

TARGET

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HONGKONG SHANGHAI ALLIANCE HOLDINGS LTD: THE CHAIRMAN EXPECTS HIS BUSINESS TO IMPROVE

Based On What Premise: Wishful Thinking ?

Owners of the Ordinary Shares in Hongkong Shanghai Alliance Holdings Ltd (滬港聯合控股有限公司) (Code: 1001, Main Board, The Stock Exchange of Hongkong Ltd) were awakened to the fact that, in respect of the 2021 Financial Year, ended March 31, 2021, their Company had achieved the Net Profit Attributable to Shareholders of about \$HK1,673,000.00.

That result may be considered, by some people, somewhat of a turnabout situation, Year-On-Year, because the Company had recorded a Net Loss Attributable to Shareholders, amounting to \$HK90,309,000.00, with regard to the 2020 Financial Year.

The Net Profit Attributable to Shareholders with regard to the 2021 Financial Year was achieved, inter alia, on a Turnover of \$HK2,073,632,000.00

The 2021 Financial Year's Turnover represented a decrease of about \$HK251,399,000.00, or approximately 10.81 percent, compared to the 2020-Year's Turnover of about \$HK2,325,031,000.00.

The 2021-Year's Gross Profit Margin was about 12.20 percent; and, that figure compared to the previous Year's Gross Profit Margin of 10.39 percent.

In respect the Net Profit Margin, the 2021-Year's Result was about 0.08 percent; no such calculation could be made with regard to the 2020-Year due to the Net Loss Attributable Shareholders of \$HK90,309,000.00, recorded in that Year.

At Note Six to the Accounts, found at Page 166 of the 2021 Annual Report, the following explains as to the reason that the Company had achieved, in part at least, its Net Profit Attributable to Shareholders:

'OTHER GAINS/(LOSSES) – NET

ITEM	2021	2020
	All Figures Are Denominated In \$HK'000	
Net Exchange Gains	277	2,096

Impairment Losses On Property, Plant And Equipment	(572)	(20,000)
Gain On Modification Of Lease	2,865	109
Loss On Disposal Of A Subsidiary And An Associate	Nil	(41)
Penalty Income From Tenants In Relation To Early Termination Of Rental Agreements	2,402	2,022
Sundry Income	3,095	5,704
Total	8,067	(10,110)

In addition to the aforementioned, it was noted that the Company had shaved back ‘**General and Administrative Expenses**’, from the 2020 figure of \$HK217,810,000.00 to the 2021 figure of \$HK140,703,000.00.

With regard to the Consolidated Statement of Financial Position, Page 98 of the 2021 indicates that, as at March 31, 2021, it had Non-Current Borrowings of \$HK779,749,000.00 (2020 Non-Current Borrowings: \$HK855,083,000.00) and Current Borrowings of \$HK674,893,000.00 (2020 Current Borrowings: \$HK560,555,000.00).

Total Liabilities of the Company, as at March 31, 2021, stood at \$HK1,952,262,000.00 (2020 Financial Year: \$HK1,816,281,000.00).

At Page 213 of the 2021 Annual Report, it was stated that bank and other borrowings, as at March 31, 2021, stood at \$HK1,454,642,000.00, representing an increase, Year-On-Year, of about \$HK39 million, or approximately 2.76 percent.

At Page 212 of the 2021 Annual Report, it was stated, under the heading, ‘**PROVISIONS**’, that Management had made a ‘**Provision for onerous contracts**’ in the amount of \$HK33,280,000.00 (2020: Nil).

Although not defined to any great extent in the 2021 Annual Report, the adjective, ‘*onerous*’, usually connotes:

‘(of a task or responsibility) involving a great deal of effort, trouble, or difficulty.’

The principal activities of Hongkong Shanghai Alliance Holdings Ltd is that of engaging in the distribution and processing of construction materials, such as steel products; trading of sanitary wares and kitchen cabinets; and, property investment and project management businesses.

The Company has only two Executive Directors:

- Mr Andrew Yao Cho Fai (姚祖輝), aged 55 years. He is deemed to have a beneficial equity interest in the Company, amounting to

283,679,806 Shares, equivalent to 44.24 percent of the entire Issued and Fully Paid-Up Share Capital; and,

- Mr Lau Chi Chiu (劉子超), aged 54 years. He is deemed to have a beneficial equity interest in the Company, amounting to 2,246,622 Shares, equivalent to 0.35 percent of the entire Issued and Fully Paid-Up Share Capital.

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