

ANCHORSTONE

Anchorstone Holdings Limited
基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1592

ANCHORSTONE

ANCHOR

2021

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
Ms. Qiao Xiaowei (appointed on 13 April 2021)
Ms. Zhang Li (appointed on 30 June 2021)

Independent Non-Executive Directors

Mr. Ko Tsz Kin
Mr. Choi Hok Ya (resigned on 30 June 2021)
Mr. Ng Yau Wah Daniel
Mr. Lee Chun Wai (appointed on 13 April 2021)
Mr. Zou Haiyan (appointed on 30 June 2021)

BOARD COMMITTEE

Audit Committee

Mr. Ko Tsz Kin (*Chairman*)
Mr. Choi Hok Ya (resigned on 30 June 2021)
Mr. Ng Yau Wah Daniel
Mr. Zou Haiyan (appointed on 30 June 2021)

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, FCG, FCS)

AUTHORISED REPRESENTATIVES

Mr. Lui Yue Yun Gary
Mr. Fung Wai Hang

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKS

Hang Seng Bank Limited
Chong Hing Bank 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.

The Group is a leading and well-established subcontractor in Hong Kong specialising primarily in the supply and installation of marble and granite for construction projects. The Group and its subsidiaries have undertaken various sizeable stone supply projects and stone supply and installation projects in Hong Kong and Macau since its establishment.

The overall business environment has deteriorated due to the outbreak of Coronavirus Disease 2019 (“**COVID-19**”) caused suspension of the operation of our subcontractors in the Mainland China, and affected the supply of labour force to the construction industry since 2020. These had resulted in an overall delay in the work status of the Group’s supply and installation projects on hand. In addition, the prolonged impact of COVID-19 significantly delayed the Group’s cash flows from operation in 2020, resulted in certain bank borrowings were overdue as at 31 December 2020 and 30 June 2021. Although the overall business environment has gradually improved during the year 2021, the Group’s tendering results were still not satisfying.

The Group recorded a revenue of approximately HK\$51.6 million in the six months ended 30 June 2021, representing a decrease of 47.6% compared with the same period last year. However, the Group’s overall gross profit margin has improved from around 13.6% to 19.8%. This is mainly due to fact that the Group has engaged in projects with relatively high margin compared with last period. Nevertheless, the overall amount of gross profit was still dropped by approximately HK\$3.2 million or 23.9% compared with last period.

In this difficult time, the Group recorded a loss attributable to owners of the Company of approximately HK\$2.8 million for the period ended 30 June 2021. However, the loss for the period attributed to owners of the Company has narrowed down from approximately HK\$5.0 million for the period ended 30 June 2020 to approximately HK\$2.8 million for the period ended 30 June 2021. Based on the understanding of the board of director (“**Director**”) (the “**Board**”), it was mainly due to the decrease in finance costs as the Group settled a large portion of bank borrowings during the current period. In addition, there were a decrease in employee benefit expenses (including Directors’ emoluments) from approximately HK\$7.7 million for the period ended 30 June 2020 to approximately HK\$5.8 million for the period ended 30 June 2021, which was mainly due to the cost saving policy adopted by the Group (including but not limited to the reduction of salaries and benefits of the key management during the period). There were also a reduction of legal and professional fee during the period.

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 2021 (30 June 2020: Nil).

BUSINESS REVIEW AND OUTLOOK

Mainly due to the unexpected worsen and prolonged impact of the COVID-19 pandemic, most of the stone supply and installation services and stone sales projects undertaken by the Group were significantly delayed in 2020 and the impacts has been bought forward to the year 2021. The slow down of supply and installation projects had significantly affected the Group’s revenue and cash flows, and as a result there were certain overdue bank borrowings since 2020. Although there were no formal demand letters received from the relevant banks for immediate repayment, it is difficult for the Group to obtain new bank facilities to support the further construction projects. As a result, the Group has to rely on its internal resources, the supports from the Executive Directors and other sources of funds to support its operations. The Group is facing the most difficult and tough time since its establishment.

MANAGEMENT DISCUSSION AND ANALYSIS

Under this tough environment, the Group's revenue from contract with customers were decreased from HK\$98.5 million in the first half of 2020 to HK\$51.6 million in 2021. Although the Group's loss for the period has narrowed down, the Group still recorded a loss of approximately HK\$2.8 million for the current period.

The COVID-19 pandemic remains a significant risk to the Group and its business operations in 2021. Nevertheless, despite the uncertainty in the local economy, there will still be strong demand for the high quality marble and granite products as the property markets in Hong Kong are expected to have a steady and growing momentum in the future. The management would try the best to get the operations back on track as effectively and efficiently by closely working with its consumers, suppliers and subcontractors. The Group continued to commit to be a responsible enterprise at this difficult moment. As one of the leading marble subcontractor in Hong Kong, the Board is still confident about the future prospects of the Group.

Revenue

During the six months ended 30 June 2021, the Group generated revenue from the its supply and installation projects and stone sales projects in Hong Kong and Macau. It recorded decrease in revenue for approximately HK\$51.6 million or 47.6% 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 margin has improved from around 13.6% to 19.8% mainly due to the difference in project mix and the impact of variation orders certified or confirmed.

However, in term of the absolute amount, the gross profit declined from approximately HK\$13.5 million in the first half of 2020 to approximately HK\$10.2 million in the first half of 2021.

Administrative expenses

The administrative expenses of the Group for the current period amounted to approximately HK\$10.4 million, representing a decrease of approximately HK\$3.8 million, or 26.6% compared to approximately HK\$14.2 million for the last period.

The decrease was mainly due to the decrease in staff cost and related expenses by approximately HK\$1.9 million, which was mainly due to the decrease in average salary as compared with last period. The Group's legal and professional expenses were also reduced as compared with last period. There were certain professional charges for a proposed major transaction in relation to an acquisition involving issue of conversion bonds. Such potential acquisition was terminated on 26 March 2020.

Finance costs

Finance costs were mainly arisen from the bank borrowings for the operation purposed. Net finance costs decreased as compared with last period, which was mainly due to the settlement of bank borrowings during the current period.

Income tax expense

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately HK\$2.8 million for the current period, as compared to a loss attributable to owners of the Company of approximately HK\$5.0 million for the last period. The Group's performance was improved as compared with the last period.

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 2021, the capital structure of the Group consisted of equity of approximately HK\$126.9 million (31 December 2020: HK\$124.0 million) and bank borrowings of approximately HK\$78.7 million (31 December 2020: HK\$158.8 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Due to the current difficult operation environment, most of the projects' work were delayed and thus the receivables collection cycle of the Group had unexpectedly procrastinated since year 2020. As a result, the Group failed to repay certain bank borrowings (mainly trust receipt loans) by the due date during the year ended 31 December 2020 and during the period ended 30 June 2021. The trust receipt loans were secured by the assets of the Group, including the trade and retention receivables, pledged deposits and contract assets, and were cross guaranteed by the Group's subsidiaries to the relevant banks. As at the report date, the Group has not received any formal demand letters from the relevant banks for immediate repayment of full balance, and the bank borrowing facilities granted to the Group were still effective. The Directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to the banks, including speed up the project status and receivable collection cycle, repayment of trust receipts loan principal and interest based on the discussion with the relevant banks and actively discussed and agreed the repayment plans with the relevant banks to extend the principal subsequent to the due date. The Group expected that there would be no overdue payments to the banks in late 2021 by settling the overdue balance in accordance with the repayment plans, based on the information available to the Directors and the management as at the report date. In addition, since status of the on-going projects have been caught up gradually since late 2020, the Group is able to speed up the receivable collection period in the current period. The Group remains committed to a high degree of financial control, a prudent risk management and a full utilisation of financial resources.

Cash position and fund available

The Group maintained the liquidity position by managing its gearing ratio and its current ratio. As at 30 June 2021, the Group's cash and cash equivalents were approximately HK\$2.9 million (31 December 2020: HK\$0.2 million). The Group has pledged bank deposits of approximately HK\$23.1 million (31 December 2020: HK\$34.5 million) to secure the Group's banking facilities. As at 30 June 2021, the current ratio of the Group was approximately 2.5 times (31 December 2020: 1.6 times).

Bank borrowings

As at 30 June 2021, the Group had total bank borrowings of approximately HK\$78.7 million (31 December 2020: HK\$158.8 million). As at 30 June 2021, the Group had aggregate banking facilities of approximately HK\$178.9 million, but the utilisation is subject to the status of the repayment of overdue bank borrowings as stated above.

Gearing ratio

As at 30 June 2021, the Group's gearing ratio was approximately 46.5% (31 December 2020: 50.0%), calculated as the net interest-bearing debts divided by the total equity as at the end of the respective periods and multiplied by 100%.

MANAGEMENT DISCUSSION AND ANALYSIS

Net current assets

As at 30 June 2021, the Group had net current assets of approximately HK\$180.7 million (31 December 2020: approximately HK\$124.2 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. Please also refer to the "liquidity and financial resources" section as stated above.

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 2021.

Contingencies

As at 30 June 2021 and 31 December 2020, 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 2021, 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.

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

During the six months ended 30 June 2020 and 2021, 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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had 25 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 2021, 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 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 2021.

	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	(1.3)	1.3	In considering the impact of COVID-19 to the Group's financial performance, the Group extended the implementation time to year 2022
Enhancing services and increasing sales and marketing efforts	4.1	4.4	(4.4)	–	Not applicable
Implementing a computerised ERP system and recruiting additional technology staff to support the ERP system	3.0	2.2	(0.2)	2.0	In considering the impact of COVID-19 to the Group's financial performance, the Group extended the implementation time to year 2022
Repaying outstanding trust receipt loan	8.0	5.8	(5.8)	–	Not applicable
Total	100.0	73.2	(69.9)	3.3	

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.

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

A. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at the date of the report, 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 Directors and/or 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 of controlled corporation and beneficial owner	823,595,000 shares	66.03%
Ms. Lui Po Kwan Joyce	Beneficial owner	12,000,000 shares	0.96%
Ms. Qiao Xiaowei	Beneficial owner	45,980,000 shares	3.69%

Short 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 of controlled corporation and beneficial owner	73,075,000 shares	5.85%

Save as disclosed above, as at the date of this report, none of the other Directors 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 the date of this report, 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	823,035,000 shares	65.99%
Mr. Lui Yue Yun Gary	Beneficial owner	560,000 shares	0.044%

Short 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	72,515,000 shares	5.81%
Mr. Lui Yue Yun Gary	Beneficial owner	560,000 shares	0.044%

Save as disclosed above, as at the date of this report, 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 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 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. Therefore has a strong independent element in its composition.

Compliance with 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 2021.

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 three Independent Non-Executive Directors (Mr. Ko Tsz Kin, Mr. Ng Yau Wah Daniel and Mr. Zou Haiyan) of the Company. The Audit Committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, risk management and internal control system, and financial reporting matters. This unaudited condensed consolidated interim financial information has not been audited by the Company's auditors, but has been reviewed by the Audit Committee of the Company. The Audit Committee was satisfied that the unaudited condensed interim consolidated financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

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 Yue Yun Gary) 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 Yue Yun Gary) 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, 23 August 2021

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue from contract with customers	4	51,633	98,548
Cost of sales	5	(41,400)	(85,100)
Gross profit		10,233	13,448
Other income and other gains, net		176	376
Administrative expenses		(10,441)	(14,226)
Operating loss		(32)	(402)
Finance costs, net	6	(2,797)	(4,417)
Loss before income tax	5	(2,829)	(4,819)
Income tax expense	7	–	(197)
Loss for the period attributable to owners of the Company		(2,829)	(5,016)
Other comprehensive income for the period		–	–
Total comprehensive income for the period attributable to owners of the Company		(2,829)	(5,016)
Losses per share for loss attributable to owners of the Company for the period:			
Basic and diluted losses per share (HK cent)	8	(0.23)	(0.41)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2021

	Note	As at	
		30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment		358	564
Right-of-use assets	9	3,352	2,305
Total non-current assets		3,710	2,869
Current assets			
Inventories	12	72,364	89,922
Trade and retention receivables	10	16,943	15,465
Contract assets		185,002	188,004
Deposits, prepayments and other receivables	11	1,379	1,382
Tax recoverable		–	1,135
Pledged bank deposits		23,075	34,507
Cash and bank balances		2,931	218
Total current assets		301,694	330,633
Total assets		305,404	333,502
EQUITY			
Share capital	15	12,472	12,240
Reserve and retained earnings		114,470	111,753
Total equity		126,942	123,993

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2021

	Note	As at	
		30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Loans from directors		35,851	3,090
Loan from a third party		21,600	–
		57,451	3,090
Current liabilities			
Trade and retention payables	13	29,549	28,532
Accruals and other payables	13	8,987	10,767
Contract liabilities		34	4,532
Lease liabilities	9	3,361	2,275
Bank borrowings	14	78,733	158,819
Income tax payables		347	1,494
Total current liabilities		121,011	206,419
Total liabilities		178,462	209,509
Total equity and liabilities		305,404	333,502

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company Reserves and retained earnings				Total
	Share capital	Reserves	(Accumulated loss)/ retained earnings	Total reserves and (accumulated loss)/ retained earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2021 (unaudited)					
At 1 January 2021	12,240	111,831	(78)	111,753	123,993
Share issued under share option scheme (note 15)	232	5,546	–	5,546	5,778
Loss for the period	–	–	(2,829)	(2,829)	(2,829)
Balance at 30 June 2021 (unaudited)	12,472	117,377	(2,907)	114,470	126,942
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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Cash flows from operating activities		
Net cash generated from/(used in) operations	15,440	(45,984)
Interest received	13	133
Income tax paid	–	(1,950)
Net cash generated from/(used in) operating activities	15,453	(47,801)
Cash flows from investing activities		
Decrease/(increase) in pledged bank deposits	11,432	(208)
Net cash generated from/(used in) investing activities	11,432	(208)
Cash flows from financing activities		
Interest paid	(2,725)	(4,434)
Proceeds from shares issued	2,490	–
Proceeds from bonds	–	16,000
Repayment of bonds	–	(16,000)
Proceeds from loans and borrowings	57,451	162,514
Repayments of loans and borrowings	(80,086)	(111,229)
Lease liabilities payment	(1,302)	(1,302)
Net cash (used in)/generated from financing activities	(24,172)	45,549
Net increase/(decrease) in cash and cash equivalents	2,713	(2,460)
Cash and cash equivalents at beginning of period	218	2,922
Cash and cash equivalents at end of period	2,931	462
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	2,931	462
Bank overdrafts	(12,355)	(11,754)
Cash and cash equivalents at end of period	(9,424)	(11,292)

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 ultimate holding company of the Company is PMG Investments Limited, a company incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Lui Yue Yun Gary ("**Mr. Lui**"), the sole director and shareholder of PMG Investments Limited.

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 2021 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 2020 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 2020 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 2020 annual report.

2.2 Going concern

The outbreak of Coronavirus Disease (the "**COVID-19 outbreak**") in early 2020 has caused a severe slowdown of property development and construction industries in Hong Kong and Macau. It has therefore adversely affected the work progress of the Group's ongoing project orders as well as the future customers' demand of the Group's products and services and thereby affecting the Group's ability to generate adequate cash from its operations to meet its bank borrowings repayment obligations since the COVID-19 outbreak. Such adverse impact on the status of the Group's supply and installation projects has become worse since late 2020. As disclosed in the 2020 annual report, certain bank borrowings with a total principal amount of HK\$91,703,000 were overdue as at the date of the 2020 annual report. In addition, default interests have been charged to the unsettled overdue borrowings by the respective banks.

Due to the overdue bank borrowings, the Group has not been able to draw down new borrowings from its bank facilities since 20 November 2020 and any further draw down is subject to the approval by the relevant banks. As at 31 December 2020 and 30 June 2021, the total bank borrowings would be immediately repayable if requested by the banks in accordance with the underlying bank facilities letters. Although the Group has not received any formal demand letters from the relevant banks for the year ended 31 December 2020, for the period ended 30 June 2021 and as at the report date, all the aforementioned bank borrowings have been classified as current liabilities as at 30 June 2021 (31 December 2020: same). In accordance with the underlying bank facilities letters, performance bonds issued through a bank aforementioned of HK\$5,138,000 might be cancelled by the bank, which might result in non-compliance with the relevant construction contracts if the Group is not able to replace them with other equivalent performance bonds. The aforementioned conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

2.2 Going concern *(Continued)*

In view of such circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position, including:

- (i) Despite the major banks of the Group renewed the banking facility during the current period, the Group continued to negotiate with the relevant banks for extension of the overdue bank borrowings and to waive their rights arising from the events of default. The Directors are confident that agreements with the banks will be reached in due course based on the available information as at the report date. Up to the date of this report, the Group has not received any formal demand letters from the relevant banks. Therefore, the Directors is confident that, these banks will not enforce their rights of requesting for immediate repayment of its outstanding bank borrowings nor cancelation of the performance bonds.
- (ii) As at 30 June 2021, the Group has significantly reduced its total bank borrowings from approximately HK\$158.8 million as at 31 December 2020 to approximately HK\$78.7 million, representing a decrease in 50.4% of the total bank borrowings. Subsequent to the period end, the Group has further settled approximately HK\$18.9 million.
- (iii) The Group has agreed with the relevant banks to settle all overdue balance in the last quarter of this year based on the available information on hand.
- (iv) During the period ended 30 June 2021, the Group obtained certain loans from a third party amounting to HK\$21.6 million. The loans are unsecured and repayable after twelve months from the date of draw down and interest bearing at 1% per annum.
- (v) During the period ended 30 June 2021, the Group obtained certain loans from the Executive Directors Mr. Lui Yue Yun Gary, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang, in total of approximately HK\$32.3 million, HK\$0.9 million and HK\$2.7 million, respectively. These loans are unsecured and repayable after twelve months from the date of draw down and interest bearing at 2% per annum.
- (vi) During the period ended 30 June 2021, the Company allotted 23,200,000 shares at HK\$0.249 each upon exercise of share options by two Directors and a consultant of the Group. Proceed of HK\$2,490,000 has been received from the consultant. After this allotment, all share options granted under the Company's Share Option Scheme were exercised.
- (vii) The Group is actively looking for other sources of financing including other debt or equity financing to enhance the capital structure and reduce the overall financing expenses.
- (viii) The Group is closely monitoring the impact of COVID-19 pandemic on its existing and potential projects. It has implemented measures to accelerate the certification, billing and collection with customers for completed projects. In addition, the Group is in active discussion with a customer to complete the contract in relation to stone sales.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

2.2 Going concern *(Continued)*

- (ix) The Group is also in active negotiations with its customers to request for deposits before commencement of projects and suppliers and sub-contractors to extend the settlement terms for its purchases.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2021. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

2.3 Accounting policies

The accounting policies applied are consistent with those described in the 2020 annual report except for the adoption of new and amended standards effective as of 1 January 2021. 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 2021 throughout the period:

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendments to HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Covid-19-Related Rent Concessions beyond
30 June 2021

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

2.3 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 2021 and have not been early adopted:

Annual improvement project (Amendments)	Annual Improvements to HKFRSs 2018–2020 ⁽¹⁾
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments ⁽¹⁾
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁽¹⁾
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽²⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽²⁾
HKFRS 17 (New Standard)	Insurance Contracts ⁽²⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for the accounting period beginning on 1 January 2022

⁽²⁾ Effective for the accounting period beginning on 1 January 2023

⁽³⁾ Effective date 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 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 2020 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Supply and installation services	49,891	97,266
Stone sales	1,742	1,282
	51,633	98,548
Timing of revenue recognition:		
Over time	49,891	97,266
At a point in time	1,742	1,282
	51,633	98,548

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hong Kong	48,722	446,667
Macau	2,911	51,881
	51,633	98,548

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 2021 and six months ended 30 June 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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Customer A (Note a)	8,126	–
Customer B (Note a)	6,813	–
Customer C (Note a)	7,340	–
Customer D	–	21,064
Customer E (Note b)	1,105	30,817
Customer F	–	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 project in Macau.

5 LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss before income tax has been arrived at after charging:		
Construction cost recognised in cost of sales	39,940	84,665
Depreciation	1,460	1,301
Employee benefit expenses, including Directors' emoluments	5,747	7,692
Auditor's remuneration	750	750
Legal and professional fees	1,292	3,240

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 FINANCE COSTS, NET

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Finance income		
Interests from bank deposits	13	133
Finance costs		
Interests from:		
— Bank overdrafts	295	262
— Trust receipt loans interest	2,317	3,539
— Bank loans	113	73
— Bond interest	–	560
	2,725	4,434
Lease liability interest	85	116
	2,810	4,550
Finance costs, net	2,797	4,417

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 2020 and 2021.

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current tax:		
— Hong Kong profits tax	–	197

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 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 LOSSES PER SHARE

For the six months ended 30 June 2020 and 2021, basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue. Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Losses

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Losses attributable to owners of the Company used in this basic and diluted losses per share calculation	(2,829)	(5,016)

	As at 30 June	
	2021 (unaudited)	2020 (unaudited)
Weighted average number of ordinary shares used in the basic losses per share calculation (<i>in thousand</i>)	1,209,666	1,200,000
Total basic and diluted losses per share (<i>HK cents</i>)	(0.23)	(0.41)

The share options granted by the Company could have potential dilutive effect on the loss per share. During the six months ended 30 June 2020 and 2021, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 LEASES

	As at	
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Right-of-use assets		
Properties	3,352	2,305
Lease liabilities		
Current lease liabilities	3,361	2,275
	3,361	2,275

Amounts recognised in the consolidated interim statement of comprehensive income

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Depreciation charges of right-of-use assets		
Properties	1,153	1,168
Interest expense (included in finance cost)	85	116

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 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Trade receivables	2,579	1,102
Retention receivables	17,240	20,711
	19,819	21,813
Less: provision for impairment	(2,876)	(6,348)
	16,943	15,465

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 2021 and 31 December 2020, the ageing analysis of the third-party trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Up to 30 days	659	800
31–60 days	864	–
61–90 days	474	15
Over 90 days	582	287
	2,579	1,102

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Prepayments	16	–
Insurance compensation receivables	–	489
Refundable deposits for potential acquisition of subsidiaries	–	100
Other receivables	1,363	793
	1,379	1,382

12 INVENTORIES

	As at	
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Finished goods — marble and granite	72,364	89,922

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 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Contract creditors and suppliers	14,714	13,731
Retention payables	14,835	14,801
	29,549	28,532
Accruals and other payables	8,987	10,767

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 BANK BORROWINGS

	As at	
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Bank overdraft	12,355	12,243
Term loans — secured	7,582	36,600
Trust receipt loans — secured	54,796	105,976
Revolving loans — secured	4,000	4,000
	78,733	158,819

Except for the revolving loans, 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. Bank overdrafts are repayable within next 12 months as at 30 June 2021.

As at 30 June 2021 and 31 December 2020, bank facilities granted to the Group are secured by the followings:

- Trade and retention receivables of the Group (31 December 2020: same);
- Pledged deposits of HK\$23,075,000 (31 December 2020: HK\$34,507,000) as at 30 June 2021;
- Contract assets of the Group (31 December 2020: the same); and
- Cross guarantees by the Group's subsidiaries (31 December 2020: same) and certain related parties of the Group.

As at 30 June 2021 and 31 December 2020, 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 2021 are ranged from 2.75% to 5.15% per annum (31 December 2020: from 2.75% to 5.15% per annum).

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 2020, 1 January 2021 and 30 June 2021	3,000,000,000	30,000
Issued and fully paid:		
At 31 December 2020	1,224,000,000	12,240
Share issued under share opinion scheme	23,200,000	232
As 30 June 2021	1,247,200,000	12,472

On 24 February 2021, the Company allotted 23,200,000 shares at HK\$0.249 each upon (i) two Directors (including the chairman) exercised their shares options of 13,200,000 shares in total, and (ii) a consultant of the Group exercised his share options of 10,000,000 shares. All share options had been exercised as at 30 June 2021.

16 DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

17 CONTINGENT LIABILITIES

Performance bonds

As at 30 June 2021 and 31 December 2020, 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 2021, 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 advise from lawyer.