Anchorstone Holdings Limited
基石控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1592)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") of Anchorstone Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018, together with the comparative unaudited figures of the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	**Six months ended 30 June 2018** *HK$'000* **(Unaudited)**	2017 *HK$'000* (Unaudited)
Revenue	*4*	**94,598**	108,143
Cost of sales		**(67,930)**	(77,642)
Gross profit		**26,668**	30,501
Other income and other gains, net		**13**	29
Administrative expenses		**(20,066)**	(12,796)
Operating profit		**6,615**	17,734
Finance costs, net	*5*	**(2,290)**	(2,210)
Profit before income tax	*6*	**4,325**	15,524
Income tax expense	*7*	**(2,030)**	(3,721)
Profit for the period attributable to owners of the Company		**2,295**	11,803
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period attributable to owners of the Company		**2,295**	11,803
Earnings per share for profit attributable to owners of the Company for the period			
Basic and diluted earnings per share (HK cents)	*8*	**0.3**	1.3

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2018

		As at	
		30 June	31 December
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
ASSETS			
Non-current asset			
Property and equipment		**698**	873
Total non-current assets		**698**	873
Current assets			
Trade and retention receivables	*10*	**64,251**	89,470
Deposits, prepayments and other receivables	*11*	**32,541**	20,761
Contract assets		**65,622**	55,712
Tax recoverable		**3,228**	—
Pledged bank deposits		**19,119**	19,080
Cash and bank balances		**6,387**	503
Total current assets		**191,148**	185,526
Total assets		**191,846**	186,399
EQUITY			
Share capital	*14*	**–**	–
Capital reserve		**(14,000)**	(14,000)
Retained earnings		**(25,686)**	(23,391)
Total equity		**(39,686)**	(37,391)

	Note	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
LIABILITIES			
Non-current liability			
Obligations under finance leases — due after one year		**(505)**	(613)
Total non-current liabilities		**(505)**	(613)
Current liabilities			
Trade and retention payables	*12*	**(17,127)**	(32,947)
Accruals and other payables	*12*	**(21,323)**	(9,784)
Contract liabilities		**(3,501)**	(939)
Amount due to a related party		**–**	(391)
Obligations under finance leases — due within one year		**(215)**	(260)
Bank borrowings	*13*	**(109,489)**	(102,886)
Tax payables		**–**	(1,188)
Total current liabilities		**(151,655)**	(148,395)
Total liabilities		**(152,160)**	(149,008)
Total equity and liabilities		**(191,846)**	(186,399)

NOTES:

1 GENERAL INFORMATION AND REORGANISATION

1.1 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 supply and installation of marble products in Hong Kong ("HK") (the "Listing Business"). The addresses of the registered office and the principal place of business of the Company are detailed 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").

On 20 June 2018, the Company issued a prospectus (the "Prospectus") and launched an initial public offering of 300,000,000 ordinary shares in the Company offered at an offer price of HK$0.4 per share (the "Offer Price"). The shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2018 (the "Listing").

1.2 Reorganisation

In preparing for the listing of the shares on the Stock Exchange, the following reorganisation activities were carried out.

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the Listing Business was carried out by Pacific Marble & Granite (H.K.) Limited ("PMG (HK)") and Pacific Marble & Granite Limited ("PMG") (collectively the "Operating Companies"). The Operating Companies were controlled by Mr. Lui (the "Controlling Shareholder"). Certain companies controlled by the Controlling Shareholder conducting business other than the Listing Business were excluded from the Group ("Excluded Group"). The Excluded Group was engaged in (i) sale of marble and granite products in PRC, (ii) production and sales of granulated calcium carbonate powder, and (iii) investment in quarries, production and sales of stone blocks produced from such quarries. The Directors considered that the Listing Business and the business of the Excluded Group are distinctly different and there is neither direct nor indirect competition between the Group and the Excluded Group.

In preparation for listing of the Company's shares on the Stock Exchange, the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

The Company was incorporated on 2 February 2016 in the Cayman Islands and allotted and issued one share to PMG Investments Limited ("PMG Investments"), a company wholly-owned by the Controlling Shareholder. On the same day, Pegasus Stone Limited ("Pegasus") allotted and issued one fully paid share to the Company, thereby making Pegasus the Company's wholly-owned subsidiary.

On 17 January 2016, PMG (HK) entered into an equity interest transfer agreement and as supplemented (the "Equity Interest Transfer Agreement") with Pacific Marble & Granite Holdings Limited ("PMG Holdings"), a company wholly-owned by the Controlling Shareholder, pursuant to which PMG (HK) transferred the entire equity interest in Shanghai Hongjun Culture Communication Company Limited ("Shanghai Hongjun") to PMG Holdings for the consideration of US$3,300,000 (equivalent to HK$25,740,000). The consideration for the transfer was determined with reference to the registered capital of Shanghai Hongjun as at 30 June 2015. The transfer of the equity interest was completed on 29 April 2016. As Shanghai Hongjun is part of the Excluded Group, for the purpose of the report, Shanghai Hongjun does not form part of the Group throughout the Track Record Period as defined in the Prospectus. The corresponding consideration was accounted for as a deemed contribution from the Controlling Shareholder and reflected in the movement of capital reserve.

Subsequent to the Equity Interest Transfer Agreement, PMG (HK) became a wholly-owned subsidiary of Pegasus on 7 June 2018 through a share swap arrangement whereby Hoko Development Limited and Prime Scope Holdings Limited, companies wholly-owned by the Controlling Shareholder, transferred their entire shareholding interest in PMG (HK) to Pegasus for the consideration of (i) crediting as fully paid at par the one nil paid share in issue and registered in the name of PMG Investments, and (ii) the allotment and issuance of 1 share by the Company to PMG Investments as directed by Hoko Development Limited and Prime Scope Holdings Limited.

PMG became a wholly-owned subsidiary of Pegasus on 7 June 2018 through a share swap arrangement whereby PMG Holdings transferred its entire shareholding interest in PMG to Pegasus as directed by the Company in consideration of the allotment and issuance of 1 share by the Company to PMG Investments, as directed by PMG Holdings.

Upon the completion of the Reorganisation, the Company has direct interests in Pegasus and indirect interests in PMG and PMG (HK).

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 2018 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 Accountant's Report set out in Appendix I to the Prospectus, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

2.2 Accounting policies

The accounting policies applied are consistent with those described in the Accountant's Report set out in Appendix I to the Prospectus except for the adoption of new standards and interpretations effective as of 1 January 2018. 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 judgment in the process of applying the Group's accounting policies.

Taxes on income in the interim periods are accured 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 2018 throughout the period:

Amendments to HKAS 28	Investments in associates and Joint Ventures
Amendments to HKFRS 1	First time adoption of HKFRS
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarification to HKFRS 15
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKAS 40	Transfers of Investment Property

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed consolidated financial information, except HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". As a result of adopting the standards, the Group had to change its accounting policies. The impact of the adoption and the new accounting policies are disclosed in Note 3 below.

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK(IFRIC) 23	Uncertainty over Income Tax	1 January 2019
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

HKFRS 16 "Leases"

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.22 of the accountant's report of the Prospectus with the Group's future operating lease commitments, which are not reflected in the balance sheet. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheet. Instead, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the balance sheet. As for the financial performance impact in the statement of comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at 30 June 2018 are HK$1,005,000 (less than one year is HK$1,005,000, more than one year and less than five years is HK$Nil).

Other than the increase in assets and financial liabilities in the balance sheet and the financial performance impact in the statement of comprehensive income as mentioned above, the Directors expect that the adoption of HKFRS 16 will not have significant impact on the financial position and financial performance of the Group. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) HKFRS 9 "Financial Instruments" — Impact on adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3(b) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. The impact of the adoption of HKFRS 9 is shown as follows:

(i) Classification and measurement of financial assets and liabilities

At the date of initial application of HKFRS 9 (1 January 2018), the Company's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets and liabilities into the appropriate HKFRS 9 categories.

The application of HKFRS 9 does not have material impact on the classification, recognition and measurement of the other financial assets held by the Group at 30 June 2018.

The application of HKFRS 9 does not affect the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

(ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost and contract assets under HKFRS 15. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit losses represent the portion of lifetime expected credit losses that are expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. At 30 June 2018, the Group assessed the impact of loss allowance is immaterial.

(b) HKFRS 9 "Financial instruments" — Accounting policies applied from 1 January 2018

(i) Classification

Debts instruments

HKFRS 9 has three financial asset classification categories for investments in debt instruments:

- those to be measured at amortised cost;

- those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and

- those to be measured subsequently at fair value through profit or loss ("FVPL").

Classification depends on the entity's business model for managing the debt instruments and the debt instruments' contractual cash flow characteristics.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and

- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets as at FVOCI only if both of the following criteria are met:

- the objective of the Group's business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and

- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

Equity instruments

Investment in equity instruments are always measured at fair value. Equity instruments that are held for trading are measured at FVPL.

For equity instruments which are not held for trading, the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments classified as FVOCI

The Group subsequently measures all equity instruments at fair value. Since the Group's management has elected to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Equity investments that are elected by the Group's management to be classified as FVOCI are not subject to impairment. Dividends from such instruments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instrument assets carried at amortised cost and contract assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 January 2018, the Group has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for doubtful debts account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount until the financial asset is derecognised. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses.

(c) HKFRS 15 "Revenue from Contracts with Customers" — Impact of adoption

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the modified retrospective approach in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15, which replaces both the provisions of HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

The new accounting policies are set out in Note 3(d) below. The impact of the adoption of HKFRS 15 is shown as follows:

Presentation of contract assets and liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- contract assets recognised in relation to construction contracts were previously presented as amounts due from customers for contract work; and

- contract liabilities recognised in relation to construction contracts were previously presented as amounts due to customers for contract work.

The following adjustments were made to the amounts recognised in the balance sheet on 1 January 2018:

Condensed consolidated balance sheet (extract)	**At 31 December 2017 As previously stated** *HK$'000*	**Effects of the adoption of HKFRS 15** *HK$'000*	**At 1 January 2018 Restated** *HK$'000*
Current assets			
Amounts due from customers for contract work	55,712	(55,712)	–
Contract assets	–	55,712	55,712
Current liabilities			
Amounts due to customers for contract work	939	(939)	–
Contract liabilities	–	939	939

The adoption of HKFRS 15 has no material impact to the condensed consolidated statement of comprehensive income and has no impact to the net cash flow from operating, investing and financing activities on the condensed consolidated statement of cash flows.

(d) HKFRS 15 "Revenue from Contracts with Customers" — Accounting policies applied from 1 January 2018

Accounting for revenue from construction contracts — supply and installation services

In prior reporting periods, the Group accounted for revenue from construction contracts when the outcome of construction contracts can be estimated reliably by reference to the stage of completion of the contract activities at the end of the reporting periods.

Under HKFRS 15, revenue from construction contracts is recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time.

For supply and installation services works directly on the customers' land, being eligible for recognition of revenue over time with creation and enhancement for the asset that customers controlled as the Group performs its performance obligation. The Group recognise revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to provide service is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued and delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The excess of cumulative billings to provide service over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liabilities are recognised as revenue when the Group satisfies its performance obligations.

Accounting for revenue from Stone sales

Revenue from stone sales is recognised when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

4 REVENUE AND SEGMENT INFORMATION

Revenue

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Supply and installation services	**79,165**	107,602
Stone sales	**15,433**	541
	94,598	108,143
Timing of revenue recognition:		
At a point in time	**15,433**	541
Over time	**79,165**	107,602
	94,598	108,143

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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong	**68,183**	108,143
Macau	**13,966**	–
The USA	**12,449**	–
	94,598	108,143

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 2018 (the "Current Period") and six months ended 30 June 2017 (the "Last Period"), no revenue was generated from the Cayman Islands and no assets were located in the Cayman Islands.

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

5 FINANCE COSTS, NET

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interests from:		
— Bank deposits	**39**	14
— Recharged from the Controlling Shareholder on bank borrowing arrangement	**–**	96
	39	110
Finance costs		
Interests from:		
— Bank overdraft	**426**	463
— Trust receipt loans interest	**1,502**	1,189
— Bank loans	**387**	648
— Finance lease interest	**14**	20
	2,329	2,320
Finance costs, net	**(2,290)**	(2,210)

6 PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before income tax has been arrived at after charging:		
Construction cost recognised in cost of sales	**64,027**	77,247
Depreciation	**161**	205
Employee benefit expenses, including Directors' emoluments	**8,387**	5,419
Listing related expenses	**8,974**	6,529

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 2018 and 2017.

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong profits tax	**2,030**	3,318
Under provision in prior years	**–**	403
Income tax expense	**2,030**	3,721

8 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data on the assumption that the additional 899,999,997 shares issued pursant to the capitalisation issue in respect of the Listing were treated as if they had been in issue since 1 January 2017:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**2,295**	11,803

	As at	
	30 June	30 June
	2018	2017
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation *('000)*	**900,000**	900,000
Basic and diluted earnings per share *(HK cents)*	**0.3**	1.3

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

9 DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2018.

No dividend has been paid or declared by the Company since its incorporation on 2 February 2016 and except for the below, no dividend has been paid or declared by the companies now comprising the Group to the then equity holders of these companies in the six months ended 30 June 2017 and 2018. On 22 December 2017, the directors of PMG declared to its then shareholders a dividend of HK$43,000,000 and such dividend was distributed by way of setting-off against amount due from a related party.

10 TRADE AND RETENTION RECEIVABLES

	As at	
	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**37,373**	59,122
Retention receivables	**26,878**	31,028
	64,251	90,150
Less: provision for impairment	**–**	(680)
	64,251	89,470

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 2018 and 31 December 2017, the ageing analysis of the third-party trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Less than 30 days	**14,654**	34,088
31–60 days	**419**	9,954
61–90 days	**26**	6,529
Over 90 days	**22,274**	8,551
	37,373	59,122

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 operating cycle.

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade deposits	**3,866**	4,988
Rental deposits	**708**	708
Prepayments	**27,723**	14,586
Insurance compensation receivables	**225**	471
Other receivables	**19**	8
	32,541	20,761

12 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 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contract creditors and suppliers		
— Third parties	**9,824**	23,217
Retention payables		
— Third parties	**7,303**	9,730
Trade and retention payables	**17,127**	32,947
Accurals and other payables	**21,323**	9,784
	38,450	42,731

As at 30 June 2018 and 31 December 2017, the ageing analysis of the trade payables, based on invoice date, is as follows:

	As at	
	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1–30 days	**80**	5,188
31–60 days	**–**	2,291
61–90 days	**1,440**	4,051
Over 90 days	**8,304**	11,687
	9,824	23,217

13 BANK BORROWINGS

	As at 30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Bank overdrafts	**17,230**	7,919
Term loans — secured	**4,960**	3,591
Trust receipt loans — secured	**74,799**	74,876
Revolving loans — secured	**12,500**	16,500
	109,489	102,886

Bank overdrafts are repayable within the next 12 months as at 30 June 2018 and 31 December 2017. 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 as follows:

	As at 30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Bank borrowings:		
Within 1 year	**92,259**	94,967

14 SHARE CAPITAL

	Issued and fully paid *Number of shares*	*Amount HK$'000*
Ordinary share of HK$0.01 each:		
Authorised:		
At 1 January 2017 and 31 December 2017 (audited)	38,000,000	380
Increase on 14 June 2018	2,962,000,000	29,620
At 30 June 2018 (unaudited)	3,000,000,000	30,000
Issued and fully paid:		
At 1 January 2017 and 31 December 2017 (audited)	1	–
Issue of new Shares on Reorganisation *(Note 1)*	2	–
At 30 June 2018 (unaudited)	3	–

(a) Pursuant to the written resolution of the sole shareholder of the Company passed on 11 June 2018 and 14 June 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$30,000,000 by the creation of an additional of 2,962,000,000 shares of HK$0.01 each, each ranking pari passu with the shares then in issue in all respects.

(b) By the sole shareholder's written resolution dated 11 June 2018 and 14 June 2018 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 899,999,997 shares (the "Capitalisation Shares"), credited as fully paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK$9,000,000 standing to the credit of the Company's share premium account. On 4 July 2018, the Company issued the Capitalisation Shares, credited as fully, paid, to the Controlling Shareholders of the Company, by way of capitalisation of HK$9,000,000 standing to the credit of the Company' share premium account.

15 SUBSEQUENT EVENTS

Save as disclosed in the report, the following significant events took place subsequent to 30 June 2018:

On 4 July 2018, the Company issued 899,999,997 shares pursuant to the Capitalisation Issue and a total of 300,000,000 shares by way of Hong Kong public offering and placing at a price of HK$0.4 each, and successfully listed its shares on the Main Board of the Stock Exchange. The net proceeds after deducting underwriting fees and related expenses was approximately HK$73,200,000.

RESULT

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 supply and installation of marble and granite for construction projects.

The Group recorded a revenue of approximately HK$94.6 million in the six months ended 30 June 2018 ("Current Period"), representing a decrease of 12.5% compared with the same period last year ("Last Period"). The Group's overall gross profit margin remained relatively stable at around 28% in Current Period.

Profit for the Current Period decreased by approximately 9.5 million or 80.6% from HK$11.8 million to HK$2.3 million. The decline was mainly due to (i) decrease in revenue recorded from nine supply and installation projects which were completed or had achieved a significant progress in financial year ended 31 December 2017; (ii) the increase in staff cost for strengthening our project management team and finance team for approximately HK$3.0 million; and (iii) the increase in non-recurring listing expenses incurred as compared with the corresponding period in 2017 for approximately HK$2.4 million.

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 2018 (2017: HK$Nil).

BUSINESS REVIEW AND PROSPECTS

The Group is a leading and well-established subcontractor in Hong Kong specialising primarily in supply and installation of marble and granite for construction projects. Our foundation projects involve the supply and installation services and stone sales. We believe that we have the following competitive strengths that differentiate ourselves from our competitors: (a) we have established reputation and proven track records; (b) we have substantial expertise and knowhow in the marble and granite business; and (c) we have an experienced project management team.

Although the interim results do not show a sanguine outlook, the Board is confident about the opportunities for the growth in the construction market in Hong Kong.

The Group has been awarded certain new stone sales and installation projects in the second half of this year. These new awarded projects are expected to commence in the second half of the year. In addition, the new projects in the USA and Macau, which the Group had been awarded during the Current Period, are expected to contribute a significant portion of revenue in the second half of the year.

Subsequent to the financial period ended 30 June 2018, the shares of the Company have been listed on the Main Board of the Stock Exchange by way of share offer of 300,000,000 new shares (the "Share Offer") on 4 July 2018 (the "Listing"). Since the Listing, there has been no significant change in the business operations of the Group. The proceeds from the Share Offer have strengthened the Group's cash flow position and enabled the Group to implement its future plans and business strategies as set out in the section headed "Future Plans and Proposed Use of Proceeds" in the prospectus of the Company dated 20 June 2018 in relation to the Share Offer (the "Prospectus").

Revenue

During the six months ended 30 June 2018, the Group generated revenue from the foundation projects undertaken by us. The Group recorded a decrease of revenue for approximately HK$13.5 million or 12.5% compared with Last Period. The decrease was mainly due to the decrease of revenue in the supply and installation services by approximately HK$28.4 million, since more than half of the number of projects were completed or had achieved a significant progress in financial year ended 31 December 2017 and the deferred commencement of several new projects during the period. However, as compared to the Last Period, the revenue generated from stone supply had been significantly increased by approximately HK$14.9 million, mainly due to the commencement of a new stone sales project.

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 remained relatively stable at around 28%.

Administrative expenses

The administrative expenses of the Group for the Current Period amounted to approximately HK$20.1 million, representing an increase of approximately HK$7.3 million, or 56.8% compared to approximately HK$12.8 million for the Last Period. Such increase was mainly due to the increase in listing related expenses by approximately HK$2.4 million and the increase in staff cost by approximately HK$3.0 million for the strengthening of our project management team and finance team during the Current Period. The increase in listing related expenses and staff cost were in line with Directors' expectation as disclosed in the Prospectus.

Income tax expense

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

The Group's income tax expense decreased by approximately HK$1.7 million, from approximately HK$3.7 million for the Last Period to approximately HK$2.0 million for the Current Period due to the decrease in profit before income tax. The effective tax rate for the Current Period was approximately 46.9% and if excluding the one-off listing expenses of approximately HK$9.0 million, the effective tax rate would have been approximately 15.3%. For the Last Period, excluding the abovementioned one-off and non-deductible listing expenses of approximately HK$6.5 million from the profit before income tax, the effective tax rate would have been approximately 16.9%.

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

Profit attributable to owners of the Company

Based on the above factors, profit attributable to owners of the Company was approximately HK$2.3 million for the Current Period, comparing to a profit attributable to owners of the Company of approximately HK$11.8 million for the Last Period. Excluding the one-off listing expenses of approximately HK$9.0 million and HK$6.5 million being charged to the condensed consolidated statement of comprehensive income during the Current Period and Last Period, respectively, profit attributable to owners of the Company would have been approximately HK$11.3 million and HK$18.3 million for the Current Period and Last Period, respectively, and the decrease in the Current Period would have been approximately 38.5%. Such decrease was due to the increase in staff cost for the expansion of operation and the decline in revenue as stated in the paragraph headed "Revenue" above.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded the liquidity and capital requirements primarily through retained profits, borrowings and cash inflows from operating activities. As at 30 June 2018, the capital structure of the Group consisted of equity of approximately HK$39.7 million (31 December 2017: HK$37.4 million), bank borrowings of approximately HK$109.5 million (31 December 2017: HK$102.9 million) and finance lease liabilities of approximately HK$0.7 million (31 December 2017: HK$0.9 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Cash position and fund available

During the Current Period, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and borrowings. As at 30 June 2018, our cash and cash equivalents were approximately HK$6.4 million (31 December 2017: HK$0.5 million). The Group pledged bank deposits of approximately HK$19.1 million (31 December 2017: HK$19.1 million) to secure the Group's banking facilities. As at 30 June 2018, the current ratio of the Group was approximately 1.3 times (31 December 2017: 1.3 times).

Bank borrowings

As at 30 June 2018, the Group had total bank borrowings of approximately HK$109.5 million (31 December 2017: HK$102.9 million). As at 30 June 2018, the Group had aggregate banking facilities of approximately HK$141.2 million, of which approximately HK$31.7 million was unutilised.

Gearing ratio

As at 30 June 2018, the Group's gearing ratio was approximately 277.7% (31 December 2017: 278.5%), calculated as the net debts divided by the total equity as at the end of the respective periods and multiplied by 100%.

PLEDGE OF ASSETS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had 36 full-time employees who were directly employed by the Group. Total staff costs including Directors' emoluments for the six months ended 30 June 2018, amounted to approximately HK$8.4 million (six months ended 30 June 2017: approximately HK$5.4 million). The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee. During the six months ended 30 June 2018, 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.

Capital commitments

The Group had no material capital commitments as at 30 June 2018.

Contingencies

As at 30 June 2018, certain subsidiaries jointly provided corporate guarantee to the bank to secure banking facilities granted to a related company of approximately HK$41.1 million. Such corporate guarantee had been released as at the report date.

As at 30 June 2018, the Group has issued performance bonds of approximately HK$2.8 million in respect of construction contracts through the bank.

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 the three Independent Non-Executive Directors (Mr. Ko Tsz Kin, Mr Choi Hok Ya and Mr. Ng Yan Wah Daniel) 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) and two Independent Non-Executive Directors (Mr. Ng Yau Wah Daniel and Mr. Ko Tsz Kin) of the Company.

NOMINATION COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

DIRECTOR'S INTERESTS IN CONTRACTS

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

CORPORATE GOVERNANCE

Corporate governance

As the shares of the Company were not yet listed on the Main Board of the Stock Exchange as at 30 June 2018, the code provisions of the Corporate Governance Code (the "CG Code") as set out in the Listing Rules were not applicable to the Company during the Current Period. Immediately following the listing of the Company's shares on the Main Board of the Stock Exchange on the Listing date, the Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practice, and CG Code has been applicable to the Company.

The Company has complied with the CG Code from the Listing date up to the date of this announcement except for the deviations as mentioned below.

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Lui Yue Yun Gary currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board believes that the balance of power and authority is adequately ensured by the Board comprising experienced and high caliber individuals with a sufficient number thereof being Non-Executive Directors.

None of the existing Non-Executive Directors is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors (including independent Non-Executive Directors) are subject to retirement by rotation in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance measures are no less than those provided under the Code.

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 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Latest Listed Company Information" and on the website of the Company at www.anchorstone.com.hk. The interim report for the six months ended 30 June 2018 will be dispatched to the shareholders and published on the above websites in due course.

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

Hong Kong, 29 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. Lui Yue Yun Gary, Mr. Siu Chi Fung Stephen and Ms. Lui Po Kwan Joyce, the non-executive director is Mr. Leung Lai Sang Ellis, and the independent non-executive directors are Mr. Ko Tsz Kin, Mr. Choi Hok Ya and Mr. Ng Yau Wah Daniel.