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Anchorstone Holdings Limited

基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1592)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS (UNAUDITED)

The board (the "**Board**") of directors (the "**Directors**") of Anchorstone Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023, together with the comparative unaudited figures of the corresponding period in 2022, as follows:

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

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue from contract with customers	*3*	**27,053**	54,757
Cost of sales		**(19,336)**	(40,723)
Gross profit		**7,717**	14,034
Other income and other gains, net		**–**	1,308
Impairment losses on contract assets		**–**	(3,820)
Administrative expenses		**(8,737)**	(9,633)
Operating (loss)/profit		**(1,020)**	1,889
Finance costs, net	*4*	**(2,570)**	(3,725)
Loss before income tax	*5*	**(3,590)**	(1,836)

		Six months ended 30 June	
		2023	2022
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Income tax expense	*6*	**–**	–
Loss and total comprehensive expenses for the period attributable to owners of the Company		**(3,590)**	(1,836)
Loss per share attributed to owners of the Company for the period:			
Basic and diluted loss per share (HK cent)	*7*	**(0.24)**	(0.15)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at	
		30 June	31 December
		2023	2022
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property and equipment		**679**	1,014
Right-of-use assets		**889**	1,270
Total non-current assets		**1,568**	2,284
Current assets			
Inventories		**64,040**	66,583
Trade and retention receivables	*9*	**19,413**	18,301
Contract assets		**138,911**	142,432
Deposits, prepayments and other receivables	*10*	**934**	884
Tax recoverable		**194**	194
Bank balance and cash		**537**	1,140
Total current assets		**224,029**	229,534
Total assets		**225,597**	231,818
EQUITY			
Share capital	*13*	**14,834**	13,315
Accumulated losses		**(94,824)**	(91,234)
Reserves		**142,015**	131,534
Total equity		**62,025**	53,615

	Note	As at 30 June 2023 HK$'000 (unaudited)	As at 31 December 2022 HK$'000 (audited)
LIABILITIES			
Non-current liabilities			
Loans from Directors		**49,570**	56,890
Lease liabilities		**111**	440
		49,681	57,330
Current liabilities			
Trade and retention payables	*11*	**42,031**	43,657
Accruals and other payables	*11*	**29,468**	31,389
Contract liabilities		**3,072**	3,476
Lease liabilities		**650**	635
Amount due to a related company		**330**	–
Bank borrowings	*12*	**33,619**	36,555
Convertible bonds		**4,708**	5,148
Income tax payables		**13**	13
Total current liabilities		**113,891**	120,873
Total liabilities		**163,572**	178,203
Total equity and liabilities		**225,597**	231,818

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the stone sales and supply and installation of marble products in Hong Kong ("**HK**") and Macau. It is a subsidiary of PMG Investments Limited.

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

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

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

2.1 Basis of presentation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2023 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 2022 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 2022 that is included in this announcement as comparative information does not constitute the Company's statutory annual consolidated accounts for that financial year but is derived from those accounts. The unaudited interim results should be read in conjunction with the 2022 annual report.

2.2 Going concern

The outbreak of Coronavirus Disease (the "**COVID-19 outbreak**") in early 2020 has caused a severe slowdown of property development and construction industries in Hong Kong and Macau. It has therefore adversely affected the work progress of the Group's ongoing project orders as well as the future customers' demand of the Group's products and services and thereby affecting the Group's ability to generate adequate cash from its operations to meet its bank borrowings repayment obligations since the COVID-19 outbreak. Such adverse impact on the status of the Group's supply and installation projects has become worse since 2020. As disclosed in the 2020 annual report, certain bank borrowings with a total principal amount of HK$91,703,000 were overdue. In addition, default interests have been charged to the unsettled overdue borrowings by the respective banks. As at 30 June 2023, the overdue bank borrowing decreased significantly to approximately HK$33,619,000.

Due to the overdue bank borrowings, the Group has not been able to draw down new borrowings from its bank facilities since 20 November 2020. The total bank borrowings would be immediately repayable if requested by the banks in accordance with the underlying bank facilities letters. Accordingly, all the aforementioned bank borrowings have been classified as current liabilities as at 30 June 2023. Furthermore, performance bonds issued through a bank aforementioned of approximately HK$3,705,000 (31 December 2022: approximately 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 not able to replace them with other equivalent performance bonds. The aforementioned conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

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

(i) The Group had continued to negotiate with the relevant banks for extension of the overdue bank borrowings and to waive their rights arising from the events of default. Up to the date of this announcement, the Group has not received any formal demand letters from the relevant banks. Based on the information available, the Directors are of the view that, these banks will not enforce their rights of requesting for immediate repayment of its outstanding bank borrowings nor cancelation of the performance bonds.

(ii) As at 30 June 2023, the Group has further reduced its overdue bank borrowings to approximately HK$33,619,000.

(iii) The Group had obtained certain loans from the Company's Executive Directors Mr. Lui, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang, in total of approximately HK$46.7 million, HK$0.7 million and HK$2.1 million, respectively as at 30 June 2023. These loans are unsecured and repayable after twelve months from the date of draw down and interest rate on these loans ranged from 2% to 5% per annum. These loans could be extended upon the agreements of those Directors and the approval of the Board.

(iv) The Group is actively looking for other sources of financing including other debt or equity financing to enhance the capital structure and reduce the overall financing expenses. On 10 June 2022, the Company entered into a subscription agreement ("**Subscription Agreement**") with the third parties (the "**Subscribers**"), pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the convertible notes (the "**Convertible Notes**") in an aggregate nominal value of up to HK$200 million. On 17 April 2023 and 27 April 2023, the Company had completed the subscriptions of new shares under general mandate and raised HK$9,000,000 in total.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2023. 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 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

2.3 Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following 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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

3 REVENUE FROM CONTRACT WITH CUSTOMERS AND SEGMENT INFORMATION

Revenue from contract with customers

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Supply and installation services	**11,416**	51,109
Stone sales	**15,637**	3,648
	27,053	54,757
Timing of revenue recognition:		
Over time	**11,416**	51,109
At a point in time	**15,637**	3,648
	27,053	54,757

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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Hong Kong	**27,053**	54,531
Macau	**–**	226
	27,053	54,757

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 2023 and 2022, 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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Customer A *(Note)*	**7,971**	N/A
Customer B *(Note)*	**6,051**	N/A
Customer C *(Note)*	**3,025**	N/A
Customer D *(Note)*	**2,931**	25,329
Customer E *(Note)*	**N/A**	25,329
Customer F *(Note)*	**N/A**	13,392
Customer G *(Note)*	**N/A**	6,730

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

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

4 LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before income tax has been arrived at after charging:		
Construction cost recognised in cost of sales	**9,772**	39,476
Depreciation — plant and equipment	**335**	371
Depreciation — right-of-use assets	**381**	381
Employee benefit expenses, including Directors' emoluments	**5,703**	5,118
Auditor's remuneration	**540**	540
Legal and professional fees	**610**	888

5 FINANCE COSTS, NET

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Finance costs		
Interests on:		
— Bank overdrafts	**287**	250
— Trust receipt loans interest	**1,007**	1,477
— Loans from Directors	**1,193**	1,961
— Lease liability interest	**23**	37
— Others	**60**	–
Finance costs, net	**2,570**	3,725

6 INCOME TAX EXPENSE

No provision for Hong Kong profits tax for the six months ended 30 June 2023 and 2022 has been made for the Company and its Hong Kong subsidiaries as they had no estimated assessable profit for the both period.

7 LOSS PER SHARE

For the six months ended 30 June 2023 and 2022, 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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss attributable to owners of the Company used in this basic and diluted loss per share calculation	**(3,590)**	(1,836)

	As at 30 June	
	2023	2022
	(unaudited)	(unaudited)
Weighted average number of ordinary shares used in the basic loss per share calculation *(in thousand)*	**1,483,354**	1,247,200
Total basic and diluted loss per share *(HK cents)*	**(0.24)**	(0.15)

No diluted earnings per share for the six months ended 30 June 2023 and 2022 was presented as there was no potential ordinary shares in issue during the period.

8 TRADE AND RETENTION RECEIVABLES

	As at	
	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**7,792**	7,048
Retention receivables	**21,712**	21,344
	29,504	28,392
Less: provision for loss allowance	**(10,091)**	(10,091)
	19,413	18,301

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 2023 and 31 December 2022, the ageing analysis of the third-party trade receivables, based on invoice date, is as follows:

	As at	
	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Up to 30 days	**1,369**	729
31–60 days	**476**	148
61–90 days	**46**	151
Over 90 days	**5,901**	6,020
	7,792	7,048

Retention receivables in respect of the supply and installation business are settled in accordance with the terms of the respective contracts. In the condensed consolidated statement of financial position, retention receivables were classified as current assets based on the operating cycle.

9 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Prepayments	**57**	274
Insurance compensation receivables	**275**	275
Other receivables	**602**	335
	934	884

10 PAYABLES

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

	As at	
	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract creditors and suppliers	**26,066**	27,062
Retention payables	**15,965**	16,595
	42,031	43,657
Accruals and other payables	**29,468**	31,389

11 BANK BORROWINGS

	As at	
	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Bank overdraft	**9,491**	10,317
Term loans — secured	**3,500**	3,500
Trust receipt loans — secured	**19,528**	21,088
Revolving loans — secured	**1,100**	1,650
	33,619	36,555

As at 30 June 2023 and 31 December 2022, bank facilities granted to the Group are secured by the followings:

(a) Trade and retention receivables of HK$4,260,000 (31 December 2022: HK$3,963,000);

(b) Contract assets of HK$93,648,000 (31 December 2022: HK$124,964,000); and

(c) Cross guarantees by the Company's subsidiaries (31 December 2022: same) and certain related parties of the Group.

As at 30 June 2023 and 31 December 2022, 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 2023 was 10.79% per annum (31 December 2022: 3.38% to 7.35% per annum).

12 SHARE CAPITAL

		Issued and fully paid	
		Number of shares	**Amounts**
	Notes		*HK$'000*
Authorised:			
At 31 December 2022, 1 January 2023 and 30 June 2023		3,000,000,000	30,000
Issued and fully paid:			
As 31 December 2022 and 1 January 2022		1,331,469,661	13,315
Shares issued upon conversion of convertible bonds	*(a)*	41,118,481	411
Shares issued under general mandate	*(b)*	110,766,341	1,108
At 30 June 2023		1,483,354,483	14,834

Notes:

(a) On 3 April 2023 and 30 May 2023, the holders of convertible bonds exercised the conversion right for conversion of HK$2,000,000 and HK$1,000,000 convertible bonds into 26,954,176 and 14,164,305 ordinary shares of the Company of HK$0.01 each at the conversion price determined at the date of conversion as at HK$0.0742 and HK$0.0706 per each share respectively.

(b) On 17 April 2023 and 27 April 2023, the Company entered into the Subscription Agreement with a third-party investor, pursuant to which the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, 62,351,914 and 48,414,427 Subscription Shares at the HK$0.08019 and HK$0.08262 per Subscription Share respectively, representing approximately 7.46% of the issued share capital of the Company as enlarged by the Subscription Shares. As at 30 June 2023, the Subscription Shares had been issued by the Company and the Company has received the subscription price of HK$9,000,000 in total. The subscriptions were completed on 17 April 2023 and 27 April 2023 respectively.

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

13 DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

14 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 28 July 2023, the holder of convertible bonds exercised the conversion right for conversion of HK$4,500,000 into 74,611,858 ordinary shares of the Company at a conversion price HK$0.0401 per share. The total issued share after the allotment and issue of conversion shares is 1,557,966,341.

RESULT

Anchorstone Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), is a leading and well-established subcontractor in Hong Kong specialising primarily in the stone sales and supply and installation of marble projects in Hong Kong and Macau. The Group and its subsidiaries have undertaken various sizeable stone supply projects and stone supply and installation projects in Hong Kong and Macau for over 30 years.

In 2023, the global and local economic continued to experience a slowing down. The Group's operations unavoidably faced adverse effects. Furthermore, the surging interest rates, the recession of the property market, rising costs of material and logistics and significant shortage of workforce created uncertainties and complexities in project execution and tendering.

The Group recorded a revenue of approximately HK$27.1 million in the six months ended 30 June 2023, representing a decrease of 51% compared with the same period last year. The Group recorded a loss attributable to owners of the Company of approximately HK$3.6 million for the period ended 30 June 2023. The loss for the period attributed to owners of the Company has increased from approximately HK$1.8 million for the period ended 30 June 2022 to approximately HK$3.6 million for the period ended 30 June 2023.

Based on the understanding of the board (the "**Board**") of directors (the "**Directors**"), the decrease was mainly due to the adverse impact of slowing down of the local economic momentum and the weak property market, which resulted in the deferral of the work status for some of the Group's supply and installation projects for a few months. Although the overall progress of our projects slowed down, it does not pose a systematic risk to the Group since most of our projects have resumed normal operations. The Group has successfully awarded some new tenders and most of them would be commenced in late 2023. The Group also remains proactive in seeking new business opportunities, including but not limited to developing new geographical markets and extending our business scope.

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 2023 (30 June 2022: Nil).

BUSINESS REVIEW AND OUTLOOK

The Group's profitabilities and liquidities were significantly declined in the recent few years. 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, there is still strong demand for the high quality marble and granite products in the Hong Kong property markets. The management would try the best to get the operations back on track as effectively and efficiently by closely working with its consumers, suppliers and subcontractors.

Revenue

During the six months ended 30 June 2023, the Group generated revenue from the its supply and installation projects and stone sales projects in Hong Kong and Macau. It recorded a decrease in revenue for approximately HK$27.7 million or 50% 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 2022.

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 improved from around 25.6% to 28.5% 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$6.3 million or approximately 45.1% from approximately HK$14.0 million for the period ended 30 June 2022 to approximately HK$7.7 million for the period ended 30 June 2023.

Administrative expenses

The administrative expenses of the Group for the current period amounted to approximately HK$8.7 million, representing a decrease of approximately HK$0.9 million, or 9.3% compared to approximately HK$9.6 million for the last period.

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

Finance costs

Finance costs were mainly arisen from the bank borrowings and the Directors' loan for the operation purposed. The finance costs decreased from HK$3.7 million for the period ended 30 June 2022 to HK$2.6 million for the period ended 30 June 2023. The decrease was mainly due to the settlement of certain outstanding bank borrowings in both year 2022 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.

No provision for income tax expense has been made in current period as the Group (and its subsidiaries) recognised loss for the current period.

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

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately HK$3.6 million for the current period, as compared to a loss attributable to owners of the Company of approximately HK$1.8 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 2023, the capital structure of the Group consisted of equity of approximately HK$62.0 million (31 December 2022: HK$53.6 million) and bank borrowings of approximately HK$33.6 million (31 December 2022: HK$36.6 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Due to the difficult operation environment in the past few years, most of the construction projects were delayed and thus the receivables collection cycle of the Group had unexpectedly procrastinated. As a result, the Group failed to repay certain bank borrowings (mainly trust receipt loans) by the due date since year 2020. The trust receipt loans were secured by the assets of the Group, including the trade and retention receivables, pledged deposits and contract assets, and were cross guaranteed by the Group's subsidiaries to the relevant banks. As at the announcement date, the Group is 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, repayment of trust receipts loan principal and interest based on the discussions with the relevant banks, actively discussions 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 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 2023, 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 2023, the Group's cash and cash equivalents were approximately HK$0.5 million (31 December 2022: HK$1.4 million). As at 30 June 2023, the current ratio of the Group was approximately 2.0 times (31 December 2022: 1.9 times).

Bank borrowings

As at 30 June 2023, the Group had total bank borrowings of approximately HK$33.6 million (31 December 2022: HK$36.6 million). As at 30 June 2023, the Group has not renewed its banking facilities since its last report date in 2022.

Gearing ratio

As at 30 June 2023, the Group's gearing ratio was approximately 58% (31 December 2022: 65%), calculated as the net debts (loans from Executive Directors, bank borrowings and convertible bonds 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 2023, the Group had net current assets of approximately HK$110.1 million (31 December 2022: approximately HK$108.7 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 2023.

Contingencies

As at 30 June 2023 and 31 December 2022, the Group has issued performance bond in respect of construction contracts through bank which amounted to HK$3.7 million. These performance bond was secured by bank facilities.

During the period ended 30 June 2023, there were several legal cases concerning claims for personal injuries against certain subsidiaries of the Company. As at the date of this announcement, two cases had developed to legal proceedings while the other two cases were still at their initial stage. The amount being claim for in these cases was still being determined, and the amount of the possible obligation cannot be ascertained with reliability.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had 22 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 2023, there has not been any incident of strike or labour shortage which adversely affected the Group's operations. In addition, the Group has not experienced any significant problem with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

AUDIT COMMITTEE

The Audit Committee, with its terms of reference established in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), was composed of two Independent Non-Executive Directors (Mr. Ko Tsz Kin and Mr. Ng Yau Wah Daniel) of the Company as at 30 June 2023. 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.

On 1 July 2023, Mr. Ng Yau Wah Daniel resigned as an Independent Non-Executive Director of the Company and a member of the Audit Committee.

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. Ng Yau Wah Daniel and Mr. Ko Tsz Kin) of the Company as at 30 June 2023.

On 1 July 2023, Mr. Ng Yau Wah Daniel resigned as a member of the Remuneration Committee.

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. Ng Yau Wah Daniel and Mr. Ko Tsz Kin) of the Company as at 30 June 2023. 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 1 July 2023, Mr. Ng Yau Wah Daniel resigned as a member of Nomination Committee.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

DIRECTOR'S INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

CORPORATE GOVERNANCE

Overview of Corporate Governance

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control and to enhance the transparency and accountability of the Board to all shareholders of the Company. The Company has complied with the applicable code provisions of the Corporate Governance Code ("**CG Code**") from the listing date of the shares of the Company and up to the date of this announcement, except for the deviations as mentioned below.

(1) The roles of the chairman and chief executive of the Company have not been segregated as required by the code provision A.2.1 of the 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.

(2) As disclosed in the announcement of the Company dated 23 September 2022, Ms. Lui Natalie Po Wai and Mr. Nie Kin Kwok Kevin were appointed as Directors with effect from 23 September 2022 and shall hold office until the first general meeting of the Company after their respective appointments, at which they shall be eligible for re-election. However, as the relevant resolutions for the re-election had not been included in the notice and the circular of Annual General Meeting that held on 28 June 2023 ("**AGM**") for the consideration of the Shareholders at the AGM, the two directors shall therefore retire from office at the conclusion of the AGM. As Mr. Nie Kin Kwok retired on 28 June 2023, the Company has only two Independent Non-Executive Directors. Further on 1 July 2023, Mr. Ng Yau Wah Daniel resigned as an Independent Non-Executive Director. As a result, the number of the Independent Non-Executive Directors falls below the minimum number (i.e. at least three Independent Non-executive Directors) required under Rule 3.10(1) of the Listing Rules, and the Audit Committee of the Company has only one Independent Non-Executive Director as at the date of this announcement), thus the number of the members falls below the minimum number (i.e. at least three members) as required under Rule 3.21 of the Listing Rules.

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

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. All Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by Directors as set out in the Model Code for the six months ended 30 June 2023.

Non-compliance with requirements under the Listing Rules

Following the retirement of Mr. Nie Kin Kwok Kevin on 28 June 2023 and the resignation of Mr. Ng Yau Wah Daniel on 1 July 2023 as the Company's Independent Non-Executive Directors, the Board comprises of three Executive Directors and one Independent Non-Executive Director. As a result of the foregoing, the Company is not in compliance with the requirements of (i) Rule 3.10(1) of the Listing Rules that the Board must include at least three Independent Non-Executive Directors; and (ii) Rule 3.21 of the Listing Rules that the Audit Committee of the Company must comprise a minimum of three members.

The Company is in the process of identifying suitable candidate(s) to fill the vacancies of Independent Non-Executive Director, the member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company in order to meet the aforementioned Listing Rules requirements, and will use its best endeavors to ensure a suitable candidate is appointed as soon as practicable, in any event within three months from the date hereof. Further announcement(s) will be made by the Company as and when appropriate.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Latest Listed Company Information" and on the website of the Company at www.anchorstone.com.hk. The interim report for the six months ended 30 June 2023 will be dispatched to the shareholders and published on the above websites in due course.

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

Hong Kong, 31 August 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; and the Independent Non-Executive Director is Mr. Ko Tsz Kin.