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## **South Shore Holdings Limited**

**南岸集團有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 577)

### **ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020**

#### **AUDITED FINANCIAL HIGHLIGHTS**

|  |                    |      |
|--|--------------------|------|
| • Revenue                                    | HK\$10,899 million | +16% |
| • Gross loss                                 | HK\$84 million     | -24% |
| • Loss attributable to owners of the Company | HK\$1,022 million  | -83% |
| • Loss per share                             |                    |      |
| – Basic                                      | HK100.9 cents      | -83% |
| – Diluted                                    | HK100.9 cents      | -83% |

## RESULTS

Reference is made to the announcement of South Shore Holdings Limited (the “Company”) dated 29 June 2020 (the “Unaudited Results Announcement”) in relation to the unaudited results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2020.

The board of directors (the “Board”) of the Company is pleased to announce the audited results of the Group for the year ended 31 March 2020, together with the audited comparative figures for the corresponding year in 2019, as follows. There is no material difference between the unaudited results (as disclosed in the Unaudited Results Announcement) and the audited results contained in this announcement.

### Consolidated Statement of Profit or Loss

*For the year ended 31 March 2020*

|  | NOTES | 2020<br>(Audited)<br>HK\$'000 | 2019<br>(Audited)<br>HK\$'000 |
|--|-------|-------------------------------|-------------------------------|
| Revenue  | 3     | 10,899,289                    | 9,381,863                     |
| Cost of construction business  |       | (10,558,716)                  | (8,987,047)                   |
| Cost of sales and services on hotel,<br>food & beverage and related services |       | (424,194)                     | (504,521)                     |
| Gross loss   |       | (83,621)                      | (109,705)                     |
| Other income   |       | 13,206                        | 8,627                         |
| Administrative and other expenses  |       | (523,763)                     | (587,125)                     |
| Finance costs  |       | (562,066)                     | (445,105)                     |
| Gain on disposal of subsidiaries   |       | 153,705                       | –                             |
| Impairment loss on hotel property  |       | –                             | (3,710,630)                   |
| Impairment loss on prepaid land lease payments                               |       | –                             | (752,137)                     |
| Impairment loss on property, plant and equipment                             |       | –                             | (234,233)                     |
| Impairment allowance on financial assets and<br>contract assets              |       | (15,288)                      | (6,469)                       |
| Share of results of associates   |       | 26                            | (2,560)                       |
| Share of results of joint ventures   |       | (1,523)                       | 2,293                         |
| Loss before tax  |       | (1,019,324)                   | (5,837,044)                   |
| Income tax credit (expense)  | 4     | 719                           | (4,204)                       |
| Loss for the year  | 5     | (1,018,605)                   | (5,841,248)                   |
| (Loss) profit for the year attributable to:                                  |       |                               |                               |
| Owners of the Company  |       | (1,021,702)                   | (5,847,646)                   |
| Non-controlling interests  |       | 3,097                         | 6,398                         |
|  |       | (1,018,605)                   | (5,841,248)                   |
| Loss per share   | 7     |                               |                               |
| Basic (HK cents)   |       | (100.9)                       | (577.3)                       |
| Diluted (HK cents)   |       | (100.9)                       | (577.3)                       |

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

|   | <b>2020</b><br><b>(Audited)</b><br><b>HK\$'000</b> | 2019<br>(Audited)<br>HK\$'000 |
|---|--|-------------------------------|
| Loss for the year   | <u><b>(1,018,605)</b></u>                          | <u>(5,841,248)</u>            |
| Other comprehensive expense for the year:                             |  |                               |
| <i>Items that may be reclassified subsequently to profit or loss:</i> |  |                               |
| Exchange differences arising from translation of foreign operations   | <b>(5,000)</b>                                     | (4,608)                       |
| Share of translation reserve of an associate and joint ventures       | <u><b>(5,944)</b></u>                              | <u>(5,490)</u>                |
|   | <u><b>(10,944)</b></u>                             | <u>(10,098)</u>               |
| Total comprehensive expense for the year                              | <u><u><b>(1,029,549)</b></u></u>                   | <u><u>(5,851,346)</u></u>     |
| Total comprehensive (expense) income for the year attributable to:    |  |                               |
| Owners of the Company   | <b>(1,027,367)</b>                                 | (5,852,872)                   |
| Non-controlling interests   | <u><b>(2,182)</b></u>                              | <u>1,526</u>                  |
|   | <u><u><b>(1,029,549)</b></u></u>                   | <u><u>(5,851,346)</u></u>     |

## Consolidated Statement of Financial Position

At 31 March 2020

|   | 2020<br>(Audited)<br>HK\$'000 | 2019<br>(Audited)<br>HK\$'000 |
|---|-------------------------------|-------------------------------|
| <i>NOTES</i>  |                               |                               |
| <b>NON-CURRENT ASSETS</b>   |                               |                               |
| Hotel property  | 3,202,597                     | 3,438,569                     |
| Property, plant and equipment   | 300,097                       | 370,841                       |
| Right-of-use assets   | 675,002                       | –                             |
| Deposits paid for acquisition of property,<br>plant and equipment       | 21,642                        | 29,842                        |
| Prepaid land lease payments   | –                             | 603,679                       |
| Goodwill  | 61,646                        | 61,646                        |
| Other intangible assets   | 8,062                         | 8,062                         |
| Interests in joint ventures   | 86,477                        | 94,144                        |
|   | <u>4,355,523</u>              | <u>4,606,783</u>              |
| <b>CURRENT ASSETS</b>   |                               |                               |
| Prepaid land lease payments   | –                             | 47,305                        |
| Inventories   | 22,012                        | 40,629                        |
| Trade and other debtors, deposits and<br>prepayments                    | 8 1,022,861                   | 1,037,249                     |
| Contract assets   | 2,688,865                     | 2,129,237                     |
| Amounts due from associates   | 17,634                        | 18,462                        |
| Amounts due from joint ventures   | 6,830                         | 28,637                        |
| Amounts due from joint operations/other<br>partners of joint operations | 78,026                        | 55,345                        |
| Amount due from a subsidiary of<br>a shareholder                        | 94                            | 94                            |
| Other loans receivable  | 48,084                        | 56,162                        |
| Taxation recoverable  | 4,755                         | 1,421                         |
| Pledged bank deposits   | 291                           | 16,044                        |
| Short term bank deposits  | 108,170                       | 94,638                        |
| Bank balances and cash  | 325,357                       | 227,134                       |
|   | <u>4,322,979</u>              | <u>3,752,357</u>              |

|   |              | <b>2020</b>        | 2019            |
|---|--------------|--------------------|-----------------|
|   |              | <b>(Audited)</b>   | (Audited)       |
|   | <i>NOTES</i> | <b>HK\$'000</b>    | <b>HK\$'000</b> |
| <b>CURRENT LIABILITIES</b>  |              |                    |                 |
| Trade and other creditors and accrued expenses                        | 9            | <b>3,352,582</b>   | 3,156,846       |
| Contract liabilities  |              | <b>495,374</b>     | 323,822         |
| Deposits/earnest money received                                       |              | <b>294,000</b>     | 249,000         |
| Amount due to a joint venture   |              | <b>60</b>          | –               |
| Amounts due to joint operations/other partners<br>of joint operations |              | <b>77,588</b>      | 58,436          |
| Amount due to a subsidiary of a shareholder                           |              | <b>8,175</b>       | 2,244           |
| Amount due to a related company                                       |              | <b>1,544</b>       | 2,340           |
| Loan from a subsidiary of a shareholder                               |              | <b>75,000</b>      | 75,000          |
| Loan from a related company   |              | <b>93,594</b>      | 107,350         |
| Taxation payable  |              | <b>1,440</b>       | 2,122           |
| Lease liabilities   |              | <b>27,112</b>      | –               |
| Bank and other borrowings<br>– due within one year                    |              | <b>4,297,428</b>   | 4,119,124       |
|   |              | <b>8,723,897</b>   | 8,096,284       |
| <b>NET CURRENT LIABILITIES</b>  |              | <b>(4,400,918)</b> | (4,343,927)     |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b>                      |              | <b>(45,395)</b>    | 262,856         |
| <b>NON-CURRENT LIABILITIES</b>  |              |                    |                 |
| Bank and other borrowings – due after one year                        |              | <b>514,300</b>     | 17,500          |
| Convertible bonds   |              | <b>964,903</b>     | 812,741         |
| Obligation in excess of interests in associates                       |              | <b>9,002</b>       | 9,227           |
| Lease liabilities   |              | <b>62,197</b>      | –               |
|   |              | <b>1,550,402</b>   | 839,468         |
| <b>NET LIABILITIES</b>  |              | <b>(1,595,797)</b> | (576,612)       |
| <b>CAPITAL AND RESERVES</b>   |              |                    |                 |
| Share capital   |              | <b>202,591</b>     | 202,591         |
| Reserves  |              | <b>(2,022,242)</b> | (1,006,047)     |
| Equity attributable to owners of the Company                          |              | <b>(1,819,651)</b> | (803,456)       |
| Non-controlling interests   |              | <b>223,854</b>     | 226,844         |
| <b>TOTAL DEFICIT</b>  |              | <b>(1,595,797)</b> | (576,612)       |

*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 (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

In preparing the audited 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 approximately HK\$1,018,605,000 for the year ended 31 March 2020 and as of that date, the Group has a deficit in equity attributable to owners of the Company of approximately HK\$1,819,651,000 and the Group had net liabilities of approximately HK\$1,595,797,000 and net current liabilities of approximately HK\$4,400,918,000.

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 approximately HK\$2,842 million (which had original contractual repayment dates on or before 15 August 2020), 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 had not complied with certain financial covenants as stipulated in the bank loan agreement which required the Group to maintain a certain amount of consolidated tangible net worth and certain ratio of its consolidated net bank borrowings to consolidated tangible net worth. The Group applied for a waiver from strict compliance to meet with these financial covenants.

Subsequent to the end of the reporting period, the bank issued a demand for the repayment of aggregate principal and interest of approximately HK\$470 million, and on account of the failure to repay, accelerated its demand for all additional principal and interest under the facility agreement, in the amount of approximately HK\$2,481 million (in aggregate amounting to approximately HK\$2,951 million as at 31 March 2020). The Company has applied to the bank for a “standstill”, seeking assurance from the bank that it will not take imminent steps either to enforce its security over the Hotel or to liquidate the Company, mindful of the severe adverse effect of the COVID-19 pandemic on the state of the market, in Macau and generally.

As at the date of approval of these audited consolidated financial statements, the applications for extension and waiver in respect of non-compliance with the covenants as stated in the bank loan agreement and the application for a “standstill” are still being considered by the bank. As a result, as at the date of approval of these audited consolidated financial statements, such bank borrowings are repayable on demand.

The Group maintains frequent communications with the bank, which has showed positive support for the Group. Notwithstanding the lapse of the sale and purchase agreements (the “Hotel Disposal Agreements”) in respect of the disposal of a 50% interest in a subsidiary of the Company that beneficially owns the Hotel on 1 September 2020, the directors of the Company consider that a sale of the Hotel remains of interest to the bank, and the Company will continue with its endeavours to seek prospective buyer(s) for the Hotel and/or site and execute a sale as soon as possible. The Company will work with the bank on any remedial measures and/or to find other prospective buyer(s) for the Hotel and/or site. Ultimately, the directors of the Company continue to believe that a sale of the Hotel, on terms satisfactory to the bank, remains feasible.

**(ii) Likelihood of a sale of the Hotel**

Notwithstanding the lapse of the Hotel Disposal Agreements, the directors of the Company consider that a sale of the Hotel remains of interest to the bank, and the Company will continue with its endeavours to seek prospective buyer(s) for the Hotel and/or site and execute a sale as soon as possible. The Company will work with the bank on any remedial measures and/or to find other prospective buyer(s) for the Hotel and/or site. Ultimately, the directors of the Company continue to believe that a sale of the Hotel, on terms satisfactory to the bank, remains feasible.

**(iii) 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 “PYE 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 PYE Disposal up to 31 March 2020. 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 PYE Disposal by the Company may not be fulfilled prior to the long stop date of 30 September 2020. Were the conditions to the PYE Disposal to be satisfied (or waived) prior to a sale of the Hotel, the directors of the Company would not complete the PYE Disposal in circumstances where the prospect of a sale of the Hotel remained on track. Should a sale of the Hotel (or some like transaction relevant to the Hotel) as mentioned in points (i) and (ii) above proceed, the directors of the Company would elect not to proceed with the PYE Disposal unless it were able to implement other appropriate measures satisfactory to The Hong Kong Stock Exchange Limited (the “Stock Exchange”) to preserve the Company’s listing status. 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 audited consolidated financial statements.

Management anticipated that the deposits of HK\$179 million will have to be refunded and liquidated damages of HK\$32 million will have to be paid to the purchasers if the Group is not able to complete the PYE 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 of PYE at approximately HK\$649 million as at 31 March 2020 will continue to be available for use throughout the next twelve months from the date of approval of these audited consolidated financial statements.

**(iv) 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 loan notes with an aggregate principal amount of up to HK\$740 million in accordance with the placing agreement dated on 19 October 2017. Although placees have yet to subscribe, the longstop contemplated drawdown date has been extended to 31 December 2021. The Company further entered into indicative term sheets with Opus Financial Holdings Limited and its subsidiaries (“Opus Group”) dated 9 September 2020 in relation to a 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 expire on 31 December 2021, subsequent to which, any undrawn amount shall be cancelled.

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 audited consolidated financial statements. Accordingly the audited consolidated financial statements have been prepared on a going concern basis.

**2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has adopted all the new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise HKFRS; Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and amendments to HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

## HKFRS 16 “Leases”

The Group was initially applied HKFRS 16 “Leases” with effect from 1 April 2019 and has taken transitional provisions and methods not to restate comparative information for prior period.

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as “operating leases” under HKAS 17 “Leases”, resulted in changes in the consolidated amounts reported in the audited consolidated financial statements as follows:

|   | <i>HK\$'000</i> |
|---|-----------------|
|   | (Audited)       |
| <b>At 1 April 2019:</b>                                       |                 |
| Increase in right-of-use assets                               | 752,131         |
| Increase in lease liabilities                                 | (102,079)       |
| Decrease in prepaid land lease payments                       | (650,984)       |
| Decrease in trade and other debtors, deposits and prepayments | (941)           |
| Decrease in trade and other creditors and accrued expenses    | 110             |
| Increase in accumulated losses                                | 955             |
| Decrease in non-controlling interests                         | 808             |

The reconciliation of operating lease commitment as at 31 March 2019 to lease liabilities as at 1 April 2019 is set out below:

|  | <i>HK\$'000</i> |
|--|-----------------|
|  | (Audited)       |
| Operating lease commitment at 31 March 2019          | 55,805          |
| <b>Add:</b>  |                 |
| Extension options reasonably certain to be exercised | 54,553          |
| <b>Less:</b>   |                 |
| Recognition exemption – short-term leases            | (6,476)         |
| Discounting of 7.6%                                  | (1,803)         |
|  | <hr/>           |
| Lease liabilities as at 1 April 2019                 | <u>102,079</u>  |

### 3. REVENUE AND SEGMENT INFORMATION

Revenue of the Group represents the contract revenue from management contracting services, gross proceeds received and receivable from 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                 | – | 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, 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 2020**

|  | Management contracting<br>(Audited)<br>HK\$'000 | Property development management<br>(Audited)<br>HK\$'000 | Property investment<br>(Audited)<br>HK\$'000 | PYE total<br>(Audited)<br>HK\$'000 | Hotel operation<br>(Audited)<br>HK\$'000 | Segment total<br>(Audited)<br>HK\$'000 | Eliminations<br>(Audited)<br>HK\$'000 | Consolidated<br>(Audited)<br>HK\$'000 |
|--|---|--|--|------------------------------------|--|--|---------------------------------------|---------------------------------------|
| <b>SEGMENT REVENUE</b>                       |   |  |  |                                    |  |  |                                       |                                       |
| External sales                               | 10,869,114                                      | 1,222  | -  | 10,870,336                         | 28,953                                   | 10,899,289                             | -                                     | 10,899,289                            |
| Inter-segment sales                          | 111,949   | -  | -  | 111,949                            | 372                                      | 112,321                                | (112,321)                             | -                                     |
| Segment revenue                              | <u>10,981,063</u>                               | <u>1,222</u>   | <u>-</u>                                     | <u>10,982,285</u>                  | <u>29,325</u>                            | <u>11,011,610</u>                      | <u>(112,321)</u>                      | <u>10,899,289</u>                     |
| Timing of revenue recognition                |   |  |  |                                    |  |  |                                       |                                       |
| Over time                                    | 10,981,063                                      | 1,222  | -  | 10,982,285                         | 16,665                                   | 10,998,950                             | (112,321)                             | 10,886,629                            |
| At a point in time                           | -   | -  | -  | -                                  | 12,660                                   | 12,660                                 | -                                     | 12,660                                |
| Total revenues from contracts with customers | <u>10,981,063</u>                               | <u>1,222</u>   | <u>-</u>                                     | <u>10,982,285</u>                  | <u>29,325</u>                            | <u>11,011,610</u>                      | <u>(112,321)</u>                      | <u>10,899,289</u>                     |
| Segment profit (loss)                        | <u>97,755</u>                                   | <u>(752)</u>   | <u>(1,796)</u>                               | <u>95,207</u>                      | <u>(993,861)</u>                         | <u>(898,654)</u>                       | <u>(2,145)</u>                        | <u>(900,799)</u>                      |
| Corporate income                             |   |  |  |                                    |  |  |                                       | 9,795                                 |
| Central administrative costs                 |   |  |  |                                    |  |  |                                       | (215,093)                             |
| Gain on disposal of subsidiaries             |   |  |  |                                    |  |  |                                       | 153,705                               |
| Finance costs                                |   |  |  |                                    |  |  |                                       | (66,932)                              |
| Loss before tax                              |   |  |  |                                    |  |  |                                       | <u>(1,019,324)</u>                    |

**For the year ended 31 March 2019**

|   | Management contracting<br>(Audited)<br>HK\$'000 | Property development management<br>(Audited)<br>HK\$'000 | Property investment<br>(Audited)<br>HK\$'000 | PYE total<br>(Audited)<br>HK\$'000 | Hotel operation<br>(Audited)<br>HK\$'000 | Segment total<br>(Audited)<br>HK\$'000 | Eliminations<br>(Audited)<br>HK\$'000 | Consolidated<br>(Audited)<br>HK\$'000 |
|---|---|--|--|------------------------------------|--|--|---------------------------------------|---------------------------------------|
| <b>SEGMENT REVENUE</b>                      |   |  |  |                                    |  |  |                                       |                                       |
| 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                             | <u>9,347,609</u>                                | <u>28</u>  | <u>-</u>                                     | <u>9,347,637</u>                   | <u>4,471</u>                             | <u>9,352,108</u>                       | <u>29,755</u>                         | <u>9,381,863</u>                      |
| 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                                 |
| Total revenue from contracts with customers | <u>9,347,609</u>                                | <u>28</u>  | <u>-</u>                                     | <u>9,347,637</u>                   | <u>4,471</u>                             | <u>9,352,108</u>                       | <u>29,755</u>                         | <u>9,381,863</u>                      |
| Segment profit (loss)                       | <u>189,474</u>                                  | <u>(1,734)</u>   | <u>2,147</u>                                 | <u>189,887</u>                     | <u>(6,022,955)</u>                       | <u>(5,833,068)</u>                     | <u>225,098</u>                        | <u>(5,607,970)</u>                    |
| Corporate income                            |   |  |  |                                    |  |  |                                       | 8,627                                 |
| Central administrative costs                |   |  |  |                                    |  |  |                                       | (193,089)                             |
| Finance costs                               |   |  |  |                                    |  |  |                                       | <u>(44,612)</u>                       |
| Loss before tax                             |   |  |  |                                    |  |  |                                       | <u>(5,837,044)</u>                    |

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

**At 31 March 2020**

|                               | Management Contracting<br>(Audited)<br>HK\$'000 | Property development management<br>(Audited)<br>HK\$'000 | Property investment<br>(Audited)<br>HK\$'000 | PYE total<br>(Audited)<br>HK\$'000 | Hotel operation<br>(Audited)<br>HK\$'000 | Segment total<br>(Audited)<br>HK\$'000 | Eliminations<br>(Audited)<br>HK\$'000 | Consolidated<br>(Audited)<br>HK\$'000 |
|-------------------------------|---|--|--|------------------------------------|--|--|---------------------------------------|---------------------------------------|
| <b>ASSETS</b>                 |   |  |  |                                    |  |  |                                       |                                       |
| Segment assets                | <u>4,271,756</u>                                | <u>13,497</u>  | <u>88,718</u>                                | <u>4,373,971</u>                   | <u>4,010,712</u>                         | <u>8,384,683</u>                       | <u>(376,211)</u>                      | <u>8,008,472</u>                      |
| Pledged bank deposits         |   |  |  |                                    |  |  |                                       | 291                                   |
| Short term bank deposits      |   |  |  |                                    |  |  |                                       | 108,170                               |
| Bank balances and cash        |   |  |  |                                    |  |  |                                       | 325,357                               |
| Other unallocated assets      |   |  |  |                                    |  |  |                                       | <u>236,212</u>                        |
| Consolidated assets           |   |  |  |                                    |  |  |                                       | <u>8,678,502</u>                      |
| <b>LIABILITIES</b>            |   |  |  |                                    |  |  |                                       |                                       |
| Segment liabilities           | <u>3,346,713</u>                                | <u>15,865</u>  | <u>40</u>                                    | <u>3,362,618</u>                   | <u>6,112,469</u>                         | <u>9,475,087</u>                       | <u>(846,483)</u>                      | <u>8,628,604</u>                      |
| Bank and other borrowings     |   |  |  |                                    |  |  |                                       | 1,115,300                             |
| Other unallocated liabilities |   |  |  |                                    |  |  |                                       | <u>530,395</u>                        |
| Consolidated liabilities      |   |  |  |                                    |  |  |                                       | <u>10,274,299</u>                     |

**At 31 March 2019**

|                               | Management<br>contracting<br>(Audited)<br>HK\$'000 | Property<br>development<br>management<br>(Audited)<br>HK\$'000 | Property<br>investment<br>(Audited)<br>HK\$'000 | PYE<br>total<br>(Audited)<br>HK\$'000 | Hotel<br>operation<br>(Audited)<br>HK\$'000 | Segment<br>total<br>(Audited)<br>HK\$'000 | Eliminations<br>(Audited)<br>HK\$'000 | Consolidated<br>(Audited)<br>HK\$'000 |
|-------------------------------|--|--|---|---------------------------------------|---|---|---------------------------------------|---------------------------------------|
| <b>ASSETS</b>                 |  |  |   |                                       |   |   |                                       |                                       |
| Segment assets                | <u>3,755,651</u>                                   | <u>11,845</u>  | <u>97,662</u>                                   | <u>3,865,158</u>                      | <u>4,406,711</u>                            | <u>8,271,869</u>                          | <u>(399,927)</u>                      | 7,871,942                             |
| Pledged bank deposits         |  |  |   |                                       |   |   |                                       | 16,044                                |
| Short term bank deposits      |  |  |   |                                       |   |   |                                       | 94,638                                |
| Bank balances and cash        |  |  |   |                                       |   |   |                                       | 227,134                               |
| Other unallocated assets      |  |  |   |                                       |   |   |                                       | <u>149,382</u>                        |
| Consolidated assets           |  |  |   |                                       |   |   |                                       | <u>8,359,140</u>                      |
| <b>LIABILITIES</b>            |  |  |   |                                       |   |   |                                       |                                       |
| Segment liabilities           | <u>3,149,006</u>                                   | <u>6,457</u>   | <u>40</u>                                       | <u>3,155,503</u>                      | <u>5,496,467</u>                            | <u>8,651,970</u>                          | <u>(837,944)</u>                      | 7,814,026                             |
| Bank and other borrowings     |  |  |   |                                       |   |   |                                       | 722,200                               |
| Other unallocated liabilities |  |  |   |                                       |   |   |                                       | <u>399,526</u>                        |
| Consolidated liabilities      |  |  |   |                                       |   |   |                                       | <u>8,935,752</u>                      |

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

**For the year ended 31 March 2020**

|  | Management<br>contracting<br>(Audited)<br>HK\$'000 | Property<br>development<br>management<br>(Audited)<br>HK\$'000 | Property<br>investment<br>(Audited)<br>HK\$'000 | PYE<br>total<br>(Audited)<br>HK\$'000 | Hotel<br>operation<br>(Audited)<br>HK\$'000 | Unallocated<br>(Audited)<br>HK\$'000 | Consolidated<br>(Audited)<br>HK\$'000 |
|--|--|--|---|---------------------------------------|---|--------------------------------------|---------------------------------------|
| <b>OTHER INFORMATION</b>   |  |  |   |                                       |   |                                      |                                       |
| <i>Amounts included in the measure of segment profit (loss) or segment assets:</i> |  |  |   |                                       |   |                                      |                                       |
| Additions to hotel property  | -  | -  | -   | -                                     | 18,540                                      | -                                    | 18,540                                |
| Additions to property, plant<br>and equipment                                      | 17,393   | 87   | -   | 17,480                                | 1,041                                       | 25,143                               | 43,664                                |
| Additions to deposits paid for<br>acquisition of property, plant<br>and equipment  | -  | -  | -   | -                                     | 383   | -                                    | 383                                   |
| Depreciation of hotel property   | -  | -  | -   | -                                     | 254,512                                     | -                                    | 254,512                               |
| Depreciation of property, plant<br>and equipment                                   | 31,424   | 76   | -   | 31,500                                | 52,012                                      | 9,854                                | 93,366                                |
| Depreciation of right-of-use assets  | 6,260  | -  | -   | 6,260                                 | 46,730                                      | 21,586                               | 74,576                                |
| Finance costs  | -  | -  | -   | -                                     | 495,134                                     | 66,932                               | 562,066                               |
| Loss (gain) on disposal of property, plant<br>and equipment                        | 233  | -  | -   | 233                                   | (1,024)                                     | 944                                  | 153                                   |
| Interests in joint ventures  | 1,084  | -  | 85,393  | 86,477                                | -   | -                                    | 86,477                                |
| Share of profit (loss) of associates and<br>joint ventures                         | 25   | 9  | (1,531)   | (1,497)                               | -   | -                                    | (1,497)                               |

*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<br>joint ventures | 161,080 | 11 | 5,417 | 166,508 | - | - | 166,508 |
|--|---------|----|-------|---------|---|---|---------|

**For the year ended 31 March 2019**

|  | Management contracting<br>(Audited)<br>HK\$'000 | Property development management<br>(Audited)<br>HK\$'000 | Property investment<br>(Audited)<br>HK\$'000 | PYE total<br>(Audited)<br>HK\$'000 | Hotel operation<br>(Audited)<br>HK\$'000 | Unallocated<br>(Audited)<br>HK\$'000 | Consolidated<br>(Audited)<br>HK\$'000 |
|--|---|--|--|------------------------------------|--|--------------------------------------|---------------------------------------|
| <b>OTHER INFORMATION</b>   |   |  |  |                                    |  |                                      |                                       |
| <i>Amounts included in the measure of segment profit (loss) or segment assets:</i> |   |  |  |                                    |  |                                      |                                       |
| 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                                    |
| Amortisation 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 (loss) profit 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 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:

|                        | <b>2020</b><br><b>(Audited)</b><br><i>HK\$'000</i> | 2019<br>(Audited)<br><i>HK\$'000</i> |
|------------------------|--|--------------------------------------|
| Hong Kong              | <b>8,630,529</b>                                   | 8,283,884                            |
| Macau                  | <b>2,158,905</b>                                   | 1,043,178                            |
| The PRC                | <b>1,465</b>                                       | –                                    |
| Singapore and Malaysia | <b>108,390</b>                                     | 54,801                               |
|                        | <b><u>10,899,289</u></b>                           | <b><u>9,381,863</u></b>              |

The followings is an analysis of the Group's revenue based on types of goods and services:

|                                 | <b>2020</b><br><b>(Audited)</b><br><i>HK\$'000</i> | 2019<br>(Audited)<br><i>HK\$'000</i> |
|---------------------------------|--|--------------------------------------|
| Management contracting          | <b>10,869,114</b>                                  | 9,377,364                            |
| Property development management | <b>1,222</b>                                       | 28                                   |
| Hotel operation                 | <b>28,953</b>                                      | 4,471                                |
|                                 | <b><u>10,899,289</u></b>                           | <b><u>9,381,863</u></b>              |

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

|                        | <b>2020</b><br><b>(Audited)</b><br><i>HK\$'000</i> | 2019<br>(Audited)<br><i>HK\$'000</i> |
|------------------------|--|--------------------------------------|
| Hong Kong              | <b>294,064</b>                                     | 225,813                              |
| Macau                  | <b>3,971,150</b>                                   | 4,284,214                            |
| The PRC                | <b>88,077</b>                                      | 94,963                               |
| Singapore and Malaysia | <b>2,232</b>                                       | 1,793                                |
|                        | <b><u>4,355,523</u></b>                            | <b><u>4,606,783</u></b>              |

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

|            | <b>2020</b>             | 2019             |
|------------|-------------------------|------------------|
|            | <b>(Audited)</b>        | (Audited)        |
|            | <b>HK\$'000</b>         | HK\$'000         |
| Customer A | <b>1,785,518</b>        | 1,281,153        |
| Customer B | <b>Note</b>             | 1,123,713        |
| Customer C | <b>Note</b>             | 1,113,275        |
| Customer D | <b>1,560,418</b>        | Note             |
|            | <u><b>1,785,518</b></u> | <u>1,113,275</u> |

Note: This customer contributed less than 10% of total revenue of the Group for the year ended 31 March 2020 or the year ended 31 March 2019.

All these customers are under the management contracting segment.

#### 4. INCOME TAX CREDIT (EXPENSE)

|                                      | <b>2020</b>        | 2019           |
|--------------------------------------|--------------------|----------------|
|                                      | <b>(Audited)</b>   | (Audited)      |
|                                      | <b>HK\$'000</b>    | HK\$'000       |
| Hong Kong                            |                    |                |
| Current tax                          | <b>(81)</b>        | (1,082)        |
| Overprovision in prior years         | <b>825</b>         | –              |
|                                      | <u><b>744</b></u>  | <u>(1,082)</u> |
| Macau and other jurisdictions        |                    |                |
| Current tax                          | <b>(1,170)</b>     | (1,008)        |
| Over(under) provision in prior years | <b>1,145</b>       | (2,114)        |
|                                      | <u><b>(25)</b></u> | <u>(3,122)</u> |
|                                      | <u><b>719</b></u>  | <u>(4,204)</u> |

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 profits 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

The Group's loss for the year is stated after charging (crediting) the following:

|  | 2020<br>(Audited)<br>HK\$'000 | 2019<br>(Audited)<br>HK\$'000 |
|--|-------------------------------|-------------------------------|
| Auditor's remuneration   | 5,599                         | 5,037                         |
| Depreciation of hotel property   | 254,512                       | 307,022                       |
| Depreciation of property, plant and equipment  | 93,366                        | 90,817                        |
| Depreciation of right-of-use assets  | 74,576                        | –                             |
| Loss (gain) on disposal of property, plant and equipment   | 153                           | (5,077)                       |
| Legal and professional fees  | 25,817                        | 44,905                        |
| Net exchange loss  | 3,997                         | 3,084                         |
| Expenses relating to short-term leases and leases of low-value assets  | 163,926                       | –                             |
| Operating lease rentals  | –                             | 165,998                       |
| Amortisation of prepaid land lease payments  | –                             | 104,591                       |
| Staff costs (including directors' remuneration):   |                               |                               |
| Salaries, discretionary bonus and other benefits   | 1,034,589                     | 933,867                       |
| Retirement benefit scheme and other post-employment schemes contributions, net of forfeited contributions of approximately HK\$1,797,000 (2019: approximately HK\$3,734,000) | 28,633                        | 26,730                        |
| Equity-settled share-based payment expenses  | (936)                         | 1,251                         |
| Total staff costs  | <u>1,062,286</u>              | <u>961,848</u>                |

## 6. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

## 7. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$1,021,702,000 (2019: approximately HK\$5,847,646,000) and the weighted average number of ordinary shares of 1,012,953,711 (2019: 1,012,953,711) in issue during the year.

### Diluted loss per share

For the years ended 31 March 2020 and 2019, the computation of diluted loss per share does not assume the exercise of the Company's convertible bonds, the unvested shares awarded outstanding and share options since their exercise would result in a decrease in loss per share.

## 8. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

|  | 2020<br>(Audited)<br><i>HK\$'000</i> | 2019<br>(Audited)<br><i>HK\$'000</i> |
|--|--------------------------------------|--------------------------------------|
| Trade debtors  | 487,371                              | 554,109                              |
| Less: Impairment allowance   | <u>(11,860)</u>                      | <u>(13,515)</u>                      |
|  | <u>475,511</u>                       | <u>540,594</u>                       |
| Advance payments to sub-contractors  | 218,282                              | 157,894                              |
| Construction and material purchase costs paid on behalf of sub-contractors | 193,329                              | 224,070                              |
| Other debtors, deposits and prepayments                                    | <u>138,480</u>                       | <u>115,030</u>                       |
|  | 550,091                              | 496,994                              |
| Less: Impairment allowance   | <u>(2,741)</u>                       | <u>(339)</u>                         |
|  | <u>547,350</u>                       | <u>496,655</u>                       |
|  | <u><b>1,022,861</b></u>              | <u><b>1,037,249</b></u>              |

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:

|                                       | 2020<br>(Audited)<br><i>HK\$'000</i> | 2019<br>(Audited)<br><i>HK\$'000</i> |
|---------------------------------------|--------------------------------------|--------------------------------------|
| Within 90 days                        | 424,907                              | 491,086                              |
| More than 90 days and within 180 days | 1,224                                | –                                    |
| More than 180 days                    | <u>49,380</u>                        | <u>49,508</u>                        |
|                                       | <u><b>475,511</b></u>                | <u><b>540,594</b></u>                |

The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimise any credit risk associated with these trade debtors.

The directors of the Company consider that there has not been a significant change in credit quality of the trade debtors and there was no recent history of default, therefore the amounts are considered recoverable. The Group does not hold any collateral over these balances.

## 9. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

|   | 2020<br>(Audited)<br><i>HK\$'000</i> | 2019<br>(Audited)<br><i>HK\$'000</i> |
|---|--------------------------------------|--------------------------------------|
| Trade creditors   | <u>548,987</u>                       | <u>677,028</u>                       |
| Retention held by the Group expected to be settled:     |                                      |                                      |
| – within 12 months from the end of the reporting period | <u>655,599</u>                       | 665,510                              |
| – after 12 months from the end of the reporting period  | <u>412,627</u>                       | <u>253,566</u>                       |
|   | <u>1,068,226</u>                     | <u>919,076</u>                       |
| Other creditors and accrued expenses                    | <u>1,735,369</u>                     | <u>1,560,742</u>                     |
|   | <u><u>3,352,582</u></u>              | <u><u>3,156,846</u></u>              |

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:

|                                       | 2020<br>(Audited)<br><i>HK\$'000</i> | 2019<br>(Audited)<br><i>HK\$'000</i> |
|---------------------------------------|--------------------------------------|--------------------------------------|
| Within 90 days                        | <u>520,576</u>                       | 645,705                              |
| More than 90 days and within 180 days | <u>5,096</u>                         | 2,064                                |
| More than 180 days                    | <u>23,315</u>                        | <u>29,259</u>                        |
|                                       | <u><u>548,987</u></u>                | <u><u>677,028</u></u>                |

## 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 "Hotel") with the Hong Kong-based legacy business of Paul Y. Engineering Group Limited ("PYE").

#### Hotel Business

##### *The Hotel (100% owned)*

The 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.

Due to the outbreak of COVID-19 pandemic, the Macau government implemented stringent government measures including the closure of all casinos in Macau for 15 days. In addition, from mid-March 2020, Macau disallowed entry by all non-residents (except residents of Mainland China, Hong Kong and Taiwan).

Visitor arrivals in Macau fell 93.7% year-on-year to 212,300 in March 2020 due to the COVID-19 pandemic.

In light of the recent outbreak of COVID-19 pandemic and the challenging economic conditions, the Group, following the practice of many other hotel operators in Macau, made the decision to close the Hotel for the foreseeable future.

As at 31 March 2020, the hotel segment recorded assets of approximately HK\$4,011 million which include right-of-use assets, hotel property, property, plant and equipment and other assets of the hotel segment.

The hotel segment recorded total liabilities of approximately HK\$5,266 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\$17 million and HK\$12 million, respectively for the year ended 31 March 2020. The average occupancy rate was 37.3% with average daily room rate at around HK\$1,829 for the year ended 31 March 2020. There was segment loss of approximately HK\$994 million\* for the year ended 31 March 2020 of which the loss before interest, tax, depreciation and amortisation of the hotel segment for the year was approximately HK\$146 million. The hotel segment also incurred depreciation charge of approximately HK\$353 million\* for the year. Finance costs on bank and other borrowings was approximately HK\$343 million for the year ended 31 March 2020. Finance costs on convertible bonds was approximately HK\$152 million for the year.

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

## **Engineering Business**

### ***PYE (51.76% owned)***

The outbreak of the COVID-19 pandemic in the last quarter of this financial year has seriously affected many business sectors including construction industry. Due to the mandatory quarantine requirements and health guidelines, there has in any event a downturn in the availability of human resources for our construction sites. In addition, the resulting continued closure or limited resourcing of government departments and public services in Hong Kong and Macau has impacted progress due to inevitable delays to the processing of submissions and granting of approvals and permissions in connection with our projects. Temporary city lockdown and production suspension has also caused the breakdown in the supply chain. With such disruption to our projects, the productivity has been reduced and progress on the projects was slowed down in the last two months of the year under review.

Management contracting division remained the core business and the major contributor of revenue this year. Revenue of this division amounted to approximately HK\$10,981 million (2019: HK\$9,348 million), up by about 17%. Its operating profit amounted to approximately HK\$98 million (2019: HK\$189 million). As at 31 March 2020, the value of contracts on hand was approximately HK\$44,218 million, while the value of work remaining had stood at approximately HK\$26,546 million.

During the year under review, the management contracting division secured new construction contracts with an aggregate value of approximately HK\$15,681 million. Subsequent to the year end, the division secured further contracts of approximately HK\$1,958 million. Set out below are some of the new contracts secured during the year and up to the date of this announcement:

- Construction of Central Kowloon Route – Kai Tak East
- Fanling North New Development Area, Phase 1: Fanling Bypass Eastern Section (Shung Him Tong to Kau Lung Hang)
- Main contract for redevelopment of Merry Terrace at 4A-4P Seymour Road

- Main contract works (Lot 9) for the Concordia Comprehensive Development at Coloane, Macau
- Main contract works (Lot 12a) for the Concordia Comprehensive Development at Coloane, Macau
- Main contract works for the residential development at NKIL6562 and NKIL6565, Kai Tak
- Main contract works for the residential development at TMTL523 Castle Peak Road, Tai Lam
- Main contract works for 1224-place student residence at Police School Road, Wong Chuk Hang, for the University of Hong Kong using MiC units
- Hong Kong International Airport multipurpose building in remaining midfield area
- Three runway system project – Fire training facility
- Three runway system project – Third runway and associated works at Hong Kong International Airport
- Site foundation and infrastructure provision for temporary quarantine facilities for Sai Kung Outdoor Recreation Centre
- Main contract works for the residential development at Off Anderson Road (Lot No.1068 in Survey District No.3), Kwun Tong
- Main contract for senior citizen residences development at 8 Lee Kung Street, Hung Hom

The property development management division reported a loss of approximately HK\$1 million for the year under review. The value of contracts on hand for property development management division at the year end was approximately HK\$89 million.

The property investment division reported a loss, through its joint venture, of approximately HK\$2 million for the year under review. The joint venture holds an investment property in Hangzhou of the PRC, 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 (2019: HK\$11 million) for the year and its occupancy reached about 92% as at 31 March 2020.

## **MATERIAL ACQUISITION AND DISPOSAL**

### **Disposal of motor vehicles**

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

### **Disposal of 50% interest in Uni-Dragon Limited**

On 14 and 15 October 2019, a subsidiary of the Company and the Company entered into sale and purchase agreements with purchasers relating to the proposed disposal of a 50% interest in a subsidiary of the Company that beneficially owns the Hotel (and has a liability for bank borrowings and interest accrued thereon) for a total consideration of HK\$750 million (the “Hotel Disposal”). However, the Hotel Disposal and the transactions contemplated thereunder have lapsed on 1 September 2020. For details, please refer to the announcements of the Company dated 1 November 2019 and 1 September 2020.

## **EVENTS AFTER THE REPORTING PERIOD**

On 1 April 2020, a bank issued a demand for the repayment of aggregate principal and interest of approximately HK\$470 million, and on account of the failure to repay, accelerated its demand for all additional principal and interest under the facility agreement, in the amount of approximately HK\$2,481 million (in aggregate amounting to approximately HK\$2,951 million as at 31 March 2020). For details, please refer to the announcement of the Company dated 6 April 2020.

On 1 September 2020, the Hotel Disposal and the transactions contemplated thereunder have lapsed. For details, please refer to the announcement of the Company dated 1 September 2020.

## **FINANCIAL REVIEW**

For the year ended 31 March 2020, the Group’s consolidated revenue including joint operations increased to approximately HK\$10,899 million (2019: HK\$9,382 million).

Gross loss decreased to approximately HK\$84 million (2019: HK\$110 million). Gross loss margin decreased to 0.77% (2019: 1.17%).

Loss attributable to owners of the Company for the year was approximately HK\$1,022 million (2019: HK\$5,848 million), represents an decrease of approximately 83% mainly due to the decrease of rent, consultancy fee, legal & professional fee in addition to the impairment loss on hotel assets of approximately HK\$4,697 million recorded in prior year. Basic loss per share was 100.9 HK cents.

The Group recorded total assets of approximately HK\$8,679 million as at 31 March 2020, an approximately 3.8% increase compared with the prior year. The equity attributable to owners of the Company increased to deficit of approximately HK\$1,820 million (2019: HK\$803 million) which was mainly due to loss for the year resulting from the hotel segment.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group maintains a variety of credit facilities to meet requirements for working capital. At 31 March 2020, cash, bank balances and deposits stood at approximately HK\$434 million, of which approximately HK\$380 million, HK\$22 million, HK\$25 million, HK\$1 million, HK\$4 million and HK\$2 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\$4,980 million at year end of which approximately HK\$4,466 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 2020 of approximately HK\$965 million. The convertible bonds mature in February 2025.

As of 31 March 2020, the Group's current liabilities exceeded its current assets by approximately HK\$4,401 million. The Group is working to obtain further facilities which will enhance the liquidity of the Group's operations.

## **EMPLOYEES**

The Group had 2,141 full-time employees, including the directors of the Company and subsidiaries but excluding contracted casual labour in Macau, as at 31 March 2020. 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 2020, the Group pledged hotel property and right-of-use assets of approximately HK\$2,653 million and HK\$588 million, respectively, and charged 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\$29 million issued to financial institutions for bonds on construction contracts of joint operations as at 31 March 2020.

## **COMMITMENTS**

As at 31 March 2020, the Group has expenditure contracted for but not provided in the audited consolidated financial statements in respect of the acquisition of property, plant and equipment of approximately HK\$24 million.

## **SECURITIES IN ISSUE**

During the year ended 31 March 2020, 8,369,781 share options lapsed.

As at 31 March 2020, there were 1,012,953,711 shares in issue. Additional shares may be issued by way of 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 2020 (2019: Nil).

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

During the year ended 31 March 2020, 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 39.4 million visitors for 2019 with approximately 27.9 million from Mainland China and approximately 8.5 million from Hong Kong and Taiwan. The visitation to Macau for 2019 recorded an increase of 10.1% compared to the year 2018. Due to the COVID-19 pandemic, visitor arrivals in Macau fell 93.7% year-on-year to 212,300 in March 2020.

Looking ahead, the hotel market in Macau continues to growth steadily but the overall external economic environment is still posing uncertainty including the COVID-19 pandemic, 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 business.

## **Engineering Business**

### ***PYE (51.76% owned)***

The COVID-19 pandemic has cratered the global economies. Many social and economic activities were brought to halt and most countries are now struggling a balance between public health and economy. Although governments of major economies have put on stream different measures to stimulate economic activities, the road to recover will still be long. In addition, the global economies are also hampered by various vulnerabilities, including the intense trade relations between the United States and China, uncertainties brought by “Brexit” negotiation, heightened geopolitical risks, which possibly send shocks to the global financial market and hinder economic recovery. As an outward-looking economy, Hong Kong is easily influenced by these external unfavourable factors.

The lingering effect brought by new coronavirus infection has also inflicted severe blow to most sectors of Hong Kong. It is believed that the unprecedented economic pressure and market volatility will remain, resulting in deepen economic recession in Hong Kong for the remaining year of 2020. Facing the hike of unemployment rate and contraction of economic activities, private investors will become more cautious and demand in private sectors may drop in the short run until their confidence is rebuilt. Accordingly, competition in project tendering will become more fierce.

Nevertheless, as the Hong Kong Government has introduced a number of favourable construction policies, such as constant expenditure increase in public works projects and infrastructures, and a number of long-term development initiatives, covering the second 10-year Hospital Development Plan, harbourfront development initiatives, and innovation and technology infrastructures. PYE group holds the cautiously optimistic attitude towards the prospects of construction industry, and its potential growth and development in the medium and long term.

Rooted in Hong Kong for many years, PYE group has gone through a number of market adversities with the city. It is believed that, with the strong foundation of PYE group, cautious and flexible business strategies and planning, we will overcome the various challenges from volatile market conditions. We will continue to review the business operation, and pay close attention to market development. By advancing business strategies and project management, as well as effective control in internal resources, we strive to move forward our overall business development. PYE group will also explore opportunities to expand our facilities management business.

## **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 throughout the year ended 31 March 2020 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 four 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
- Dr Lo Wing Yan, William, *JP*

The Group’s audited results for the year ended 31 March 2020 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 2020 as set out in this preliminary results announcement have been agreed by the Company’s auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited 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 ZHONGHUI ANDA CPA Limited 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 consolidated financial statements for the year ended 31 March 2020.

## **“Disclaimer of Opinion**

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **Basis for Disclaimer of Opinion**

### ***1. Impairment assessment of the cash generating unit (“CGU”) of hotel operation***

The CGU of hotel operation of the Group represents the hotel operation business of the Group in the hotel located in Macau. The hotel property, right-of-use assets and property, plant and equipment included in the CGU of hotel operation with carrying amounts of approximately HK\$3,202,597,000, approximately HK\$588,016,000 and approximately HK\$156,576,000 as at 31 March 2020 respectively, are stated at cost less accumulated depreciation and subsequent accumulated impairment. The management of the Group determined the recoverable amount of the CGU of hotel operation by estimating the cash flow generated by these assets, which was valued by an independent professional valuer. The anticipated cash flow are based on a number of key assumptions, including average hotel room rate per square feet, occupancy rate, growth rate and discount rate for the hotel property. These assumptions and estimation are highly dependent on the hotel being able to successfully meet the Group’s operational forecasts in the future.

We have been unable to obtain sufficient appropriate audit evidence in respect of the assumptions adopted into the anticipated cash flow on the impairment assessment of the CGU of hotel operation.

There were no other satisfactory audit procedures that we could perform to satisfy ourselves (i) whether carrying amount of the CGU of hotel operations were fairly stated as at 31 March 2020; (ii) provision for impairment losses on the CGU of hotel operation for the year ended 31 March 2020 were properly recorded; and (iii) the accuracy of the disclosures in relation to the CGU of hotel operation.

### ***2. Material uncertainty related to going concern***

We draw attention to note 1 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$1,018,605,000 for the year ended 31 March 2020 and as at 31 March 2020 the Group had net current liabilities and net liabilities of approximately HK\$4,400,918,000 and approximately HK\$1,595,797,000 respectively.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome that certain financing plans and measures as stated in note 1 of the consolidated financial statements to improve its consolidated financial position, to provide liquidity and cash flows. The consolidated financial statements do not include any adjustments that would result from the failure to fulfill the financing plans and measures. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements.

However, in view of the extent of the uncertainty relating to the successful outcome that certain financing plans and measures to improve its consolidated financial position, to provide liquidity and cash flows, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis."

Any adjustments to the figures as described from points 1 to 2 above might have a significant consequential effect on the Group's consolidated financial performance and its consolidated cash flows for the year ended 31 March 2020 and the consolidated financial position of the Group as at 31 March 2020, and the related disclosures thereof in the consolidated financial statements."

## **PUBLICATION OF AUDITED FINAL RESULTS AND ANNUAL REPORT**

This audited final results announcement is published on the Company's website at [www.southshore-holdings.com](http://www.southshore-holdings.com) and the Stock Exchange's website. The 2020 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, 11 September 2020

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

|  |   |                                    |
|--|---|------------------------------------|
| Mr Peter Lee Coker Jr.                       | : | Chairman (Executive Director)      |
| Ir James Chiu, <i>OBE, JP</i>                | : | Independent Non-Executive Director |
| Professor Lee Chack Fan, <i>GBS, SBS, JP</i> | : | Independent Non-Executive Director |
| Mr Iain Ferguson Bruce                       | : | Independent Non-Executive Director |
| Dr Lo Wing Yan, <i>William, JP</i>           | : | Independent Non-Executive Director |