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ANCHORSTONE

Anchorstone Holdings Limited

基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1592)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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 2022, together with the comparative unaudited figures of the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue from contract with customers	3	54,757	51,633
Cost of sales		(40,723)	(41,400)
		<hr/>	<hr/>
Gross profit		14,034	10,233
Other income and other gains, net		1,308	176
Impairment loss on contract assets		(3,820)	–
Administrative expenses		(9,633)	(10,441)
		<hr/>	<hr/>
Operating profit/(loss)		1,889	(32)
Finance costs, net	4	(3,725)	(2,797)
		<hr/>	<hr/>
Loss before income tax	5	(1,836)	(2,829)

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Income tax expense	6	<u>—</u>	<u>—</u>
Loss and total comprehensive expenses for the period attributable to owners of the Company		<u>(1,836)</u>	<u>(2,829)</u>
Loss per share attributed to owners of the Company for the period: Basic and diluted loss per share (HK cent)	7	<u>(0.15)</u>	<u>(0.23)</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2022

		As at	
		30 June	31 December
		2022	2021
	Note	HK\$'000	HK\$'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property and equipment		1,346	1,696
Right-of-use assets		1,651	2,031
		<hr/>	<hr/>
Total non-current assets		2,997	3,727
Current assets			
Inventories		70,377	72,364
Trade and retention receivables	9	21,005	24,881
Contract assets		176,641	169,489
Deposits, prepayments and other receivables	10	920	1,301
Tax recoverable		194	194
Bank balances and cash		923	2,680
		<hr/>	<hr/>
Total current assets		270,060	270,909
Total assets		273,057	274,636
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	13	12,472	12,472
Reserve and accumulated losses		68,714	70,550
		<hr/>	<hr/>
Total equity		81,186	83,022
		<hr/> <hr/>	<hr/> <hr/>

		As at	
		30 June 2022	31 December 2021
	<i>Note</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
LIABILITIES			
Non-current liabilities			
Loans from Directors		80,280	80,550
Lease liabilities		761	1,075
		<u>81,041</u>	<u>81,625</u>
Current liabilities			
Trade and retention payables	<i>11</i>	46,224	42,778
Accruals and other payables	<i>11</i>	20,283	17,511
Contract liabilities		4,505	5,500
Lease liabilities		620	605
Bank borrowings	<i>12</i>	39,185	42,877
Income tax payables		13	718
		<u>110,830</u>	<u>109,989</u>
Total current liabilities		110,830	109,989
Total liabilities		<u>191,871</u>	<u>191,614</u>
Total equity and liabilities		<u>273,057</u>	<u>274,636</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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. It is a subsidiary of PMG Investments Limited.

The ultimate holding company of the Company is PMG Investments Limited, a company incorporated in the British Virgin Islands. Mr. Lui Yue Yun Gary (“**Mr. Lui**”), the sole director and shareholder of PMG Investments Limited, is the ultimate beneficial owner of PMG Investments Limited.

The condensed consolidated interim financial information are presented in Hong Kong dollars (“**HK\$**”), which is the Company’s functional currency and the Group’s presentation currency.

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 2022 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 2021 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 2021 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 2021 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 2020. As disclosed in the 2020 annual report, certain bank borrowings with a total principal amount of HK\$91,703,000 were overdue. In addition, default interests have been charged to the unsettled overdue borrowings by the respective banks. As at 31 December 2021, the overdue bank borrowings decreased to approximately HK\$42,877,000. As at 30 June 2022, it was further decreased to approximately HK\$39,185,000.

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. 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 2022 and as at the announcement date, all the aforementioned bank borrowings have been classified as current liabilities as at 30 June 2022. In accordance with the underlying bank facilities letters, performance bonds issued through a bank aforementioned of approximately HK\$4,923,000 (31 December 2021: approximately 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) The Group had 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. Up to the date of this announcement, the Group has not received any formal demand letters from the relevant banks. Based on the information available, the Directors are of the view that, these banks will not enforce their rights of requesting for immediate repayment of its outstanding bank borrowings nor cancellation of the performance bonds.
- (ii) As at 30 June 2022, the Group has further reduced its overdue bank borrowings from approximately HK\$42.9 million as at 31 December 2021 to approximately HK\$39.2 million.
- (iii) The Group has agreed with the relevant banks to settle all overdue balance in the last quarter of this year based on the available information on hand.

- (iv) The Group had obtained certain loans from the Company’s Executive Directors Mr. Lui Yue Yun Gary, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang, in total of approximately HK\$76.9 million, HK\$1.0 million and HK\$2.7 million, respectively in year 2021. These loans are unsecured and repayable after twelve months from the date of draw down and interest rate on these loans ranged from 2% to 5% per annum. These loans could be extended upon the agreements of those Directors and the approval of the Board.
- (v) On 10 June 2022, the Company entered into a subscription agreement (“**Subscription Agreement**”) with the third parties (the “**Subscribers**”), pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the convertible notes (the “**Convertible Notes**”) in an aggregate nominal value of up to HK\$200 million.
- (vi) 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.
- (vii) 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.
- (viii) The Group’s operation performance and business environment had been slightly improved.

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 2022. 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 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

2.3 Application of amendment to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current interim period has had no significant impact on the Group’s financial positions and performance for the current and prior periods and/or disclosures set out in these condensed consolidated financial statements.

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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Supply and installation services	51,109	49,891
Stone sales	3,648	1,742
	<u>54,757</u>	<u>51,633</u>
Timing of revenue recognition:		
Over time	51,109	49,891
At a point in time	3,648	1,742
	<u>54,757</u>	<u>51,633</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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Hong Kong	54,531	48,722
Macau	226	2,911
	<u>54,757</u>	<u>51,633</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 2022 (the "Current Period") and six months ended 30 June 2021 (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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Finance income		
Interests from bank deposits	–	13
Finance costs		
Interests from:		
— Bank overdrafts	250	295
— Trust receipt loans interest	1,477	2,317
— Bank loans	–	113
— Loans from Directors	1,961	–
— Lease liability interest	37	85
	<u>3,725</u>	<u>2,797</u>
Finance costs, net	<u>3,725</u>	<u>2,797</u>

5 LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before income tax has been arrived at after charging:		
Construction cost recognised in cost of sales	39,476	39,940
Depreciation — plant and equipment	371	135
Depreciation — right-of-use assets	381	1,325
Employee benefit expenses, including Directors' emoluments	5,118	5,747
Auditor's remuneration	540	750
Legal and professional fees	888	1,292
	<u>888</u>	<u>1,292</u>

6 INCOME TAX EXPENSE

No provision for Hong Kong profits tax for the six months ended 30 June 2022 and 2021 has been made for the Company and its Hong Kong subsidiaries as they had no estimated assessable profit for the both period.

7 LOSS PER SHARE

For the six months ended 30 June 2022 and 2021, basic loss 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 loss per share adjusts the figures used in the determination of basic loss 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.

Loss

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss attributable to owners of the Company used in this basic and diluted losses per share calculation	<u>(1,836)</u>	<u>(2,829)</u>
	As at 30 June	
	2022	2021
	(unaudited)	(unaudited)
Weighted average number of ordinary shares used in the basic loss per share calculation (in thousand)	<u>1,247,200</u>	<u>1,209,666</u>
Total basic and diluted loss per share (HK cents)	<u>(0.15)</u>	<u>(0.23)</u>

No diluted earnings per share for the six months ended 30 June 2022 was presented as there was no potential ordinary shares in issue during the period (2021: the share options granted by the Company could have potential dilutive effect on the loss per share. During the six months ended 30 June 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 2022 (30 June 2021: Nil).

9 TRADE AND RETENTION RECEIVABLES

	As at	
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	6,874	11,849
Retention receivables	<u>21,358</u>	<u>20,259</u>
	28,232	32,108
Less: provision for loss allowance	<u>(7,227)</u>	<u>(7,227)</u>
	<u>21,005</u>	<u>24,881</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 2022 and 31 December 2021, the ageing analysis of the third-party trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
Up to 30 days	1,159	6,048
31–60 days	231	452
61–90 days	133	1,872
Over 90 days	5,351	3,477
	<u>6,874</u>	<u>11,849</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 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
Prepayments	–	417
Insurance compensation receivables	617	617
Other receivables	303	267
	<u>920</u>	<u>1,301</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 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
Contract creditors and suppliers	29,973	27,430
Retention payables	16,251	15,348
	<u>46,224</u>	<u>42,778</u>
Accruals and other payables	<u>20,283</u>	<u>17,511</u>

12 BANK BORROWINGS

	As at	
	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Bank overdraft	10,049	10,242
Term loans — secured	3,800	3,800
Trust receipt loans — secured	22,136	24,835
Revolving loans — secured	3,200	4,000
	<u>39,185</u>	<u>42,877</u>

13 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amounts HK\$'000
Authorised:		
At 31 December 2021, 1 January 2022 and 30 June 2022	3,000,000,000	30,000
Issued and fully paid:		
As 31 December 2021, 1 January 2022 and 30 June 2022	1,247,200,000	12,472

14 EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (i) Save as the disclosure in Note 2.2 and reference to the notice of the extraordinary general meeting (“EGM”) (the “Notice”) and the circular (the “Circular”) of the Company both dated 8 July 2022. On 28 July 2022, the Company has passed a resolution at the EGM to approve, ratify and confirm Subscription Agreement and the transactions contemplated thereunder, including the creation and issue by the Company of the Tranche 1 Notes and the allotment and issue of the Tranche 1 Conversion Shares upon exercise of the conversion rights attaching to the Tranche 1 Notes.

On 18 August 2022, all the conditions precedent to the closing of the first four sub-tranches of Tranche 1 Notes have been fulfilled and closing of the first four sub-tranches of Tranche 1 Notes took place. Pursuant to the Subscription Agreement, the Tranche 1 Notes have an aggregate principal amount of HK\$100,000,000 which comprise 20 equal sub-tranches of Convertible Notes of HK\$5,000,000 each. On the relevant Closing Date, the Company issued the Convertible Notes in an aggregate principal amount of HK\$20 million to the Subscribers.

- (ii) With respect to the outbreak of the COVID-19, except for the disclosure made in this announcement, the Group has assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to the period ended 30 June 2022 and up to the date of this announcement. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impacts on the operation and financial position of the Group.

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 and its subsidiaries have undertaken various sizeable stone supply projects and stone supply and installation projects in Hong Kong and Macau for over 30 years.

The outbreak of Coronavirus Disease 2019 (“**COVID-19**”) in early 2020 had caused interruptions over the operations of our subcontractors in the Mainland China, and affected the supply of labour force to the construction industry since 2020. These had resulted in an overall delay in the work status of the Group’s supply and installation projects on hand and thus significantly delayed the Group’s cash flows from operations. Certain bank borrowings were overdue as at 30 June 2022. Although the overall business environment has gradually improved in current period, the Group’s tendering results were still not satisfying. Nevertheless, the worst scenario in the recent years had been passed and the Group’s business has been gradually returned to normal.

The Group recorded a revenue of approximately HK\$54.8 million in the six months ended 30 June 2022, representing an increase of 6% compared with the same period last year. The Group’s overall gross profit margin was approximately 25.6% (30 June 2021: 19.8%). Its gross profit increased from approximately HK\$10.2 million for the period ended 30 June 2021 to approximately HK\$14.0 million for the period ended 30 June 2022. This is mainly due to fact that the Group has engaged in projects with relatively high margin compared with last period.

The Group recorded a loss attributable to owners of the Company of approximately HK\$1.8 million for the period ended 30 June 2022. The loss for the period attributed to owners of the Company has narrowed down from approximately HK\$2.8 million for the period ended 30 June 2021 to approximately HK\$1.8 million for the period ended 30 June 2022. The Directors considers that it was primarily attributable to (i) higher gross profits from stone sales (ii) increase in other income due to the Group received subsidies of the Employment Support Scheme under the Anti-epidemic Fund and waiver of trade debt by supplier, (iii) decrease in legal and professional fees during the period, offset by (iv) impairment loss against the longer age of contract assets. The Group had generated profit for approximately HK\$2.0 million (30 June 2021: a loss of approximately HK\$2.8 million) if excluding the impairment loss on contract assets of approximately HK\$3.8 million.

INTERIM DIVIDEND

In order to retain resources for the Group’s future development, the Directors have resolved not to pay any interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

BUSINESS REVIEW AND OUTLOOK

Mainly due to the unexpected worsen and prolonged impact of the COVID-19 pandemic in years 2020 and 2021, most of the stone supply and installation services and stone sales projects undertaken by the Group were significantly delayed and the adverse impacts has been bought forward to the year 2022. The Group's profitabilities and liquidities were significantly declined in these few years. In addition, due to the overdue bank borrowings records in years 2020 and 2021, 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 construction projects. As a result, the Group has to rely on its internal resources, the financial supports from the Company's Executive Directors and other sources of funds to support its operations.

However the overdue bank borrowings were significantly reduced during the year ended 31 December 2021 and the period ended 30 June 2022 and the Group's net loss for the period was narrowed down. The overall operation environment had been improved in 2022.

The COVID-19 pandemic remains a significant risk to the Group and its business operations in 2022. 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.

Revenue

During the six months ended 30 June 2022, the Group generated revenue from the its supply and installation projects and stone sales projects in Hong Kong and Macau. It recorded an increase in revenue for approximately HK\$3.1 million or 6.1% compared with last period. The increase was mainly due to the increase of revenue generated from supply and installation service and stone sales.

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 19.8% to 25.6% mainly due to the difference in project mix and the impact of variation orders certified or confirmed.

Moreover, the gross profit of the Group increased by approximately HK\$3.8 million or approximately 37.1% from approximately HK\$10.2 million for the period ended 30 June 2021 to approximately HK\$14.0 million for the period ended 30 June 2022.

Administrative expenses

The administrative expenses of the Group for the current period amounted to approximately HK\$9.6 million, representing a decrease of approximately HK\$0.8 million, or 7.7% compared to approximately HK\$10.4 million for the last period.

The decrease was mainly due to the decrease in depreciation for the Group's right-of-use assets and legal and professional fees compared with last period.

Finance costs

Finance costs were mainly arisen from the bank borrowings and the Directors' loan for the operation purposed. Net finance costs increased as compared with last period, which was mainly due to the extension of Directors' loan 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 income tax expense has been made in current period as the Group (and its subsidiaries) recognised loss for the current period.

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\$1.8 million for the current period, as compared to a loss attributable to owners of the Company of approximately HK\$2.8 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 2022, the capital structure of the Group consisted of equity of approximately HK\$81.2 million (31 December 2021: HK\$83.0 million) and bank borrowings of approximately HK\$39.2 million (31 December 2021: HK\$42.9 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Due to the difficult operation environment in years 2020 and 2021, most of the construction projects 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 2021 and during the period ended 30 June 2022. 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 had made effort to reduce the overdue bank borrowings in accordance with the repayment plans. In addition, since status of the on-going projects have been caught up gradually in late 2021 and early 2022, the Group is able to speed up the receivable collection period in the current period. As at 30 June 2022, the overdue bank borrowings had been significantly reduced. 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 2022, the Group's cash and cash equivalents were approximately HK\$0.9 million (31 December 2021: HK\$2.7 million). As at 30 June 2022, the current ratio of the Group was approximately 2.4 times (31 December 2021: 2.5 times).

Bank borrowings

As at 30 June 2022, the Group had total bank borrowings of approximately HK\$39.2 million (31 December 2021: HK\$42.9 million). As at 30 June 2022, the Group has not renewed its banking facilities since its last report date in 2021.

Gearing ratio

As at 30 June 2022, the Group's gearing ratio was approximately 59% (31 December 2021: 59%), calculated as the net debts (loans from Directors, bank borrowings less the cash and cash equivalents) 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 2022.

Contingencies

As at 30 June 2022 and 31 December 2021, the Group has issued performance bonds in respect of construction contracts through banks which amounted to approximately HK\$4.9 million and HK\$5.1 million respectively. These performance bonds were secured by bank facilities.

During the period ended 30 June 2022, 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 2022, the Group had 55 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 2022, 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 two Independent Non-Executive Directors (Mr. Ko Tsz Kin and Mr. Ng Yau Wah Daniel) of the Company. The Audit Committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, risk management and internal control system, and financial reporting matters. This unaudited condensed consolidated interim financial information has not been audited by the Company’s auditors, but has been reviewed by the Audit Committee of the Company. The Audit Committee was satisfied that the unaudited condensed interim consolidated financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee, with its terms of reference established in compliance with the Listing Rules, was set up with the responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee is composed of the Chairman of the Board (Mr. Lui Yue Yun Gary) 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 Yue Yun Gary) 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 2022.

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.

- (1) 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.
- (2) Following the poll results of annual general meeting of the Company held on 28 June 2022, Mr. Zou Haiyan was not been re-elected as Independent Non-Executive Director. As a result, the Company has only two Independent Non-Executive Directors, the number of the Independent Non-Executive Directors falls below the minimum number (i.e. at least three Independent Non-executive Directors) required under Rule 3.10(1) of the Listing Rules, and the Audit Committee of the Company has only two Independent Non-Executive Directors (as stated above), thus the number of the members falls below the minimum number (i.e. at least three members) as required under Rule 3.21 of the Listing Rules.

Pursuant to Rules 3.11 and 3.23 of the Listing Rules, the Company should appoint an Independent Non-Executive Director and a member of the Audit Committee within three months after failing to meet the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. The Company will endeavour to identify suitable candidates as to comply with the requirements as set out in Rules 3.10(1) and 3.21 of the Listing Rules respectively.

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 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under “Latest Listed Company Information” and on the website of the Company at www.anchorstone.com.hk. The interim report for the six months ended 30 June 2022 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, 26 August 2022

As at the date of this announcement, the Executive Directors are Mr. Lui Yue Yun Gary, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang and the Independent Non-Executive Directors are Mr. Ko Tsz Kin and Mr. Ng Yau Wah Daniel.