

ANCHORSTONE

Anchorstone Holdings Limited
基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1592

2020
INTERIM REPORT

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CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square Hutchins Drive
PO 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*)
Ms. Lui Po Kwan Joyce
Mr. Lui Edwin Wing Yiu
Mr. Fung Wai Hang

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. Fung Wai Hang

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited
Bank of China (Hong Kong) Limited

SHAREHOLDER INFORMATION

The shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

STOCK CODE

1592

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Since the second half of 2019, the overall business environment in Hong Kong has deteriorated. Although there was no significant adverse impact to the Group’s operation, the increasing political risk and the risk of economic downturn in Hong Kong posted negative impact in the construction industry. In early 2020, the outbreak of Coronavirus Disease 2019 (“**COVID-19**”) caused suspension of the operation of most of our subcontractors in the Mainland China, and affected the stabilisation of the supply of labour force and materials to our supply and installation projects. These caused an overall delay in the work status of the Group’s supply and installation projects on hand in the period. As a result, the Group recorded a revenue of approximately HK\$98.5 million for the six months ended 30 June 2020, representing a decrease of 57.0% compared with the same period last year.

The Group’s overall gross profit margin for the period is approximately 13.6%, which is in line with the last period. However, the overall amount of gross profit dropped by approximately HK\$17.7 million or 56.8% compared with last period. As the operating expense and the finance cost in the first half of 2020 did not drop in line with the gross profit, the Group recorded an operating loss of approximately HK\$0.4 million, and a significant decrease in the profit/(loss) attributable to owners of the Company of HK\$15.4 million or 148.5% for the six months ended 30 June 2020 as compared with the corresponding period in 2019. The Group made a loss for the period of approximately HK\$5.0 million as a result .

Based on the understanding of the board of directors (the “**Board**”), the decrease was mainly due to the adverse impact of the COVID-19 pandemic, resulting in most of the work status of the Group’s supply and installation projects were deferred for a few months. Although the overall work progress of our projects were slowdown, it is not a systematic risk to the Group as most of our projects resumed normal and the Group is able to catch up the work status since the second quarter of the year. The Group is also actively looking for other business opportunities. Therefore, the Board is not pessimistic to our business future.

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 2020 (30 June 2019: Nil).

BUSINESS REVIEW AND OUTLOOK

Since the outbreak of COVID-19 in early 2020, there has been uncertainty in the local property market and the real estate sector in Hong Kong. Although there was no catastrophic impact to the construction industry, it posted negative impact to the development of the construction business in Hong Kong. Besides, the trade war between China and the USA affected our business development plan to the overseas market(s) including the USA.

Under this tough environment, the Group recorded a revenue of approximately HK\$98.5 million (30 June 2019: HK\$229.4 million) for the six months ended 30 June 2020, representing a decrease of 57.0% compared with the same period last year. Mainly due to the delay in our project status, the Group also made a loss for the period of approximately HK\$5.0 million in the first half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Since there are increasing business risks in Hong Kong and the overseas market(s) as stated above, the Group intends to enter the market for the supply and distribution of marble and granite products in China. The Board is aware of the fact that despite the uncertainty in the global market, there would still be strong demand for the high quality marble and granite products as the property markets in China are expected to have a steady and growing momentum in the future. For this purpose, the Company entered into a non-legally binding memorandum of understanding with the two related parties with operations in China on 3 April 2020, in relation to the proposed acquisition of these two related parties. This potential acquisitions is ongoing, and it will enable the Group to enter into the supply and distribution of marble and granite products market in China in an effective way.

After the COVID-19 outbreak in early 2020, the Group paid close attention to the development of COVID-19 outbreak and continuously evaluated its impact that may have on the financial position and operating results of the Group. Up to the date of this report, most of our project had resumed normal. The Group has also been rewarded certain new projects during the second half of 2020, and will continue to emphasis its core value to provide professional services to our customers. Together with the future development plan of the Group, the Board is confident with the prospects of the Group.

Revenue

During the six months ended 30 June 2020, the Group generated revenue from the its supply and installation projects and stone sales projects in Hong Kong and Macau. It recorded a decrease in revenue for approximately HK\$130.9 million or 57.0% compared with last period. The decrease was mainly due to the delay in project status during the 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 for the current period was around 13.6% which is in line with the last period.

However, in term of the absolute amount, the gross profit declined from HK\$31.2 million in the first half of 2019 to HK\$13.4 million in the first half of 2020.

Administrative expenses

The administrative expenses of the Group for the current period amounted to approximately HK\$14.2 million, representing a slight decrease of approximately HK\$0.9 million, or 5.9% compared to approximately HK\$15.1 million for the last period.

The decrease was mainly due to the decrease in staff cost and related expenses by approximately HK\$1.3 million, which was mainly due to the decrease in average headcount compared with last period. The Group's other general and administrative expenses have also decreased compared with last period.

The decrease was partially off-set by the increase in legal and professional expenses by approximately HK\$0.9 million. The increase in legal and professional expenses were mainly due to the professional charges for the major transactions in relation to an acquisition involving issue of conversion bonds under specific mandate. Such potential acquisition has been terminated on 26 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance costs were mainly arisen from the bank borrowings for the operation purpose.

Net finance costs increased in HK\$0.7 million or 19.8% compared with the same period last year. This is mainly due to the interest expense from a bond with an aggregate principal amount of HK\$16,000,000 placed on 27 March 2020. The bond has been redeemed in full during the period.

Income tax expense

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

(Loss)/profit before income tax has been decreased by approximately HK\$17.3 million or 138.7%. Following the decrease in (loss)/profit before income tax in the current period, the Group's income tax expense decreased by approximately HK\$1.9 million.

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

(Loss)/profit attributable to owners of the Company

Based on the above factors, loss attributable to owners of the Company was approximately HK\$5.0 million for the current period, as compared to a profit attributable to owners of the Company of approximately HK\$10.3 million for the last period. It represents a decrease of approximately 148.5% when compared to the last period.

The decrease was mainly contributed by the decrease in gross profit due to the delay of supply and installation projects in the period.

Liquidity and financial resources

The Group has funded the liquidity and capital requirements primarily through retained profits, borrowings and cash inflows from its operating activities. As at 30 June 2020, the capital structure of the Group consisted of equity of approximately HK\$147.1 million (31 December 2019: HK\$152.1 million) and bank borrowings of approximately HK\$175.4 million (31 December 2019: HK\$146.4 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Cash position and fund available

The working capital of the Group was mainly financed by its operating cash flows and bank borrowings. As at 30 June 2020, the Group's cash and cash equivalents were approximately HK\$0.5 million (31 December 2019: HK\$2.9 million). The Group has pledged bank deposits of approximately HK\$37.6 million (31 December 2019: HK\$37.4 million) to secure the Group's banking facilities. As at 30 June 2020, the current ratio of the Group was approximately 1.76 times (31 December 2019: 1.83 times).

MANAGEMENT DISCUSSION AND ANALYSIS

Bank borrowings

As at 30 June 2020, the Group had total bank borrowings of approximately HK\$175.4 million (31 December 2019: HK\$146.4 million). As at 30 June 2020, the Group had aggregate banking facilities of approximately HK\$178.9 million, of which approximately HK\$3.5 million was unutilised.

Gearing ratio

As at 30 June 2020, the Group's gearing ratio was approximately 48.3% (31 December 2019: 41.1%), 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 2020, the Group had net current assets of approximately HK\$149.1 million (31 December 2019: approximately HK\$148.9 million). 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. Although the cash position as at 30 June 2020 dropped, the management assessed the liquidity of the Group's current assets and 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 2020.

Contingencies

As at 30 June 2020 and 31 December 2019, the Group has issued performance bonds in respect of construction contracts through banks which amounted to approximately HK\$1.5 million and HK\$1.5 million respectively. These performance bonds were secured by bank facilities.

During the period ended 30 June 2020, there were several legal cases concerning claims for personal injuries against certain subsidiaries of the Company. As at the date of this report, two cases had developed to legal proceedings while the other two cases were still at their initial stage. The amount being claim for in these cases was still being determined, and the amount of the possible obligation cannot be ascertained with reliability.

MANAGEMENT DISCUSSION AND ANALYSIS

A previous subcontractor of the Group initiated a claim for payment for services rendered in the sum of HK\$6.5 million. The Group actively defended against the claim and the liability of the Group cannot be ascertained with reliability as at the date of this report. The Directors consider the likelihood of the plaintiff succeeding in the claim to be remote based on the current available information and legal advice from lawyer.

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

During the six months ended 30 June 2019 and 2020, 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 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 26 full-time employees who were directly employed by the Group. 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 2020, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 each, 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 2020.

	Percentage of net proceeds %	Net proceeds HK\$'million	Amount utilised HK\$'million	Amount remaining HK\$'million	Expected timeline
Financing the start-up costs for awarded or potential projects submitted	79.5	58.2	(58.2)	–	Not applicable
Strengthening project management team	3.6	2.6	(2.0)	0.6	To be fully utilised by the end of 2020
Enhancing services and increasing sales and marketing efforts	4.1	4.4	(0.2)	4.2	To be fully utilised by the end of 2020
Implementing a computerised ERP system and recruiting additional technology staff to support the ERP system	3.0	2.2	(0.3)	1.9	To be fully utilised at the first quarter of 2021
Repaying outstanding trust receipt loan	8.0	5.8	(5.8)	–	Not applicable
Total	100.0	73.2	(65.5)	6.7	

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 certain of its subsidiaries.

EVENT AFTER THE REPORTING PERIOD

On 6 August 2020, the Company allotted 24,000,000 shares at HK\$0.249 each upon two Directors exercised their share options of 12,000,000 shares each and respectively.

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 2020, 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 2020, 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.

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

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

As at 30 June 2020, 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	Interest of Controlled Corporation	845,135,000 shares	70.42%

Interest in share option of the Company:

Name of substantial shareholder	Total number of share option(s) held
Mr. Lui Yue Yun Gary	1,200,000

Save as disclosed above, as at 30 June 2020, 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.

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

C. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE OPTIONS

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 2020, 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

Interest in share option of the Company:

Name of Director and the chief executive	Total number of share option(s) held
Mr. Lui Yue Yun Gary	1,200,000
Ms. Lui Po Kwan Joyce	12,000,000
Mr. Lui Edwin Wing Yiu (Note)	12,000,000
Mr. Fung Wai Hang (Note)	12,000,000

Note: On 6 August 2020, the Directors exercised their share options in full at HK\$0.249 per share. The closing price of the Company's shares at the date of exercise is HK\$0.340 per share.

The validity period of the share options is from 8 July 2019 to 7 July 2021 (both days inclusive) and exercisable in whole or in parts. The vesting period shall be the period commencing from the registration date of the grant of share options (8 July 2019) to the first exercise date. The vesting period for the share option scheme shall be 24 months.

The closing price of the Company's shares immediate before the date of which the options were granted is HK\$0.260 per share. The closing price of the Company's shares on the date of which the options were granted is HK\$0.249 per share. The other details of the share option scheme were set out in the 2019 annual report.

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 report, 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 Yue Yun Gary 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 2020.

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 and two Independent Non-Executive Directors (Mr. Ng Yau Wah Daniel and Mr. Ko Tsz Kin) of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 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.

On behalf of the Board

Anchorstone Holdings Limited

Lui Yue Yun Gary

Chairman

Hong Kong, 19 August 2020

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue from contract with customers	4	98,548	229,404
Cost of sales		(85,100)	(198,247)
Gross profit		13,448	31,157
Other income and other gains, net		376	109
Administrative expenses		(14,226)	(15,112)
Operating (loss)/profit		(402)	16,154
Finance costs, net	6	(4,417)	(3,688)
(Loss)/profit before income tax	5	(4,819)	12,466
Income tax expense	7	(197)	(2,123)
(Loss)/profit for the period attributable to owners of the Company		(5,016)	10,343
Other comprehensive income for the period		-	-
Total comprehensive income for the period attributable to owners of the Company		(5,016)	10,343
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company for the period:			
Basic and diluted (loss)/earnings per share (HK cent)	8	(0.4)	0.9

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2020

	Note	As at	
		30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment		833	925
Right-of-use assets	9	3,443	4,611
Total non-current assets		4,276	5,536
Current assets			
Trade and retention receivables	10	22,582	58,776
Deposits, prepayments and other receivables	11	5,441	3,805
Inventories	12	105,677	62,661
Contract assets		173,430	161,329
Income tax recoverable		–	1,022
Pledged bank deposits		37,593	37,385
Cash and bank balances		462	2,922
Total current assets		345,185	327,900
Total assets		349,461	333,436
EQUITY			
Share capital	15	12,000	12,000
Reserves and retained earnings		135,100	140,116
Total equity		147,100	152,116

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2020

	Note	As at	
		30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings	14	4,000	–
Lease liabilities	9	2,273	2,275
		6,273	2,275
Current liabilities			
Trade and retention payables	13	16,135	20,586
Accruals and other payables		3,985	7,696
Contract liabilities		35	488
Lease liabilities	9	1,186	2,376
Bank borrowings	14	171,421	146,405
Income tax payable		3,326	1,494
Total current liabilities		196,088	179,045
Total liabilities		202,361	181,320
Total equity and liabilities		349,461	333,436

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company				Total
	Reserves and retained earnings			Total reserves and retained earnings	
	Share capital	Reserves	Retained earnings	retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2020 (unaudited)					
At 1 January 2020	12,000	106,095	34,021	140,116	152,116
Loss for the period	–	–	(5,016)	(5,016)	(5,016)
Balance at 30 June 2020 (unaudited)	12,000	106,095	29,005	135,100	147,100
For the six months ended 30 June 2019 (unaudited)					
At 1 January 2019	12,000	103,264	43,931	147,195	159,195
Dividend paid for 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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Cash flows from operating activities		
Net cash used in operations	(45,984)	(18,037)
Interest received	133	83
Income tax paid	(1,950)	(2,069)
Income tax refunded	–	4,391
Net cash used in operating activities	(47,801)	(15,632)
Cash flows from investing activities		
Increase in pledged bank deposits	(208)	(3,083)
Net cash used in investing activities	(208)	(3,083)
Cash flows from financing activities		
Interest paid	(4,434)	(3,602)
Proceeds from bonds	16,000	–
Repayment of bonds	(16,000)	–
Proceeds from borrowings	162,514	32,836
Repayments of borrowings	(111,229)	(10,404)
Lease liabilities payment	(1,302)	(1,302)
Net cash generated from financing activities	45,549	17,528
Net decrease in cash and cash equivalents	(2,460)	(1,187)
Cash and cash equivalents at beginning of period	2,922	9,778
Cash and cash equivalents at end of period	462	8,591
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	462	8,591
Bank overdrafts	(11,754)	–
Cash and cash equivalents at end of period	(11,292)	8,591

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 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 Hong Kong thousand Dollars ("**HK\$'000**"), 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 2020 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 information should be read in conjunction with the 2019 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 2019 that is included in this interim report 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 2019 annual report.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

2.2 Accounting policies

The accounting policies applied are consistent with those described in the 2019 annual report except for the adoption of new and amended standards effective as of 1 January 2020. 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 2020 throughout the period:

Conceptual Framework For Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 1 and 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed consolidated financial statements.

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: 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 2019 annual report. There have been no changes in the risk management or any risk management policies since the year end.

3.2 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, contract liabilities and bank borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

4 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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Supply and installation services	97,266	226,999
Stone sales	1,282	2,405
	98,548	229,404
Timing of revenue recognition:		
Over time	97,266	226,999
At a point in time	1,282	2,405
	98,548	229,404

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 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	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong	46,667	219,975
Macau	51,881	9,429
	98,548	229,404

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 and 2020, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 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	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A (Note a)	–	80,281
Customer B (Note a)	–	37,363
Customer C (Note a)	–	39,890
Customer D (Note b)	21,064	–
Customer E (Note c)	30,817	–
Customer F (Note d)	40,036	–

Notes:

- (a) The revenue was generated from the marble supply and installation projects in Hong Kong.
- (b) The revenue was generated from a marble supply and installation project in Macau commenced in the second half of 2019.
- (c) The revenue was generated from a new marble supply and installation project in Macau in the current period.
- (d) The revenue was generated from a new marble supply and installation project in Hong Kong in the current period.

5 (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit before income tax has been arrived at after charging:		
Construction cost recognised in cost of sales	84,665	197,531
Depreciation, including right-of-use assets	1,301	1,370
Employee benefit expenses, including Directors' emoluments	7,692	8,978
Auditor's remuneration	750	750
Legal and professional fees	3,240	2,266

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 FINANCE COSTS, NET

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Finance income		
Interests from bank deposits	133	83
Finance costs		
Interests from:		
— Bank overdrafts	262	278
— Trust receipt loans interest	3,539	3,131
— Bank loans	73	193
— Bond interest	560	—
	4,434	3,602
Lease liability interest (Note 9)	116	169
	4,550	3,771
Finance costs, net	4,417	3,688

7 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 2020.

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax:		
Hong Kong profits tax	197	2,030

Note:

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of a qualifying entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%

A subsidiary of the Group is qualified for such tax concession and hence its profits tax is calculated in accordance with the two-tiered profits tax rates regime for the six months ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 (LOSS)/EARNINGS PER SHARE

For the six months ended 30 June 2019 and 2020, basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

(Loss)/earnings

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit attributable to owners of the Company, used in this basic and diluted (loss)/earnings per share calculation	(5,016)	10,343
	As at 30 June	
	2020	2019
	(unaudited)	(unaudited)
Weighted average number of ordinary shares used in the basic (loss)/earnings per share calculation (in thousand)	1,200,000	1,200,000
Total basic and diluted (loss)/earnings per share (HK cents)	(0.4)	0.9

The share options granted by the Company could have potential dilutive effect on the loss per share. During the six month ended 30 June 2020, the share options had anti-dilutive effect to the Group as the assumed conversion of share options by the Company would result in a decrease in loss per share (30 June 2019: Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the period).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 LEASES

	As at	
	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Right-of-use assets		
Properties	3,443	4,611
Lease liabilities		
Current lease liabilities	1,186	2,376
Non-current lease liabilities	2,273	2,275
	3,459	4,651

Amounts recognised in the consolidated interim statement of comprehensive income

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Depreciation charges of right-of-use assets		
Properties	1,168	1,153
Interest expense (included in finance cost)	116	169

The Group leased for the office premise under rental contract is made for a fixed period of 3 years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 TRADE AND RETENTION RECEIVABLES

	As at	
	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade receivables	3,850	34,487
Retention receivables	19,412	24,969
	23,262	59,456
Less: provision for impairment	(680)	(680)
	22,582	58,776

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 2020 and 31 December 2019, the ageing analysis of the third-party trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Up to 30 days	943	123
31–60 days	–	33,456
Over 90 days	2,907	908
	3,850	34,487

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 interim balance sheet, retention receivables were classified as current assets based on the operating cycle.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Refundable deposits for a potential acquisition of subsidiaries terminated on 26 March 2020	3,500	2,000
Prepayments	18	13
Insurance compensation receivables	1,122	969
Other receivables	801	823
	5,441	3,805

12 INVENTORIES

	As at	
	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Finished goods — marble and granite	105,677	62,661

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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Contract creditors and suppliers	1,250	7,047
Retention payables	14,885	13,539
	16,135	20,586

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 BANK BORROWINGS

	As at	
	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Bank overdraft	11,754	2,188
Term loans — secured	37,682	661
Trust receipt loans — secured	117,985	139,556
Revolving loans — secured	4,000	4,000
Other loans — secured	4,000	—
	175,421	124,136

Except for the other loans of HK\$4 million, 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. The other loans will be due in 36 months from the date of the borrowing.

As at 30 June 2020 and 31 December 2019, bank facilities granted to the Group are secured by the followings:

- Trade and retention receivables of HK\$22,829,000 (31 December 2019: HK\$ HK\$13,368,000) as at 30 June 2020;
- Pledged deposits of HK\$37,593,000 (31 December 2019: HK\$37,385,000) as at 30 June 2020;
- Contract assets of HK\$127,881,000 (31 December 2019: HK\$59,609,000) as at 30 June 2020; and
- Cross guarantees by the Group's subsidiaries (31 December 2019: same).

As at 30 June 2020 and 31 December 2019, 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 2020 are 4.8% (31 December 2019: 4.8%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amounts HK\$'000
Authorised:		
At 31 December 2019, 1 January 2020 and 30 June 2020	3,000,000,000	30,000
Issued and fully paid:		
At 31 December 2019, 1 January 2020 and 30 June 2020	1,200,000,000	12,000

16 DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2020.

17 CONTINGENT LIABILITIES

Performance bonds

As at 30 June 2020 and 31 December 2019, the Group has issued performance bonds in respect of construction contracts through banks which amounted to approximately HK\$1.5 million and HK\$1.5 million respectively. These performance bonds were secured by bank facilities.

Legal cases

During the period ended 30 June 2020, there were several legal cases concerning claims for personal injuries against certain subsidiaries of the Company. As at the date of this report, two cases had developed to legal proceedings while the other two cases were still at their initial stage. The amount being claim for in these cases was still being determined, and the amount of the possible obligation cannot be ascertained with reliability.

A previous subcontractor of the Group initiated a claim for payment for services rendered in the sum of HK\$6.5 million. The Group actively defended against the claim and the liability of the Group cannot be ascertained with reliability as at the date of this report. The Directors consider the likelihood of the plaintiff succeeding in the claim to be remote based on the current available information and legal advice from lawyer.

18 SUBSEQUENT EVENT

On 6 August 2020, the Company allotted 24,000,000 shares at HK\$0.249 each upon two Directors exercised their share options of 12,000,000 shares each and respectively. The closing price of the Company's shares at the share allotment date was HK\$0.34 per share.