470,256**	1,849,705
Total equity and liabilities		**3,531,759**	2,921,806

NOTES:

1. Basis of preparation

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

(a) The Group has adopted the following new, revised and amended standards and interpretations to existing standards ("new HKFRS") that have been issued and are effective for the Group's accounting year beginning on or after 1st April 2015:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Annual Improvements to HKFRSs issued in January 2014
Annual Improvements 2011-2013 Cycle	Annual Improvements to HKFRSs issued in January 2014

The adoption of the above new HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

(b) The following new, revised and amended standards and interpretations to existing standards that are effective and have not been early adopted by the Group:

HKAS 1 (Amendment)	Disclosure Initiative (effective for annual periods beginning on or after 1st January 2016)
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1st January 2016)
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants (effective for annual periods beginning on or after 1st January 2016)
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1st January 2016)
HKFRS 9	Financial Instruments (effective for annual periods beginning on or after 1st January 2018)
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods: to be determined)

HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1st January 2016)
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1st January 2016)
HKFRS 14	Regulatory Deferral Accounts (effective for annual periods beginning on or after 1st January 2016)
HKFRS 15	Revenue from Contracts with Customers (effective for annual periods beginning on or after 1st January 2018)
HKFRS 16	Leases (effective for annual periods beginning on or after 1st January 2019)
Annual Improvements 2012-2014 Cycle	Annual Improvements to HKFRSs issued in October 2014 (effective for annual periods beginning on or after 1st January 2016)

The Group has commenced an assessment of the impact of these new, revised and amended standards and interpretation to existing standards, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

2. Revenue and segment information

The Group's revenue consists of the following:

	2016	2015
	HK$'000	*HK$'000*
Sales of goods	**3,302,846**	3,812,119
Service income	**29,375**	16,757
Rental income	**47,940**	39,517
Total revenue	**3,380,161**	3,868,393

The Group's businesses are managed according to the nature of their operations and the products and services they provide.

Management has determined the operating segments based on the reports reviewed by the Group's chief operating decision maker ("CODM") that are used to make strategic decisions. The CODM considers the Group operates predominantly in four operating segments:

(i) Construction materials;

(ii) BDS;

(iii) Engineering plastics; and

(iv) Property.

The Group's CODM assesses the performance of operating segments based on a measure of profit before income tax.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated financial statements.

Analysis of the Group's results by business segment for the year ended 31st March 2016 is as follows:

	Construction materials *HK$'000*	BDS *HK$'000*	Engineering plastics *HK$'000*	Property *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	2,465,824	488,897	365,153	60,287	—	3,380,161
Operating profit/(loss)	128,213	8,957	(3,423)	186,142	(107,354)	212,535
Finance income	1,516	23	177	165	184	2,065
Finance costs	(25,462)	(4,243)	(769)	(34,632)	(298)	(65,404)
Share of results of associates – net	(7,357)	—	—	(7)	—	(7,364)
Share of results of joint ventures – net	(10,562)	—	—	14,999	—	4,437
Profit/(loss) before income tax	86,348	4,737	(4,015)	166,667	(107,468)	146,269
Other gains/(losses) – net	14,447	(480)	(4,467)	(31,269)	710	(21,059)
Fair value gain on an investment property	—	—	—	199,514	—	199,514
Depreciation and amortisation	(13,543)	(2,714)	(126)	(2,828)	(2,699)	(21,910)

Analysis of the Group's results by business segment for the year ended 31st March 2015 is as follows:

	Construction materials *HK$'000*	BDS *HK$'000*	Engineering plastics *HK$'000*	Property *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
External revenue	2,912,588	507,021	400,209	48,575	—	3,868,393
Operating profit/(loss)	164,962	22,818	1,754	236,296	(77,862)	347,968
Finance income	3,109	530	103	138	3	3,883
Finance costs	(22,266)	(6,242)	(779)	(29,770)	(93)	(59,150)
Share of results of associates – net	(972)	—	—	(84)	—	(1,056)
Share of results of joint ventures – net	—	—	—	1,930	—	1,930
Profit/(loss) before income tax	144,833	17,106	1,078	208,510	(77,952)	293,575
Other gains/(losses) – net	15,916	899	(154)	(1,057)	334	15,938
Fair value gain on an investment property	—	—	—	204,108	—	204,108
Depreciation and amortisation	(3,287)	(2,596)	(177)	(626)	(4,185)	(10,871)

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

	2016 ***HK$'000***	2015 *HK$'000*
Revenue		
Hong Kong	**2,046,820**	2,374,338
Mainland China	**1,333,341**	1,494,055
Total revenue	**3,380,161**	3,868,393

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

	2016 ***HK$'000***	2015 *HK$'000*
Hong Kong	**353,515**	205,392
Mainland China	**1,715,971**	1,306,715
	2,069,486	1,512,107

3. Other (losses)/gains – net

	2016	2015
	HK$'000	*HK$'000*
Provision for onerous contracts	**(12,000)**	—
Unrealised fair value gain on financial assets at fair value through profit or loss	**2,578**	1,190
Realised gain on financial assets at fair value through profit or loss	**841**	602
Net exchange (loss)/gain	**(46,380)**	3,862
Bargain purchase on acquisition of a subsidiary	**—**	6,413
Net gain on disposal of an investment property	**—**	572
Compensation received in relation to a litigation — net *(Note (i))*	**30,583**	—
Sundry income	**3,319**	3,299
	(21,059)	15,938

Note:

(i) The amount mainly represented the compensation received from a rebar supplier for its failure to meet the obligation to deliver in year 2009.

4. Expenses by nature

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

	2016	2015
	HK$'000	*HK$'000*
Cost of finished goods sold	**2,887,336**	3,403,537
Provision for impairment of inventories – net	**3,897**	662
Depreciation of property, plant and equipment	**18,873**	8,029
Loss/(gain) on disposals of property, plant and equipment	**1,809**	(271)
Amortisation of land use rights	**1,607**	1,387
Amortisation of intangible assets	**1,430**	1,455
Employee benefit expenses	**145,210**	115,356
Operating lease rental expenses in respect of retail outlets, offices and warehouses	**39,942**	30,334
Property tax for an investment property	**6,677**	5,471
Provision for impairment of trade receivables – net	**7,529**	642
Auditor's remuneration	**2,432**	2,205
Legal and professional fees	**47,086**	7,947
Freight charges – inbound	**62,940**	67,265
Freight charges – outbound	**58,469**	55,169
Others	**60,844**	41,283
Total cost of sales, selling and distribution expenses and general and administrative expenses	**3,346,081**	3,740,471

5. Finance income and costs

	2016	2015
	HK$'000	*HK$'000*
Finance income		
Interest income:		
– short-term bank deposits	**2,065**	3,883
Finance costs		
Interest expenses:		
– bank borrowings	**(58,803)**	(55,007)
Bank charges	**(6,601)**	(4,143)
	(65,404)	(59,150)
Net finance costs	**(63,339)**	(55,267)

6. Income tax expense

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

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 25%).

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

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**14,283**	16,055
– China corporate income tax	**7,895**	11,795
Deferred income tax	**53,205**	45,224
(Over)/under provision in prior years	**(378)**	1,235
	75,005	74,309

7. Dividends

	2016	2015
	HK$'000	*HK$'000*
Interim dividend of HK1.8 cents (2015: HK3.5 cents) per ordinary share	**11,531**	14,753
Proposed final dividend of HK1.0 cents (2015: HK5.0 cents) per ordinary share	**6,419**	32,032
	17,950	46,785

A final dividend for the year ended 31st March 2016 of HK1.0 cents (2015: HK5.0 cents) per ordinary share, totalling approximately HK$6,419,000 (2015: HK$32,032,000) has been recommended by the Board for approval at the forthcoming Annual General Meeting of the Company. The proposed final dividend has not been dealt with as dividend payable as at 31st March 2016.

The proposed final divided for the year ended 31st March 2016 in the amount of approximately HK$6,419,000 is calculated on the basis of 641,882,674 shares in issue as at 23rd June 2016.

8. Earnings per ordinary share

(a) Basic

Basic earnings per ordinary share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to equity holders of the Company *(HK$'000)*	**70,105**	215,533
Weighted average number of ordinary shares in issue *('000)*	**640,012**	542,567
Basic earnings per ordinary share *(HK cents)*	**10.95**	39.72

(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 arise 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.

	2016	2015
Profit attributable to equity holders of the Company and used to determine diluted earnings per ordinary share *(HK$'000)*	**70,105**	215,533
Weighted average number of ordinary shares in issue *('000)*	**640,012**	542,567
Adjustment for share options ('000)	**14,022**	15,280
Weighted average number of ordinary shares for diluted earnings per ordinary share *('000)*	**654,034**	557,847
Diluted earnings per ordinary share *(HK cents)*	**10.72**	38.64

9. Trade and bill receivables

	2016	2015
	HK$'000	*HK$'000*
Trade and bill receivables		
– from third parties	**463,336**	558,876
– from an associate and joint ventures	**12,406**	1,600
Less: Provision for impairment of trade receivables	**(14,025)**	(7,124)
Trade and bill receivables – net	**461,717**	553,352

Sales are either covered by letters of credit or open account with credit terms of 15 to 90 days.

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

	2016	2015
	HK$'000	*HK$'000*
0 to 60 days	**347,169**	423,454
61 to 120 days	**61,663**	83,054
121 to 180 days	**14,706**	18,894
181 to 365 days	**27,879**	25,967
Over 365 days	**24,325**	9,107
	475,742	560,476
Less: Provision for impairment of trade receivables	**(14,025)**	(7,124)
	461,717	553,352

The carrying amounts of net trade and bill receivables approximated their fair values as at 31st March 2016.

10. Trade and bill payables

Payment terms with suppliers are either on letters of credit or open account with credit period of 30 to 60 days.

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

	2016	2015
	HK$'000	*HK$'000*
0 to 60 days	**127,894**	150,112
61 to 120 days	**3,001**	874
121 to 180 days	**430**	114
181 to 365 days	**724**	52
Over 365 days	**532**	452
	132,581	151,604

The carrying amounts of trade and bill payables approximated their fair values as at 31st March 2016.

11. Commitments

(a) Commitments under operating leases

(i) Lessor

The Group leases an investment property under non-cancellable operating lease agreements. The lease terms are between 1 and 7 years, and the lease agreements are renewable at the end of the lease period at market rate.

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

	2016	2015
	HK$'000	*HK$'000*
Not later than one year	**55,381**	45,031
Later than one year and not later than five years	**67,696**	53,342
Later than five years	**15,727**	3,727
	138,804	102,100

(ii) Lessee

The Group leases various retail outlets, offices, warehouses and site under non-cancellable operating lease agreements. The lease terms are between 1 and 6 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

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

	2016	2015
	HK$'000	*HK$'000*
Not later than one year	**50,119**	38,960
Later than one year and not later than five years	**86,407**	101,238
Later than five years	**8,041**	24,954
	144,567	165,152

(b) *Capital commitments*

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

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchase of an investment property	**721,571**	—
Renovation work for an investment property	**5,082**	6,517
Purchase of property, plant and equipment	—	146,304
Capital injection to a joint venture	—	19,500
	726,653	172,321
Authorised but not contracted for:		
Capital injection to a joint venture	**15,508**	—
Renovation work for an investment property	—	5,578
	15,508	5,578

(c) *Commitments under derivative contracts*

As at 31st March 2016, the total notional principal amount of the outstanding iron ore future contracts was approximately HK$1,720,000 (2015: steel future contracts of HK$3,193,000). The settlement date is 14th September 2016 (2015: 15th October 2015)

12. Subsequent event

In May 2016, 上海北盈置业有限公司 and 上海个盈置业有限公司, wholly owned subsidiaries of the Company, entered into 5-year mortgage loan agreements for loans amounting to RMB400,000,000 with a bank in the PRC for the purpose of acquisition of an investment property in Shanghai.

CHARGES ON ASSETS

As at 31st March 2016, the Group had certain charges on assets which included (i) bank deposits of approximately HK$58.3 million which were pledged as collateral for the Group's bank borrowings and banking facilities; and (ii) an investment property, property, plant and equipment and land use rights of approximately HK$1,311.6 million, HK$13.0 million and HK$34.8 million respectively were pledged as collaterals for certain bank borrowings of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's businesses are primarily transacted in HK dollars, US dollars and RMB. As exchange rate between HK dollars and the US dollars is pegged, the Group believes its exposure to exchange rate risk arising from US dollars is not material. Facing the volatility of RMB, the Group will continue to match RMB payments with RMB receipts to minimise exchange exposure.

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

CONTINGENT LIABILITIES

As at 31st March 2016, the Group's had no material contingent liability.

HUMAN CAPITAL

The Group is focusing on building an elite team to help lead the Group to future success. Our growth strategy has always included a strong sense of commitment to people. We provide competitive remuneration package to attract and motivate the employees. We always provide a safe and pleasant working environment with constant learning and growth opportunities.

As at 31st March 2016, the Group employed 323 staff. Total staff costs including contribution to retirement benefit schemes incurred during the year amounted to approximately HK$145.2 million. During the year, no options have been offered and/or granted to directors and our employees under the share option scheme adopted on 11th August 2011.

FINAL DIVIDEND

During the year, an interim dividend of HK1.8 cents per ordinary share was declared and paid up by 28th January 2016. The Board has resolved to recommend at the forthcoming 2016 annual general meeting of the Company (the "2016 AGM") the payment of a final dividend of HK1.00 cents per ordinary share in respect of the year ended 31st March 2016 payable to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 13th September 2016, subject to the approval of shareholders at the 2016 AGM.

Final dividend warrants are expected to be despatched to shareholders on or about Thursday, 6th October 2016.

CLOSURE OF REGISTERS 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 2016 AGM:

From Wednesday, 17th August 2016 to Friday, 19th August 2016, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2016 AGM. In order to be eligible to attend and vote at the 2016 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Branch Share Registrar") of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 16th August 2016.

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

From Monday, 12th September 2016 to Tuesday, 13th September 2016, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar for registration no later than 4:30 p.m. on Friday, 9th September 2016.

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

During the year ended 31st March 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has discussed auditing, internal controls and financial reporting matters including review of the results for the year ended 31st March 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except for CG Code provisions A.2.1 and A.6.7 for the year ended 31st March 2016.

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. By appointing Mr. Yao Cho Fai Andrew ("Mr. Yao") as the Chief Executive Officer in succession of Mr. Frank Muñoz ("Mr. Muñoz") on 25th November 2015, the Company has not have a separate Chairman and Chief Executive Officer as Mr. Yao has held both positions. Prior to the appointment of Mr. Muñoz as the Chief Executive Officer on 1st November 2012, Mr. Yao had served as both the Chairman and Chief Executive Officer. The Board continues to believe that the vesting of the roles of both Chairman and Chief Executive Officer in Mr. Yao will enable him to continue to provide the Group with strong leadership, efficiency usage of resources as well as allow for effective planning, formulation and implementation of the Company's business strategies which will enable the Group to sustain the development of its business efficiently. The day-to-day management and operation of the Group will continue to be the responsibility of the management team under the monitor of the Executive Committee and Mr. Yao's leadership.

CG Code provision A.6.7 stipulates that independent non-executive directors and non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other important engagement at the relevant time, one Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 21st August 2015. However, all the Directors attended the special general meeting of the Company held on 26th November 2015.

APPOINTMENT OF MEMBER OF NOMINATION COMMITTEE

The Board is pleased to announce that Mr. Yeung Wing Sun Mike, an Independent Non-executive Director, has been appointed as a member of the Nomination Committee of the Company with effect from 23rd June 2016.

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 for the year of the Company containing all information required by the Listing Rules will be despatched to shareholders and available on the same websites in due course.

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

Hong Kong, 23rd June 2016

As at the date of this announcement, the Board comprises Mr. Yao Cho Fai Andrew, Ms. Luk Pui Yin Grace and Mr. Lau Chi Chiu (being the executive directors); Mr. Dong Sai Ming Fernando (being the non-executive director); Mr. Tam King Ching Kenny, Mr. Xu Lin Bao, Mr. Tse Lung Wa Teddy and Mr. Yeung Wing Sun Mike (being the independent non-executive directors).