

ANCHORSTONE

Anchorstone Holdings Limited
基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1592

ANCHOR

STONE

2024
INTERIM REPORT

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ANCHOR

STONE

CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1501–02, 15/F., Delta House
No. 3 On Yiu Street, Shatin
New Territories

COMPANY WEBSITE

<http://www.anchorstone.com.hk>

COMPANY EMAIL

info@anchorstone.com.hk

BOARD OF DIRECTORS

Executive Directors

Mr. Lui Yue Yun Gary (*Chairman*)
Mr. Lui Edwin Wing Yiu (*resigned on 2 May 2024*)
Mr. Fung Wai Hang
Ms. Lui Natalie Po Wai (*redesignated on 2 May 2024*)

Independent Non-Executive Directors

Mr. Ko Tsz Kin
Mr. Lam Lap Sing
Mr. Wong Yue Fai
Mr. Nie Kin Kwok Kevin

BOARD COMMITTEE

Audit Committee

Mr. Ko Tsz Kin (*Chairman*)
Mr. Lam Lap Sing
Mr. Wong Yue Fai
Mr. Nie Kin Kwok Kevin

Remuneration Committee

Mr. Lam Lap Sing (*Chairman*)
Mr. Ko Tsz Kin
Mr. Lui Yue Yun Gary

Nomination Committee

Mr. Lui Yue Yun Gary (*Chairman*)
Mr. Ko Tsz Kin
Mr. Lam Lap Sing

COMPANY SECRETARY

Mr. Fung Wai Hang

AUTHORISED REPRESENTATIVES

Mr. Lui Yue Yun Gary
Mr. Fung Wai Hang

AUDITOR

CL Partners CPA Limited (*appointed on 24 January 2022*)
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKS

Hang Seng Bank
Chong Hing Bank
Nanyang Commercial Bank

SHAREHOLDER INFORMATION

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”)

SHARE REGISTRAR

Tricor Investor Services Limited
17/F Far East Finance Centre,
16 Harcourt Road, Hong Kong

INVESTOR RELATIONSHIP

For enquiries, please contact: Mr. Fung Wai Hang,
our Company Secretary
Email: ricofung@anchorstone.com.hk
Telephone: (852) 2511 6668
Fax: (852) 2511 6667

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT

Anchorstone Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the stone sales and supply and installation of marble products. 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\$9.4 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. The 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 report, 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 report. 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.

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

During the six months ended 30 June 2024 and 2023, there was no significant acquisition and disposal of subsidiaries and associated companies.

FOREIGN EXCHANGE RISK

The Group operates in Hong Kong and its business activities and construction contracts were mainly carried out in Hong Kong and Macau. Most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars.

As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contract to hedge its exposure to foreign exchange risk during the six months ended 30 June 2024.

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.

DIRECTORS', CHIEF EXECUTIVES'S AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

A. DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN SHARES AND SHARE OPTIONS

As at the date of this report, the interests or short positions of the Company's Directors and the chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange under the Model Code are as follows:

Long position in shares and underlying shares of the Company as at the date of this report:

Name of Director and/or the chief executive	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporation	1,343,045,294 shares	62.58%
Mr. Lui Yue Yun Gary	Beneficial owner	1,343,605,294 shares	62.60%
Fung Wai Hang	Beneficial owner	55,000 shares	0.0026%

Short position in shares and underlying shares of the Company as at the date of this report:

Name of Director and/or the chief executive	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporation	72,515,000 shares	3.37%
Mr. Lui Yue Yun Gary	Beneficial owner	560,000 shares	0.03%

Save as disclosed above, as at the date of this report, none of the Directors or chief executives has any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company or Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which he was taken or deemed to have under provision of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

DIRECTORS', CHIEF EXECUTIVES'S AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

B. SUBSTANTIAL SHAREHOLDER'S INTERESTS IN SHARES AND SHARE OPTIONS

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

Long position in shares and underlying shares of the Company as at the date of this report:

Name of substantial shareholder	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporation	1,343,045,294 shares	62.58%
Mr. Lui Yue Yun Gary	Beneficial owner	1,343,605,294 shares	62.60%

Short position in shares and underlying shares of the Company as at the date of this report:

Name of substantial shareholder	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporation	72,515,000 shares	3.37%
Mr. Lui Yue Yun Gary	Beneficial owner	560,000 shares	0.03%

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

C. DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above, 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 six months ended 30 June 2024 or at any time during the period.

D. PURCHASE, SALES AND REDEMPTION OF SHARES

Save for Reorganisation as disclosed in Prospectus, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 report, 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.

BOARD COMMITTEE

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

On behalf of the Board

Anchorstone Holdings Limited

Lui Yue Yun Gary

Chairman

Hong Kong, 30 August 2024

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

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue from contracts with customers	4	17,634	27,053
Cost of sales	5	(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	6	(2,477)	(2,570)
Loss before income tax	5	(8,242)	(3,590)
Income tax expense	7	(280)	–
Loss and total comprehensive expenses for the period attributable to owners of the Company		(8,522)	(3,590)
Loss per share attributed to owners of the Company for the period:			
Basic and diluted loss per share (HK cent)	8	(0.40)	(0.24)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Note	As at	
		30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment		102	367
Right-of-use assets	9	127	508
Total non-current assets		229	875
Current assets			
Inventories	12	55,093	58,498
Trade and retention receivables	10	22,024	14,138
Contract assets		106,113	110,478
Deposits, prepayments and other receivables	11	6,893	5,584
Tax recoverable		194	194
Bank balances and cash		517	507
Total current assets		190,834	189,399
Total assets		191,063	190,274
EQUITY			
Share capital	15	21,462	21,462
Accumulated losses		(135,150)	(126,631)
Reserves		140,261	140,414
Total equity		26,573	35,245

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Note	As at	
		30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Loans from Directors		20,848	26,484
		20,848	26,484
Current liabilities			
Trade and retention payables	13	43,137	43,542
Accruals and other payables	13	43,369	37,007
Contract liabilities		19,878	10,741
Lease liabilities	9	111	440
Bank borrowings	14	33,522	33,152
Income tax payables		3,625	3,663
Total current liabilities		143,642	128,545
Total liabilities		164,490	155,029
Total equity and liabilities		191,063	190,274

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 report 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).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Going concern *(Continued)*

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 report, 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;

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES *(Continued)*

2.2 Going concern *(Continued)*

- (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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2023 annual report. There have been no changes in the risk management or any risk management policies since the year end.

3.2 Fair value estimation

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

4 REVENUE FROM CONTRACT WITH CUSTOMERS AND SEGMENT INFORMATION

Revenue from contract with customers

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

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 REVENUE FROM CONTRACT WITH CUSTOMERS AND SEGMENT INFORMATION *(Continued)*

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
Macau	4,664	–
	17,634	27,053

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (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

6 FINANCE COSTS, NET

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Finance income		
Interests from:		
— Bank deposits	1	—
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)
Finance costs, net	(2,477)	(2,570)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 INCOME TAX EXPENSE

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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 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 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Loss attributable to owners of the Company used in this basic and diluted loss per share calculation	(8,522)	(3,590)
	As at 30 June	
	2024 (unaudited)	2023 (unaudited)
Weighted average number of ordinary shares used in the basic loss per share calculation (<i>in thousand</i>)	2,146,202	1,483,354
Total basic and diluted loss per share (<i>HK cents</i>)	(0.40)	(0.24)

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 LEASES

	As at	
	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Right-of-use assets		
Properties	127	508
Lease liabilities		
Current lease liabilities	111	440
Non-current lease liabilities	–	–
	111	440

Amounts recognised in the consolidated interim statement of profit or loss and other comprehensive income

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Depreciation charges of right-of-use assets		
Properties	381	381
Interest expense (included in finance cost)	7	23

The Group leased for the office premise under rental contract is made for a fixed period of 3 years. The lease agreement does not impose any covenants and are not used as security for borrowing purposes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 TRADE AND RETENTION RECEIVABLES

	As at	
	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Trade receivables	11,567	6,514
Retention receivables	27,553	24,720
	39,120	31,234
Less: provision for loss allowance	(17,096)	(17,096)
	22,024	14,138

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 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Up to 30 days	3,985	1,444
31–60 days	189	705
61–90 days	–	–
Over 90 days	7,393	4,365
	11,567	6,514

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

12 INVENTORIES

	As at	
	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Finished goods — marble and granite	55,093	58,498

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 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
	33,522	33,152

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

- Trade and retention receivables of HK\$2,412,000 (31 December 2023: HK\$2,204,000);
- Contract assets of HK\$52,798,000 (31 December 2023: HK\$54,537,000); and
- 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).

15 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amounts HK\$'000
Authorised:		
At 31 December 2023, 1 January 2024 and 30 June 2024	5,000,000,000	50,000
Issued and fully paid:		
At 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 DIVIDEND

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

17 CONTINGENT LIABILITIES

Performance bonds

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.

Legal cases

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 report, 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 report. 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.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company						
	Share capital	Share premium	Merger reserve	Capital reserve	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2024 (unaudited)							
At 1 January 2024	21,462	174,034	(47,150)	14,000	(470)	(126,631)	35,245
Loss for the period	-	-	-	-	(153)	(8,519)	(8,672)
Balance at 30 June 2024 (unaudited)	21,462	174,034	(47,150)	14,000	(623)	(135,150)	26,573
For the six months ended 30 June 2023 (unaudited)							
At 1 January 2023	13,315	117,534	-	14,000	-	(91,234)	53,615
Loss for the period	-	-	-	-	-	(3,590)	(3,590)
Shares issued upon conversion of convertible bonds	411	2,589	-	-	-	-	3,000
Shares issued under general mandate	1,108	7,892	-	-	-	-	9,000
Balance at 30 June 2023 (unaudited)	14,834	128,015	-	14,000	-	(94,824)	62,025

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Cash flows from operating activities		
Net cash generated from/(used in) operations	7,308	(616)
Income tax paid	(38)	–
Interest received	1	–
Net cash generated from/(used in) operating activities	7,271	(616)
Cash flows from financing activities		
Interest paid	(646)	(894)
Proceeds from issuance of new shares under general mandate	–	9,000
Proceeds from issuance of convertible bonds	–	2,500
Repayments of loans and borrowings	–	(2,110)
Repayments of Directors' loans	(6,496)	(7,320)
Lease liabilities payment	(336)	(337)
Net cash (used in)/generated from financing activities	(7,478)	839
Net (decrease)/increase in cash and cash equivalents	(207)	223
Cash and cash equivalents at beginning of period	(8,780)	(9,177)
Exchange differences	(153)	–
Cash and cash equivalents at end of period	(9,140)	(8,954)
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	517	537
Bank overdrafts	(9,657)	(9,491)
Cash and cash equivalents at end of period	(9,140)	(8,954)