Anchorstone Holdings Limited
基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1592

INTERIM REPORT **2019**

CONTENT

CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2302, 23/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

COMPANY WEBSITE

www.anchorstone.com.hk

BOARD OF DIRECTORS

Executive Directors

Mr. Lui Yue Yun Gary *(Chairman)*
Mr. Siu Chi Fung Stephen (retired on 11 January 2019)
Ms. Lui Po Kwan Joyce
Mr. Fung Wai Hang (appointed on 11 January 2019)
Mr. Lui Edwin Wing Yiu (appointed on 11 January 2019)

Non-Executive Director

Mr. Leung Lai Sang Ellis (retired on 11 January 2019)

Independent Non-Executive Directors

Mr. Ko Tsz Kin
Mr. Choi Hok Ya
Mr. Ng Yau Wah Daniel

BOARD COMMITTEE

Audit Committee

Mr. Ko Tsz Kin *(Chairman)*
Mr. Choi Hok Ya
Mr. Ng Yau Wah Daniel

Remuneration Committee

Mr. Ng Yau Wah Daniel *(Chairman)*
Mr. Ko Tsz Kin
Mr. Lui Yue Yun Gary

Nomination Committee

Mr. Lui Yue Yun Gary *(Chairman)*
Mr. Ko Tsz Kin
Mr. Ng Yau Wah Daniel

COMPANY SECRETARY

Mr. Fung Wai Hang *(FCPA, ACS, ACIS)*

AUTHORISED REPRESENTATIVES

Mr. Lui Yue Yun Gary
Mr. Siu Chi Fung Stephen (retired on 11 January 2019)
Mr. Fung Wai Hang (appointed on 11 January 2019)

COMPLIANCE ADVISOR

WAG Worldsec Corporate Finance Limited

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKS

Hang Seng Bank
Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

INVESTOR RELATIONSHIP

For enquiries, please contact:
Mr. Fung Wai Hang
Company Secretary
Email: ricofung@anchorstone.com.hk
Telephone: 2511 6668

STOCK CODE

1592

KEY FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from contract with customers	**229,404**	94,598
Gross profit	**31,157**	26,668
Operating profit	**16,154**	6,615
Total comprehensive income for the period attributable to owners of the Company	**10,343**	2,295
Basic and diluted earnings per share (HK cents)	**0.9**	0.3

	As at	
	30 June	31 December
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade and retention receivables	**22,530**	54,815
Contract assets	**270,171**	202,125
Pledged bank deposits	**37,279**	34,196
Cash and bank balances	**8,591**	9,778
Total assets	**346,676**	309,330
Total equity	**157,538**	159,195
Bank borrowings	**146,568**	124,136

OVERVIEW

Anchorstone Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), is a leading and well-established subcontractor in Hong Kong specialising primarily in the stone sales and supply and installation of marble projects in Hong Kong and Macau.

The Group recorded a revenue of approximately HK$229.4 million in the six months ended 30 June 2019, representing an increase of 143% compared with the same period last year. The increase was mainly due to the increase in revenue recorded from the supply and installation projects in Hong Kong which were completed or had achieved significant progress during the Current Period, in particular from a significant supply and installation contract in Hong Kong.

The Group's overall gross profit margin declined to around 13.6% (Last Period: 28.2%). This is mainly due to a significant number of variation orders arisen from three current projects which are to be certified and agreed with customers in the second half of 2019, and a supply and installation project with relatively low profit margin compared with other projects in the Current Period. Based on the current assessment of the directors of the Company (the "**Directors**") and discussion with customers, most of the variation orders are expected to be certified and confirmed by the end of 31 December 2019. Accordingly, the gross profit for the year ended 31 December 2019 is expected to be relatively similar to that of the year ended 31 December 2018, if everything remains equal.

Although the gross profit margin for the Current Period drops, the Group recorded an increase in the gross profit of HK$4.5 million or 17% and a significant increase in the profit attributable to owners of the Company of HK$8.1 million or 351% for the six months ended 30 June 2019 as compared with the corresponding period in 2018. The increase in the profit attributable to owners of the Company was mainly attributable to: (i) the decrease in non-recurring listing related expenses incurred of approximately HK$9.0 million as compared with the corresponding period in 2018, and (ii) the increase in gross profit generated during the six months ended 30 June 2019 of approximately HK$4.5 million as compared with the corresponding period in 2018. Such increase was partially set-off by (a) the increase in staff cost of approximately HK$0.6 million and the increase in finance cost of approximately HK$1.4 million as compared with the Last Period due to the expansion of the operation for the six months ended 30 June 2019, and (b) the increase in auditor's remuneration and legal and professional fees of approximately HK$2.9 million as compared with the corresponding period in 2018 due to the enhancement of the corporate governance after the listing of the shares of the Company.

In the opinion of Directors, the staff cost incurred in relation to the expansion of operation and the increase in legal and professional fees are beneficial to the long-term growth of the Group.

INTERIM DIVIDEND

In order to retain resources for the Group's future development, the Directors have resolved not to pay any interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

BUSINESS REVIEW AND OUTLOOK

The Group is a leading and well-established subcontractor in Hong Kong specialising primarily in the supply and installation of marble projects in Hong Kong and Macau. In the Current Period, the Group maintained its business focus on the supply and installation of marble product contracts in Hong Kong and Macau. The Group's turnover increased significantly by approximately HK$134.8 million or 143% due to the fact that most of the supply and installation projects were completed or had achieved a significant progress during the Current Period, in particular a significant number of supply and installation contracts in Hong Kong were substantially completed. The Group was also awarded a number of new contracts during the six months ended 30 June 2019.

For the six months ended 30 June 2019, the Group's business performed reasonably well despite a weaker local economy and caution in the world markets. In the second half of the year, like most businesses in Hong Kong, the Group needs to contend with a variety of risks, most notably the uncertainties surrounding the worldwide and the local economy. These including the uncertain performance of the local property market and the real estate sector in Hong Kong, the possibility of economic downturn globally and in Hong Kong, the increasing political risk in Hong Kong, the rising competition from our competitors and the general inflation in the building materials and local labour costs, which may affect the performance of the construction section in Hong Kong. Further, the trade conflicts among China and the USA may affect our stone sales business to the USA and the development of other overseas market in future.

Nevertheless, the trend in building grand and luxurious housing estates in Hong Kong has a growing demand for high quality building materials, particularly, marble. As one of the leading marble subcontractors in Hong Kong, the board of Directors (the "**Board**") is confident about the future prospects of the Group. Besides, the Group is actively involved in the substantial supply and installation construction projects in Hong Kong, the development of the Macau market in particular the renovation work of luxury hotels, as well as the development of the stone sales to markets outside of Hong Kong and Macau. The Group also plans to develop various building materials supply and engineering and renovation businesses in future, and expects to commence such businesses in the second half of the year or in the year 2020.

REVENUE

During the six months ended 30 June 2019, the Group generated revenue from the its supply and installation projects and stone sales projects in Hong Kong and Macau. It recorded a significant increase in revenue of approximately HK$134.8 million or 143% compared with Last Period. The increase was mainly due to the increase in revenue generated by the supply and installation projects, as most of them were completed or had achieved significant progress during the Current Period. In particular, a Hong Kong supply and installation project, which has been substantially completed during the Current Period, has contributed to approximately 35% of the total revenue. However, the revenue generated from stone sales decreased. This is mainly due to the delay of a stone sales project in the USA and no revenue could be generated from that project during the Current Period.

GROSS PROFIT AND GROSS PROFIT MARGIN

Cost of sales mainly includes the cost of raw materials, fabrication expenses, transportation and subcontracting costs. The Group's overall gross profit margin declined from around 28.2% in the Last Period to around 13.6% in the Current Period. This is mainly due to a significant number of variation orders arose from three current projects which would be certified and agreed with customers in the second half of 2019, as well as a supply and installation project with relatively low profit margin.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for the Current Period amounted to approximately HK$15.1 million, representing a decrease of approximately HK$5.0 million, or 25% compared to approximately HK$20.1 million for the Last Period. Such decrease was mainly due to the decrease in listing related expenses by approximately HK$9.0 million, partially set-off by the increase in staff cost by approximately HK$0.6 million due to the expansion of operation for the six months ended 30 June 2019 and the increase in auditor's remuneration and legal and professional fees by approximately HK$2.9 million due to the enhancement of the corporate governance after the listing of the shares of the Company.

FINANCE COSTS

Net finance costs increased in HK$1.4 million or 61% compared with the same period last year. This is mainly due to the increase in interest from various bank loans for the expansion of operation and support to our new projects.

INCOME TAX EXPENSE

Income tax expense represents the tax expense incurred in relation to the operation of the Group in Hong Kong.

The Group's income tax expense increased by approximately HK$0.1 million, from approximately HK$2.0 million for the Last Period to approximately HK$2.1 million for the Current Period.

The increase was due to the increase in the effective tax. Compared with the Last Period, there was an increase in profit before income tax in the Current Period (30 June 2019: HK$12.5 million; 30 June 2018: HK$4.3 million). For the period ended 30 June 2019, the effective tax rate was approximately 17.0%. For the period ended 30 June 2018, with the one-off listing related expenses of approximately HK$9.0 million excluded, the profit before income tax was HK$13.3 million, and the related effective tax rate for the Last Period was approximately 15.3%.

No provision for deferred taxation has been made in Current Period since no significant deferred taxation liability was expected to crystallise.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Based on the above factors, profit attributable to owners of the Company was approximately HK$10.3 million for the Current Period, as compared to a profit attributable to owners of the Company of approximately HK$2.3 million for the Last Period. It represents an increase of approximately 351% when compared to the Last Period.

The increase was mainly contributed by the increase in gross profit due to the significant increase in revenue generated from the supply and installation projects, and the decrease in the one-off listing related expenses, as explained above.

Nevertheless, if excluding the one-off listing related expenses of approximately HK$9.0 million being charged to the condensed consolidated statement of comprehensive income during the Last Period, profit attributable to owners of the Company would have been approximately HK$10.3 million and HK$11.3 million for the Current Period and Last Period, respectively, and it represented a decrease in profit attributable to owners of the Company in the Current Period of approximately 9%. Such decrease was mainly due to the increase in staff cost for the expansion of operation and the increase in auditor's remuneration and legal and professional fees after the listing of the shares of the Company, as explained above.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements primarily through retained profits, borrowings and cash inflows from operating activities. As at 30 June 2019, the capital structure of the Group consisted of equity of approximately HK$157.5 million (31 December 2018: HK$159.2 million) and bank borrowings of approximately HK$146.6 million (31 December 2018: HK$124.1 million). For details, please refer to the paragraph headed "Bank borrowings" below.

CASH POSITION AND FUND AVAILABLE

During the Current Period, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and borrowings. As at 30 June 2019, our cash and cash equivalents were approximately HK$8.6 million (31 December 2018: HK$9.8 million). The Group has pledged bank deposits of approximately HK$37.3 million (31 December 2018: HK$34.2 million) to secure the Group's banking facilities. As at 30 June 2019, the current ratio of the Group was approximately 1.8 times (31 December 2018: 2.1 times).

BANK BORROWINGS

As at 30 June 2019, the Group had total bank borrowings of approximately HK$146.6 million (31 December 2018: HK$124.1 million). As at 30 June 2019, the Group had aggregate banking facilities of approximately HK$182.1 million, of which approximately HK$146.6 million was not utilised.

GEARING RATIO

As at 30 June 2018, the Group's gearing ratio was approximately 93.0% (31 December 2018: 78.0%), calculated as the interest-bearing debts divided by the total equity as at the end of the respective periods and multiplied by 100%.

NET CURRENT ASSETS

As at 30 June 2019, the Group had net current assets of approximately HK$166.3 million (31 December 2018: approximately HK$157.7 million). The increase in net current assets position was mainly attributable to the net profit generated from the Group's operations during the Current Period. The Group's policy is to regularly monitor its liquidity requirements and its compliance with covenants in relation to banking facility agreements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The Board is not aware of any liquidity issue that may cast significant doubt on the Group's ability to continue as a going concern.

PLEDGE OF ASSETS

Except for the pledged bank deposits stated in the paragraph headed "Cash position and fund available" above, certain trade and retention receivables and contract assets for obtaining the banking facilities, the Group has no other pledged assets.

CAPITAL COMMITMENTS

The Group has no material capital commitments as at 30 June 2019.

CONTINGENCIES

As at 30 June 2019 and 31 December 2018, the Group has issued performance bonds in respect of construction contracts through the bank amounted to approximately HK$1.5 million and HK$3.0 million respectively.

In addition, workers of the Group's subcontractors initiated claims for failure to pay wages against a subsidiary of the Group during the year ended 31 December 2018. The amount being claimed was approximately HK$1.0 million. As at the date of this report, the plaintiff and the defendants are attempting to resolve the claim through mediation and the extent of liability cannot yet be ascertained.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2019 and 30 June 2018, there was no significant acquisition and disposal of subsidiaries and associated companies.

FOREIGN EXCHANGE RISK

The Group operates in Hong Kong and its business activities and construction contracts were mainly carried out in Hong Kong and Macau. Most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars.

As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contract to hedge its exposure to foreign exchange risk during the six months ended 30 June 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 32 full-time employees who were directly employed by the Group. Total staff costs including Directors' emoluments for the six months ended 30 June 2019, amounted to approximately HK$9.0 million (six months ended 30 June 2018: approximately HK$8.4 million). The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee. During the six months ended 30 June 2019, there has not been any incident of strike or labour shortage which adversely affected the Group's operations. In addition, the Group has not experienced any significant problem with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

USE OF PROCEEDS FROM SHARE OFFER

On 4 July 2018, the Company issued a total of 300,000,000 shares by way of public offering and placing at a price of HK$0.4 per share, and successfully listed its share on the Hong Kong Stock Exchange Limited. The net proceeds of the share offer received by the Company in relation to the listing of its share were approximately HK$73.2 million, after deduction of underwriting fee, commissions and all related expenses. The table below sets out the proposed application of the net proceeds and its utilisation status as at 30 June 2019.

	Percentage of net proceeds %	Net proceeds HK$'million	Amount utilised HK$'million	Amount remaining HK$'million
Financing the start-up costs for awarded or potential projects submitted	79.5	58.2	(58.2)	–
Strengthening project management team	3.6	2.6	(0.7)	1.9
Enhancing services and increasing sales and marketing efforts	4.1	4.4	–	4.4
Implementing a computerised ERP system and recruiting additional technology staff to support the ERP system	3.0	2.2	–	2.2
Repaying outstanding trust receipt loan	8.0	5.8	(5.8)	–
Total	**100.0**	**73.2**	**(64.7)**	**8.5**

As at the report date, the Directors consider that these proceeds have been applied in accordance with the proposed application set out in the Prospectus dated 20 June 2018. The unutilised amount of the net proceeds have been deposited in the bank accounts of the Company and its subsidiaries.

EVENTS AFTER THE REPORTING PERIOD

On 8 July 2019, the Company granted share options to certain eligible participants (the "**Grantees**") to subscribe for a total of 47,200,000 ordinary shares of HK$0.01 each in the share capital of the Company pursuant to the share option scheme adopted by the Company on 11 June 2018. Among the share options granted, a total of 37,200,000 share options with exercise price of HK$0.249 per share and validity period from 8 July 2019 to 7 July 2021 were granted to the Executive Directors, including Mr. Lui Yue Yun Gary, Ms. Lui Po Kwan Joyce, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang. All Grantees accepted the share options granted to them.

On 22 August 2019, Stable Wealthy Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the "**MOU**") with a vendor (the "**Potential Vendor**"). Pursuant to the MOU, Stable Wealthy Holdings Limited intends to acquire and the Potential Vendor intends to dispose of and/or procure other shareholders of a target company (the "**Target Company**" and together with its subsidiaries, the "**Target Group**") to dispose of certain number of shares in the Target Company, representing part of or the entire equity interests in the Target Company (the "**Proposed Acquisition**"). The Target Company is the holding company of the Target Group which is principally engaged in (i) the operation of projects for the supply and installation of fixtures and furniture, decoration materials and related fitting-out works and (ii) the supply business of fixtures and furniture as well as decoration materials. The terms and conditions of the Proposed Acquisition are still being negotiated.

DIRECTORS', CHIEF EXECUTIVE'S AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

A. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests or short positions of the Company's Directors and the chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange under the Model Code are as follows:

Long position in shares and underlying shares of the Company:

Name of Director and the chief executive	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporation	845,135,000 shares	70.42%

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executives has any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company or Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which he was taken or deemed to have under provision of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

B. SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, so far as known by the Directors, the following persons (not being a director or chief executive of the Company) had interest or short position in shares or underlying shares and debentures of Company and its associated corporation which would be required to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in shares and underlying shares of the Company:

Name of substantial shareholder	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
PMG Investments Limited (Note)	Interest of Controlled Corporation	845,135,000 shares	70.42%

Note: Mr. Lui Yue Yun Gary, being an Executive Director of the Company, holds 100% of the issued shares in PMG Investments Limited.

Save as disclosed above, as at 30 June 2019, no other shareholder had any interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION

OVERVIEW OF CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control and to enhance the transparency and accountability of the Board to all shareholders of the Company. The Company has complied with the applicable code provisions of the Corporate Governance Code ("**CG Code**") from the listing date of the shares of the Company and up to the date of this announcement, except for the deviations as mentioned below.

The roles of the chairman and chief executive of the Company have not been segregated as required by the code provision A.2.1 of the Code. As Mr. Lui is the chairman of the Company and the founder of the Group, the Board considers that vesting the roles of both chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is adequately ensured by the Board which comprise experienced and high caliber individuals with a sufficient number of them being Independent Non-executive Directors of the Company. The Board has a strong independent element in its composition.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. All Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by Directors as set out in the Model Code for the six months ended 30 June 2019.

APPOINTMENT OF EXECUTIVE DIRECTORS DURING THE PERIOD ENDED 30 JUNE 2019

On 11 January 2019, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang were appointed as Executive Directors by the Board and re-elected by the shareholders on 24 April 2019 at the Annual General Meeting.

The latest profile of Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang are as follow:

Mr. Lui Edwin Wing Yiu

Mr. Lui Edwin Wing Yiu, aged 32, business development director of the Group, is mainly responsible for the business development, project management and marketing related work of the Group. He is also a director of certain subsidiaries of the Group.

Mr. Lui Edwin Wing Yiu obtained a Bachelor's degree in computer science from Worcester Polytechnic Institute. Prior to joining the Group, he worked for Cheong Wah Metal Company and Multi-trade Industries Limited. He has approximately 8 years of experience in business development and management.

Mr. Lui Edwin Wing Yiu is nephew of Mr. Lui and cousin of Ms. Lui Po Kwan Joyce. He does not have any current or past directorship in any listed company in the last three years. Mr. Lui Edwin Wing Yiu was elected as a committee member of the Hong Kong Marble & Granite Merchants Association (2019–2021) in July 2019.

Mr. Fung Wai Hang

Mr. Fung Wai Hang, aged 33, chief financial officer of the Group and company secretary of the Company, is mainly responsible for overseeing the finance, accounting, administration and compliance functions, involving in the strategy planning and performing the company secretarial duties of the Group. He is also a director of certain subsidiaries of the Group.

Mr. Fung Wai Hang obtained a Bachelor's degree in business administration (professional accountancy) from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Institute of Chartered Secretaries, a member of the Institute of Chartered Secretaries and Administrators, a chartered global management accountant of the Chartered Institute of Management Accountants, a certified internal auditor of the Association of Chinese Internal Auditors, a member of the Hong Kong Securities and Investment Institute, an accredited mediator (general) of the Hong Kong Mediation Accreditation Association and an associate member of the Hong Kong Mediation Centre. Prior joining the Group, Mr. Fung Wai Hang worked for PricewaterhouseCoopers and have over 10 years of experience in accounting, auditing and financial management.

Mr. Fung Wai Hang does not have any current or past directorship in any listed company in the last three years. He was elected as a council member of the Council for the Promotion of Guangdong-Hongkong-Macao Cooperation (the 4th cabinet) in December 2018.

BOARD COMMITTEE

Audit Committee

The Audit Committee, with its terms of reference established in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), is composed of all three Independent Non-Executive Directors (Mr. Ko Tsz Kin, Mr. Choi Hok Ya and Mr. Ng Yau Wah Daniel) of the Company. The Audit Committee has reviewed the accounting policies adopted by the Group and worked with the management concerning the auditing, risk management and internal control system, and financial reporting matters of the Group.

Remuneration Committee

The Remuneration Committee, with its terms of reference established in compliance with the Listing Rules, was set up with the responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee is composed of the Chairman of the Board (Mr. Lui) and two Independent Non-Executive Directors (Mr. Ng Yau Wah Daniel and Mr. Ko Tsz Kin) of the Company.

Nomination Committee

The Nomination Committee, with its terms of reference established in compliance with the Listing Rules, is composed of the Chairman of the Board (Mr. Lui) and two Independent Non-Executive Directors (Mr. Ng Yau Wah Daniel and Mr. Ko Tsz Kin) of the Company. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") pursuant to resolutions passed by the sole Shareholder on 11 June 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

As at 30 June 2019, the total number of shares available for issue under the Share Option Scheme is 120,000,000 shares and represents 10% of the issued share capital of the Company.

No share option has been granted since the adoption of the Share Option Scheme and no share option was outstanding as at 30 June 2019 (2018: Nil).

PURCHASE, SALES AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party and in which any of the Directors or members of management of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

On behalf of the Board
Anchorstone Holdings Limited
Lui Yue Yun Gary
Chairman

Hong Kong, 20 August 2019

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Revenue from contract with customers	5	**229,404**	94,598
Cost of sales		**(198,247)**	(67,930)
Gross profit		**31,157**	26,668
Other income and other gains, net		**109**	13
Administrative expenses		**(15,112)**	(20,066)
Operating profit		**16,154**	6,615
Finance costs, net	7	**(3,688)**	(2,290)
Profit before income tax	6	**12,466**	4,325
Income tax expense	8	**(2,123)**	(2,030)
Profit for the period attributable to owners of the Company		**10,343**	2,295
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period attributable to owners of the Company		**10,343**	2,295
Earnings per share for profit attributable to owners of the Company for the period:			
Basic and diluted earnings per share (HK cent)	9	**0.9**	0.3

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2019

	Note	As at 30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment		**948**	1,499
Right-of-use assets	10	**5,764**	–
Total non-current assets		**6,712**	1,499
Current assets			
Trade and retention receivables	11	**22,530**	54,815
Deposits, prepayments and other receivables	12	**1,393**	1,483
Inventories		**–**	984
Contract assets		**270,171**	202,125
Tax recoverable		**–**	4,450
Pledged bank deposits		**37,279**	34,196
Cash and bank balances		**8,591**	9,778
Total current assets		**339,964**	307,831
Total assets		**346,676**	309,330
EQUITY			
Share capital	15	**12,000**	12,000
Reserve and retained earnings		**145,538**	147,195
Total equity		**157,538**	159,195

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2019

	Note	As at 30 June 2019 HK$'000 (unaudited)	 31 December 2018 HK$'000 (audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	10	**3,519**	–
Current liabilities			
Trade and retention payables	13	**15,557**	16,230
Accruals and other payables	13	**4,622**	4,971
Contract liabilities		**16,607**	4,798
Lease liabilities	10	**2,265**	–
Bank borrowings	14	**146,568**	124,136
Total current liabilities		**185,619**	150,135
Total liabilities		**189,138**	150,135
Total equity and liabilities		**346,676**	309,330

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company				
		Reserves and retained earnings			
	Share capital	**Reserves**	**Retained earnings**	**Total reserves and retained earnings**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the six months ended 30 June 2019 (unaudited)					
At 1 January 2019	**12,000**	**103,264**	**43,931**	**147,195**	**159,195**
Dividends relating to the year ended 31 December 2018	**–**	**–**	**(12,000)**	**(12,000)**	**(12,000)**
Profit for the period	**–**	**–**	**10,343**	**10,343**	**10,343**
Balance at 30 June 2019 (unaudited)	**12,000**	**103,264**	**42,274**	**145,538**	**157,538**
For the six months ended 30 June 2018 (unaudited)					
At 1 January 2018	–	14,000	23,391	37,391	37,391
Profit for the period	–	–	2,295	2,295	2,295
Balance at 30 June 2018 (unaudited)	–	14,000	25,686	39,686	39,686

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net cash (used in)/generated from operations	(18,037)	10,318
Interest received	83	39
Income tax paid	(2,069)	(6,446)
Income tax refunded	4,391	–
Net cash (used in)/generated from operating activities	(15,632)	3,911
Cash flows from investing activities		
Increase in pledged bank deposits	(3,083)	(39)
Repayment to a related party	–	391
Net cash used in investing activities	(3,083)	(430)
Cash flows from financing activities		
Interest paid	(3,602)	(2,329)
Proceeds from borrowings	32,836	73,842
Repayments of borrowings	(10,404)	(76,550)
Lease liabilities payment	(1,302)	–
Payment of listing expenses to be capitalised into equity	–	(1,718)
Repayments obligations under finance leases	–	(153)
Net cash generated from/(used in) financing activities	17,528	(6,908)
Net decrease in cash and cash equivalents	(1,187)	(3,427)
Cash and cash equivalents at beginning of period	9,778	(7,416)
Cash and cash equivalents at end of period	8,591	(10,843)
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	8,591	6,387
Bank overdrafts	–	(17,230)
Cash and cash equivalents at end of period	8,591	(10,843)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 2 February 2016 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the stone sales and supply and installation of marble products in Hong Kong ("**HK**") and Macau. The addresses of the registered office and the principal place of business of the Company are set out in detail in the Corporate Information of this report.

The ultimate holding company of the Company is PMG Investments Limited. The ultimate controlling party of the Group is Mr. Lui Yue Yun Gary ("**Mr. Lui**").

This unaudited condensed consolidated interim financial information is presented in HK thousand Dollars, unless otherwise stated. It has not been audited by the Company's auditors, but has been reviewed by the Audit Committee of the Company.

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

2.1 Basis of presentation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 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 and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The interim financial statements should be read in conjunction with the 2018 annual report, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2018 that is included in this preliminary announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated accounts for that financial year but is derived from those accounts. The unaudited interim results should be read in conjunction with the 2018 annual report.

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Accounting policies

The accounting policies applied are consistent with those described in the 2018 annual report except for the adoption of new and amended standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The preparation of unaudited condensed consolidated interim financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) The Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial period beginning on 1 January 2019 throughout the period:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed consolidated financial statements, except HKFRS 16 "Lease". As a result of adopting the standards, the Group had to change its accounting policies. The impact of the adoption and the new accounting policies are disclosed in Note 3 below.

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Accounting policies *(Continued)*

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 and 8 (Amendments)	Definition of Material	1 January 2020
HFRS 3 (Amendments)	Definition of Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined

According to the preliminary assessment made by the Directors, these new standards and amendments to existing standards are not expected to have significant impact on the financial performance and positions of the Group when they become effective.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's interim condensed consolidated financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.9%.

	HK$'000
Operating lease commitments, disclosed as at 31 December 2018	7,595
Discounted using the lease's incremental borrowing rate at the date of initial application	(678)
Lease liabilities recognised as at 1 January 2019	6,917
Of which are:	
Current lease liabilities	2,265
Non-current lease liabilities	4,652
	6,917

Impact on profit, comprehensive income and earnings per share of the Group

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There was no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increased by HK$6,917,000
- lease liabilities — increased by HK$6,917,000.

The impact on the profit before income tax, profit for the period attributable to owners of the Company, total comprehensive income and basic and diluted earnings per share as a result of the adoption of HKFRS 16 are insignificant.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) The Group's leasing activities and how these are accounted for

The Group leases its office premises in Hong Kong. Rental contracts are typically made for fixed periods of 3 to 5 years but may have termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Other than the increase in assets and financial liabilities in the condensed consolidated interim balance sheet and the financial performance impact in the condensed consolidated interim statement of comprehensive income as stated above, the Directors expect that the adoption of HKFRS 16 will not have significant impact on the financial position and financial performance of the Group.

In the opinion of Directors, the adoption of other new accounting standards being effective from 1 January 2019 have no significant impact on the financial position and financial performance of the Group.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2018 annual report. There has been no change in the risk management or any risk management policies since the year end.

4.2 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including trade and retention receivables, deposits and other receivables, pledged bank deposits, cash and bank balances, trade and retention payables, other payables and bank borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

5 REVENUE FROM CONTRACT WITH CUSTOMERS AND SEGMENT INFORMATION

Revenue from contract with customers

Revenue represents the total value of contract works completed and the stone sales during the periods as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Supply and installation services	**226,999**	79,165
Stone sales	**2,405**	15,433
	229,404	94,598
Timing of revenue recognition:		
Over time	**226,999**	79,165
At a point in time	**2,405**	15,433
	229,404	94,598

5 REVENUE FROM CONTRACT WITH CUSTOMERS AND SEGMENT INFORMATION *(Continued)*

Segment information

The Executive Directors are the Group's chief operating decision-makers. The Executive Directors consider the segment from a business perspective and regards the Group's business as a single operating segment and reviews financial information accordingly.

The Group's revenue attributed to geographical areas based on the location of customers is presented as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Hong Kong	**219,975**	68,183
Macau	**9,429**	13,966
The USA	**–**	12,449
	229,404	94,598

The Company was incorporated in the Cayman Islands while the Group operates its business primarily in Hong Kong. During the six months ended 30 June 2019 (the "**Current Period**") and six months ended 30 June 2018 (the "**Last Period**"), no revenue was generated from the Cayman Islands and no assets were located in the Cayman Islands.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the Executive Directors.

5 REVENUE FROM CONTRACT WITH CUSTOMERS AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue attributed from customers that accounted 10% or more of the Group's total revenue during the Current Period and the Last Period is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Customer A (Note a)	**80,281**	–
Customer B (Note b)	**37,363**	–
Customer C (Note c)	**39,890**	N/A
Customer D (Note c)	**6,556**	9,667
Customer E (Note c)	**4,047**	27,050
Customer F (Note c)	**1,348**	15,852
Customer G (Note d)	**–**	13,966
Customer H (Note e)	**–**	12,449

Notes:

(a) The revenue was generated from a new supply and installation of marble product contract in Hong Kong during the Current Period.

(b) The revenue was generated from a new supply and installation of marble product contract in Macau the Current Period.

(c) The revenue was generated from the supply and installation of marble product contracts in Hong Kong.

(d) The revenue was generated from the supply and installation of marble product contracts in Macau.

(e) The revenue was generated from stone sales to an overseas customer.

6 PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit before income tax has been arrived at after charging:		
Construction cost recognised in cost of sales	**197,531**	64,027
Depreciation, including right-of-use assets	**1,370**	161
Employee benefit expenses, including Directors' emoluments	**8,978**	8,387
Auditor's remuneration	**750**	70
Legal and professional fees	**2,266**	4
Listing related expenses	**–**	8,974

7 FINANCE COSTS, NET

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Finance income		
Interests from bank deposits	**83**	39
Finance costs		
Interests from:		
— Bank overdrafts	**278**	426
— Trust receipt loans interest	**3,131**	1,502
— Bank loans	**193**	387
— Finance lease interest	**–**	14
	3,602	2,329
Lease liability interest (Note 10)	**169**	–
	3,771	2,329
Finance costs, net	**3,688**	2,290

8 INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong profits tax	**2,123**	2,030

9 EARNINGS PER SHARE

For the six months ended 30 June 2019, basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

For the six months ended 30 June 2018, since the Company's shares were listed on 4 July 2018, the calculation of the basic and diluted earnings per share attributable to the owners of the Company was based on the assumption that the additional 899,999,999 shares were issued pursuant to the reorganisation and capitalisation during the period ended 30 June 2018, and in respect of the listing of the shares of the Company were treated as if they had been in issue since 1 January 2018.

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**10,343**	2,295

9 EARNINGS PER SHARE *(Continued)*

	As at 30 June 2019 (unaudited)	As at 30 June 2018 (unaudited)
Number of shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation ('000) (Note 14)	**1,200,000**	900,000
Basic and diluted earnings per share (HK cent)	**0.9**	0.3

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the respective periods.

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Non-current assets		
Right-of-use assets	**6,917**	–
Less: depreciation	**(1,133)**	–
	5,764	–
Non-current liabilities		
Lease liabilities	**6,917**	–
Add: lease liability interest (Note 7)	**169**	–
Less: payment during the period	**(1,302)**	–
	5,784	–
Less: current lease liabilities	**(2,265)**	–
Non-current lease liabilities	**3,519**	–

11 TRADE AND RETENTION RECEIVABLES

	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Trade receivables	**9,103**	26,456
Retention receivables	**13,427**	29,039
	22,530	55,495
Less: provision for impairment	**–**	(680)
	22,530	54,815

The Group's credit terms granted to third-party trade customers other than retention receivables generally ranged from 30 to 90 days. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion or the expiry of the defect liability period ranging from 12 to 24 months.

As at 30 June 2019 and 31 December 2018, the ageing analysis of the third-party trade receivables, based on invoice date, is as follows:

	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Up to 30 days	**194**	1,425
31–60 days	**1,451**	–
61–90 days	**5,170**	45
Over 90 days	**2,288**	24,986
	9,103	26,456

Retention receivables in respect of the supply and installation business are settled in accordance with the terms of the respective contracts. In the condensed consolidated balance sheet, retention receivables were classified as current assets based on the operating cycle.

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Prepayments	**–**	232
Insurance compensation receivables	**599**	481
Other receivables	**794**	770
	1,393	1,483

13 PAYABLES

Trade and retention payables at the end of the reporting period comprise amounts outstanding for trade purposes. The average credit period taken for trade purchase is 30 to 90 days.

	As at	
	30 June	31 December
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Contract creditors and suppliers	**4,431**	5,889
Retention payables	**11,126**	10,341
Accruals and other payables	**4,622**	4,971
	20,179	21,201

13 PAYABLES *(Continued)*

The ageing analysis of the third-party trade payables, based on invoice date, is as follows:

	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Up to 30 days	**312**	603
31–60 days	**368**	1,051
61–90 days	**646**	119
Over 90 days	**3,105**	4,116
	4,431	5,889

14 BANK BORROWINGS

	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Term loans — secured	**4,626**	–
Trust receipt loans — secured	**137,942**	121,036
Revolving loans — secured	**4,000**	3,100
	146,568	124,136

All bank borrowings due for repayment, based on the scheduled repayment dates set out in the loan agreements and without taking into account the effect of any repayment on demand are within 1 year.

14 BANK BORROWINGS *(Continued)*

As at 30 June 2019 and 31 December 2018, bank facilities granted to the Group are secured by the following:

(a) Trade and retention receivables of HK$13,427,000 (31 December 2018: HK$16,154,000);

(b) Pledged bank deposits of HK$37,279,000 (31 December 2018: HK$34,196,000);

(c) Certain contract assets pledged to two principal banks of the Group; and

(d) Cross guarantees by the Group's subsidiaries.

As at 30 June 2019 and 31 December 2018, the carry amounts of bank borrowings are denominated in HK$ and approximate their fair value.

The effective interest rates of bank borrowings as at 30 June 2019 are 4.7% (31 December 2018: 4.9%).

15 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	**Amounts**
		HK$'000
Authorised:		
Ordinary share of HK$0.01 each:		
At 1 January 2018	38,000,000	380
Increase on 14 June 2018	2,962,000,000	29,620
At 31 December 2018, 1 January 2019 and 30 June 2019	3,000,000,000	30,000
Issued and fully paid:		
At 1 January 2018	1	–
Share issue pursuant to the reorganisation and capitalisation in 2018	899,999,999	9,000
At 30 June 2018	900,000,000	9,000
Share issued pursuant to the listing of the Company's share on 4 July 2018	300,000,000	3,000
At 31 December 2018, 1 January 2019 and 30 June 2019	1,200,000,000	12,000

16 DIVIDENDS

The Directors do not recommend the payment of interim dividends for the six months ended 30 June 2019. Final dividends of HK$12,000,000 related to the year ended 31 December 2018 were declared in March 2019.

17 CONTINGENT LIABILITIES

Performance bonds

As at 30 June 2019 and 31 December 2018, the Group has issued performance bonds in respect of construction contracts through the bank amounting to approximately HK$1.5 million and HK$3.0 million respectively.

Legal case

During the year ended 31 December 2018, workers of the Group's subcontractors initiated claims for failure to pay wages against a subsidiary of the Group. The amount being claimed was approximately HK$1,030,000. As at the date of this report, the plaintiff and the defendants are attempting to resolve the claim through mediation and the extent of liability cannot yet be ascertained.

18 SUBSEQUENT EVENTS

On 8 July 2019, the Company granted share options to certain eligible participants (the "**Grantees**") to subscribe for a total of 47,200,000 ordinary shares of HK$0.01 each in the share capital of the Company pursuant to the share option scheme adopted by the Company on 11 June 2018. Among the share options granted, a total of 37,200,000 share options with exercise price of HK$0.249 per share and validity period from 8 July 2019 to 7 July 2021 were granted to the Executive Directors, including Mr. Lui, Ms. Lui Po Kwan Joyce, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang. All Grantees accepted the share options granted to them.

On 22 August 2019, Stable Wealthy Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the "**MOU**") with a vendor (the "**Potential Vendor**"). Pursuant to the MOU, Stable Wealthy Holdings Limited intends to acquire and the Potential Vendor intends to dispose of and/or procure other shareholders of a target company (the "**Target Company**" and together with its subsidiaries, the "**Target Group**") to dispose of certain number of shares in the Target Company, representing part of or the entire equity interests in the Target Company (the "**Proposed Acquisition**"). The Target Company is the holding company of the Target Group which is principally engaged in (i) the operation of projects for the supply and installation of fixtures and furniture, decoration materials and related fitting-out works and (ii) the supply business of fixtures and furniture as well as decoration materials. The terms and conditions of the Proposed Acquisition are still being negotiated.

19 RELATED PARTIES BALANCES AND TRANSACTIONS

The Directors are of the view that the following individual/companies were related parties that had transactions or balances with the Group during the six months ended 30 June 2019 and 31 December 2018:

Name of the related party	Relationship with the Group
Lui Yue Yun Gary	The Controlling Shareholder
Win Goal Enterprises Limited	Controlled by the Controlling Shareholder

(a) Transactions with related parties

The following transactions were undertaken by the Group with related parties:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Motor vehicle rental expense to Win Goal Enterprises Limited	**–**	49

(b) Key management compensation

Key management includes Executive and Non-Executive Directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	**3,306**	2,100
Pension costs	**36**	18
	3,342	2,783

19 RELATED PARTIES BALANCES AND TRANSACTIONS *(Continued)*

(c) Guarantee by a Director

The bank borrowings and obligation under finance leases facilities, supported by personal guarantee provided by a Director, are as follows:

	As at	
	30 June	31 December
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Lui Yue Yun Gary	–	110,209

Such guarantee provided by a Director had been released.