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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

•	Revenue	HK$4,436 million	+44%
•	Gross profit	HK$178 million	+28%
•	Loss attributable to owners of the Company	HK$442 million	+1,822%
•	Loss per share		
	– Basic	HK43.7 cents	+316%
	– Diluted	HK43.7 cents	+316%
•	NAV per share	HK$4.5	–11%

RESULTS

The board of directors (the "Board") of South Shore 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 six months ended 30 September 2018, together with the comparative figures for the corresponding year in 2017. The consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018 and the consolidated statement of financial position of the Group as at 30 September 2018, all of which are unaudited and condensed, along with selected explanatory notes, have been reviewed by the Company's Audit Committee and external auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**4,436,072**	3,075,067
Cost of sales		**(4,258,273)**	(2,935,808)
Gross profit		**177,799**	139,259
Other income		**4,396**	2,161
Administrative and other expenses		**(401,964)**	(160,313)
Finance costs		**(202,955)**	(4,999)
Impairment allowance on financial assets and contract assets		**(6,784)**	–
Share of results of associates		**(2,307)**	(288)
Share of results of joint ventures		**860**	1,027
Loss before tax		**(430,955)**	(23,153)
Income tax expense	4	**(2,675)**	(456)
Loss for the period	5	**(433,630)**	(23,609)
Loss for the period attributable to:			
Owners of the Company		**(442,380)**	(23,031)
Non-controlling interests		**8,750**	(578)
		(433,630)	(23,609)
			(restated)
Loss per share	7		
Basic *(HK cents)*		**(43.7)**	(10.5)
Diluted *(HK cents)*		**(43.7)**	(10.5)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September 2018 *HK$'000*	2017 *HK$'000*
Loss for the period	**(433,630)**	(23,609)
Other comprehensive (expense) income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(5,702)**	3,859
Share of translation reserve of an associate and joint ventures	**(7,644)**	3,509
	(13,346)	7,368
Total comprehensive expense for the period	**(446,976)**	(16,241)
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	**(449,287)**	(19,217)
Non-controlling interests	**2,311**	2,976
	(446,976)	(16,241)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30.9.2018 HK$'000	Audited 31.3.2018 HK$'000
NON-CURRENT ASSETS			
Hotel property/hotel under development		**7,268,794**	6,961,944
Property, plant and equipment		**661,627**	328,409
Deposits paid for acquisition of property, plant and equipment		**31,486**	221,698
Deposits for investments		**–**	110,000
Prepaid land lease payments		**1,350,825**	1,403,121
Goodwill		**61,646**	61,646
Other intangible assets		**8,067**	8,092
Interests in joint ventures		**90,489**	97,510
		9,472,934	9,192,420
CURRENT ASSETS			
Prepaid land lease payments		**104,591**	104,591
Amounts due from customers for contract works		**–**	1,056,904
Inventories		**55,552**	46,998
Trade and other debtors, deposits and prepayments	8	**979,700**	2,115,160
Contract assets		**2,455,413**	–
Amounts due from associates		**17,465**	12,628
Amounts due from joint ventures		**6,787**	121,705
Amounts due from joint operations/other partners of joint operations		**54,435**	55,077
Amounts due from subsidiaries of a shareholder		**6,094**	17,495
Other loans receivable		**56,162**	32,159
Taxation recoverable		**3,004**	1,592
Pledged bank deposits		**15,667**	17,020
Short term bank deposits		**30,471**	271,887
Bank balances and cash		**331,384**	899,554
		4,116,725	4,752,770
CURRENT LIABILITIES			
Amounts due to customers for contract works		**–**	1,285,325
Trade and other creditors and accrued expenses	9	**2,909,704**	2,046,098
Contract liabilities		**664,050**	–
Deposits received		**179,000**	179,000
Amount due to a joint venture		**52**	52
Amounts due to joint operations/other partners of joint operations		**57,287**	58,283
Amount due to a subsidiary of a shareholder		**2,379**	4,710
Loan from a subsidiary of a shareholder		**75,000**	75,000
Taxation payable		**4,978**	2,354
Bank and other borrowings – due within one year		**4,089,424**	4,116,054
		7,981,874	7,766,876

	Unaudited 30.9.2018 *HK$'000*	Audited 31.3.2018 *HK$'000*
NET CURRENT LIABILITIES	**(3,865,149)**	(3,014,106)
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,607,785**	6,178,314
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	**22,500**	27,500
Convertible bonds	**748,675**	684,611
Obligation in excess of interests in associates	**8,906**	6,836
	780,081	718,947
	4,827,704	5,459,367
CAPITAL AND RESERVES		
Share capital	**202,591**	202,591
Reserves	**4,397,484**	4,942,013
Equity attributable to owners of the Company	**4,600,075**	5,144,604
Non-controlling interests		
Share of net assets of subsidiaries	**227,629**	314,763
TOTAL EQUITY	**4,827,704**	5,459,367

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In preparing the condensed 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$433,630,000 and as of that date, the Group's current liabilities exceeded its current assets by HK$3,865,149,000. In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements of HK$46,635,000.

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 obtaining waiver for the non-compliance of certain loan covenants in respect of bank borrowings

The Group had not complied with certain covenants in respect of bank borrowings in the amount of HK$2,941,924,000, 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. The Group has applied for a further extension of the hotel opening date to 31 August 2018 due to the further delay in the hotel opening. The Group obtained all the licenses for the operation of hotel business in August 2018 and the Hotel opened on 31 August 2018. As at the date of approval of these condensed consolidated financial statements, such extension and waiver for the non-compliance of the covenants as stated in the bank loan agreement, is being processed by the bank. As a result, as at the date of approval of these condensed consolidated financial statements, such bank borrowings are repayable on demand.

Up to the date of approval of these condensed consolidated financial statements, the Group has not been rejected on the application for extension nor received any written notice from the bank demanding for immediate repayment of the entire borrowing. 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 such extension for the hotel opening date to 31 August 2018 and waiver for the non-compliance of the covenants will be withheld by the relevant bank and also do not expect to receive any request from the bank for immediate repayment for the entire borrowing of HK$2,941,924,000, except for the repayment of HK$456,289,000 as fall due on 15 August 2019, for at least the next twelve months from the date of approval of these condensed consolidated financial statements.

(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 of 51.76% interest in Paul Y. Engineering Group Limited ("PYE") for consideration of HK$300 million and has obtained the shareholders' approval on 8 May 2018. The Group has received deposit of HK$179 million regarding the proposed disposal up to 30 September 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 approval of these condensed consolidated financial statements, no definitive loan agreements in relation to the above-mentioned 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 of these condensed 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$220 million outstanding as at 30 September 2018, of which the 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 in accordance with the agreement. Subsequent to the six months ended 30 September 2018, the maturity date of such senior secured other bridge borrowing was extended to 31 December 2019. Up to the date of approval of these condensed consolidated financial statements, the Group has not received any written notice from the 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 borrowing, 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 condensed consolidated financial statements. Accordingly the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the Group's financial period beginning on 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Construction contracts
- Development management, project management and facilities and asset management services

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed and final accounts not yet finalised with customers at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a goods and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

<u>Input method</u>

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration in relation to the variation works and claims for prolongation, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts.

The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The revenue from construction contracts is recognised over time under input method. The progress towards complete satisfaction of a performance obligation of construction contracts is measured with reference to contract costs incurred for work performed to date.

Contract costs that related to satisfy performance obligation are expensed as incurred.

The revenue from development management, project management and facilities and asset management services is recognised over time in the period in which the related services are provided.

The initial application of HKFRS 15 resulted in adjustments of amounts due from/to customers for contract works and trade and other debtors, deposits and prepayments of HK$173,607,000 with corresponding adjustments charged to accumulated losses by HK$89,876,000 and non-controlling interests by HK$83,747,000 and credited to translation reserve by HK$16,000 at 1 April 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	Reclassification	Remeasurement	Carrying amounts under HKFRS 15 at 1 April 2018*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Notes a and b)	*(Note c)*	
Current assets				
Amounts due from customers for contract works	1,056,904	–	(1,056,904)	–
Trade and other debtors, deposits and prepayments	2,115,160	(1,029,409)	(2,515)	1,083,236
Contract assets	–	1,143,349	925,773	2,069,122
Amounts due from associates	12,628	(129)	–	12,499
Amounts due from joint ventures	121,705	(113,811)	–	7,894
Current liabilities				
Amounts due to customers for contract works	1,285,325	–	(1,285,325)	–
Trade and other creditors and accrued expenses	2,046,098	(114,637)	–	1,931,461
Contract liabilities	–	114,637	1,325,286	1,439,923
Capital and reserves				
Accumulated losses	(1,633,473)	–	(89,876)	(1,723,349)
Translation reserve	25,155	–	16	25,171
Non-controlling interests	314,763	–	(83,747)	231,016

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) At the date of initial application, unbilled revenue arising from the construction contracts of HK$535,720,000 and HK$97,472,000 previously included in trade and other debtors, deposits and prepayments and amounts due from joint ventures respectively are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. Also, retention held by customers arising from the construction contracts of HK$493,689,000, HK$129,000 and HK$16,339,000 previously included in trade and other debtors, deposits and prepayments, amounts due from associates and amounts due from joint ventures respectively are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. Thus, these balances, in aggregate of HK$1,143,349,000, were reclassified to contract assets.

(b) At the date of initial application, advance receipts from customers in respect of the construction contracts of HK$114,637,000 previously included in trade and other creditors and accrued expenses were reclassified to contract liabilities.

(c) The adjustments represented the remeasurement upon adoption of HKFRS 15. In relation to construction contracts previously accounted for under HKAS 11, the Group changed to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Under input method, costs that related to satisfy performance obligations are expensed as incurred. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured by reference to the total value of contract works performed to date. Construction costs that have been incurred but deferred to be recognised in profit or loss and previously included in amounts due from (to) customers for contract works were charged to opening accumulated losses.

The remeasurement from amounts due from customers for contract works to contract assets under input method represented the Group's right to considerations in exchange for services that the Group has transferred to customers that is not yet unconditional. The remeasurement from amounts due to customers for contract works to contract liabilities under input method represented the Group's obligation to transfer services to customers for which the Group has received consideration from the customers.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position as at 30 September 2018

	As reported	Reclassification	Remeasurement	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Notes a and b)	*(Note c)*	
Current assets				
Amounts due from customers for contract works	–	–	1,113,585	1,113,585
Trade and other debtors, deposits and prepayments	979,700	1,341,267	257	2,321,224
Contract assets	2,455,413	(1,476,956)	(978,457)	–
Amounts due from associates	17,465	129	–	17,594
Amounts due from joint ventures	6,787	135,560	–	142,347
Current liabilities				
Amounts due to customers for contract works	–	–	517,046	517,046
Trade and other creditors and accrued expense	2,909,704	137,778	–	3,047,482
Contract liabilities	664,050	(137,778)	(526,272)	–
Taxation payable	4,978	–	(516)	4,462
Capital and reserves				
Accumulated losses	(2,168,337)	–	75,138	(2,093,199)
Translation reserve	18,264	–	(20)	18,244
Non-controlling interests	227,629	–	70,009	297,638

Impact on the condensed consolidated statement of profit or loss for the six months ended 30 September 2018

	As reported *HK$'000*	Adjustments *HK$'000* *(Note c)*	Amounts without application of HKFRS 15 *HK$'000*
Revenue	4,436,072	(891,001)	3,545,071
Cost of sales	(4,258,273)	864,269	(3,394,004)
Gross profit	177,799	(26,732)	151,067
Loss before tax	(430,955)	(28,990)	(459,945)
Income tax expense	(2,675)	516	(2,159)
Loss for the period	(433,630)	(28,474)	(462,104)

Notes:

(a) Under HKAS 11, unbilled revenue of HK$803,151,000 and HK$119,221,000 included in trade and other debtors, deposits and prepayments and amounts due from joint ventures respectively and retention held by customers of HK$538,116,000, HK$129,000 and HK$16,339,000 included in trade and other debtors, deposits and prepayments, amounts due from associates and amounts due from joint ventures respectively, in aggregate of HK$1,476,956,000, at 30 September 2018 were reclassified to contract assets upon application of HKFRS 15.

(b) Under HKAS 11, the Group's obligation to transfer services to customers for which the Group has received consideration from the customers amounting to HK$137,778,000 at 30 September 2018 were reclassified to contract liabilities upon application of HKFRS 15.

(c) The adjustments represented the remeasurement as if HKFRS 15 had not been adopted and the Group had continued to apply HKAS 11 for the six months ended 30 September 2018. Under HKAS 11, the difference between the actual construction costs incurred and the amount charged to profit or loss based on the stage of completion of the contract activity, which is by reference to the estimated total revenue for contracts entered into by the Group that have been performed to date, was included in amounts due from/to customers for contract works.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade debtors arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortised cost.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets (including trade and other debtors, amounts due from associates, joint ventures, joint operation/other partners of joint operations and subsidiaries of a shareholder, other loans receivable, pledged bank deposits, short term bank deposits and bank balances and cash), contract assets and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade debtors, contract assets, and trade balances due from associates, joint ventures, joint operation and subsidiaries of a shareholder. Except for those which had been determined as credit impaired under HKAS 39, they have been assessed individually with significant outstanding balances, the remaining balances are grouped based on internal credit rating and past due analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade debtors for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade debtors and the contract assets on the same basis.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group rebutted the presumption of default under ECL model for trade debtors, contract assets, and trade balances due from associates, joint ventures, joint operation and subsidiaries of a shareholder over 90 days past due based on the good repayment records for those customers and continuous business with the Group. Customers are assessed collectively based on provision matrix based on historical credit loss experience adjusted by forward looking estimates. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors, contract assets, amounts due from associates, joint ventures, joint operation and subsidiaries of a shareholder and other loans receivable, where the corresponding adjustment is recognised through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets, contract assets and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Notes 2.2.2 and 2.3.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Amortised cost (previously classified as loans and receivables) *HK$'000*	Contract assets *HK$'000*	Accumulated losses *HK$'000*	Non-controlling interests *HK$'000*
At 31 March 2018				
– HKAS 39 (audited)	3,314,101	–	(1,633,473)	314,763
Effect arising from initial application of HKFRS 15	(1,143,349)	2,069,122	(89,876)	(83,747)
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model *(Note)*	(11,306)	(505)	(6,113)	(5,698)
At 1 April 2018				
– HKFRS 9 (restated)	2,159,446	2,068,617	(1,729,462)	225,318

Note:

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade debtors, contract assets, and trade balances due from associates, joint ventures, joint operation and subsidiaries of a shareholder. To measure the ECL, trade debtors, contract assets, and trade balances due from associates, joint ventures, joint operation and subsidiaries of a shareholder with significant balances have been assessed individually. The contract assets relate to retention held by customers and unbilled revenue, and have substantially the same risk characteristics as the trade debtors for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade debtors are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of other debtors, other and non-trade balances due from associates, joint ventures, joint operation, other partners of joint operations and a subsidiary of a shareholder, other loans receivable, pledged bank deposits, short term bank deposits and bank balances and cash, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the additional credit loss allowance of HK$6,113,000 and HK$5,698,000 have been recognised against accumulated losses and non-controlling interests respectively. The additional loss allowance is charged against the respective asset.

Loss allowances for financial assets (including trade and other debtors and other loans receivable) and contract assets as at 31 March 2018 reconcile to the loss allowance as at 1 April 2018 is as follows:

	Trade and other debtors	**Contract assets**	**Other loans receivable**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018				
– HKAS 39 (audited)	3,833	N/A	–	3,833
Amounts remeasured through opening accumulated losses	9,698	505	1,608	11,811
At 1 April 2018				
– HKFRS 9 (restated)	13,531	505	1,608	15,644

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 March 2018 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1 April 2018 (Restated) *HK$'000*
Non-current assets				
Items with no adjustments	9,192,420	–	–	9,192,420
Current assets				
Amounts due from customers for contract works	1,056,904	(1,056,904)	–	–
Trade and other debtors, deposits and prepayments	2,115,160	(1,031,924)	(9,698)	1,073,538
Contract assets	–	2,069,122	(505)	2,068,617
Amounts due from associates	12,628	(129)	–	12,499
Amounts due from joint ventures	121,705	(113,811)	–	7,894
Other loans receivable	32,159	–	(1,608)	30,551
Others with no adjustments	1,414,214	–	–	1,414,214
	4,752,770	(133,646)	(11,811)	4,607,313
Current liabilities				
Amounts due to customers for contract works	1,285,325	(1,285,325)	–	–
Trade and other creditors and accrued expenses	2,046,098	(114,637)	–	1,931,461
Contract liabilities	–	1,439,923	–	1,439,923
Others with no adjustments	4,435,453	–	–	4,435,453
	7,766,876	39,961	–	7,806,837
Net current liabilities	(3,014,106)	(173,607)	(11,811)	(3,199,524)
Total assets less current liabilities	6,178,314	(173,607)	(11,811)	5,992,896
Non-current liabilities				
Items with no adjustments	718,947	–	–	718,947
	5,459,367	(173,607)	(11,811)	5,273,949
Capital and reserves				
Accumulated losses	(1,633,473)	(89,876)	(6,113)	(1,729,462)
Translation reserve	25,155	16	–	25,171
Non-controlling interests	314,763	(83,747)	(5,698)	225,318
Others with no adjustments	6,752,922	–	–	6,752,922
Total equity	5,459,367	(173,607)	(11,811)	5,273,949

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer.

	Six months ended 30 September 2018 *HK$'000*
Disaggregation of revenue	
Management contracting	**4,436,044**
Property development management	**28**
	4,436,072

	Six months ended 30 September 2018 *HK$'000*
Timing of revenue recognition	
Over time	**4,436,072**

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 operation/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, PYE.

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

For the six months ended 30 September 2018

	Management contracting *HK$'000*	Property development management *HK$'000*	Property investment *HK$'000*	PYE total *HK$'000*	Hotel operation/ development *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE								
External sales	**4,436,044**	**28**	**–**	**4,436,072**	**–**	**4,436,072**	**–**	**4,436,072**
Inter-segment sales	**(44,714)**	**–**	**–**	**(44,714)**	**–**	**(44,714)**	**44,714**	**–**
Segment revenue	**4,391,330**	**28**	**–**	**4,391,358**	**–**	**4,391,358**	**44,714**	**4,436,072**
Segment profit (loss)	**82,023**	**(1,497)**	**878**	**81,404**	**(425,030)**	**(343,626)**	**1,553**	**(342,073)**
Corporate income								**4,396**
Central administrative costs								**(86,173)**
Finance costs								**(7,105)**
Loss before tax								**(430,955)**

For the six months ended 30 September 2017

	Management contracting *HK$'000*	Property development management *HK$'000*	Property investment *HK$'000*	PYE total *HK$'000*	Hotel operation/ development *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE								
External sales	3,074,704	363	–	3,075,067	–	3,075,067	–	3,075,067
Segment revenue	3,074,704	363	–	3,075,067	–	3,075,067	–	3,075,067
Segment profit	50,344	13	1,296	51,653	–	51,653	(7)	51,646
Corporate income								2,161
Central administrative costs								(71,961)
Finance costs								(4,999)
Loss before tax								(23,153)

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

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

4. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong		
Current tax	**1,316**	–
Macau and other jurisdictions		
Current tax	**1,359**	119
Underprovision in prior years	**–**	337
	1,359	456
	2,675	456

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. The estimated weighted average annual tax rate used is 16.5% (six months ended 30 September 2017: 16.5%) for the six months ended 30 September 2018.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 September 2017 as the assessable profits were wholly absorbed by tax losses brought forward.

Taxation arising in Macau and other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

5. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting):		
Depreciation of hotel property	**43,011**	–
Depreciation of property, plant and equipment	**25,479**	21,019
Less: Amount capitalised in respect of contracts in progress	**–**	(1,072)
Less: Amount capitalised in respect of hotel property/ hotel under development	**–**	(3,273)
	25,479	16,674
Legal and professional fee *(Note)*	**34,546**	20,570
Gain on disposal of property, plant and equipment	**(4,924)**	(182)
Release of prepaid land lease payments	**52,296**	52,296
Less: Amount capitalised in respect of hotel property/ hotel under development	**–**	(52,008)
	52,296	288
Staff costs *(Note)*	**169,829**	91,302
Interest income	**(4,396)**	(2,164)
Less: Interest income capitalised in respect of hotel property/ hotel under development	**–**	3
	(4,396)	(2,161)

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

6. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2018 and 2017, nor has any dividend been proposed since the end of the reporting periods.

7. LOSS PER SHARE

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share:		
Loss for the period attributable to owners of the Company	**(442,380)**	(23,031)

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)*	**1,012,953,711**	218,343,577

Note: The weighted average number of ordinary shares adopted in calculation of basic and diluted loss per share for the six months ended 30 September 2017 have been adjusted retrospectively to reflect the impact of capital reorganisation 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 six months ended 30 September 2018 and 2017 does not assume the exercises of convertible bonds and the unvested shares awarded outstanding for the six months ended 30 September 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 the six months ended 30 September 2018 and 2017 does not assume the exercises of the Company's share options outstanding during the six months ended 30 September 2018 and 2017 and the computation of diluted loss per share for the six months ended 30 September 2017 does not assume the exercises of exchange right granted to option holders under a subsidiary's share option scheme 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 periods.

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.

The aged analysis of trade debtors, net of impairment allowance, presented based on the invoice date at the end of the reporting period is as follows:

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
Within 90 days	**283,858**	396,699
More than 90 days and within 180 days	**–**	1,256
More than 180 days	**64,319**	72,885
	348,177	470,840

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:

	30.9.2018	31.3.2018
	HK$'000	*HK$'000*
Within 90 days	**609,890**	499,772
More than 90 days and within 180 days	**507**	2,046
More than 180 days	**31,215**	88,869
	641,612	590,687

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

Hotel Business – The 13

The Group is operating an exclusive luxury hotel and entertainment complex on a site of some 65,000 square feet located on the Cotai Strip of Macau ("THE 13 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 completed the fit-out, furnished and installed operating equipment at THE 13 Hotel and obtained hotel license in August 2018 and opened hotel by 31 August 2018.

As at 30 September 2018, the hotel segment recorded assets of approximately HK$9,361 million. The hotel segment assets include cost of land, hotel property and THE 13 Hotel's fixture, furniture and equipment (including deposits paid).

The hotel segment also recorded liabilities of approximately HK$4,302 million which include liability portion of convertible bonds issued and borrowings for financing the hotel development and operation.

There was segment loss of approximately HK$425 million for the six months ended 30 September 2018 which mainly represent finance costs for hotel operations, depreciation and amortization charges and other hotel operation costs recorded in the current period.

Engineering Business – PYE

During the period under review, the construction market in Hong Kong performed steadily due to advocated policies by the HKSAR Government and stable volume of construction works in market. Our Group continued to grasp opportunities and enhance our business performance by adopting various approaches including streamlined operations and project management, as well as advanced technologies application.

For the six months ended 30 September 2018, PYE Group recorded a consolidated revenue of approximately HK$4,391 million (2017: HK$3,075 million), representing an increase of approximately 43% from that of the last period. The gross profit increased by approximately 28% to approximately HK$178 million (2017: HK$139 million) and the gross margin was approximately 4.0% (2017: 4.5%). Profit for the period attributable to owners of PYE was approximately HK$32 million (2017: HK$10 million), an increase of approximately 220% as a result of the adoption of new accounting standard for revenue. In the current interim period, PYE Group applied HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 9 "Financial Instruments", without restating the financial information for the last corresponding period. As the profits of PYE Group for the two periods were determined by applying different accounting standards, certain information may not be directly comparable. The impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 9 "Financial Instruments" are stated in note 2 to the condensed consolidated financial statements.

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 million (the "Disposal"). The Company's shareholders approved the Disposal in a special general meeting held on 8 May 2018.

As at 30 September 2018, deposits of HK$179 million were received pursuant to the sale and purchase agreements. The completion of the Disposal is subject to the fulfilment of certain conditions. For further details please refer to a circular of the Company dated 28 March 2018 and an announcement of the Company dated 28 September 2018.

The Group

For the six months ended 30 September 2018, the Group's consolidated revenue including joint operations increased to approximately HK$4,436 million (2017: HK$3,075 million). Gross profit increased to approximately HK$178 million (2017: HK$139 million). Gross profit margin slightly decreased to 4.0% (2017: 4.5%). The increase in the gross profit was mainly the result of the adoption of new accounting standards in the current period as mentioned in section "REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS: Engineering Business — PYE" above.

Loss attributable to owners of the Company for the period was approximately HK$442 million (2017: HK$23 million), representing an increase of approximately 18 times resulting mainly from the increase in finance costs, depreciation and amortization charges and hotel operation expenses for the hotel segment compared with last year. Basic loss per share was 43.7 HK cents.

The Group recorded total assets of approximately HK$13,590 million as at 30 September 2018, an approximately 3% decrease compared with the prior year. The equity attributable to owners of the Company decreased approximately 11% to approximately HK$4,600 million which was mainly due to loss for the period resulting from the hotel segment.

Net cash outflow from operating activities was about HK$191 million and net cash outflow in respect of investing activities was approximately HK$523 million. Net cash outflow in respect of financing activities was approximately HK$93 million, resulting in a decrease in cash and cash equivalents of about HK$807 million for the Group for the six months ended 30 September 2018.

REVIEW OF OPERATIONS

Hotel Business – The 13

The Group has obtained all the required licenses (namely the licenses for "Hotel", "F&Bs", "Health Club" and "Bar") for the operation of THE 13 Hotel and THE 13 Hotel opened on 31 August 2018. THE 13 Hotel has been accepting private events during September 2018. The Group has also been conducting training exercises to maximize the service levels of the operational team.

The number of staff in hotel segment was approximately 270 by the end of September 2018.

Engineering Business – PYE

Management Contracting division remained the core business and the major contributor of revenue this period. Revenue of this division amounted to approximately HK$4,391 million (2017: HK$3,075 million), up by about 43%. Its operating profit amounted to approximately HK$82 million (2017: HK$51 million). As at 30 September 2018, the value of contracts on hand was approximately HK$31,702 million, while the value of work remaining had stood at approximately HK$23,499 million.

During the period under review, the Management Contracting division secured new construction contracts with an aggregate value of approximately HK$12,533 million. Subsequent to the period end, the division secured further contracts of approximately HK$863 million. Set out below are some of the new contracts secured during the period and up to the date of this announcement:

- 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
- Design and construction of redevelopment of Queen Mary Hospital, Phase 1 – Main works at Pok Fu Lam Road
- Foundation works for the proposed development at NKIL6562 & NKIL6565, Kai Tak
- Main works contract for development of IE 2.0 Project A at Tseung Kwan O Industrial Estate
- Main contract for Academic Building at No.3 Sassoon Road
- Main contract works for residential and commercial re-development at 13-15 Sze Shan Street, Yau Tong

During the period under review, revenue contributed by the Property Development Management division was insignificant.

The Property Investment division reported a profit, through its joint venture, of approximately HK$1 million for the period 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$5 million (2017: HK$6 million) during the period and its occupancy reached about 95% as at 30 September 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 announcement.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintains a variety of credit facilities to meet requirements for working capital. At 30 September 2018, cash, bank balances and deposits stood at approximately HK$378 million, of which approximately HK$283 million, HK$60 million, HK$19 million, HK$1 million, HK$12 million, HK$3 million were denominated in Hong Kong Dollars, Renminbi, Macau Patacas, Japanese Yen, Singapore Dollars and Malaysian Ringgit respectively.

The Group had total borrowings of approximately HK$4,112 million at period-end of which approximately HK$4,089 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 30 September 2018 of approximately HK$749 million. The convertible bonds mature in February 2025.

As at 30 September 2018, other than the convertible bonds, the Group's variable-rate borrowings and fixed-rate borrowings are approximately HK$3,754 million and HK$358 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$4,861 million and total assets of approximately HK$13,590 million, slightly increase from approximately 35% as at 31 March 2018 to approximately 36% as at 30 September 2018.

As of 30 September 2018, the Group's current liabilities exceeded its current assets by approximately HK$3,865 million and the Group had outstanding capital commitments of approximately HK$47 million.

The Group is working to obtain further facilities in order to enhance the liquidity of the Group for hotel operations.

EMPLOYEES

The Group had 1,912 full-time employees, including the Directors of the Group but excluding contracted casual labour in Macau, as at 30 September 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 30 September 2018, the Group pledged hotel property, prepaid land lease payments, property, plant and equipment, inventories and bank deposits of approximately HK$6,183 million, HK$1,439 million, HK$159 million, HK$31 million and HK$16 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$44 million issued to financial institutions for bonds on construction contracts of joint operations as at 30 September 2018.

COMMITMENTS

As at 30 September 2018, the Group has expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment of approximately HK$47 million.

SECURITIES IN ISSUE

During the six months ended 30 September 2018, 336,956 share options lapsed.

As at 30 September 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 10,909,217 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.

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 September 2018 (2017: Nil).

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

During the six months ended 30 September 2018, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

OUTLOOK

Hotel Business – The 13

Overall Macau gross gaming revenue ("GGR") continued to grow robustly in 2018. GGR for the ten months ended October 2018 recorded year-on-year ("Y-O-Y") growth of 14.3%. October 2018 GGR was the highest recorded in Macau since January 2015.

Visitation to Macau for the nine months ended September 2018 recorded an increase of 8.3%.

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, China recorded 11.2% YOY nominal GDP growth in year 2017 and recorded 9.8% YOY nominal GDP growth for nine months ended September 2018.

Engineering Business – PYE

Looking ahead, the competition remains keen which will continue to erode the margin of future tenders. However, with a strong order on hand, we can surely get through all the challenges in the foreseeable future.

The Government has proposed "Construction 2.0" as the development direction for the construction industry, putting emphasis on "innovation", "professionalism" and "revitalisation". Our Group has actively echoed these three initiatives. We strongly believe that our quest for high quality, inspiring innovation, and enhanced training adds tangible and non-tangible value not only to our Group and stakeholders, but also to the industry and community as a whole.

We have placed resources in supporting technological inheritance and innovation in the industry. This blueprint has been used in our various construction projects and sophisticated virtual design and BIM construction methods were used to streamline design and project planning, enhance efficiency and shorten construction time, where applicable.

Meanwhile, we continue to study, introduce and adopt cutting-edge technologies to create new values for a new era of construction. We have introduced automatic wall plastering and real-time face recognition to our smart sites. VR technologies were also used for safety training in projects. Our Group has also concentrated on studies of Modular Integrated Construction as Design for Manufacture and Assembly solution.

We owe much of our success to continuous innovation in all areas through the concerted efforts of the entire organisation. It is the momentum of our people and their willingness to always go the extra mile, that drives the Group forward.

We will continually devise ways to be our best. We will continue to grow progressively with each successive challenge, and we expect to continue to set new standards and create new value.

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 six months ended 30 September 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 interim results for the six months ended 30 September 2018 have been reviewed by the Audit Committee and the Company's external auditor.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's condensed consolidated financial statements for the six months ended 30 September 2018. The report includes paragraphs of an emphasis of matter, without qualification.

"Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the condensed consolidated financial statements, which indicates that the Group incurred a net loss of HK$433,630,000 for the six months ended 30 September 2018 and as of that date, the Group's current liabilities exceeded its current assets by HK$3,865,149,000. The Group's total bank and other borrowings amounted to HK$4,111,924,000, of which HK$4,089,424,000 were classified as current liabilities. In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements of HK$46,635,000 as disclosed in note 21.

At 30 September 2018, the Group had not complied with certain covenants in respect of bank borrowings in the amount of HK$2,941,924,000, 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 August 2018 due to the further delay in the hotel opening. The Group obtained all the licenses for the operation of hotel business in August 2018 and the Hotel opened on 31 August 2018. As at the date of this report, such extension and waiver for the non-compliance of the covenants as stated in the bank loan agreement, is being processed by the bank. 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 is repayable on demand as at 30 September 2018. Subsequent to the period ended 30 September 2018, the maturity date of such senior secured other bridge borrowing was extended to 31 December 2019.

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 condensed 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 as at the date of this report. These events or conditions, along with other matters as set forth in note 1 to the condensed 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 review conclusion 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 six months ended 30 September 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website at www.southshore-holdings.com and the Stock Exchange's website. The interim report for the six months ended 30 September 2018 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 November 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