South Shore Holdings Limited
南岸集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock code: 577)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

• Revenue	HK$6,800 million	+11%
• Gross profit	HK$299 million	+21%
• Loss attributable to owners of the Company	HK$1,574 million	+3,398%
• Loss per share		
- Basic	HK630.5 cents	+2,976%
- Diluted	HK630.5 cents	+2,976%
• NAV per share	HK$5.1	-80%

RESULTS

The board of directors (the "Board") of South Shore Holdings Limited (formerly known as The 13 Holdings Limited) ("South Shore" or the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2018, together with the comparative figures for the corresponding year in 2017, as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	3	6,799,529	6,127,109
Cost of sales		(6,500,794)	(5,880,358)
Gross profit		298,735	246,751
Other income		4,518	5,547
Administrative and other expenses		(478,158)	(284,028)
Finance costs		(193,803)	(8,609)
Impairment loss on hotel under development		(1,203,000)	-
Gain on disposal of an associate		-	5,247
Share of results of associates		(448)	(2,167)
Share of results of joint ventures		2,116	4,808
Loss before tax		(1,570,040)	(32,451)
Income tax expense	4	(334)	(7,773)
Loss for the year	5	(1,570,374)	(40,224)
(Loss) profit for the year attributable to:			
Owners of the Company		(1,573,795)	(44,559)
Non-controlling interests		3,421	4,335
		(1,570,374)	(40,224)
			(restated)
Loss per share	7		
Basic (HK cents)		(630.5)	(20.5)
Diluted (HK cents)		(630.5)	(20.5)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Loss for the year	(1,570,374)	(40,224)
Other comprehensive income (expense) for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	8,648	(6,314)
Share of translation reserve of an associate and joint ventures	8,367	(4,830)
	17,015	(11,144)
Total comprehensive expense for the year	(1,553,359)	(51,368)
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	(1,564,987)	(50,327)
Non-controlling interests	11,628	(1,041)
	(1,553,359)	(51,368)

Consolidated Statement of Financial Position
At 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Hotel under development		6,961,944	7,718,317
Property, plant and equipment		328,409	135,261
Deposits paid for acquisition of property, plant and equipment		221,698	336,547
Deposits for investments		110,000	110,000
Prepaid land lease payments		1,403,121	1,507,712
Goodwill		61,646	61,646
Other intangible assets		8,092	7,627
Interests in joint ventures		97,510	87,640
		9,192,420	9,964,750
CURRENT ASSETS			
Prepaid land lease payments		104,591	104,591
Amounts due from customers for contract works		1,056,904	1,001,835
Inventories		46,998	38,937
Trade and other debtors, deposits and prepayments	8	2,115,160	1,683,891
Amounts due from associates		12,628	15,863
Amounts due from joint ventures		121,705	158,423
Amounts due from joint operations/other partners of joint operations		55,077	118,438
Amounts due from subsidiaries of a shareholder		17,495	24,849
Other loans receivable		32,159	35,542
Taxation recoverable		1,592	-
Pledged bank deposits		17,020	16,247
Short term bank deposits		271,887	36,876
Bank balances and cash		899,554	323,553
		4,752,770	3,559,045
CURRENT LIABILITIES			
Amounts due to customers for contract works		1,285,325	863,604
Trade and other creditors and accrued expenses	9	2,046,098	1,945,760
Deposits received		179,000	-
Amount due to a joint venture		52	67
Amounts due to joint operations/other partners of joint operations		58,283	113,551
Amount due to a subsidiary of a shareholder		4,710	647
Loan from a subsidiary of a shareholder		75,000	32,000
Taxation payable		2,354	16,287
Bank and other borrowings - due within one year		4,116,054	888,070
		7,766,876	3,859,986
NET CURRENT LIABILITIES		(3,014,106)	(300,941)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,178,314	9,663,809

	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES		
Bank and other borrowings - due after one year	27,500	3,060,284
Convertible bonds	684,611	576,707
Obligation in excess of interests in associates	6,836	6,134
	718,947	3,643,125
	5,459,367	6,020,684
CAPITAL AND RESERVES		
Share capital	202,591	1,841,734
Reserves	4,942,013	3,838,712
Equity attributable to owners of the Company	5,144,604	5,680,446
Non-controlling interests		
Share option reserve of a subsidiary	-	37,103
Share of net assets of subsidiaries	314,763	303,135
	314,763	340,238
TOTAL EQUITY	5,459,367	6,020,684

Notes:

1. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of HK$1,570,374,000 for the year ended 31 March 2018 and as of that date, the Group's current liabilities exceeded its current assets by HK$3,014,106,000. In addition, the Group had capital commitments contracted for but not provided in the consolidated financial statements of HK$208,597,000.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) Likelihood of the successful extension of requirement on opening of the Group's hotel in Macau in certain loan covenants

The Group had breached certain covenants in respect of bank borrowings in the amount of HK$3,041,924,000, as stipulated in the bank loan agreement which require THE 13 Hotel (the “Hotel”) to have the official opening no later than 31 March 2017 (subsequently extended to 31 July 2017) and to obtain and maintain all authorisations for the operation of hotel business will be obtained. The Group has previously successfully applied to extend the hotel's opening date under this covenant to 31 July 2017, and has applied for a further extension of the opening date to 31 December 2017, 31 March 2018, 30 April 2018, 30 June 2018 and 31 July 2018, respectively but the Group has not received any written confirmation from the bank that the extension request has been successful. As a result, as at the date of this announcement, such bank borrowings are repayable on demand.

Up to the date of this announcement, the Group has not been rejected on the application for extension. The bank has frequent communications with the Group on the progress of hotel opening preparation and also shows the positive support on the Group. Therefore, the directors of the Company do not expect the application of further extension will be withheld by the relevant bank. Moreover, based on the current status of the hotel development and the working capital on hand, the directors of the Company believe that they could obtain all the licenses for the operation of hotel business from the relevant authorities by the end of July 2018.

(ii) Likelihood of successful execution of further financing plans

The Group has been actively negotiating with a number of commercial banks and other financial institutions as well as certain potential new investors to secure certain new sources of funding in the form of debt and, or equity in the aggregate amount of HK$1,890 million. The Group has proposed to dispose 51.76% interest in Paul Y. Engineering Group Limited ("PYE") for consideration of HK$300 million and has subsequently obtained the shareholders' approval on 8 May 2018. The receipt of the remaining proceeds from the proposed disposal of HK$121 million is subject to certain conditions for the completion of transaction.

The Company also appointed a placing agent, Opus Capital Limited to procure placees to subscribe for the loan notes with an aggregate principal amount of up to HK$740 million. The Company further entered into non-legally binding indicative term sheets with the Opus Financial Holdings Limited and its subsidiaries ("Opus Group") in relation to the conditional offer of HK$850 million in the form of debt financing. Up to the date of this announcement, no definitive loan agreements in relation to the abovementioned debt financing have been entered into. Based on the current status of these negotiations, the directors of the Company are confident that the Group will secure sufficient funds to support the Group's working capital requirements for the next twelve months from the date of approval these consolidated financial statements.

(iii) Likelihood of not demand for immediate repayment of outstanding borrowings

The Group has a senior secured other bridge borrowing of HK$300 million outstanding as at 31 March 2018 which falls due on 1 April 2018, and subsequent to the year end date, the Group has recognised a HK$30 million loan facility fee payable to the lender. The Group received a Notice of Assignment dated 8 May 2018 from the original lender that it assigned and transferred all its rights, titles, interest and benefits of the HK$300 million senior secured bridge loan to a new lender, of which HK$110 million has been settled by offsetting arrangement. In accordance with the Amendment Letter dated 4 June 2018, the new lender may give a written notice to the Group demanding repayment of the borrowing in full together with interest accrued and within three business days the Group shall repay the borrowing in full together with interest accrued. Up to the date of this announcement, the Group has not received any written notice from the new lender demanding for immediate repayment of the outstanding borrowings of HK$220 million. The directors of the Company expect that the Group has sufficient working capital to repay the other borrowings, subject to progress made towards securing the funding as described in (ii) above.

The directors of the Company consider that, taking into account the above-mentioned financing plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly the consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

New and revised HKFRSs and interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

3. SEGMENT INFORMATION

The Group is organised into the following four reportable and operating segments:

Management contracting	-	building construction and civil engineering
Property development management	-	development management, project management and facilities and asset management services
Property investment	-	investment in properties through investment in a joint venture
Hotel development	-	hotel operation with ancillary facilities

The Group had invested in an operating segment of the hotel operation in Macau with provision of ancillary facilities which are under development. The remaining segments are held under a major subsidiary of the Group, Paul Y. Engineering Group Limited ("PYE").

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies.

Segment profit (loss) represents the profit earned or loss incurred, by each reportable and operating segment without allocation of corporate income, central administrative costs, finance costs and gain on disposal of an associate. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

The assets of the Group are allocated to reportable and operating segments except for pledged bank deposits, short term bank deposits, bank balances and cash and other unallocated assets.

The liabilities of the Group are allocated to reportable and operating segments except for certain bank borrowings and other unallocated liabilities.

Inter-segment sales are charged at prevailing market rates or at terms determined and agreed by both parties, where no market price was available.

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 March 2018

	Management contracting HK$'000	Property development management HK$'000	Property investment HK$'000	PYE total HK$'000	Hotel development HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
SEGMENT REVENUE								
External sales	6,799,126	403	-	6,799,529	-	6,799,529	-	6,799,529
Inter-segment sales	-	-	-	-	-	-	-	-
Segment revenue	6,799,126	403	-	6,799,529	-	6,799,529	-	6,799,529
Segment profit (loss)	117,775	(6,812)	2,398	113,361	(1,531,761)	(1,418,400)	(55)	(1,418,455)
Corporate income								4,518
Central administrative costs								(144,516)
Finance costs								(11,587)
Loss before tax								(1,570,040)

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

At 31 March 2018

	Management contracting HK$'000	Property development management HK$'000	Property investment HK$'000	PYE total HK$'000	Hotel development HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
ASSETS								
Segment assets	3,887,574	15,280	103,641	4,006,495	9,315,013	13,321,508	(628,906)	12,692,602
Pledged bank deposits								17,020
Short term bank deposits								271,887
Bank balances and cash								899,554
Other unallocated assets								64,127
Consolidated assets								13,945,190
LIABILITIES								
Segment liabilities	3,160,048	6,298	15	3,166,361	5,065,022	8,231,383	(807,102)	7,424,281
Bank borrowings								749,130
Other unallocated liabilities								312,412
Consolidated liabilities								8,485,823

The following is an analysis of the Group's other information by reportable and operating segments.

For the year ended 31 March 2018

	Management contracting HK$'000	Property development management HK$'000	Property investment HK$'000	PYE total HK$'000	Hotel development HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER INFORMATION							
Amounts included in the measure of segment profit (loss) or segment assets:							
Additions to hotel under development	-	-	-	-	446,627	-	446,627
Additions to property, plant and equipment	9,571	-	-	9,571	-	1,466	11,037
Additions to deposits paid for acquisition of property, plant and equipment	-	-	-	-	90,287	-	90,287
Addition to other intangible assets	-	-	-	-	-	470	470
Depreciation of property, plant and equipment	27,494	1	-	27,495	1,870	4,885	34,250
Finance costs	-	-	-	-	182,216	-	182,216
Loss on disposal of property, plant and equipment	119	-	-	119	-	162	281
Release of prepaid land lease payments	575	-	-	575	52,008	-	52,583
Impairment loss on hotel under development	-	-	-	-	1,203,000	-	1,203,000
Interests in joint ventures	1,309	-	96,201	97,510	-	-	97,510
Share of results of associates and joint ventures	(645)	(116)	2,429	1,668	-	-	1,668
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit (loss):							
Share of revenue of associates and joint ventures	435,743	80	6,042	441,865	-	-	441,865

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 March 2017

	Management contracting HK$'000	Property development management HK$'000	Property investment HK$'000	PYE total HK$'000	Hotel development HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
SEGMENT REVENUE								
External sales	6,123,924	3,185	-	6,127,109	-	6,127,109	-	6,127,109
Inter-segment sales	826,719	-	-	826,719	-	826,719	(826,719)	-
Segment revenue	6,950,643	3,185	-	6,953,828	-	6,953,828	(826,719)	6,127,109
Segment profit (loss)	125,281	(1,832)	5,265	128,714	-	128,714	(35,343)	93,371
Corporate income								5,547
Central administrative costs								(128,007)
Finance costs								(8,609)
Gain on disposal of an associate								5,247
Loss before tax								(32,451)

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

At 31 March 2017

	Management contracting HK$'000	Property development management HK$'000	Property investment HK$'000	PYE total HK$'000	Hotel development HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
ASSETS								
Segment assets	3,521,360	20,612	85,304	3,627,276	10,084,840	13,712,116	(638,109)	13,074,007
Pledged bank deposits								16,247
Short term bank deposits								36,876
Bank balances and cash								323,553
Other unallocated assets								73,112
Consolidated assets								13,523,795
LIABILITIES								
Segment liabilities	2,800,534	5,976	15	2,806,525	4,738,178	7,544,703	(707,559)	6,837,144
Bank borrowings								578,070
Other unallocated liabilities								87,897
Consolidated liabilities								7,503,111

The following is an analysis of the Group's other information by reportable and operating segments.

For the year ended 31 March 2017

	Management contracting HK$'000	Property development management HK$'000	Property investment HK$'000	PYE total HK$'000	Hotel development HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER INFORMATION							
Amounts included in the measure of segment profit (loss) or segment assets:							
Additions to hotel under development	-	-	-	-	1,578,947	-	1,578,947
Additions to property, plant and equipment	11,144	-	-	11,144	2,211	4,158	17,513
Additions to deposits paid for acquisition of property, plant and equipment	-	-	-	-	209,893	-	209,893
Depreciation of property, plant and equipment	28,594	10	-	28,604	-	8,633	37,237
Loss (gain) on disposal of property, plant and equipment	(3,375)	-	-	(3,375)	-	6	(3,369)
Release of prepaid land lease payments	575	-	-	575	-	-	575
Interests in joint ventures	2,336	-	85,304	87,640	-	-	87,640
Share of results of associates and joint ventures	(2,311)	(338)	5,290	2,641	-	-	2,641
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit (loss):							
Share of revenue of associates and joint ventures	427,078	-	6,068	433,146	-	-	433,146

The Group's operations are mainly located in Hong Kong, Macau, the People's Republic of China ("The PRC") (excluding Hong Kong and Macau), and Singapore and Malaysia.

The following is an analysis of the Group's revenue based on geographical location where construction works or other services are provided:

	2018 HK$'000	2017 HK$'000
Hong Kong	5,436,397	5,068,846
Macau	1,215,582	694,687
The PRC	128,835	244,872
Singapore and Malaysia	18,715	118,704
	6,799,529	6,127,109

The following is an analysis of the carrying amounts of non-current assets based on the geographical location of the assets:

	2018 HK$'000	2017 HK$'000
Hong Kong	184,371	204,098
Macau	8,908,220	9,670,419
The PRC	97,892	87,406
Singapore and Malaysia	1,937	2,827
	9,192,420	9,964,750

Revenue from customers contributing more than 10% of the total revenue of the Group are as follows:

	2018 HK$'000	2017 HK$'000
Customer A	1,160,032	Note
Customer B	707,365	667,462
Customer C	Note	2,042,615

Note: These customers contributed less than 10% of total revenue of the Group for respective financial year.

All these customers are under the management contracting segment.

4. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Hong Kong		
Current tax	1,390	1,096
Overprovision in prior years	(20)	-
	1,370	1,096
Macau and other jurisdictions		
Current tax	373	6,194
(Over) under provision in prior years	(1,409)	483
	(1,036)	6,677
	334	7,773

Hong Kong Profits Tax is calculated at the rate of 16.5% (2017: 16.5%) of the estimated assessable profits for the year.

Taxation arising in Macau and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. LOSS FOR THE YEAR

	2018	2017
	HK$'000	HK$'000
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	39,658	52,547
Less: Amount capitalised in respect of contracts in progress	(2,135)	(3,247)
Less: Amount capitalised in respect of hotel under development	(3,273)	(12,063)
	34,250	37,237
Loss on disposal of property, plant and equipment	281	3,369
Loss on disposal of other intangible asset	5	-
Release of prepaid land lease payments	104,591	104,591
Less: Amount capitalised in respect of hotel under development	(52,008)	(104,016)
	52,583	575
Staff costs after capitalisation in respect of hotel under development and contracts in progress (Note)	246,163	167,494
Interest income	(4,521)	(5,688)
Less: Interest income capitalised in respect of hotel under development	3	141
	(4,518)	(5,547)

Note: These items are included in administrative and other expenses.

6. DIVIDENDS

No dividend was recognised as distributions to owners of the Company during both years.

The directors do not recommend the payment of a dividend for the year ended 31 March 2018 (2017: Nil).

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	2018 HK$'000	2017 HK$'000
Loss for the purposes of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	(1,573,795)	(44,559)

Number of shares

	Number of shares	Number of shares (restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (Note)	249,618,851	217,695,193

Note: The weighted average number of ordinary shares adopted in the calculation of basic and diluted loss per share for both years have been adjusted retrospectively to reflect the impact of share consolidation and issue of rights issue shares and have been arrived at after deducting the shares held in trust for the Company by an independent trustee.

The computation of diluted loss per share for the year ended 31 March 2018 and 2017 does not assume the exercises of convertible bonds and the unvested shares awarded outstanding for the year ended 31 March 2018 and 2017 since assumed such exercises would result in a decrease in loss per share. In addition, the computation of diluted loss per share for year ended 31 March 2018 and 2017 does not assume the exercises of exchange right granted to option holders under a subsidiary's share option scheme and the Company's share options outstanding during the year because the adjusted exercise prices of those exchange rights and options were higher than the average market price of the shares and assumed such exercises would result in a decrease in loss per share during both years.

8. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

Trade debtors mainly arise from management contracting business. The Group's credit terms for its management contracting business are negotiated at terms determined and agreed with its trade customers. The credit periods are ranging from 60 to 90 days.

Included in trade and other debtors, deposits and prepayments are trade debtors of about HK$1,006,560,000 (2017: HK$598,527,000). The aged analysis of trade debtors, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
Within 90 days	932,419	544,654
More than 90 days and within 180 days	1,256	2,309
More than 180 days	72,885	51,564
	1,006,560	598,527

9. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

The average credit period on trade creditors is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
Within 90 days	499,772	546,624
More than 90 days and within 180 days	2,046	2,291
More than 180 days	88,869	14,942
	590,687	563,857

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

Hotel Development

The Group is building an exclusive luxury hotel and entertainment complex on a site of some 65,000 square feet located on the Cotai Strip of Macau (the "Hotel").

Following the completion of the rights issue in March 2018, the Company raised net proceeds of approximately HK$973 million. With these funds, the Company has focused on completing the fit-out, furnishing and installation of operating equipment at the Hotel in preparation for hotel licensing inspections. On 4 June 2018, the Macau Government Tourism Office ("MGTO") commenced the inspection process for granting of the hotel license. Due to additional time is required for completing defective works after the inspection by MGTO, the Company has further revised the expected opening date of the Hotel to 31 July 2018 (which may be further revised according to the actual circumstances in respect of the development).

As at 31 March 2018, the hotel under development segment recorded assets of approximately HK$8,988 million after an impairment loss of approximately HK$1,203 million to reflect the valuation provided by an independent valuer at valuation date of 31 May 2018. The hotel under development assets include cost of land, hotel under development, deposits paid for acquisition of hotel fixture, furniture and equipment in Macau.

The hotel under development segment also recorded liabilities of approximately HK$4,255 million which include liability portion of convertible bonds issued for financing the hotel development and borrowings for the hotel development.

There was segment loss of approximately HK$1,532 million for the year ended 31 March 2018 which represent the impairment loss and pre-opening expenses recorded in the current year.

Engineering Business—PYE

In the year under review, PYE and its subsidiaries ("PYE Group") benefitted from both the macro-economic and advocated policies of the HKSAR Government. We performed well with a stable volume of construction works and a steady increase in contract projects in a challenging environment. Competition within the industry intensified particularly in pricing and human resources. Rising market demand for construction professionals and skilled labour continued to drive up costs. Excellence is our cornerstone, and in response, we strengthened operational and project management performance by applying advanced technology in our daily operation.

For the year ended 31 March 2018, segment revenue at PYE Group was approximately HK$6,800 million (2017: HK$6,954 million including approximately HK$827 million for the Hotel project in Macau), representing a decrease of approximately 2% from that of the last year. Segment operating profit decreased approximately 12% to approximately HK$113 million (2017: HK$129 million including approximately HK$35 million for the Hotel project in Macau) as a result of increase in staff cost and legal and professional fee.

Sale of Engineering Business—PYE

On 28 June 2017, a subsidiary of the Company entered into sale and purchase agreements in respect of the disposal of its entire 51.76% interests in PYE, an indirect subsidiary of the Company, to Precious Year Limited, a wholly owned subsidiary of ITC Properties Group Limited ("ITCP"), a listed company whose shares are listed on the Stock Exchange (stock code: 199), and Tycoon Bliss Limited, a company wholly owned by Mr. Chan Fut Yan, the deputy chairman and executive director of PYE and also the managing director and executive director of ITCP, for a total consideration of HK$300,000,000 (the "Disposal").

As at 31 March 2018, deposits of HK$179,000,000 were received pursuant to the sale and purchase agreements. Subsequent to the reporting period, the Company's shareholders approved the Disposal in a special general meeting held on 8 May 2018. The completion of the Disposal is subject to the fulfilment of certain conditions. For further details please refer to the circular of the Company dated 28 March 2018.

The Group

For the year ended 31 March 2018, the Group’s consolidated revenue including joint operations increased to approximately HK$6,800 million (2017: HK$6,127 million).

Gross profit increased to approximately HK$299 million (2017: HK$247 million) primarily due to gain from final account settlement. Gross profit margin increased to 4.4% (2017: 4.0%).

Loss attributable to owners of the Company for the year was approximately HK$1,574 million (2017: HK$45 million), representing an increase of approximately 34 times resulting mainly from the impairment loss of HK$1,203 million recognized on hotel under development and the increase in pre-opening expenses for the hotel development segment compared with last year. Basic loss per share was 630.5 HK cents.

The Group recorded total assets of approximately HK$13,945 million as at 31 March 2018, an approximately 3% increment compared with the prior year. The equity attributable to owners of the Company decreased approximately 9% to approximately HK$5,145 million which was mainly due to loss for the year resulting from the hotel development segment but net of the equity raised from issue of rights issue shares in March 2018.

Net cash outflow from operating activities was about HK$90 million and net cash outflow in respect of investing activities was approximately HK$110 million. Net cash inflow in respect of financing activities was approximately HK$1,006 million, resulting in a net increase in cash and cash equivalents of about HK$806 million for the Group for the year ended 31 March 2018.

REVIEW OF OPERATIONS

Hotel Development

Following the rights issue, the Company has focused on completing remaining works and installation of furniture, fixtures and equipment and operating supplies and equipment in preparation for hotel licensing inspections by the MGTO. These inspections commenced on 4 June 2018. Due to additional time is required for completing defective works after the inspection by MGTO, the Company has further revised the expected opening date of the Hotel to 31 July 2018 (which may be further revised according to the actual circumstances in respect of the development).

The number of staff in hotel segment was approximately 230 by the end of March 2018.

Engineering Business – PYE

Management Contracting division remained the core business and the major contributor of revenue this year. Revenue of this division amounted to approximately HK$6,799 million (2017: HK$6,951 million), down by about 2%. The revenue for last year included approximately HK$827 million for the Hotel project in Macau. It reported an operating profit of approximately HK$118 million (2017: HK$126 million). The operating profit for last year included approximately HK$35 million for the Hotel project in Macau. As at 31 March 2018, the value of contracts on hand was approximately HK$31,538 million, while the value of work remaining had stood at approximately HK$15,090 million.

During the year under review, the Management Contracting division secured new construction contracts with an aggregate value of approximately HK$9,844 million, representing an increase of approximately 2% as compared to the amount of approximately HK$9,657 million for last year. Subsequent to the year end, the division secured further contracts of approximately HK$3,436 million. Set out below are some of the new contracts secured during the year and up to the date of this announcement:

- Construction of footbridge and civil works and demolition works for office development at 2 Murray Road, Central
- Construction of public rental housing development at Queen's Hill Site 1 Phases 2, 4 & 5 and portion of Phase 6 cum alteration and addition works at Ching Ho Estate
- Construction of subsidised sale flats development at Tseung Kwan O Area 65C2 Phases 1 and 2
- Construction of subsidised sale flats development at Tung Chung Area 27
- Fitting out works for Grand Lisboa Palace at Cotai, Macau
- Foundation works for the proposed development at NKIL6562 & NKIL6565, Kai Tak
- Hotel development at 25-31 Tyrwhitt Road, Singapore
- Main contract for redevelopment at 205-211A Hai Tan Street, Sham Shui Po
- Main contract for residential development at junction of Shouson Hill Road West and Wong Chuk Hang Path
- Main contract for SCAA Grandstand South at 88 Caroline Hill Road, Causeway Bay
- Main contract works for the hotel development at 320 – 330A Lockhart Road, Wan Chai
- Main contract works (Lot 8) for the Concordia Comprehensive Development at Coloane, Macau
- Main contract works for residential and commercial re-development at 13 – 15 Sze Shan Street, Yau Tong
- Main contract works for residential development at Castle Peak Road - Castle Peak Bay, Area 48, Tuen Mun
- Main contract works for residential development at Castle Peak Road - Tai Lam, Area 55, Siu Sau, Tuen Mun
- Main contract works for residential development at 9 Sai Wan Ho Street, Shau Kei Wan
- Management contract for refurbishment at 5 A Kung Ngam Village Road, Shau Kei Wan

The Property Development Management division reported a loss of approximately HK$7 million for the year under review. The value of contracts on hand for Property Development Management division at the year end was insignificant.

The Property Investment division reported a profit, through its joint venture, of approximately HK$2 million for the year under review. The joint venture holds an investment property in Hangzhou, the Pioneer Technology Building, which is an office building with gross floor area of about 20,000 square meters. The building generated rental income of about HK$12 million (2017: HK$12 million) during the year and its occupancy reached about 90% as at 31 March 2018.

EVENTS AFTER THE REPORTING PERIOD

There are no major subsequent events since the end of the reporting period and up to the date of this report.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintains a variety of credit facilities to meet requirements for working capital. At 31 March 2018, cash, bank balances and deposits stood at approximately HK$1,188 million, of which approximately HK$1,128 million, HK$40 million, HK$12 million, HK$1 million, HK$3 million and HK$4 million were denominated in Hong Kong Dollars, Renminbi, Macau Patacas, Singapore Dollars, Malaysian Ringgit and United States Dollars respectively.

The Group had total borrowings of approximately HK$4,144 million at year-end of which approximately HK$4,116 million are repayable within one year. In addition, the Group also has outstanding convertible bonds with a face value of approximately HK$2,219 million and a liability component as at 31 March 2018 of approximately HK$685 million. The convertible bonds mature in February 2025.

As at 31 March 2018, other than the convertible bonds, the Group's variable-rate borrowings and fixed-rate borrowings are approximately HK$3,829 million and HK$315 million respectively. The convertible bonds are interest free. All borrowings are denominated in Hong Kong Dollars. The Group's ratio of total debt to total assets, based on total debt of approximately HK$4,829 million and total assets of approximately HK$13,945 million, slightly increased from approximately 33% as at 31 March 2017 to approximately 35% as at 31 March 2018.

As of 31 March 2018, the Group's current liabilities exceeded its current assets by approximately HK$3,014 million and the Group had outstanding capital commitments of approximately HK$209 million.

In March 2018, the Company completed the issue of rights issue shares and raised gross proceeds of approximately HK$1,013 million in order to meet its working capital and investment needs. In addition the Group also applied for a further extension of the Hotel opening date covenant to July 2018 under the HK$3,042 million loan facility extended by a Mainland-Chinese Bank. Lastly, the Group is also working to obtain further facilities after opening the Hotel, which will enhance the liquidity of the Group upon commencement of operations.

EMPLOYEES

The Group had 1,690 full-time employees, including the Directors of the Group but excluding contracted casual labour in Macau, as at 31 March 2018. The Group offers competitive remuneration packages based on overall market rates, employee performance, and the performance of the Group. Remuneration packages are comprised of salary, performance-based bonuses, and other benefits including training, provident funds and medical coverage. Three share incentive schemes (namely share option scheme, share award scheme and share financing plan) are in place to motivate and reward eligible employees.

PLEDGE OF ASSETS

As at 31 March 2018, the Group pledged hotel under development, prepaid land lease payments, property, plant and equipment, inventories and bank deposits of approximately HK$6,220 million, HK$1,491 million, HK$159 million, HK$31 million and HK$17 million, respectively, and charged the Group's benefits over certain construction contracts and the Group's interests over certain subsidiaries to secure the general banking and other facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of indemnities of approximately HK$45 million issued to financial institutions for performance and retention bonds on construction contracts of joint operations and contingent liabilities in respect of corporate guarantee of approximately HK$14 million issued to a bank for general banking facilities granted to an associate as at 31 March 2018.

COMMITMENTS

As at 31 March 2018, the Group has expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment and hotel under development of approximately HK$111 million and HK$98 million respectively.

SECURITIES IN ISSUE

During the year ended 31 March 2018, the Company undertook a capital reorganisation (the "Capital Reorganisation") comprising of (i) a share consolidation on the basis of every ten existing shares of HK$2.00 each in the issued and unissued share capital of the Company into one consolidated share of HK$20.00 in the issued and unissued share capital of the Company and (ii) a capital reduction involving reduction of the issued share capital of the Company through cancelling the paid-up capital to the extent of HK$19.80, resulting in the reduction in the nominal value of each issued share from HK$20.00 to HK$0.20. Upon completion of the Capital Reorganisation, the Company issued 920,867,010 rights issue shares in March 2018 on the basis of ten rights issue shares for every one share held (the "Rights Issue").

During the year, 31,634,500 share options (pre-adjusted), 973,400 share options (adjusted as a result of the Capital Reorganisation which took effect on 12 February 2018) and 786,907 share options (adjusted as a result of the Capital Reorganisation which took effect on 12 February 2018 and the completion of the Rights Issue on 20 March 2018) lapsed.

As at 31 March 2018, there were 1,012,953,711 shares in issue. Additional shares may be issued by way of: i) exercise of share options of the Company for up to 11,246,173 shares of the Company depending on the fulfilment of vesting conditions attached to the options; and ii) conversion of three 2025 convertible bonds which if fully converted would result in the issuance of 231,632,026 shares of the Company.

FINAL DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 March 2018 (2017: Nil).

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

During the year ended 31 March 2018, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

OUTLOOK

Following strong economic performance in 2017 and Q1 2018, both the US and China are focused on sustaining stable late-cycle economic growth rather than seeking higher growth numbers. With economies at or nearing full employment both central banks are focused on monetary stability and debt reduction, whether it be the central bank balance sheet or in the broader economy. This secular change is coming after a decade of unconventional monetary policy and during a period of growing trade friction and uncertainty led by the US. While most baseline global macroeconomic forecasts remain sanguine with global growth slowing slightly in 2019, the scope of the potential secular changes also leaves open the possibility of unpredictable outcomes.

Hotel Development

Overall Macau gross gaming revenue ("GGR") continued to grow robustly in 2017. GGR for the year 2017 recording an increase of 19.1% when compared to the year 2016 and the five months ended May 2018 recorded year-on-year ("Y-O-Y") growth of 20.1%. October 2017 GGR was the highest recorded in Macau since January 2015.

Visitation to Macau for the year 2017 recorded an increase of 5.4% when compared to the year 2016 and recorded an increase of 7.8% YOY for the five months ended May 2018.

Macau GGR is rebounding on the back of increasing nominal Gross Domestic Product ("GDP") growth in China and greater political stability in China following the 13th National People's Congress. According to OECD data, in 2017, China recorded 11.2% year on year nominal GDP growth vs. 8.0% for 2016. The OECD is forecast 10.8% growth for 2018.

Engineering Business – PYE

Hampered by land constraints, the HKSAR government encountered various challenges in devising housing policies. In August 2017, the Task Force on Land Supply was set up to garner broad public consensus on land-supply strategies. We believe that the government will be able to work out pragmatic medium to long-term land-supply solutions to meet residential unit targets. In addition, it is expected that more infrastructure projects will be put on stream both in Hong Kong and Macau. We are optimistic about the long-term outlook for the construction sector in which we are one of the leading participants.

As a leading integrated contracting services company in Hong Kong, the Group keeps abreast of industry trends and developments and devotes considerable resources to innovation research and development. We have in place an entire blueprint for innovation research and digital technology applications for construction. For example, our "BIM for All to Use" program keeps us at technology's cutting edge by regularly inviting experts to share their BIM knowledge with staff from various departments. Technological advancements such as big data and cloud computing, drones, 3D scanning and printing, real-time face recognition, and Augmented Reality (AR) Technology are applied in our day to day work, enhancing efficiency and reducing construction time. Further, Virtual Reality (VR) Technology is applied in a variety of fields from safety training to site safety.

While macro-economic and industry uncertainties are part of the course, the business legacy and creative response of an enterprise are dependent on the cohesive efforts of the team to move forward. Solidarity and the sharing of unified beliefs and values make the crucial difference. Being pragmatic, our Group will continue to think boldly and creatively, making every endeavour to explore opportunities and advancements, to maximise the interests of our stakeholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance because it believes that is the best way to enhance shareholder value. The Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2018 and has adopted most of the recommended best practices stated therein.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company (the "Audit Committee") include oversight of the Group's financial reporting system, risk management and internal control systems, review of the Group's financial information, and review of the relationship with the external auditor of the Company.

The Audit Committee comprises five independent non-executive directors of the Company, namely:
– Ir James Chiu, *OBE*, *JP* (Chairman of the Audit Committee)
– Professor Lee Chack Fan, *GBS*, *SBS*, *JP*
– Mr Iain Ferguson Bruce
– Mr Francis Goutenmacher
– Mr Chan Kok Chung, Johnny

The Group's results for the year ended 31 March 2018 have been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this preliminary results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement 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 Messrs. Deloitte Touche Tohmatsu on this preliminary results announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 March 2018. The report includes paragraphs of an emphasis of matter, without qualification.

"**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK$1,570,374,000 for the year ended 31 March 2018 and as of that date, the Group's current liabilities exceeded its current assets by HK$3,014,106,000. The Group's total bank and other borrowings amounted to HK$4,143,554,000, of which HK$4,116,054,000 were classified as current liabilities. In addition, the Group had capital commitments contracted for but not provided in the consolidated financial statements of HK$208,597,000.

At 31 March 2018, the Group had breached certain covenants in respect of bank borrowings in the amount of HK$3,041,924,000, as stipulated in the bank loan agreement which require THE 13 Hotel (the "Hotel") to have the official opening no later than 31 March 2017 (subsequently extended to 31 July 2017) and to obtain and maintain all authorisations for the operation of the hotel business. The Group has applied for a further extension of the hotel opening date to 31 July 2018 due to the further delay in the hotel opening. However as at the date of this report, the Group has not received any written confirmation from the bank that the latest extension request has been successful. As a result, as at the date of this report, such bank borrowings are repayable on demand. The Group also has a senior secured other bridge borrowing in the amount of HK$220,000,000 which, as at the date of this report, is also repayable on demand.

Should the above mentioned situations constitute events of default under the respective borrowing agreements, additional bank and other borrowings, in the amount up to HK$2,585,635,000, which had original contractual repayment dates beyond 31 March 2019, may become immediately repayable.

The directors of the Company are of the opinion that based on the assumptions that the financing plans and measures as set forth in note 1 to the consolidated financial statements can be successfully executed, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. However, the likelihood of the successful implementation of these financing plans and measures could not be determined at the date of our report. These events or conditions, along with other matters as set forth in note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company.

All directors of the Company have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code during the year ended 31 March 2018.

ANNUAL GENERAL MEETING

The 2018 Annual General Meeting of the Company will be held on 27 August 2018. Notice of the 2018 Annual General Meeting will be published on the Company's website at www.southshore-holdings.com and the Stock Exchange's website, and despatched to shareholders in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.southshore-holdings.com and the Stock Exchange's website. The 2018 Annual Report will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, we would like to take this opportunity to thank our shareholders, customers, and business partners for their continuous support and contributions. We would also like to express our gratitude to our fellow directors for their guidance, and thank all our staff for their dedication and hard work.

On behalf of the Board
Peter Lee Coker Jr.
Chairman

Hong Kong, 27 June 2018

As at the date of this announcement, the directors of the Company are:

Mr Peter Lee Coker Jr.	:	Chairman (Executive Director)
Mr Lau Ko Yuen, Tom	:	Deputy Chairman (Executive Director)
Mr Walter Craig Power	:	Chief Executive Officer (Executive Director)
Ir James Chiu, *OBE, JP*	:	Independent Non-Executive Director
Professor Lee Chack Fan, *GBS, SBS, JP*	:	Independent Non-Executive Director
Mr Iain Ferguson Bruce	:	Independent Non-Executive Director
Mr Francis Goutenmacher	:	Independent Non-Executive Director
Mr Chan Kok Chung, Johnny	:	Independent Non-Executive Director