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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of Directors (the “**Directors**”) of Anchorstone Holdings Limited (the “**Company**”) would like to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Revenue from contracts with customers	3	91,686	91,942
Cost of sales	5	<u>(76,751)</u>	<u>(80,776)</u>
Gross profit		14,935	11,166
Other gains, net	4	1,244	6,525
Impairment losses on trade and retention receivables and contract assets, net	3, 10	(30,453)	(28,925)
Administrative expenses	5	<u>(22,560)</u>	<u>(25,258)</u>
Operating loss		<u>(36,834)</u>	(36,492)
Finance income		–	13
Finance costs	6	<u>(7,573)</u>	<u>(10,270)</u>
Finance costs, net		<u>(7,573)</u>	<u>(10,257)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before taxation		(44,407)	(46,749)
Income tax expense	7	<u>—</u>	<u>—</u>
Loss and total comprehensive expenses for the year and attributable to owners of the Company		<u>(44,407)</u>	<u>(46,749)</u>
		2022 <i>HK cents</i>	2021 <i>HK cents</i>
Loss per share attributed to owners of the Company			
Basic and diluted loss per share	8	<u>(3.45)</u>	<u>(3.76)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property and equipment		1,014	1,696
Right-of-use assets		<u>1,270</u>	<u>2,031</u>
Total non-current assets		<u>2,284</u>	<u>3,727</u>
Current assets			
Inventories	<i>12</i>	66,583	72,364
Trade and retention receivables	<i>10</i>	18,301	24,881
Contract assets	<i>3</i>	142,432	169,489
Prepayments and other receivables	<i>11</i>	884	1,301
Tax recoverable		194	194
Bank balances and cash	<i>13</i>	<u>1,140</u>	<u>2,680</u>
Total current assets		<u>229,534</u>	<u>270,909</u>
Total assets		<u>231,818</u>	<u>274,636</u>
EQUITY			
Share capital	<i>16</i>	13,315	12,472
Accumulated losses		(91,234)	(46,827)
Reserves		<u>131,534</u>	<u>117,377</u>
Total equity		<u>53,615</u>	<u>83,022</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		440	1,075
Loans from Directors		<u>56,890</u>	<u>80,550</u>
Total non-current liabilities		<u>57,330</u>	<u>81,625</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities			
Trade and retention payables	14	43,657	42,778
Accruals and other payables		31,389	17,511
Contract liabilities	3	3,476	5,500
Lease liabilities		635	605
Bank borrowings	15	36,555	42,877
Convertible notes		5,148	–
Tax payables		13	718
		<hr/>	<hr/>
Total current liabilities		120,873	109,989
		<hr/>	<hr/>
Total liabilities		178,203	191,614
		<hr/>	<hr/>
Total equity and liabilities		231,818	274,636
		<hr/>	<hr/>

NOTES:

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Going concern basis

The outbreak of Coronavirus Disease in early 2020 (the “**COVID-19 outbreak**”) has caused a severe slowdown of property development affecting construction industries in Hong Kong SAR (“**Hong Kong**”) and Macau SAR (“**Macau**”). It has therefore adversely affected the progress of ongoing project orders as well as 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.

For the year ended 31 December 2022, the Group reported a net loss attributable to the owners of the Company of approximately HK\$44,407,000 (2021: approximately HK\$46,749,000). As at 31 December 2022, the Group’s current bank borrowings was approximately HK\$36,555,000 (2021: approximately HK\$42,877,000), while its total bank balances and cash was approximately HK\$1,140,000 (2021: approximately HK\$2,268,000).

As at 31 December 2022, bank borrowings with a total principal amount of approximately HK\$36,555,000 were overdue. In addition, default interests have been charged to the unsettled overdue borrowings by the respective banks. The Group is unable to draw down new borrowings from its bank facilities since 20 November 2020 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 31 December 2022.

Since 1 January 2023 and up to the announcement date, the Group has repaid HK\$700,000 in relation to these overdue borrowings.

In accordance with the underlying bank facilities letters, performance bonds issued through a bank aforementioned of HK\$3,705,000 (2021: 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 unable to replace them with other equivalent performance bonds.

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

- (i) Despite the main banks of the Group had yet renewed the banking facility of certain major banks of the Group 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;
- (ii) The Group has implemented measures to accelerate the certification, billing and collection with customers for completed projects;
- (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 Group obtained loans from Executive Directors for financial support. As at 31 December 2022, such loans amounted to HK\$56,890,000 are unsecured and repayable after twelve months from the date of draw down and interest bearing at 5% per annum; 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 Company issued 2% redeemable mandatory convertible bonds of HK\$20,000,000 on 22 August 2022 to two subscribers in order to raise additional funds.

The Directors of the Company 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 31 December 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 31 December 2022. Accordingly, the Directors 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 statements.

2 APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the 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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the Directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

(a) Revenue from contracts with customers

Revenue from contracts with customers represents the total value of contract works completed and the stone sales during the year as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Supply and installation service	84,425	67,985
Stone sales	7,261	23,957
	<u>91,686</u>	<u>91,942</u>
Timing of revenue recognition:		
Over time	84,425	67,985
At a point of time	7,261	23,957
	<u>91,686</u>	<u>91,942</u>

(b) Segment information

The Executive Directors are the Group's chief operating decision-makers. The Executive Directors consider the segment from a business perspective and the only component in internal reporting to the Executive Directors is the Group's stone sales and supply and installation of marble products. Hence, management considers there to be only one operating segment under the requirements of HKFRS 8 *Operating Segment*. The Executive Directors assess the performance of the operating segment based on revenue generated. The Group does not report a measure of profit or total assets or an analysis of segment asset and segment liability for the operating segment as the Executive Directors do not use this information to allocate resources to or evaluate the performance of the operating segment.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	90,681	77,320
Macau	1,005	14,622
	<u>91,686</u>	<u>91,942</u>

(c) **Information about major customers**

Revenue attributed from customers that accounted 10% or more of the Group's total revenue is presented as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A (<i>Note i</i>)	31,441	N/A
Customer B (<i>Note i</i>)	21,332	N/A
Customer C (<i>Note ii</i>)	20,600	N/A
Customer D (<i>Note iii</i>)	N/A	16,711
Customer E (<i>Note iv</i>)	N/A	13,077
Customer F (<i>Note ii</i>)	N/A	10,817

Notes:

- (i) The revenue was generated from the supply and installation of marble product contract and stone sales in Hong Kong.
- (ii) The revenue was generated from the supply and installation of marble product contract in Hong Kong.
- (iii) The revenue was generated from stone sales in Hong Kong.
- (iv) The revenue was generated from the supply and installation of marble product contract in Macau.

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

(d) **Assets and liabilities related to contracts with customers**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	294,282	271,149
Less: progress billings	(79,999)	(59,422)
Less: loss allowance (<i>Note i</i>)	(75,327)	(47,738)
Balance at end of year	<u>138,956</u>	<u>163,989</u>
Analysed for reporting purposes as:		
Contract assets (<i>Note ii</i>)	217,759	217,227
Less: loss allowance (<i>Note i</i>)	(75,327)	(47,738)
	<u>142,432</u>	<u>169,489</u>
Contract liabilities (<i>Note iii</i>)	(3,476)	(5,500)
	<u>138,956</u>	<u>163,989</u>

Notes:

- (i) The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. Loss allowance of HK\$27,589,000 was made for the year ended 31 December 2022 (2021: HK\$28,046,000). Movements in the loss allowance for contract assets are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	47,738	19,692
Loss allowance	<u>27,589</u>	<u>28,046</u>
At 31 December	<u><u>75,327</u></u>	<u><u>47,738</u></u>

- (ii) The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.
- (iii) The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the supply and installation services.

As at 31 December 2022, contract assets amounted to HK\$98,175,000 (2021: HK\$125,700,000) have been pledged to secure the bank facilities.

4 OTHER GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants	915	–
Gain on disposal of subsidiaries	–	6,430
Others	<u>329</u>	<u>95</u>
	<u><u>1,244</u></u>	<u><u>6,525</u></u>

5 LOSS BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories	4,625	20,966
Construction cost recognised in cost of sales	72,126	59,810
Auditor's remuneration		
— Audit services	1,080	1,080
Depreciation — plant and equipment	706	521
Depreciation — right-of-use assets	761	4,912
Employee benefit expenses (including Directors' emoluments)	<u>11,079</u>	<u>12,201</u>

6 FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on:		
— Bank overdrafts	(518)	(559)
— Trust receipt loans	(3,069)	(4,904)
— Bank loans	(383)	(453)
— Lease liabilities	(68)	(419)
— Loans from Directors	(3,337)	(3,935)
— Other	(198)	—
	<u>(7,573)</u>	<u>(10,270)</u>

7 INCOME TAX EXPENSE

The statutory tax rate for the subsidiaries in Hong Kong is 16.5%. No Hong Kong Profits Tax on the Group's subsidiary has been provided as there were no assessable profits arising in Hong Kong during both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 31 December 2021.

8 LOSS PER SHARE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company, used in calculating basic and diluted loss per share:	<u>(44,407)</u>	<u>(46,749)</u>

Basic and diluted loss per share is calculated by dividing the loss attributable to the owners of the Company, by the weighted average number of ordinary shares outstanding during the financial year.

Ordinary shares that will be issued upon the conversion of the mandatorily convertible notes are included in the calculation of basic loss per share from the date the contract is entered into.

	2022 <i>HK Cents</i>	2021 <i>HK Cents</i>
Total basic loss per share attributable to the owners of the Company	<u>(3.45)</u>	<u>(3.76)</u>
	2022 <i>(In thousand)</i>	2021 <i>(In thousand)</i>
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	<u>1,287,834</u>	<u>1,243,768</u>

The diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2022 and 2021.

9 DIVIDENDS

The Board resolved not to propose final dividend for the year ended 31 December 2022 (2021: Nil) at the forthcoming Annual General Meeting.

10 TRADE AND RETENTION RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	7,048	11,849
Retention receivables	<u>21,344</u>	<u>20,259</u>
	28,392	32,108
Less: loss allowance	<u>(10,091)</u>	<u>(7,227)</u>
	<u><u>18,301</u></u>	<u><u>24,881</u></u>

The ageing analysis of the third-party trade receivables, based on invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 30 days	729	6,048
31–60 days	148	452
61–90 days	151	1,872
Over 90 days	<u>6,020</u>	<u>3,477</u>
	<u><u>7,048</u></u>	<u><u>11,849</u></u>

11 PREPAYMENTS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Prepayments	274	417
Insurance compensation receivables	275	617
Other receivables	<u>335</u>	<u>267</u>
	<u><u>884</u></u>	<u><u>1,301</u></u>

12 INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finished goods — marble and granite	<u><u>66,583</u></u>	<u><u>72,364</u></u>

13 BANK BALANCES AND CASH

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cash in bank	1,135	2,615
Cash on hand	5	65
	<u>1,140</u>	<u>2,680</u>

14 TRADE AND RETENTION 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	27,062	27,430
Retention payables	16,595	15,348
	<u>43,657</u>	<u>42,778</u>

The ageing analysis of the trade payables, based on invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 30 days	1,271	7,407
31–60 days	1,867	429
61–90 days	1,381	503
Over 90 days	22,543	19,091
	<u>27,062</u>	<u>27,430</u>

15 BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank overdrafts	10,317	10,242
Term loans — secured	3,500	3,800
Trust receipt loans — secured	21,088	24,835
Revolving loans — secured	1,650	4,000
	<u>36,555</u>	<u>42,877</u>

16 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amount HK\$'000
Ordinary share of HK\$0.01 each:		
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	3,000,000,000	30,000
Issued and fully paid:		
At 1 January 2021	1,224,000,000	12,240
Shares issued under share option scheme	23,200,000	232
At 31 December 2021 and 1 January 2022	1,247,200,000	12,472
Shares issued upon conversion of convertible notes	84,269,661	843
At 31 December 2022	1,331,469,661	13,315

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

17 SHARE-BASED PAYMENTS

The establishment of the Company's Share Option Scheme was approved by the Board of Directors (including all the Independent Non-Executive Directors). The Share Option Scheme is designed to provide long-term incentives for grantees to deliver long-term shareholder returns. Except for the share options granted to the Directors, the share options granted are conditional upon achievement of certain performance target. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options are granted under the Share Option Scheme at the consideration of HK\$1 per grant and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share within fourteen days after receiving a written notice from the grantees exercising the share options and a payment in full of the subscription price.

The exercise price of options represented the highest of (i) the closing price of HK\$0.249 of the Company's shares traded on the Hong Kong Stock Exchange on the date of grant; (ii) the average closing price of HK\$0.244 per Company's share for five business days immediately preceding the date of grant; and (iii) the nominal value of HK\$0.01 per Company's share.

	Exercise price per share option	Number of options
As at 1 January 2019	–	–
Granted on 8 July 2019	0.249	47,200,000
	<hr/>	<hr/>
As at 31 December 2019	0.249	47,200,000
Exercised during the year	0.249	(24,000,000)
	<hr/>	<hr/>
As at 31 December 2020	0.249	23,200,000
Exercised during the year	0.249	(23,200,000)
	<hr/>	<hr/>
As at 31 December 2021 and 2022	0.249	–
	<hr/> <hr/>	<hr/> <hr/>
Vested and exercisable at 31 December 2021 and 2022	0.249	–
	<hr/> <hr/>	<hr/> <hr/>

No options expired during the periods covered by the above tables.

18 CONTINGENCIES

Performance bonds

As at 31 December 2022, the Group has issued performance bonds in respect of construction contracts through the bank amounted to HK\$3,705,000 (2021: HK\$5,138,000).

Legal cases

During the year ended 31 December 2022, the legal cases of the Group was as follows:

- (i) 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 claimed for in these cases was still being determined, and the amount of the possible obligation cannot be ascertained with reliability.
- (ii) A previous subcontractor of the Group initiated a claim for payment of service rendered of HK\$8,763,000. As at the date of this announcement, the Group took legal actions to defend against the claim and the likelihood of the plaintiff succeed in the whole of its claim is remote.

RESULT

The ongoing COVID-19 pandemic, international trade relations, supply chain disruptions, increasing geopolitical tensions, interest rate hikes and the rising costs of construction in 2022 have created uncertainties and volatility in the local property market and the construction industry.

In 2022, the increasing geopolitical risk and the COVID-19 pandemic continued to affect the local economy. However, with the COVID-19 pandemic seems to show a sign of ease since late 2021, the overall delay situation on the Group's existing construction projects has improved.

For the year ended 31 December 2022, the Group recorded a revenue of approximately HK\$91.7 million (2021: HK\$91.9 million), representing a slight decrease of 0.2% compared with that in the year ended 31 December 2021. The Group also recorded an increase of gross profit for the year ended 31 December 2022 (2022: HK\$14.9 million; 2021: HK\$11.2 million), representing an increase of 33.0%.

In view of the downturn in the local economy and certain other factors, although the business environment has shown improvement in 2023, the management had made provision for loss allowance of the contract assets and trade and retention receivable of approximately HK\$30.5 million (2021: HK\$28.9 million) for certain projects based on the impairment assessment.

In the current financial year, the Group's administrative expenses was approximately HK\$22.6 million (2021: HK\$25.3 million), representing a decrease of approximately HK\$2.7 million or 10.7%.

Due to the combination of the factors above, the Group recorded a loss before taxation and total comprehensive expense of approximately HK\$44.4 million (2021: HK\$46.7 million) for the year ended 31 December 2022, representing a decrease in loss of approximately HK\$2.3 million or 4.9%.

FINANCIAL POSITION

The Group's net asset was approximately HK\$53.6 million (2021: HK\$83.0 million). The key assets as at 31 December 2022 were contract assets, inventories, trade and retention receivables and bank balances and cash.

Contract assets represented the Group's construction work in progress as at the reporting date. As at 31 December 2022, the outstanding contract assets on hand was approximately HK\$142.4 million, representing an edged down of 16.0% over the same period in 2021. This was mainly due to the previous slowdown in the overall construction industry in Hong Kong.

Trade and retention receivables represented the Group's receivables from its construction projects. As at 31 December 2022, the trade and retention receivables was approximately HK\$18.3 million, representing a decrease of 26.5% compared to last year. This was due to the increase in confirmation or certification of work in progress.

Inventories were final products for the Group's stone sales project. The decrease was due to the utilisation for sales during the year.

The key liabilities of the Group as at 31 December 2022 were the trade and retention payables, bank borrowings and loans from Directors of the Company.

Trade and retention payables represents the amounts due to subcontractors and suppliers of the Group. As at 31 December 2022, there was no significant change in the trade and retention payables position.

The Group's bank borrowings were mainly used for its operation purpose. As at 31 December 2022, all bank borrowings with a total principal amount of approximately HK\$36.6 million (2021: HK\$42.9 million) were overdue. The total bank borrowings were reduced from approximately HK\$42.9 million in 2021 to approximately HK\$36.6 million in 2022. The Group had made an effort to repay the bank borrowings to reduce the liquidity risk of the Group. The Group also maintained communications with the relevant banks and there were no formal demand letters issued for immediate repayment of all outstanding bank borrowings.

The loans from Directors of the Company were provided to support the Group's operating and financing activities. Most of the loans from Directors were utilised to settle the overdue bank borrowings.

INDUSTRY REVIEW

The persistence of the COVID-19 pandemic has posted adverse impact to the general operation environment on the industry, in particular the shipping supply of marble and granites from oversea countries to the PRC and Hong Kong. In particular, there were serious negative impact in the first quarter of 2022. The work schedule of the Group's subcontractors and suppliers were affected as a result.

The pandemic also shocked the Hong Kong economy and it needs time to recover. The performance of the local property market still has a lot of uncertainty, which may affect the future tendering activities of our industry.

The competition of the supply and installation of marble and granite market remains very keen. The increasing cost of building materials and construction labour costs posted negative impact on the performance of the construction sector in Hong Kong, resulting in the thinner profit margin for the Group.

In this competitive industry, reputations are hard-won and determinedly maintained. For further growth and development in the industry, the Group also needs stronger financial resource to support its construction projects, and maintains good relationship with its consumers, subcontractors, suppliers and other stakeholders.

The management had tried the best to get the operations back on track as effectively and efficiently by closely working with its consumers, suppliers and subcontractors. As one of the leading marble subcontractor in Hong Kong, the Board is confident about the future prospects of the Group especially in the “post-COVID-19” period.

GROUP PERFORMANCE

During the year, COVID-19 continued to cause steep declines in the Group’s performance due to various anti-pandemic measures and cross-boundary limitation had significantly affected the Group’s material supplies and work progress at the construction site. The business environment has improved since late 2022. Nevertheless, for the year ended 31 December 2022, the Group still recorded a loss for the year of approximately HK\$44.4 million (2021: HK\$46.7 million).

The unsatisfactory result was mainly due to the delaying in the work progress of most of the stone supply and installation services projects undertaken by the Group. The delaying work progress, in return, increased the turnover period the Group’s contract assets and trade receivables. As a result, there were certain overdue payments to the banks, which deteriorated the situation as the Group has allocated additional resources to handle such overdue situation.

Hong Kong is the place that the Group rooted in. In the past few years, it was full of uncertainty and challenge due to the COVID-19 pandemic. In considering the weak economic environment in Hong Kong and other relevant factors which may affect adversely on the business cycles of the Group, the provision for loss allowance of the contract assets and trade and retention receivable of approximately HK\$30.5 million (2021: HK\$28.9 million) was made.

Besides, the increasing cost of sales and other operation costs due to the keen competition and general inflation also affected the Group’s performance.

Having considered the Group’s performance in Hong Kong and Macau, as well as other relevant factors, the Group would like to diversify and expand its geographical coverage of the principal business and intends to enter into the market for the supply and distribution of marble and granite products in the People Republic’s of China (the “PRC”). Pursuant to the deed of non-competition dated 11 June 2018 and given by Mr. Lui Yue Yun Gary (the chairman and an executive Director of the Company) in favour of the Company, Mr. Lui Yue Yun Gary, being the substantial shareholder of the

Company, will not carry on or participate in any business which is or may be in competition with the business currently and from time to time engaged by the Group. In view of avoiding any competing business with each other, the Company was resolved that the Group will tap into the sales and distribution business of marble and granite products in the PRC through a potential transaction. Reference is made to the announcements of the Company dated 20 September 2022, 18 November 2022, 16 December 2022, 19 January 2023, 27 February 2023 and 23 March 2023 respectively.

The Directors are of the view that entering into the PRC market by the Group will broaden the market of the Company, creating a significant improvement of the turnover and profitability to the Company. As at the announcement date, it is expected that the date of despatch of the Circular will be further postponed to a date falling on or before 28 April 2023.

Revenue

The Group generated revenue from the foundation projects we undertook. The Group recorded a revenue of approximately HK\$91.7 million for the year ended 31 December 2022 (2021: HK\$91.9 million), representing a decrease of 0.2% compared with that in the year ended 31 December 2021.

Hong Kong

Revenue generated from the Hong Kong construction project increased by approximately HK\$16.4 million or 24.1% in 2022. The increase was mainly due to the improvement of construction work progress during the year.

Macau

Revenue in Macau had decreased by approximately HK\$13.6 million or 93.2% in 2022. Although Macau was less impacted by the COVID-19 pandemic last year, the cross-boundary limitation between Hong Kong and Macau under the epidemic prevention measures caused the Group to invest extra time and resources for communication with the project status in Macau. Moreover, there were less tendering activities in Macau given the weak economy in 2022.

Gross profit and margin

The Group's gross profit increased from approximately HK\$11.2 million to approximately HK\$14.9 million, representing approximately HK\$3.7 million or 33.0% increase as compared with the gross profit for the corresponding period in 2021. There was an increase in gross profit margin from approximately 12.1% in 2021 to 16.2% in 2022.

Administrative expenses

The administrative expenses of the Group in 2022 was approximately HK\$22.6 million, representing an decrease of approximately HK\$2.7 million or 10.7% as compared to approximately HK\$25.3 million in 2021. The decrease was mainly due to the decrease in depreciation of the right-of-use assets incurred by the disposed subsidiaries in last year.

Loss attributable to owners of the Company

Based on the above, loss attributable to equity holders of the Company was approximately HK\$44.4 million for the year ended 31 December 2022 (2021: HK\$46.7 million).

Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 December 2022 (2021: same).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through its loans, borrowings and cash inflows from operating activities. As at 31 December 2022, the capital structure of the Group consisted of equity of approximately HK\$53.6 million (31 December 2021: HK\$83.0 million) and debt of approximately HK\$98.6 million (31 December 2021: HK\$123.4 million). For details, please refer to the paragraph headed “Bank borrowings” below.

Due to the difficult operation environment in years 2021 and 2022, most of the construction projects of the Group were delayed and thus the receivables collection cycle had unexpectedly procrastinated. As a result, the Group failed to repay certain trust receipt loans to the banks by the due date as at 31 December 2022.

As at the years ended 31 December 2021 and 2022 and up to the report date, the Group has not received any formal demand letters from the banks for immediate repayment. 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. As at the announcement date, the Group’s bank borrowings reduced to approximately HK\$35,855 million.

Based on the cash flow projections cover a period of not less than twelve months from 31 December 2022 and the measurements mentioned in Note 1(a), the Group is expected to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. 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 31 December 2022, the current ratio of the Group was approximately 1.9 times (31 December 2021: 2.5 times). It was calculated as the current assets divided by the current liabilities as at the end of the respective years.

As at 31 December 2022, the Group's gearing ratio was 65% (31 December 2021: 59%). It was calculated as the net debts (loans from Directors, bank borrowings and convertible notes less the bank and cash balance) divided by the total capital as at the end of the respective years and multiplied by 100%. As at 31 December 2022, the Group's bank and cash balance were approximately HK\$1.1 million (31 December 2021: HK\$2.7 million). The decrease in cash and cash equivalents was mainly due to repayment of bank borrowings.

Bank borrowings

As at 31 December 2022, the Group had total bank borrowings of approximately HK\$36.6 million (31 December 2021: HK\$42.9 million). The Group has not renewed its banking facilities since late 2020.

Finance costs, net

Net finance costs decreased from HK\$10.3 million to HK\$7.6 million for the year ended 31 December 2022. The decrease was mainly due to the settlement of the outstanding bank loans during the year. The increasing bank interest rate may pose additional financial burden to the Group. The volatility in the interest rate may adversely affect the financial cost of the Group.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and Macau. The Group's 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.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group has issued performance bonds in respect of construction contracts through the bank amounted to HK\$3,705,000 (2021: HK\$5,138,000).

HUMAN RESOURCES

As at 31 December 2022, the Group had 88 full-time employees who were directly employed by the Group. Total staff costs including Directors' emoluments for the year ended 31 December 2022, amounted to approximately HK\$11.1 million (2021: approximately HK\$12.2 million). The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee. During the year ended 31 December 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed its own shares through the Stock Exchange or otherwise.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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. Except for the disclosure below, the Company had complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Chairman and Chief Executive Officer

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. Mr. Lui Yue Yun Gary 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 (“**Independent Non-Executive Directors**”). Therefore, it has a strong independent element in its composition.

Full details on the Company’s corporate governance practices will be set out in the Company’s 2022 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee, with its terms of reference established in compliance with the Listing Rules, is composed of three Independent Non-Executive Directors (Mr. Ko Tsz Kin, Mr. Ng Yau Wah Daniel and Mr. Nie Kin Kwok Kevin). The Audit Committee has reviewed the management and accounting policies adopted by the Group and discussed auditing issues, risk management and internal control system, and financial reporting matters. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, CL Partners, Certified Public Accountants, Hong Kong.

REMUNERATION COMMITTEE

The Remuneration Committee, with its terms of reference established in compliance with the Listing Rules, was set up with the responsibility of making recommendations 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).

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). 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 change.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, CL Partners, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by CL Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CL Partners on the preliminary announcement. The Audit Committee has reviewed the annual results for the year ended 31 December 2022.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The auditor will express an unqualified opinion in the independent auditor's report, but will draw attention by adding material uncertainty related to going concern paragraph as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hog Kong institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$44,407,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group's total borrowings and loans amounted to approximately HK\$93,445,000, out of which borrowings and loans of approximately HK\$36,555,000, are due for repayment in the next twelve months from the date of approval of these consolidated financial statements, while its cash and cash equivalents amounted to HK\$1,140,000 at 31 December 2022. In addition, as at 31 December 2022, the Group was in default in respect of principal amount of borrowings totaling approximately HK\$36,555,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2022.

These conditions, together with other matters described in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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 31 December 2022. They are of the opinion that, taking into account the plans and measures described in note 2.1 which improve the liquidity and financial position of the Group, 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 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. However, the ultimate success of the renewal of the existing loans or the likelihood of raising any new funds could not be determined as of the date of approval of these consolidated financial statements. Should the above financing be unavailable, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

ANNUAL REPORT

The 2022 Annual Report will be despatched to Shareholders and will be published on the websites of the Stock Exchange (www.hkex.com.hk) as well as the website of the Company (www.anchorstone.com.hk) in due course.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 28 June 2023. Notice of Annual General Meeting will be published on the websites of the Stock Exchange and the Company, and despatched to Shareholders in due course.

Shareholders whose names appear on the register of members of the Company on 28 June 2023 are entitled to attend and vote at the AGM. The register of members of the Company will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023, both days inclusive. In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Thursday, 22 June 2023.

By Order of the Board
Anchorstone Holdings Limited
Lui Yue Yun Gary
Chairman

Hong Kong, 30 March 2023

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, the non-executive Director is Ms. Lui Natalie Po Wai and the independent non-executive Directors are Mr. Ko Tsz Kin, Mr. Ng Yau Wah Daniel and Mr. Nie Kin Kwok Kevin.