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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 2024**

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 2024, together with the comparative unaudited figures of the corresponding period in 2023, as follows:

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue from contracts with customers	3	17,634	27,053
Cost of sales		(14,646)	(19,336)
Gross profit		2,988	7,717
Other income and other gains, net		22	–
Administrative expenses		(8,775)	(8,737)
Operating loss		(5,765)	(1,020)
Finance costs, net	4	(2,477)	(2,570)

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss before income tax	5	(8,242)	(3,590)
Income tax expense	6	<u>(280)</u>	<u>–</u>
Loss and total comprehensive expenses for the period attributable to owners of the Company		<u><u>(8,522)</u></u>	<u><u>(3,590)</u></u>
Loss per share attributed to owners of the Company for the period:			
Basic and diluted loss per share (HK cent)	7	<u><u>(0.40)</u></u>	<u><u>(0.24)</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at	
		30 June	31 December
	<i>Note</i>	2024	2023
		HK\$'000	HK\$'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property and equipment		102	367
Right-of-use assets		127	508
		229	875
Total non-current assets			
Current assets			
Inventories		55,093	58,498
Trade and retention receivables	8	22,024	14,138
Contract assets		106,113	110,478
Deposits, prepayments and other receivables	9	6,893	5,584
Tax recoverable		194	194
Bank balances and cash		517	507
		190,834	189,399
Total current assets			
		191,063	190,274
Total assets			
EQUITY			
Share capital	12	21,462	21,462
Accumulated losses		(135,150)	(126,631)
Reserves		140,261	140,414
		26,573	35,245
Total equity			

		As at	
		30 June	31 December
		2024	2023
<i>Note</i>		HK\$'000	HK\$'000
		(unaudited)	(audited)
LIABILITIES			
Non-current liabilities			
Loans from Directors		<u>20,848</u>	<u>26,484</u>
		20,848	26,484
Current liabilities			
Trade and retention payables	<i>10</i>	43,137	43,542
Accruals and other payables	<i>10</i>	43,369	37,007
Contract liabilities		19,878	10,741
Lease liabilities		111	440
Bank borrowings	<i>11</i>	33,522	33,152
Income tax payables		<u>3,625</u>	<u>3,663</u>
Total current liabilities		143,642	128,545
Total liabilities		<u>164,490</u>	<u>155,029</u>
Total equity and liabilities		<u>191,063</u>	<u>190,274</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 Special Administrative Region (“**HK**”), Macau Special Administrative Region (“**Macau**”) and the People’s Republic of China (the “**PRC**”). 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 2024 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 2023 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 2023 that is included in this announcement 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 2023 annual report.

2.2 Going concern

As the outbreak of Coronavirus Disease (“COVID-19”) pandemic eased, most of anti-pandemic measures in Hong Kong were lifted in 2024, leading to a gradual normalization of the construction industry. Nonetheless, the industry is still facing many uncertainties arising from the global economic landscape.

Due to the difficult operation environment during COVID-19 period and the current year, construction projects of the Group were delayed and thus affecting the Group’s receivables collection cycle. As a result, the Group could not repay bank borrowings in accordance to the repayment schedule and on the maturity date as at six months ended 30 June 2024.

For the six months ended 30 June 2024, the Group reported a net loss for the period of approximately HK\$8,522,000 (2023: approximately HK\$3,590,000). As at 30 June 2024, the Group’s current bank borrowings was approximately HK\$33,522,000 (2023: approximately HK\$33,152,000), while its total bank balances and cash was approximately HK\$517,000 (2023: approximately HK\$507,000).

For the entire bank borrowings with a total principal amount of approximately HK\$33,522,000 as mentioned above were overdue as at 30 June 2024 (2023: approximately HK\$33,152,000). In addition, default interests of approximately HK\$1,489,000 (2023: approximately HK\$1,294,000) have been charged to the profit or loss. The Group is unable to draw down new borrowings from its bank facilities and any further draw down would be subject to the approvals by the relevant banks. All bank borrowings would be immediately repayable if requested by the banks formally in accordance with the underlying bank facilities letters.

Although the Group has not received any formal demand letters from the relevant banks, all the aforementioned bank borrowings have been classified as current liabilities in the consolidated statement of financial position as at 30 June 2024 and 30 June 2023.

In accordance with the underlying bank facilities letters, performance bonds issued through one of the bank aforementioned of HK\$3,705,000 (2023: HK\$3,705,000) might be cancelled by the bank, which might result in non-compliance with the relevant construction contracts if the Group is unable to replace them with other equivalent performance bonds.

The aforementioned conditions indicate the existence of uncertainty 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 possible 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, and in an effort to remediating the delayed payments to the relevant banks, which include, but are not limited to, the followings:

- (i) Despite the Group had yet renewed the banking facilities of its major banks subsequent to the end of the reporting 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 of the Company are confident that agreements with the relevant 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. Based on this, the directors of the Company believes that, the relevant banks would not enforce their rights of requesting for immediate repayment of its outstanding bank borrowings nor cancelation of the performance bonds in the forthcoming period;
- (ii) the Group has implemented measure to accelerate the certification, billing and collection with customers for completed projects and cost saving policy;
- (iii) 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;
- (iv) The substantial shareholder, who is also the Chairman and an Executive Director of the Company, is willing to provide financial support to the Group when there is needed. The Group obtained loans from some of its Executive Directors for financial support. As at 30 June 2024, such loans amounted to HK\$20,848,000 are unsecured and repayable on 30 June 2026 and interest bearing ranged at 2% to 5% per annum. Should there is need arisen, the substantial shareholder will further extend the facilities amounts increased by approximately HK\$10,000,000, subject to further negotiation with the Company for the terms and conditions; and
- (v) The Group is actively looking for other sources of financing including any possible from of debt or equity financing to enhance the capital structure and reduce the overall financing expenses.

The Board of the Directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 30 June 2024. 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 2024. Accordingly, the Directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, uncertainty related to going concern exist as to whether the Group is able to achieve its plans and measures as described above.

Should the Group be unable to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial information.

2.3 Application of new and amendments to HKFRSs

In the current interim period, the Group has applied certain new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements.

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the 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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Supply and installation services	13,218	11,416
Stone sales	4,416	15,637
	17,634	27,053
Timing of revenue recognition:		
Over time	13,218	11,416
At a point in time	4,416	15,637
	17,634	27,053

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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong	12,970	27,053
The PRC	4,664	–
	<u>17,634</u>	<u>27,053</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 2024 and 2023, 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.

Information about major customers

Revenue attributed from customers that accounted 10% or more of the Group's total revenue during the current period and the last period is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A (Note i)	7,717	N/A
Customer B (Note ii)	4,467	N/A
Customer C (Note i)	3,223	N/A
Customer D (Note i)	1,070	6,051
Customer E (Note i)	N/A	7,971
Customer F (Note i)	N/A	3,025
Customer G (Note i)	N/A	2,931

Note i: The revenue was generated from the marble supply and installation of marble product in Hong Kong.

Note ii: The revenue was generated from the installation of marble product in the PRC.

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

4 FINANCE COSTS, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Finance costs		
Interests on:		
— Bank overdrafts	276	287
— Trust receipt loans interest	1,213	1,007
— Loans from Directors	860	1,193
— Lease liability interest	7	23
— Others	122	60
	<u>2,478</u>	<u>2,570</u>
Finance costs, net	<u>2,478</u>	<u>2,570</u>

5 LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before income tax has been arrived at after charging:		
Construction cost recognised in cost of sales	11,241	9,772
Depreciation — plant and equipment	265	335
Depreciation — right-of-use assets	381	381
Employee benefit expenses, including Directors' emoluments	5,169	5,703
Auditor's remuneration	600	540
Legal and professional fees	609	610
	<u>609</u>	<u>610</u>

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
— PRC Enterprise Income Tax (“EIT”)	280	—
— Hong Kong Profits Tax	—	—
	<u>280</u>	<u>—</u>

Under the Law of PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for Hong Kong profits tax for the six months ended 30 June 2024 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 2024 and 2023, 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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss attributable to owners of the Company used in this basic and diluted loss per share calculation	<u>(8,522)</u>	<u>(3,590)</u>
	As at 30 June	
	2024	2023
	(unaudited)	(unaudited)
Weighted average number of ordinary shares used in the basic loss per share calculation (<i>in thousand</i>)	<u>2,146,202</u>	<u>1,483,354</u>
Total basic and diluted loss per share (<i>HK cents</i>)	<u>(0.40)</u>	<u>(0.24)</u>

No diluted earnings per share for the six months ended 30 June 2024 and 2023 was presented as there was no potential ordinary shares in issue during the period.

8 TRADE AND RETENTION RECEIVABLES

	As at	
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	11,567	6,514
Retention receivables	<u>27,553</u>	<u>24,720</u>
	39,120	31,234
Less: provision for loss allowance	<u>(17,096)</u>	<u>(17,096)</u>
	<u>22,024</u>	<u>14,138</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 2024 and 31 December 2023, the ageing analysis of the third-party trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2024 <i>HK\$'000</i> (unaudited)	31 December 2023 <i>HK\$'000</i> (audited)
Up to 30 days	3,985	1,444
31–60 days	189	705
61–90 days	–	–
Over 90 days	7,393	4,365
	<u>11,567</u>	<u>6,514</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 statement of financial position, retention receivables were classified as current assets based on the operating cycle.

9 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2024 <i>HK\$'000</i> (unaudited)	31 December 2023 <i>HK\$'000</i> (audited)
Prepayments	999	1,524
Rental deposits	249	239
Other receivables	2,795	971
Contingent consideration	2,850	2,850
	<u>6,893</u>	<u>5,584</u>

10 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 2024 <i>HK\$'000</i> (unaudited)	31 December 2023 <i>HK\$'000</i> (audited)
Contract creditors and suppliers	27,091	27,569
Retention payables	16,046	15,973
	<u>43,137</u>	<u>43,542</u>
Accruals and other payables	<u>43,369</u>	<u>37,007</u>

11 BANK BORROWINGS

	As at	
	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Bank overdraft	9,657	9,287
Term loans — secured	3,500	3,500
Trust receipt loans — secured	19,365	19,365
Revolving loans — secured	1,000	1,000
	<u>33,522</u>	<u>33,152</u>

As at 30 June 2024 and 31 December 2023, bank facilities granted to the Group are secured by the followings:

- (a) Trade and retention receivables of HK\$2,412,000 (31 December 2023: HK\$2,204,000);
- (b) Contract assets of HK\$52,798,000 (31 December 2023: HK\$54,537,000); and
- (c) Cross guarantees by the Company's subsidiaries and certain related parties of the Group.

As at 30 June 2024 and 31 December 2023, the carry amounts of bank borrowings are denominated in HK\$ and approximate their fair values.

The overall effective interest rates of bank borrowings as at 30 June 2024 was 10.5% per annum (31 December 2023: 10.3% per annum).

12 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amounts HK\$'000
	Notes	
Authorised:		
At 31 December 2023, 1 January 2024 and 30 June 2024	5,000,000,000	50,000
Issued and fully paid:		
As 31 December 2023, 1 January 2024 and 30 June 2024	2,146,201,635	21,462

All the shares rank pari passu with the other shares in all respects.

13 DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

RESULT

In 2024, the local economic, in particular the real estate industry, continued to experience a slowing down. Factors such as high interest rates and lacklustre global demand continued to hinder the local economic's recovery. At the same time, there are a significant number of first-hand housing supply in Hong Kong and the Mainland China. The developers are generally keen on slowing down the property-for-sales in the market and thus affecting the overall construction status in the Mainland China and Hong Kong. The Group's operations unavoidably faced adverse effects. Moreover, the rising costs of building materials, shortage of labour-force and the increasing of geopolitical risks in recent years created uncertainties and complexities in our business. The Group also consumed a portion of resources on the finance cost arise from the overdue bank borrowings.

The Group recorded a revenue of approximately HK\$17.6 million in the six months ended 30 June 2024, representing a decrease of 34.8% compared with the same period last year. The Group recorded a loss attributable to owners of the Company of approximately HK\$8.5 million for the period ended 30 June 2024.

The increase in the loss for the period attributed to owners of the Company is approximately HK\$4.9 million, which was due to the decrease in revenue and the profitability of the Group, reflecting adverse impact of slowing down of the local economic momentum and the weak property market. Nevertheless, the Group's new business segment in the Mainland China contributed to the Group's growth 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 2024 (30 June 2023: Nil).

BUSINESS REVIEW AND OUTLOOK

Due to the overdue bank borrowings records since 2020, 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.

Despite the uncertainty in the global and local economy, the management tried the best to get the operations back on track as effectively and efficiently by closely working with its consumers, suppliers and subcontractors. Nevertheless, the Hong Kong construction market outlook is still positive. The construction volume in both private and public sectors are still boosting. Also, the Group's new business in the Mainland China is expected to continue support the Group's future growth.

Revenue

During the six months ended 30 June 2024, the Group generated revenue from the its supply and installation projects and stone sales projects in Hong Kong, Macau and the Mainland China. It recorded a decrease in revenue for approximately HK\$17.6 million or 34.8% compared with last period. The decrease was mainly due to the decrease of revenue generated from supply and installation service. The construction project work status of the current period were much slower than the last period ended 30 June 2023.

Gross profit and gross profit margin

Cost of sales mainly includes the cost of marble, raw materials, fabrication expenses, transportation and subcontracting costs. The Group's overall gross profit margin has decreased from around 28.5% to 17.0% mainly due to the difference in project mix and the impact of variation orders certified or confirmed.

Moreover, the gross profit of the Group decreased by approximately HK\$4.7 million or approximately 61.3% from approximately HK\$7.7 million for the period ended 30 June 2023 to approximately HK\$3.0 million for the period ended 30 June 2024.

Administrative expenses

The administrative expenses of the Group for the current period amounted to approximately HK\$8.8 million, relatively the same level of last period.

Finance costs

Finance costs were mainly arisen from the bank borrowings and the Directors' loan for the operation purposed. The finance costs decreased from HK\$2.6 million for the period ended 30 June 2023 to HK\$2.5 million for the period ended 30 June 2024. The decrease was mainly due to the settlement of certain outstanding bank borrowings in both year 2023 and during the period.

Income tax expense

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

The Group's income tax expense was approximately HK\$0.3 million for the six months ended 30 June 2024. No provision for income tax expense has been made in current period as the Group (and its subsidiaries) recognised loss for the six months ended 30 June 2023.

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\$8.5 million for the current period, as compared to a loss attributable to owners of the Company of approximately HK\$3.6 million for 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 2024, the capital structure of the Group consisted of equity of approximately HK\$26.6 million (31 December 2023: HK\$35.2 million), bank borrowings of approximately HK\$33.5 million (31 December 2023: HK\$33.2 million) and the Directors' loans of approximately HK\$20.8 million (31 December 2023: HK\$26.5 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Due to the difficult operation environment in the past few years, most of the construction projects were delayed and thus the receivables collection cycle of the Group had unexpectedly procrastinated. As a result, the Group failed to repay certain bank borrowings (mainly trust receipt loans) by the due date since year 2020. 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. The Group is continuously negotiating with the relevant banks for different settlement plans. 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 but not limited to speeding up the project status and receivables collection cycle, repaying certain amount of trust receipts loan principal and interest, actively discussing the repayment plans with the relevant banks to extend the principal subsequent to the due date and to seek for additional source of funds. The Company's Directors also provided financial supports to the Group. The Group had made effort to reduce the overdue bank borrowings in accordance with the repayment plans. In addition, the Group has made effort in speeding up the receivable collection period. As at 30 June 2024, 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 2024, the Group's cash and cash equivalents were approximately HK\$0.5 million (31 December 2023: HK\$0.5 million). As at 30 June 2024, the current ratio of the Group was approximately 1.33 times (31 December 2023: 1.47 times).

Bank borrowings

As at 30 June 2024, the Group had total bank borrowings of approximately HK\$33.5 million (31 December 2023: HK\$33.1 million). As at 30 June 2024, the Group has not renewed its banking facilities since its last report date in 2023.

Gearing ratio

As at 30 June 2024, the Group's gearing ratio was approximately 67.2% (31 December 2023: 62.9%), calculated as the net debts (loans from Executive Directors and bank borrowings less the bank balance and cash) divided by the total equity as at the end of the respective periods and multiplied by 100%.

Net current assets

As at 30 June 2024, the Group had net current assets of approximately HK\$47.2 million (31 December 2023: approximately HK\$60.9 million). 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. Please also refer to the "liquidity and financial resources" section as stated above.

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 2024.

Contingencies

As at 30 June 2024 and 31 December 2023, the Group has issued performance bond in respect of construction contracts through bank which amounted to HK\$3.7 million. These performance bond was secured by bank facilities.

During the period ended 30 June 2024, 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 approximately HK\$8.8 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 2024, the Group had 14 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 2024, 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**”), was composed of four Independent Non-Executive Directors (Mr. Ko Tsz Kin, Mr. Lam Lap Sing, Mr. Wong Yue Fai and Mr. Nie Kin Kwok Kevin) of the Company as at 30 June 2024. 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 was composed of the Chairman of the Board (Mr. Lui) and two Independent Non-Executive Directors (Mr. Ko Tsz Kin and Mr. Lam Lap Sing) of the Company as at 30 June 2024.

NOMINATION COMMITTEE

The Nomination Committee, with its terms of reference established in compliance with the Listing Rules, was composed of the Chairman of the Board (Mr. Lui) and two Independent Non-Executive Directors (Mr. Ko Tsz Kin and Mr. Lam Lap Sing) of the Company as at 30 June 2024. 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 2024.

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

Overview of 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 CG 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 2024.

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 2024 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board
Anchorstone Holdings Limited
Fung Wai Hang
Executive Director and Company Secretary

Hong Kong, 30 August 2024

As at the date of this announcement, the Executive Directors are Mr. Lui Yue Yun Gary, Mr. Fung Wai Hang and Ms. Lui Natalie Po Wai; and the Independent Non-Executive Director are Mr. Ko Tsz Kin, Mr. Lam Lap Sing, Mr. Wong Yue Fai and Mr. Nie Kin Kwok Kevin.