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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024 AND RESUMPTION OF TRADING

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 2024 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 2024

	Notes	**31 December 2024** ***HK$'000***	31 December 2023 *HK$'000*
Revenue from contracts with customers	*3*	**58,514**	77,199
Cost of sales	*5*	**(43,130)**	(53,250)
Gross profit		**15,384**	23,949
Other income	*4*	**442**	5
Impairment losses under expected credit losses model, net of reversal:			
— Trade and retention receivables		**(9,882)**	(6,781)
— Contract assets		**(68,447)**	(29,456)
— Other receivables		**–**	(275)
Impairment losses on right-of-use asset		**(1,142)**	–
Administrative expenses	*5*	**(16,869)**	(20,759)
Operating loss		**(80,514)**	(33,317)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2024

	Notes	31 December 2024 HK$'000	31 December 2023 HK$'000
Finance income		**1**	2
Finance costs	6	**(4,949)**	(5,222)
Finance costs, net		**(4,948)**	(5,220)
Loss before taxation	5	**(85,462)**	(38,537)
Income tax expense	7	**(910)**	(1,912)
Loss for the year		**(86,372)**	(40,449)
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of a foreign operation		**(126)**	8
Total comprehensive expense for the year		**(86,498)**	(40,441)

	Notes	31 December 2024 HK cents	31 December 2023 HK cents
Loss per share			
Basic and diluted	8	**(3.90)**	(1.97)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	**31 December 2024** *HK$'000*	31 December 2023 *HK$'000*
ASSETS			
Non-current assets			
Plant and equipment		**12**	367
Right-of-use asset		**–**	508
Total non-current assets		**12**	875
Current assets			
Inventories		**52,468**	58,498
Trade and retention receivables	*10*	**13,582**	14,138
Contract assets	*3*	**35,799**	110,478
Deposits, prepayments and other receivables		**2,226**	5,584
Tax recoverable		**194**	194
Bank balances and cash		**308**	507
Total current assets		**104,577**	189,399
Total assets		**104,589**	190,274
EQUITY			
Share capital	*13*	**24,130**	21,462
Accumulated losses		**(213,003)**	(126,631)
Reserves		**134,770**	140,414
Total (deficit) equity		**(54,103)**	35,245
LIABILITIES			
Non-current liabilities			
Lease liability		**471**	–
Loans from directors		**11,621**	26,484
Accruals and other payable		**1,436**	–
Total non-current liabilities		**13,528**	26,484

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2024

	Notes	**31 December 2024** **HK$'000**	31 December 2023 *HK$'000*
Current liabilities			
Trade and retention payables	*11*	**49,633**	43,542
Accruals and other payables		**48,097**	37,007
Contract liabilities	*3*	**8,797**	10,741
Lease liability		**680**	440
Bank borrowings	*12*	**33,456**	33,152
Tax payables		**4,501**	3,663
Total current liabilities		**145,164**	128,545
Total liabilities		**158,692**	155,029
Total equity and liabilities		**104,589**	190,274

NOTES:

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and complied with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

(a) Merger accounting for business combination involving entities under common control

On 4 September 2023, Pegasus Stone Limited, a wholly-owned subsidiary of the Company, as the purchaser (the "**Purchaser**") and, Pacific Marble & Granite Holdings Limited, a connected and related party of the Company, as a vendor (the "**Vendor**") entered into a sale and purchase agreement, pursuant to which the Vendor agreed to sell, and the Company agreed to purchase the entire issued share capital of Pacific Mining Industry Limited and its subsidiaries (the "**PMG China Group**") (the "**Acquisition**") at an initial sum of consideration of HK$100,000,000, which is settled by issuance of shares of the Company at issue price of HK$0.085 per share ("**Issue Price**"), subject to subsequent adjustment by reference to the consolidated net profit (after taxation and excluding any profit (loss) deriving from activities not within the ordinary and usual course of business) ("**Actual Profit**"), for the period ended 31 December 2023 ("**Guaranteed Period**") of the PMG China Group which shall not be less than HK$18,000,000 ("**Guaranteed Profit**").

Pursuant thereto, the Purchaser has to buy the entire issued share capital of Pacific Mining Industry Limited, the initial sum of consideration was satisfied by (i) of which HK$50,000,000 through allotment and issue of 588,235,294 share of the Company at an Issue Price to the Vendor on the completion date and (ii) remaining of HK$50,000,000 through allotment and issue of 588,235,294 share of the Company to the Vendor at an Issued Price subject to adjustments based on the satisfactory of the Guaranteed Profit in the Guaranteed Period.

The Acquisition was completed on 24 November 2023 (the "**Completion Date**"). PMG China Group is principally engaged in the supply, installation and trading of marble and granite and other marble related business in the PRC.

The transaction costs in respect of the Acquisition amounting to approximately HK$3,000,000 are included in legal and professional expenses under "administrative expenses" in the profit or loss during the year ended 31 December 2023.

Following the completion of the Acquisition, since the Purchaser and the PMG China Group were both ultimately controlled by Mr. Lui Yue Yun, Gary ("**Mr. Gary Lui**"), the ultimate controlling shareholder of the Company, before and after the Acquisition, therefore, the Acquisition of PMG China Group was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG 5**") issued by the HKICPA. Accordingly, the financial information of PMG China Group was included in the consolidated financial statements from the beginning of the earliest period presented as if PMG China Group acquired had always been part of the Group. As a result, the Group has included the operating results of PMG China Group as if the Acquisition had been completed on the earliest date being presented.

The uncertainties related to certain transactions that occurred during the year ended 31 December 2023, were resolved after the end of reporting period following confirmation of customer acceptance of the goods. The Purchaser and the Vendor mutually agreed to incorporate these transactions into the calculation of Actual Profit for the Guaranteed Period as stipulation in sales and purchase agreement. The finalised Actual Profit ("**Final Actual Profit**") amounted to approximately HK$13,081,000.

In accordance with the adjustment mechanism under the sales and purchase agreement, the consideration was adjusted to approximately HK$72,675,000, as a result, the contingent consideration receivable was reversed in 2024, with the adjustment recorded in merger reserve while the Company issued 266,761,176 additional shares to the Vendor in accordance with the terms of the sales and purchase agreement. The shares were issued at an Issued Price of HK$0.085 per share, amounting to a total value of approximately HK$22,675,000. Therefore, the impact of adjusted consideration has been reflected in the equity transaction.

(b) Going concern basis

In 2024, Hong Kong's construction industry continued to face a challenging operating environment. High interest rates, inflationary pressures, and global political tensions made investors more cautious and caused delays in project schedules. The construction sector also struggled with a shortage of workers, higher costs for materials and subcontractors, and slower progress in both public and private construction projects, construction projects of the Group were delayed and thus affecting the Group's receivables collection cycle. As a result, the Group could not repay bank borrowings in accordance to the repayment schedule and on the maturity date as at years ended 31 December 2024 and 2023.

For the year ended 31 December 2024, the Group incurred a net loss for the year of approximately HK$86,372,000 (2023: approximately HK$40,449,000), and as at 31 December 2024, the Group had net current liabilities and net liabilities of approximately HK$40,587,000 and HK$54,103,000, respectively (2023: net current assets and net assets of approximately HK$60,854,000 and HK$35,245,000 respectively), the Group's total bank borrowings amounted to approximately HK$33,456,000 (2023: approximately HK$33,152,000) all of which were overdue and in default as at 31 December 2024, The Group's accrual interest payables with an aggregate amount of approximately HK$20,322,000 (2023: approximately HK$16,650,000), including the default interests of approximately HK$898,000 (2023: approximately HK$646,000) charged to the unsettled overdue bank borrowings by the respective banks, were included in accruals and other payables as at 31 December 2024. All bank borrowings and accrual interest payables with an aggregated amount of HK$53,778,000 (2023: approximately HK$17,296,000) were immediately repayable, while the Group maintained only approximately HK$308,000 (2023: approximately HK$507,000) bank balances and cash as at 31 December 2024.

The Group is unable to draw down new borrowings from its bank facilities and any further draw down would be subject to the approvals by the relevant banks.

In accordance with the underlying bank facilities letters, performance bonds issued through one of the bank aforementioned of HK$3,705,000 (2023: 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 unable to replace them with other equivalent performance bonds.

On 13 January 2025, the subsidiary of the Group has received a letter from one of its banks requesting the immediate repayment of the outstanding principal bank borrowing balances of approximately HK$3,425,000 and the accrued interest accrued thereon, along with termination of the respective banking facilities. The letter stated that legal action would be taken against the subsidiary of the Group if the subsidiary of the Group fails to settle the amount within three business days after the date of this letter. As at the date of this announcement, the respective bank borrowing has not yet been settled and no agreement has yet been reached with the respective bank.

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 possible available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position, and in an effort to remediating the delayed payments to the relevant banks, which include, but are not limited to, the followings:

(i) The Group has actively negotiated with the relevant banks for extension of the overdue bank borrowings and to waive their rights arising from the events of default arising from overdue payments. For the bank borrowing which demanded for immediate repayment, the management is in discussion with the relevant banks for a feasible settlement plans and extension of repayment period. Having considered the long standing relationships with the relevant banks, the directors of the Company believe that the Group will be able to forming an agreement with relevant banks, especially the bank borrowing which demanded for immediately repayment on 13 January 2025;

(ii) the Group has implemented measure 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 substantial shareholder, Mr. Gary Lui who is also the Chairman and an executive director of the Company, is willing to provide financial support to the Group when there is needed. The Group obtained loans from its executive directors for financial support. As at 31 December 2024, such loans amounted to approximately HK$11,621,000 (2023: approximately HK$26,484,000) are unsecured and repayable on 30 June 2026 and interest bearing ranged at 2% to 5% per annum.

(v) The Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flow from its operation in future; and

(vi) 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 directors of the Company have reviewed the Group's cash flow projections covering a period of not less than twelve months from 31 December 2024. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, multiple uncertainties 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 NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Application of amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non current and related amendments to Hong Kong Interpretation 5 (2020)*
Amendments to HKAS 1	*Non-current Liabilities with Covenants*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The application of the amendments to HKFRS Accounting Standards 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 HKFRS Accounting Standards in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial lnstruments*[3]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS Accounting Standards	*Annual Improvements to HKFRS Accounting Standards — Volume 11*[3]
Amendments to HKAS 21	*Lack of Exchangeability*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referring Nature — dependent Electricity*[3]
HKFRS 18	*Presentation and Disclosure in Financial Statements*[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after 1 January 2027

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

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Shares* are also made.

HKFRS 18, and amendments to other standards, will effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in future financial statements. The Group is in process of assessing the detailed impact of HKFRS 18 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:

	31 December 2024	31 December 2023
	HK$'000	*HK$'000*
Supply and installation service	**33,213**	24,499
Stone sales	**25,301**	52,700
	58,514	77,199
Timing of revenue recognition:		
Over time	**33,213**	24,499
At a point of time	**25,301**	52,700
	58,514	77,199

(b) Segment information

The executive directors of the Company are the Group's chief operating decision-makers ("**CODM**"). The executive directors of the Company assess the performance of the operating segment based on revenue generated. Information reported to the executive directors of the Company, for the purposes of resource allocation and assessment focuses on revenue analysis by geographic location of customers. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented. The Group does not report a measure of segment profit or an analysis of segment asset and segment liability as the executive directors of the Company do not use this information to allocate resources to or evaluate the performance of the operating segment.

Following the Acquisition of the PMG China Group which principally engaged in the supply, installation and trading of marble and granite and other marble related business in the PRC, the Group's CODM has expanded its operating segments for further geographic location in the PRC in 2023.

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

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Hong Kong	**25,220**	41,260
The PRC	**33,191**	35,858
Macau	**103**	81
	58,514	77,199

(c) Information about major customers

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

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Customer A *(Note (i))*	**18,505**	–
Customer B *(Note (ii))*	**14,006**	–
Customer C *(Note (iii))*	**10,770**	–
Customer D *(Note (iv))*	**8,415**	–
Customer E *(Note (v))*	**–**	26,072
Customer F *(Note (vi))*	**–**	11,787

Notes:

(i) The revenue was generated from the supply and installation of marble product in Hong Kong and contributed of more than 10% of the Group's revenue for the year ended 31 December 2024. The customer has contributed of less than 10% for the year ended 31 December 2023.

(ii) The revenue was generated from stone sales in the PRC and contributed as more than 10% of the Group's revenue for the year ended 31 December 2024. There are no revenue generated from this customer for the year ended 31 December 2023.

(iii) The revenue was generated from the supply and installation of marble product in the PRC and contributed of more than 10% of the Group's revenue for the year ended 31 December 2024. The customer has contributed of less than 10% for the year ended 31 December 2023.

(iv) The revenue was generated from stone sales in the PRC and contributed of more than 10% of the Group revenue for the year end 31 December 2024. The revenue contributed less than 10% for the year ended 31 December 2023.

(v) The revenue was generated from the stone sales in the PRC and contributed as more than 10% of the Group's revenue for the year ended 31 December 2023. There are no revenue generated from this customer for the year ended 31 December 2024.

(vi) The revenue was generated from the stone sales in Hong Kong and contributed of more than 10% of the Group's revenue for the year ended 31 December 2023. There are no revenue generated from this customer for the year ended 31 December 2024.

(d) Assets and liabilities related to contracts with customers

(i) Contract assets

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the end of the reporting period. The contract assets are transferred to trade receivables when the rights become unconditional.

	31 December 2024	31 December 2023
	HK$'000	*HK$'000*
Contract assets arisen from provision of supply and installation of marble and granite services	**209,168**	215,401
Less: loss allowances	**(173,369)**	(104,923)
	35,799	110,478

As at 1 January 2023, gross carrying amount of contract assets amounted to HK$220,918,000.

(ii) Contract liabilities

The contract liabilities primarily relate to the upfront deposits received from customers, for which revenue is recognised based on the progress of the supply and installation services referred to the contractual arrangement mention below.

	31 December 2024	31 December 2023
	HK$'000	*HK$'000*
Contract liabilities arising from		
— Provision of supply and installation of marble and granite service	**8,797**	8,551
— Trading of marble and granite	**–**	2,190
	8,797	10,741

As at 1 January 2023, contract liabilities amounted to approximately HK$5,403,000. The following table shows how much of revenue recognised during the years ended 31 December 2024 and 2023 related to contract liabilities at the beginning of both year:

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Revenue recognised that was included in contract liabilities balance at the beginning of the period	**10,741**	5,403

4 OTHER INCOME

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Write back of trade payables *(Note)*	**409**	–
Others	**33**	5
	442	5

Note:

The write back of trade payables represented the balances with creditor which has been strike off during the current year (2023: nil).

5 LOSS BEFORE TAXATION

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
(a) Employee benefit expenses (including directors' emoluments)		
Wages, salaries and bonuses	**9,778**	13,875
Retirement benefit costs — defined contribution plans	**195**	480
Less: amounts included in construction cost recognised in cost of sales	**(986)**	(3,087)
	8,987	11,268
(b) Other items		
Cost of inventories	**16,585**	38,297
Construction cost recognised in cost of sales	**26,545**	14,953
Auditor's remuneration		
— Audit services	**1,200**	1,200
— Non-audit services	**60**	600
Depreciation — plant and equipment	**355**	647
Depreciation — right-of-use asset	**736**	762
Short-term leases payments	**2**	82

6 FINANCE COSTS

	31 December 2024	31 December 2023
	HK$'000	*HK$'000*
Interests on:		
— Bank overdrafts	**548**	570
— Trust receipt loans	**998**	1,899
— Factoring loans	**456**	–
— Bank borrowings	**1,318**	527
— Lease liability	**29**	38
— Loans from directors	**1,540**	2,101
— Others	**60**	87
	4,949	5,222

7 INCOME TAX EXPENSE

	31 December 2024	31 December 2023
	HK$'000	*HK$'000*
Current tax		
— PRC Enterprise Income Tax ("**EIT**")	**121**	237
— Hong Kong Profits Tax	**789**	1,675
	910	1,912

Under the Law of PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

Under the relevant regulations of the EIT Law, for eligible enterprises which meet the criteria of small thin-profit enterprises, the annual taxable income that is not more than RMB3,000,000 shall be subject to a tax rate of 5%. During the year ended 31 December 2024, one of the subsidiary of the Group in the PRC was eligible as a small thin-profit enterprises and subject to stated preferential income tax rates of 5% (2023: 25%).

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tired profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profit Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Income tax expense arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8 LOSS PER SHARE

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Loss for the year		
Loss attributable to owners of the Company, used in calculating basic and diluted loss per share:	**(86,372)**	(40,449)

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

	31 December 2024 *HK Cents*	31 December 2023 *HK Cents*
Total basic loss per share attributable to owners of the Company	**(3.90)**	(1.97)

	2024 ***(In thousand)***	2023 *(In thousand)*
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**2,211,799**	2,057,204

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the impact issuance of shares for the business combination of PMG China under common control.

No diluted loss per share for the years ended 31 December 2024 and 2023 was presented as there were no potential ordinary shares in issue.

9 DIVIDENDS

The Board resolved not to propose final dividend for the year ended 31 December 2024 (2023: Nil) at the forthcoming Annual General Meeting.

10 TRADE AND RETENTION RECEIVABLES

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Trade receivables	**11,219**	6,514
Less: loss allowances	**(5,553)**	(3,000)
Trade receivables, net	**5,666**	3,514
Retention receivables	**29,340**	24,720
Less: loss allowances	**(21,424)**	(14,096)
Retention receivables, net	**7,916**	10,624
Total trade and retention receivables, net	**13,582**	14,138

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

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Up to 30 days	**3,029**	1,444
31–60 days	**1,277**	705
61–90 days	**4**	–
Over 90 days	**6,909**	4,365
	11,219	6,514

11 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.

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Trade payables	**33,521**	27,569
Retention payables	**16,112**	15,973
	49,633	43,542

Note: Retention payables in respect of the supply and installation business are settled with the terms of the respective contracts. In the consolidated statement of financial position, retention payables were classified as current liabilities based on operating cycle.

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

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Up to 30 days	**2,097**	1,746
31–60 days	**692**	850
61–90 days	**608**	265
Over 90 days	**30,124**	24,708
	33,521	27,569

12 BANK BORROWINGS

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Bank overdrafts	**9,634**	9,287
Term loans — secured	**3,527**	3,500
Trust receipt loans — secured	**19,803**	19,365
Revolving loans — secured	**492**	1,000
Total bank borrowings	**33,456**	33,152

All of the bank borrowings and bank overdrafts are overdue which are in default and the banks have the overriding right to demand for immediate repayment, therefore, they are classified as current liabilities as at 31 December 2024 and 2023.

Bank borrowings due for repayment, based on the scheduled repayment dates set out in the loan agreements and without taking into account the effect of any repayment on demand are as follows:

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000*
Bank borrowings:		
Within 1 year	**33,456**	33,152

13 SHARE CAPITAL

	Issued and fully paid Number of shares	Amount HK$'000
Ordinary share of HK$0.01 each:		
Authorised:		
At 1 January 2023	3,000,000,000	30,000
Increase in authorised share capital *(Note (a))*	2,000,000,000	20,000
At 31 December 2023 and 31 December 2024	**5,000,000,000**	**50,000**
Issued and fully paid:		
At 1 January 2023	1,331,469,661	13,315
Shares issued upon conversion of convertible bonds	115,730,339	1,157
Shares issued and allotted	110,766,341	1,108
Shares issued as consideration for acquisition of business combinations involving entities under common control	588,235,294	5,882
At 31 December 2023	**2,146,201,635**	**21,462**
Share issued upon expiration of guaranteed period for acquisition of business combinations involving entities under common control	**266,761,176**	**2,668**
At 31 December 2024	**2,412,962,811**	**24,130**

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

14 SHARE-BASED PAYMENTS

The establishment of the Anchorstone Holdings Limited's Share Option Scheme (the "**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.

There was no outstanding share option as at 31 December 2024 and 2023.

15 CONTINGENCIES

Fair value estimation

The carrying values of the Group's financial assets, including trade and retention receivables, deposits and other receivables, bank balances and cash and financial liabilities, including trade and retention payables, loans from directors, other payables, lease liability and bank borrowings, approximate their fair values due to their short maturities.

Performance bonds

As at 31 December 2024, the Group obtained performance bonds guarantee issued by the banks in respect of construction contracts through to the customers amounting to approximately HK$3,705,000 (2023: approximately HK$3,705,000). The directors of the Company consider the likelihood of the withdrawal of the banking guarantees by the banks as remote as there were sufficient assets have been pledged for obtaining such performance guarantees provided by the respective banks (see Note 12).

Legal cases

During the year ended 31 December 2024, the legal cases of the Group were as follows:

(i) There were several legal cases concerning claims for personal injuries against certain subsidiaries of the Company. During the year ended 31 December 2024, the cases have been settled, and the respective expenses are settled and included in "administrative expenses" in the consolidated financial statements. No other litigation cases against the Group up to the date of this announcement.

(ii) In previous years, a former subcontractor has filed a litigation claim for payment of service rendered against to the subsidiary of the Group of approximately HK$8,763,000. On 27 January 2025, the case has been finalised, the subsidiary of the Group has received the court order for settlement of the subcontractor fee of approximately HK$5,065,000 and other legal expenses associated with such cases to the subcontractor. Therefore, with the case has been finalised after the end of the reporting period, the Group has provided the provision of the litigation claim and legal expenses in an aggregate of approximately HK$868,000 in "accruals and other payables" and of approximately HK$5,065,000 in "trade payables" as at 31 December 2024.

(iii) As of 31 December 2024, the Group had accrued unpaid salaries of approximately HK$14,744,000 (2023: HK$9,339,000), due to temporary cash flow constraints. These amounts are recognised as current liabilities. Management is addressing liquidity issues, as disclosed in Note 1(b), and remains committed to complying with labor regulations under the Hong Kong Employment Ordinance, including assessing potential risks or penalties.

16 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Demand letter from bank for immediate repayment

On 13 January 2025, the subsidiary of the Group received a demand letter from one of its banks requesting the immediate repayment of the outstanding principal bank borrowing and accrued interests thereon, along with termination of the respective banking facilities. The letter stated that legal action would be taken against the subsidiary of the Group if the subsidiary of the Group fails to settle the amount within three business days after the date of this letter. As at the date of this announcement, the respective bank borrowing has not yet been settled and no agreement has yet been reached with the respective bank. As at 31 December 2024, the principal of the relevant bank borrowing was approximately HK$3,425,000, while accrued interest (including outstanding overdue and default interest) amounted to approximately HK$1,542,000 as at 31 December 2024.

The Group has been in continues discussion with the lender for extension of the repayment of the relevant borrowing since the balances have been over due in previous years. Up to the date of this announcement, the Group is in the process of negotiating with lender for extension of such borrowings.

Litigation claims from court against the Company

In previous years, a former subcontractor has filed a litigation claim for payment of service rendered against to the subsidiary of the Group of approximately HK$8,763,000.

Pursuant to the court judgment dated on 27 January 2025, the case has been finalised and the court has ordered the subsidiary of the Group to settle the outstanding subcontractor fee of approximately HK$5,065,000 and the legal expense associated with the claim to the counterparty. Amounts of approximately HK$5,065,000 has been included in trade payables; and amounts of HK$868,000 legal expenses has been recognised as accruals and other payables as at 31 December 2024 and included in administrative expenses during the year ended 31 December 2024. The Group acknowledges the possibility of additional charges related to this matter. The Group will continue to monitor developments and recognise any further liabilities as necessary when sufficient information becomes available.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2024, issued by CL Partners CPA Limited ("**CL partners**"), the Company's external auditor:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Scope limitation relating to the going concern basis for the preparation of the consolidated financial statements

As described in Note 2 to the consolidated financial statements, the Group incurred a net loss of approximately HK$86,372,000 for the year ended 31 December 2024 and, as at 31 December 2024, the Group had net current liabilities and net liabilities of approximately HK$40,587,000 and HK$54,103,000, respectively. The Group's total bank borrowings amounted to approximately HK$33,456,000, all of which were overdue and in default as at 31 December 2024. The Group's accrual interest payables with an aggregate amount of approximately HK$20,322,000, including the default interests of approximately HK$898,000 charged on the unsettled overdue bank borrowings by the respective banks, were included in accruals and other payables as at 31 December 2024. All bank borrowings and accrual interest payables with an aggregated amount of HK$53,778,000 were immediately repayable while the Group maintained only approximately HK$308,000 bank balances and cash as at 31 December 2024.

In addition, on 13 January 2025, the subsidiary of Group received a demand letter from one of its banks requesting the immediate repayment of bank borrowings of principal amounted to approximately HK$3,425,000 plus accrued interest, along with termination of the respective banking facilities. The letter stated that legal action would be taken against the subsidiary of Group if the subsidiary of Group fails to settle the amount within three business days after the date of this letter. As at the date of this report, the respective bank borrowing has not yet been settled and no agreement has yet been reached with the respective bank.

The above event and conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As detailed in Note 2 to the consolidated financial statements, in view of the above circumstances, the directors of the Company have prepared a cash flow forecast of the Group which takes into account certain assumptions, plans and measures covering a period of not less than twelve months from 31 December 2024, including but not limited to the following:

(i) Successful negotiations with the Group's existing lenders to avoid demands for immediate repayment of defaulted bank borrowings and interest; and for waiver of the rights arising from the event of default arising from overdue payments;

(ii) Successful negotiations with the Group's existing lenders for repayment extensions and feasible settlement plans of defaulted bank borrowings and interest;

(iii) Successful obtaining new sources of financing or strategic capital investments as and when needed;

(iv) Validity of financial support provided by an executive director of the Company;

(v) Successful collection and payment from completed projects through accelerated billings; and

(vi) Effective implementation of cost control measures.

The director of the Company are in the opinion that, considering the assumptions, plans and measures described in Note 2 to the consolidated financial statements 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 2024 and would be able to continue as a going concern. Accordingly, the directors of the Company prepare the consolidated financial statements on a going concern basis.

However, the validity of the going concern assumption depends entirely on the successful implementation of the plans and measures, as described in Note 2 to the consolidated financial statements, taken into account by the directors of the Company in the going concern assessment, which are subject to uncertainties. We are unable to obtain sufficient appropriate evidence to satisfy ourselves whether the assumptions of successful implementation of the plans and measures, as described in Note 2 to the consolidated financial statements, underpinning the cash flow forecast of the Group for the going concern assessment, are reasonable and supportable. There are no alternative audit procedures that we can perform to obtain sufficient appropriate audit evidence to support the above plans and measures can be successfully implemented, as a result, we were unable to obtain sufficient appropriate evidence to conclude whether the directors' use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group fail to achieve the plans and measures, as mentioned in Note 1(b) to the consolidated financial statements, 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 value 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. The effect of these adjustments has not been reflected in these consolidated financial statements.

RESULT

In 2024, Hong Kong's construction industry continued to face a challenging operating environment. High interest rates, inflationary pressures, and global political tensions made investors more cautious and caused delays in project schedules. The construction sector also struggled with a shortage of workers, higher costs for materials and subcontractors, and slower progress in both public and private construction projects.

The Group experienced a decrease in revenue for the year ended 31 December 2024 which is mainly due to several large projects reaching the completion stage and the newly awarded large projects have not yet commenced during the current year.

For the year ended 31 December 2024, the Group recorded a revenue of approximately HK$58.5 million (2023: approximately HK$77.2 million), representing a decrease of 24.2% compared with that in the year ended 31 December 2023. The Group also recorded a decrease of gross profit for the year ended 31 December 2024 (2024: approximately HK$15.4 million; 2023: approximately HK$23.9 million), representing a decrease of 35.6%.

The management had made provision for loss allowance of the contract assets, trade and retention receivables and other receivables in total of approximately HK$78.3 million (2023: approximately HK$36.5 million) for certain projects based on the impairment assessment.

In the current year, the Group's administrative expenses was approximately HK$16.9 million (2023: approximately HK$20.8 million), representing a decrease of approximately HK$3.9 million or 18.7%.

Due to the combination of the factors above, the Group recorded a loss before taxation of approximately HK$85.5 million (2023: approximately HK$38.5 million) for the year ended 31 December 2024, representing an increase in loss of approximately HK$47 million or 122%.

FINANCIAL POSITION

The Group's net liabilities was approximately HK$54.1 million (2023 net asset: approximately HK$35.2 million). The key assets as at 31 December 2024 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 2024, the outstanding contract assets on hand was approximately HK$35.8 million, representing an edged down of 67.6% over the same period in 2023. This was mainly due to further impairment losses of HK$68 million recognised in contract assets for the year.

Trade and retention receivables represented the Group's receivables from its construction projects. As at 31 December 2024, the trade and retention receivables was approximately HK$13.6 million, representing a decrease of 3.5% compared to last year. This was due to further impairment losses of HK$9.9 million recognised in trade and retention receivables for the year.

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 2024 were the trade and retention payables, accruals and other payables, bank borrowings and loans from Directors of the Company.

Trade and retention payables represent the amounts due to subcontractors and suppliers of the Group. As at 31 December 2024, there was no significant change in the trade and retention payables position.

The Group's bank borrowings were mainly used for its operation purpose. All borrowings are due to the banks operated in Hong Kong. As at 31 December 2024, all bank borrowings with a total principal amount of approximately HK$33.4 million (2023: approximately HK$33.2 million) were overdue. The Group is continuing for making an effort to repay the bank borrowings in order to reduce the liquidity risk of the Group. The Group also maintained communications with the relevant banks.

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

In 2024, the industry was recovering slowly. 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. Nevertheless, the overall Hong Kong economy needs time to recover. The performance of the Hong Kong and Mainland China's property market still has a lot of uncertainties, 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 Posed 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.

GROUP PERFORMANCE

During the year, the Group's performance future declined due to the dropping of overall tendering numbers and the volumes of the work. For the year ended 31 December 2024, the Group recorded a loss for the year of approximately HK$86.4 million (2023: HK$40.4 million).

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

Besides, the overdue payments to the banks deteriorated the Group's financial situation as the Group has allocated additional resources to handle such overdue situation.

In considering the weak economic environment in Hong Kong, the possibilities of doubtful debts and other relevant factors which may affect adversely on the business cycles of the Group, the provision for loss allowance of the contract assets, trade and retention receivables and other receivables of approximately HK$78.3 million (2023: HK$36.5 million) was made.

The Group generated revenue from the foundation projects we undertook. The Group recorded a revenue of approximately HK$58.5 million for the year ended 31 December 2024 (2023: HK$77.2 million), representing a decrease of 24.2% compared with that in the year ended 31 December 2023.

Hong Kong

Revenue generated from the Hong Kong construction project decreased by approximately HK$16.1 million or 39% in 2024. The decrease was mainly due to several large projects reaching the completion stage and the newly awarded large projects have not yet commenced during the year.

Macau

Revenue in Macau had increased by approximately HK$0.1 million or 27.2% in 2024.

Mainland China

Revenue in Mainland China was mainly generated from stone sales. There is no significant change in revenue for the financial year ended 31 December 2023 compared with the revenue in 2023.

GROSS PROFIT AND MARGIN

The Group's gross profit decreased from approximately HK$23.9 million to approximately HK$15.4 million, representing approximately HK$8.5 million or 35.6% decrease as compared with the gross profit for the corresponding period in 2023. There was a decrease in gross profit margin from approximately 31.0% in 2023 to 26.2% in 2024.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group in 2024 was approximately HK$16.9 million, representing a decrease of approximately HK$3.9 million or 18.8% as compared to approximately HK$20.8 million in 2023. The decrease was mainly due to the decrease in professional fees.

FINANCE COSTS

Net finance costs decreased from HK$5.2 million to HK$4.9 million for the year ended 31 December 2024. The decrease was mainly due to the settlement of the outstanding bank borrowings and loans from Executive Directors 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.

INCOME TAX EXPENSE

The income tax expense decreased from approximately HK$1.9 million to approximately HK$0.9 million for the year ended 2024, the decrease was in line with the decrease in the gross profit and the assessable profit of the Group.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company was approximately HK$86.4 million for the year ended 31 December 2024 (2023: HK$40.4 million).

LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding adjusting with the impact arising from issuance of shares for the business combination of PMG China under common control during the financial year. 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.

The basic loss per share was approximately 3.90 HK cents (2023: basic loss per share 1.97 HK cents). The increase is due to increase in a loss for the year. As the impact of dilutive element was not significant, the diluted loss per share was also approximately 3.90 HK cents (2023: diluted loss per share 1.97 HK cents).

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2024, the diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding.

DIVIDEND

The Directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2024 (2023: Nil).

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 2024, the capital structure of the Group consisted of deficit of approximately HK$54.1 million (31 December 2023: equity of HK$35.2 million) and debts of approximately HK$46.5 million (31 December 2023: HK$59.6 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Due to the difficult operation environment in years 2023 and 2024, 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 loans to the banks by the due date as at 31 December 2024.

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.

Based on the cash flow projections cover a period of not less than twelve months from 31 December 2024 and the measurements mentioned in Note 2.1(b) to the consolidated financial statements, 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 2024. 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 2024, the current ratio of the Group was approximately 0.72 times (31 December 2023: 1.47 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 2024, the Group's gearing ratio was -479.6% (31 December 2023: 62.7%). It was calculated as the net debts (loans from Executive Directors and bank borrowings less the bank balances and cash) divided by the total deficit/total capital as at the end of the respective years and multiplied by 100%. As at 31 December 2024, the Group's bank balances and cash were approximately HK$0.3 million (31 December 2023: HK$0.5 million). The decrease in cash and cash equivalents was mainly due to repayment of bank borrowings and loans from Directors.

BANK BORROWINGS

As at 31 December 2024, the Group had total bank borrowings of approximately HK$33.4 million (31 December 2023: HK$33.1 million). The Group has not renewed its banking facilities since late 2020.

GEARING RATIO

The gearing ratio was calculated as the net debts (loans from Directors and bank borrowings less the bank balances and cash divided by the total deficit/total capital as at the end of the respective years and multiplied by 100%. The gearing ratio of 2024 was -479.6% (2023: 62.7%).

NET CURRENT ASSETS/LIABILITIES

As at 31 December 2024, the Group had net current liabilities of approximately HK$40.6 million (2023: Net current assets HK$60.9 million). The changes from net current assets to net current liabilities position was mainly attributable to the decrease in contract assets and increase in accruals and other payables during the year.

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 cash equivalents and adequate committed lines of funding from the banks to meet its liquidity requirements.

PLEDGE OF ASSETS

As at 31 December 2024, certain trade and retention receivables and contract assets set out in Note 22 to the consolidated financial statements, the Group has no other pledged assets.

THE BANK BORROWINGS COVENANTS

As at 31 December 2024, the Group had total bank borrowings of approximately HK$33.4 million (2023: HK$33.2 million). As at 31 December 2024, the Group has not renewed its banking facilities since late 2020.

CASH FLOWS

The Group's cash flows has been presented in the consolidated statement of cash flows and Note 27 to the consolidated financial statements.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2024.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong, Macau and the PRC. Its revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars and Renminbi. 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

Fair value estimation

The carrying values of the Group's financial assets, including trade and retention receivables, deposits and other receivables, bank balances and cash and financial liabilities, including trade and retention payables, loans from directors, other payables, lease liability and bank borrowings, approximate their fair values due to their short maturities.

Performance bonds

As at 31 December 2024, the Group obtained performance bonds guarantee issued by the banks in respect of construction contracts through to the customers amounting to approximately HK$3,705,000 (2023: approximately HK$3,705,000). The directors of the Company consider the likelihood of the withdrawal of the banking guarantees by the banks as remote as there were sufficient assets have been pledged for obtaining such performance guarantees provided by the respective banks (see Note 12).

Legal cases

During the year ended 31 December 2024, the legal cases of the Group were as follows:

(i) There were several legal cases concerning claims for personal injuries against certain subsidiaries of the Company. During the year ended 31 December 2024, the cases have been settled, and the respective expenses are settled and included in "administrative expenses" in the consolidated financial statements. No other litigation cases against the Group up to the date of this announcement.

(ii) In previous years, a former subcontractor has filed a litigation claim for payment of service rendered against to the subsidiary of the Group of approximately HK$8,763,000. On 27 January 2025, the case has been finalised, the subsidiary of the Group has received the court order for settlement of the subcontractor fee of approximately HK$5,065,000 and other legal expenses associated with such cases to the subcontractor. Therefore, with the case has been finalised after the end of the reporting period, the Group has provided the provision of the litigation claim and legal expenses in an aggregate of approximately HK$868,000 in "accruals and other payables" and of approximately HK$5,065,000 in "trade payables" as at 31 December 2024.

(iii) As of 31 December 2024, the Group had accrued unpaid salaries of approximately HK$14,744,000 (2023: HK$9,339,000), due to temporary cash flow constraints. These amounts are recognised as current liabilities. Management is addressing liquidity issues, as disclosed in Note 1(b), and remains committed to complying with labor regulations under the Hong Kong Employment Ordinance, including assessing potential risks or penalties.

HUMAN RESOURCES

As at 31 December 2024, the Group had 11 full-time employees who were directly employed by the Group. Total staff costs including Directors' emoluments for the year ended 31 December 2024, amounted to approximately HK$9.0 million (2023: approximately HK$11.3 million). The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

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 2024 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 2024.

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. Wong Yue Fai 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 2024. 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. Ko Tsz Kin and Mr. Wong Yue Fai).

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. Ko Tsz Kin and Mr. Wong Yue Fai). 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 2024 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 as approved by the Board of Directors on 16 May 2025. 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 2024.

The Group reported a net loss of approximately HK$86 million for the year ended 31 December 2024. Its current bank borrowings was approximately HK$33.4 million while the total bank balances and cash was approximately HK$0.3 million. The entire bank borrowings were overdue as at 31 December 2024 and there was demand letter received by the Company. At the same time, the Group recorded a net liabilities of HK$40.6 million and a net current liabilities of HK$54.1 million. These conditions indicate the existence of uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. However, the management considered that the Group's future liquidity and performance may be improved. After reviewing the Group's financial budget, giving careful consideration to its future liquidity, expected performance and possible available sources of financing, the Group shall have sufficient financial resources to continue as going concern.

Despite the overdue bank borrowings and the demand letter received, the Group continues to negotiate and communicate with the relevant banks to extend the repayment date of the overdue bank borrowings and to waive their rights arising from the events of default. The relevant banks continued to communicate with the management and discussed the repayment plan in different stage. In addition, the Group had continuously made partial settlement of the outstanding bank borrowings continuously and frequently. Accordingly, there is no immediate risk of being demanded by the bank for full settlement of outstanding borrowings. Besides, the major banks have long-term business relationship with the Group. The relationship manager of the relevant banks considered that the construction industry in Hong Kong has been recovered progressively after the pandemic, but the economy downturn had impact the speed of the recovery. Therefore, the Group needs some more times to resume its business in profit-making and to improve its financial structure.

The following actions were taken by the Company and will be taking in the future, including but not limited to (i) implementing various measures to accelerate the certification, billing and collection with customers for completed projects; (ii) developing the Mainland China business that might help improve the Group's performance in the future; (iii) actively negotiating with customers to request for deposits before commencement of projects; (iv) negotiating with suppliers and sub-contractors to extend the settlement terms; and (v) conducting various cost-cutting scheme.

The Group also obtained financial supports from its substantial shareholder, Mr. Lui Yue Yun Gary. Mr. Lui Yue Yun Gary also provided personal guarantee to the relevant banks to support the liabilities. Should there be future need arisen, the executive directors (in particular, Mr. Lui Yue Yun Gary) will further extend the facilities amounts, subject to further negotiation with the Company for the terms and conditions.

Besides, the Group is actively looking for other sources of financing, including any possible form of debt or equity financing to enhance its capital structure and reduce the overall financial expenses. In the past, the Group was able to raise funds from the capital market by issuing bonds, convertible bonds and new shares.

The directors of the Company have reviewed the Group's cash flow projections cover a period of not less than 12 months from 31 December 2024. Taking into the account the aforementioned plans and measures, the directors considered that 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 2024.

The Audit Committee agreed with the management that the Group should have sufficient working capital to meet its financial obligation within the next twelve months. However, the Audit Committee do not disagree with the auditors that there might be some uncertainties underlying the ongoing business operation in the next twelve months, in particular, considering the possible economy downturn in Hong Kong. Nevertheless, the Audit Committee considered that such uncertainties and risks are manageable as the Company is actively taking actions to alleviate the uncertainties raised by the auditor, including:

— The substantial shareholder, Mr. Lui Yue Yun Gary, had provided the financial supports, personal guarantee to the outstanding bank borrowings and is willing to provide further support to the Company.

— The directors will continue to keep close communication with our major banks to make the repayment as agreed. Although the banks did not issue waiver letters for their rights to request immediate repayment, they had discussed with the Chairman of the Company to agree with the repayment plans. The Company maintains frequently update and settlements with the relevant banks. Together with the financial support of the substantial shareholder, the uncertainties of immediate request of bank borrowings are remote.

— The Group had sought for different financial sources to improve its liquidity, these include the issuance of convertible bonds, issuing shares to new investor and obtaining loans from the executive directors of the Company with low interest rate. These fund-raising records show the Group has the ability to raise additional funds in the capital market. The Group would continue to seek for the alternate source of financing in case of contingency in relation to working capital position.

— For the Group's completed construction projects, the management is actively discussing with the customers for the claims in relation to the variation orders, delaying and prolongation.

— For the Group's ongoing construction projects, the Group had taken various actions to speed up its cash collection cycle with its customers.

— For Group's new construction contracts, the Group requests certain portion of deposits prior to the commencements.

— The Group had actively developed new market, such as the Mainland China market, which may help improve the profitability and liquidity of the Group. Besides the Northern Metropolis development of HKSAR government may bring new business opportunities to the Group in the future.

ANNUAL REPORT

The 2024 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

It is proposed that the annual general meeting of the Company will be held on a date to be fixed by the Board. Further announcement(s) will be made in respect of date of the annual general meeting of the Company and book closure date in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2025, pending the release of the annual results of the Company for the year ended 31 December 2024 contained in this announcement.

Upon the publication of this announcement, an application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 19 May 2025.

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

Hong Kong, 16 May 2025

As at the date of this announcement, the Executive Directors are Mr. Lui Yue Yun Gary and Ms. Lui Natalie Po Wai, and the Independent Non-Executive Directors are Mr. Ko Tsz Kin, Mr. Wong Yue Fai, Mr. Nie Kin Kwok Kevin and Ms. Ching Wan Wah Kitty.