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 2019

FINANCIAL HIGHLIGHTS

• Revenue	HK$9,382 million	+38%
• Loss attributable to owners of the Company	HK$5,848 million	+272%
• Loss per share		
– Basic	HK577.3 cents	–8%
– Diluted	HK577.3 cents	–8%

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 year ended 31 March 2019, together with the comparative figures for the corresponding year in 2018, as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 March 2019

	NOTES	**2019** *HK$'000*	2018 *HK$'000*
Revenue	3	**9,381,863**	6,799,529
Cost of construction business		**(8,987,047)**	(6,500,794)
Cost of sales and services on hotel, food & beverage and related services		**(504,521)**	–
Other income		**8,627**	4,518
Administrative and other expenses		**(587,125)**	(478,158)
Finance costs		**(445,105)**	(193,803)
Impairment loss on hotel property/hotel under development		**(3,710,630)**	(1,203,000)
Impairment loss on prepaid land lease payments		**(752,137)**	–
Impairment loss on property, plant and equipment		**(234,233)**	–
Impairment allowance on financial assets and contract assets		**(6,469)**	–
Share of results of associates		**(2,560)**	(448)
Share of results of joint ventures		**2,293**	2,116
Loss before tax		**(5,837,044)**	(1,570,040)
Income tax expense	4	**(4,204)**	(334)
Loss for the year	5	**(5,841,248)**	(1,570,374)
(Loss) profit for the year attributable to:			
Owners of the Company		**(5,847,646)**	(1,573,795)
Non-controlling interests		**6,398**	3,421
		(5,841,248)	(1,570,374)
Loss per share	7		
Basic (HK cents)		**(577.3)**	(630.5)
Diluted (HK cents)		**(577.3)**	(630.5)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(5,841,248)**	(1,570,374)
Other comprehensive (expense) income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(4,608)**	8,648
Share of translation reserve of an associate and joint ventures	**(5,490)**	8,367
	(10,098)	17,015
Total comprehensive expense for the year	**(5,851,346)**	(1,553,359)
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(5,852,872)**	(1,564,987)
Non-controlling interests	**1,526**	11,628
	(5,851,346)	(1,553,359)

Consolidated Statement of Financial Position

At 31 March 2019

	NOTE	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Hotel property/hotel under development		**3,438,569**	6,961,944
Property, plant and equipment		**370,841**	328,409
Deposits paid for acquisition of property, plant and equipment		**29,842**	221,698
Deposits for investments		**–**	110,000
Prepaid land lease payments		**603,679**	1,403,121
Goodwill		**61,646**	61,646
Other intangible assets		**8,062**	8,092
Interests in joint ventures		**94,144**	97,510
		4,606,783	9,192,420
CURRENT ASSETS			
Prepaid land lease payments		**47,305**	104,591
Amounts due from customers for contract works		**–**	1,056,904
Inventories		**40,629**	46,998
Trade and other debtors, deposits and prepayments	8	**1,037,249**	2,115,160
Contract assets		**2,129,237**	–
Amounts due from associates		**18,462**	12,628
Amounts due from joint ventures		**28,637**	121,705
Amounts due from joint operations/other partners of joint operations		**55,345**	55,077
Amounts due from subsidiaries of a shareholder		**94**	17,495
Other loans receivable		**56,162**	32,159
Taxation recoverable		**1,421**	1,592
Pledged bank deposits		**16,044**	17,020
Short term bank deposits		**94,638**	271,887
Bank balances and cash		**227,134**	899,554
		3,752,357	4,752,770

	NOTE	2019 HK$'000	2018 HK$'000
CURRENT LIABILITIES			
Amounts due to customers for contract works		**–**	1,285,325
Trade and other creditors and accrued expenses	9	**3,156,846**	2,046,098
Contract liabilities		**323,822**	–
Deposits/earnest money received		**249,000**	179,000
Amount due to a joint venture		**–**	52
Amounts due to joint operations/other partners of joint operations		**58,436**	58,283
Amount due to a subsidiary of a shareholder		**2,244**	4,710
Amount due to a related company		**2,340**	–
Loan from a subsidiary of a shareholder		**75,000**	75,000
Loan from a related company		**107,350**	–
Taxation payable		**2,122**	2,354
Bank and other borrowings – due within one year		**4,119,124**	4,116,054
		8,096,284	7,766,876
NET CURRENT LIABILITIES		**(4,343,927)**	(3,014,106)
TOTAL ASSETS LESS CURRENT LIABILITIES		**262,856**	6,178,314
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year		**17,500**	27,500
Convertible bonds		**812,741**	684,611
Obligation in excess of interests in associates		**9,227**	6,836
		839,468	718,947
		(576,612)	5,459,367
CAPITAL AND RESERVES			
Share capital		**202,591**	202,591
Reserves		**(1,006,047)**	4,942,013
Equity attributable to owners of the Company		**(803,456)**	5,144,604
Non-controlling interests Share of net assets of subsidiaries		**226,844**	314,763
TOTAL EQUITY		**(576,612)**	5,459,367

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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$5,841,248,000 for the year ended 31 March 2019 and as of that date, the Group has deficit in equity attributable to owners of the Company of HK$803,456,000 and the Group had net liabilities of HK$576,612,000 and net current liabilities of HK$4,343,927,000.

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 required The 13 Hotel (the "Hotel") to open 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 applied for a further extension of the hotel opening date to 31 August 2018. The Group obtained all the licenses for the operation of hotel business in August 2018 and the Hotel opened on 31 August 2018.

In addition, the Group also had not complied with certain financial covenants as stipulated in the bank loan agreement which required the Group to meet certain amount of consolidated tangible net worth and certain ratio of its consolidated net bank borrowings to consolidated tangible net worth, after the recognition of the impairment loss on the hotel assets at HK$4,697,000,000 in the consolidated financial statements as at 31 March 2019. The Group has applied for a waiver from strict compliance to meet with certain of these financial covenants.

As at the date of approval of these consolidated financial statements, such applications for extension and waiver for the non-compliance of the covenants as stated in the bank loan agreement are in process by the bank. As a result, as at the date of approval of these consolidated financial statements, such bank borrowings are repayable on demand.

Up to the date of approval of these consolidated financial statements, the Group has not been rejected on the applications for extension and waiver for the non-compliance of the covenants nor received any written notice from the bank demanding for immediate repayment of the entire borrowing. The bank has frequent communications with the Group and also shows the positive support on the Group. Therefore, the directors of the Company do not expect to receive any request from the bank for demand for immediate repayment for the entire borrowing of HK$2,941,924,000, except for the repayment of HK$456,289,000 as falls due on 15 August 2019, for at least the next twelve months from the date of approval of these consolidated financial statements.

(ii) Likelihood of the proposed disposal of a principal subsidiary

The Group has previously announced the proposed disposal of a 51.76% interest in Paul Y. Engineering Group Limited ("PYE") (the "Disposal"), a principal subsidiary of the Company, for consideration of HK$300 million and has obtained the shareholders' approval at a special general meeting held on 8 May 2018. The Group has received deposits of HK$179 million regarding the proposed disposal of PYE up to 31 March 2019. The receipt of the remaining proceeds from the proposed disposal of HK$121 million is subject to certain conditions precedent for the completion of transaction. The directors of the Company consider that outstanding conditions precedent in relation to the proposed disposal of the 51.76% interest in PYE by the Company may not be fulfilled prior to the long stop date of 31 July 2019, which was subsequently extended to 31 March 2020. It is expected that the Company will only proceed with completion of the Disposal (i) after completing the transaction contemplated under the memorandum of understanding dated 4 January 2019 for a potential investment in the Company's subsidiary that beneficially owns The 13 Hotel; (ii) after settling in full all outstanding balances, including all outstanding principal amount of loans together with the interest accrued thereon due from the Company and its subsidiaries to PYE and its subsidiaries; (iii) after the remaining group having a positive net assets and still maintaining the listing status of the Company at the completion date of the Disposal. The directors of the Company are uncertain at present if these criteria could be met. As such, PYE would remain a subsidiary of the Company and the Group would continue to have access to the cash and financing available in PYE to finance the Group's operations and to meet its financial obligations for at least the next twelve months from the date of approval of these consolidated financial statements. Management anticipated the deposits of HK$179 million plus the liquidated damages of HK$32 million will have to be paid back to purchasers if the Group is not able to complete the Disposal in accordance with the sale and purchase agreements. On the other hand, it is anticipated that there is positive operating cash flows from PYE and an unutilised banking facilities at approximately HK$824 million of PYE as at 31 March 2019 continue to be available for use throughout the next twelve months from the date of approval of these consolidated financial statements.

(iii) Likelihood of successful execution of further financing plans

The Group continues to seek new sources of funding in the form of debt and, or equity, including via its placing agent, Opus Capital Limited, which has a continuing mandate to procure placees to subscribe for the loan notes with an aggregate principal amount of up to HK$740 million in accordance with the placing agreement dated on 19 October 2017, and subsequently extended the drawdown date to 30 September 2019. The Company further entered into indicative term sheets with the Opus Financial Holdings Limited and its subsidiaries ("Opus Group") as dated on 27 June 2019 in relation to the conditional offer of HK$1,000 million in the form of debt financing, which is subject to satisfaction of the lender's due diligence requirements, due and valid execution of all loan documents and provision of documents and information that the lender may require. Such conditional offer will be expired on 30 June 2020, subsequent to which, any undrawn amount shall be cancelled.

On 4 January 2019, the Company also entered into a non-binding memorandum of understanding (the "MOU") with an associate of a substantial shareholder of the Company (the "Potential Investor") for a potential investment in the Company's subsidiary that beneficially owns The 13 Hotel for not exceeding HK$1,500 million. The Company had received earnest money of HK$70 million up to 31 March 2019.

Subsequent to the end of reporting period, the Company has continued negotiating with the Potential Investor in relation to the transaction envisaged under the MOU. Subject to contract, the Company envisages that the transaction could extend to a disposal of 60% interest in a subsidiary of the Company that beneficially owns The 13 Hotel together with its respective bank borrowings of approximately HK$2,942 million and the interest accrued thereon for a consideration of up to HK$1,200 million. The Company has appointed a financial advisor (the "Financial Advisor") for handling this transaction. Taking into account the advice of the Financial Advisor, the directors of the Company consider that the proposed disposal is viable, subject to satisfaction of material conditions precedent.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(a) HKFRS 15 "Revenue from Contracts with Customers"

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

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/or final accounts have not yet been finalised with customers at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18, HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

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

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 April 2018 for the initial application of HKFRS 15. 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 i and ii)	*(Note iii)*	
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	183,594	1,326,943
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	583,107	697,744
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:

(i) 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 upon the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. These balances, in aggregate of HK$1,143,349,000, were reclassified to contract assets.

(ii) 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.

(iii) 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.

Under HKAS 11, costs incurred during the tendering process were recognised as trade and other debtors, deposits and prepayments. Under HKFRS15, costs can only be capitalised if they are both expected to be recovered and either would not have been incurred if the contract had not been won. Therefore, upon adoption of HKFRS 15, costs previously included in trade and other debtors, deposits and prepayments were charged to opening accumulated losses.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

(b) *HKFRS 9 "Financial Instruments"*

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("ECL") for financial assets and contract assets and (iii) 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 under ECL model) 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 the 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".

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)	1,326,943	(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	1,326,438	(1,729,462)	225,318

Note:

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 joint ventures, joint operations/other partners of joint operations and subsidiaries of a shareholder. To measure the ECL, these assets are assessed collectively using a provision matrix with appropriate groupings. Retention held by customers and unbilled revenue included in contract assets 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.

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 operations/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 assessed on 12-month ECL ("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 assets.

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 allowances as at 1 April 2018 are 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

(c) *Impacts on opening consolidated statement of financial position arising from the application of all new standards*

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

	At 31 March 2018 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	At 1 April 2018 (Restated) *HK$'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	–	1,326,943	(505)	1,326,438
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
Other items with no adjustments	1,414,214	–	–	1,414,214
	4,752,770	(875,825)	(11,811)	3,865,134
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	–	697,744	–	697,744
Other items with no adjustments	4,435,453	–	–	4,435,453
	7,766,876	(702,218)	–	7,064,658
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
Other items with no adjustments	6,752,922	–	–	6,752,922
Total equity	5,459,367	(173,607)	(11,811)	5,273,949

3. REVENUE AND SEGMENT INFORMATION

Revenue of the Group represents the contract revenue from management contracting services, gross proceeds received and receivable for property development management services in connection with contract works performed and contract revenue with customers arising from hotel operation.

Information reported to the executive directors of the Company, being the chief operating decision makers, is organised into divisions for the purposes of resource allocation and performance assessment focusing on the types of services provided. Specifically, the Group's reportable and operating segments under HKFRS 8 "*Operating Segments*" are as follows:

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. 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.

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 the profit earned or loss incurred, by each reportable and operating segment without allocation of corporate income, central administrative costs and certain finance costs. 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 and other borrowings and other unallocated liabilities.

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

For the year ended 31 March 2019

	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	9,377,364	28	–	9,377,392	4,471	9,381,863	–	9,381,863
Inter-segment sales	(29,755)	–	–	(29,755)	–	(29,755)	29,755	–
Segment revenue	9,347,609	28	–	9,347,637	4,471	9,352,108	29,755	9,381,863
Timing of revenue recognition								
Over time	9,347,609	28	–	9,347,637	3,008	9,350,645	29,755	9,380,400
At a point in time	–	–	–	–	1,463	1,463	–	1,463
Segment profit (loss)	189,474	(1,734)	2,147	189,887	(6,022,955)	(5,833,068)	225,098	(5,607,970)
Corporate income								8,627
Central administrative costs								(193,089)
Finance costs								(44,612)
Loss before tax								(5,837,044)

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue are as follows:

	Management contracting *HK$'000*
Within one year	**11,839,366**
More than one year and within two years	**4,778,904**
More than two years	**3,627,958**
	20,246,228

This analysis is solely for the purpose of compliance with HKFRS 15 disclosure requirement.

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

At 31 March 2019

	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*
ASSETS								
Segment assets	3,755,651	11,845	97,662	3,865,158	4,406,711	8,271,869	(399,927)	7,871,942
Pledged bank deposits								16,044
Short term bank deposits								94,638
Bank balances and cash								227,134
Other unallocated assets								149,382
Consolidated assets								8,359,140
LIABILITIES								
Segment liabilities	3,149,006	6,457	40	3,155,503	5,496,467	8,651,970	(837,944)	7,814,026
Bank and other borrowings								722,200
Other unallocated liabilities								399,526
Consolidated liabilities								8,935,752

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

For the year ended 31 March 2019

	Management contracting *HK$'000*	Property development management *HK$'000*	Property investment *HK$'000*	PYE total *HK$'000*	Hotel operation/ 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 property	–	–	–	–	494,277	–	494,277
Additions to property, plant and equipment	18,303	1	–	18,304	1,433	61,719	81,456
Additions to deposits paid for acquisition of property, plant and equipment	–	–	–	–	94,797	–	94,797
Depreciation of hotel property	–	–	–	–	307,022	–	307,022
Depreciation of property, plant and equipment	29,900	–	–	29,900	54,361	6,556	90,817
Finance costs	–	–	–	–	400,493	44,612	445,105
Gain on disposal of property, plant and equipment	(5,067)	–	–	(5,067)	–	(10)	(5,077)
Loss on disposal of other intangible assets	–	–	–	–	–	30	30
Release of prepaid land lease payments	575	–	–	575	104,016	–	104,591
Impairment loss on hotel property	–	–	–	–	3,710,630	–	3,710,630
Impairment loss on prepaid land lease payments	–	–	–	–	752,137	–	752,137
Impairment loss on property, plant and equipment	–	–	–	–	234,233	–	234,233
Interests in joint ventures	1,176	–	92,968	94,144	–	–	94,144
Share of results of associates and joint ventures	(2,331)	(310)	2,374	(267)	–	–	(267)
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	39,142	23	5,612	44,777	–	–	44,777

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
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
Additions 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	11,587	193,803
Loss on disposal of property, plant and equipment	119	–	–	119	–	162	281
Loss on disposal of other intangible assets	–	–	–	–	–	5	5
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 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:

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong	**8,283,884**	5,436,397
Macau	**1,043,178**	1,215,582
The PRC	**–**	128,835
Singapore and Malaysia	**54,801**	18,715
	9,381,863	6,799,529

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

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong	**225,813**	184,371
Macau	**4,284,214**	8,908,220
The PRC	**94,963**	97,892
Singapore and Malaysia	**1,793**	1,937
	4,606,783	9,192,420

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

	2019 *HK$'000*	2018 *HK$'000*
Customer A	**1,281,153**	Note
Customer B	**1,123,713**	1,160,032
Customer C	**1,113,275**	Note
Customer D	**Note**	707,365

Note: This customer contributed less than 10% of total revenue of the Group for the year ended 31 March 2019 or the year ended 31 March 2018.

All these customers are under the management contracting segment.

4. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Hong Kong		
Current tax	**1,082**	1,390
Overprovision in prior year	**–**	(20)
	1,082	1,370
Macau and other jurisdictions		
Current tax	**1,008**	373
Under(over)provision in prior years	**2,114**	(1,409)
	3,122	(1,036)
	4,204	334

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

5. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Depreciation of hotel property	**307,022**	–
Depreciation of property, plant and equipment	**90,817**	39,658
Less: Amount capitalised in respect of contracts in progress	**–**	(2,135)
Less: Amount capitalised in respect of hotel under development	**–**	(3,273)
	90,817	34,250
(Gain) loss on disposal of property, plant and equipment	**(5,077)**	281
Loss on disposal of other intangible assets	**30**	5
Release of prepaid land lease payments	**104,591**	104,591
Less: Amount capitalised in respect of hotel under development	**–**	(52,008)
	104,591	52,583
Interest income	**(8,627)**	(4,521)
Less: Interest income capitalised in respect of hotel under development	**–**	3
	(8,627)	(4,518)

6. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of the reporting period for both years.

The directors do not recommend the payment of a dividend for the year ended 31 March 2019 (2018: Nil).

7. LOSS PER SHARE

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

Loss

	2019	2018
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	**(5,847,646)**	(1,573,795)

Number of shares

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *(Note)*	1,012,953,711	249,618,851

Note: The weighted average number of ordinary shares adopted in the calculation of basic and diluted loss per share for year ended 31 March 2018 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 years ended 31 March 2019 and 2018 does not assume the exercises of convertible bonds and the unvested shares awarded outstanding for the years ended 31 March 2019 and 2018 since assumed such exercises would result in a decrease in loss per share. In addition, the computation of diluted loss per share for years ended 31 March 2019 and 2018 does not assume the exercises of the Company's share options outstanding during the years ended 31 March 2019 and 2018 and the computation of diluted loss per share for the year ended 31 March 2018 does not assume the exercise of exchange right granted to option holder under a subsidiary's share option scheme because the adjusted exercise prices of those options and exchange rights 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.

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:

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**491,086**	396,699
More than 90 days and within 180 days	**–**	1,256
More than 180 days	**49,508**	72,885
	540,594	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 time frame.

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

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**645,705**	499,772
More than 90 days and within 180 days	**2,064**	2,046
More than 180 days	**29,259**	88,869
	677,028	590,687

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS AND BUSINESS DEVELOPMENT

South Shore Holdings Limited is a hospitality, entertainment and construction group that combines a unique ultra-luxury hotel and entertainment development on Macau's Cotai Strip ("The 13 Hotel") with the Hong Kong-based legacy business of Paul Y. Engineering Group Limited ("PYE").

Hotel Business

The 13 Hotel (100% owned)

The 13 Hotel and entertainment complex, located at the southern end of Macau's famous Cotai Strip, houses a unique collection of refined and remarkable luxury experiences.

Following the completion of rights issue in March 2018, the Company completed the fit-out, furnished and installed operating equipment at The 13 Hotel and obtained license in August 2018 and opened hotel by 31 August 2018.

As at 31 March 2019, the hotel segment recorded assets of approximately HK$4,407 million after recognition of impairment loss on hotel assets in aggregate of approximately HK$4,697 million in accordance with the latest valuation report carried out by an independent valuer at valuation date of 31 March 2019. Further details are explained in section "Impairment loss on hotel business" below. The hotel assets include prepaid land lease payment, hotel property and hotel fixture, furniture and equipment in Macau.

The hotel segment also recorded liabilities of approximately HK$4,659 million* which include liability portion of convertible bonds issued for financing the hotel development and bank and other borrowings for the hotel development.

Revenue of hotel rooms and food & beverage was approximately HK$3 million and HK$2 million, respectively. The average occupancy rate was 8% with average daily room rate at around HK$5,000. There was segment loss of approximately HK$5,798 million* for the year ended 31 March 2019 of which the loss before interest, tax, depreciation, amortisation and impairment loss of the hotel segment for the year was approximately HK$236 million. The hotel segment also incurred impairment loss on hotel assets in aggregate of approximately HK$4,697 million and depreciation and amortisation charges of approximately HK$465 million for the year. Finance costs on bank and other borrowings was approximately HK$272 million for the year ended 31 March 2019. Finance costs on convertible bonds was approximately HK$128 million for the year.

* the amounts are after the elimination of inter-segment balances and transactions.

Engineering Business

Paul Y. Engineering Group Limited (51.76% owned)("PYE")

PYE is a 51.76% owned subsidiary of the Company and is one of the leading management contractors in Hong Kong and Macau. PYE traces its origins to Shanghai in 1946 and has played a major role in shaping the skyline and world-class infrastructure of Hong Kong over the past seven decades.

Management Contracting division remained the core business of PYE and the major contributor of revenue of PYE this year. Revenue of this division amounted to approximately HK$9,348 million (2018: HK$6,799 million), up by about 37%. Its operating profit amounted to approximately HK$189 million (2018: HK$118 million). As at 31 March 2019, the value of contracts on hand was approximately HK$32,722 million, while the value of works remaining had stood at approximately HK$20,277 million.

During the year under review, the Management Contracting division secured new construction contracts with an aggregate value of approximately HK$14,599 million. Subsequent to the year end, the division secured further contracts of approximately HK$6,703 million. Set out below are some of the new contracts secured during the year 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 and Main contract 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 for the University of Hong Kong

- Main contract works for residential and commercial re-development at 13-15 Sze Shan Street, Yau Tong

- Main contract works for residential development at So Kwun Wat Road, Area 56, Tuen Mun

During the year 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$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$11 million (2018: HK$12 million) during the year and its occupancy reached about 96% as at 31 March 2019.

MATERIAL ACQUISITION AND DISPOSAL

Memorandum of Understanding with an associate of a substantial shareholder of the Company ("MOU")

On 4 January 2019, the Company entered into the MOU with an associate of a substantial shareholder of the Company in respect of a potential investment in a subsidiary of the Company that beneficially owns The 13 Hotel for not exceeding HK$1.5 billion. Earnest money of HK$70 million has been paid to the Company up to 31 March 2019. The MOU shall expire on 9 August 2019 or upon execution of formal agreement whichever is earlier unless extended by agreement of the parties in writing.

Potential disposal of PYE Group

On 28 June 2017, The 13 (BVI) Limited, a subsidiary of the Company, entered into sale and purchase agreements in respect of the disposal of its 51.76% interests in Paul Y. Engineering Group Limited ("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") in which HK$179 million has been received by the Company as deposits for the Disposal. The remaining balance of HK$121 million will be received upon completion of the Disposal. The long stop date of the Disposal was extended to 31 March 2020.

EVENTS AFTER THE REPORTING PERIOD

On 26 June 2019, the Group entered into sale and purchase agreements with a third party to dispose of the Group's total of twenty-four motor vehicles for an aggregate consideration of HK$24,000,000 and the consideration was received on the same date. For details, please refer to an announcement of the Company dated 26 June 2019.

FINANCIAL REVIEW

For the year ended 31 March 2019, the Group's consolidated revenue including joint operations increased to approximately HK$9,382 million (2018: HK$6,800 million).

In the current year, PYE applied HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 9 "Financial Instruments", without restating the financial information for the last corresponding year. As the profits of PYE for the two years were determined by applying different accounting standards, certain information may not be directly comparable. The impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 9 "Financial Instruments" are stated in note 2 to the consolidated financial statements.

Loss attributable to owners of the Company for the year was approximately HK$5,848 million (2018: HK$1,574 million), represents an increase of approximately 3 times resulting mainly from the increase in impairment loss on hotel assets, depreciation and amortisation charges and hotel operation expenses for the hotel segment compared with last year. Basic loss per share was 577.3 HK cents.

The Group recorded total assets of approximately HK$8,359 million as at 31 March 2019, an approximately 40% decrease compared with the prior year. The equity attributable to owners of the Company decreased to deficit of approximately HK$803 million which was mainly due to impairment loss of approximately HK$4,697 million and loss for the year resulting from the hotel segment.

Net cash outflow from operating activities was about HK$207 million and net cash outflow in respect of investing activities was approximately HK$484 million. Net cash outflow in respect of financing activities was approximately HK$157 million, resulting in a net decrease in cash and cash equivalents of about HK$848 million for the Group for the year ended 31 March 2019.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintains a variety of credit facilities to meet requirements for working capital. At 31 March 2019, cash, bank balances and deposits stood at approximately HK$338 million, of which approximately HK$238 million, HK$54 million, HK$34 million, HK$9 million and HK$3 million were denominated in Hong Kong Dollars, Renminbi, Macau Patacas, Singapore Dollars and Malaysian Ringgit respectively.

The Group had total borrowings of approximately HK$4,319 million at year-end of which approximately HK$4,301 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 2019 of approximately HK$813 million. The convertible bonds mature in February 2025.

As at 31 March 2019, other than the convertible bonds, the Group's variable-rate borrowings and fixed-rate borrowings are approximately HK$3,612 million and HK$707 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$5,132 million and total assets of approximately HK$8,359 million, increased from approximately 35% as at 31 March 2018 to approximately 61% as at 31 March 2019.

As of 31 March 2019, the Group's current liabilities exceeded its current assets by approximately HK$4,344 million. The Group is working to obtain further facilities which will enhance the liquidity of the Group's operations.

IMPAIRMENT LOSS ON HOTEL BUSINESS

Reasons and details of circumstance leading to impairment

As part of the audit process, the Group conducted an impairment test of the assets of hotel business according to the accounting standards and engaged an independent valuer to assess the value of The 13 Hotel.

In accordance with the "Hong Kong Accounting Standard 36 – Impairment of Assets", an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists (such as asset's value has declined significantly more than would be expected as a result of the passage of time or normal use and significant changes with an adverse effect on the entity have taken place), the entity shall estimate the recoverable amount of the asset. If the recoverable amount of an asset is less than its book value, impairment loss should be made based on the difference between the recoverable amount of the asset and its book value.

According to the valuation report prepared by the independent valuer dated 26 July 2019, the value of The 13 Hotel is approximately HK$4,330 million as at 31 March 2019 which showed an indication of impairment as at 31 March 2019 in accordance with the "Hong Kong Accounting Standard 36".

Given that no formal agreement has been entered into with any concessionaire or sub-concessionnaire as operator, in respect of any gaming operations in The 13 Hotel, a significant reduction of anticipated occupancy and room rates as well as forecast revenue has been made in our business plans, taking account of current market conditions. Accordingly, the Company has taken a prudent approach in preparing the financial accounts for the year ended 31 March 2019, by revising the operating forecast of the hotel project and making an impairment charge of approximately HK$4,697 million on the carrying amount of the assets under the hotel segment. There is no change in valuation method used by the valuer for current year and previous year.

Valuation methodology, value of inputs and basis and assumptions

The valuation methodology, value of inputs in the current and previous years used in the valuation together with the basis and assumption are as follows:

	Current Year Valuation Report	**Last Year Valuation Report**
Valuation Methodology	Income Approach	Income Approach
Discount Rate	10.5%	13%
Number of Gaming Tables	N/A	66
Commencement of Gaming Operations	N/A	Year 2
Average daily room rate in year 1	HK$6,050-HK$35,000	HK$10,625-HK$32,593
Occupancy rate in year 1	12%-46%	51%
Sales revenue in year 1	HK$274.1 million	HK$550.4 million
Growth rate in sales revenue	4%-47%	3%-1,266%
Growth rate in average daily room rate	3%-22%	2%-22%
Growth rate in occupancy rate	1%-21%	3%-47%

EMPLOYEES

The Group had 2,131 full-time employees, including the Directors of the Group but excluding contracted casual labour in Macau, as at 31 March 2019. 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 2019, the Group pledged hotel property, prepaid land lease payments, property, plant and equipment, inventories and bank deposits of approximately HK$2,864 million, HK$651 million, HK$32 million, HK$20 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$46 million issued to financial institutions for bonds on construction contracts of joint operations as at 31 March 2019.

COMMITMENTS

As at 31 March 2019, the Group has expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment of approximately HK$9 million.

SECURITIES IN ISSUE

During the year ended 31 March 2019, 2,876,392 share options lapsed.

As at 31 March 2019, 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 8,369,781 shares of the Company; 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 2019 (2018: Nil).

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

During the year ended 31 March 2019, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

FUTURE PROSPECTS

Hotel Business

Macau receives approximately 35.8 million visitors for 2018 with approximately 25.3 million from Mainland China and 7.4 million from Hong Kong and Taiwan. The visitation to Macau for 2018 recorded an increase of 9.8% compared to the year 2017 and record an increase of 20.6% year-on-year for the six months ended June 2019.

Looking ahead, the hotel market in Macau continues to growth steadily but the overall external economic environment is still posing uncertainty including the US-China trade tension is expected to continue and raise uncertainty on the political and financial risks in short-term, but it still looks remain optimistic in long-term.

The 13 Hotel has been focusing on repositioning the business and operational model without gaming since obtaining of the hotel license in last August. It is now poised to capitalise on its unique ultra luxurious theme for the establishing of the brand and market penetration with a view to boost occupancy and holding of special events in this financial year.

Engineering Business

Faced with trade war between the United States and Mainland China, the economy of Hong Kong, inevitably, is slowing down with weaker exports and worse business sentiment. Fortunately, the HKSAR government has promised to increase land and housing supply. Barring what appears to be a temporary hold up in the capital budget approval process, it is expected that market demand for construction service will continue to grow and even bring the construction industry to another new height if all the development plans are put on stream on time.

Despite that the construction market in Hong Kong is growing, it continues to face challenges such as lack of skilled labour as well as rising operating costs. In this regard, PYE will, on the one hand, endeavour to reduce operating costs and streamline work procedures to further enhance efficiency. On the other hand, we will also strengthen staff training and retain talents. We believe that PYE's scale and achievements made so far have well-positioned us to build a professional team which is keen on various aspects, thus strengthening our capabilities to capture new opportunities.

In addition, to further drive the industry reform, we encourage highly efficient and safe construction. We also continue to introduce new technologies such as introducing automatic wall plastering machine and real-time face recognition device at the sites and carrying out safety drill of the project using Virtual Reality (VR) technology. PYE also places great emphasis on the research and application of Modular Integrated Construction (MiC) to keep abreast of the HKSAR government's policy on promoting new and innovative construction methods. We have also switched to cloud storage of information in order to implement real-time management and monitoring of project information more conveniently and efficiently. PYE will keep researching, introducing and adopting state-of-the-art technologies to create new value for the construction industry in the new era.

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 2019 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 2019 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 2019 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 2019. 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 2019, 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 ("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$5,841,248,000 for the year ended 31 March 2019 and the Group had net liabilities of HK$576,612,000 and had net current liabilities of HK$4,343,927,000 as at 31 March 2019. In addition, 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 relevant bank loan agreement. The Group's ability to continue as a going concern and maintain sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future is dependent on whether the financing plans and measures as set forth in note 1 to the consolidated financial statements can be successfully executed.

The directors of the Company are of the opinion that based on the assumptions that these financing plans and measures 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 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."

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 2019 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, 5 August 2019

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

Mr Peter Lee Coker Jr.	:	Chairman (Executive Director)
Mr Lau Tom Ko Yuen	:	Deputy Chairman (Executive Director)
Mr Walter Craig Power	:	Non-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