ANCHORSTONE

ANCHORSTONE HOLDINGS LIMITED
基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1592)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Anchorstone Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the previous year as follows:

* *For identification purposes only*

ANCHORSTONE HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue from contracts with customers	*3*	**299,045**	224,793
Cost of sales	*5*	**(229,280)**	(161,826)
Gross profit		**69,765**	62,967
Other income and other gains, net	*4*	**35**	87
Administrative expenses	*5*	**(38,276)**	(25,830)
Operating profit		**31,524**	37,224
Finance income		**521**	215
Finance costs		**(4,828)**	(4,736)
Finance costs, net	*6*	**(4,307)**	(4,521)
Profit before income tax		**27,217**	32,703
Income tax expense	*7*	**(6,677)**	(7,429)
Profit and total comprehensive income for the year		**20,540**	25,274
Profit and total comprehensive income attributable to equity holders of the Company		**20,540**	25,274
		2018	2017
		HK cents	*HK cents*
Basic and diluted earnings per share	*8*	**1.96**	2.81

ANCHORSTONE HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Assets			
Non-current asset			
Property and equipment		**1,499**	873
Total non-current asset		**1,499**	873
Current assets			
Trade and retention receivables	*10*	**54,815**	89,470
Deposits, prepayments and other receivables	*11*	**1,483**	20,761
Inventories	*12*	**984**	–
Contract assets	*3*	**202,125**	–
Amounts due from customers for contract works	*3*	**–**	55,712
Income tax recoverable		**4,450**	–
Pledged bank deposits	*13*	**34,196**	19,080
Cash and cash equivalents	*13*	**9,778**	503
Total current assets		**307,831**	185,526
Total assets		**309,330**	186,399

	Note	**2018**	2017
		HK$'000	*HK$'000*
Equity			
Share capital	*16*	**(12,000)**	–
Reserves		**(147,195)**	(37,391)
Total equity		**(159,195)**	(37,391)
Liabilities			
Non-current liability			
Obligations under finance leases			
— Due after one year		**–**	(613)
Total non-current liability		**–**	(613)
Current liabilities			
Trade and retention payables	*14*	**(16,230)**	(32,947)
Accruals and other payables		**(4,971)**	(9,784)
Contract liabilities		**(4,798)**	–
Amounts due to customers for contract works		**–**	(939)
Amount due to a related party		**–**	(391)
Obligations under finance leases			
— Due within one year		**–**	(260)
Bank borrowings	*15*	**(124,136)**	(102,886)
Income tax payables		**–**	(1,188)
Total current liabilities		**(150,135)**	(148,395)
Total liabilities		**(150,135)**	(149,008)
Total equity and liabilities		**(309,330)**	(186,399)

NOTES:

1 BASIS OF PRESENTATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and disclosure requirements of the Hong Kong Companies Ordinance (Cap 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting policies

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the Group's financial year beginning 1 January 2018 and have been adopted by the Group:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. Other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on or after 1 January 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
HKAS 1 and 8 (Amendments)	Definition of Material	1 January 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 3 (Amendments)	Definition of Business	1 January 2020
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined

None of these HKFRS is expected to have a significant effect on the consolidated financial statements of the Group, except for the following:

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$7,595,000.

For the lease commitments, the Group expects to recognise right-of-use assets of approximately HK$6,917,000 on 1 January 2019 and lease liabilities of HK$6,917,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Overall net current assets will be approximately HK$2,265,000 lower due to the presentation of a portion of the liability as a current liability.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 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 on 1 January 2018.

(a) Impact on the consolidated financial statements

HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. The reclassifications arising from the new impairment rules are therefore not reflected in the restated consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

Consolidated balance sheet (extract)	31 December 2017 As originally presented *HK$'000*	HKFRS 15 *HK$'000*	1 January 2018 Restated *HK$'000*
Assets			
Current assets			
Contract assets	–	55,712	55,712
Amounts due from customers for contract works	55,712	(55,712)	–
Total current assets	185,526	–	185,526
Total assets	186,399	–	186,399
Liabilities			
Current liabilities			
Accruals and other payables	(9,784)	34	(9,750)
Contract liabilities	–	(973)	(973)
Amounts due to customers for contract works	(939)	939	–
Total current liabilities	(148,395)	–	(148,395)
Total liabilities	(149,008)	–	(149,008)
Total equity and liabilities	(186,399)	–	(186,399)

(b) HKFRS 9 Financial Instruments

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 consolidated financial statements.

In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and concluded that it has no material impact to the classification and measurement of the Group's financial instruments.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade and retention receivables for stone sales and supply and installation service; and
- contract assets relating to supply and installation service.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash in bank, pledged bank deposits and deposits and other receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was not material.

Trade and retention receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and retention receivables and contract assets. The loss allowance provision on 1 January 2018 and 31 December 2018 was not material.

(c) HKFRS 15 Revenue from Contracts with Customers

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 consolidated financial statements. In accordance with the modified retrospective approach in HKFRS 15, comparative figures have not been restated.

In summary, the following adjustments were made to the amounts recognised in the consolidated balance sheet at the date of initial application (1 January 2018):

	Note	**HKAS 18 carrying amount 31 December 2017** *HK$'000*	**Reclassification** *HK$'000*	**HKFRS 15 carrying amount 1 January 2018** *HK$'000*
Contract assets	*(i), (ii)*	–	55,712	55,712
Amounts due from customers for contract works	*(i), (ii)*	55,712	(55,712)	–
Contract liabilities	*(i), (ii)*	–	973	973
Amounts due to customers for contract works	*(i), (ii)*	939	(939)	–
Accruals and other payables	*(i), (ii)*	9,784	(34)	9,750

(i) Accounting for revenue from supply and installation services

In prior reporting periods, when the outcome of a contract could be estimated reliably and it was probable that the contract would be profitable, the Group accounted for revenue from supply and installation services by reference to the stage of completion of the contract activities at the end of the reporting periods.

Under HKFRS 15, revenue is recognised when services are rendered to the customer. Since the service creates and enhances an asset that the customer controls as the Group performs, the Group satisfies the performance obligation over time and therefore, recognises revenue over time based on the Group's efforts or inputs to the satisfaction of the performance obligation.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

(ii) Presentation of assets and liabilities related to contracts with customers

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

- Contract assets recognised in supply and installation service were previously presented as amounts due from customers for contract works (HK$55,712,000 as at 31 December 2017).

- Contract liabilities in relation to supply and installation service were previously presented as amounts due to customers for contract work (HK$939,000 as at 31 December 2017).

- Contract liabilities in relation to deposit received from customers for stone sales were previously included in accruals and other payables (HK$34,000 as at 31 December 2017).

(d) ***Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018***

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

Line items in the consolidated balance sheet as at 31 December 2018 impacted by the adoption of HKFRS 15:	**Amounts reported in accordance with HKFRS 15 (A)** *HK$'000*	**Hypothetical amounts under HKASs 18 and 11 (B)** *HK$'000*	**Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)–(B)** *HK$'000*
Assets			
Current assets			
Contract assets	202,125	–	202,125
Amounts due from customers for contract works	–	202,125	(202,125)
Total current assets	202,125	202,125	–
Total assets	202,125	202,125	–
Liabilities			
Current liabilities			
Accruals and other payables	–	(295)	295
Contract liabilities	(4,798)	–	(4,798)
Amounts due to customers for contract works	–	(4,503)	4,503
Total current liabilities	(4,798)	(4,798)	–
Total liabilities	(4,798)	(4,798)	–

The significant differences arise as a result of the changes in accounting policies described above.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

	2018 ***HK$'000***	2017 *HK$'000*
Supply and installation service	**265,791**	219,861
Stone sales	**33,254**	4,932
	299,045	224,793
Timing of revenue recognition:		
Over time	**265,791**	219,861
At a point of time	**33,254**	4,932
	299,045	224,793

The executive directors of the Company (the "**Executive Directors**") are the Group's chief operating decision-makers. The Executive Directors consider the segment from a business perspective and regard the Group's business as a single operating segment and review financial information accordingly. The Executive Directors assess the performance of the operating segment based on revenue generated. The Group does not report a measure of profit or total assets for the operating segment as the Executive Directors do not use this information to allocate resources to or evaluate the performance of the operating segment.

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**196,078**	224,793
Macau	**74,413**	–
The USA	**28,554**	–
	299,045	224,793

Revenue attributed from customers that accounted 10% or more of the Group's total revenue is presented as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A *(Note i)*	**N/A**	62,366
Customer B *(Note i)*	**N/A**	53,591
Customer C *(Note i)*	**N/A**	45,808
Customer D *(Note i)*	**99,993**	N/A
Customer E *(Note ii)*	**74,413**	N/A
Customer F *(Note i)*	**43,632**	N/A

Notes:

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

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

N/A: The revenue of the particular customer for the particular year was less than 10% of the Group's revenue for the particular year.

	2018	2017
	HK$'000	HK$'000
Contract costs incurred plus recognised profits less recognised losses	**320,017**	622,344
Less: progress billings	**(122,690)**	(567,571)
Balance at end of year	**197,327**	54,773
Analysed for reporting purposes as:		
Amounts due from customers for contract works	**–**	55,712
Amounts due to customers for contract works	**–**	(939)
Contract assets *(Note i)*	**202,125**	–
Contract liabilities *(Note ii)*	**(4,798)**	–
	197,327	54,773

Notes:

(i) The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

(ii) The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the supply and installation services.

Amounts due from/(to) customers for contract works and deposits received included in accruals and other payables have been reclassified to contract assets and contract liabilities since 1 January 2018 to reflect the terminology of HKFRS 15.

4 OTHER INCOME AND OTHER GAINS, NET

	2018	2017
	HK$'000	*HK$'000*
Exchange gains, net	**35**	58
Sundry income	**–**	29
	35	87

5 EXPENSES BY NATURE

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories	**22,189**	3,161
Construction cost recognised in cost of sales	**207,091**	158,665
Auditor's remuneration — audit services	**1,500**	150
Depreciation	**368**	413
Operating lease payments	**2,863**	2,646
Oversea travelling expenses	**463**	–
Employee benefit expenses (including directors' emoluments)	**14,417**	10,588
Motor vehicle expenses	**723**	843
Listing related expenses	**13,545**	8,974
Legal and professional fees	**555**	172
Consultancy fee	**2,000**	–
Impairment of trade and retention receivables	**–**	680
Others	**1,842**	1,364
Total cost of sales and administrative expenses	**267,556**	187,656

6 FINANCE INCOME AND COSTS

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Interests from:		
— Bank deposits	**521**	44
— Recharged from the Controlling Shareholder on bank borrowing arrangement	**–**	171
	521	215
Finance costs		
Interests from:		
— Bank overdrafts	**503**	930
— Trust receipt loans interest	**3,671**	2,562
— Bank loans	**628**	1,206
— Finance lease interest	**26**	38
	4,828	4,736
Finance costs, net	**4,307**	4,521

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% for the years ended 31 December 2017 and 2018 on the estimated assessable profits for the years.

The amount of income tax expense charged to the consolidated statements of comprehensive income represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax	**6,677**	7,026
Under-provision in prior years	**–**	403
Income tax expense	**6,677**	7,429

8 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data on the assumption that the additional 899,999,997 shares issued pursuant to the capitalisation issue and 300,000,000 shares by way of Hong Kong public offering in respect of the Listing were treated as if they had been in issue since 1 January 2017:

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company, used in the basic and diluted earnings per share calculation	**20,540**	25,274
Basic and diluted earnings per share (HK cents)	**1.96**	2.81

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the years ended 31 December 2017 and 2018.

9 DIVIDEND

The Board recommends the payment of HK1 cent per share (2017: Nil), amounting to HK$12,000,000 (2017: Nil) for the year ended 31 December 2018 to the shareholders subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 16 May 2019.

10 TRADE AND RETENTION RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables — third parties	**26,456**	59,122
Retention receivables — third parties	**29,039**	31,028
	55,495	90,150
Less: provision for impairment	**(680)**	(680)
	54,815	89,470

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

	2018	2017
	HK$'000	*HK$'000*
Up to 30 days	**1,425**	34,088
31–60 days	**–**	9,954
61–90 days	**45**	6,529
Over 90 days	**24,986**	8,551
	26,456	59,122

Movements in the provision for impairment of trade and retention receivables that are assessed for impairment are as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**680**	–
Provision for impairment	**–**	680
At 31 December	**680**	680

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade deposits	**–**	4,988
Prepayments	**232**	14,586
Insurance compensation receivables	**481**	471
Other receivables	**770**	716
	1,483	20,761

12 INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Goods in transit — marble and granite	**984**	–

13 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018	2017
	HK$'000	*HK$'000*
Pledged bank deposits	**34,196**	19,080
Cash in bank	**9,773**	498
Cash on hand	**5**	5
	9,778	503

14 TRADE AND RETENTION PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables — third parties	**5,889**	23,217
Retention payables — third parties	**10,341**	9,730
	16,230	32,947

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

	2018	2017
	HK$'000	*HK$'000*
1–30 days	**603**	5,188
31–60 days	**1,051**	2,291
61–90 days	**119**	4,051
Over 90 days	**4,116**	11,687
	5,889	23,217

15 BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank overdrafts	**–**	7,919
Term loans — secured	**–**	3,591
Trust receipt loans — secured	**121,036**	74,876
Revolving loans — secured	**3,100**	16,500
	124,136	102,886

16 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	38,000,000	380
Increase on 14 June 2018	2,962,000,000	29,620
At 31 December 2018	3,000,000,000	30,000
Issued and fully paid:		
At 1 January 2017 and 31 December 2017	1	–
Shares issued pursuant to the reorganisation	2	–
Shares issued pursuant to the capitalisation	899,999,997	9,000
Shares issued pursuant to the listing	300,000,000	3,000
At 31 December 2018	1,200,000,000	12,000

RESULT

The Group recorded a revenue of approximately HK$299.1 million for the year ended 31 December 2018, representing an increase of 33% compared with that in the year ended 31 December 2017. The Group's overall gross profit margin has declined from around 28.0% in 2017 to around 23.3% in 2018, mainly due to change in project mix as a result of an addition of new project with lower gross profit margin. Nevertheless, there was an increase of gross profit from approximately HK$63.0 million in 2017 to HK$69.8 million in 2018.

Profit for the year ended 2018 decreased by approximately HK$4.7 million or 18.7% from approximately HK$25.3 million to approximately HK$20.5 million. The decline was mainly due to (i) the increase in non-recurring listing related expenses incurred as compared with 2017 by approximately HK$4.6 million; (ii) the increase in employee benefit expenses (including directors' emoluments) for strengthening our project management team and finance team by approximately HK$3.8 million; and (iii) the net increase in other administrative expenses by approximately HK$3.9 million. The decline was partially offset by the increase in gross profit for approximately HK$6.8 million and the decrease in income tax expense for approximately HK$0.8 million.

On 4 July 2018 (the "**Listing Date**"), the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange")** by way of share offer of 300,000,000 new shares (the "**Share Offer**") (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.

INDUSTRY REVIEW

In 2018, the Group maintained its business focus on the supply and installation of marble product contracts in Hong Kong. The Group also developed its business in stone sales projects.

The performance of the construction sector is largely undermined by the stagnancy of the local property market and the real estate sector in Hong Kong. When the real estate sector thrives in Hong Kong again, the Board is confident about the opportunities for the growth in the construction market in Hong Kong.

On the other hand, the trend in building grand and luxurious housing estates in Hong Kong has a growing demand for high quality building materials, for example, marble. As one of the leading marble subcontractor in Hong Kong, the Board is confident about the future prospects of the Group.

However, the rising competition from our competitors, the general inflation in the building materials and local labour costs, and the tightened control on the use of foreign workers have caused the profit margin to fall, hence resulting in a decline of the gross profit margin for the Group.

GROUP PERFORMANCE

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. Having accumulated over 23 years of experience in the industry, the Group has undertaken a number of sizeable stone supply projects and stone supply and installation projects in Hong Kong, which related to (i) hotel renovation and development (including five-star well-known international hotels); (ii) commercial plazas and office towers; and (iii) residential properties.

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 in the marble and granite business; and (c) we have an experienced project management team.

After the Listing, we made use of the proceeds to expand our business and strengthen our project management team.

Although the Group's performance in the first half of 2018 did not demonstrate a sanguine outlook, the Group's performance has been significantly improved in the second half of 2018. This was mainly due to: (i) the Group completed most of the on-hand projects during the year; (ii) the Group was awarded with certain new stone sales and installation projects in Hong Kong and Macau in the second half of 2018; and (iii) the Group made a successful entry to the stone sales market in the USA.

Revenue

The Group generated revenue from the foundation projects we undertook. The Group recorded a revenue of approximately HK$299.1 million for the year ended 31 December 2018, representing an increase of approximately 33% compared with 2017.

Both revenue from supply and installation service and stone sales have been increased during 2018. However, the percentage to total sales of stone sales has been increased from 2.2% in 2017 to 11.1% in 2018. The increase was mainly due to the commencement of a new stone sales project in the USA.

Hong Kong

The Group provided supply and installation services and stone sales to customers in Hong Kong. Revenue in Hong Kong decreased by approximately HK$28.7 million in 2018, due to the decrease of on-going projects as compared to 2017. It is driven by nine supply and installation projects which were completed or had achieved significant progress in 2017 and the deferred commencement of several new projects in 2018.

Macau — supply and installation of marble product projects

In Macau, the Group focus primarily on hotel development projects. During the year ended 31 December 2018, we were awarded with two supply and installation of marble product projects in Macau and achieved a significant work progress. These two Macau projects contributed approximately 24.9% of the total revenue for the year ended 31 December 2018.

The USA — a stone sales project

During the year ended 31 December 2018, we were awarded a stone sales project with a total contract sum of approximately US$9.0 million. This project contributed approximately 9.5% of the total revenue for the year ended 31 December 2018.

Administrative expenses

The administrative expenses of the Group in 2018 amounted to approximately HK$38.3 million, representing an increase of approximately HK$12.5 million, or 48.2% as compared to approximately HK$25.8 million in 2017. Such increase was mainly due to the increase in non-recurring listing related expenses by approximately HK$4.6 million; increase in staff cost by approximately HK$3.8 million, and the net increase in other administrative expenses for approximately HK$4.1 million. Other administrative expenses mainly represent the auditor's remuneration and the legal and professional fees, which assisted the Group to enhance its corporate governance and compliance aspects after the Listing.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company was approximately HK$20.5 million for the year ended 31 December 2018, as compared to approximately HK$25.3 million for the year ended 31 December 2017.

Excluding the non-recurring listing related expenses of approximately HK$13.6 million and HK$9.0 million, being charged to the consolidated statement of comprehensive income during 2018 and 2017 respectively, profit attributable to equity holders of the Company would have been approximately HK$34.1 million and HK$34.3 million for the years ended 31 December 2018 and 2017, respectively.

FINAL DIVIDEND

The Board will recommend at the forthcoming annual general meeting (the "**Annual General Meeting**") to be held on Thursday, 16 May 2019 the payment of a final dividend of HK1 cent (2017: Nil) per share payable in cash to shareholders whose names appear on the register of members of the Company as set out in the paragraph headed "Closure of Registers of Members". This proposed distribution is not reflected as a dividend payable as of 31 December 2018, but will be recorded as a distribution out of surplus for the year ended 31 December 2018.

Such proposed dividend will be payable on 10 June 2019 to the Shareholders whose names appear on the register of members of the Company on 22 May 2019.

CLOSURE OF REGISTERS OF MEMBERS

A. Entitlement to Attend and Vote at the Annual General Meeting

The register of members of the Company will be closed from Monday, 13 May 2019 to Thursday, 16 May 2019, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for entitlement to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre 183 Queen's Road East Hong Kong, not later than 4:00 p.m. on Friday, 10 May 2019.

B. Entitlement to the Proposed Dividend

The register of members of the Company will be closed from Thursday, 23 May 2019 to Friday, 24 May 2019 both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for entitlement in the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre 183 Queen's Road East Hong Kong, not later than 4:00 p.m. on Wednesday, 22 May 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through its retained profits, borrowings and cash inflows from operating activities. As at 31 December 2018, the capital structure of the Group consisted of equity of approximately HK$159.2 million (31 December 2017: HK$37.4 million) and debt of approximately HK$124.1 million (mainly being bank borrowings and obligations under finance lease) (31 December 2017: HK$103.7 million). For details, please refer to the paragraph headed "Bank borrowings" below.

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

During the year ended 31 December 2018, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows and borrowings. As at 31 December 2018, our cash and cash equivalents were approximately HK$9.8 million (31 December 2017: HK$0.5 million). The Group pledged bank deposits of approximately HK$34.2 million (31 December 2017: HK$19.1 million) to secure the Group's banking facilities. As at 31 December 2018, the current ratio of the Group was approximately 2.1 times (31 December 2017: 1.3 times). These figures imply the Group's cash position and liquidity have been improved as compared to 2017.

Bank borrowings

As at 31 December 2018, the Group had total bank borrowings of approximately HK$124.1 million (31 December 2017: HK$102.9 million). As at 31 December 2018, the Group had aggregate banking facilities of approximately HK$164.6 million, of which approximately HK$40.5 million was unutilised.

Gearing ratio

As at 31 December 2018, the Group's gearing ratio was approximately 78.0% (31 December 2017: 278.5%), calculated as the net debts divided by the total equity as at the end of the respective years and multiplied by 100%.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and most of the operating transactions including the Macau projects, such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. Besides, no significant exchange risk is expected from converting the US$ into HK$. 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.

CONTINGENT LIABILITIES

As at 31 December 2017, corporate guarantee provided by certain subsidiaries to secure banking facilities of a related company amounted to approximately HK$45.0 million. All corporate guarantee provided by certain subsidiaries to secure banking facilities of a related company had been released during the year ended 31 December 2018.

As at 31 December 2017 and 2018, the Group has issued performance bonds in respect of construction contracts through the bank amounted to approximately HK$2.8 million and HK$3.0 million respectively.

HUMAN RESOURCES

As at 31 December 2018, the Group had 32 full-time employees who were directly employed by the Group. Total staff costs including Directors' emoluments for the year ended 31 December 2018, amounted to approximately HK$14.4 million (2017: approximately HK$10.6 million). The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee. During the year ended 31 December 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed its own shares through the Stock Exchange or otherwise.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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. Except for the disclosure below, since the Listing Date up to 31 December 2018, the Company had complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Chairman and Chief Executive Officer

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. Mr. Lui Yue Yun, Gary ("**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 ("**Independent Non-Executive Directors**"). Therefore has a strong independent element in its composition.

Retirement and appointment of Directors by the Board

Subsequent to the year ended 31 December 2018, Mr. Siu Chi Fung Stephen and Mr. Leung Lai Sang Ellis retired as Executive Director and Non-Executive Director, respectively, with effect from 11 January 2019. On the same date, Mr. Fung Wai Hang and Mr. Lui Edwin Wing Yiu had been appointed Executive Directors with effect from 11 January 2019.

All Directors will hold office until the next following annual general meeting of the Company, or if earlier, the next following extraordinary general meeting of the Company and will then be eligible for re-election at such meeting. All Directors are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

Full details on the Company's corporate governance practices will be set out in the Company's 2018 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors confirmed that they have complied with the required standards set out in the Model Code since the Listing Date and up to 31 December 2018.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2018. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

REMUNERATION COMMITTEE

The Remuneration Committee, with its terms of reference established in compliance with the Listing Rules, was set up with the responsibility of making recommendations 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).

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). 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 change.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement. The Audit Committee has reviewed the annual results for the year ended 31 December 2018.

ANNUAL REPORT

The 2018 Annual Report will be despatched to Shareholders and will be published on the websites of the Stock Exchange (www.hkex.com.hk) as well as the website of the Company (www.anchorstone.com.hk) in due course.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 16 May 2019. Notice of Annual General Meeting will be published on the websites of the Stock Exchange and the Company, and despatched to Shareholders in due course.

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

Hong Kong, 28 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Lui Yue Yun Gary, Ms. Lui Po Kwan Joyce, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang, and the independent non-executive directors are Mr. Ko Tsz Kin, Mr. Choi Hok Ya and Mr. Ng Yau Wah Daniel.