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 2017

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 (the "**Group**") for the year ended 31st March 2017 (the "**Year**").

FINANCIAL HIGHLIGHTS

For the year ended 31st March

	2017	2016	**Change**
	HK$ million	*HK$ million*	
Revenue	**3,023**	3,380	-10.6%
Gross profit	**335**	416	-19.5%
Earnings before interests and tax ("**EBIT**")	**401**	213	+88.3%
Profit attributable to owners of the Company	**102**	70	+45.7%
Basic earnings per ordinary share (HK cents)	**15.86**	10.95	+4.91 cents
Proposed final dividend per ordinary share (HK cents)	**2.49**	1.00	+1.49 cents
Gross profit margin	**11.1%**	12.3%	-1.2 p.p.
EBIT margin	**13.3%**	6.3%	+7.0 p.p.
Net profit margin	**3.4%**	2.1%	+1.3 p.p.
Return on equity	**9.2%**	6.6%	+2.6 p.p.

For the Year, the Group recorded a profit attributable to owners of the Company of approximately HK$101.8 million on revenue of approximately HK$3,022.9 million, versus a profit attributable to owners of the Company of approximately HK70.1 million on revenue of approximately HK$3,380.2 million last year, the decrease was due to a fall in revenue of Construction Materials Business as the Group was more selective on orders taken and some of our large projects were delayed in Hong Kong. Gross profit was approximately HK$335.1 million, down approximately 19.5% year-on-year ("**YOY**") while gross profit margin decreased to approximately 11.1% from approximately 12.3% compared with last year.

Annualised return on assets (EBIT/operating assets) increased from approximately 27.1% YOY to approximately 42.2%, which was mainly driven by increase of operating profit by approximately 88.3% YOY to approximately HK$400.8 million in the Year. Basic earnings per ordinary share was HK15.86 cents as at 31st March 2017 (2016: HK10.95 cents). The Board recommended a final dividend of HK2.49 cents (2016: HK1.00 cents) per ordinary share for the Year.

OVERVIEW

The Year was marked by significant challenges related to a volatile steel market as well as incremental and sustainable progress as we continued with the ramp up of our newly built, automated downstream processing facility in Hong Kong. Global and regional volatility in commodity prices along with weaker demand created a challenging environment for the Group, particularly in our Construction Materials Business as long-term contracts that were confirmed during low cycle of market are being delivered during a time of unusually high and resilient prices out of China. Because of this new reality and our evolving business model, we worked to create a lean and agile organization with talent capable of moving our Group to the next level of operational efficiency and business model transformation. Each business worked to right-size their organization and manage working capital to reflect top line results and reduce risk in areas of customer debt and inventory obsolescence.

During the Year, we worked to build new opportunities in steel recycling, downstream steel processing, regional/segment specific growth for plastics and high-growth segment sales in our Building and Design Solutions ("**BDS**") Business.

In spite of bottom line improvements in coil processing and steel recycling division, our Construction Materials Business generated a net loss. Sudden and sharp rebar price increases put pressure on margins of rebar contracts. Our Hong Kong rebar sales model calls for project pricing for as long as one year and sudden and sharp price increases caused a decrease in margin due to timing of delivery.

Our new investment in Hong Kong's first, automated rebar processing and assembly plant started operations in early 2016 with increasing fixed expenses as expected.

This new investment has faced start up challenges and results, while improving monthly, were below expectations in terms of profitability. Downstream processing of rebar has high fixed expenses relating to land and warehousing as well as labour as we train operators in a market with severe labour shortages and an ageing labour population.

For our Property Business, gain on disposal of our Central Park Putuo was recognized upon completion of the disposal on 31st March 2017, increasing our operating profit by 119.5% when compared with last year. Net proceeds from this disposal enabled our Group to increase our working capital and reduce bank borrowings. Our proven track record on this disposal and our previous disposal of our first property investment in Point Jing'An in March 2014 demonstrated our niche and capability in our Property Business in Shanghai.

Engineering Plastics Business and BDS Business showed significant improvements in terms of net profit. Hong Kong BDS projects drove growth and margin improvement, and increased margins and lower expenses resulted in a slight profit in Engineering Plastics Business. While bottom line performance in our core business of construction steel in Hong Kong suffered, net profit in businesses like Engineering Plastics, BDS and surface critical coil processing improved due to efforts in margin enhancement and expense reduction.

The Group's gross profit margin decreased from approximately 12.3% to approximately 11.1% and decreased by 19.5% in absolute terms when compared with last year.

Net corporate expense was reduced by approximately 28.1% YOY. We are working to deliver a flat and agile organization and restructuring efforts will continue as our business model changes. Corporate expenses in Mainland China were eliminated as we reduced headcount and moved personnel to business they served. Going forward, corporate support will only exist in Hong Kong. By moving our Hong Kong based corporate support, sales and operations to one location during the Year, we have rationalized headcount and reduced expenses. We expect to continue to rationalize corporate support and are confident in our ability to deliver on our expense control commitments related to corporate support.

We firmly believe our Group will continue to build on our history to deliver our goals and create sustainable value to shareholders. Our migration to value-add downstream services advanced significantly during the Year and we expect to make significant progress in moving away from price sensitive, product driven models to a model of value and solutions that allow us to enhance and sustain margin.

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 and reinforcing bar processing and assembly business (conducted through our 50%-owned joint venture TVSC Construction Steel Solutions Limited which started operation in early 2016). This business recorded total revenue of approximately HK$2,132.6 million for the Year, approximately 87.0% of last year mainly due to YOY decrease of tons sold of approximately 6.9%, 10.3% and 27.5% respectively in Hong Kong construction products processing and distribution; surface critical coil processing and distribution; and steel recycling, as we were more selective on our customers and there were projects delay in Hong Kong.

Net loss of Construction Materials Business was approximately HK$23.3 million, versus last year's net profit of approximately HK$70.2 million mainly due to (i) net loss of approximately HK$28.6 million of Hong Kong construction products, compared to a net profit of approximately HK$122.7 million in last year. Sudden and sharp increase in rebar price put pressure on margins of rebar contracts in the Year. Our Hong Kong rebar sales model calls for project pricing up to one year and upward pricing impact margin negatively; (ii) delay of large projects where margin was higher caused an imbalance to order book and negatively impacted margin; (iii) our surface critical coil processing and distribution made a net profit of approximately HK$23.8 million, versus a net loss of approximately HK$10.0 million in last year, primarily due to increase in gross profit margin by approximately 152.8% in absolute terms YOY; and (iv) decrease of net loss of steel recycling by 60.8% YOY mainly due to strict control on margin and operating costs.

Management will continue to take the following actions to improve the result of Construction Materials Business:

(i) to source rebars from other suppliers in the world at competitive price, not only from China;
(ii) to increase our stock level to at least 60% of our confirmed sales quantity;
(iii) to be selective on customers and related sale contracts; and
(iv) to take various cost saving measures to reduce variable expenses and overheads.

Property Business

The Group's Property Business consists of (i) direct acquisition of controlling stake in property for investments — our 100%-owned Central Park Pudong and Central Park Putuo, which generate rental income, appreciation in fair value and gain on disposal to our Group; and (ii) investments in property via partnership or investment funds where the Group takes equity stake of no more than 30%, and our 60%-owned indirect subsidiaries — HSL China Metropolitan Fund I (GP) Ltd. ("**HSL GP**") and Hongkong and Shanghai Land Capital Ltd. ("**HSL Capital**", collectively "**HSL**") act as general partner and investment manager respectively of the partnership or investment funds. The first investment fund we set up is HSL China Metropolitan Fund I L.P. (the "**Partnership**"), which acquired Park Lane in Shanghai in December 2014 and HSL has been the general partner and investment manager of the Partnership since then. Under the agreement entered into between HSL GP and the Partnership, HSL Capital is entitled to receive (a) acquisition fee at 1% of the gross acquisition price of the investment of the Partnership, upon acquisition of its investment; (b) an annual asset management fee at 1% of the fair value of the Partnership's interest, investment or other asset as determined by an independent and international real estate property valuer; (c) a disposal fee at 1% of the gross disposal price of the investment of the Partnership, upon divestment; and (d) an upside bonus at 20% of the excess of the Partnership's cumulative investment preferred return over 8% per annum, after divestment and after the initial capital investment amount and cumulative investment return at 8% per annum have been distributed by the Partnership to its investors.

HSL was set up in 2014 and its affiliated companies have a team of 17 specialists who are experienced in carrying out property enhancement, alternations and additions works to revitalize vacant or under-utilized buildings in Shanghai, which are targeted, ultimately, to generate significant capital gains for our Group's investments. Through the concerted efforts of these specialists, we carried out works such as, inter alia, upgrading building layout, devising and executing sales and marketing strategies to improve tenancy mix and occupancy rate; carrying our active property management through partnership with experts for the accretion of fair value of our 100%-owned investment property and our non-controlling investment in property via the Partnership.

During the Year, our Property Business recorded a net profit of approximately HK$173.8 million on revenue of approximately HK$72.9 million, versus a net profit of approximately HK$111.8 million on revenue of approximately HK$60.3 million in last year. The revenue of approximately HK$72.9 million during the Year comprised (i) rental income of approximately HK$62.8 million from our 100%-owned Central Park Putuo and Central Park Pudong, up 31.7% YOY as we completed acquisition of Central Park Pudong in June 2016 and it started to generate rental income in July 2016; and (ii) asset management fee income of approximately HK$10.1 million, versus approximately HK$12.3 million in last year, earned by HSL from the Partnership. The disposal of our 100%-owned Eastlink International Investment Inc., which holds Central Park Putuo, was completed on 31st March 2017 and our Group recorded a pre-tax gain on disposal of approximately HK$229.0 million in the Year.

For Central Park Pudong, we successfully increased the occupancy rate from nil in July 2016 to approximately 58.3% at the end of the Year. Based on a valuation report issued by an independent international property valuer, the carrying amount of this investment property was approximately HK$1,222.7 million (equivalent to approximately RMB1,084.9 million) at end of the Year, resulted in a valuation gain of approximately HK$272.0 million and a related deferred tax liability provision of approximately HK$68.0 million for the Year.

For our 29.44% investment via the Partnership in Park Lane, sale and purchase contracts for about 93.4% of the units offered had been signed at the end of the Year. During the Year, we shared a net loss of approximately HK$13.8 million from this investment mainly due to our 29.44% share of the 100% write-off of the goodwill of HK$166.1 million arising from the acquisition of Park Lane or HK$48.9 million.

Building and Design Solutions Business

BDS Business delivered revenue of approximately HK$490.7 million in the Year, up approximately 0.4% YOY. Net profit increased significantly from approximately HK$1.9 million to approximately HK$23.5 million in the Year, mainly due to increase of sales and operating profit of Hong Kong BDS by approximately 18.7% and 246.8% respectively YOY. The China BDS Business recorded a net loss for the Year, increased 12.8% compared with last year.

Engineering Plastics Business

Engineering Plastics Business recorded revenue of approximately HK$296.8 million, down approximately 18.7% YOY, with tons sold decreased by approximately 15.9% YOY, as we moved away from customers where margins were too low or credit risk was high. Due to improvement of gross profit margin by 18.6% in absolute terms YOY and reduction of operating expenses by approximately 26.0% YOY, this business recorded a net profit of approximately HK$3.0 million in the Year, versus a net loss of approximately HK$4.3 million in last year.

OUTLOOK

Construction Materials Business

Hong Kong Construction Solutions

We expect the global steel market to continue its volatile evolution as China demand slows and output is reduced due to environmental initiatives. China steel production consolidation and central government's drive for cleaner air may cause our construction solutions group to search for supply outside of China. In recent months, Turkey and Russia rebar prices have become more competitive and we will stay close to these and other markets to make sure we are purchasing steel at the absolute lowest prices possible and timing our purchases and coverage for maximum margin levels.

Contracts concluded during low cost cycles will need to be delivered and this will impact our margins if prices remain at current levels. Our business model for rebar distribution calls for us to provide project prices and we must work to time the purchase of steel to manage margins. Our investment in downstream rebar processing started operations in early 2016 and has been ramping up as expected. Our new investment is fixed expense intensive and volume sensitive. We estimate this business to become accretive to profit in the months to come. Hong Kong construction processes on-site and our investment provides an automated, safer, off-site option to the market. While the market is still observing the evolution of automated, off-site processing, there is now growing support from government and many contractors who use off-site processing in other regions and know the benefits first hand.

Our Group will continue to work connect our recycling business to contractors consuming our steel. Our Hong Kong steel recycling business has made significant progress in terms of stabilization and alignment of expense to margin. Recycling is not only a part of our construction solutions business (steel distribution, automated steel processing and steel scrap collection/processing) but is an example of an initiative in environmental protection. Our downstream processing and scrap collection strategy help to reduce waste, product handling and transportation costs and therefore contributes to Hong Kong's green initiative.

Surface Critical Coil Solutions

Our China based surface critical coil solutions made great progress in the Year. We expanded geographically and were able to maintain market share in a market where automotive, our largest segment in terms of sales, saw a slow-down. Sudden increases in steel prices and too much volatility has a short-term impact on margins as we provide fixed prices to customers on a quarterly basis. We expect a difficult year in this business and will work to stabilize sales and manage margin levels through our supplier provide rebate programs.

Property Business

Our property investments are all located in strategic areas of Shanghai that are still transforming and increasing in value. Our 100%-owned Central Park Pudong completed its interior renovation in April 2017 and target to increase its occupancy rate to 80% in the near future. Our 29.44%-owned Park Lane managed under HSL has sold 191 out of 196 units of apartments as of early June 2017 and HSL may consider to realize such assets under this investment for the Partnership should the opportunity arise.

Leveraging on HSL's proven successful track record of transformation of under-performing buildings into modern, productive and valuable assets in the last two fiscal years, we aim to expand our Property Business through setting up joint ventures and/or fund partnership and assuming a management role in these forms of cooperation. We believe the target expansion of our Property Business by way of joint ventures and/or fund partnership is beneficial to the development of our Group, as HSL will be entitled to full management rights via acting as the general partner and investment manager of the partnership or investment funds while providing less strain on capital requirements for the Group. HSL has been actively exploring opportunities for raising capital focusing on office buildings in Shanghai on joint ventures and/or fund partnership basis and acting as general partner for the partnership or investment funds to earn service fee income.

Engineering Plastics Business

Our Engineering Plastics Business has been working on a major re-organization over the past two years as we moved away from segments like toys and moved toward to home appliances, consumer electronics and automotive while changing our offer to include higher margin products and services. Expenses continue to decrease and inventory levels were reduced. We are confident in this business as we maintain our new model of specialized segment sales.

Building and Design Solutions Business

We will continue to roll out our segment based growth strategy for BDS Business. Our brand partners continue to have a strong market presence and our project strategy has allowed us to capture large and iconic projects in Hong Kong. We have completed our space related expense reduction and expect to see said reduction go direct to our profit in this growing line of business.

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 2017

	Note	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*2*	**3,022,923**	3,380,161
Cost of sales	*4*	**(2,687,782)**	(2,964,591)
Gross profit		**335,141**	415,570
Selling and distribution expenses	*4*	**(129,277)**	(78,624)
General and administrative expenses	*4*	**(295,061)**	(302,866)
Other gains/(losses) — net	*3*	**217,961**	(21,059)
Fair value gain on an investment property		**271,985**	199,514
Operating profit		**400,749**	212,535
Finance income	*5*	**1,964**	2,065
Finance costs	*5*	**(119,085)**	(65,404)
Share of results of associates — net		**—**	(7,364)
Share of results of joint ventures — net		**(36,511)**	4,437
Profit before income tax		**247,117**	146,269
Income tax expense	*6*	**(147,981)**	(75,005)
Profit for the year		**99,136**	71,264
Profit attributable to:			
Owners of the Company	*8*	**101,776**	70,105
Non-controlling interests		**(2,640)**	1,159
		99,136	71,264
Earnings per ordinary share attributable to owners of the Company for the year			
Basic earnings per share	*8*	**HK15.86 cents**	HK10.95 cents
Diluted earnings per share	*8*	**HK15.63 cents**	HK10.72 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**99,136**	71,264
Other comprehensive income/(loss):		
Items that have been reclassified or may be subsequently reclassified to profit or loss:		
Change in fair value of available-for-sale financial asset	**19**	(99)
Currency translation differences	**(109,890)**	(43,438)
Realisation of translation reserve upon disposal of subsidiaries	**87,383**	—
Other comprehensive loss for the year	**(22,488)**	(43,537)
Total comprehensive income for the year	**76,648**	27,727
Total comprehensive income/(loss) attributable to:		
— Owners of the Company	**79,310**	26,568
— Non-controlling interests	**(2,662)**	1,159
	76,648	27,727

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**163,489**	220,536
Investment property		**1,222,682**	1,311,600
Land use rights		**9,518**	44,536
Intangible assets		**—**	80,178
Investments in joint ventures		**110,631**	148,108
Prepayments, deposits and other receivables		**52,860**	286,316
Deferred income tax assets		**21,370**	18,456
Available-for-sale financial asset		**506**	487
		1,581,056	2,110,217
Current assets			
Prepayments, deposits and other receivables		**165,281**	147,541
Inventories		**395,628**	175,634
Amounts due from joint ventures		**34,360**	15,593
Trade and bill receivables	9	**495,033**	461,717
Financial assets at fair value through profit or loss		**15,500**	15,630
Pledged bank deposits		**68,659**	59,166
Cash and cash equivalents		**628,382**	546,261
		1,802,843	1,421,542
Total assets		**3,383,899**	3,531,759

	Note	2017 HK$'000	2016 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**64,188**	64,064
Reserves		**1,045,323**	995,360
		1,109,511	1,059,424
Non-controlling interests		**21,387**	2,079
Total equity		**1,130,898**	1,061,503
Liabilities			
Non-current liabilities			
Accrued liabilities and other payables		**7,223**	10,755
Deferred income tax liabilities		**69,638**	200,438
Borrowings		**509,190**	1,140,423
		586,051	1,351,616
Current liabilities			
Trade and bill payables	*10*	**143,604**	132,581
Receipts in advance		**28,696**	36,688
Accrued liabilities and other payables		**163,688**	83,233
Amount due to a joint venture		**49,900**	—
Current income tax liabilities		**67,916**	14,177
Borrowings		**1,213,146**	851,961
		1,666,950	1,118,640
Total liabilities		**2,253,001**	2,470,256
Total equity and liabilities		**3,383,899**	3,531,759

NOTES:

1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset, 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 HKFRSs**") that have been issued and are effective for the Group's accounting year beginning on or after 1st April 2016:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements 2012–2014 Cycle	Annual Improvements to HKFRSs issued in October 2014

The adoption of these 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:

		Effective for accounting periods beginning on or after
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1st January 2018
HKFRS 16	Leases	1st January 2019

The Group has commenced an assessment of the impact of these new, revised and amended 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:

	2017	2016
	HK$'000	*HK$'000*
Sales of goods	**2,917,768**	3,302,846
Service income	**42,333**	29,375
Rental income	**62,822**	47,940
Total revenue	**3,022,923**	3,380,161

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 CODM that are used to make strategic decisions. The CODM considers the Group operates predominantly in four operating segments:

(i) Construction materials business;

(ii) BDS business;

(iii) Engineering plastics business; and

(iv) Property business.

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

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

During the Year, the Group reclassified the corporate operating expenses for its office building in Tsing Yi, which is for corporate use, from the Construction Materials segment to unallocated expenses. Prior year's results by segments were restated accordingly.

Analysis of the Group's results by business segment for the year ended 31st March 2017 is as follows:

	Construction materials business HK$'000	BDS business HK$'000	Engineering plastics business HK$'000	Property business HK$'000	Unallocated HK$'000	Total HK$'000
External revenue	2,132,550	490,653	296,786	72,929	30,005	3,022,923
Operating profit/(loss)	32,809	41,454	3,628	408,622	(85,764)	400,749
Finance income	917	7	98	364	578	1,964
Finance costs	(22,187)	(2,928)	(342)	(89,536)	(4,092)	(119,085)
Share of results of joint ventures — net	(22,721)	—	—	(13,790)	—	(36,511)
Profit/(loss) before income tax	(11,182)	38,533	3,384	305,660	(89,278)	247,117
Other gains/(losses) — net	37,099	(15,439)	(3,742)	200,186	(143)	217,961
Gain on disposal of subsidiaries *(Note (i))*	—	—	—	229,023	—	229,023
Fair value gain on an investment property	—	—	—	271,985	—	271,985
Depreciation and amortisation	(3,439)	(2,374)	(37)	(2,679)	(36,153)	(44,682)

Note:

(i) The amount was included in "other gains/(losses) — net".

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

	Construction materials business	**BDS business**	**Engineering plastics business**	**Property business**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External revenue	2,450,300	488,897	365,153	60,287	15,524	3,380,161
Operating profit/(loss)	127,735	8,957	(3,423)	186,142	(106,876)	212,535
Finance income	1,367	23	177	165	333	2,065
Finance costs	(24,415)	(4,243)	(769)	(34,632)	(1,345)	(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	86,768	4,737	(4,015)	166,667	(107,888)	146,269
Other gains/(losses) — net	14,334	(480)	(4,467)	(31,269)	823	(21,059)
Fair value gain on an investment property	—	—	—	199,514	—	199,514
Depreciation and amortisation	(4,935)	(2,714)	(126)	(2,828)	(11,307)	(21,910)

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**1,666,458**	2,046,820
Mainland China	**1,356,465**	1,333,341
	3,022,923	3,380,161

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**364,009**	371,031
Mainland China	**1,233,751**	1,715,971
	1,597,760	2,087,002

3 Other gains/(losses) — net

	2017	2016
	HK$'000	*HK$'000*
Provision for onerous contracts	**(2,000)**	(12,000)
Unrealised fair value gain on financial assets at fair value through profit or loss	**—**	2,578
Realised (loss)/gain on financial assets at fair value through profit or loss	**(103)**	841
Net exchange loss	**(42,429)**	(46,380)
Gain on disposal of subsidiaries	**229,023**	—
Impairment of goodwill and intangible assets *(Note (i))*	**(14,284)**	—
Compensation received in relation to a litigation — net *(Note (ii))*	**—**	30,583
Compensation in relation to an unfulfilled contract *(Note (iii))*	**38,860**	—
Sundry income	**8,894**	3,319
	217,961	(21,059)

Notes:

(i) During the Year, management has performed impairment assessment for the Cash-generating units ("CGUs") of Wuhan BDS and Changsha BDS and concluded the value-in-use of the CGUs of Wuhan BDS and Changsha BDS were below their carrying amounts. Accordingly, impairment of goodwill and intangible assets were recognised in the consolidated income statement.

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

(iii) The amount represented the compensation from a supplier for an unfulfilled contract during the Year.

4 Expenses by nature

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

	2017	2016
	HK$'000	*HK$'000*
Cost of finished goods sold	**2,626,722**	2,887,336
(Write-back of)/provision for impairment of inventories	**(987)**	3,897
Depreciation of property, plant and equipment	**42,199**	18,873
(Gain)/loss on disposals of property, plant and equipment	**(531)**	1,809
Amortisation of land use rights	**1,522**	1,607
Amortisation of intangible assets	**961**	1,430
Employee benefit expenses	**145,416**	145,210
Operating lease rental expenses in respect of retail outlets, offices and warehouses	**52,203**	39,942
Property tax for investment properties	**11,465**	6,677
Provision for impairment of trade receivables — net	**4,966**	7,529
Commission paid to a joint venture	**53,502**	—
Auditor's remuneration	**2,340**	2,432
Legal and professional fees	**7,316**	47,086
Freight charges — inbound	**53,219**	62,940
Freight charges — outbound	**52,079**	58,469
Storage and handling charges	**7,160**	10,639
Others	**52,568**	50,205
Total cost of sales, selling and distribution expenses and general and administrative expenses	**3,112,120**	3,346,081

5 Finance income and costs

	2017	2016
	HK$'000	*HK$'000*
Finance income		
Interest income:		
— short-term bank deposits	**1,715**	2,065
— shareholder's loan to a joint venture	**249**	—
	1,964	2,065
Finance costs		
Interest expenses:		
— bank borrowings	**(113,021)**	(58,803)
Bank charges	**(6,064)**	(6,601)
	(119,085)	(65,404)
Net finance costs	**(117,121)**	(63,339)

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% (2016: 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% (2016: 25%).

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

	2017	2016
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**2,248**	14,283
— China corporate income tax	**15,307**	7,895
Deferred income tax	**65,876**	53,205
Withholding tax arising on disposal of subsidiaries	**64,342**	—
Under/(over) provision in prior years	**208**	(378)
	147,981	75,005

7 Dividends

	2017	2016
	HK$'000	*HK$'000*
Interim dividend of HK2.26 cents (2016: HK1.80 cents) per ordinary share	**14,507**	11,531
Proposed final dividend of HK2.49 cents (2016: HK1.00 cents) per ordinary share	**15,983**	6,419
	30,490	17,950

A final dividend for the year ended 31st March 2017 of HK2.49 cents (2016: HK1.0 cents) per ordinary share, totalling approximately HK$15,983,000 (2016: HK$6,419,000) 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 2017.

The proposed final divided for the year ended 31st March 2017 in the amount of approximately HK$15,983,000 is calculated on the basis of 641,882,674 shares in issue as at 23rd June 2017.

8 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 year.

	2017	2016
Profit attributable to owners of the Company (HK$'000)	**101,776**	70,105
Weighted average number of ordinary shares in issue ('000)	**641,883**	640,012
Basic earnings per ordinary share (HK cents)	**15.86**	10.95

(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.

	2017	2016
Profit attributable to owners of the Company and used to determine diluted earnings per ordinary share (HK$'000)	**101,776**	70,105
Weighted average number of ordinary shares in issue ('000)	**641,883**	640,012
Adjustment for share options ('000)	**9,371**	14,022
Weighted average number of ordinary shares for diluted earnings per ordinary share ('000)	**651,254**	654,034
Diluted earnings per ordinary share (HK cents)	**15.63**	10.72

9 Trade and bill receivables

	2017 *HK$'000*	2016 *HK$'000*
Trade and bill receivables		
— from third parties	**488,087**	463,336
— from an associate and joint ventures	**21,555**	12,406
Less: Provision for impairment of trade receivables	**(14,609)**	(14,025)
Trade and bill receivables — net	**495,033**	461,717

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:

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**374,036**	347,169
61 to 120 days	**66,836**	61,663
121 to 180 days	**17,922**	14,706
181 to 365 days	**27,673**	27,879
Over 365 days	**23,175**	24,325
	509,642	475,742
Less: Provision for impairment of trade receivables	**(14,609)**	(14,025)
	495,033	461,717

The carrying amounts of net trade and bill receivables approximated their fair values as at 31st March 2017.

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:

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**141,931**	127,894
61 to 120 days	**756**	3,001
121 to 180 days	**94**	430
181 to 365 days	**204**	724
Over 365 days	**619**	532
	143,604	132,581

The carrying amounts of trade and bill payables approximated their fair values as at 31st March 2017.

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 3 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:

	2017	2016
	HK$'000	*HK$'000*
Not later than one year	**25,603**	55,381
Later than one year and not later than five years	**40,299**	67,696
Later than five years	**—**	15,727
	65,902	138,804

(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 5 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:

	2017	2016
	HK$'000	*HK$'000*
Not later than one year	**31,308**	50,119
Later than one year and not later than five years	**65,005**	86,407
Later than five years	**—**	8,041
	96,313	144,567

(b) Capital commitments

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

	2017	2016
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchase of an investment property	**—**	721,571
Renovation work for investment properties	**13,395**	5,082
Leasehold improvement	**458**	—
	13,853	726,653
Authorised but not contracted for:		
Capital injection to a joint venture	**—**	15,508
	—	15,508

(c) Commitments under derivative contracts

As at 31st March 2017, the Group has no commitment 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.

CHARGES ON ASSETS

As at 31st March 2017, the Group had certain charges on assets which included (i) bank deposits of approximately HK$68.7 million which were pledged as collateral for the Group's bank borrowings and banking facilities; and (ii) an investment property of approximately HK$1,222.7 million which were pledged as collaterals for certain bank borrowings of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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

CONTINGENT LIABILITIES

As at 31st March 2017, 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 2017, the Group employed 270 staff. Total staff costs including contribution to retirement benefit schemes incurred during the Year amounted to approximately HK$145.4 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 HK2.26 cents per ordinary share was declared and paid up by 18th January 2017. The Board has resolved to recommend at the forthcoming 2017 annual general meeting of the Company (the "**2017 AGM**") the payment of a final dividend of HK2.49 cents per ordinary share in respect of the year ended 31st March 2017 payable to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 29th August 2017, subject to the approval of shareholders at the 2017 AGM.

Final dividend warrants are expected to be despatched to shareholders on or about Friday, 8th September 2017.

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 2017 AGM:

From Tuesday, 15th August 2017 to Friday, 18th August 2017, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the 2017 AGM. In order to be eligible to attend and vote at the 2017 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 Monday, 14th August 2017.

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

From Friday, 25th August 2017 to Tuesday, 29th August 2017, 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 Thursday, 24th August 2017.

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

During the year ended 31st March 2017, 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 2017.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31st March 2017 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. The work performed by PricewaterhouseCoopers in this respect did note 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 of 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 2017.

CG Code provision A.2.1 stipulates that the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. Mr. Yao Cho Fai Andrew ("**Mr. Yao**") serves as both the Chairman and Chief Executive Officer. The Board believes that the vesting of the roles of both Chairman and Chief Executive Officer in Mr. Yao will enable him to continue to provide the Group with strong leadership, efficiency usage of resources as well as allow for effective planning, formulation and implementation of the Company's business strategies which will enable the Group to sustain the development of its business efficiently. The day-to-day management and operation of the Group will continue to be the responsibility of the management team under the monitor of the Executive Committee and Mr. Yao's leadership.

PUBLICATION OF RESULTS ANNOUNCEMENT AND 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 2017

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