

# ANCHORSTONE

**Anchorstone Holdings Limited**  
**基石控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 1592**

**2018**  
INTERIM  
REPORT

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# CORPORATE INFORMATION

## REGISTERED OFFICE

Cricket Square Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2302, 23/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

## COMPANY WEBSITE

[www.anchorstone.com.hk](http://www.anchorstone.com.hk)

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lui Yue Yun Gary  
Mr. Siu Chi Fung Stephen  
Ms. Lui Po Kwan Joyce

### Non-Executive Director

Mr. Leung Lai Sang Ellis

### Independent Non-Executive Directors

Mr. Ko Tsz Kin  
Mr. Choi Hok Ya  
Mr. Ng Yau Wah Daniel

## BOARD COMMITTEE

### Audit Committee

Mr. Ko Tsz Kin (*Chairman*)  
Mr. Choi Hok Ya  
Mr. Ng Yau Wah Daniel

### Remuneration Committee

Mr. Ng Yau Wah Daniel (*Chairman*)  
Mr. Ko Tsz Kin  
Mr. Lui Yue Yun Gary

## Nomination Committee

Mr. Lui Yue Yun Gary (*Chairman*)  
Mr. Ko Tsz Kin  
Mr. Ng Yau Wah Daniel

## COMPANY SECRETARY

Mr. Fung Wai Hang

## AUTHORISED REPRESENTATIVES

Mr. Lui Yue Yun Gary  
Mr. Siu Chi Fung Stephen

## COMPLIANCE ADVISOR

WAG Worldsec Corporate Finance Limited

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKS

Hang Seng Bank  
Chong Hing Bank Limited

## PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

## INVESTOR RELATIONSHIP

For enquiries, please contact:  
Mr. Fung Wai Hang  
Company Secretary  
Email: [ricofung@anchorstone.com.hk](mailto:ricofung@anchorstone.com.hk)  
Telephone: 2511 6668

## STOCK CODE

1592

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

Anchorstone Holdings Limited (the “Company”), together with its subsidiaries (the “Group”), is a leading and well-established subcontractor in Hong Kong specialising primarily in the 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 the Current Period.

Profit for the Current Period decreased by approximately HK\$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 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.

In order to retain resources for the Group’s future development, the directors of the Company (the “Directors”) have resolved not to pay any interim dividend for the six months ended 30 June 2018 (2017: HK\$Nil).

## BUSINESS AND FINANCIAL REVIEW

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. Our foundation projects involve the supply and installation services and stone sales.

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 of Hong Kong Limited (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 the 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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### GROSS PROFIT AND GROSS PROFIT MARGIN

Cost of sales mainly included 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.

### FINANCE COSTS

There was no significant change in the Group's net finance costs.

### 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 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, compared 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.

### LIQUIDLY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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 not utilised.

### 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%.

### NET CURRENT ASSETS

As at 30 June 2018, the Group had net current assets of approximately HK\$39.5 million (31 December 2017: HK\$37.1 million). The increase in net current assets position was mainly attributable to the net profit generated from the Group’s operations during the Current Period. The Group’s policy is to regularly monitor its liquidity requirements and its compliance with covenants in relation to banking facility agreements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from the banks to meet its liquidity requirements. The board of Directors (the “Board”) is not aware of any liquidity issue that may cast significant doubt on the Group’s ability to continue as a going concern.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## 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 set out in Note 15 to the unaudited condensed consolidated interim financial information, the Group has no other pledged assets.

## INTERIM DIVIDEND

No interim dividend has been declared for the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$Nil).

## 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.

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

During the Reporting Period, there was no significant acquisition and disposal of subsidiaries and associated companies.

## FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contract to hedge its exposure to foreign exchange risk during the six months ended 30 June 2018.

## USE OF PROCEEDS FROM SHARE OFFER

On 4 July 2018, the Company issued 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 of the Share Offer received by the Company in relation to the Listing were approximately HK\$73.2 million, after deduction of underwriting fees and commissions and all related expenses. As at the report date, the Directors consider that these proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Proposed Use of Proceeds" in the Prospectus. The table below sets out the proposed applications of the net proceeds:

	<b>Planned use of proceeds</b> HK\$'million
Financing the start-up costs for awarded or potential projects submitted	58.2
Strengthening project management team	2.6
Enhancing services and increasing sales and marketing efforts	4.4
Implementing a computerised ERP system and recruiting additional technology staff to support the ERP system	2.2
Repaying outstanding trust receipt loan	5.8

The unutilised amount of the net proceeds have been deposited with licensed banks in Hong Kong upon Listing. Given that the Share Offer was completed after 30 June 2018, the above application of net proceeds will commence after the Listing on 4 July 2018.

## EVENTS AFTER THE REPORTING PERIOD

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\$73.2 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OUTLOOK AND PROSPECTS

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.

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.

The Group has been awarded 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.

### AWARDS

On 29 June 2018, the Group won the prize of “Capital Outstanding China Enterprise Awards — Capital Outstanding China Luxury Stone Products Supplier” (資本傑出中國企業成就獎 — 資本傑出中國高級石材供應商).

# DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executive interests in shares, underlying shares and debentures of the Company or its associated corporation

Since the shares of the Company were listed on the Stock Exchange on 4 July 2018, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") as at 30 June 2018. As at the date of this report, the interests or short positions of the Directors and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange under the Model Code are as follows:

#### Long position in Shares and Underlying Shares of the Company

Name of the Director	Capacity/nature of interest	Total number of shares held	Approximate percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary ("Mr. Lui")	Interest in controlled corporation	900,000,000	75%

Note: The 900,000,000 shares are beneficially held by PMG Investments Limited, which is legally, beneficially and wholly-owned by Mr. Lui. By virtue of the SFO, Mr. Lui was deemed to be interested in the 900,000,000 shares.

Save as disclosed above, as at the date of this report, none of the Directors nor Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company or Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which he was taken or deemed to have under provision of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

#### Share option scheme

Our Company has conditionally adopted the Share Option Scheme. Our Directors consider the purpose of the Share Option Scheme is to reward the participants defined under the Share Option Scheme for their past contribution to the success of the Group and to provide incentive to them to further contribute to our Group. The principal terms of the Share Option Scheme are summarized under the section headed "Share Option Scheme" in Appendix IV to the Prospectus.

No share option was granted during the six months ended 30 June 2018 and up to the date of this report.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS (CONTINUED)

### **Share option scheme** *(Continued)*

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or members of management of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **Directors' 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 Directors or members of management of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

# SUBSTANTIAL SHAREHOLDER'S INTERESTS

## DISCLOSURE OF INTERESTS

### Substantial shareholder's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporation

As at 30 June 2018, the shares of the Company were not listed on the Stock Exchange. The respective Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the Group as at 30 June 2018.

As at the date of this report, so far as known by the Directors, the following persons (not being a Director or Chief Executive of the Company) had interest or short position in shares or underlying shares and debentures of Company and its associated corporation which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long position in Shares and Underlying Shares of the Company

Name of substantial shareholders	Capacity/nature of interest	Total number of shares held	Approximate percentage of interest in our Company's issued capital
PMG Investments Limited	Beneficial owner	900,000,000	75%

Save as disclosed above, as at the date of this report, no other person had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

#### Purchase, sales and 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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 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 CG 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 CG 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 to 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.

## AUDIT COMMITTEE

The Audit Committee, with its terms of reference established in compliance with the Listing Rules, comprises three Independent Non-Executive Directors, namely Mr. Ko Tsz Kin (Chairman), Mr. Choi Hok Ya and Mr. Ng Yau Wah Daniel. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2018. 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.

On behalf of the Board

**Anchorstone Holdings Limited**

**Lui Yue Yun Gary**

*Chairman*

Hong Kong, 29 August 2018

# 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	6	<b>94,598</b>	108,143
Cost of sales		<b>(67,930)</b>	(77,642)
Gross profit		<b>26,668</b>	30,501
Other income and other gains, net		<b>13</b>	29
Administrative expenses		<b>(20,066)</b>	(12,796)
Operating profit		<b>6,615</b>	17,734
Finance costs, net	8	<b>(2,290)</b>	(2,210)
Profit before income tax	7	<b>4,325</b>	15,524
Income tax expense	9	<b>(2,030)</b>	(3,721)
Profit for the period attributable to owners of the Company		<b>2,295</b>	11,803
Other comprehensive income for the period		–	–
Total comprehensive income for the period attributable to owners of the Company		<b>2,295</b>	11,803
Earnings per share for profit attributable to owners of the Company for the period			
Basic and diluted earnings per share (HK cents)	10	<b>0.3</b>	1.3

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2018

	Note	As at	
		30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current asset</b>			
Property and equipment		698	873
<b>Total non-current assets</b>		<b>698</b>	873
<b>Current assets</b>			
Trade and retention receivables	12	64,251	89,470
Deposits, prepayments and other receivables	13	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
<b>Total current assets</b>		<b>191,148</b>	185,526
<b>Total assets</b>		<b>191,846</b>	186,399
<b>EQUITY</b>			
Share capital	16	–	–
Capital reserve		(14,000)	(14,000)
Retained earnings		(25,686)	(23,391)
<b>Total equity</b>		<b>(39,686)</b>	(37,391)
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Obligations under finance leases — due after one year		(505)	(613)
<b>Total non-current liabilities</b>		<b>(505)</b>	(613)

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2018

	Note	As at	
		30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade and retention payables	14	(17,127)	(32,947)
Accruals and other payables	14	(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	15	(109,489)	(102,886)
Tax payables		–	(1,188)
<b>Total current liabilities</b>		<b>(151,655)</b>	(148,395)
<b>Total liabilities</b>		<b>(152,160)</b>	(149,008)
<b>Total equity and liabilities</b>		<b>(191,846)</b>	(186,399)

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company			
	Share capital	Capital reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the six months ended 30 June 2018 (unaudited)</b>				
At 1 January 2018	–	14,000	23,391	37,391
Profit for the period	–	–	2,295	2,295
<b>Balance at 30 June 2018 (unaudited)</b>	–	14,000	25,686	39,686
<b>For the six months ended 30 June 2017 (unaudited)</b>				
At 1 January 2017	–	14,000	41,117	55,117
Profit for the period	–	–	11,803	11,803
<b>Balance at 30 June 2017 (unaudited)</b>	–	14,000	52,920	66,920

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Net cash generated from/(used in) operations	<b>10,318</b>	(9,306)
Interest received	<b>39</b>	110
Income tax paid	<b>(6,446)</b>	(8,416)
<b>Net cash generated from/(used in) operating activities</b>	<b>3,911</b>	(17,612)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	–	(68)
Increase in pledged bank deposits	<b>(39)</b>	(23)
Cash advanced to a related party	–	(24,358)
Repayment (to)/from a related party	<b>(391)</b>	24,160
<b>Net cash used in investing activities</b>	<b>(430)</b>	(289)
<b>Cash flows from financing activities</b>		
Interest paid	<b>(2,329)</b>	(2,320)
Proceeds from borrowings	<b>73,842</b>	88,574
Repayments of borrowings	<b>(76,550)</b>	(58,731)
Payment of listing expenses to be capitalised into equity	<b>(1,718)</b>	(684)
Repayments obligations under finance leases	<b>(153)</b>	(147)
<b>Net cash (used in)/generated from financing activities</b>	<b>(6,908)</b>	26,692
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,427)</b>	8,791
Cash and cash equivalents at beginning of year	<b>(7,416)</b>	(18,346)
<b>Cash and cash equivalents at end of year</b>	<b>(10,843)</b>	(9,555)
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>6,387</b>	9,908
Bank overdrafts	<b>(17,230)</b>	(19,463)
	<b>(10,843)</b>	(9,555)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 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 set out in detail in the Corporate Information of this report.

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

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 on 4 July 2018 (the "Listing").

This unaudited condensed consolidated interim financial information is presented in HK thousand Dollars, unless otherwise stated. It has not been audited by the Company's auditors, but has been reviewed by the Audit Committee of the Company.

## 2 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 2 REORGANISATION *(Continued)*

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).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 3 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

### 3.1 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.

### 3.2 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 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 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 4 below.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 3 BASIS OF PRESENTATION AND ACCOUNTING POLICIES *(Continued)*

### 3.2 Accounting policies *(Continued)*

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 4 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 4(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 than 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (b) HKFRS 9 “Financial Instruments” — Accounting policies applied from 1 January 2018

*(Continued)*

#### (i) Classification *(Continued)*

##### **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 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (b) HKFRS 9 “Financial Instruments” — Accounting policies applied from 1 January 2018

*(Continued)*

#### (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 4(d) below. The impact of the adoption of HKFRS 15 is shown as follows:

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (c) HKFRS 15 “Revenue from Contracts with Customers” — Impact of adoption *(Continued)*

#### 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	Effects of the adoption of HKFRS 15	At
	2017 As previously stated		1 January 2018 Restated
	HK\$'000	HK\$'000	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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (d) HKFRS 15 “Revenue from Contracts with Customers” — Accounting policies applied from 1 January 2018 *(Continued)*

#### **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.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group’s activities expose it to a variety of financial risk: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Accountant’s Report set out in Appendix I to the Prospectus. There have been no changes in the risk management or any risk management policies since the year end.

### 5.2 Fair value estimation

The carrying amount of the Group’s financial assets and liabilities, including trade and retention receivables, deposits and other receivables, pledged bank deposits, cash and bank balances, trade and retention payables, other payables, contract liabilities, amount due to a related party, obligations under finance leases and bank borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 6 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 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Supply and installation services	<b>79,165</b>	107,602
Stone sales	<b>15,433</b>	541
	<b>94,598</b>	108,143
Timing of revenue recognition:		
At a point in time	<b>15,433</b>	541
Over time	<b>79,165</b>	107,602
	<b>94,598</b>	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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 6 REVENUE AND SEGMENT INFORMATION (Continued)

### Segment information (Continued)

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

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Hong Kong	<b>68,183</b>	108,143
Macau	<b>13,966</b>	–
The USA	<b>12,449</b>	–
	<b>94,598</b>	108,143

### Information about major customers

Revenue attributed from customers that accounted 10% or more of the Group's total revenue during the Current Period and Last Period is as follows:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Customer A (Note a)	<b>9,667</b>	37,760
Customer B (Note a)	<b>27,050</b>	11,637
Customer C (Note a)	<b>N/A</b>	16,216
Customer D (Note a)	<b>15,852</b>	N/A
Customer E (Note b)	<b>13,966</b>	N/A
Customer F (Note c)	<b>12,449</b>	N/A

Notes:

- The revenue was generated from the supply and installation of marble product contract in Hong Kong.
- The revenue was generated from the supply and installation of marble product contract in Macau.
- The revenue was generated from stone sales to an overseas customer.
- The corresponding customers did not contribute over 10% of the total revenue of the Group from continuing operations for the specific period.

The Company was incorporated in the Cayman Islands while the Group operates its business primarily in Hong Kong. During the Current Period and 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 7 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	<b>64,027</b>	77,247
Depreciation	<b>161</b>	205
Employee benefit expenses, including Directors' emoluments	<b>8,387</b>	5,419
Listing related expenses	<b>8,974</b>	6,529

## 8 FINANCE COSTS, NET

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Finance income</b>		
Interests from:		
— Bank deposits	<b>39</b>	14
— Recharged from the Controlling Shareholder on bank borrowing arrangement (Note 17(b))	<b>—</b>	96
	<b>39</b>	110
<b>Finance costs</b>		
Interests from:		
— Bank overdraft	<b>426</b>	463
— Trust receipt loans interest	<b>1,502</b>	1,189
— Bank loans	<b>387</b>	648
— Finance lease interest	<b>14</b>	20
	<b>2,329</b>	2,320
Finance costs, net	<b>(2,290)</b>	(2,210)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 9 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)
<b>Current tax:</b>		
Hong Kong profits tax	2,030	3,318
Under provision in prior years	–	403
<b>Income tax expense</b>	<b>2,030</b>	<b>3,721</b>

## 10 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 pursuant 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)
<b>Earnings</b>		
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)
<b>Number of shares</b>		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation ('000)	900,000	900,000
<b>Basic and diluted earnings per share (HK cents)</b>	<b>0.3</b>	<b>1.3</b>

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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

### 11 DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2018 (six months ended 2017: HK\$43,000,000).

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.

### 12 TRADE AND RETENTION RECEIVABLES

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 12 TRADE AND RETENTION RECEIVABLES (Continued)

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 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (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
	<b>37,373</b>	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.

## 13 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (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
	<b>32,541</b>	20,761

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

### 14 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 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Contract creditors and suppliers		
— Third parties	<b>9,824</b>	23,217
Retention payables		
— Third parties	<b>7,303</b>	9,730
Trade and retention payables	<b>17,127</b>	32,947
Accruals and other payables	<b>21,323</b>	9,784
	<b>38,450</b>	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 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
1–30 days	<b>80</b>	5,188
31–60 days	–	2,291
61–90 days	<b>1,440</b>	4,051
Over 90 days	<b>8,304</b>	11,687
	<b>9,824</b>	23,217

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 15 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 (i)	4,960	3,591
Trust receipt loans — secured (ii)	74,799	74,876
Revolving loans — secured (iii)	12,500	16,500
	<b>109,489</b>	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)
<b>Bank borrowings:</b>		
Within 1 year	92,259	94,967

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

### 15 BANK BORROWINGS (Continued)

As at 30 June 2018 and 31 December 2017, HK\$92,259,000 and HK\$94,967,000 respectively of bank borrowings facilities granted to the Group are secured by the following:

- (a) A legal charge on certain leasehold properties of the Controlling Shareholder and a related company (Note 17);
- (b) Joint and several personal guarantees executed by the Directors;
- (c) Corporate guarantees given by related companies (Note 17);
- (d) Trade and retention receivables amounting to HK\$37,114,000 and HK\$31,870,000 as at 30 June 2018 and 31 December 2017 respectively;
- (e) Unlimited guarantee from the Controlling Shareholder (Note 17);
- (f) Pledged deposits amounting to (i) HK\$11,119,000 and HK\$11,080,000 as at 30 June 2018 and 31 December 2017 respectively; and (ii) HK\$8,000,000 and HK\$8,000,000 as at 30 June 2018 and 31 December 2017 respectively; and
- (g) Contract assets amounting to HK\$24,236,000 and HK\$26,986,000 as at 30 June 2018 and 31 December 2017 respectively.

Notes:

- (i) As at 30 June 2018 and 31 December 2017, the term loans are secured by (b) and (e).
- (ii) As at June 30 2018, HK\$54,953,000 (31 December 2017: HK\$54,884,000) out of HK\$74,799,000 (31 December 2017: HK\$74,876,000) was secured by (a), (b), (c), (d), (e), (f)(i) and (g). The remaining HK\$19,846,000 (31 December 2017: HK\$19,992,000) was secured by (b), (e) and (f)(ii).
- (iii) As at June 30 2018 and 31 December 2017, HK\$12,500,000 (31 December 2017: HK\$12,500,000) out of HK\$12,500,000 (31 December 2017: HK\$16,500,000) was secured by (a), (b), (c), (d), (e), (f)(i) and (g). The remaining HK\$Nil (31 December 2017: HK\$4,000,000) was secured by (b), (e) and (f)(i).

As at 30 June 2018 and 31 December 2017, HK\$960,000 and HK\$3,591,000 respectively of bank borrowings facilities granted to the Group was secured by unlimited guarantee from the Controlling Shareholder.

The weighted average interest rates were 4.17% and 3.83% per annum as at 30 June 2018 and 31 December 2017, respectively.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 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 (audited)	38,000,000	380
Increase on 14 June 2018	2,962,000,000	29,620
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At 30 June 2018 (unaudited)	3,000,000,000	30,000
<hr/>		
Issued and fully paid:		
At 1 January 2017 and 31 December 2017 (audited)	1	–
Issue of new Shares on Reorganisation (Note 2)	2	–
<hr/>		
At 30 June 2018 (unaudited)	3	–
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- (a) Pursuant to the written resolutions of the sole shareholder of the Company passed on 11 June 2018 and 14 June 2018 respectively, 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 resolutions dated 11 June 2018 and 14 June 2018 respectively 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 would 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.

## 17 RELATED PARTIES BALANCES AND TRANSACTIONS

The Directors are of the view that the following individual/companies were related parties that had transactions or balances with the Group during the six months ended 30 June 2018 and 31 December 2017:

Name of the related party	Relationship with the Group
Lui Yue Yun Gary	The Controlling Shareholder
Pacific Marble & Granite Holdings Limited	Controlled by the Controlling Shareholder
Win Goal Enterprises Limited	Controlled by the Controlling Shareholder

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 17 RELATED PARTIES BALANCES AND TRANSACTIONS *(Continued)*

### Amount due to a related party

Amount due to a related party is unsecured, interest-free, repayable on demand and denominated in HK\$.

(a) The Group had the following material non-trade balance due to a related party:

	As at	
	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Amount due to a related party:		
Lui Yue Yun Gary	–	391

### (b) Transactions with related parties

The following transactions were undertaken by the Group with related parties:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Rent and rates and building management fee expense to Pacific Marble & Granite Holdings Limited	–	1,222
Motor vehicle rental expense to Win Goal Enterprises Limited	49	73

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest income recharge on bank borrowing arrangement from Lui Yue Yun Gary	–	96

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 17 RELATED PARTIES BALANCES AND TRANSACTIONS *(Continued)*

### (c) Key management compensation

Key management includes Executive and Non-Executive Directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	2,100	2,747
Pension costs	18	36
	<b>2,118</b>	2,783

### (d) Guarantee by a Director

The bank borrowings and obligation under finance leases facilities, supported by personal guarantee provided by a Director, are as follows:

	As at	
	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Lui Yue Yun Gary	110,209	103,759

Such guarantee provided by a Director had been released as at the report date.

### (e) Corporate guarantee to a related company

As at 30 June 2018 and 31 December 2017, certain subsidiaries jointly provided corporate guarantee to a bank to secure banking facilities granted to a related company amounting to HK\$41,140,682 and HK\$44,991,000 respectively. Such corporate guarantee had been released as at the report date.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

## 18 CONTINGENT LIABILITIES

### Corporate guarantee to a related company

As at 30 June 2018 and 31 December 2017, certain subsidiaries jointly provided corporate guarantee to a bank to secure banking facilities granted to a related company amounting to HK\$41,140,682 and HK\$44,991,000 respectively. The fair value of the corporate guarantee was considered as insignificant. Such corporate guarantee had been released as at the report date.

### Performance bonds

As at 30 June 2018 and 31 December 2017, the Group has issued performance bonds in respect of construction contracts through the bank amounting to HK\$2,753,000 and HK\$2,753,000 respectively.

As at 30 June 2018 and 31 December 2017, the performance bonds were secured by (a), (b), (c), (d), (e), (f)(ii) and (g) as disclosed in Note 15.

## 19 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.