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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

#### **FINANCIAL HIGHLIGHTS**

• Revenue	HK\$5,084 million	-1%
• Loss attributable to owners of the Company	HK\$429 million	-15%
• Loss per share		
– Basic	HK42.3 cents	-15%
– Diluted	HK42.3 cents	-15%

## 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 2020, together with the comparative figures for the corresponding year in 2019. The consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2020 and the consolidated statement of financial position of the Group as at 30 September 2020, 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 2020 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

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2020</b>	<b>2019</b>
	<i>NOTES</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	3	<b>5,083,529</b>	5,145,797
Cost of construction business		<b>(4,839,861)</b>	(5,008,742)
Cost of sales and services on hotel, food & beverage and related services		<b>(193,836)</b>	(231,158)
Gross profit (loss)		<b>49,832</b>	(94,103)
Other income		<b>7,694</b>	5,134
Administrative and other expenses		<b>(179,995)</b>	(277,185)
Finance costs		<b>(320,785)</b>	(272,998)
Gain on disposal of subsidiaries		–	153,705
Impairment allowance on financial assets and contract assets		<b>(23,480)</b>	(14,948)
Share of results of associates		<b>(4)</b>	(6)
Share of results of joint ventures		<b>(5,646)</b>	749
Loss before tax		<b>(472,384)</b>	(499,652)
Income tax (expense) credit	4	<b>(1,350)</b>	65
Loss for the period	5	<b>(473,734)</b>	(499,587)
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(428,829)</b>	(506,703)
Non-controlling interests		<b>(44,905)</b>	7,116
		<b>(473,734)</b>	(499,587)
Loss per share	7		
Basic (HK cents)		<b>(42.3)</b>	(50.0)
Diluted (HK cents)		<b>(42.3)</b>	(50.0)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	<b>(473,734)</b>	(499,587)
Other comprehensive income (expense) for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	<b>1,836</b>	(3,123)
Share of translation reserve of an associate and joint ventures	<b>3,388</b>	(5,288)
	<b>5,224</b>	(8,411)
Total comprehensive expense for the period	<b>(468,510)</b>	(507,998)
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	<b>(426,125)</b>	(511,057)
Non-controlling interests	<b>(42,385)</b>	3,059
	<b>(468,510)</b>	(507,998)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>Unaudited</b>	Audited
	<b>30.9.2020</b>	31.3.2020
<i>NOTES</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>		
Hotel property	<b>3,065,792</b>	3,202,597
Property, plant and equipment	<b>257,309</b>	300,097
Right-of-use assets	<b>645,925</b>	675,002
Deposits paid for acquisition of property, plant and equipment	<b>21,564</b>	21,642
Goodwill	<b>61,646</b>	61,646
Other intangible assets	<b>8,062</b>	8,062
Interests in joint ventures	<b>84,339</b>	86,477
	<b>4,144,637</b>	4,355,523
<b>CURRENT ASSETS</b>		
Inventories	<b>21,593</b>	22,012
Trade and other debtors, deposits and prepayments	<b>1,165,010</b>	1,022,861
Contract assets	<b>3,165,870</b>	2,688,865
Amounts due from associates	<b>18,132</b>	17,634
Amounts due from joint ventures	<b>16,682</b>	6,830
Amounts due from joint operations/other partners of joint operations	<b>63,255</b>	78,026
Amounts due from a subsidiary of a shareholder	<b>94</b>	94
Other loans receivable	<b>36,427</b>	48,084
Taxation recoverable	<b>4,135</b>	4,755
Pledged bank deposits	<b>–</b>	291
Short term bank deposits	<b>282,430</b>	108,170
Bank balances and cash	<b>515,004</b>	325,357
	<b>5,288,632</b>	4,322,979

		<b>Unaudited</b>	Audited
		<b>30.9.2020</b>	31.3.2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and other creditors and accrued expenses	9	<b>4,183,825</b>	3,352,582
Contract liabilities		<b>494,183</b>	495,374
Deposits/earnest money received		<b>264,000</b>	294,000
Amount due to a joint venture		<b>60</b>	60
Amounts due to joint operations/other partners of joint operations		<b>65,823</b>	77,588
Amount due to a subsidiary of a shareholder		<b>11,008</b>	8,175
Amounts due to a related company		<b>8,583</b>	1,544
Loan from a subsidiary of a shareholder		<b>75,000</b>	75,000
Loan from a related company		<b>93,594</b>	93,594
Taxation payable		<b>1,787</b>	1,440
Lease liabilities		<b>23,304</b>	27,112
Bank and other borrowings - due within one year		<b>4,556,124</b>	4,297,428
		<b>9,777,291</b>	8,723,897
<b>NET CURRENT LIABILITIES</b>		<b>(4,488,659)</b>	(4,400,918)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(344,022)</b>	(45,395)
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings - due after one year		<b>594,400</b>	514,300
Convertible bonds		<b>1,055,257</b>	964,903
Obligation in excess of interests in associates		<b>9,126</b>	9,002
Lease liabilities		<b>61,502</b>	62,197
		<b>1,720,285</b>	1,550,402
<b>NET LIABILITIES</b>		<b>(2,064,307)</b>	(1,595,797)
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>202,591</b>	202,591
Reserves		<b>(2,448,367)</b>	(2,022,242)
Equity attributable to owners of the Company		<b>(2,245,776)</b>	(1,819,651)
Non-controlling interests		<b>181,469</b>	223,854
<b>TOTAL DEFICIT</b>		<b>(2,064,307)</b>	(1,595,797)

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 approximately HK\$473,734,000 for the six months ended 30 September 2020 and as of that date, the Group had net liabilities of approximately HK\$2,064,307,000 and net current liabilities of approximately HK\$4,488,659,000. In addition, the Group had capital commitments contracted for but not provided in the condensed consolidated financial statements of approximately HK\$22,129,000.

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.

On 1 April 2020, 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. 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 condensed 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 condensed 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 buyers for the Hotel 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 buyers for the Hotel. 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 buyers for the Hotel 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 buyers for the Hotel. 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 30 September 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 31 March 2021. 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 Stock Exchange of Hong Kong 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 condensed 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\$705 million as at 30 September 2020 will continue to be available for use throughout the next twelve months from the date of approval of these condensed 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 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 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 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2020.

### **Application of new and amendments to HKFRSs**

In the current interim period, the Group has adopted all the new and amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2020. HKFRSs comprise HKFRS; 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 condensed consolidated financial statements and amounts reported for the current period and prior periods.



### **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and amendments to HKFRSs but is not yet in a position to state whether these new and amendments to HKFRSs would have a material impact on its results of operations and financial position.

Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current <sup>4</sup>
Annual Improvements 2018–2020	Amendments to a number of HKFRSs <sup>3</sup>
Amendments to HKFRS 4, 7, 9 and 16 and HKAS 39	Interest Rate Benchmark Reform <sup>2</sup>
HK-int 5	Amendments in relation to Amendments to HKAS 1 <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>5</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 Consolidated Financial Statements and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its joint venture or associate. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its joint venture or associate constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that joint venture or associate. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for joint ventures and associates. However, the amendments are available for adoption now.

Except as described above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will not have material impact of condensed consolidated financial statements in the foreseeable future.

### 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.

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Disaggregation of revenue</b>		
Management contracting	5,080,249	5,126,151
Property development management	3,280	–
Hotel operation	–	19,646
	<u>5,083,529</u>	<u>5,145,797</u>
	<u><u>5,083,529</u></u>	<u><u>5,145,797</u></u>
	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Timing of revenue recognition</b>		
Over time	5,083,529	5,129,385
At a point of time	–	16,412
	<u>5,083,529</u>	<u>5,145,797</u>
	<u><u>5,083,529</u></u>	<u><u>5,145,797</u></u>
	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Disaggregated by geographical location of revenue</b>		
Hong Kong	4,281,264	5,079,787
Macau	792,678	19,646
Singapore and Malaysia	9,587	46,364
	<u>5,083,529</u>	<u>5,145,797</u>
	<u><u>5,083,529</u></u>	<u><u>5,145,797</u></u>

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	–	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 and results by reportable and operating segments for the period under review:

**For the six months ended 30 September 2020**

	Management contracting <i>HK\$'000</i>	Property development management <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	PYE total <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE								
External sales	5,080,249	3,280	-	5,083,529	-	5,083,529	-	5,083,529
Inter-segment sales	273,933	-	-	273,933	-	273,933	(273,933)	-
Segment revenue	<u>5,354,182</u>	<u>3,280</u>	<u>-</u>	<u>5,357,462</u>	<u>-</u>	<u>5,357,462</u>	<u>(273,933)</u>	<u>5,083,529</u>
Timing of revenue recognition								
Over time	<u>5,354,182</u>	<u>3,280</u>	<u>-</u>	<u>5,357,462</u>	<u>-</u>	<u>5,357,462</u>	<u>(273,933)</u>	<u>5,083,529</u>
Segment revenue	<u>5,354,182</u>	<u>3,280</u>	<u>-</u>	<u>5,357,462</u>	<u>-</u>	<u>5,357,462</u>	<u>(273,933)</u>	<u>5,083,529</u>
Segment profit (loss)	<u>160,670</u>	<u>1,766</u>	<u>(5,779)</u>	<u>156,657</u>	<u>(512,919)</u>	<u>(356,262)</u>	<u>-</u>	<u>(356,262)</u>
Corporate income								6,273
Central administrative costs								(99,188)
Finance costs								<u>(23,207)</u>
Loss before tax								<u>(472,384)</u>

**For the six months ended 30 September 2019**

	Management contracting <i>HK\$'000</i>	Property development management <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	PYE total <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>								
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	<u>5,212,886</u>	<u>-</u>	<u>-</u>	<u>5,212,886</u>	<u>20,017</u>	<u>5,232,903</u>	<u>(87,106)</u>	<u>5,145,797</u>
<b>TIMING OF REVENUE RECOGNITION</b>								
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
Segment revenue	<u>5,212,886</u>	<u>-</u>	<u>-</u>	<u>5,212,886</u>	<u>20,017</u>	<u>5,232,903</u>	<u>(87,106)</u>	<u>5,145,797</u>
Segment (loss) profit	<u>(11,382)</u>	<u>(611)</u>	<u>666</u>	<u>(11,327)</u>	<u>(507,619)</u>	<u>(518,946)</u>	<u>(2,130)</u>	<u>(521,076)</u>
Corporate income								5,134
Central administrative costs								(102,573)
Gain on disposal of a subsidiary								153,705
Finance costs								<u>(34,842)</u>
Loss before tax								<u>(499,652)</u>

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

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

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong		
Current tax	<u>(2,459)</u>	<u>–</u>
Macau and other jurisdictions		
Current tax	(91)	(1,083)
Overprovision in prior years	<u>1,200</u>	<u>1,148</u>
	<u>1,109</u>	<u>65</u>
	<u>(1,350)</u>	<u>65</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 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 2020.

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 for the period.

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

#### 5. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation of hotel property	136,805	126,573
Depreciation of property, plant and equipment	46,323	46,448
Depreciation of right-of-use assets	36,733	36,534
Loss (gain) on disposal of property, plant and equipment	939	(1,047)
Legal and professional fee	3,669	5,055
Staff costs	107,766	217,857
Interest income	<u>(5,955)</u>	<u>(5,134)</u>

## 6. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2020 and 2019, 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	
	2020	2019
	HK\$'000	HK\$'000
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share:		
Loss for the period attributable to owners of the Company	<u>(428,829)</u>	<u>(506,703)</u>
<b>Number of shares</b>		
	<b>Number</b>	<b>Number</b>
	<b>of shares</b>	<b>of shares</b>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,012,953,711</u>	<u>1,012,953,711</u>

The computation of diluted loss per share for the six months ended 30 September 2020 and 2019 does not assume the exercises of convertible bonds and the unvested shares awarded outstanding for the six months ended 30 September 2020 and 2019 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 2020 and 2019 does not assume the exercises of the Company's share options outstanding during the six months ended 30 September 2020 and 2019 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:

	<b>30.9.2020</b>	31.3.2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 90 days	<b>593,516</b>	424,907
More than 90 days and within 180 days	–	1,224
More than 180 days	<b>57,204</b>	49,380
	<hr/> <b>650,720</b> <hr/>	<hr/> 475,511 <hr/>

## 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:

	<b>30.9.2020</b>	31.3.2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 90 days	<b>716,521</b>	520,576
More than 90 days and within 180 days	<b>2,408</b>	5,096
More than 180 days	<b>36,747</b>	23,315
	<hr/> <b>755,676</b> <hr/>	<hr/> 548,987 <hr/>

## 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 complex 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 is an exclusive luxury hotel and entertainment complex located on the Cotai Strip of Macau.

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 February 2020. 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 83.8% year-on-year to 449,085 in September 2020 due to the COVID-19 pandemic. The occupancy rate of hotels in Macau and average room rate of hotels in Macau fell 69.0% and 39.2% year-on-year in September 2020 respectively.

In light of the COVID-19 pandemic and the challenging economic conditions, the Group decided to suspend operations at the Hotel in early 2020. Accordingly, no revenue of hotel rooms and food & beverage was recorded for the six months ended 30 September 2020.

As at 30 September 2020, the hotel segment recorded total assets of approximately HK\$3,812 million, which include hotel property, property, plant and equipment, right-of-use assets and other assets of the hotel segment.

The hotel segment also recorded total liabilities of approximately HK\$6,478 million which include liability portion of convertible bonds issued and bank and other borrowings for financing the hotel development and operation.

There was hotel segment loss of approximately HK\$513 million for the six months ended 30 September 2020 which mainly represents finance costs of about HK\$298 million for hotel operations, depreciation charges of about HK\$186 million and other hotel operation costs of about HK\$29 million, recorded in the current period.



## **Engineering Business**

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

During the period under review, the construction industry in Hong Kong has been hammered by unfavourable external and internal factors, including the COVID-19 pandemic. Our supply chains in Mainland have nearly resumed normal as the epidemic had been well contained there since March. However, the resurgence of the COVID-19 pandemic in Hong Kong had still caused certain delay in the progress of our projects with additional costs incurred. Fortunately, with our strong order book on hand and the launch of the Anti-epidemic Fund by the Hong Kong Government, PYE could mitigate the impacts on our business. PYE has maintained effective risk management measures, and has proactively adopted multi-pronged policies such as constant review and optimisation of business and project management, as well as adoption of prudent tendering strategies. Leveraging our all-round business strategies, PYE has successfully secured several new contracts covering public works and private developments to keep our business on track.

Management contracting division remained the core business and the major contributor of revenue this period. Revenue of this division amounted to approximately HK\$5,354 million (2019: HK\$5,213 million), up by about 3%. It reported an operating profit of approximately HK\$161 million (2019: operating loss of approximately HK\$11 million). As at 30 September 2020, the value of contracts on hand was approximately HK\$45,870 million, while the value of work remaining had stood at approximately HK\$27,948 million.

During the period under review, the management contracting division secured new construction contracts with an aggregate value of approximately HK\$6,103 million, representing a decrease of approximately 32% as compared to the amount of approximately HK\$9,026 million for the same period last year. Subsequent to the period end, the division secured further contracts of approximately HK\$911 million. Set out below are some of the new contracts secured during the period and up to the date of this announcement:

- Civil works for intake and cable bridge at Lamma Power Station Extension
- Design and construction of Joint-User Government Office Building, Tseung Kwan O
- Foundation work for Ventilation Building Property Development at Yau Tong
- Main contract works for the residential development at off Anderson Road (Lot No.1068 in Survey District No.3), Kwun Tong
- Main contract works for residential redevelopment at 23 Po Shan Road

- Main contract works for senior citizen residences development at 8 Lee Kung Street, Hung Hom
- Main contract works for student residence development of The Hong Kong University of Science and Technology
- Main works for Yuen Long Effluent Polishing Plant - Stage 1

The property development management division reported a profit of approximately HK\$2 million for the period under review. 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 loss, through its joint venture, of approximately HK\$6 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\$6 million (2019: HK\$5 million) during the period and its occupancy was about 93% as at 30 September 2020.

#### **EVENTS AFTER THE REPORTING PERIOD**

On 9 October 2020, the Company received a letter dated 8 October 2020 from a registered shareholder of the Company requesting the Board to convene a special general meeting of the Company for the purpose of considering, and if thought fit, passing a resolution to wind up the Company pursuant to bye-law 164(2) of the Company's bye-laws and the relevant provisions of the Bermuda Companies Act 1981. The relevant special general meeting will be held on 4 December 2020. For details, please refer to the circular of the Company dated 4 November 2020.

#### **FINANCIAL REVIEW**

For the period ended 30 September 2020, the Group's consolidated revenue including joint operations decreased to approximately HK\$5,084 million (2019: HK\$5,146 million).

Gross profit was approximately HK\$50 million (2019: gross loss of HK\$94 million). Gross profit margin was 1.0% (2019: gross loss margin 1.8%).

Loss attributable to owners of the Company for the period was approximately HK\$429 million (2019: HK\$507 million), representing an decrease of approximately 15% resulting from the decrease of administrative expenses due to the suspended operations of the Hotel and the wage subsidies from Government, which is offset by the increase in finance costs, depreciation charges and the gain on disposal of subsidiaries for the same period last year. Basic loss per share was 42.3 HK cents.

The Group recorded total assets of approximately HK\$9,433 million as at 30 September 2020, an approximately 9% increase compared with the Group's financial position as at 31 March 2020. The deficit in equity attributable to owners of the Company increased approximately 23% to approximately HK\$2,246 million which was mainly due to loss for the period resulting from the hotel segment.

Net cash inflow from operating activities was approximately HK\$119 million and net cash outflow in respect of investing activities was approximately HK\$34 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\$363 million for the Group for the six months ended 30 September 2020.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group maintains a variety of credit facilities to meet requirements for working capital. At 30 September 2020, cash, bank balances and deposits stood at approximately HK\$797 million, of which approximately HK\$740 million, HK\$19 million, HK\$25 million, HK\$10 million, HK\$2 million and HK\$1 million were denominated in Hong Kong Dollars, Renminbi, Macau Patacas, Singapore Dollars, Malaysian Ringgit and Japanese Yen respectively.

The Group had total borrowings of approximately HK\$5,319 million at period-end of which approximately HK\$4,725 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 2020 of approximately HK\$1,055 million. The convertible bonds mature in February 2025.

As of 30 September 2020, the Group's current liabilities exceeded its current assets by approximately HK\$4,489 million and the Group had outstanding capital commitments of approximately HK\$22 million. The Group is working to obtain further facilities in order to enhance the liquidity of the Group's operations.

## **EMPLOYEES**

The Group had 2,039 full-time employees, including the directors of the Group but excluding contracted casual labour in Macau, as at 30 September 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 30 September 2020, the Group pledged hotel property and right-of-use assets of approximately HK\$2,547 million and HK\$565 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 banks for bonds on construction contracts of joint operations as at 30 September 2020.

## **COMMITMENTS**

As at 30 September 2020, 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\$22 million.

## **SECURITIES IN ISSUE**

As at 30 September 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.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of dividend for the six months ended 30 September 2020 (2019: Nil).

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

During the six months ended 30 September 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**

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

Macau received approximately 4 million visitors for the nine months ended 30 September 2020 with approximately 3 million from Mainland China and approximately 0.8 million from Hong Kong and Taiwan. Due to the COVID-19 pandemic, the visitation to Macau for the nine months ended 30 September 2020 fell approximately 86.7% compared to the same period last year.

Looking ahead, the hotel market in Macau remains uncertain and the overall external economic environment is still posing uncertainty including the COVID-19 pandemic and US-China trade tension, which are 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)***

Recovery of the global and domestic economies will remain slow due to the impact of intense Sino-US trade relations and Brexit, as well as lingering effect brought by the COVID-19 pandemic. Property market in Hong Kong is also disrupted and investors has become more cautious in the still-uncertain economic environment. Accordingly, business environment in the construction industry is also encountering challenges such as keen competition in tender prices.

PYE will monitor the development of macro-economic factors closely and make swift response to potential risks with flexible strategies. We will continue to take a proactive approach on our tenders and focus on those selected tenders that will also take into account the technical competence of the tenderers. In addition, we will keep optimising all facets of our operation by streamlining operation procedures, enabling workplace digitalisation as well as centralising procurement and management decisions in order to enhance business performance. Real time data management and knowledge sharing will be implemented to enhance operational transparency and information flow, whereas prudent and viable tendering strategies will be adopted to extend the portfolio of our business.

PYE has and will continue to invest substantial resources in research, development and application of innovative technologies in our projects, such as exploring integrated platforms for the internet of things, virtual reality and building information modelling in offsite construction control and monitoring. Through the application of innovative technologies, we are determined to uplift project efficiency and financial performance.

As one of the major main contractors in Hong Kong, PYE aspires to take our business forward with our rich construction experience and expertise, and to explore a wider range of business opportunities. We have set up our new business unit in facility management and confidently we shall secure new projects for this unit soon.

## **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 throughout the six months ended 30 September 2020, except code provision A.2.1.

Code provision A.2.1 requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the resignation of Mr Lau Tom Ko Yuen on 10 June 2020, Mr Tse Cho Tseung (“**Mr Tse**”) was appointed as a director of the Company and had performed the role of chief executive with effect from 17 June 2020. Following the resignation of Mr Tse on 21 July 2020, Mr Peter Lee Coker Jr (“**Mr Peter Coker**”) (Chairman of the Company) has carried out the role of chief executive, with the assistance of the senior management of the Company. The Board believes that it is appropriate and in the interests of the Company for Mr Peter Coker to take up the roles of both chairman and chief executive at the present stage as it provides the Group with consistent leadership and enable more effective and efficient overall strategic planning for the Group. The Board also believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and competent individuals, with more than half of them being independent non-executive directors.

## **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 results for the six months ended 30 September 2020 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](http://www.southshore-holdings.com) and the Stock Exchange’s website. The interim report for the six months ended 30 September 2020 will be despatched to shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course.

## APPRECIATION

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

On behalf of the Board  
**Peter Lee Coker Jr.**  
*Chairman*

Hong Kong, 27 November 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, William, <i>JP</i>	:	Independent Non-Executive Director