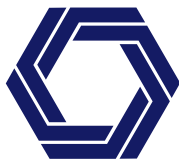


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沪港联合

## HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED

滙港聯合控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1001)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2024

The board of directors (the “Board”) of Hong Kong Shanghai Alliance Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th September 2024 (the “Period”).

#### **FINANCIAL HIGHLIGHTS**

*For the six months ended 30th September 2024*

	<b>2024</b>	2023	<b>Change</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue	<b>989.7</b>	1,246.8	<b>-20.6%</b>
Gross profit	<b>168.2</b>	208.9	<b>-19.5%</b>
Operating profit	<b>84.5</b>	116.5	<b>-27.4%</b>
Profit for the period	<b>50.1</b>	53.5	<b>-6.4%</b>
Profit attributable to owners of the Company	<b>54.9</b>	53.2	<b>+3.2%</b>
Basic earnings per ordinary share (HK cents)	<b>8.60</b>	8.31	<b>+3.5%</b>
Interim dividend per ordinary share (HK cents)	<b>1.80</b>	1.50	<b>+20.0%</b>
Gross profit margin	<b>17.0%</b>	16.8%	<b>+0.2 p.p.</b>
Operating profit margin	<b>8.5%</b>	9.3%	<b>-0.8 p.p.</b>
Net profit margin	<b>5.1%</b>	4.3%	<b>+0.8 p.p.</b>

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2024**

	<i>Note</i>	<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2024</b>	2023
		<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Revenue	4	<b>989,740</b>	1,246,762
Cost of sales	6	<b>(821,579)</b>	(1,037,835)
<b>Gross profit</b>		<b>168,161</b>	208,927
Other gains/(losses) – net	5	<b>2,862</b>	(217)
Selling and distribution expenses	6	<b>(8,989)</b>	(13,766)
(Provision for)/reversal of impairment loss on financial assets – net	6	<b>(1,211)</b>	11
General and administrative expenses	6	<b>(67,627)</b>	(70,732)
Fair value loss on an investment property		<b>(8,648)</b>	(7,735)
<b>Operating profit</b>		<b>84,548</b>	116,488
Finance income	7	<b>297</b>	620
Finance costs	7	<b>(37,983)</b>	(47,720)
Share of results of investments accounted for using the equity method		<b>(13,032)</b>	(1,428)
<b>Profit before income tax</b>		<b>33,830</b>	67,960
Income tax credit/(expense)	8	<b>16,309</b>	(14,414)
<b>Profit for the period</b>		<b>50,139</b>	53,546
<b>Profit attributable to:</b>			
– Owners of the Company	10	<b>54,899</b>	53,191
– Non-controlling interests		<b>(4,760)</b>	355
		<b>50,139</b>	53,546
<b>Earnings per ordinary share attributable to owners of the Company for the period</b>			
– Basic earnings per ordinary share	10	<b>HK8.60 cents</b>	HK8.31 cents
– Diluted earnings per ordinary share	10	<b>HK8.60 cents</b>	HK8.31 cents

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2024**

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Profit for the period</b>	<b>50,139</b>	53,546
<b>Other comprehensive income/(loss):</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Net fair value change of cash flow hedge	—	(475)
Release of exchange reserve upon deregistration of a subsidiary	—	1,549
Currency translation differences	<b>38,664</b>	(93,121)
<i>Item that will not be reclassified to profit or loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	<b>238</b>	(1,084)
<b>Other comprehensive income/(loss) for the period</b>	<b>38,902</b>	(93,131)
<b>Total comprehensive income/(loss) for the period</b>	<b>89,041</b>	(39,585)
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
– Owners of the Company	<b>89,851</b>	(30,168)
– Non-controlling interests	<b>(810)</b>	(9,417)
	<b>89,041</b>	(39,585)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
*AS AT 30TH SEPTEMBER 2024*

		As at 30th September 2024 <i>HK\$'000</i> (Unaudited)	As at 31st March 2024 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		46,285	46,969
Investment properties		1,312,641	1,281,131
Right-of-use assets		30,307	40,337
Investments accounted for using the equity method	11	280,442	281,176
Prepayments, deposits and receivables		22,253	18,917
Deferred income tax assets		46,111	29,493
Financial assets at fair value through profit or loss		3,914	3,914
Financial assets at fair value through other comprehensive income		1,982	1,745
<b>Total non-current assets</b>		<b>1,743,935</b>	<b>1,703,682</b>
<b>Current assets</b>			
Prepayments, deposits and other receivables		43,848	51,449
Inventories		334,921	380,586
Trade and bill receivables	12	395,506	367,077
Pledged bank deposits		7,037	1,804
Cash and cash equivalents		117,680	145,304
<b>Total current assets</b>		<b>898,992</b>	<b>946,220</b>
<b>Total assets</b>		<b>2,642,927</b>	<b>2,649,902</b>

		As at 30th September 2024 <i>HK\$'000</i> (Unaudited)	As at 31st March 2024 <i>HK\$'000</i> (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		63,651	63,860
Reserves		959,889	876,714
		<u>1,023,540</u>	940,574
<b>Non-controlling interests</b>		<u>102,195</u>	101,285
<b>Total equity</b>		<u>1,125,735</u>	1,041,859
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Accrued liabilities and other payables		11,806	11,633
Deferred income tax liabilities		86,599	86,228
Borrowings	14	346,615	343,354
Lease liabilities		5,074	9,349
<b>Total non-current liabilities</b>		<u>450,094</u>	450,564
<b>Current liabilities</b>			
Trade and bill payables	13	107,765	100,579
Contract liabilities		71,195	47,830
Accrued liabilities and other payables		46,900	64,265
Provisions		3,450	316
Current income tax liabilities		9,338	8,458
Borrowings	14	813,990	916,147
Lease liabilities		14,460	19,884
<b>Total current liabilities</b>		<u>1,067,098</u>	1,157,479
<b>Total liabilities</b>		<u>1,517,192</u>	1,608,043
<b>Total equity and liabilities</b>		<u>2,642,927</u>	2,649,902

## NOTES

### 1 General information

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

The Group is principally engaged in distribution and processing of construction materials such as steel products; trading of sanitary wares and kitchen cabinets; and property investment and fund management businesses.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollar (“HK\$”), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue on 28th November 2024 by the Board.

This condensed consolidated interim financial information has not been audited.

### 2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This unaudited condensed consolidated interim financial information should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31st March 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. They have been prepared under the historical cost convention, as modified by financial assets/liabilities (including derivative financial instruments) at fair value through profit or loss and other comprehensive income and investment properties, which are carried at fair values.

## 2.1 Going concern basis

As at 30th September 2024, the Group's current liabilities exceeded its current assets by approximately HK\$168.1 million while the Group's cash and cash equivalents amounted by approximately HK\$117.7 million. In view of such circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group, the potential capital contribution to the investment in a joint venture/ an associate and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken by the Group to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

- As at 30th September 2024, the Group had unutilised banking facilities of HK\$895.0 million and utilised banking facilities of HK\$1,007.5 million that are subject to standard annual review process by the banks. Management maintains on-going communication with the relevant banks, and these facilities are under normal utilisation in accordance with their terms and conditions. In the opinion of the Directors, these banking facilities will continue to be available to the Group for supporting its operation for the next twelve months from 30th September 2024; and
- During the period ended 30th September 2024, the Group had successfully negotiated with various banks to increase the amount of credit facilities, providing revolving facilities sub-limit for managing short-term liquidity needs and/or providing better loan tenure that match with the needs of the Group's business model.

The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 30th September 2024. They are of the opinion that, taking into account of the anticipated cash flow generated from the Group's operations, the possible changes in its operating performance, the availability of the Group's bank borrowings as well as the Group's ability to draw down from its existing banking facilities, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30th September 2024. Accordingly, the Directors consider that it is appropriate to prepare the Group's unaudited condensed consolidated interim financial information on a going concern basis.

## 3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements of the Company for the year ended 31st March 2024 as described in those annual financial statements.

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

### 3.1 Adoption of new accounting policy in the Period

#### (a) Amendments to existing standards and interpretation adopted by the Group

The following amendments to existing standards and interpretation are mandatory for the first time for the financial year beginning on 1st April 2024 and have been adopted by the Group:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current
Amendments to HKAS 1	Non-current Liabilities with Covenants
HK (IFRIC) – Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

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

The following new standards, amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning on 1st April 2024 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1st January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1st January 2026
Amendments to HK Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2027
HKFRS 18	Presentation and Disclosure in Financial Statements	1st January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1st January 2027
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 standards, amendments to existing standards and interpretations when they become effective. The Group is in the process of assessing the impact of adoption of such new standards, amendments to existing standards and interpretations on the results and financial position of the Group.



#### 4 Revenue and segment information

The Group's revenue consists of the following:

	Six months ended 30th September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Recognised at a point in time - sales of goods	<b>947,568</b>	1,205,952
Recognised over time - service income	<b>18,343</b>	18,370
Rental income	<b>23,829</b>	22,440
Total revenue	<b>989,740</b>	1,246,762

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

Management has determined the operating segments based on the reports reviewed by the Group's Chief Operating Decision Maker ("CODM") that are used to make strategic decisions. The CODM is identified as the Executive Directors who consider the business from a customer perspective and assess the performance of the operating segments based on the segment revenue and segment results for the purposes of allocating resources and assessing performance. The CODM considers the Group operates predominantly in three operating segments:

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

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

The revenue from external parties reported to the CODM is measured in a manner consistent with that in this unaudited condensed consolidated interim financial information.

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

Capital expenditure comprises additions to property, plant and equipment for the six months ended 30th September 2024 and 2023.

Analysis of the Group's results by business segment for the six months ended 30th September 2024 is as follows:

	<b>Unaudited</b>				<b>Total HK\$'000</b>
	<b>Steels Distribution and Processing Business HK\$'000</b>	<b>Building Products Distribution Business HK\$'000</b>	<b>Property Investment and Fund Management Business HK\$'000</b>	<b>Unallocated HK\$'000</b>	
Revenue from contracts with customers					
– Recognised at a point in time	<b>780,966</b>	<b>166,602</b>	—	—	<b>947,568</b>
– Recognised over time and rental income	<b>6</b>	—	<b>42,166</b>	—	<b>42,172</b>
	<b>780,972</b>	<b>166,602</b>	<b>42,166</b>	—	<b>989,740</b>
Operating profit/(loss)	<b>70,095</b>	<b>15,626</b>	<b>18,080</b>	<b>(19,253)</b>	<b>84,548</b>
Finance income	<b>74</b>	<b>45</b>	<b>174</b>	<b>4</b>	<b>297</b>
Finance costs	<b>(25,120)</b>	<b>(2,709)</b>	<b>(9,704)</b>	<b>(450)</b>	<b>(37,983)</b>
Share of results of investments accounted for using the equity method	—	—	<b>(13,032)</b>	—	<b>(13,032)</b>
Profit/(loss) before income tax	<b>45,049</b>	<b>12,962</b>	<b>(4,482)</b>	<b>(19,699)</b>	<b>33,830</b>
Other gains – net	<b>1,686</b>	<b>153</b>	<b>172</b>	<b>851</b>	<b>2,862</b>
Fair value loss on an investment property	—	—	<b>(8,648)</b>	—	<b>(8,648)</b>
Capital expenditure	<b>818</b>	<b>75</b>	<b>141</b>	<b>1,897</b>	<b>2,931</b>
Depreciation and amortisation	<b>(2,502)</b>	<b>(2,670)</b>	<b>(581)</b>	<b>(8,221)</b>	<b>(13,974)</b>

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

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

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

	<b>Six months ended 30th September</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Mainland China	248,302	353,748
Hong Kong	741,438	893,014
	<u>989,740</u>	<u>1,246,762</u>
<b>Total revenue</b>	<b><u>989,740</u></b>	<b><u>1,246,762</u></b>

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

	<b>As at</b>	<b>As at</b>
	<b>30th September</b>	<b>31st March</b>
	<b>2024</b>	<b>2024</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>		
Hong Kong	362,474	371,152
Mainland China	1,329,454	1,297,378
	<u>1,691,928</u>	<u>1,668,530</u>
<b>Total non-current assets</b>	<b><u>1,691,928</u></b>	<b><u>1,668,530</u></b>

## 5 Other gains/(losses) - net

	<b>Six months ended 30th September</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net exchange gains/(losses)	220	(1,508)
Gain on modification of lease	—	842
Release of exchange reserve upon deregistration of a subsidiary	—	(672)
Sundry income	2,642	1,121
	<u>2,862</u>	<u>(217)</u>
	<b><u>2,862</u></b>	<b><u>(217)</u></b>

## 6 Expenses by nature

	Six months ended 30th September	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Cost of finished goods sold	754,950	976,280
Reversal of written down of inventories	(85)	(556)
Provision for/(reversal of) onerous contracts	3,134	(12,472)
Depreciation of property, plant and equipment	3,942	3,363
Depreciation of right-of-use assets	10,032	2,984
Gain on disposals of property, plant and equipment	(115)	(144)
Employee benefit expenses	53,376	65,547
Legal and professional fees	2,199	1,263
Storage and handling charges	4,395	5,737
Expenses relating to short-term or low-value leases	1,195	2,141
Provision for/(reversal of) impairment of trade and bill receivables – net	1,211	(11)
Freight charges	43,036	50,514
Others	22,136	27,676
Total	<u>899,406</u>	<u>1,122,322</u>

## 7 Finance income and costs

	Six months ended 30th September	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Finance income		
Interest income:		
– short-term bank deposits	<u>297</u>	<u>620</u>
Finance costs		
Interest expenses:		
– borrowings and hire purchase liabilities	(34,409)	(46,980)
– transfer from hedging reserve		
– interest rate swaps designated as cash flow hedges	—	937
– lease liabilities	(800)	(193)
Bank charges	<u>(2,774)</u>	<u>(1,484)</u>
	<u>(37,983)</u>	<u>(47,720)</u>
Net finance costs	<u>(37,686)</u>	<u>(47,100)</u>

## 8 Income tax (credit)/expense

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

Hong Kong Profits Tax has been provided at the rate of 16.5% (2023: Same) except for one of the Hong Kong incorporated subsidiaries which is subject to 8.25% for its first HK\$2,000,000 of assessable profits under the two-tiered profit tax regime during the Period (2023: Same). Subsidiaries established in Mainland China are subject to China corporate income tax at 25% (2023: Same).

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

	Six months ended 30th September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong Profits Tax	2,299	3,286
– China corporate income tax	233	912
Deferred income tax	(18,841)	10,216
	<u>(16,309)</u>	<u>14,414</u>

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

## 9 Dividends

An interim dividend of HK1.80 cents (2023: HK1.50 cents) per ordinary share was declared by the Board on 28th November 2024, totalling approximately HK\$11,488,000. The interim dividend has not been recognised as a liability in this unaudited condensed consolidated interim financial information. It will be recognised in equity in the year ending 31st March 2025.

A final dividend in respect of the year ended 31st March 2024 of HK1.00 cent per ordinary share was approved at the annual general meeting of the Company held on 23rd August 2024 and paid on 13th September 2024.

## 10 Earnings per ordinary share

### (a) Basic

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

	Six months ended 30th September	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>54,899</u>	<u>53,191</u>
Weighted average number of ordinary shares in issue ('000)	<u>638,226</u>	<u>640,414</u>
Basic earnings per ordinary share (HK cents)	<u>8.60</u>	<u>8.31</u>

### (b) Diluted

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares arising from share options, for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted earnings per ordinary share for the six months ended 30th September 2024 and 2023 equal to basic earnings per ordinary share, as there were no potentially dilutive ordinary shares as at both periods end.

## 11 Investments accounted for using the equity method

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

	Six months ended 30th September	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
At beginning of period	281,176	313,118
Contributions	5,125	4,230
Share of loss of investments accounted for using the equity method	(13,032)	(1,428)
Currency translation differences	<u>7,173</u>	<u>(26,550)</u>
At end of period	<u>280,442</u>	<u>289,370</u>

## 12 Trade and bill receivables

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

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

	As at 30th September 2024 <i>HK\$'000</i> (Unaudited)	As at 31st March 2024 <i>HK\$'000</i> (Audited)
0 - 60 days	270,383	288,966
61 - 120 days	74,481	48,620
121 - 180 days	33,096	11,612
181 - 365 days	11,408	14,298
Over 365 days	29,273	22,611
	<hr/>	<hr/>
	418,641	386,107
Less: Provision for impairment	(16,980)	(15,312)
	<hr/>	<hr/>
	401,661	370,795
Less: Non-current	(6,155)	(3,718)
	<hr/>	<hr/>
	<b>395,506</b>	<b>367,077</b>
	<hr/> <hr/>	<hr/> <hr/>

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

## 13 Trade and bill payables

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

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

	As at 30th September 2024 <i>HK\$'000</i> (Unaudited)	As at 31st March 2024 <i>HK\$'000</i> (Audited)
0 - 60 days	107,479	96,946
61 - 120 days	72	29
121 - 180 days	4	640
181 - 365 days	195	2,040
Over 365 days	15	924
	<hr/>	<hr/>
	107,765	100,579
	<hr/> <hr/>	<hr/> <hr/>

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



## 14 Borrowings

	As at 30th September 2024 <i>HK\$'000</i> (Unaudited)	As at 31st March 2024 <i>HK\$'000</i> (Audited)
Current		
– Trust receipts bank loans	634,754	691,193
– Short-term bank loans	113,392	145,584
– Current portion of long-term bank loans, secured	57,651	68,049
– Current portion of hire purchase liabilities, secured	1,627	1,584
– Other loans	6,566	9,737
	<u>813,990</u>	<u>916,147</u>
Non-current		
– Long-term bank loans, secured	340,049	334,180
– Hire purchase liabilities, secured	3,143	3,967
– Other loan	3,423	5,207
	<u>346,615</u>	<u>343,354</u>
Total borrowings	<u><u>1,160,605</u></u>	<u><u>1,259,501</u></u>

## 15 Commitments

### (a) Commitments under operating leases

#### (i) Lessor

The Group leases investment properties under non-cancellable operating lease agreements. The lease agreements are renewable at the end of the lease period at market rate. As at 30th September 2024, the Group had total commitments receivable under various non-cancellable operating lease agreements in respect of rented premises amounted to HK\$25,484,000 (31st March 2024: HK\$26,541,000).

#### (ii) Lessee

The Group leases various retail outlets, offices and sites under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rate. As at 30th September 2024, the Group had total commitments payable under various non-cancellable operating lease agreements in respect of short-term and low-value leases of HK\$1,308,000 (31st March 2024: HK\$2,084,000) which will be recognised as an expense in the forthcoming consolidated income statement.

### (b) Capital commitments

As at 30th September 2024, the Group had total capital commitment of approximately HK\$107,933,000 (31st March 2024: HK\$114,979,000), mainly includes contracted but not provided for in respect of property, plant and equipment and investment property of approximately HK\$373,000 (31st March 2024: HK\$2,165,000) and commitment in respect of investments accounted for using equity method, if called, of approximately HK\$107,560,000 (31st March 2024: HK\$112,814,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Performance

The global economy during the first half of FY2024/25 (the “Period”) has shown both resilience and challenges. While there have been signs of recovery from supply chain disruptions and inflationary pressures, new obstacles such as geopolitical tensions and ongoing trade disputes brought new uncertainties to the global market, with fluctuating steel prices particularly impacting the Group’s sales performance. Together with the complex external environment, dynamic monetary policies, as well as weak business and consumer sentiment, these factors have presented notable challenges to the Group’s operations across Hong Kong and Shanghai.

In response to the dynamic environment, the Group has swiftly adjusted its strategies and execution to maintain profitability. In Hong Kong, in addition to its proven steel sourcing mechanism that is capable of mitigating steel price risks and protecting margins, the Group saw steady progress in the adoption of its value-added prefabricated solutions. In Shanghai, the Group has also highlighted its capability by swiftly adapting to changing market conditions, maintaining satisfactory performance in occupancy rates and rental income.

Overall, the Group’s revenue decreased by 20.6% year-on-year, from approximately HK\$1,246.8 million to HK\$989.7 million, mainly attributable to the decrease in average steel price. Gross profit decreased from approximately HK\$208.9 million to approximately HK\$168.2 million, yet gross profit margin reported a modest enhancement of 0.2 percentage point to 17.0% (FY2023/24: 16.8%) despite margin pressure. Riding on improving cost control and the recognition of deferred tax assets due to the increasing profitability of the Group’s Steels Processing Business, profit attributable to owners of the Company reached approximately HK\$54.9 million for the Period, indicating a modest improvement of 3.2% as compared to the same period last year.

In the face of a dynamic and challenging market, the Group’s business segments experienced varied performances during the Period. Due to the notable drop in steel prices, the absence of the reversal of onerous contract provision (FY2023/24: approximately HK\$12.5 million), and the high-base performance from last financial year due to the completion of higher-margin contracts at higher price points, the Group’s Steel Distribution and Processing Business saw a decrease in profit before income tax from approximately HK\$72.0 million to approximately HK\$45.0 million during the Period. However, thanks to the proven procurement strategy and the growing adoption of offsite prefabricated solutions, the segment profit margin remained, with delivery quantity of offsite prefabricated solutions recording a moderate increase of 10.7% year-on-year. On the other hand, as a result of the slowdown in residential transactions and general conservatism in Hong Kong and Mainland China, the Group’s Building Products Distribution Business reported a profit before income tax of approximately HK\$13.0 million for the Period, representing a reduction of HK\$7.1 million compared to the same period last year. For Property Investment and Fund Management Business, excluding the share of loss from investments under the equity method and the fair value loss of investment properties, the segment reported a profit before income tax of approximately HK\$17.2 million, compared to approximately HK\$8.2 million in the same period last year, benefiting from cost containment measures and improving occupancy rate.

For the Period, basic earnings per ordinary share of the Company was HK8.60 cents, as compared with HK8.31 cents in the same period last year.

## **BUSINESS REVIEW**

### **Steels Distribution and Processing Business**

Steels Distribution and Processing Business mainly offers construction and industrial steels in Hong Kong and Mainland China. In addition to its procurement and distribution model, it operates one of the five approved steel reinforcing bar prefabrication yards in Hong Kong, providing customised offsite cut-and-bend services to its customers. The prefabricated steel reinforcing bars are then ready for immediate use, with consistent product quality and full traceability that would reduce the works on site, thus yielding better safety and less construction wastage.

During the Period, the steel market saw a downward price adjustment as a result of the normalising supply and stabilising macro challenges. While the drop in overall delivery quantity remained modest at 10.4% year-on-year, segment revenue decreased by 23.0% year-on-year, from approximately HK\$1,014.1 million to approximately HK\$781.0 million. However, the Group's offsite prefabricated solutions continued to gain traction in Hong Kong, with its delivery quantity recording an increase of 10.7% year-on-year, driven by growing adoption across both private and public projects. Supported by the increasing revenue contributions from its value-added processing business, rising economies of scale as well as proven procurement strategy, segment gross profit margin remained largely stable during the Period. Yet, given last year's high-base performance due to the completion of higher-margin projects at higher price points, the segment reported a year-on-year decline in segment profit before income tax despite the dropping finance cost, from approximately HK\$72.0 million to approximately HK\$45.0 million.

The Group has participated in various infrastructure works and private projects during the Period, including the reconstruction of Grantham Hospital, Hiu Ming Street Public Housing development, Express Rail Link Station, Fanling North New Development Area (Phase 1), etc.

### **Building Products Distribution Business**

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

During the Period, residential property transactions in Hong Kong remained in the slow lane across the primary and secondary markets, despite the Hong Kong Government had removed all the demand-side management measures of residential property in early this year. Most homebuyers were generally cautious about the local economy and changing property prices in sight, that has led to a notable drop in the demand of sanitary wares and kitchenware products for home renovation. As a result, the Group's wholesale business in Hong Kong was notably impacted. Compounded by the sustained competition and demand pressure in Mainland China, the segment reported a revenue of approximately HK\$166.6 million for the Period, representing a year-on-year decrease of approximately 13.2%. Profit before income tax also decreased from approximately HK\$20.1 million last year to approximately HK\$13.0 million this year.

Nonetheless, the Group's comprehensive product offerings continued to be well-received by the market. Its major brand, TOTO, remains popular in commercial settings, hotels, and public amenities for its durability. As society becomes increasingly aware of health, safety, and wellness in offices and malls, the growing adoption of property technologies, such as AIoT solutions, also lays a good foundation for the Group's Smart Toilet Solutions, which is capable of providing real-time monitoring of air quality and humidity, detection of water leakage, energy-efficient lighting and ventilation. With the solutions being bundled with the Group's product offerings, the Group sees high potential in gaining further market share with its comprehensive solutions, as reflected in the latest implementation in Champion Tower, Shatin Racecourse, and Hong Kong International Airport.

### **Property Investment and Fund Management Business**

As a niche market specialist in asset revitalisation and value optimisation, the Group continues to follow its "asset-light" strategy for its investment projects in Shanghai. As at 30th September 2024, the Group manages a total gross floor area ("GFA") of approximately 161,724 square meters, with assets under management valued at around HK\$8.5 billion. Among the three Central Park projects under management, Central Park • Pudong, wholly-owned by the Group, aims to deliver sustainable rental income and medium-to-long-term capital appreciation. The Group also partners with leading investment funds on two other projects, namely Central Park • Jing'an and Central Park • Huangpu, where it holds equity stakes and acts as a general partner and/or investment manager for earning fee income.

During the Period, Shanghai's commercial property market experienced a window of adjustments. Due to the prevailing conservatism among corporates, there was notable pressure on properties' occupancy rates; as new commercial buildings continued to enter the market, the influx of supply has also led to sustained pressure on average rent rates, while hindering property valuation. Despite the ongoing challenges, the Group was able to quickly adapt to the changing market dynamics, refining the positioning and leasing strategy of its properties by focusing on industry verticals. For instance, leveraging its close proximity to Grade A tertiary hospitals, Central Park • Huangpu was repositioned to specifically catering medical and healthcare tenants. The approach saw great success, with one major tenant establishing a medicine innovation hub in the building, as well as a general increase in occupancy rates from medical-related enterprises, essentially forming an industry cluster. Surrounded by comprehensive conferencing and F&B facilities of Central Park • Huangpu, the average occupancy rate and average rent rates of its hotel also climbed to pre-pandemic levels.

Overall, segment revenue increased by 3.4% year-on-year, from approximately HK\$40.8 million to approximately HK\$42.2 million, due to the improving occupancy rates and hence rental income. Excluding the share of loss of investments under the equity method and the fair value loss of investment properties, the segment reported a profit before income tax of approximately HK\$17.2 million, compared to approximately HK\$8.2 million in the same period last year. The increase in share of loss of investments under the equity method for the Period was mainly attributable to the fair value loss of the underlying investment properties and the appreciation of Renminbi, accounted for approximately HK\$8.6 million of losses in the Period.

## OUTLOOK

Entering the second half of FY2024/25, the Group anticipates that the market will continue to present challenges and remain dynamic. The frequent occurrence of geopolitical events, ongoing global trade disputes, and supply chain fragmentation may continue to cast doubt on global steel price performance, thus putting pressure on the sales performance and margins of the Group's Steels Distribution and Processing Business. On the other hand, the uncertainties on local economic development and interest rate cuts may also cast doubt on business expansion plans, property investment appetite, and new projects development, creating hurdles for the Group's major business segments.

Nonetheless, the Group remains cautiously optimistic about the economic prospects of Shanghai and Hong Kong. In Hong Kong, significant opportunities are emerging due to the government's commitment to increasing public housing supply and developing major infrastructure projects such as the Northern Metropolis. With the anticipation of interest rate decline, other investments and project activities are also likely to revive in the near future. In Shanghai, the Central Government has particularly introduced flexible monetary and fiscal measures to stabilise the real estate market. The further reduction of the 5-year loan prime rate is also expected to greatly improve market liquidity, favouring properties valuation and business expansion plans, which in turn, would provide a strong support to the Group's Property Investment and Fund Management Business.

To mitigate risks and headwinds ahead, the Group will uphold its light asset strategy and maintain prudent capital management measures. The Group will also closely monitor the latest market trends, and will continue to pursue innovation and excellence to create long-lasting values for its stakeholders.

## CORPORATE FINANCE AND RISK MANAGEMENT

### Financial Position

Compared with the financial year ended 31st March 2024, the Group's total assets as at 30th September 2024 reported a modest decrease, from approximately HK\$2,649.9 million to approximately HK\$2,642.9 million. In breakdown, the Group's inventories decreased from approximately HK\$380.6 million to approximately HK\$334.9 million, with the average inventory days of supply slightly decreasing from 81 days to 79 days. The Group's trade and bill receivables increased from approximately HK\$370.8 million to approximately HK\$401.7 million, with the average overall days of sales outstanding slightly increasing from 57 days to 60 days. Net asset value of the Group increased to approximately HK\$1,125.7 million, mainly attributable to the translation difference arisen from the appreciation of Renminbi ("RMB") for the Group's net investments in Mainland China and profit for the Period. Net asset value per ordinary share of the Company was equivalent to approximately HK\$1.61 as at 30th September 2024.

Compared with the financial position as at 31st March 2024, the Group's cash and cash equivalents and pledged bank deposits decreased to approximately HK\$124.7 million (as at 31 March 2024: HK\$147.1 million). The Group's borrowings also decreased by approximately HK\$98.9 million to approximately HK\$1,160.1 million. 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) notably decreased from approximately 54.2% to approximately 50.3%.

In terms of liquidity, the Group's current ratio slightly increased from 0.82 to 0.84. During the Period, the Group utilised its excessive cash to repay certain short-term bank borrowings with relatively high interest rates, and was able to renegotiate existing credit facilities at more favorable interest rates and terms to reduce short-term commitments. In the opinion of the Directors, after due and careful consideration of the internally generated funds and banking facilities presently available to the Group, the Group has sufficient financial resources to meet its liabilities as they fall due, and is able to carry on its business without significant disruption.

The Group will continue to closely monitor the turnover of its working capital, and will take various cost containment and efficiency enhancement measures to strengthen its liquidity.

## Financial Resources

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The Group's overall treasury and funding policies focus on managing financial risks including interest rate and foreign exchange risks; cost-efficient funding of the Company and its subsidiaries; and yield enhancement from time to time when the Group's cash position allows. The Group has always adhered to prudent financial management principles, including the selection of appropriate security investments according to the Group's treasury investment policy.

The Group's trade financing remained primarily supported by its bank trading and revolving facilities for its Steels Distribution and Processing Business and Building Products Distribution Business, as well as term loans for its Property Investment and Fund Management Business. As at 30th September 2024, about 63.7% of the Group's interest-bearing borrowings were denominated in HK dollar, about 36.0% in RMB and about 0.3% in US dollar. These facilities are either secured by pledged bank deposits and/or corporate guarantees provided by the Company or the Group's machineries and investment properties. All of the above borrowings were on a floating rate basis. Interest costs were levied on interbank offered rates plus a very competitive margin. RMB loans of the Group have been obtained from domestic and foreign banks in the amount of RMB376.4 million. Interest costs of RMB banking facilities were based on Loan Prime Rate (determined by the People's Bank of China) adjusted with competitive margin. The maturity of the Group's borrowings as at 30th September 2024 was as follows:

### Maturity Profile

Within 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
70.1%	2.3%	8.4%	19.2%	100.0%

## Charges on Assets

As at 30th September 2024, the Group had certain charges on assets which included (i) bank deposits of approximately HK\$7.0 million (31st March 2024: approximately HK\$1.8 million), which were pledged as security deposits for the Group's issuance of bank guarantees to the customers; (ii) investment properties of approximately HK\$1,312.2 million (31st March 2024: approximately HK\$1,280.7 million), which were pledged as collaterals for certain bank borrowings of the Group; and (iii) machineries of approximately HK\$8.6 million (31st March 2024: approximately HK\$9.1 million), which was included in property, plant and equipment, and was used to secure the Group's hire purchase liabilities.

## **Foreign Exchange Risk**

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

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

## **Capital Expenditure**

During the Period, the Group's total capital expenditure amounted to approximately HK\$2.9 million (30th September 2023: approximately HK\$7.3 million), which was primarily financed through cash generated from operating activities.

## **Capital Commitments**

As at 30th September 2024, the Group's total capital commitments amounted to approximately HK\$107.9 million (31st March 2024: approximately HK\$115.0 million).

## **Contingent Liabilities**

As at 30th September 2024, the Group had no material contingent liabilities (31st March 2024: Same).

## **Material Acquisitions and Disposals**

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the Period (30th September 2023: Same).

## **HUMAN RESOURCES**

The Group puts a strong emphasis on nurturing talents, with its growth strategy built around its commitment to people. The Group strives to provide competitive remuneration packages, along with a safe and pleasant working environment with constant learning and growth opportunities, so as to attract and motivate employees.

As at 30th September 2024, the Group employs 247 staff (31st March 2024: 250 staff). Total staff costs during the Period, including the contribution to retirement benefit schemes, amounted to approximately HK\$53.4 million (30th September 2023: approximately: HK\$65.5 million). During the Period, no option has been offered and/or granted to its Directors and employees under the share option schemes adopted by the Company.



## DIVIDEND

The Board has declared an interim dividend of HK1.80 cents per ordinary share for the six months ended 30th September 2024 (30th September 2023: HK1.50 cents per ordinary share). The interim dividend will be payable on Thursday, 9th January 2025 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 20th December 2024.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18th December 2024 to Friday, 20th December 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17th December 2024.

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

During the Period, the Company repurchased a total of 2,096,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$513,890. All the repurchased shares were subsequently cancelled on 29th August 2024. The Directors believe that share repurchases will be beneficial to the shareholders as the shares are traded at a discount to the net asset value per share. Details of the shares repurchased are as follows:

Date of repurchase	Number of Shares repurchased	Purchase price per share		Aggregate consideration (before expenses)
		Highest (HK\$)	Lowest (HK\$)	(HK\$)
18th July 2024	496,000	0.240	0.239	118,986
19th July 2024	400,000	0.245	0.236	96,320
1st August 2024	250,000	0.245	0.244	61,242
6th August 2024	330,000	0.250	0.243	82,370
13th August 2024	120,000	0.250	0.249	29,992
15th August 2024	500,000	0.250	0.245	124,980
<b>Total</b>	<b>2,096,000</b>			<b>513,890</b>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

## **AUDIT COMMITTEE REVIEW**

The audit committee of the Company has reviewed and discussed auditing, internal controls, risk management and financial reporting matters including review of the results for the six months ended 30th September 2024.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the Period, the Company has applied the principles of, and complied with, the applicable code provisions set out in the section headed “Part 2 - Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code (the “CG Code”) under Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for CG Code provision C.1.6 and CG Code provision C.2.1.

CG Code provision C.1.6 stipulates that generally independent non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Li Yinquan was unable to attend the annual general meeting of the Company held on 23rd August 2023 due to his other engagement.

CG Code provision C.2.1 stipulates that the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. However, Mr. Yao Cho Fai Andrew (“Mr. Yao”) serves as both the Chairman and Chief Executive Officer (i.e. Chief Executive). The Board believes that the vesting of the roles of both Chairman and Chief Executive Officer in Mr. Yao will enable him to continue to provide the Group with strong leadership, efficient usage of resources, as well as effective planning, formulation and implementation of the Company’s business strategies. The day-to-day management and operation of the Group will continue to be the responsibility of the management team under the monitoring of the executive committee of the Company and Mr. Yao’s leadership.

## **CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, as amended from time to time, as its own code of conduct (the “Company’s Model Code”). Having made specific enquiry of all the Directors, they all confirmed that they have complied with the required standard set out in the Company’s Model Code during the Period.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the websites of the Company ([www.hkshalliance.com](http://www.hkshalliance.com)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the six months ended 30th September 2024 will be despatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 28th November 2024

*As at the date of this announcement, the Board comprises Mr. Yao Cho Fai Andrew and Mr. Lau Chi Chiu (being the executive directors); Mr. Xu Lin Bao, Mr. Yeung Wing Sun Mike and Mr. Li Yinquan (being the independent non-executive directors).*