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 2019

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 2019, together with the comparative unaudited figures of the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2019

		As at	
		30 June 2019	31 December 2018
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property and equipment		**948**	1,499
Right-of-use assets		**5,764**	–
Total non-current assets		**6,712**	1,499
Current assets			
Trade and retention receivables	*10*	**22,530**	54,815
Deposits, prepayments and other receivables	*11*	**1,393**	1,483
Inventories		**–**	984
Contract assets		**270,171**	202,125
Tax recoverable		**–**	4,450
Pledged bank deposits		**37,279**	34,196
Cash and bank balances		**8,591**	9,778
Total current assets		**339,964**	307,831
Total assets		**346,676**	309,330
EQUITY			
Share capital	*14*	**12,000**	12,000
Reserve and retained earnings		**157,538**	147,195
Dividend paid for 2018		**(12,000)**	–
Total equity		**157,538**	159,195

	Note	As at 30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**3,519**	–
Current liabilities			
Trade and retention payables	*12*	**15,557**	16,230
Accruals and other payables	*12*	**4,622**	4,971
Contract liabilities		**16,607**	4,798
Lease liabilities		**2,265**	–
Bank borrowings	*13*	**146,568**	124,136
Total current liabilities		**185,619**	150,135
Total liabilities		**189,138**	150,135
Total equity and liabilities		**346,676**	309,330

Notes:

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the stone sales and supply and installation of marble products in Hong Kong ("**HK**") and Macau.

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

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

2.1 Basis of presentation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The interim financial statements should be read in conjunction with the 2018 annual report, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

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

2.2 Accounting policies

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

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

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

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

(a) Adjustments recognised on adoption of HKFRS 16

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

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

Impact on profit, comprehensive income and earnings per share

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

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

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

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

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

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

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

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

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

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

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

4 REVENUE FROM CONTRACT WITH CUSTOMERS AND SEGMENT INFORMATION

Revenue from contract with customers

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

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

Segment information

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 regards the Group's business as a single operating segment and reviews financial information accordingly.

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

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

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

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

5 FINANCE COSTS, NET

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

6 PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before income tax has been arrived at after charging:		
Construction cost recognised in cost of sales	**197,531**	64,027
Depreciation	**237**	161
Employee benefit expenses, including Directors' emoluments	**8,978**	8,387
Auditor's remuneration	**750**	70
Legal and professional fees	**2,266**	4
Listing related expenses	**–**	8,974

7 INCOME TAX EXPENSE

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

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

8 EARNINGS PER SHARE

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

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

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

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

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

9 DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2019.

10 TRADE AND RETENTION RECEIVABLES

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

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

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

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

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

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

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

13 BANK BORROWINGS

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

14 SHARE CAPITAL

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

15 SUBSEQUENT EVENTS

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

RESULT

The Group is a leading and well-established subcontractor in Hong Kong specialising primarily in the stone sales and supply and installation of marble products in Hong Kong and Macau.

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

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

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

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

INTERIM DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

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

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

Nevertheless, 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 subcontractors in Hong Kong, the Board is confident about the future prospects of the Group. Besides, the Group is actively involved in the large supply and installment construction projects in Hong Kong, develops the Macau market in particular the renovation work of luxury hotels and continues to develop the stone sales market to the markets outside Hong Kong and Macau. The Group also plans to develop various building materials supply and engineering and renovation businesses in the future, and expects to commence such businesses in the second half of the year or in the year of 2020.

Revenue

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

Gross profit and gross profit margin

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

Administrative expenses

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

Income tax expense

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

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

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

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

Profit attributable to owners of the Company

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Cash position and fund available

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

Bank borrowings

As at 30 June 2019, the Group had total bank borrowings of approximately HK$146.6 million (31 December 2018: HK$124.1 million). As at 30 June 2019, the Group had aggregate banking facilities of approximately HK$182.1 million, of which approximately HK$146.6 million was unutilised.

Gearing ratio

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

PLEDGE OF ASSETS

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

EMPLOYEES AND REMUNERATION POLICY

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

Capital commitments

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

Contingencies

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

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

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 Yau 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 2019.

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

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

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

Compliance with Model Code

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

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 2019 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board
Anchorstone Holdings Limited
Lui Yue Yun Gary
Chairman

Hong Kong, 20 August 2019

As at the date of this announcement, the Executive Directors 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.