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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 UNAUDITED FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

UNAUDITED 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

The board of directors (the “Board”) of South Shore Holdings Limited (“South Shore” or the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2020, together with the audited comparative figures for the corresponding year in 2019, as follows. For the reasons explained in the section headed “Review of Unaudited Final Results” in this announcement, the audit process for the final results of the Group for the year ended 31 March 2020 has not been completed.

Consolidated Statement of Profit or Loss

For the year ended 31 March 2020

		2020 (Unaudited) HK\$'000	2019 (Audited) HK\$'000
	<i>NOTES</i>		
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, 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 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	<u>(1,018,605)</u>	<u>(5,841,248)</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(1,021,702)	(5,847,646)
Non-controlling interests		3,097	6,398
		<u>(1,018,605)</u>	<u>(5,841,248)</u>
Loss per share	7		
Basic (HK cents)		<u>(100.9)</u>	<u>(577.3)</u>
Diluted (HK cents)		<u>(100.9)</u>	<u>(577.3)</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	2020 (Unaudited) HK\$'000	2019 (Audited) HK\$'000
Loss for the year	<u>(1,018,605)</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	(5,000)	(4,608)
Share of translation reserve of an associate and joint ventures	<u>(5,944)</u>	<u>(5,490)</u>
	<u>(10,944)</u>	<u>(10,098)</u>
Total comprehensive expense for the year	<u><u>(1,029,549)</u></u>	<u><u>(5,851,346)</u></u>
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	(1,027,367)	(5,852,872)
Non-controlling interests	<u>(2,182)</u>	<u>1,526</u>
	<u><u>(1,029,549)</u></u>	<u><u>(5,851,346)</u></u>

Consolidated Statement of Financial Position

At 31 March 2020

	2020 (Unaudited) <i>NOTES</i> <i>HK\$'000</i>	2019 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS		
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, 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>
CURRENT ASSETS		
Prepaid land lease payments	–	47,305
Inventories	22,012	40,629
Trade and other debtors, deposits and 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 partners of joint operations	78,026	55,345
Amount due from a subsidiary of 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>

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

Notes:

1. BASIS OF PREPARATION

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

In preparing the unaudited 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.

During the year ended 31 March 2020, a subsidiary of 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 of approximately HK\$2,842 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 (“1 November 2019 Announcement”). The long stop dates for the Hotel Disposal are (i) in respect of an obligation to provide the purchasers with 2019 audited accounts of a subsidiary of the Company, 13 July 2020 (last extended from 14 June 2020); and (ii) in respect of other conditions precedent, 13 July 2020 (last extended from 14 June 2020). As set out in the sale

and purchase agreements and disclosed in the 1 November 2019 Announcement, 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.

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 unaudited 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 unaudited 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. The directors of the Company consider that the ongoing Hotel Disposal remains of interest to the bank, and the Company will continue with its endeavours to execute that transaction. If it completes, the Company will work with the bank to realise the balance of its interest in the project. However, should the Hotel Disposal not complete, for any reason, the Company will work with the bank on other remedial measures and/or to find other prospective buyers 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 the proposed Hotel Disposal

As set out in the 1 November 2019 Announcement in respect of the Hotel Disposal, Falloncroft Investments Limited (“Falloncroft”), an indirect wholly owned subsidiary of the Company, and the Company entered into sale and purchase agreements with purchasers relating to the proposed disposal of 50% interest in Uni-Dragon Limited (the “Hotel Disposal Company”) and related assets for a total consideration of HK\$750 million.

Upon the completion of the Hotel Disposal, Falloncroft will receive proceeds in aggregate of HK\$750 million (assuming no adjustment to the consideration is applicable), and Falloncroft and the purchasers (including Fine Intellect Limited (“Fine Intellect”), Ease Link Investments Limited and All Fame Developments Limited (“All Fame”)) shall advance aggregate additional shareholder loans of HK\$500 million in proportion to their equity holdings in the Hotel Disposal Company. The Hotel Disposal would proceed upon fulfilment of the conditions precedent as set out in the 1 November 2019 Announcement, and one of the material conditions precedent is either the deferral of the repayment of bank borrowing or refinancing of the bank borrowing, as mentioned in (i) above.

In addition, the existing bank borrowing is currently guaranteed solely by the Company. Upon completion of the Hotel Disposal, ITC Properties Group Limited (on the part of Fine Intellect) and All Fame are expected to provide additional several guarantees in proportion to their respective interests in the Hotel Disposal Company in respect of the existing bank facilities granted to a subsidiary of the Hotel Disposal Company. Absent release of the existing guarantee, the Company will remain contingently liable for 100% of the outstanding bank borrowing of the subsidiary of the Hotel Disposal Company.

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 1 November 2019 Announcement. Moreover, should it not proceed, 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 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 (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 unaudited 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 unaudited 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 30 June 2021. The Company further entered into indicative term sheets with Opus Financial Holdings Limited and its subsidiaries (“Opus Group”) dated 4 March 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 30 June 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 unaudited consolidated financial statements. Accordingly the unaudited consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“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 Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised 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 unaudited consolidated financial statements as follows:

	<i>HK\$'000</i> (Unaudited)
At 1 April 2019:	
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> (Unaudited)
Operating lease commitment at 31 March 2019	55,805
Add:	
Extension options reasonably certain to be exercised	54,553
Less:	
Recognition exemption – short-term leases	(6,476)
Discounting	(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, 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.

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 (Unaudited) HK\$'000	Property development management (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	PYE total (Unaudited) HK\$'000	Hotel operation (Unaudited) HK\$'000	Segment total (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
SEGMENT REVENUE								
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 (Audited) HK\$'000	Property development management (Audited) HK\$'000	Property investment (Audited) HK\$'000	PYE total (Audited) HK\$'000	Hotel operation (Audited) HK\$'000	Segment total (Audited) HK\$'000	Eliminations (Audited) HK\$'000	Consolidated (Audited) HK\$'000
SEGMENT REVENUE								
External sales	9,377,364	28	–	9,377,392	4,471	9,381,863	–	9,381,863
Inter-segment sales	(29,755)	–	–	(29,755)	–	(29,755)	29,755	–
Segment revenue	<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 (Unaudited) HK\$'000	Property development management (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	PYE total (Unaudited) HK\$'000	Hotel operation (Unaudited) HK\$'000	Segment total (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
ASSETS								
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><u>8,678,502</u></u>
LIABILITIES								
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><u>10,274,299</u></u>

At 31 March 2019

	Management contracting (Audited) HK\$'000	Property development management (Audited) HK\$'000	Property investment (Audited) HK\$'000	PYE total (Audited) HK\$'000	Hotel operation (Audited) HK\$'000	Segment total (Audited) HK\$'000	Eliminations (Audited) HK\$'000	Consolidated (Audited) HK\$'000
ASSETS								
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>
LIABILITIES								
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 contracting (Unaudited) HK\$'000	Property development management (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	PYE total (Unaudited) HK\$'000	Hotel operation (Unaudited) HK\$'000	Unallocated (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
OTHER INFORMATION							
<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 and equipment	17,393	87	-	17,480	1,041	25,143	43,664
Additions to deposits paid for acquisition of property, plant and equipment	-	-	-	-	383	-	383
Depreciation of hotel property	-	-	-	-	254,512	-	254,512
Depreciation of property, plant and equipment	31,500	-	-	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 and equipment	233	-	-	233	(1,024)	944	153
Interests in joint ventures	1,084	-	85,393	86,477	-	-	86,477
Share of results of associates and 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 joint ventures	161,080	11	5,417	166,508	-	-	166,508
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For the year ended 31 March 2019

	Management contracting (Audited) HK\$'000	Property development management (Audited) HK\$'000	Property investment (Audited) HK\$'000	PYE total (Audited) HK\$'000	Hotel operation (Audited) HK\$'000	Unallocated (Audited) HK\$'000	Consolidated (Audited) HK\$'000
OTHER INFORMATION							
Amounts included in the measure of segment profit (loss) or segment assets:							
Additions to hotel property	-	-	-	-	494,277	-	494,277
Additions to property, plant and equipment	18,303	1	-	18,304	1,433	61,719	81,456
Additions to deposits paid for acquisition of property, plant and equipment	-	-	-	-	94,797	-	94,797
Depreciation of hotel property	-	-	-	-	307,022	-	307,022
Depreciation of property, plant and equipment	29,900	-	-	29,900	54,361	6,556	90,817
Finance costs	-	-	-	-	400,493	44,612	445,105
Gain on disposal of property, plant and equipment	(5,067)	-	-	(5,067)	-	(10)	(5,077)
Loss on disposal of other intangible assets	-	-	-	-	-	30	30
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 results of associates and joint ventures	(2,331)	(310)	2,374	(267)	-	-	(267)

Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profit (loss):

Share of revenue of associates and joint ventures	39,142	23	5,612	44,777	-	-	44,777
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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:

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

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

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

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

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

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

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

	2020 (Unaudited) <i>HK\$'000</i>	2019 (Audited) <i>HK\$'000</i>
Hong Kong		
Current tax	(81)	(1,082)
Overprovision in prior years	825	–
	<u>744</u>	<u>(1,082)</u>
Macau and other jurisdictions		
Current tax	(1,170)	(1,008)
Over(under) provision in prior years	1,145	(2,114)
	<u>(25)</u>	<u>(3,122)</u>
	<u>719</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 unaudited 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 (Unaudited) HK\$'000	2019 (Audited) 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	935,552
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	26,007
Equity-settled share-based payment expenses	(936)	289
	<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 (Unaudited) <i>HK\$'000</i>	2019 (Audited) <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>1,022,861</u>	<u>1,037,249</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 (Unaudited) <i>HK\$'000</i>	2019 (Audited) <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>475,511</u>	<u>540,594</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 (Unaudited) <i>HK\$'000</i>	2019 (Audited) <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 (Unaudited) <i>HK\$'000</i>	2019 (Audited) <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.

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 amortization 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.

During the audit process, the Group conducted an impairment test of the assets of hotel business according to the accounting standards and engaged an independent valuer to assess the value of the Hotel. Due to the outbreak of the COVID-19 pandemic and the quarantine measures implemented by the Macau government and the Hong Kong government, the audit work and valuation work have been affected. Therefore, the recoverable amount of the hotel business (the cash-generating unit to which the asset belongs) and its financial impacts for the year ended 31 March 2020 remain subject to changes, depending upon the valuer's valuation report and the auditor's review and assessment thereof.

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. For details, please refer to the announcement of the Company dated 1 November 2019.

EVENT 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.

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 unaudited 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 unaudited results for the year ended 31 March 2020 have been reviewed by the Audit Committee.

REVIEW OF UNAUDITED FINAL RESULTS

The Group's hotel operations are located in Macau. Due to the outbreak of the COVID-19 pandemic and the quarantine measures implemented by the Macau government and the Hong Kong government, the audit work and valuation work have been affected. Hence, the audit process of the Group for the year ended 31 March 2020 has not been completed. The unaudited results contained herein have not been agreed with the Company's auditor. An announcement relating to the audited results will be made when the audit process has been completed in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The unaudited results contained herein have been reviewed by the Audit Committee.

The unaudited results of the Group for the year ended 31 March 2020 are subject to uncertainties and final agreement with the auditor of the Company, including but not limited to in respect of the following items:

- (a) As part of the audit process, the Group conducted an impairment test of the assets of hotel business according to the accounting standards and engaged an independent valuer to assess the value of the Hotel. Due to the outbreak of the COVID-19 pandemic and the quarantine measures implemented by the Macau government and the Hong Kong government, the audit work and valuation work have been affected. Therefore, the recoverable amount of the hotel business (the cash-generating unit to which the asset belongs) and its financial impacts for the year ended 31 March 2020 remain subject to changes, depending upon the valuer's valuation report and the auditor's review and assessment thereof; and
- (b) The Group incurred a net loss of approximately HK\$1,019 million during the year ended 31 March 2020 and had net current liabilities and net liabilities of approximately HK\$4,401 million and HK\$1,596 million respectively as at 31 March 2020. These figures indicate that a material uncertainty exists as to the Group's ability to continue as a going concern. Since the audit of the Group's consolidated financial statements has not been completed, it is uncertain, as at the date of this announcement, as to what audit opinion would be issued by our auditor on the consolidated financial statements of the Group for the year ended 31 March 2020 in this regard.

FURTHER ANNOUNCEMENT(S)

Upon completion of the audit process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 March 2020 as agreed by the Company's auditor together with the material differences (if any) as compared with the unaudited results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the audit process.

It is expected that the audited final results will be released on or before 14 August 2020, and the annual report for the year ended 31 March 2020 will be despatched on or before 21 August 2020.

PUBLICATION OF UNAUDITED ANNUAL RESULTS AND ANNUAL REPORT

This unaudited results announcement is published on the Company's website at 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, 29 June 2020

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

Mr Peter Lee Coker Jr.	:	Chairman (Executive Director)
Mr Tse Cho Tseung	:	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