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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

•	Revenue	HK$5,146 million	+16%
•	Loss attributable to owners of the Company	HK$507 million	+15%
•	Loss per share		
	– Basic	HK50.0 cents	+14%
	– Diluted	HK50.0 cents	+14%

RESULTS

The board of directors (the "Board") of South Shore Holdings Limited ("South Shore" or the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2019, together with the comparative figures for the corresponding year in 2018. The consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2019 and the consolidated statement of financial position of the Group as at 30 September 2019, all of which are unaudited and condensed, along with selected explanatory notes. The condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have not been audited or reviewed by the Company's external auditor, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited Six months ended 30 September	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
Revenue	3	**5,145,797**	4,436,072
Cost of construction business		**(5,008,742)**	(4,258,273)
Cost of sales and services on hotel, food & beverage and related services		**(231,158)**	–
Other income		**5,134**	4,396
Administrative and other expenses		**(277,185)**	(401,964)
Finance costs		**(272,998)**	(202,955)
Gain on disposal of subsidiaries		**153,705**	–
Impairment allowance on financial assets and contract assets		**(14,948)**	(6,784)
Share of results of associates		**(6)**	(2,307)
Share of results of joint ventures		**749**	860
Loss before tax		**(499,652)**	(430,955)
Income tax credit (expense)	4	**65**	(2,675)
Loss for the period	5	**(499,587)**	(433,630)
Loss for the period attributable to:			
Owners of the Company		**(506,703)**	(442,380)
Non-controlling interests		**7,116**	8,750
		(499,587)	(433,630)
Loss per share	7		
Basic (HK cents)		**(50.0)**	(43.7)
Diluted (HK cents)		**(50.0)**	(43.7)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Loss for the period	**(499,587)**	(433,630)
Other comprehensive expense for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	**(3,123)**	(5,702)
Share of translation reserve of an associate and joint ventures	**(5,288)**	(7,644)
	(8,411)	(13,346)
Total comprehensive expense for the period	**(507,998)**	(446,976)
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	**(511,057)**	(449,287)
Non-controlling interests	**3,059**	2,311
	(507,998)	(446,976)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited 30.9.2019 HK$'000	Audited 31.3.2019 HK$'000
NON-CURRENT ASSETS			
Hotel property		**3,311,996**	3,438,569
Property, plant and equipment		**311,035**	370,841
Right-of-use assets		**706,826**	–
Deposits paid for acquisition of property, plant and equipment		**26,290**	29,842
Prepaid land lease payments		**–**	603,679
Goodwill		**61,646**	61,646
Other intangible assets		**8,062**	8,062
Interests in joint ventures		**89,427**	94,144
		4,515,282	4,606,783
CURRENT ASSETS			
Prepaid land lease payments		**–**	47,305
Inventories		**16,247**	40,629
Trade and other debtors, deposits and prepayments	8	**1,206,334**	1,037,249
Contract assets		**2,392,820**	2,129,237
Amounts due from associates		**17,725**	18,462
Amounts due from joint ventures		**28,664**	28,637
Amounts due from joint operations/other partners of joint operations		**97,726**	55,345
Amounts due from subsidiaries of a shareholder		**94**	94
Other loans receivable		**48,084**	56,162
Taxation recoverable		**4,196**	1,421
Pledged bank deposits		**9,476**	16,044
Short term bank deposits		**55,377**	94,638
Bank balances and cash		**373,547**	227,134
		4,250,290	3,752,357

	NOTE	Unaudited 30.9.2019 HK$'000	Audited 31.3.2019 HK$'000
CURRENT LIABILITIES			
Trade and other creditors and accrued expenses	9	**3,447,483**	3,156,846
Contract liabilities		**467,002**	323,822
Deposits/earnest money received		**249,000**	249,000
Amounts due to joint operations/other partners of joint operations		**103,331**	58,436
Amount due to a subsidiary of a shareholder		**5,326**	2,244
Amount due to a joint venture		**65**	–
Amount due to a related company		**9,081**	2,340
Loan from a subsidiary of a shareholder		**75,000**	75,000
Loan from a related company		**105,578**	107,350
Taxation payable		**1,704**	2,122
Lease liabilities		**26,999**	–
Bank and other borrowings – due within one year		**4,381,124**	4,119,124
		8,871,693	8,096,284
NET CURRENT LIABILITIES		**(4,621,403)**	(4,343,927)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(106,121)**	262,856
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year		**–**	17,500
Convertible bonds		**888,822**	812,741
Lease liabilities		**70,248**	–
Obligations in excess of interests in associates		**9,055**	9,227
		968,125	839,468
		(1,074,246)	(576,612)
CAPITAL AND RESERVES			
Share capital		**202,591**	202,591
Reserves		**(1,505,932)**	(1,006,047)
Equity attributable to owners of the Company		**(1,303,341)**	(803,456)
Non-controlling interests Share of net assets of subsidiaries		**229,095**	226,844
TOTAL EQUITY		**(1,074,246)**	(576,612)

Notes:

1. BASIS OF PREPARATION

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

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of HK$499,587,000 and as of that date, the Group's current liabilities exceeded its current assets by HK$4,621,403,000. In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements of HK$28,262,000.

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 (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 licenses for the operation of hotel business in August 2018. 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 meet certain amount of consolidated tangible net worth and certain ratio of its consolidated net bank borrowings to consolidated tangible net worth. 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 condensed consolidated financial statements, such applications for extension and waiver for the non-compliance of the covenants as stated in the bank loan agreement are being processed by the bank. As a result, as at the date of approval of these condensed consolidated financial statements, such bank borrowings are repayable on demand.

Up to the date of approval of these condensed consolidated financial statements, the Group's applications for the extension and waiver in respect of non-compliance with the covenants have not been rejected, nor has it received any written notice from the bank demanding for immediate repayment of the entire borrowing.

Subsequent to the end of reporting period, a subsidiary of the Company entered into sale and purchase agreements with purchasers relating to the proposed disposal of 50% interest in a subsidiary of the Company that beneficially owns THE 13 Hotel (and has a liability for bank borrowings of approximately HK$2,942 million and interest accrued thereon) (the "Hotel Disposal") for a total consideration of HK$750 million. Details of the Hotel Disposal are set out in the Company's announcement dated 1 November 2019. The long stop date of the Hotel Disposal is (i) in respect of the provision to the purchasers of 2019 audited accounts of a subsidiary of the Company, being 14 January 2020 (extended from 14 November 2019); and (ii) in respect of other conditions precedent, being 14 April 2020. The directors of the Company consider that the Hotel Disposal is viable, subject to satisfaction of material conditions precedent. As set out in the sale and purchase agreements and disclosed in the announcement of the Company dated 1 November 2019, one of the material conditions precedent is either the lender of the existing bank borrowings issuing a new facility letter modifying the terms and conditions of the existing bank facilities to include the deferral on repayment of principal; or a facility letter having been issued by another financial institution committing to refinance the bank loan in full or if less, an amount acceptable to the purchasers, in each case on terms and conditions and in all respects (including waiver of past defaults and/or breaches) satisfactory to the purchasers as each of the purchasers may in its sole and absolute discretion determine, and the relevant facility letter or document not having been withdrawn or terminated or modified in any manner.

The directors of the Company are aware of an obligation to repay principal in the amount of HK$556,289,000 that will fall due on 16 December 2019 (extended from 15 August 2019). Based on the current status, other than repayment of the said HK$556,289,000, the directors of the Company do not expect to receive any demand from the bank for immediate repayment for the entire borrowing of HK$2,941,924,000 for at least the next twelve months from the date of approval of these condensed consolidated financial statements, as the Group has frequent communications with the bank, which has showed the positive support for the Group.

(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 "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 in respect of the PYE Disposal up to 30 September 2019. The receipt of the remaining proceeds from the proposed disposal of HK$121 million is subject to certain conditions for the completion of transaction. The 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 31 March 2020.

Were the conditions to the PYE Disposal to be satisfied (or waived) prior to the satisfaction (or waiver) of the conditions to the Hotel Disposal, the directors of the Company would not complete the PYE Disposal in circumstances where the prospect of the Hotel Disposal remained on track. Should the Hotel Disposal as mentioned in point (i) 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 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 condensed consolidated financial statements. Management anticipates 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 positive operating cash flows from PYE and unutilised banking facilities of PYE of approximately HK$635 million as at 30 September 2019 will continue to be available for use throughout the next twelve months from the date of approval of these condensed 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 June 2020. 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.

As mentioned in points (i) and (ii) above, subsequent to the end of reporting period, a subsidiary of the Company entered into sale and purchase agreements relating to the Hotel Disposal for a total consideration of HK$750 million. Deposits of HK$60 million regarding the Hotel Disposal shall, pursuant to the sale and purchase agreements, be paid upon the signing of the sale and purchase agreements. The receipt of the remaining proceeds from the Hotel Disposal of HK$690 million is subject to certain conditions precedent for the completion of transaction. The directors of the Company consider that the Hotel Disposal is viable, subject to satisfaction of material conditions precedent as set out in the announcement of the Company dated 1 November 2019.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the Group's financial period beginning on 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Disaggregation of revenue		
Management contracting	**5,126,151**	4,436,044
Property development management	**–**	28
Hotel operation	**19,646**	–
	5,145,797	4,436,072

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition		
Over time	**5,129,385**	4,436,072
At a point of time	**16,412**	–
	5,145,797	4,436,072

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

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

The Group had invested in an operating segment of the hotel operation in Macau with provision of ancillary facilities. The remaining segments are held under a major subsidiary of the Group, PYE.

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

For the six months ended 30 September 2019

	Management contracting *HK$'000*	Property development management *HK$'000*	Property investment *HK$'000*	PYE total *HK$'000*	Hotel operation *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE								
External sales	5,126,151	–	–	5,126,151	19,646	5,145,797	–	5,145,797
Inter-segment sales	86,735	–	–	86,735	371	87,106	(87,106)	–
Segment revenue	5,212,886	–	–	5,212,886	20,017	5,232,903	(87,106)	5,145,797
TIMING OF REVENUE RECOGNITION								
Over time	5,212,886	–	–	5,212,886	3,605	5,216,491	(87,106)	5,129,385
At a point in time	–	–	–	–	16,412	16,412	–	16,412
	5,212,886	–	–	5,212,886	20,017	5,232,903	(87,106)	5,145,797
Segment (loss) profit	(11,382)	(611)	666	(11,327)	(507,619)	(518,946)	(2,130)	(521,076)
Corporate income								5,134
Central administrative costs								(102,573)
Gain on disposal of subsidiaries								153,705
Finance costs								(34,842)
Loss before tax								(499,652)

For the six months ended 30 September 2018

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

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

4. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong		
Current tax	**–**	1,316
Macau and other jurisdictions		
Current tax	**1,083**	1,359
Overprovision in prior years	**(1,148)**	–
	(65)	1,359
	(65)	2,675

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. The estimated weighted average annual tax rate used for calculation of Hong Kong Profits Tax is 16.5% for the six months ended 30 September 2019.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 September 2019 as the assessable profits were wholly absorbed by tax losses brought forward.

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

5. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting):		
Depreciation of hotel property	**126,573**	43,011
Depreciation of property, plant and equipment	**46,448**	25,479
Depreciation of right-of-use assets	**36,534**	–
Gain on disposal of property, plant and equipment	**(1,047)**	(4,924)
Legal and professional fee	**5,055**	34,546
Release of prepaid land lease payments	**–**	52,296
Staff costs	**217,857**	169,829
Interest income	**(5,134)**	(4,396)

6. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2019 and 2018, nor has any dividend been proposed since the end of the reporting periods.

7. LOSS PER SHARE

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share:		
Loss for the period attributable to owners of the Company	**(506,703)**	(442,380)

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	**1,012,953,711**	1,012,953,711

The computation of diluted loss per share for the six months ended 30 September 2019 and 2018 does not assume the exercises of convertible bonds and the unvested shares awarded outstanding for the six months ended 30 September 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 the six months ended 30 September 2019 and 2018 does not assume the exercises of the Company's share options outstanding during the six months ended 30 September 2019 and 2018 because the adjusted exercise prices of those options were higher than the average market price of the shares and assumed such exercises would result in a decrease in loss per share during both periods.

8. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Within 90 days	**613,501**	491,086
More than 180 days	**52,408**	49,508
	665,909	540,594

9. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

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

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

	30.9.2019	31.3.2019
	HK$'000	*HK$'000*
Within 90 days	**771,599**	645,705
More than 90 days and within 180 days	**2,684**	2,064
More than 180 days	**26,615**	29,259
	800,898	677,028

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

Hotel Business – THE 13 Hotel

The Group is operating an exclusive luxury hotel and entertainment complex located on the Cotai Strip of Macau ("THE 13 Hotel").

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

As at 30 September 2019, the hotel segment recorded assets of approximately HK$4,174 million. The hotel segment assets include cost of land, hotel property and THE 13 Hotel's fixture, furniture and equipment (including deposits paid).

The hotel segment also recorded liabilities of approximately HK$5,762 million which include liability portion of convertible bonds issued and borrowings for financing the hotel development and operation.

There was segment loss of approximately HK$508 million for the six months ended 30 September 2019 which mainly represent finance costs for hotel operations, depreciation and amortization charges and other hotel operation costs recorded in the current period.

Engineering Business – PYE

During the period under review, competition within the construction industry remained intense, particularly in pricing. Nevertheless, PYE Group has achieved a growth of approximately 22% in the value of contracts on hand with a tendering strategy that has put more emphasis on our technical know-how and professional management. By leveraging our professional expertise, experience and state-of-the-art digital technologies, we joined hands with iMAX of Singapore to combine our experience and ambition for the market. Based on the advancement of the patented Candle-Loc Connection System and the strength of our technical know-how on MiC, PYE Group was awarded a project to develop the Student Residence of the University of Hong Kong at Wong Chuk Hang, a pilot project adopting MiC, selected by the Development Bureau, as our first MiC project in Hong Kong.

For the six months ended 30 September 2019, PYE Group recorded a consolidated revenue of approximately HK$5,213 million (2018: HK$4,391 million), representing an increase of approximately 19% from that of the last period. The gross profit decreased by approximately 34% to approximately HK$117 million (2018: HK$178 million) and the gross margin was approximately 2.2% (2018: 4.0%). During the period, PYE Group reported a gain of approximately HK$154 million as a result of the disposal of subsidiaries holding the prepaid land lease at a consideration of approximately HK$10 million. However, profit for the period attributable to owners of the Company was decreased by approximately 9% to approximately HK$29 million (2018: HK$32 million), mainly due to additional allowance made for project final accounts and expected credit loss in view of the worsening economic situation.

Sale of Engineering Business – PYE

On 28 June 2017, a subsidiary of the Company entered into sale and purchase agreements in respect of the disposal of its entire 51.76% interests in PYE, an indirect subsidiary of the Company, to Precious Year Limited, a wholly owned subsidiary of ITC Properties Group Limited ("ITCP"), a listed company whose shares are listed on the Stock Exchange (stock code: 199), and Tycoon Bliss Limited, a company wholly owned by Mr. Chan Fut Yan, the deputy chairman and executive director of PYE and also the managing director and executive director of ITCP, for a total consideration of HK$300 million (the "Disposal"). The Company's shareholders approved the Disposal in a special general meeting held on 8 May 2018.

As at 30 September 2018, deposits of HK$179 million were received pursuant to the sale and purchase agreements. The completion of the Disposal is subject to the fulfilment of certain conditions. For further details please refer to a circular of the Company dated 28 March 2018 and an announcement of the Company dated 31 July 2019.

The Group

For the six months ended 30 September 2019, the Group's consolidated revenue including joint operations increased to approximately HK$5,146 million (2018: HK$4,436 million). Loss attributable to owners of the Company for the period was approximately HK$507 million (2018: HK$442 million), representing an increase of approximately 15% resulting mainly from the increase in finance costs, depreciation and amortization charges and hotel operation expenses for the hotel segment compared with last year. Basic loss per share was 50.0 HK cents.

The Group recorded total assets of approximately HK$8,766 million as at 30 September 2019, an approximately 5% increase compared with the prior year. The deficit in equity attributable to owners of the Company increased approximately 62% to approximately HK$1,303 million which was mainly due to loss for the period resulting from the hotel segment.

Net cash outflow from operating activities was about HK$171 million and net cash inflow in respect of investing activities was approximately HK$3 million. Net cash inflow in respect of financing activities was approximately HK$278 million, resulting in an increase in cash and cash equivalents of about HK$110 million for the Group for the six months ended 30 September 2019.

REVIEW OF OPERATIONS

Hotel Business – THE 13 Hotel

The Group has obtained all the required licenses (namely the licenses for "Hotel", "F&Bs", "Health Club" and "Bar") for the operation of THE 13 Hotel and THE 13 Hotel opened on 31 August 2018. THE 13 Hotel has been accepting private events during September 2019. The Group has also been conducting training exercises to maximize the service levels of the operational team.

The number of staff in hotel segment was approximately 209 by the end of September 2019.

Engineering Business – PYE

Management Contracting division remained the core business and the major contributor of revenue this period. Revenue of this division amounted to approximately HK$5,213 million (2018: HK$4,391 million), up by about 19%. Its operating loss amounted to approximately HK$11 million (2018: operating profit of approximately HK$82 million). As at 30 September 2019, the value of contracts on hand was approximately HK$39,703 million, while the value of work remaining had stood at approximately HK$25,088 million.

During the period under review, the Management Contracting division secured new construction contracts with an aggregate value of approximately HK$9,026 million, representing a decrease of approximately 28% as compared to the amount of approximately HK$12,533 million for the same period last year. Subsequent to the period end, the division secured further contracts of approximately HK$1,752 million. Set out below are some of the new contracts secured during the period and up to the date of this announcement:

- Construction of Central Kowloon Route – Kai Tak East
- 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 TMTL 523 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

- Three runway system project – Third runway and associated works at Hong Kong International Airport

During the period under review, revenue contributed by the Property Development Management division was insignificant. The value of contracts on hand for Property Development Management division at the period end was approximately HK$89 million.

The Property Investment division reported a profit, through its joint venture, of approximately HK$1 million for the period under review. The joint venture holds an investment property in Hangzhou, the Pioneer Technology Building, which is an office building with gross floor area of about 20,000 square meters. The building generated rental income of about HK$5 million (2018: HK$5 million) during the period and its occupancy was about 86% as at 30 September 2019.

EVENTS AFTER THE REPORTING PERIOD

On 14 and 15 October 2019, a subsidiary of the Company entered into sale and purchase agreements relating to the disposal of 50% interest in a subsidiary of the Company that beneficially owns THE 13 Hotel (and has a liability for bank borrowings of approximately HK$2,942 million and interest accrued thereon) for a total consideration of HK$750 million (the "Hotel Disposal"). For details of the Hotel Disposal and the transactions contemplated thereunder, please refer to the announcement of the Company dated 1 November 2019.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintains a variety of credit facilities to meet requirements for working capital. At 30 September 2019, cash, bank balances and deposits stood at approximately HK$438 million, of which approximately HK$382 million, HK$30 million, HK$17 million, HK$6 million, 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$4,562 million at period-end of which approximately HK$4,562 million are repayable within one year. In addition, the Group also has outstanding convertible bonds with a face value of approximately HK$2,219 million and a liability component as at 30 September 2019 of approximately HK$889 million. The convertible bonds mature in February 2025.

As at 30 September 2019, other than the convertible bonds, the Group's variable-rate borrowings and fixed-rate borrowings are approximately HK$3,768 million and HK$794 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$5,451 million and total assets of approximately HK$8,766 million, slightly increase from approximately 61% as at 31 March 2019 to approximately 62% as at 30 September 2019.

As of 30 September 2019, the Group's current liabilities exceeded its current assets by approximately HK$4,621 million and the Group had outstanding capital commitments of approximately HK$28 million.

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

EMPLOYEES

The Group had 2,182 full-time employees, including the Directors of the Group but excluding contracted casual labour in Macau, as at 30 September 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 30 September 2019, the Group pledged hotel property, right-of-use assets, property, plant and equipment, inventories and bank deposits of approximately HK$2,758 million, HK$611 million, HK$2 million, HK$2 million and HK$9 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$73 million issued to financial institutions for bonds on construction contracts of joint operations as at 30 September 2019.

COMMITMENTS

As at 30 September 2019, the Group has expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment of approximately HK$28 million.

SECURITIES IN ISSUE

During the six months ended 30 September 2019, 8,369,781 share options lapsed.

As at 30 September 2019, 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.

INTERIM DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 September 2019 (2018: Nil).

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

During the six months ended 30 September 2019, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

OUTLOOK

Hotel Business – THE 13 Hotel

Macau receives approximately 30.2 million visitors for the nine months ended September 2019 with approximately 21.4 million from Mainland China and approximately 6.3 million from Hong Kong and Taiwan. The visitation to Macau for the nine months ended September 2019 recorded an increase of 17% compared to the same period last year.

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 licenses in August 2018. It is now poised to capitalize 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 – PYE

Looking ahead, the global economy is clouded with uncertainties including China-US trade tensions and Brexit. Besides, Hong Kong is suffering from the internal unrest and it is generally expected that the economy of Hong Kong will continue to worsen in last quarter of 2019 and even in 2020.

Moving forward, the competition in construction industry will remain severe. With a strong order book of nearly HK$40 billion on hand, we will take proactive approach to minimize the effect of the economic downturn to our businesses and operation. We will continue to focus on premium projects while adopting a cautious approach in project tendering. We are confident that our strong reputation in professionalism and technical know-how will help us secure premium contracts in Hong Kong and Macau in coming years. We will also closely monitor and control our cost to improve cost efficiency.

Meanwhile, we have long stood at the forefront of the technological revolution currently changing the face of engineering and construction industry. PYE Group will continue to put adequate resources in research, development and the application of new technologies to expand our smart construction.

As one of Hong Kong's leading contracting services companies, PYE Group is committed to operational excellence and cost efficiency. We will continue to manage our resources proactively and stay poised to grasp opportunities while continuously creating added value for shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance because it believes that is the best way to enhance shareholder value. The Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 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 six months ended 30 September 2019 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website at www.southshore-holdings.com and the Stock Exchange's website. The interim report for the six months ended 30 September 2019 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, 26 November 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