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## 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 2021

#### 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 2021, together with the comparative unaudited figures of the corresponding period in 2020, as follows:

#### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2021*

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<b>HK\$’000</b>	<b>HK\$’000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue from contract with customers	3	<b>51,633</b>	98,548
Cost of sales		<b>(41,400)</b>	(85,100)
Gross profit		<b>10,233</b>	13,448
Other income and other gains, net		<b>176</b>	376
Administrative expenses		<b>(10,441)</b>	(14,226)
Operating loss		<b>(32)</b>	(402)
Finance costs, net	4	<b>(2,797)</b>	(4,417)
Loss before income tax	5	<b>(2,829)</b>	(4,819)
Income tax expense	6	<b>–</b>	(197)
Loss for the period attributable to owners of the Company		<b>(2,829)</b>	(5,016)
Other comprehensive income for the period		<b>–</b>	–
Total comprehensive income for the period attributable to owners of the Company		<b>(2,829)</b>	(5,016)
Losses per share for loss attributable to owners of the Company for the period:			
Basic and diluted losses per share (HK cent)	7	<b>(0.23)</b>	(0.41)

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2021

		As at	
		30 June 2021	31 December 2020
	Note	HK\$'000 (unaudited)	HK\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		358	564
Right-of-use assets		3,352	2,305
<b>Total non-current assets</b>		<b>3,710</b>	<b>2,869</b>
<b>Current assets</b>			
Inventories		72,364	89,922
Trade and retention receivables	9	16,943	15,465
Contract assets		185,002	188,004
Deposits, prepayments and other receivables	10	1,379	1,382
Tax recoverable		–	1,135
Pledged bank deposits		23,075	34,507
Cash and bank balances		2,931	218
<b>Total current assets</b>		<b>301,694</b>	<b>330,633</b>
<b>Total assets</b>		<b>305,404</b>	<b>333,502</b>
<b>EQUITY</b>			
Share capital	13	12,472	12,240
Reserve and retained earnings		114,470	111,753
<b>Total equity</b>		<b>126,942</b>	<b>123,993</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from directors		35,851	3,090
Loan from a third party		21,600	–
		<b>57,451</b>	<b>3,090</b>
<b>Current liabilities</b>			
Trade and retention payables	11	29,549	28,532
Accruals and other payables	11	8,987	10,767
Contract liabilities		34	4,532
Lease liabilities		3,361	2,275
Bank borrowings	12	78,733	158,819
Income tax payables		347	1,494
<b>Total current liabilities</b>		<b>121,011</b>	<b>206,419</b>
<b>Total liabilities</b>		<b>178,462</b>	<b>209,509</b>
<b>Total equity and liabilities</b>		<b>305,404</b>	<b>333,502</b>

## 1 GENERAL INFORMATION

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

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

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

## 2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

### 2.1 Basis of presentation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The interim financial statements should be read in conjunction with the 2020 annual report, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2020 that is included in this 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 2020 annual report.

### 2.2 Going concern

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

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

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

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

- (viii) The Group is closely monitoring the impact of COVID-19 pandemic on its existing and potential projects. It has implemented measures to accelerate the certification, billing and collection with customers for completed projects. In addition, the Group is in active discussion with a customer to complete the contract in relation to stone sales.
- (ix) The Group is also in active negotiations with its customers to request for deposits before commencement of projects and suppliers and sub-contractors to extend the settlement terms for its purchases.

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

### 2.3 Accounting policies

The accounting policies applied are consistent with those described in the 2020 annual report except for the adoption of new and amended standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The preparation of unaudited condensed consolidated interim financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

- (a) The Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial period beginning on 1 January 2021 throughout the period:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted:

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

- (1) Effective for the accounting period beginning on 1 January 2022  
(2) Effective for the accounting period beginning on 1 January 2023  
(3) Effective date to be determined

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

### 3 REVENUE FROM CONTRACT WITH CUSTOMERS AND SEGMENT INFORMATION

#### Revenue from contract with customers

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Supply and installation services	49,891	97,266
Stone sales	1,742	1,282
	<u>51,633</u>	<u>98,548</u>
Timing of revenue recognition:		
Over time	49,891	97,266
At a point in time	1,742	1,282
	<u>51,633</u>	<u>98,548</u>

#### Segment information

The Executive Directors are the Group's chief operating decision-makers. The Executive Directors consider the segment from a business perspective and regards the Group's business as a single operating segment and reviews financial information accordingly.

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hong Kong	48,722	446,667
Macau	2,911	51,881
	<u>51,633</u>	<u>98,548</u>

The Company was incorporated in the Cayman Islands while the Group operates its business primarily in Hong Kong. During the six months ended 30 June 2021 (the "Current Period") and six months ended 30 June 2020 (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.

#### 4 FINANCE COSTS, NET

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

#### 5 LOSS BEFORE INCOME TAX

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

#### 6 INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the six months ended 30 June 2020 and 2021.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax:		
Hong Kong profits tax	—	197
	<u>—</u>	<u>197</u>

## 7 LOSSES PER SHARE

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

### Losses

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Losses attributable to owners of the Company used in this basic and diluted losses per share calculation	<u>(2,829)</u>	<u>(5,016)</u>
	<b>As at 30 June</b>	
	2021 (unaudited)	2020 (unaudited)
Weighted average number of ordinary shares used in the basic losses per share calculation ( <i>in thousand</i> )	<u>1,209,666</u>	<u>1,200,000</u>
Total basic and diluted losses per share ( <i>HK cents</i> )	<u>(0.23)</u>	<u>(0.41)</u>

The share options granted by the Company could have potential dilutive effect on the loss per share. During the six months ended 30 June 2020 and 2021, the share options had anti-dilutive effect to the Group as the assumed conversion of share options by the Company would result in a decrease in loss per share.

## 8 DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2021.

## 9 TRADE AND RETENTION RECEIVABLES

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

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



As at 30 June 2021 and 31 December 2020, the ageing analysis of the third-party trade receivables, based on invoice date, is as follows:

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

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.

## 10 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

## 11 PAYABLES

Trade and retention payables at the end of the reporting period comprise amounts outstanding for trade purposes. The average credit period taken for trade purchase is 30 to 90 days.

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

## 12 BANK BORROWINGS

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

## 13 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amounts <i>HK\$'000</i>
<b>Authorised:</b>		
At 31 December 2020, 1 January 2021 and 30 June 2021	<u>3,000,000,000</u>	<u>30,000</u>
<b>Issued and fully paid:</b>		
At 31 December 2020	1,224,000,000	12,240
Share issued under share opinion scheme	<u>23,200,000</u>	<u>232</u>
As 30 June 2021	<u>1,247,200,000</u>	<u>12,472</u>

## RESULT

Anchorstone Holdings Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), is a leading and well-established subcontractor in Hong Kong specialising primarily in the stone sales and supply and installation of marble projects in Hong Kong and Macau.

The Group is a leading and well-established subcontractor in Hong Kong specialising primarily in the supply and installation of marble and granite for construction projects. Having accumulated over 25 years of experience in the industry, the Group has undertaken various sizeable stone supply projects and stone supply and installation projects in Hong Kong and Macau.

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

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

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

## **INTERIM DIVIDEND**

In order to retain resources for the Group's future development, the Directors have resolved not to pay any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

## **BUSINESS REVIEW AND OUTLOOK**

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

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

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

### **Revenue**

During the six months ended 30 June 2021, the Group generated revenue from the its supply and installation projects and stone sales projects in Hong Kong and Macau. It recorded decrease in revenue for approximately HK\$51.6 million or 47.6% compared with last period. The decrease was mainly due to the delay in project status during the period.

### **Gross profit and gross profit margin**

Cost of sales mainly includes the cost of raw materials, fabrication expenses, transportation and subcontracting costs. The Group's overall gross profit margin has improved from around 13.6% to 19.8% mainly due to the difference in project mix and the impact of variation orders certified or confirmed.

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

## **Administrative expenses**

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

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

## **Finance costs**

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

## **Income tax expense**

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

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

## **Loss attributable to owners of the Company**

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

## **Liquidity and financial resources**

The Group has funded the liquidity and capital requirements primarily through retained profits, borrowings and cash inflows from operating activities. As at 30 June 2021, the capital structure of the Group consisted of equity of approximately HK\$126.9 million (31 December 2020: HK\$124.0 million) and bank borrowings of approximately HK\$78.7 million (31 December 2020: HK\$158.8 million). For details, please refer to the paragraph headed "Bank borrowings" below.

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

### **Cash position and fund available**

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

### **Bank borrowings**

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

### **Gearing ratio**

As at 30 June 2021, the Group's gearing ratio was approximately 29.3% (31 December 2020: 50.0%), 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.

## **Capital commitments**

The Group has no material capital commitments as at 30 June 2021.

## **Contingencies**

As at 30 June 2021 and 31 December 2020, the Group has issued performance bonds in respect of construction contracts through banks which amounted to approximately HK\$1.5 million and HK\$1.5 million respectively. These performance bonds were secured by bank facilities.

During the period ended 30 June 2021, there were several legal cases concerning claims for personal injuries against certain subsidiaries of the Company. As at the date of this announcement, two cases had developed to legal proceedings while the other two cases were still at their initial stage. The amount being claim for in these cases was still being determined, and the amount of the possible obligation cannot be ascertained with reliability.

A previous subcontractor of the Group initiated a claim for payment for services rendered in the sum of HK\$6.5 million. The Group actively defended against the claim and the liability of the Group cannot be ascertained with reliability as at the date of this announcement. The Directors consider the likelihood of the plaintiff succeeding in the claim to be remote based on the current available information and legal advice from lawyer.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2021, the Group had 25 full-time employees who were directly employed by the Group. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee. During the six months ended 30 June 2021, there has not been any incident of strike or labour shortage which adversely affected the Group's operations. In addition, the Group has not experienced any significant problem with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

## **AUDIT COMMITTEE**

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



## **REMUNERATION COMMITTEE**

The Remuneration Committee, with its terms of reference established in compliance with the Listing Rules, was set up with the responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee is composed of the Chairman of the Board (Mr. Lui) 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 2021.

## **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**

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 2021.

## **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](http://www.anchorstone.com.hk). The interim report for the six months ended 30 June 2021 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, 23 August 2021

*As at the date of this announcement, the Executive Directors are Mr. Lui Yue Yun Gary, Mr. Lui Edwin Wing You, Ms. Lui Po Kwan Joyce, Mr. Fung Wai Hang, Ms. Qiao Xiaowei and Ms. Zhang Li, and the Independent Non-Executive Directors are Mr. Ko Tsz Kin, Mr. Ng Yau Wah Daniel, Mr. Lee Chun Wai and Mr. Zou Haiyan.*