Anchorstone Holdings Limited
基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1592

2024
ANNUAL REPORT

CONTENT

CORPORATE INFORMATION

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

http://www.anchorstone.com.hk

COMPANY EMAIL

info@anchorstone.com.hk

BOARD OF DIRECTORS

Executive Directors

Mr. Lui Yue Yun Gary *(Chairman)*
Ms. Lui Natalie Po Wai *(appointed on 2 May 2024)*
Mr. Lui Edwin Wing Yiu *(resigned on 2 May 2024)*
Mr. Fung Wai Hang *(resigned on 28 February 2025)*

Independent Non-Executive Directors

Mr. Ko Tsz Kin
Mr. Wong Yue Fai
Mr. Nie Kin Kwok Kevin
Ms. Ching Wan Wah Kitty *(appointed on 14 October 2024)*
Mr. Lam Lap Sing *(resigned on 31 December 2024)*

BOARD COMMITTEE

Audit Committee

Mr. Ko Tsz Kin *(Chairman)*
Mr. Wong Yue Fai
Mr. Nie Kin Kwok Kevin
Mr. Lam Lap Sing *(resigned on 31 December 2024)*

Remuneration Committee

Mr. Wong Yue Fai *(Chairman) (since 31 December 2024)*
Mr. Ko Tsz Kin
Mr. Lui Yue Yun Gary
Mr. Lam Lap Sing *(resigned on 31 December 2024)*

Nomination Committee

Mr. Lui Yue Yun Gary *(Chairman)*
Mr. Ko Tsz Kin
Mr. Wong Yue Fai *(since 31 December 2024)*
Mr. Lam Lap Sing *(resigned on 31 December 2024)*

COMPANY SECRETARY

Ms. Don Mun Min *(appointed on 28 February 2025)*

AUTHORISED REPRESENTATIVES

Mr. Lui Yue Yun Gary
Ms. Lui Natalie Po Wai

AUDITOR

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

PRINCIPAL BANKS

Hang Seng Bank
Chong Hing Bank
Nanyang Commercial Bank

SHAREHOLDER INFORMATION

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

SHARE REGISTRAR

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

INVESTOR RELATIONSHIP

For enquiries, please contact: Ms. Don Mun Min, our Company Secretary
Email: sarahdon@pacific-marble.com
Telephone: (852) 2511 6668
Fax: (852) 2511 6667

CORPORATE INFORMATION

FINANCIAL CALENDAR

For ascertaining shareholders' entitlement to attend and vote at Annual General Meeting ("**AGM**"), the closure dates of register of members will be on Tuesday, 24 June 2025 to Monday, 30 June 2025 (both days inclusive), during which period no transfer of shares in the Company will be effected.

In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Monday, 23 June 2025.

The Annual General Meeting will be held on Monday, 30 June 2025 at 3:00 p.m. at Units 1501–02, 15/F, Delta House, No.3 On Yiu Street, Shatin, New Territories.

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Anchorstone Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**"), I am pleased to present the annual results of the Group for the year ended 31 December 2024.

Similar to year 2023, the Group's is performance was unsatisfied due to the economic downturn, the uncertainty of property market in the Mainland China and Hong Kong and the slow down of the Group's business. At the same time, the global economy was gloomy and experiencing serval turbulent challenges. For example, the trade conflict between Mainland China and the US.

In 2024, the geopolitics, international trade frictions, uncertainty over interest rate hike cycle and supply chain rebalancing were still affecting the property market and construction industry in Hong Kong. Nevertheless, I believe the HKSAR government is making effort in supporting the economy, such as the Northern Metropolis development plan. As for the Mainland China market, the Central Government continues to fine-tune and optimise policies to stimulate economic activities. Our PRC segment should contribute more revenue and profit in the future.

Although we are facing the most difficult time now, the Group actively sought for various financial sources and improved its operational receivables cycle to reduce its overdue bank borrowings and financial pressure.

I would like to express my deepest appreciation to the full trust and dedicated support from our Shareholders, the Board, the management and all colleagues of our Group.

Lui Yue Yun Gary
Chairman
Hong Kong, 16 May 2025

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group operates in Hong Kong Special Administrative Region ("**Hong Kong**"), Macau Special Administrative Region ("**Macau**") and the People Republic's of China (the "**PRC**"). Due to the economic downturn and the uncertainty of the property market in these areas, the construction industry is facing many uncertainties. Moreover, the geopolitical tensions also affected the development of the industry and our business.

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. The increase in impairment amount is mainly based on the reassessment result of the project status and the increasing risk of bad debts due to the current economic downturn and the industry factors.

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%.

The Group's net liabilities was approximately HK$54.1 million (2023: net asset: approximately HK$35.2 million). The change was mainly due to the provision for loss allowance of contract assets, trade and retention receivables. 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.

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW *(Continued)*

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, contract liabilities 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.

Accruals and other payables represent mainly the accrued employee benefits, interest payables and payables for various administrative and operation expenses. The increase in accruals and other payables were mainly due to the increase in accrued salaries, interest and professional fees and a reclassification of loan from a former director.

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 and accrued interest of approximately HK$33.5 million (2023: approximately HK$33.2 million) were overdue. The Group is continuing in making effort to reduce the liquidity risk of the Group. The Group also maintained communications and negotiations with the relevant banks.

The loans from Directors of the Company were provided to support the Group's operating and financing activities.

BUSINESS 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.

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

ENHANCE OUR KEY BUSINESS VALUE

We supply marble and granite and provide relevant installation services for construction projects in Hong Kong, Macau and the PRC. Marble and granite supplied by the Group are used in a variety of decorative settings for areas such as entrance lobbies, kitchens and bathrooms as well as external cladding of buildings and landscape. We believe that it has become popular in both residential and commercial properties to have marble and granite mouldings or columns with different polished profiles or edges for use in both the interior and exterior of the buildings to improve their looks and that marble and granite counter-tops, which are designed for bathrooms and kitchens, marble and granite claddings for window sills and different marble and granite pattern dados or floor patterns are widely used in residential and commercial properties. As a specialist contractor in marble and granite supply and installation in Hong Kong, we undertake marble and granite works for a wide range of building and property types in Hong Kong, including commercial buildings, residential buildings, hotels, and public infrastructures.

We generally offer our services on project basis to our customers, and our works form part of the main construction and development contracts of our customers. In addition, we specialise in using marble and granite as principal raw materials in our services. We consider that, due to the characteristics of different kinds of natural marble and granite, fabrication and installation of marble and granite demand special techniques and experience in handling marble and granite. We have established relationships and connections with a network of stone suppliers, installation subcontractors and other suppliers. We continuously monitor, evaluate and update our databases of our suppliers and installation subcontractors in respect of their quality standards, pricing, capacities, capabilities, performance and service levels so that we have up-to-date market knowledge.

RELATIONSHIPS WITH KEY CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

The Group maintains a good relationship with our customers, subcontractors and suppliers. The Group aims to continue providing quality services to our customers and establishing cooperation strategy with our subcontractors and suppliers.

Most of our customers are main contractors in Hong Kong. As a subcontractor, depending on the specific requirements of individual contracts, we provide one-stop comprehensive services principally covering the following scope:

— recommending and sourcing of marble and granite prescribed by our customers or otherwise in conformity with the requirements of our customers;

— arranging fabrications of marble and granite into customised sizes;

— arranging delivery and installation of marble and granite on external cladding of buildings, landscape and/or the interiors of the buildings such as entrance lobbies, kitchens and bathrooms; and

— arranging post-installation services such as polishing and cleaning.

RELATIONSHIPS WITH EMPLOYEES

The Group has positioned itself to attract and retain talented people and provided our employees with a fair and inclusive working environment. We continue to enhance our competitiveness by building on the capabilities of its employees. In 2024, there was shortage in human resources. This is due to the increasing competition from the labor market and our cost-cutting policy.

PRINCIPAL RISKS AND UNCERTAINTIES

Our business risk is heavily associated with the property market and the construction industry. The worldwide business environment showed gradual improvement although international trade relations, geopolitical tensions, interest rate hikes in 2024 have created uncertainties and volatility in local property market and construction industry.

During the year, the Group's performance future declined due to the dropping of overall tendering numbers, the decrease in volumes of the work and the increase in impairment losses. 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).

Our revenue relies on successful tenders of marble and granite work projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers. Marble and granite may fail to gain market acceptance due to changes in our customers' consumption pattern. Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We generally prepare our tender and quotation based on our estimated project costs (which mainly include subcontracting costs and material costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers. When we determine the tender price, we also take into account factors including (i) the nature, scope and complexity of the projects; (ii) the estimated subcontracting cost; (iii) cost and origin of materials; (iv) completion time required by our customers; (v) availability of our Group's resources and expertise; (vi) market conditions; (vii) our working capital and financial condition; (viii) our relationship with the customers; and (ix) capacity of our project management team. However, our profit may be substantially reduced if our subcontracting and material costs significantly increase after tender or if we encounter delays in completing our projects.

In addition, our cash flows may deteriorate due to potential mismatches in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers. We generally incur significant costs including materials costs and service fees of our fabricators and installation subcontractors before we receive the progress payments from our customers for our projects. The mismatch in time between receipt of payments from our customers, and payments to our subcontractors and suppliers may materially and adversely affect our liquidity and financial condition.

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

GOING CONCERN AND MITIGATION MEASURES

For the year ended 31 December 2024, the Group reported a net loss attributable to the owners of the Company of approximately HK$86.4 million (2023: approximately HK$40.4 million). As at 31 December 2024, the Group's current bank borrowings was approximately HK$33.5 million (2023: HK$33.2 million), while its total bank balances and cash was approximately HK$0.3 million (2023: HK$0.5 million). The Group also recorded a net liabilities of HK$54.1 million and a net current liabilities of HK$ 40.6 million as at 31 December 2024.

The entire bank borrowings balance of the Group were overdue. In addition, default interests have been charged to the unsettled overdue borrowings by the respective banks. The Group is unable to draw down new borrowings from its bank facilities since 20 November 2020 and any further draw down would be subject to the approvals by the relevant banks. All bank borrowings would be immediately repayable if requested by the banks formally in accordance with the underlying bank facilities letters. Accordingly, all the aforementioned bank borrowings have been classified as current liabilities in the consolidated statement of financial position.

In January 2025, a bank requested immediate repayment of the outstanding principal bank borrowing balance of approximately HK$3,425,000 and accrued interest thereon. Upon receipt of this demand letter, the management negotiated with the bank to uphold the demand. The Company is in progress in arranging alternative fundraising for the repayment. No further demand of immediate repayment was received by the Company as at the report date.

In accordance with the underlying bank facilities letters, performance bonds issued through a bank aforementioned might be cancelled by the bank, which might result in non-compliance with the relevant construction contracts if the Group is unable to replace them with other equivalent performance bonds.

The aforementioned conditions indicate the existence of uncertainty which may cast doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position, and in an effort to remediating the delayed payments to the relevant banks. The details were disclosed in Note 2.1(b) to the consolidated financial statements and in this analysis.

As at the report date, the Directors of the Company have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 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, uncertainty related to going concern exist as to whether the Group is able to achieve its plans and measures as described above. Further information could be found in Note 2.1(b) to the consolidated financial statements.

The Audit Committee understands the uncertainties in relation to going concern and has discussions with the management in this regard. The Audit Committee concurs the view with the management and is of the view that the Group could address the issue of uncertainties relating to going concern if all measures could be implemented successfully and effectively.

ADDITIONAL INFORMATION REGARDING THE INDEPENDENT AUDITOR'S REPORT

The Group reported a net loss of approximately HK$86.4 million for the year ended 31 December 2024. Its current bank borrowings was approximately HK$33.5 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$54.1 million and a net current liabilities of HK$40.6 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.

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.

The following key factors had been considered by the management in forming the basis on going concern:

— The Board of the Directors had prepared a cash flows projection as at the report date and considered that the Group should be able to maintain sufficient working capital to finance its operation, and when necessary, could rely on the shareholder/director's loan(s) to support the Company in meeting its financial obligations as and when they fall due within 12 months from the date of report.

— Despite the overdue bank borrowings, the Group continues to negotiate and communicate with the relevant banks extend the repayment date of the overdue bank borrowings and to waive their rights arising from the events of default. Although the Company received a demand letter in January 2025, the management was able to negotiate with the relevant banks to uphold the demand with conditions. Accordingly, it is deemed to have 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. The Group needs some more times to resume its business in profit-making.

— The Group has implemented measures to accelerate the certification, billing and collection with customers for completed projects.

— The Group is also actively negotiating with its customers to request for deposits before commencement of projects. At the same time, the Group negotiates with its suppliers and sub-contractors to extend the settlement terms. The effect was not significant in 2024 but it may help improve the financial liquidity of the Group in the future.

— The Group obtained financial supports from its substantial shareholder, Mr. Lui Yue Yun Gary. Mr. Lui Yue Yun Gary, who is also the co-founder of the Group, the chairman and an executive director of the Company had loaned to the Company when there were financial needs. Should there be future need arisen, the executive directors (in particular, Mr. Lui Yue Yun Gary) will further extend the facilities, subject to further negotiation with the Company for the terms and conditions.

ADDITIONAL INFORMATION REGARDING THE INDEPENDENT AUDITOR'S REPORT *(Continued)*

— Mr. Lui Yue Yun Gary provided a personal guarantee to a bank in securing the outstanding bank borrowings. The market value (assessed by the Board of Directors) of the assets pledged by Mr. Lui was higher than the carrying value of the bank borrowings as at 31 December 2024.

— 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.

However, the auditor's view is different from the management. Even though the Group's cash flows projections cover a period of not less than 12 months from 31 December 2024 for is positive, the auditor still considers certain uncertainties could be arisen, mainly the risk of further delay on expected receipts from its customers. The auditor also considered that there might be risk that the relevant banks may issue formal demand letters in the coming few months to demand the full repayment of bank borrowings, especially if the local economy is under the recession in the future. The auditor also considered the risk that the Group might not be able to seek for additional loans and financial sources.

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 did 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 of the Company will continue to keep close communication with our major banks to make the repayment as agreed. 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 manageable.

— The Group is actively seeking for different financial sources to improve its liquidity. The past 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.

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

ADDITIONAL INFORMATION REGARDING THE INDEPENDENT AUDITOR'S REPORT *(Continued)*

— 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.

The Company had discussed with the relevant banks actively to avoid an immediate full demand of loan. At the same time, the Company continued to seek for alternative fundraising to repay the bank borrowings and other liabilities. The overdue bank borrowings were a brought forward issue since year 2020. The Board of Directors, based on the historical data and consolidated financial statements in years ended 2020, 2021, 2022 and 2023, considered that the above action plan by the Company is possible and effective.

The Directors of the Company will continue to devote their efforts to improve the cashflow position by taking the measures above. With the above plans successful executed, the uncertainties in relation to the going concern assumption would be addressed in the next financial year.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Environment, Social and Governance Report of the Company for the year ended 31 December 2024 contained the information required under Appendix 27 to the Listing Rules is set out in pages 19 to 41 of this report.

EMPLOYEES AND REMUNERATION POLICY

We outsourced the stone processing to our fabricators who were responsible for fabricating the stones to meet the specifications as requested by our customers and delivering the processed stones to the construction sites. We also rely on installation subcontractors in Hong Kong to install the cut-to-size panels. 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. During the year ended 31 December 2024, there has been labour shortage that slightly impact the Group's operating and finance functions. The Group is actively seeks for suitable personnel(s) to resolve the matter.

TREASURY POLICY

The Group remains committed to a high degree of financial control, a prudent risk management and the best utilisation of financial resources.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2024 and as at the report date, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Please refer to Note 34 to the consolidated financial statements.

OUTLOOK AND PROSPECTS

The local and global economic environment and the construction industry had become active again after the pandemic.

However, the Group's performance in 2024 did not demonstrate a sanguine outlook. Once the local economy recovered, there would be continuous strong demand in the luxury construction material, such as marble. Besides, the Mainland China's business will help the Group's financial performance in the future. Besides, the Group will continue to seek for new fundraising and other sources of finance to improve its liquidity.

FINANCIAL REVIEW

OPERATING RESULTS

The Group is a leading and well-established subcontractor in Hong Kong specialising primarily in the supply and installation of marble and granite for construction projects. Having accumulated over 25 years of experience in the industry, the Group has undertaken various sizeable stone supply projects and stone supply and installation projects in Hong Kong and Macau.

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).

REVENUE

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. Its revenue had decreased from HK35.9 million in 2023 to HK$33.1 million in 2024.

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 and staff cost.

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).

FINANCIAL REVIEW

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$33.5 million (31 December 2023: HK$33.1 million). The Group has not renewed its banking facilities since late 2020 due to the overdue repayment.

The Group had negotiated with the relevant banks since then and had maintained the operations by its equity sources and other fundraising.

FINANCIAL REVIEW

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$33.5 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 report.

(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 2, and remains committed to complying with labor regulations under the Hong Kong Employment Ordinance, including assessing potential risks or penalties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This is the 5th Environmental, Social and Governance Report (the "**Report**") presented by Anchorstone Holdings Limited (the "**Company**") and its subsidiaries (collectively as the "**Group**" or "**We**"), which discloses the Group's policies, measures and performances in environmental, social and governance ("**ESG**") aspects. This Report is prepared in Chinese and English and has been uploaded to the website of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the Company's website (www.anchorstone.com.hk).

Reporting Scope and Boundary

In line with previous ESG Report, unless otherwise stated, this Report only covers the business activities on sales, supply, and installation of marble and granite for construction projects of the Group in Hong Kong, which are the main revenue sources of the Group. It covers the Group's ESG performance during the period of 1 January 2024 to 31 December 2024 (the "**Reporting Period**" or "**2024**").

Reporting Standard

This Report is prepared in compliance with all applicable provisions of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set out in the Appendix 27 of the Rules Governing the Listing of Securities by the Stock Exchange. The Group has adhered to the four reporting principles in the ESG Reporting Guide, including Materiality, Quantitative, Balance and Consistency, when disclosing our ESG performance in the Reporting Period.

Reporting Principles	Definition	The Group's Response
Materiality	The ESG issues determined by the Group are sufficiently important to stakeholders that they should be reported.	The Report encompasses principal issues that have been identified considering the group's distinct industry attributes, operations, and concerns of stakeholders. For the process and outcomes of how we arrived at these issues, kindly refer to the "Materiality Assessment" section.
Quantitative	Key performance indicators ("**KPIs**") and their data should be measurable and comparable where appropriate, enabling evaluation of the effectiveness of ESG policies and management systems.	Where possible, the Group's key environmental and social performance metrics are shared in a quantitative manner following the ESG Reporting Guidelines.

ABOUT THE REPORT *(Continued)*

Reporting Standard *(Continued)*

Reporting Principles	Definition	The Group's Response
Consistency	Statistical methodologies should be consistent and historical data should be provided where feasible to allow for meaningful comparisons of ESG performance over time.	Unless specifically stated, the scope of reporting and the methodologies used in this Report are largely identical to those of 2022, and where possible, data from the previous year is disclosed for comparison.
Balance	The Report should provide an unbiased picture of ESG performance, allowing stakeholders to objectively evaluate the Group's ESG performance	The Group's ESG performance has been presented in a fair and unbiased way, enabling readers to assess the performance in a logical and objective manner.

Disclosure of Data and Information

The Group has established internal data system and review processes to ensure that all data and information collected and presented in this Report is as accurate and reliable as possible. The Board of Directors (the "**Board**") has reviewed and confirmed the contents of this Report on 16 May 2025.

Contact and Feedback

The Group welcomes any opinions or feedback from stakeholders. If you have any questions or feedback on the Group's ESG performance and reporting, please feel free to contact us through the following channels:

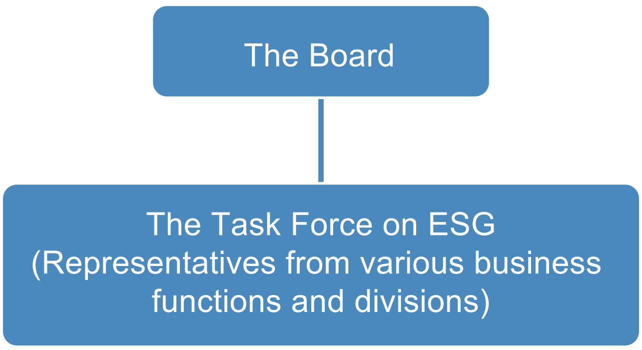
Anchorstone Holdings Limited
Units 1501–1502, 15/F., Delta House, No. 2 On Yiu Street, Hong Kong
Telephone: (852) 2511 6668
Email: info@anchorstone.com.hk

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR APPROACH TO ESG

Governance

The Group has a robust and efficient ESG governance structure, with the Board of Directors holding the ultimate responsibility for ESG matters, including strategy, goals, policies, performance, and reporting. The Task Force on Environmental, Social, and Governance ("**Task Force**"), comprising representatives from diverse business areas and sectors, operates under the Board's guidance. This Task Force regularly convenes to discuss ESG topics, make recommendations, review and monitor the Group's ESG objectives and performance, and aids in embedding sustainability across all operations. Acknowledging the crucial role of sustainable development in its success, the Group ensures a comprehensive governance structure, with the Board overseeing key ESG issues and the Task Force facilitating the implementation of sustainability throughout the Group's operations.



Responsibility

- Undertake the overall responsibility for managing relevant ESG matters

- Preparation of the ESG Report
- Assist the Board in reviewing and implementing the Group overall ESG policies, measures, and performance
- ESG risks assessment

The Group has put in place a Sustainability Policy that describes its holistic dedication and strategy towards the environment, staff, value chain and the community. In the future, the Group intends to form a sustainability strategy and objectives that harmonize the Group's upcoming business growth and the anticipations of stakeholders via a layered approach: enhancing dialogue with its stakeholders, pinpointing and evaluating the substantial environmental and social repercussions according to our present business operation, concentrate on refining pertinent materiality issues and risks, evolve its business plans and put into action sustainability objectives.

Risk Management

The Board is responsible for ensuring the effectiveness of the Group's risk management and internal control systems, with the Audit Committee supervising their design, implementation, and monitoring. The systems undergo an annual review that covers all relevant factors, such as operational and compliance aspects. During the reporting period, the Board deemed these systems to be effective and adequate. Additionally, the Group is developing a more focused ESG-related risk management framework to better identify, evaluate, and manage significant ESG-related risks stemming from its business, climate change, and the ever-evolving business environment. More details on these systems can be found in the Corporate Governance Report.

OUR APPROACH TO ESG *(Continued)*

Compliance Management

The Group operates its businesses according to the highest ethical standards and all applicable laws and regulations. Penalties, litigation, and other outcomes from any violations could potentially affect the Group's business operations and reputation. The management team, which includes the Company's Executive Directors, oversees the internal control measures, regularly reviews them for potential improvements, and enforces a set of internal control policies and systems for compliance management. These systems are reviewed and supervised by the Audit Committee and the Board.

During the Reporting Period, there were no violations of relevant laws and regulations that have a material impact towards the Group, and no concluded legal cases regarding anti-corruption against the Group or its employees.

Aspects	Laws and Regulations that Have a Material Impact Towards the Group
Environment	• "Cap. 311 Air Pollution Control Ordinance" • "Cap. 354 Waste Disposal Ordinance" • "Cap. 603 Product Eco-responsibility Ordinance"
Employment and Labour Standards	• "Employment Ordinance, Chapter 57" • "Cap. 608 Minimum Wage Ordinance"
Health and Safety	• "Cap. 509 Occupational Safety and Health Ordinance"
Product Responsibility	• "Cap. 486 Personal Data (Privacy) Ordinance" • "Cap. 528 Copyright Ordinance"
Anti-corruption	• "Cap. 201 Prevention of Bribery Ordinance"

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The Group recognises how crucial it is to understand the expectations and interests of our stakeholders. Not only does it boost our business, but it also creates a win-win situation for everyone involved. We make it a point to consider stakeholders' views in our strategic and ESG planning. We do this by keeping open lines of communication, ensuring we stay connected with our key stakeholders.

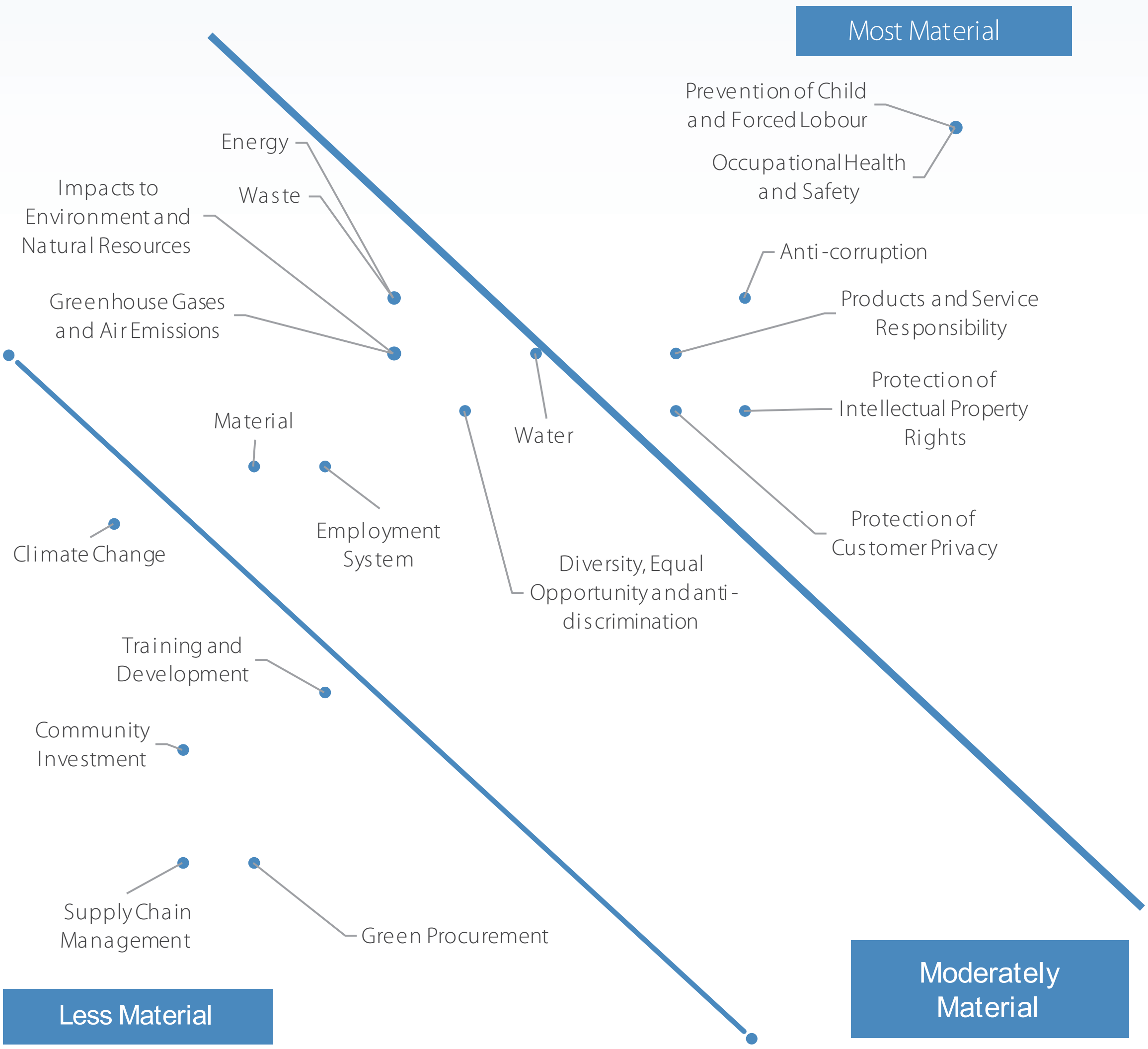
Key Stakeholders and Their Communication Channels

Stakeholders	Communication Channels
Shareholders and investors	Investor presentation, business development meetings, and announcements and circulars
Customers and business partners	Customer satisfaction survey, customer complaint mechanism, and industry events
Employees	Training, seminars, and briefings
Suppliers and subcontractors	Supply chain management meetings and events
NGOs and the public	Community activities

Materiality Assessment

The Group is consistently enhancing the ways we evaluate and prioritize ESG factors that are pertinent to our stakeholders and operations. In the reporting period, we adopted a more comprehensive approach and collaborated with an independent consulting firm to conduct a materiality assessment.

1.	Identify relevant ESG issues	19 relevant ESG issues, covering "Environment", "Employment and Labour Practices", "Operating Practices" and "Community", were identified by reviewing the ESG Reporting Guide, past materiality results and market trends.
2.	Collect stakeholders' responses	An online survey was distributed and collected from 21 internal and external stakeholders for analysis.
3.	Prioritise material ESG issues	6 issues, including "Prevention of Child and Forced Labour", "Occupational Health and Safety", "Anti-corruption", "Products and Service Responsibility", "Protection of Intellectual Property Rights", and "Protection of Customer Privacy", are considered as most material issues.
4.	Validation	The Board has reviewed and confirmed the results of materiality assessment and the most material issues identified for the Group, which will be disclosed and addressed and with priority in this Report and in our strategic planning.



Material Issues		Sections
1.	Prevention of Child and Forced Labour	Valuing Our People
2.	Occupational Health and Safety	Valuing Our People
3.	Anti-corruption	Operating with Integrity
4.	Products and Service Responsibility	Operating with Integrity
5.	Protection of Intellectual Property Rights	Operating with Integrity
6.	Protection of Customer Privacy	Operating with Integrity

OPERATING WITH INTEGRITY

Anti-corruption

The Group adheres to the highest standards of business ethics and integrity, employing a zero-tolerance policy towards corruption in all its forms. Employees are expected to follow the Anti-corruption Policy, Code of Conduct, and Whistle-blowing Policy. These provide guidance on professional conduct and detail measures for preventing, identifying, and handling corruption. Any activities that might unfairly affect a business relationship, such as soliciting, offering, or receiving gifts or advantages, are strictly forbidden.

Employees are encouraged to disclose any interests or relationships that could lead to real or potential conflicts of interest. If any misconduct or violations of the Code of Conduct are suspected, employees and business partners are urged to report these through our Whistle-blowing System, with the assurance that the identity of the whistleblower will be protected. We commit to addressing and investigating all cases promptly, fairly, and confidentially, taking necessary remedial actions. To further the prevention of corruption and fraud, the Group offers anti-corruption training to Board Members and employees to increase their awareness and understanding of relevant laws.

During the Reporting Period, our Board members and employees received a total of 18 and 6 hours of anti-corruption training respectively.

Product Responsibility

The Group upholds stringent quality standards for its products and services, with an equal focus on satisfying customer requirements, safeguarding data privacy, and protecting intellectual property rights. A Quality Control Management System is in place to supervise the procurement and production processes, ensuring that all products and services fulfill our high-quality criteria and meet customer or user expectations.

Quality control management

Every operational department is mandated to adhere to the Quality Control Management System and execute necessary actions to mitigate risks associated with quality.

Stone selection

- Our quality assurance and control manager, together with the facade or design consultant representative, architect representative (if any) and representative of our customers will conduct a physical visit to target quarry to carry out work including:

  — choosing the desired stone colour range;

  — establishing the bench, layer and locations where the particular colour range will be quarried; and

  — determining if there are sufficient stones of the desired colour for the project.

OPERATING WITH INTEGRITY *(Continued)*

Product Responsibility *(Continued)*

Quality control management *(Continued)*

Blocks selection

- Our quality control staff will examine the blocks. Blocks with defects including cracks, badly chipped edges, stress fractures, excessive microcracking, holes, pits, inclusions, surface weathering, staining or any feature which the architect considers unacceptable or detrimental to the performance of the stone will be rejected.
- Testing of stone will be carried out to ensure compliance with the stone specification and the requirements of any relevant regulatory authorities.

Fabrication

- Once the block has been sawn and the slabs exposed, each cut-to-size panel will be individually inspected, ensuring that the cut-to-size panel produced will correspond to the control samples previously selected.
- After the slabs have been cut into finished pieces, we will carry out a prelaying check to inspect the size and colour range of the panels.
- With respect to marbles and granites for exterior use, further testing will also be carried out on a sampling basis to ensure that any deviation is within the manufacturing tolerances in accordance with the stone specifications and the panels fulfill the strength requirements.

Installation

- Our site manager or project coordinator will monitor the installation work carried out by our subcontractors to ensure that the stone panels are handled and transported to the construction site in a safe manner to prevent any damage, and that the stone panels are installed in the correct alignment and in accordance with the approved drawing.
- We will also coordinate with other contractors on-site to ensure the proper installation of our marbles and granites.

Customer satisfaction

Our business development team actively seeks to improve the quality of our products and services by actively seeking customer feedback through various means, including customer satisfaction surveys. By following a standardised process for addressing inquiries and complaints, the team ensures all issues are handled diligently and uses this feedback to devise plans and programmes for improvement.

OPERATING WITH INTEGRITY *(Continued)*

Product Responsibility *(Continued)*

Protection of customer privacy and intellectual property

The Group is dedicated to safeguarding customer information, privacy, and intellectual property rights. Measures such as firewalls, anti-virus, and anti-spam software have been implemented in our IT system to defend against cyber threats and avoid data leaks. We're in the process of developing a policy for product and service responsibilities to further enhance our information security management. This policy aims to consistently monitor, review, and supervise customer data protection measures and relevant Group operations. Additionally, we are committed to addressing any complaints about our products and services by conducting thorough investigations and establishing necessary improvements.

During the Reporting Period, the Group was not aware of any product and service-related complaints as well as any cases of product recall due to health and safety reasons.

Supply Chain Management

The Group employs a comprehensive approach to supply chain management, aiming to foster enduring and trusting relationships with its suppliers and subcontractors, and enhance the sustainability of its supply chain. This involves managing environmental and social risks along the supply chain, with vendors required to comply with the standards and expectations outlined in the Vendor Code of Conduct. This approach promotes sustainability within the operations of our suppliers and subcontractors.

Governance	• Legal and regulatory compliance • Anti-corruption
Environmental	• Mitigation of adverse environmental impacts • Material and resource efficiency
Social	• Health and safety • Compensation and working hours • Discrimination • Child and forced labour • Confidentiality

The Group ensures a fair, open, and competitive process for procuring all goods and services. There is a strict prohibition on any form of discrimination or differential treatment against suppliers. We meticulously evaluate and select suppliers based on standardized criteria encompassing their development, procurement, production, and service supply processes. Additionally, we prioritise environmentally friendly products and services.

In situations where the Vendor Code of Conduct is breached, we reserve the right to reassess or terminate the supplier's contract. The Group also considers the Environmental, Social, and Governance (ESG) performances of suppliers during procurement, emphasizing those with sustainable practices.

During the Reporting Period, we engaged with numerous suppliers — 76 in Hong Kong, 9 in Mainland China, and 1 in Macau. We also implemented practices for engaging with major suppliers. Moving forward, we plan to enhance our supply chain risk management capabilities by continuing to collaborate with suppliers to meet relevant requirements and improve their ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VALUING OUR PEOPLE

Employment System

The Group firmly believes that our talent is the key driver for sustained growth. We're committed to safeguarding employee rights and interests, and have set up an employment and remuneration system, complemented by a Human Rights Policy. These steps ensure our workplace thrives on fairness, diversity, and inclusivity. For all employment-related policies and procedures, employees can refer to the Group's Employee Handbook.

Recruitment and dismissal	• All applicants are recruited based on objective criteria, such as working experiences, academic qualifications, skills and abilities, through transparent, open, and fair recruitment processes. • Employee who fails to reach the level required by the Group or has committed misconduct or unethical behaviours will be terminated legally to prohibit any form of unfair or illegal dismissal.
Promotion and retention	• Annual performance evaluation is conducted for employees based on KPIs such as job skills, qualifications, and performance, where outstanding employees will receive promotion opportunities to help them achieve their maximum potential. • Remuneration ranges are adjusted timely to retain talents in response to employees' performance and market changes.
Compensation and benefits	• Employees will be provided with competitive remuneration and benefits, including cash, discretionary bonuses and allowances, depending on the types of operations and the local labour markets. • Rest days, statutory holidays and paid annual leave are given according to employees' working locations and job titles, including marriage, maternity, paternity, bereavement leaves, etc.
Diversity, equal opportunity and anti-discrimination	• All forms of harassment or bullying are strictly prohibited in our workplace. • Applicants and employees are provided with equal opportunity for recruitment, promotion and compensation regardless of their age, gender, sexual orientation, marital status, family status, disability, race, nationality, religion or other factors.
Labour standards	• All forms of child and forced labour are strictly prohibited within the Group. • All applicants and newly hired employees must provide their personal information such as identification documents to our Human Resources and Administration Departments during the recruitment process, to verify the identity and eligibility of work of the applicants.

VALUING OUR PEOPLE *(Continued)*

Employment System *(Continued)*

Labour standards *(Continued)*	• Employees cannot work overtime unless approved by the department head to avoid the violation of Labour Standards. Any violations will be handled by the Group on a case-by-case basis. • Employees who are required to work overtime due to actual business needs will receive overtime allowances and compensatory leaves in accordance with relevant labours laws and regulations.
Communication and grievance mechanism	• Employees are encouraged to make suggestions on daily working environment through mailboxes, appraisal meetings and employee satisfaction surveys. • Employees who feel their rights and interests may have been violated can file a complaint and report to their management. Our management will evaluate, handle, and record the complaints, and take necessary disciplinary measures to substantiate cases.

The Group had 11 employees as of 31 December 2024, with 5 males and 6 females, with a total turnover rate of 35%. For more details, please refer to Appendix II: Social Performance Data for the workforce profile.

Occupational Health and Safety

The Group adopts a thorough approach to managing health and safety at work, incorporating a solid safety system with clear policies, management, and control measures. Our aim is to shield all employees and subcontractors from possible health and safety hazards. The Group's Corporate Health and Safety Policy, along with the Vendor Code of Conduct, provide clear directives on safety and health standards for both the workplace and construction activities. To top it off, the Health and Safety Management Committee and Safety Supervisor of the Group are instrumental in identifying, managing, and reviewing occupational health and safety risks and measures.

	General Management	Construction Activities
Mitigate	• Ensure compliance with all applicable laws and regulations • Embed health and safety considerations in business activities	• Require sub-contractors to conduct risk assessments regularly • Provide role-based health and safety briefing, training and protective equipment for employees and sub-contractors

VALUING OUR PEOPLE *(Continued)*

Occupational Health and Safety *(Continued)*

	General Management	Construction Activities
Manage	• Provide training and promotional materials to enhance employees' safety awareness • Establish an accident reporting mechanism, and conduct investigation and appropriate follow-up actions	• Establish an accident reporting mechanism, and conduct investigation and appropriate follow-up actions • Require sub-contractors to submit regular safety monitoring reports
Review	• Set and monitor relevant indicators and conduct regularly monitoring and reporting	• Monitor the safety performance of subcontractors through the project development cycle

The Group is committed to continually improving its occupational health and safety system to increase employee safety and promote understanding of the significance of health and safety in the workplace. During the reported period, there were no incidents that led to work-related injuries or fatalities.

Development and Training

The Group is committed to investing resources into enhancing the skills of our employees, fostering both personal and professional growth. We ensure equal access to training resources for all employees and encourage further development through a variety of training programmes and activities. These are designed to meet individual needs and bridge any skill gaps within our operations.

Annual performance evaluations are conducted, with exceptional employees being presented with opportunities for advancement in their career paths. Our training content is regularly assessed and updated to remain relevant to market trends and the evolving needs of our stakeholders. This includes updates in laws and regulations, technological advancements, product trends, and shifts in customer behaviour.

During the reporting period, the Group has organized a series of training programmes.

Training	Target Audience	Objective
Induction training	New hires	Enlighten new hires' understanding of the Group's business model and business-related knowledge
Vocational training	General employees	Equip employees with the essential skills and knowledge of work
Health and safety training	All employees	Enhance employee's safety awareness with the aim to reducing the incidence rate of occupational disasters

The Group actively promotes external training and certification courses among employees to boost their competitiveness and expand the company's talent pool. During the reporting period, 54% of the staff underwent training, averaging approximately 10 hours per employee (see Appendix II: Social Performance Data for more details). The Group is committed to continuously refining its internal policies and reviewing developmental initiatives to further enhance the collective growth and competitiveness of the Company and its workforce.

MANAGING ENVIRONMENTAL FOOTPRINT

The Group takes a systematic and proactive approach to managing its environmental footprint. This involves regularly assessing the potential environmental risks associated with its business operations and implementing a range of measures to reduce emissions and optimize the use of energy, water, and other natural resources. The Group also prioritises educating and communicating with employees, subcontractors, and other stakeholders about the importance of environmental awareness and conservation. This holistic approach ensures that the Group's commitment to reducing its environmental impact is integrated into all aspects of its operations.

Focus Areas	Measures
Air and GHG emissions	• Implement stringent quality control measures on stone fabrication to cut down dust • Select the shortest route to and from the site of the Group and the targeted venue • Switch off the engine whenever the vehicle is left in an idle position • Provide maintenance service to the vehicles on a regular basis to ensure engine performance and efficient use of fuel
Energy	• Select energy-efficient equipment and electrical appliances, such as LED lights in the office and the production processes • Forbid the use of large-power electrical appliances such as heaters, kettles, refrigerators, etc., to avoid electricity overloaded • Turn off all unnecessary computers, lights, air conditioners, and other office equipment in office areas when they are not in use to avoid waste of electricity • Enhance the maintenance and overhaul of equipment, maintain the best condition of all electronic equipment for effective use of electricity • Conduct regular energy audits and set up analytics systems to review and discipline our energy use
Water	• Post water-saving reminders and guidelines
Paper	• Use sustainable materials such as paper made from recycled content • Encourage managing documents digitally and double-sided printing

In our pursuit of more environmentally conscious production, we utilize eco-friendly technologies and materials, and strive to boost resource efficiency in our operations and construction projects where possible. We also motivate our subcontractors to improve their environmental management by adopting environmental policies and practices.

The Group is actively exploring strategies to enhance environmental practices and establish achievable goals for ongoing environmental improvements.

MANAGING ENVIRONMENTAL FOOTPRINT *(Continued)*

Emissions Reduction

Waste and wastewater

The Group adopts a proactive strategy for waste and wastewater management, recognising its environmental responsibility. We are committed to minimizing the generation of both hazardous and non-hazardous waste through efficient operations and responsible practices. We have implemented guidelines for proper waste segregation, disposal, and recycling. Additionally, wastewater generated from our operations is treated and monitored in compliance with relevant environmental regulations to prevent any potential contamination. We aim to continuously improve our waste and wastewater management techniques to further reduce our environmental impact.

We have initiated a series of waste management measures:

Focus Areas	Measures
Managing the environmental impacts of waste	• Use double-sided printing or photocopying wherever possible • Utilise electronic media for communication • Avoid single-use disposable items • Employ qualified chemical waste collectors to handle hazardous waste such as toner and ink cartridges in compliance with the relevant environmental regulations
Promoting environmental awareness at work	• Place "Green Message" reminders and recycling bins at offices and construction sites to boost recycling rate • Require all employees and subcontractors to follow guidelines on managing the disposal of waste
Monitoring waste management performance	• Enhance garbage classification to allow more comprehensive tracking of waste • Project coordinators or site managers stationed at the construction site will review and monitor the waste management performance of our subcontractors

During the Reporting Period, the Group generated 795.41 tonnes of non-hazardous waste at an intensity of 46.79 tonnes per employee, a decrease of 6% and an increase of 384%, respectively. The significant increase in intensity primarily stemmed from a decrease in workforce during the Reporting Period due to the reconstruction of the workforce. Hazardous waste was not generated during the Reporting Period.

The wastewater produced by the Group's operations is discharged to local sewage treatment plants for further processing by adhering to all relevant regulations.

MANAGING ENVIRONMENTAL FOOTPRINT *(Continued)*

Emissions Reduction *(Continued)*

Carbon and air emissions

Due to its business nature, the carbon (or greenhouse gases, "**GHG**") and air emissions of the Group mainly come from the fuel consumption of vehicles and purchased electricity. During the Reporting Period, the Group emitted 5.47 kg of nitrogen oxides, 0.10kg of sulphur oxides and 0.40kg of respirable suspended particulates, in addition to 24.86 tonnes of CO2-equivalent ("tCO2e") GHG emissions, which decreased by approximately 37%. As the Group restructured to simplify the workforce during the Reporting Period, its total GHG emissions decreased while its intensity significantly increased by around 224%.

	Unit	2024	2023	% Change
Air emissions[1]				
Nitrogen oxides	kg	**3.18**	5.47	–41.86
Sulphur oxides	kg	**0.09**	0.10	–30.00
Respirable suspended particulates	kg	**0.38**	0.40	–32.50
Greenhouse gas emissions[2]				
Scope 1 Direct GHG emissions	tCO_2e	**12.09**	18.84	–35.83
Scope 1 intensity	tCO_2e/employee	**1.10**	1.11	–0.98
Scope 2 Indirect GHG emissions[3]	tCO_2e	**3.90**	6.02	–35.22
Scope 2 intensity	tCO_2e/employee	**0.35**	0.35	–0.09
Total GHG emissions	tCO_2e	**15.99**	24.86	–35.68
GHG intensity	tCO_2e/employee	**1.45**	1.46	–0.44

Resources conservation

Energy

The Group's main energy usage comes from electricity in office buildings and gasoline for transport. Due to a restructure of the Group's operation to improve the effectiveness, there was 73% and 29% drop in electricity and overall consumption compared to the previous year. However, the relevant intensities resulted in significant increases of 40% and 266% due to the reconstruction of the workforce with only 17 staff in the team.

	Unit	2024	2023	% Change
Energy consumption				
Direct energy				
Gasoline	kWh	**39,043.08**	68,404.76	–41.67
Intensity	kWh/employee	**3,549.37**	4,023.81	–9.85
Indirect energy				
Electricity	kWh	**13,801.00**	15,433.00	–10.57
Intensity	kWh/employee	**1,254.64**	907.82	38.20
Total energy consumption	kWh	**52,844.08**	83,837.76	–35.84
Intensity	kWh/employee	**4,804.01**	4,931.63	–0.84

1 Air emissions were mainly contributed by combustion of gasoline from vehicles.

2 The calculation is based on the "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" published by HKEX, and emission factor of 0.39kg CO_2/kWh released by CLP Hong Kong in its Sustainability Report 2023.

3 Scope 2 includes energy indirect emissions from electricity purchased from power companies.

MANAGING ENVIRONMENTAL FOOTPRINT *(Continued)*

Resources conservation *(Continued)*

Water

Water consumption of the Group is mainly for basic business operations, cleaning and sanitation. As a result of reconstruction of manpower and a decrease in employees, we consumed 132.33m^3 of water with an intensity of 12.03m^3 per employee during the Reporting Period, which decreased 0.08% compared to last year. The Group commits to introducing additional policies and actions to encourage water conservation in the office environment as much as possible, such as displaying reminders and instructions to prevent water wastage.

	Unit	2024	2023	% Change
Water consumption				
Total water consumption	m^3	**132.33**	204.67	–35.34
Intensity	m^3/employee	**12.03**	12.04	–0.08

Paper

The Group pursues and adopts green office management that enhances the use of resources. A 37.62% decrease in paper consumption and a decrease of 3.6% in paper intensity per employee were recorded by the Group during the Reporting Period. The significant increase of intensity was due to the reduction of manpower in the Year.

	Unit	2024	2023	% Change
Paper consumption				
Total paper consumption	piece	**60,820**	97,500.00	–37.62
Intensity	piece/employee	**5,529.09**	5,735.29	–3.60

Climate Change

In response to the growing concerns and challenges posed by climate change, the Group is taking immediate action. We recognise that integrating climate-related risks and opportunities into their business decisions is crucial for long-term growth and resilience against climate-related issues. The Group is committed to supporting the HKSAR Government's objective of achieving carbon neutrality by 2050. Our approach includes a commitment to progressively enhance the management of climate-related risks and opportunities by thoroughly considering their impact on their business operations.

The Group's strategic framework, outlined in our Climate Change Policy, guides us in developing strategies for climate change mitigation and adaptation to enhance our climate resilience. They are dedicated to reducing the carbon footprint of our construction projects and business operations. Moreover, they are actively exploring strategies to mitigate the impact of climate change on our properties and operations.

Community Investment

The Group aligns societal needs with our objectives in community investment management. We support community projects with resources and sponsorships, enhancing our public image and fostering community relations. Employee participation is encouraged to foster social responsibility and company belonging. We will continue supporting community investments that meet societal needs and our objectives.

APPENDIX

Appendix I: Environmental Performance Data

	Unit	2024	2023
Greenhouse gas emissions[4]			
Scope 1 Direct GHG emissions	tCO_2e	**12.09**	18.84
Scope 1 intensity	tCO_2e/employee	**1.10**	1.11
Scope 2 Indirect GHG emissions[5]	tCO_2e	**3.90**	6.02
Scope 2 intensity	tCO_2e/employee	**0.35**	0.35
Total GHG emissions	tCO_2e	**15.99**	24.86
GHG intensity	tCO_2e/employee	**1.45**	1.46
Air emissions[6]			
Nitrogen oxides	kg	**3.18**	5.47
Sulphur oxides	kg	**0.09**	0.10
Particles	kg	**0.38**	0.40
Waste			
Total non-hazardous waste	tonne	**456.40**	795.41
Intensity	tonne/employee	**41.49**	46.79
Total hazardous waste	tonne	**0**	0
Intensity	tonne/employee	**–**	–
Energy consumption			
Direct energy			
Gasoline	kWh	**39,043.08**	68,404.76
Intensity	kWh/employee	**3,549.37**	4,023.81
Indirect energy			
Electricity	kWh	**13,801.00**	15,433.00
Intensity	kWh/employee	**1,254.64**	907.82
Total energy consumption	kWh	**52,844.08**	83,837.76
Intensity	kWh/employee	**4,804.01**	4,931.63
Water consumption			
Total water consumption	m^3	**132.33**	204.67
Intensity	m^3/employee	**12.03**	12.04
Paper consumption			
Total paper consumption	piece	**60,820.00**	97.500.00
Intensity	piece/employee	**5,529.09**	5,735.29

4 The calculation is based on the "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" published by HKEX, and emission factor of 0.39kg CO_2/kWh released by CLP Hong Kong in its Sustainability Report 2022.

5 Scope 2 includes energy indirect emissions from electricity purchased from power companies.

6 Air emissions were mainly contributed by combustion of gasoline from vehicles.

APPENDIX *(Continued)*

Appendix I: Environmental Performance Data *(Continued)*

Number of employees		2024	2023
Gender	Male	**5**	8
	Female	**6**	9
Age group	Below 31	**1**	2
	31–40	**4**	7
	41–50	**1**	4
	Above 50	**5**	4
Rank	Senior management	**2**	4
	Middle management	**4**	5
	General employees	**5**	8
Employee type	Full-time	**11**	17
Total		**11**	17

Employee turnover rate[7]		2024	2023
Gender	Male	**17.65%**	787.50%
	Female	**17.65%**	88.89%
Age group	Below 31	**5.88%**	0.00%
	31–40	**17.65%**	985.71%
	41–50	**5.88%**	775.00%
	Above 50	**5.88%**	150.00%
Total		**35.29%**	417.65%

New hire rate[8]		2024	2023
Gender	Male	**0%**	0.00%
	Female	**0%**	0.00%
Age group	Below 31	**0%**	0.00%
	31–40	**0%**	0.00%
	41–50	**0%**	0.00%
	Above 50	**5.88%**	0.00%
Total		**5.88%**	0.00%

7 Employee turnover rate = number of employees resigned/total workforce x 100.

8 New hire rate = number of new employees/total workforce x 100.

APPENDIX *(Continued)*

Appendix I: Environmental Performance Data *(Continued)*

Percentage of employees trained[9]		2024	2023
Gender	Male	**20.00%**	25.00%
	Female	**66.67%**	11.11%
Rank	Senior management	**50.00%**	25.00%
	Middle management	**75.00%**	40.00%
	General employees	**20.00%**	0.00%
Total		**45.45%**	17.65%

Average training hours[10]		2024	2023
Gender	Male	**0.6**	22.25
	Female	**22.33**	9.11
Rank	Senior management	**30.00**	42.00
	Middle management	**18.75**	18.40
	General employees	**0.40**	0.00
Total		**12.45**	15.29

Health and safety	2024	2023
Number of work-related fatalities[11]	**0**	0
Number of employees injured at work	**0**	0
Injury rate (per thousand employees)	**0**	0
Lost days due to work injury	**0**	0

Anti-corruption training	2024	2023
Total training hours for the Board	**12**	18
Total training hours for employees	**3**	6

9 Percentage of employees trained = number of employees trained of the category/total workforce of the category x 100

10 Average training hours = total hours of training received by employees of the category/total workforce of the category.

11 There were no work-related fatalities occurred in each of the past three years including the reporting year.

APPENDIX *(Continued)*

Appendix II: HKEx ESG Reporting Guide Index

Aspect	Content	Page Index
A1 Emissions		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	24, 34–36
A1.1	The types of emissions and respective emissions data.	36, 38
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	36, 38
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	35, 38
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	35, 38
A1.5	Description of emission target(s) set and steps taken to achieve them.	34, 36
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	34–35
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	24, 36–37
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	36, 38
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	37, 38
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	34, 36
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	34, 37
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Given our business nature, this topic is immaterial to the Group.

APPENDIX *(Continued)*

Appendix II: HKEx ESG Reporting Guide Index *(Continued)*

Aspect	Content	Page Index
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	34
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	34–37
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	37
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	37
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	24, 30–31
B1.1	Total workforce by gender, employment type, age group and geographical region.	31, 39
B1.2	Employee turnover rate by gender, age group and geographical region.	31, 39
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	24, 32
B2.1	Number and rate of work-related fatalities.	32, 40
B2.2	Lost days due to work injury.	32, 40
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	32

APPENDIX *(Continued)*

Appendix II: HKEx ESG Reporting Guide Index *(Continued)*

Aspect	Content	Page Index
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	33
B3.1	The percentage of employees trained by gender and employee category.	33
B3.2	The average training hours completed per employee by gender and employee category.	33
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	24, 31
B4.1	Description of measures to review employment practices to avoid child and forced labour.	31
B4.2	Description of steps taken to eliminate such practices when discovered.	31
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	29
B5.1	Number of suppliers by geographical region.	29
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	29
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	29
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	29

APPENDIX *(Continued)*

Appendix II: HKEx ESG Reporting Guide Index *(Continued)*

Aspect	Content	Page Index
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	24, 27–29
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	29
B6.2	Number of products and service-related complaints received and how they are dealt with.	29
B6.3	Description of practices relating to observing and protecting intellectual property rights.	29
B6.4	Description of quality assurance process and recall procedures.	27–28
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	28–29
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	24, 27
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	27
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	27
B7.3	Description of anti-corruption training provided to directors and staff.	27, 40
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	37
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	37
B8.2	Resources contributed (e.g. money or time) to the focus area.	37

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group committed to maintain high standards of corporate governance. The Directors of the Company believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. We attach importance to our staff, our code of conduct, and our corporate policies and standards, which together form the basis of our governance practices. We respect and are committed to comply with the laws, rules and regulations of each country and area in which we operate, and we strive to ensure a healthy and safe working environment for our staff, which is our paramount concern.

Throughout the year ended 31 December 2024, the Group has applied the principles and complied with all code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the HKEX, except for the deviations as mentioned below.

1. Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, 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. 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 ("**INEDs**"). Therefore the Board has a strong independent element in its composition. In addition, the Board believes that the balance of power and authority is adequately ensured by the Board comprising experienced and high caliber individuals with a sufficient number thereof being INEDs. Besides, all Directors (including INEDs) are subject to retirement by rotation in accordance with the Company's Articles of Association.

2. Pursuant to paragraph A.3 of Appendix 10 to the Listing Rules, the Directors are prohibited from dealing in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately proceeding the publication date of annual results ("**the Black-out Period**").

   On 28 March 2025, PMG Investments Limited, a substantial shareholder of the Company who controlled by Mr. Lui Yue Yun Gary disposed of 20,000,000 shares of the Company, representing approximately 0.83% of the total the issued shares. This was a dealing within the Black-out Period.

   The Directors (except Mr. Lui Yue Yun Gary), after considering the disposals, were satisfied that the disposal was a forced sales by a stockbroker, which should be under the exceptional circumstance within the meaning of paragraph C.14 of Appendix 10 to the Listing Rules.

3. As changes in certain key personnels in financial department of the Company and the shortage of accounting staff, there was a delay in publication of the annual results announcement of the Company for the year ended 31 December 2024, which was not complied with Rule 13.49(1) of the Listing Rules. Accordingly, the trading of the Company's securities were suspension from 1 April 2025 up to the date of this report.

   Pursuant to Rule 13.46(2) of the Listing Rules, the Company is required to despatch its annual report for the year ended 31 December 2024 to the Shareholders no later than four months after the end of the financial year of the Company.

   Owing to the delay in the publication of the Annual Results Announcement, there was delay in the despatch. This constituted non-compliance with Rule 13.46(2) of the Listing Rules.

Looking ahead, we will keep our governance practices under continuous review to ensure their consistent application and will continue to improve our practices having regard to the latest developments.

CORPORATE GOVERNANCE REPORT

MATERIAL UNCERTAINTY RELATION TO GOING CONCERN

Pursuant to code provision D.1.3 of Appendix C1 to the Listing Rules, where there is material uncertainty relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, such matters should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. For the year ended 31 December 2024, the auditors of the Company issued a disclaimer of opinion over the Group's ability to continue as a going concern due to multiple uncertainties relating to going concern that may cast 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. The details regarding the uncertainties relating to going concern are disclosed in the section "Management Discussion and Analysis" and Note 2.1 (b) to the consolidated financial statements.

The key risks are further disclosed as below.

The Group had received a demand letter in January 2025. All the aforementioned bank borrowings have been classified as current liabilities as at 31 December 2024. Besides, the performance bonds related to the bank facilities might be cancelled by a 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. There is also a risk that the Group might not be able to achieve the plans and measures as disclosed in the section "Management Discussion and Analysis" and Note 2.1 (b) to the consolidated financial statements.

The Board has adopted and considered different measures with different dimensions to further improve its cash flows, which has been stated in the Note 2.1 (b) to the consolidated financial statements and in the "Business Review, Management Discussion and Analysis" section. The Board has planned to address the Disclaimer of Opinion of the Auditor in the next financial year as stated in its "Business Review, Management Discussion and Analysis" section of this report. In view of the aforesaid, the Board, including the Audit Committee, believes that the above measures, if materialised, will bring to the Group an improvement on its future financial performance and its cash flows. Accordingly, the Board is of the view that the Group could continue as a going concern.

BOARD OF DIRECTORS

Overall Accountability

The Board is responsible for the leadership and control of the Company. The members of the Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Group. The Board provides direction and approval in relation to matters concerning the Group's business strategies, policies and plans whilst the day-today business operations are delegated to the executive management.

As the Board is accountable to the shareholders and in discharging its corporate accountability, Directors of the Company are required to pursue excellence in the interests of the shareholders and fulfill their fiduciary duties by applying the required levels of skill, care and diligence to a standard in accordance with the statutory requirements and laws.

During the year, the Board has performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his or her responsibilities. The Board is of the view that all Directors have given sufficient time and attention to the affairs of the Group and the Board operates effectively as a whole.

Board Composition

As at the date of this report, the Board comprises 2 Executive Directors ("**Executive Directors**" or "**EDs**") and 4 INEDs. They are:

Mr. Lui Yue Yun Gary *(Chairman)*
Ms. Lui Natalie Po Wai
Mr. Ko Tsz Kin
Mr. Wong Yue Fai
Mr. Nie Kin Kwok Kevin
Ms. Ching Wan Wah Kitty *(since 14 October 2024)*

The Company believes that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirement of the Group's business.

BOARD OF DIRECTORS *(Continued)*

Board Composition *(Continued)*

INEDs comprise 66.7% (4 out of 6) of the Board, which satisfy the requirement of representing at least one-third of the Board. As required under Rule 3.10 of the Listing Rules, at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise. Mr. Ko Tsz Kin is a certified public accountant with the appropriate professional qualifications while Ms. Ching Wan Wah are members of certain professional accountancy bodies. The Company has received from each INED a confirmation of his or her independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all INEDs are independent.

The four INEDs are persons of high caliber, with academic and/or professional qualifications in the field of business, management, accounting and finance. With their experience gained from various sectors, they provided strong support towards the effective discharge of the duties and responsibilities of the Board. Each INED has confirmed his independence to the Company, and the Company considered each and every of them independent under Rule 3.13 of the Listing Rules.

Brief biographical particulars of the Directors are set out in the section headed “Biographies of Directors and Senior Management” of this annual report.

All Directors, including the INEDs, have a specific term of appointment which is not more than three years since his/her re-election by shareholders at the general meeting. Each Director has entered into an appointment letter with the Company and pursuant to Article 104(A) of the Company’s Articles of Association, every Director, including the INEDs, shall be subject to retirement by rotation at least once every three years. Retiring Directors are eligible for re-election at the Annual General Meeting at which they retire. Separate resolutions are proposed for the election of each Director. One-third of the Directors, or if their number is not three or a multiple of three, then the number nearest to one-third, must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders.

Board Diversity Policy

The Board adopted a board diversity policy to recognise and embrace the benefits of diversity in the Board and is committed to enhancing quality of opportunity in all aspect of its business. The Company seeks to achieve Board diversity through the consideration against a range of objective criteria, including but not limited to gender, age, culture and educational background, ethnicity, professional qualification, experience, skill and knowledge. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

During the year ended 31 December 2024 and as at the date of this report, the Board compromises six Directors, two of whom are female. The Board will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders’ expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity.

BOARD OF DIRECTORS *(Continued)*

Board Diversity Policy *(Continued)*

The following tables further illustrate the diversity of the Board Members as of the date of this annual report:

	Age group			
Name of Directors	**Age (20–29)**	**Age (30–39)**	**Age (40–59)**	**Age (60 and above)**
Executive Directors:				
Mr. Lui Yue Yun Gary				✔
Ms. Lui Natalie Po Wai	✔			
INEDs:				
Mr. Ko Tsz Kin			✔	
Mr. Wong Yue Fai		✔		
Mr. Nie Kin Kwok Kevin				✔
Ms. Ching Wan Wah Kitty			✔	

	Professional experience and knowledge			
Name of Directors	**Business and management**	**Construction and subcontracting**	**Accounting and finance**	**Legal**
Executive Directors:				
Mr. Lui Yue Yun Gary	✔	✔		
Ms. Lui Natalie Po Wai	✔			
INEDs:				
Mr. Ko Tsz Kin			✔	
Mr. Wong Yue Fai	✔			
Mr. Nie Kin Kwok Kevin				✔
Ms. Ching Wan Wah Kitty			✔	

The Nomination Committee will monitor the implementation of the board diversity policy and report to the board annually. It will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

BOARD OF DIRECTORS *(Continued)*

Directors' Training

According to the code provision A.6.5 of the CG Code, all Directors should particular in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

To ensure their contributions to the Board remains informed and relevant, all the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skill, by attending seminars, courses and/or conferences organised by external organisation. The Company also provided regular updates to the Directors in respect of the business and operations of the Group; and the updates on the changes in Listing Rules, Corporate Governance Code and related regulatory requirements, if any. The regular updates with all existing Directors are intended to improve their general understanding of the Group's business, to refresh their knowledge and skills as well as to receive updates on developments in corporate governance practices.

Every newly appointed Director is provided with a package comprising the induction materials such as the duties and responsibilities of Directors under the Listing Rules and the Companies Ordinance, guidelines for Directors issued by the Companies Registry of Hong Kong, legal and other regulatory requirements and the governance policies of the Company.

All Directors from the Listing Date and up to the date of this report have participated in continuous professional development and provided to the Company a record of training they received for the year.

Board Responsibilities and Delegations

The Board collectively determines the overall strategies of the Group, monitors performance and the related risks and controls in pursuit of the strategic objectives of the Group. Day-to-day management of Group is delegated to the Executive Directors or officer in charge of each business function who reports back to the Board. Every Director ensures that he/she gives sufficient time and attention to the affairs of Group.

All Board members have separate and independent access to the management, and are provided with full and timely information about the conduct of the business and development of the Group, including reports and recommendations on significant matters. All Board members are provided with monthly management updates of the business operations of the Group. Should separate independent professional advice be considered necessary by the Directors, it will be made available to the Directors upon request.

BOARD MEETING AND ATTENDANCE

The Board meets regularly at least four times a year to review financial and operating performance of the Group and to discuss future strategy and development. During the year ended 31 December 2024, six Board meetings were held. At the Board meetings, the Board reviewed significant matters including the financial information, annual budget, results announcement, proposals for dividends (if any), annual report, interim report and other business matters.

All minutes of the Board meetings are kept at the Company Secretary's office. The minutes are available to all Directors for inspection.

Pursuant to the Company's Articles of Association, a Director will abstain from voting on resolution(s) approving any contract, transaction or arrangement in which he/she or any of his/her close associates is materially interested in and such Director is not counted for quorum determination purposes.

BOARD MEETING AND ATTENDANCE *(Continued)*

For the regular Board meetings, a schedule of Board meetings dates is fixed for each year in advance. At least 7 days' formal notice of all regular Board meetings is given to all Directors and all Directors are given the opportunity to include matters for discussion in the agenda. The agenda and Board papers for each meeting are sent to all Directors by email or by post at least 3 days in advance of every regular Board meeting.

Name of Directors	Number of attendance
Mr. Lui Yue Yun Gary	6/6
Ms. Lui Natalie Po Wai	6/6
Mr. Lui Edwin Wing Yiu (resigned on 4 May 2024)	3/6
Mr. Fung Wai Hang (resigned on 28 February 2025)	6/6
Mr. Ko Tsz Kin	6/6
Mr. Wong Yue Fai	2/6
Mr. Nie Kin Kwok Kevin	2/6
Ms. Ching Wan Wah Kitty (appointed on 14 October 2024)	0/6
Mr. Lam Lap Sing (resigned on 31 December 2024)	5/6

Code Provision A.2.7 stipulates that the Chairman should at least annually hold a meeting with the INEDs without the presence of other Directors. During the year ended 31 December 2024, the Chairman has held one meeting with all INEDs without the presence of other Executive Directors.

GENERAL MEETING

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses Annual General Meeting or other general meetings to communicate with them and encourage their participation.

In 2024, one general meeting was held. The last Annual General Meeting was held at Room 1301, 13/F, One Island South, 2 Heung Yip Road, Aberdeen , Hong Kong on Friday, 28 June 2024 at 3:00 p.m.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 3 July 2018 and revised on 31 December 2018.

The Audit Committee, with its terms of reference established in compliance with the Listing Rules, is composed of four INEDs (Mr. Ko Tsz Kin, Mr. Lam Lap Sing, Mr. Wong Yue Fai and Mr. Nie Kin Kwok Kevin). Mr. Lam Lap Sing resigned on 31 December 2024. The Audit Committee has reviewed the management and accounting policies adopted by the Group and discussed auditing, risk management and internal control system, and financial reporting matters.

AUDIT COMMITTEE *(Continued)*

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee shall review the interim and annual reports before submission to the Board. The Audit Committee focuses not only the impact of the changes in accounting policies and practices but also the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

For the year ended 31 December 2024, the Audit Committee held two meetings:

Name of Directors	Number of attendance
Mr. Ko Tsz Kin	2/2
Mr. Wong Yue Fai	2/2
Mr. Nie Kin Kwok Kevin	2/2
Mr. Lam Lap Sing (resigned on 31 December 2024)	2/2

The Audit Committee noted the existing risk management and internal control systems of the Group and also noted that review of the same will be carried out annually.

With the recommendation from the Audit Committee of the Company, the Board has resolved to re-appoint CL Partners CPA Limited as the auditors of the Company as at the report date.

The Group's consolidated financial statements for the year ended 31 December 2024 were audited by CL Partners CPA Limited whose term of office will expire upon the conclusion of the forthcoming Annual General Meeting of the Company.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 3 July 2018 in compliance with the Listing Rules, which 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.

For the year ended 31 December 2024, the Remuneration Committee held two meetings:

Name of Directors	Number of attendance
Mr. Ko Tsz Kin	2/2
Mr. Lui Yue Yun Gary	2/2
Mr. Lam Lap Sing (resigned on 31 December 2024)	2/2
Mr. Wong Yue Fai (since 31 December 2024)	0/2

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of Remuneration Committee, the performance of the Group, the prevailing market condition and other necessary factors. Details of the remuneration of the Directors and senior management are set out in Note 9 to the consolidated financial statements.

REMUNERATION COMMITTEE *(Continued)*

Senior Management's Remuneration

The Executive Directors are the Group's senior management. The remuneration of every senior management for the year ended 31 December 2024 is set out in note 9(a) to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference on 3 July 2018 in compliance with the Listing Rules, which is composed of the Chairman of the Board (Mr. Lui Yue Yun Gary) and two Independent Non-Executive Directors. 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.

For the year ended 31 December 2024, the Nomination Committee held two meetings:

Name of Directors	Number of attendance
Mr. Lui Yue Yun Gary	2/2
Mr. Ko Tsz Kin	2/2
Mr. Lam Lap Sing (resigned on 31 December 2024)	2/2
Mr. Wong Yue Fai (since 31 December 2024)	0/2

Nomination Policy and Directors Selection Criteria

A nomination policy has been adopted by the Board to enable the Nomination Committee to consider and make recommendations to the shareholders for election as Directors at general meetings or to the Directors for appointment to fill casual vacancies.

In considering the nomination of new Directors, the Nomination Committee will take into account the factors listed below as reference in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), education background, professional experience, skills and length of service;

NOMINATION COMMITTEE *(Continued)*

Nomination Policy and Directors Selection Criteria *(Continued)*

(5) qualification which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-Executive Directors in accordance with the Listing Rules and whether the candidates would be consider independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;

(8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedures

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognises the needs for an additional Director or a member of senior management, the following procedures will be followed:

(1) the Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors when necessary;

(2) the Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) the Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointments;

(4) the Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) in the case of the appointment of an Independent Non-Executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) the Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions are performed by the Board. They are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements, to oversee the Company's orientation program for new Director, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's disclosure in the Corporate Governance Report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2024, the remuneration paid/payable to the Company's auditor are set out below:

	HK$'000
Audit services	1,200
Non-audit services	60

COMPANY SECRETARY

Mr. Fung Wai Hang was the Company Secretary of the Company for the year ended 31 December 2024 and resigned on 28 February 2025. Mr. Fung Wai Hang is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Hong Kong Chartered Governance Institute and a fellow member of the Chartered Governance Institute. He confirmed that he has taken no less than 15 hours of relevant professional training for the year ended 31 December 2024. Ms. Don Mun Min ("**Ms. Don**"), an employee of the Company, has been appointed as the Company Secretary with effect from 28 February 2025. Ms. Don is an associate member of the Hong Kong Chartered Governance Institute and a member of CPA Australia.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issues ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year. The interests held by individual directors in the Company's securities as at 31 December 2024 are set out in the section headed "Disclosure of Interests — Directors' and Chief Executive's Interests" in the Report of the Directors.

In addition to the requirements set out in the Company's code of conduct, the Company Secretary regularly writes to executive management and other relevant employees who are privy to unpublished inside information/price sensitive information, as reminders of their responsibilities to comply with the provisions of the Model Code and keep the matter confidential until announced. They are also specifically reminded not to engage in any insider dealings as stipulated under Section 270 of the Securities and Futures Ordinance.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to Convene an EGM

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Units 1501–02, 15/F., Delta House, No.3 On Yiu Street, Shatin, New Territories, for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity, and the shareholding of the Eligible Shareholder will be verified with the Company's share registrar. If the Requisition is found to be proper and in order, the Company Secretary will request the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at Units 1501–02, 15/F., Delta House, No.3 On Yiu Street, Shatin, New Territories by post or by email to Ms. Don Mun Min at sarahdon@pacific-marble.com.

Procedures for Shareholders to Propose a Person for Election as a Director

If a shareholder of the Company wishes to propose a person other than a Director of the Company for election as a Director, the shareholder must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at Units 1501–02 15/F., Delta House, No.3 On Yiu Street, Shatin, New Territories, or the share registrar of the Company at Tricor Investor Services Limited, 17/F, Far East Financial Centre, 16 Harcourt Road Hong Kong, for the attention of the Company Secretary.

SHAREHOLDERS' RIGHTS *(Continued)*

Procedures for Shareholders to Propose a Person for Election as a Director *(Continued)*

The Notice must state clearly the name, the contact information of the shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and be signed by the shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent (the "**Letter**") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice and the Letter will commence no earlier than the day after the dispatch of the notice by the Company of the general meeting appointed for election of Directors and end no later than seven days prior to the date of such general meeting.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Nomination Committee and the Board to consider including the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

Procedures for Shareholders to Put Forward Proposals at General Meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information at the principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's share registrar in Hong Kong at their respective address and contact details set out on page 2 of this annual report.

The request will be verified with the Company's share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than twenty-one clear days and not less than twenty clear business days in writing if the Proposal requires approval in an annual general meeting of the Company; and

(2) Notice of not less than fourteen clear days and not less than ten clear business days in writing if the Proposal requires approval in an extraordinary general meeting of the Company.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of the coming annual general meeting will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

— Delivery of annual and interim reports to all shareholders;

— Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

— The general meeting of the Company is also an effective communication channel between the Board and shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2024, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. For details, please refer to Note 2.1(a) to the consolidated financial statements.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy that aims to provide guidelines for the Board to determine whether dividends are to be declared and paid to the shareholders and the level of dividends to be paid. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, the following factors:

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and further expansion plans;

(3) retained earnings and reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

DIVIDEND POLICY *(Continued)*

(5) interest of the shareholders;

(6) taxation consideration, if applicable;

(7) potential effect on creditworthiness;

(8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong, the Company's Memorandum and Articles of Associations and other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The internal control systems of the Group are structured to assist in the achievement of the Group's goals, to safeguard the Group's assets and to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year. A review of the effectiveness of the risk management and internal control systems have been conducted by the Board at least annually.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Risk Management

The Company has already reviewed its risk management framework and processes and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes. In particular, the Company has developed, approved and implemented a risk management system, which is defined and supported by its endorsed risk management policy. The system comprises the following phases:

— *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

— *Analysis:* Analyze the existing control, likelihood and consequence of risks and evaluate the risk portfolio accordingly.

— *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Internal Control Measures

The internal control system of the Group covers its major business aspects such as revenue management, expenditure management, human resources and payroll, cash and treasury management, financial reporting, compliance and information technology. The internal control measures are supervised by management team including Executive Directors of the Company. The management team is responsible to identify risks and internal control deficiencies, evaluate the internal control system of the Group from time to time and implementing additional control measures, if necessary, to improve the internal control system. Results of the internal assessments, internal surveys and routine inspections will be reported to the Audit Committee of the Board, which is responsible to review the financial information and supervise the financial reporting system and internal controls system of the Group.

Internal Audit Function

The Board conducted an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls. In addition, the Board has appointed an external internal control review consultant to review the internal control systems of the Group on an on-going basis.

For the year ended 31 December 2024, the review covered key processes of revenue and sales, payment processing and the payroll compliance of the Group. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of the Company for the year ended 31 December 2024 were effective and adequate.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained procedures and internal controls for the handling and dissemination of insider information. The Company has adopted a code of conduct for dealing in the securities of the Company by the Directors in accordance with Appendix 10 of the Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lui Yue Yun Gary ("Mr. Lui")

Mr. Lui, aged 69, an Executive Director of the Company since February 2016. He is the Chairman and the Chief Executive Officer of the Group. He is also one of the co-founder of the Group and is the actual controlling shareholder of the Company.

Mr. Lui is responsible for our Group's overall corporate strategies, management and business development. Mr. Lui is also a director of all the subsidiaries of the Group.

Mr. Lui obtained a Bachelor's degree in Civil Engineering from University of Toronto, Canada. He has around 40 years of experience in marble and granite outfitting works and has been involved in numerous projects throughout the years. Mr. Lui had experience in leading certain stone supply and installation projects in Hong Kong, Macau and the Mainland China, which related to (i) hotel renovation and development (including a five-star well-known international hotel); (ii) commercial plaza and office towers; and (iii) residential properties. With extensive experience in the stone supply and installation business, Mr. Lui has established a strong rapport with different main contractors and architects for various types of projects and brings in extensive knowledge of marble and granite selection and project management to the Group.

Mr. Lui is the sole shareholder and the sole director of PMG Investments Limited, the substantial shareholder of the Company. He does not have any current or past directorship in any listed company in the last three years.

Mr. Lui is the father of Ms. Lui Natalie Po Wai (an Executive Director).

Mr. Lui does not have any current or past directorship in any listed company in the last three years.

Ms. Lui Natalie Po Wai ("Ms Lui")

Ms. Lui, aged 25, was appointed as a Non-Executive Director on 23 September 2022 and retired on 28 June 2023. She was re-appointed as a Non-executive Director on 16 November 2023 and changed to be an Executive Director since 2 May 2024. Ms. Lui obtained a bachelor's degree from The University of British Columbia in Canada. Ms. Lui is currently the marketing manager at Pacific Marble & Granite Limited, an indirectly wholly-owned subsidiary of the Company, and is responsible for its business promotion and development. Ms. Lui also works at a research company and is responsible for the recruitment and preparation of industry experts for investment firms and management consultancies.

Ms. Lui is a daughter of Mr. Lui Yue Yun Gary (Chairman of the Company and an Executive Director).

Ms. Lui does not have any current or past directorship in any listed company in the last three years.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ko Tsz Kin ("Mr. Ko")

Mr. Ko, aged 55, was appointed as an Independent Non-Executive Director since June 2018. Mr. Ko is also the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee and is responsible for providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance.

Mr. Ko obtained a Bachelor's degree in administrative studies from York University in Canada. He is a practicing member of Hong Kong Institute of Certified Public Accountants and has over 29 years of experience in auditing and accounting.

Mr. Ko does not have any current or past directorship in any listed company in the last three years.

Mr. Nie Kin Kwok Kevin ("Mr. Nie")

Mr. Nie, aged 69, was appointed as an Independent Non-executive Director on 23 September 2023. He was retired on 28 June 2023 and re-appointed on 16 November 2023. Mr. Nie obtained a bachelor of arts degree from the University of Toronto in Canada. Mr. Nie furthered his education and completed the common professional examination (CPE) in Manchester Polytechnic in England and the Law Society's Final Examination (LSF) in the College of Law, Chester in England. He was admitted as a Solicitor of the High Court of Hong Kong in 1985.

Mr. Nie has vast experience for over 36 years in various legal fields. He was one of the partners of Oldham, Li & Nie, Solicitors from 1986 to 2000 and had set up his own firm Nie & Company, Solicitors (ceased practice) from 2000 to 2005. Mr. Nie has been a consultant for several law firms, including Jesse H.Y. Kwok & Co., Solicitors and Dundons, Solicitors (ceased practice). He is currently a consultant at Cheung Eric & Lau, Solicitors.

Mr. Nie does not have any current or past directorship in any listed company in the last three year.

Mr. Wong Yue Fai ("Mr. Wong")

Mr. Wong, aged 38, obtained a bachelor's degree from Ryerson University (now known as Toronto Metropolitan University) in Canada. He is currently a businessman who engages in trading business. He possesses business experience of around 15 years.

Mr. Wong does not have any current or past directorship in any listed company in the last three years.

Ms. Ching Wan Wah Kitty

Ms. Ching, aged 44, is currently a member of the International Affiliate of Hong Kong Institute of Certified Public Accountants, a fellow member of the Institute of Public Accountants (Australia), a fellow member of the Institute of Financial Accountants and a member of the Institute of Certified Management Accountants. Ms. Ching has been the director of Three Aces Advisory Limited since August 2016, and was the chief operating officer of ADGS Advisory Limited. Ms. Ching has approximately 7 years of experience as an accounting advisor and approximately 17 years of experience on financial management, operational management and risk management aspects.

Ms. Ching does not have any current or past directorship in any listed company in the last three years.

SENIOR MANAGEMENT

Chief Executive Officer

Mr. Lui has been the Chief Executive Officer of the Group since February 2016. For further details of Mr. Lui, please refer to the paragraph headed "Executive Directors" of this section.

Company Secretary

Ms. Don has been the Company Secretary of the Company since 28 February 2025. For details of Ms. Don, please refer to paragraph headed "Company Secretary" of the Corporate Governance Report.

REPORT OF THE DIRECTORS

The Directors of the Company submit their annual report together with the audited consolidated financial statements for the year ended 31 December 2024.

REGISTERED OFFICE OF THE COMPANY AND PRINCIPAL ACTIVITIES

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 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 principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 15 to the consolidated financial statements.

BUSINESS REVIEW

A detailed review of the business of the Group is set out in the Business Review, Management Discussion and Analysis Report of this Annual Report. The discussions thereof form part of this Report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 70.

DONATIONS

There were no charitable and other donations made by the Group during the year (2023: Nil).

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium of the Company is available for paying distributions of dividends to the shareholders, subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test.

Distributable reserves of the Company as at 31 December 2024, calculated under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$140.4 million (2022 (restated): HK$131.1 million).

PROPOSED FINAL DIVIDEND

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

CLOSURE OF REGISTERS OF MEMBERS

Please refer to the "financial calendar" under corporate information of this Annual Report (on page 3).

REPORT OF THE DIRECTORS

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 24 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and Note 33 to the consolidated financial statements.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

The events occurring after the reporting period of the Group are set out in Note 34 to the consolidated financial statements.

DIRECTORS

The Directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Mr. Lui Yue Yun Gary
Ms. Lui Natalie Po Wai

Independent Non-Executive Directors

Mr. Ko Tsz Kin
Mr. Wong Yue Fai
Mr. Nie Kin Kwok Kevin
Ms. Ching Wan Wah Kitty (appointed on 14 October 2024)

Biographical details of the Directors are set out on pages 57 to 58 of this annual report.

Pursuant to the Articles of Association, at each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to the retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Lui Yue Yun Gary, Ms. Lui Natalie Po Wai and Mr. Ko Tsz Kin shall retire from office by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election at the Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years and shall continue thereafter until it is terminated by either party by giving not less than three months' written notice to the other party.

The Non-Executive Director and each of the Independent Non-Executive Directors has entered into a letter of appointment with the Company for a term of three years and shall continue thereafter until it is terminated by either party by giving not less than three months' written notice to the other party.

None of the Directors who are proposed for re-election at the Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

Before listing of its shares, the Company has adopted a share option scheme (the "**Share Option Scheme**") pursuant to resolutions passed by the sole shareholder on 11 June 2018 and 14 June 2018 (the "**Adoption Date**"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide eligible participants with an opportunity to have a personal stake in the Company and to motivate, attract and retain the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme

The Board is entitled to determine and make an offer of grant of an option to any person including any Director (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), advisor, consultant of the Company or any of its subsidiaries, suppliers, customers, shareholders, service providers or business partners who contributed or may contribute to the development and growth of the Group.

3. Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares which may be allotted and issued under the Share Option Scheme and any other share option scheme of the Company must not exceed 10% of the total issued Shares of the Company as at the Listing Date unless the Company obtains an approval from the shareholders. Therefore, the Company may grant options of up to 120,000,000 Shares (or such number of Shares as result from a subdivision or a consolidation of such 120,000,000 Shares from time to time) to the participants under the Share Option Scheme.

No new share option was granted during the year ended 31 December 2024.

4. Maximum entitlement of Shares of each eligible participant

The total number of Shares issued and to be issued upon the exercise of all the share options granted and to be granted to each participant in any 12-month period shall not exceed 1% of the total number of Shares in issue.

SHARE OPTION SCHEME *(Continued)*

5. The period within which the shares must be taken up under an option

Offer of a share option may be accepted by the grantee within the date as specified in the offer letter issued by the Company, being a date not later than 21 days from the date upon which the letter is made, by which the grantee must accept the offer or be deemed to have declined it, provided that the period from such date shall not be more than ten years after the Adoption Date of the Share Option Scheme or after the termination of the Share Option Scheme.

6. The minimum period for which an option must be held before it can be exercised

The share option granted may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by the Board to the grantee, which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period subject to the provisions for early termination as prescribed in the Share Option Scheme.

7. The amount payable on acceptance of an option and the period within which payments shall be made

A consideration of HK$1.00 is payable on acceptance of the offer of grant of a share option. Such consideration shall in no circumstances be refundable.

8. The basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be at such price as determined by our Board and notified to an eligible person, and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date, which must be a trading day, on which our Board passes a resolution approving the making of an offer of grant of an option to an eligible participant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the share option; and (iii) the nominal value of a Share on the date of grant of the share option.

9. The remaining life of the Share Option Scheme

Subject to earlier termination of the Share Option Scheme by the Company in general meeting or by the Board, the Share Option Scheme will remain valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further share options shall be granted. All share options granted prior to the expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

10. The validity period of share options

For the share option granted on 8 July 2019, the validity period of the share options is from 8 July 2019 to 7 July 2021 (both days inclusive) and exercisable in whole or in parts. The vesting period shall be the period commencing from the registration date of the grant of share options (8 July 2019) to the first exercise date. The vesting period for the share option scheme shall be 24 months. No new share option was granted during the year ended 31 December 2024.

11. The closing price

For the share option granted on 8 July 2019, the closing price of the Company's shares immediate before the date of which the options were granted is HK$0.260 per share. The closing price of the Company's shares on the date of which the options were granted is HK$0.249 per share.

SHARE OPTION SCHEME *(Continued)*

11. The closing price *(Continued)*

On 8 July 2019, the Company granted share options to certain eligible participants (the "**Grantees**") to subscribe for a total of 47,200,000 ordinary shares of HK$0.01 each in the share capital of the Company at an exercise price of HK$0.249 per Share pursuant to the share option scheme adopted by the Company on 11 June 2018. Among the share options granted, a total of 37,200,000 share options were granted to the Executive Directors, including Mr. Lui Yue Yun Gary, Ms. Lui Po Kwan Joyce (resigned in 2021), Mr. Lui Edwin Wing Yiu (resigned in 2024) and Mr. Fung Wai Hang (resigned in 2025). All Grantees accepted the share options granted to them.

No outstanding balance as at 31 December 2024 with respect to their share options granted under the Share Option Scheme.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable any of the Company's Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS — DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

A. Directors' and Chief Executive Interests in Shares and Share Options

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

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

Name of Director and/or the chief executive	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporations	1,273,045,294 shares	52.76%
Mr. Lui Yue Yun Gary	Beneficial owner	1,539,860,470 shares	63.82%

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

Name of Director and/or the chief executive	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporations	72,515,000 shares	3.01%
Mr. Lui Yue Yun Gary	Beneficial owner	560,000 shares	0.02%

DISCLOSURE OF INTERESTS — DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS *(Continued)*

A. Directors' and Chief Executive Interests in Shares and Share Options *(Continued)*

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

B. Substantial Shareholder's Interests in Shares and Share Options

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

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

Name of substantial shareholder	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporations	1,273,045,294 shares	52.76%
Mr. Lui Yue Yun Gary	Beneficial owner	1,539,860,470 shares	63.82%

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

Name of substantial shareholder	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporations	72,515,000 shares	3.01%
Mr. Lui Yue Yun Gary	Beneficial owner	560,000 shares	0.02%

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

C. Directors' Interests in Contracts

Save as disclosed above, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the year ended 31 December 2024 or at any time during the year.

DISCLOSURE OF INTERESTS — DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS *(Continued)*

D. Purchase, Sales and Redemption of Shares

Save for Reorganisation as disclosed in Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2024 and up to the date of this report.

Each of the Controlling Shareholders has provided a written confirmation (the "**Confirmation**") to the Company confirming that he/it has fully complied with the Deed of Non-competition for the year ended 31 December 2024. Based on the Confirmation, the Independent Non-Executive Directors have reviewed the Controlling Shareholders' compliance with the Deed of Non-competition and are satisfied that for the year ended 31 December 2024, the Controlling Shareholders have fully complied with the terms of the Deed of Non-Competition and no new competing business was reported by the Controlling Shareholders throughout the year ended 31 December 2024.

The Company is not aware of any other matter concerning the compliance of the undertakings in the Deed of Non-competition and there has not been any change in the terms of the Deed of Non-Competition during the year ended 31 December 2024.

EQUITY-LINKED AGREEMENTS

No other equity-linked agreement was entered into by the Group, or existed during the year ended 31 December 2024.

SUBSIDIARIES

Details of subsidiaries of the Company as at 31 December 2024 are set out in Note 15 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in Note 26 to the consolidated financial statements. The Directors of the Company consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MANAGEMENT CONTACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2024.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the subsidiaries by reason of their holding of the Company's shares.

REPORT OF THE DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

Sales

The percentages of revenue for the year attributable to the Group's major customers are as follows:

The largest customer:	31.3%
Five largest customers combined:	66.6%

Purchases

The percentage of purchases for the year attributable to the Group's major suppliers are as follows:

The largest supplier:	9.2%
Five largest suppliers combined:	20.7%

None of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Articles of Associations of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

AUDITOR

The consolidated financial statements have been audited by CL Partners CPA Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Lui Yue Yun Gary
Chairman
Hong Kong, 16 May 2025

INDEPENDENT AUDITOR'S REPORT

CL Partners

To the Shareholders of Anchorstone Holdings Limited

(incorporated in the Cayman Islands with limited liability)

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 events 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 followings:

(i) Successful negotiations with the Group's existing lenders to avoid demands for immediate repayment of defaulted bank borrowings and interests; 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 interests;

(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 2 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility forwards or accept liability to any other person for the content of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to form an audit opinion on the consolidated financial statements due to the significant of the matters.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

CL Partners CPA Limited
Certified Public Accountants

Wong Cho Yi
Practicing Certificate Number: P07897
Hong Kong

16 May 2025

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	5	**58,514**	77,199
Cost of sales		**(43,130)**	(53,250)
Gross profit		**15,384**	23,949
Other income	6	**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		**(16,869)**	(20,759)
Operating loss		**(80,514)**	(33,317)
Finance income		**1**	2
Finance costs	10	**(4,949)**	(5,222)
Finance costs, net		**(4,948)**	(5,220)
Loss before taxation	7	**(85,462)**	(38,537)
Income tax expense	11	**(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	12	**(3.90)**	(1.97)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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	13	**12**	367
Right-of-use asset	14	**–**	508
Total non-current assets		**12**	875
Current assets			
Inventories	18	**52,468**	58,498
Trade and retention receivables	16	**13,582**	14,138
Contract assets	5	**35,799**	110,478
Deposits, prepayments and other receivables	17	**2,226**	5,584
Tax recoverable		**194**	194
Bank balances and cash	19	**308**	507
Total current assets		**104,577**	189,399
Total assets		**104,589**	190,274
EQUITY			
Share capital	24	**24,130**	21,462
Accumulated losses		**(213,003)**	(126,631)
Reserves		**134,770**	140,414
Total (deficit) equity		**(54,103)**	35,245

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	**31 December 2024 HK$'000**	31 December 2023 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liability	14	**471**	–
Loans from directors	26	**11,621**	26,484
Accruals and other payables	21	**1,436**	–
Total non-current liabilities		**13,528**	26,484
Current liabilities			
Trade and retention payables	20	**49,633**	43,542
Accruals and other payables	21	**48,097**	37,007
Contract liabilities	5	**8,797**	10,741
Lease liability	14	**680**	440
Bank borrowings	22	**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

The consolidated financial statements on page 70 to 137 were approved and authorised for issue by the Board of Directors on 16 May 2025 and are signed on its behalf by:

Mr. Lui Yue Yun Gary
Director

Ms. Lui Po Wai Natalie
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 24)	Share premium HK$'000	Merger reserve HK$'000 (Note)	Capital reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2023	13,315	117,534	–	14,000	–	(91,234)	53,615
Business combinations involving entities under common control	–	–	–	–	(478)	5,052	4,574
At 1 January 2023	13,315	117,534	–	14,000	(478)	(86,182)	58,189
Loss for the year	–	–	–	–	–	(40,449)	(40,449)
Other comprehensive income for the year							
— Exchange difference arising on translation of a foreign operation	–	–	–	–	8	–	8
Total comprehensive income (expense) for the year	–	–	–	–	8	(40,449)	(40,441)
Shares issued upon conversion of convertible bonds (Note 23)	1,157	4,837	–	–	–	–	5,994
Shares issued and alloted (Note 24)	1,108	7,545	–	–	–	–	8,653
Shares issued in consideration of acquisition of business combinations involving entities under common control (Note 2)	5,882	44,118	(47,150)	–	–	–	2,850
At 31 December 2023	21,462	174,034	(47,150)	14,000	(470)	(126,631)	35,245
At 1 January 2024	**21,462**	**174,034**	**(47,150)**	**14,000**	**(470)**	**(126,631)**	**35,245**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(86,372)**	**(86,372)**
Other comprehensive expense for the year							
— Exchange difference arising on translation of a foreign operation	**–**	**–**	**–**	**–**	**(126)**	**–**	**(126)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(126)**	**(86,372)**	**(86,498)**
Shares issued upon expiration of guaranteed period for acquisition of business combinations involving entities under common control (Note 2)	**2,668**	**20,007**	**(25,525)**	**–**	**–**	**–**	**(2,850)**
At 31 December 2024	**24,130**	**194,041**	**(72,675)**	**14,000**	**(596)**	**(213,003)**	**(54,103)**

Note:

Merger reserve arises from the difference between the consideration for the business combinations of the PMG China Group (as defined below) by the Company and their net asset values at the date when they first came under common control of Mr. Gary Lui, the beneficial shareholder of the Company, upon the completion of the Acquisition (as defined below) on 24 November 2023.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	31 December 2024 HK$'000	31 December 2023 HK$'000
Cash flows from operating activities			
Net cash generated from operations	27	**3,648**	13,943
Income tax refunded/(paid)		**63**	(295)
Net cash generated from operating activities		**3,711**	13,648
Cash flows generated from investing activity			
Interest received		**1**	2
Cash flows from financing activities			
Interest paid		**(1,251)**	(1,365)
Proceeds from shares issued net of transaction costs	24	**–**	8,653
Advance from factoring loans		**11,430**	–
Repayments of bank borrowings	22	**(43)**	(2,373)
Repayments of loans from directors	26	**(13,620)**	(18,700)
Proceeds from issuance of convertible bonds	23	**–**	2,500
Redemption of convertible bonds	23	**–**	(1,506)
Principal elements of lease payments	27	**(659)**	(635)
Interest elements of lease payments	27	**(29)**	(38)
Net cash used in financing activities		**(4,172)**	(13,464)
Net (decrease) increase in cash and cash equivalents		**(460)**	186
Cash and cash equivalents at beginning of year		**(8,780)**	(8,998)
Exchange differences		**(86)**	32
Cash and cash equivalents at end of year		**(9,326)**	(8,780)
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	19	**308**	507
Bank overdrafts	22	**(9,634)**	(9,287)
		(9,326)	(8,780)

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Anchorstone Holdings Limited (the "**Company**") was incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HKEX**"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

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

The Company is an investment holding company and its subsidiaries (together, "**the Group**") are principally engaged in the stone sales and supply and installation of marble products in Hong Kong, Macau and the People's Republic of China (the "**PRC**"). During the year ended 31 December 2023, the Group commenced the business in the PRC along with the business combinations of Pacific Mining Industry Limited and its subsidiaries (the "**PMG China Group**") (as detailed in Note 2.1).

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the Company's functional currency.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

2.1 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**").

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

2.1 Basis of preparation *(Continued)*

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

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. 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.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

2.1 Basis of preparation *(Continued)*

(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$16,653,000), 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$49,805,000) 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 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 report, the respective bank borrowing has not yet been settled and no agreement has yet been reached with the respective bank.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) Going concern basis *(Continued)*

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.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) Going concern basis *(Continued)*

The directors of the Company have reviewed the Group's cash flow forecast 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.

2.2 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.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

2.2 Application of new and amendments to HKFRS Accounting Standards *(Continued)*

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 Instruments*[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 MATERIAL ACCOUNTING POLICY INFORMATION

Principles of consolidation

Basis of consolidations

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

The Group controls an entity when (i) the Company has power over the investee; (ii) the Group is exposed to, or has rights to, variable returns from its involvement with the investee; and (iii) has the ability to affect those returns through its power to direct the activities of the investee. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised gains or losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified by applicable HKFRS Accounting Standard). The fair value of an investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements terms of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

Expenditure incurred in relation to a common control business combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Principles of consolidation *(Continued)*

Merger accounting for business combination involving businesses under common control *(Continued)*

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, which ever is shorter.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Revenue recognition

A contract asset is the Group's right to consideration in exchange for the services that the Group has transferred to a customer that is not yet conditional. In addition, incremental costs incurred to obtain a new contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost under HKFRS 9.

A contract liability is the Group's obligation to render the services to a customer for which the Group has received consideration from the customer. A contract liability is recognised by the Group when the customer pays consideration in advance before the Group performs the performance obligation to the customer.

The description of the accounting policy for the principal revenue streams of the Group is as follows.

(a) Stone sales

Revenue from stone sales is recognised when goods are delivered to the locations designated by the customer, which is taken to be the point in time when the Group transfers control over the goods to the customers.

For certain large stone sales contract, 10% to 30% deposits are required to pay in advance from the customers and the Company will arrange delivery to the destinated locations of the customers subsequently which is usually within one year after the deposits paid.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue recognition *(Continued)*

(b) Supply and installation service

The Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

When the outcome of a contract cannot be estimated reliably, supply and installation service is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in supply and installation service to the extent of contract costs incurred that are likely to be recoverable.

On the consolidated statement of financial position, the Group reports the net contract position for each contract as either a contract asset or a contract liability.

Government grants

Grants from the government are recognised where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 *Leases* at inception, modification date or acquisition date under business combinations, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Leases are recognised as right-of-use assets and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

Lease liabilities

Lease liabilities are initially measured on a present value of the unpaid lease payments at the commencement date of a lease. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated financial statements.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

Right-of-use assets *(Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- The lease payments change due to changes in market rental rates in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

- A lease contract is modified and the lease modification is not accounted for as a separate lease (see accounting policy for lease modification).

The Group accounts for a lease modification as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on straight-line basis over the lease term.

Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property and equipment

Property and equipment are stated at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation of property and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives using straight-line method. The annual rates used for this purpose are:

Leasehold improvements	Shorter of remaining lease term or 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

The assets' residual values and estimated useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains and losses on derecognition of an item of property and equipment upon disposal or when no future economic benefits are expected to arise from the continued use of the asset are determined by comparing the net sales proceeds with the carrying amount of the asset and are recognised in profit or loss.

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

The recoverable amount of property and equipment, and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and all estimated costs of completion.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Financial assets

(a) Classification

The Group classifies its financial assets to be measured at amortised cost as the financial assets are held within a business model whose objective is to collect contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised and derecognised on a trade-date basis, i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset when it became a party to the contractual provisions of instruments, except for trade and retention receivables, and contract assets arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade and retention receivables, contract assets, deposits and other receivables, amounts due from a related company and a director, and bank balances and cash are subsequently measured at amortised cost under effective interest method. Contingent receivables recognised by acquired in a business combination are subsequently measured at fair value at the end of each reporting period.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Interest income are included in the "finance income" line item in profit or loss.

(i) Trade and retention receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets. The retention receivable is reclassified to trade receivables when the defect liability period expires.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets *(Continued)*

(d) Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and retention receivables, other receivables, deposits, bank balances and contract assets) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and retention receivables, and contract assets without significant financing components.

The Group uses a practical expedient in estimating ECL on trade and retention receivables, and contract assets using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Lifetime ECL for trade and retention receivables, and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration of (i) past-due status; (ii) nature and size of debtor; and (iii) external credit rating if available for formulating the grouping.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics, such as past-due status; nature, size and industry of debtors; and external credit ratings, if any.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets *(Continued)*

(d) Impairment of financial assets and contract assets *(Continued)*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial assets *(Continued)*

(d) Impairment of financial assets and contract assets *(Continued)*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation ; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficultly and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade and retention receivables, and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period, exchange differences are recognised in profit or loss as part of the net foreign exchange gains/(losses).

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial liabilities and equity

(a) Classification

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities.

All financial liabilities are classified as at amortised cost using the effective interest method or at fair value through profit or loss ("**FVTPL**").

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

(b) Recognition and derecognition

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities are recognised and derecognised on a trade-date basis. Financial liabilities are recognised when it became a party to the contractual provisions of the instruments and are initially measured at fair value, except for financial liabilities measured at FVTPL. Transaction costs that are directly attributable to issue of financial liabilities (other than financial liabilities at FVTPL) are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the issue of financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial liabilities and equity *(Continued)*

(c) Measurement

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

(i) Trade and retention payables

Trade and retention payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and retention payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Bank borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profits or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial liabilities and equity *(Continued)*

(c) Measurement *(Continued)*

(iii) Convertible bonds

Convertible bonds that can be converted to share capital at any time at the option of the holder, where the number of shares that would be issued on conversion and the value of the conversion that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability and an equity component in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

However, if the number of shares to be issued upon conversion are variable, as the Group has a contractual obligation to deliver a number of its own shares that varies so that the fair value of the entity's own equity instruments to be delivered equals to the amounts of the contractual obligations, therefore, the issued convertible bonds would only contain liability component on the basis that on settlement, the Group will deliver either cash or another financial assets. On initial recognition, the fair value of liability is determined using prevailing market interest rate for similar non-conversion debts. And it is subsequently carried at amortised cost using effective method. When the bond is converted, the carrying amount of liability are transferred to share capital and share premium for the share issued.

The redemption option is recognised as derivative liability based on the terms. It is measured at fair value; with subsequent changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Borrowings costs

All borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Income tax

The income tax expense for the year comprises current and deferred tax expense. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting of a business combination, the tax effect is included in the accounting for the business combination.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Income tax *(Continued)*

(a) Current tax

The current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the entity's operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits will be available to utilise those deductible temporary differences.

Deferred tax liabilities are not recognised for temporary differences associated with investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Retirement benefit obligations

The Group pays contributions to an independently administered fund on a mandatory basis in Hong Kong. The Group has no further payment obligations once the contributions have been paid. The contributions to the defined contribution retirement scheme are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the fund prior to vesting fully in the contributions. Contributions to the fund by the Group and employees are calculated as a percentage of employees' salaries.

The assets of the fund are held separately from those of the Group in the independently administered fund.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on performance of the Group and employees. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Long service payments

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Equity-settled share-based payments

Equity-settled share-based payments are provided to the directors of the Company and consultants via the Anchorstone Holdings Limited's Share Option Scheme.

The fair value of share options granted under the Anchorstone Holdings Limited's Share Option Scheme is recognised as employee benefits expenses and consultancy expenses with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the share options granted:

— including any market performance conditions (i.e. the entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (i.e. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

— including the impact of any non-vesting conditions (eg the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period on a straight-line basis, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of share options that are expected to vest based on all of the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

When shares options are vested, the amount previously recognised in share option reserve will be transferred to share premium.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured as the best estimation of the present value of the expenditures expected to be required to settle the present obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks and uncertainty specific to the obligation at the end of the reporting period. The increase in the provision due to passage of time is recognised as interest expense.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**").

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. Settlements of monetary items which formed part of net investment in foreign operations without changes in the Group's ownership interests is not considered as partial disposals.

3 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Foreign currency translation *(Continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency monetary items, and from the retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4 KEY SOURCES OF ACCOUNTING ESTIMATES AND JUDGEMENT

The directors of the Company makes estimates and assumptions concerning about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition for construction contract

The Group reviews and revises the estimates of supply and installation service, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period. The Group recognises its supply and installation service based on the inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. Management regularly reviews the progress of the contracts and the corresponding costs of the supply and installation service which may have impact in terms of progress towards complete satisfaction of the performance obligations and recognition of profits.

(b) Impairment of trade and retention receivables, and contract assets

The management estimates the amount of loss allowance for trade and retention receivables, and contract assets based on the credit risk of trade and retention receivables , and contract assets. The assessment of the credit risk of trade and retention receivables, and contract assets involves estimation uncertainty as it involves the determination of loss rates for debtors. In addition, the Group uses practical expedient in estimating ECL on trade and retention receivables, and contract assets which are not assessed individually using a provision matrix on collective basis. The provision rates are based on financial position, aging and size of debtors as groupings taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs of effort.

At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

4 KEY SOURCES OF ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(b) Impairment of trade and retention receivables, and contract assets *(Continued)*

As at 31 December 2024, the carrying amount of trade and retention receivables, and contract assets were approximately HK$13,582,000 (2023: approximately HK$14,138,000) and approximately HK$35,799,000 (2023: approximately HK$110,478,000) respectively (net of allowance for credit losses on trade and retention receivables, and contract assets of approximately HK$26,977,000 (2023: approximately HK$17,096,000) and approximately HK$173,369,000 (2023: approximately HK$104,923,000) respectively.

When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly.

(c) Contingent liabilities

The Group, in the ordinary course of its business, is involved in various claims, lawsuits, investigations and legal proceedings that arise from time to time. Contingent liabilities arising from these legal proceedings have been assessed by management with legal advice.

5 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 HK$'000	31 December 2023 HK$'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

5 REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION *(Continued)*

(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

5 REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION *(Continued)*

(c) Information about major customers *(Continued)*

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 HK$'000	31 December 2023 HK$'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 HK$'000	31 December 2023 HK$'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

5 REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION *(Continued)*

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

(ii) Contract liabilities *(Continued)*

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

The Group's provision of supply and installation of marble and granite services contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide up front deposits range from 10% to 30% of total contract sum as part of its credit risk management policies.

The Group requires certain deposits from customers for purchase of stones involve of bulk purchases.

The contract liabilities as at years ended 31 December 2024 and 2023 are expected to be recognised as revenue within one year.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue contracts such that the Group does not disclose the amount of the transaction price allocated to the remaining performance obligations when the performance obligation is part of a contract that has an original expected duration of one year or less.

6 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).

7 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

8 FIVE HIGHEST PAID INDIVIDUALS

For the year ended 31 December 2024, the five individuals whose emoluments were the highest in the Group include three (2023: three) directors of the Company whose emolument is reflected in the analysis in Note 9. During the year ended 31 December 2024, the emolument paid/payable to the remaining two individuals (2023: two individual) is as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Wages, salaries and benefits in kind	**1,200**	1,260
Retirement benefit costs — defined contribution plans	**36**	34
	1,236	1,294

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals	
	31 December 2024	31 December 2023
Emolument band		
HK$500,001 to HK$1,000,000	**2**	2

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director of the Company is set out below:

For the year ended 31 December 2024:

	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution of a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors						
Mr. Lui Yue Yun Gary (Chief Executive Officer)	180	3,600	–	–	–	3,780
Mr. Fung Wai Hang (Note i)	180	816	–	–	18	1,014
Mr. Lui Edwin Wing Yiu (Note ii)	60	240	–	–	6	306
Ms. Lui Natalie Po Wai (Note iii)	120	420	–	–	18	558
	540	5,076	–	–	42	5,658
Independent Non-Executive Directors						
Mr. Ko Tsz Kin	240	–	–	–	–	240
Mr. Nie Kin Kwok Kevin	120	–	–	–	–	120
Mr. Lam Lap Sing (Note iv)	120	–	–	–	–	120
Mr. Wong Yue Fai (Note v)	120	–	–	–	–	120
Ms. Ching Wan Wah Kitty (Note vi)	26	–	–	–	–	26
	626	–	–	–	–	626
Total	1,166	5,076	–	–	42	6,284

9 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2023:

	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution of a retirement benefit scheme HK$'000	Total HK$'000
Executive Directors						
Mr. Lui Yue Yun Gary (Chief Executive Officer)	180	3,600	–	–	–	3,780
Mr. Fung Wai Hang (Note i)	180	816	–	–	18	1,014
Mr. Lui Edwin Wing Yiu (Note ii)	180	810	–	–	18	1,008
	540	5,226	–	–	36	5,802
Non-Executive Director						
Ms. Lui Natalie Po Wai (Note iii)	–	420	–	–	18	438
Independent Non-Executive Directors						
Mr. Ko Tsz Kin	240	–	–	–	–	240
Mr. Ng Yau Wah Daniel (Note vii)	120	–	–	–	–	120
Mr. Nie Kin Kwok Kevin	75	–	–	–	–	75
Mr. Lam Lap Sing (Note iv)	31	–	–	–	–	31
Mr. Wong Yue Fai (Note v)	31	–	–	–	–	31
	497	–	–	–	–	497
Total	1,037	5,646	–	–	54	6,737

Notes:

i. Resigned on 28 February 2025
ii. Resigned on 2 May 2024
iii. Appointed as non-executive director on 23 September 2022 and appointed as Executive Director on 2 May 2024
iv. Appointed on 27 September 2023 and resigned on 31 December 2024
v. Appointed on 27 September 2023
vi. Appointed on 14 October 2024
vii. Resigned on 30 June 2023

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The Non-Executive Director's emolument shown above was for her service as the director of the subsidiaries. The Non-Executive Director and the Independent Non-Executive Directors' emoluments shown above were for their services as directors of the Company.

9 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year ended 31 December 2024 (2023: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2024 (2023: Nil).

(d) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year ended 31 December 2024 (2023: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

Except as disclosed in Note 26, there are no other loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with such directors during the year ended 31 December 2024 (2023: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2024 (2023: Nil).

10 FINANCE COSTS

	31 December 2024 HK$'000	31 December 2023 HK$'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

11 INCOME TAX EXPENSE

	31 December 2024 HK$'000	31 December 2023 HK$'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.

Income tax expense for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Loss before taxation	**(85,462)**	(38,537)
Calculated at a tax rate of 16.5% (2023: 16.5%)	**(14,101)**	(6,358)
Tax effect of expenses not deductible for tax purposes	**717**	1,331
Deductible temporary differences not recognised	**13,244**	6,340
Tax effect of tax losses not recognised	**1,291**	651
Effect of different tax rate of subsidiaries	**(76)**	64
Tax effect of two-tier tax rate	**(165)**	(165)
Others	**–**	49
Income tax expense for the year	**910**	1,912

11 INCOME TAX EXPENSE *(Continued)*

For the year ended 31 December 2024, the Group has unrecognised tax losses of approximately HK$30,508,000 (2023: approximately HK$22,681,000) and deductible temporary differences of approximately HK$204,606,000 (2023: approximately HK$124,437,000) respectively available for offset against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses and deductible temporary differences in the consolidated financial statements as it is uncertain whether future taxable profits will be available for utilising the tax losses and deductible temporary differences. All unutilised tax losses can be carried forward indefinitely under the current tax legislation.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary for which deferred tax liability has not been recognised was approximately HK$522,000 (2023: Nil). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of temporary differences and t is probable that such differences will not reverse in the foreseeable future.

12 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.

13 PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2023, 31 December 2023 and 1 January 2024	1,572	57	429	2,085	4,143
Write-off	–	–	–	(934)	(934)
At 31 December 2024	**1,572**	**57**	**429**	**1,151**	**3,209**
ACCUMULATED DEPRECIATION					
At 1 January 2023	699	36	426	1,968	3,129
Provided for the year	524	5	1	117	647
At 31 December 2023 and 1 January 2024	**1,223**	**41**	**427**	**2,085**	**3,776**
Provided for the year	**349**	**5**	**1**	**–**	**355**
Write-off	**–**	**–**	**–**	**(934)**	**(934)**
At 31 December 2024	**1,572**	**46**	**428**	**1,151**	**3,197**
NET BOOK VALUES:					
As at 31 December 2024	**–**	**11**	**1**	**–**	**12**
As at 31 December 2023	349	16	2	–	367

14 LEASE

This note provides information for lease where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to lease:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Right-of-use asset		
Leased office premise	**–**	508
Lease liability		
Current lease liability	**680**	440
Non-current lease liability	**471**	–
	1,151	440

Notes:

(a) During the year ended 31 December 2024, addition to right-of-use asset of approximately HK$1,370,000 (2023: Nil) represents renewal of a lease of an office premise in Hong Kong for a lease period of 2 years.

14 LEASE *(Continued)*

(i) Amounts recognised in the consolidated statement of financial position *(Continued)*

Notes: (Continued)

(b) During the year ended 31 December 2024, the management has performed impairment assessment on right-of-use asset, and they consider with continuous operating losses noted during the past years and the carrying amount might not be recoverable and full impairment of approximately HK$1,142,000 has been provided for the year.

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to lease:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Depreciation of right-of-use asset — leased office premise	**736**	762
Interest expense on lease liability (Note 10)	**29**	38
Short-term leases payments	**2**	82

(iii) Amounts recognised in the consolidated statement of cash flows

The total cash outflows for lease were analysed as below:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Total cash flows under operating activities	**2**	82
Total cash flows under financing activities		
Payment of principal element of lease liability	**659**	635
Payment of interest element of lease liability	**29**	38

(iv) The Group's leasing activity and how these are accounted for

The Group leased for the office premise under rental contract is made for a fixed period of 2 years. The lease agreement does not impose any covenants and are not used as security for borrowing purposes.

15 SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2024 and 2023 are as follows:

Name of entities	Place and date of incorporation	Principal activities	Principal country of operation	Particulars of issued share capital/ registered and paid up capital	Equity interest held by the Group
Directly held by the company					
Pegasus Stone Limited	BVI, 15 December 2015	Investment holding	Hong Kong	1 ordinary share of USD1 each	100%
Indirectly held by the company					
Pacific Marble & Granite (HK) Limited	Hong Kong, 19 December 1991	Supply and installation of marble and granite for construction projects	Hong Kong	14,000,000 ordinary shares of HK$1 each	100%
Pacific Marble & Granite Limited	Hong Kong, 30 June 2011	Trading of marble and granite and supply and installation of marble and granite for construction projects	Hong Kong	100 ordinary shares of HK$1 each	100%
PMG Engineering Limited	Hong Kong, 3 August 2018	Supply and installation of marble and granite for construction projects	Hong Kong	100 ordinary shares of HK$1 each	100%
Stable Wealthy Holdings Limited	BVI, 14 August 2019	Inactive	Hong Kong	50,000 ordinary shares of USD1 each	100%
PMG Building Supply Limited	Hong Kong, 3 August 2018	Inactive	Hong Kong	100 ordinary shares of HK$1 each	100%
PMG Construction Materials (Macau) Limited	Macau, 17 December 2018	Inactive	Macau	1,000,000 ordinary shares of MOP1 each	100%
PMG (China) Limited (acquired under common control on 24 November 2023)	Hong Kong, 18 August 2015	Trading of marble and granite	Hong Kong	100 ordinary shares of HK$1 each	100%
廈門亞太宏康石業有限公司 (Xiamen AP Hongkang Stone Industries Co., Ltd) (acquired under common control 24 November 2023)	PRC, 14 December 2015	Trading of marble and granite and supply and installation of marble and granite for construction projects	PRC	Registered capital US$2,100,000	100%

16 TRADE AND RETENTION RECEIVABLES

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

The Group's credit terms granted to trade customers other than retention receivables generally ranged from 30 to 90 days. Retention receivables is unsecured and interest-free and represented the amounts which representing 5% to 10% of the contract value withheld by customers and recoverable after the completion of defect liability period of the relevant contracts, the terms and conditions in relation to the release of retention vary from contract to contract, which is subject to the issuance of practical completion certificates or the expiry of the defect liability period ranging from 12 to 24 months after the completion of the respective supply and installation contracts.

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

As at 31 December 2024, trade and retention receivables of approximately HK$370,000 (2023: approximately HK$2,204,000) have been pledged to secure the bank facilities as set out in Note 22 and are classified as current assets.

As at 31 December 2024, trade and retention receivables of approximately HK$22,845,000 (2023: approximately HK$10,542,000) mainly relate to customers that were in default or delinquency in payments or under liquidation, in which the directors of the Company are of the opinion that whole outstanding amount are expected not to be recovered and therefore, full loss allowances or up to the amount as agreed with the counterparties for the final settlement amounts have been provided.

16 TRADE AND RETENTION RECEIVABLES *(Continued)*

Notes:

(i) The Group assessed impairment losses for trade and retention receivables based on lifetime ECL. Loss allowances of approximately HK$9,882,000 was provided for the year ended 31 December 2024 (2023: approximately HK$6,781,000).

Movements in the loss allowances for trade receivables are as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000
At 1 January	**3,000**	2,917
Loss allowances	**2,554**	90
Exchange difference	**(1)**	(7)
At 31 December	**5,553**	3,000

(ii) Movement of the loss allowances for retention receivables are as below:

	31 December 2024 HK$'000	31 December 2023 HK$'000
At 1 January	**14,096**	7,405
Loss allowances	**7,328**	6,691
At 31 December	**21,424**	14,096

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

The aging analysis of the trade receivables net of credit losses allowance is as follows:

	31 December 2024	31 December 2023
Up to 30 days	**3,027**	1,444
31–60 days	**364**	705
61–90 days	**4**	–
Over 90 days	**2,271**	1,365
	5,666	3,514

16 TRADE AND RETENTION RECEIVABLES *(Continued)*

The aging analysis of gross carrying amount of retention receivables are based on the invoice date/repayment date is as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Retention receivables		
Within one year	**29,340**	24,720

Details of the impairment assessment are set out in Note 30.

17 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2024 HK$'000	31 December 2023 HK$'000
Prepayments (Note a)	**459**	1,524
Rental deposits	**239**	239
Other tax recoverables	**317**	–
Other receivables (Note b)	**1,211**	971
Contingent consideration receivable (Note c)	**–**	2,850
	2,226	5,584

Details of the impairment assessment are set out in Note 30.

Notes:

(a) Prepayments represent advance paid to suppliers for purchase of stone.

(b) Other receivables mainly represent wages to construction workers paid on behalf of the customers by the Company.

(c) As at 31 December 2023, contingent consideration receivable of approximately HK$2,850,000 were recognised based on the preliminary profit for the Guaranteed Period. These receivables were contingent upon the finalisation of the Actual Profit (please see Note 2.1(a) for details).

In accordance with the adjustment mechanism under the sales and purchase agreement, the Actual Profit was finalised at approximately HK$13,081,000, which was higher than the Preliminary Profit and the consideration adjustment to HK$72,700,000. As a result, the contingent consideration receivable was reversed in 2024, with the adjustment recorded in merger reserve.

18 INVENTORIES

	31 December 2024 HK$'000	31 December 2023 HK$'000
Finished goods — marble and granite	**52,468**	58,498

19 BANK BALANCES AND CASH

	31 December 2024 HK$'000	31 December 2023 HK$'000
Cash in bank	**270**	486
Cash on hand	**38**	21
Bank balances and cash	**308**	507

The carrying amounts of bank balances and cash are denominated in the following currencies:

	31 December 2024 HK$'000	31 December 2023 HK$'000
HK$	**301**	450
Renminbi ("**RMB**")	**7**	49
Euro ("**EURO**")	**–**	8
	308	507

Bank balances and cash, and bank overdrafts include the following for the purposes of the consolidated statement of cash flows:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Bank balances and cash in the consolidated statement of financial position	**308**	507
Less: bank overdrafts (Note 22)	**(9,634)**	(9,287)
Cash and cash equivalents in the consolidated statement of cash flows	**(9,326)**	(8,780)

19 BANK BALANCES AND CASH *(Continued)*

For the year ended 31 December 2024, the bank balances generate interest at prevailing market interest rates at ranged from 0% to 0.1% per annum (2023: ranged from 0% to 0.1% per annum).

Bank balances and cash amounted to approximately HK$1,000 (2023: approximately HK$42,000) which are denominated in RMB and subject to foreign exchange control regulations or not freely transferable.

Details of impairment assessment are set out in Note 30.

20 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

21 ACCRUALS AND OTHER PAYABLES

	31 December 2024 HK$'000	31 December 2023 HK$'000
Accruals for employee benefit expenses	**14,744**	9,339
Accruals for long service payment	**248**	248
Interest payables	**20,322**	16,653
Director fee payables	**2,991**	2,131
Professional fee payables	**7,257**	5,622
Value-added tax payables	**402**	757
Loan from a former director (Note ii)	**1,436**	–
Others (Note i)	**2,133**	2,257
Less: Non-current	**49,533**	37,007
Loan from a former director	**(1,436)**	–
Accruals and other payables	**48,097**	37,007

Notes:

(i) Other payables are unsecured, related to operating expenses in nature, interest-free and repayable on demand.

(ii) Loan from a former director, Mr. Lui Edwin Wing Yiu, of approximately of HK$1,436,000 was transferred from loans from directors (Note 26(a)) upon his resignation on 2 May 2024. The amount is carried a fixed interest rate of 5% per annum, unsecured and repayable on 30 June 2026.

22 BANK BORROWINGS

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

22 BANK BORROWINGS *(Continued)*

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

Notes:

Bank borrowings are carried at variable interest rate per annum as follows:

(i) The bank overdrafts are carried at best lending rate of 5.25% (2023: 5.88%) per annum.

(ii) The bank borrowings were at prime rate - 2.5% with an effective interest rate of 3.00% (2023: 3.63%) per annum at 31 December 2024. It is the SME Business Loan proposed by the HKSAR.

(iii) The bank borrowings were carried interest rate ranged at Hong Kong Interbank Offered Rate ("**HIBOR**") + 2.75% to 3.00% with an effective interest rate from 7.35% to 7.60% (2023: 8.02% to 8.27%) per annum as at 31 December 2024.

(iv) The bank borrowings were carried at HIBOR + 3.00% with an effective interest rate of 7.6% (2023: 8.27%) per annum at 31 December 2024.

(v) As at 31 December 2024 and 2023, bank facilities granted to the Group are secured by the followings:

(a) Trade and retention receivables of approximately HK$370,000 (2023: approximately HK$2,204,000) (Note 16);

(b) Contract assets of approximately HK$15,876,000 (2023: approximately HK$54,537,000) as at 31 December 2024 (Note 5); and

(c) Cross guarantees by the Group's subsidiaries (2023: same).

As at 31 December 2024, the Group's bank borrowings were overdue pursuant to the relevant agreements which constituted events of defaults. In connection with the default, the Group was subject to overdue interest as penalties of approximately HK$898,000 (2023: approximately HK$646,000) which were included in the accruals and other payables at 31 December 2024.

23 CONVERTIBLE BONDS

On 10 June 2022, the Company has entered into the subscription agreement ("Subscription Agreement") with Advance Opportunities Fund and Advance Opportunities Fund I ("AOF and AOFI") ("the Subscribers"), independent third parties, pursuant to which the Company has conditionally agreed to issue to the Subscribers for redeemable convertible notes ("Convertible Notes") carried at a coupon rate of 2% per annum with an aggregate nominal value of up to HK$200 million comprising two equal tranches, Tranche 1 and Tranche 2, of which with a nominal value of HK$100 million and entitled for a maximum of conversion of up to 200,000,000 ordinary shares ("Conversion Shares").

The Company has the right to exercise the option to require the Subscribers to subscribe for Tranche 2 Notes during the relevant option period subject to certain conditions as described in the subscription agreements. The Company shall have the right to suspend any further issuance of any unsubscribed Convertible Notes if the Company has issued in aggregate 190,000,000 Conversion Shares under Tranche 1 or Tranche 2 following the Subscribers' exercise of the conversion right, and any unsubscribed Convertible Notes shall lapse and the Company shall not be obliged to issue, and the Subscribers shall not be obliged to subscribe and pay for, such unsubscribed Convertible Notes and the Subscription Agreement shall terminate.

The maturity date of Tranche 1 and Tranche 2 Notes are the date falling 12 months from the first issuance date of Tranche 1 Notes. The Convertible Notes are convertible at any time during the conversion period at a price determined as the 90% of the average closing price per share on any five consecutive trading days immediately preceding to the conversion date.

The bondholders do not have right to redeem the Convertible Notes except on the occurrence of specified events that are beyond the control of the Company and the bondholder and under the circumstances where a portion of the Convertible Notes remain unconverted after mandatory conversion at Maturity Date. While the Company has the right to redeem the Convertible Notes in cash at the redemption amount if the conversion price is less than or equal to the conversion downside price as set out in the subscription agreement.

In view of variable share settlement arrangement, convertible bonds are classified as financial liabilities and initially recognised at its fair value which determined based on market interest rate on non-convertible debt instruments. It is subsequently measured at amortised cost. Interest expense of convertible bonds are calculated at effective interest rate of 12.5% per annum.

Movement of convertible bonds classified as financial liabilities as below:

	HK$'000
As at 1 January 2023	5,148
Issuance of convertible bonds at nominal value	2,500
Less: converted during the year (Note 24)	(5,994)
Effective interest expense recognised	28
Less: redeemed during the year	(1,682)
At 31 December 2023 and 31 December 2024	–

23 CONVERTIBLE BONDS *(Continued)*

During the year ended 31 December 2023, upon amounting of HK$5,994,000 Convertible Notes have been converted to 115,730,339 Conversion Shares (see Note 24). Upon issuance of Conversion Shares during the year ended 31 December 2023 as stated above, the Company has issued in aggregate 200,000,000 Conversion Shares and the Company has suspended issuance of the unsubscribed Convertible Notes under Tranche 1. Any unsubscribed Convertible Notes under Tranche 1 and 2 have been lapsed and the Subscription Agreement are terminated. In addition, the Company has entered into redemption agreements with the Subscribers for redemption of the remaining balances of the Convertible Notes with aggregate principal amount of approximately HK$1,506,000 and accrued interest of HK$176,000 in full by cash settlement.

24 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 (Note (b))	115,730,339	1,157
Shares issued and allotted (Note (c))	110,766,341	1,108
Shares issued as consideration for acquisition of business combinations involving entities under common control (Note (d))	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 (Note (e))	**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.

24 SHARE CAPITAL *(Continued)*

Notes:

(a) On 16 November 2023, an extra ordinary resolution of the Company was passed and pursuant to which the authorised share capital of the Company was increased from HK$30,000,000 to HK$50,000,000 by the creation of additional of 2,000,000,000 shares of HK$0.01 each.

(b) During the year ended 31 December 2023, the holders of convertible bonds exercised the conversion right for conversion of HK$5,994,000 convertible bonds into 115,730,339 ordinary shares of the Company of HK$0.01 each at the conversion price determined at the date of conversion at a ranged of HK$0.0401 to HK$0.0742 per each share.

(c) On 17 April 2023, the Company completed the placing and subscription of 62,351,914 shares under general mandate at a price of HK$0.08019 per share. The proceeds of HK$624,000, representing the par value, have been credited to the Company's share capital. The remaining proceeds of HK$4,376,000 net of transaction cost of HK$200,000 have been credited to the share premium account.

On 24 April 2023, the Company completed the placing and subscription of 48,414,427 shares under general mandate at a price of HK$0.08262 per share. The proceeds of HK$484,000, representing the par value, have been credited to the Company's share capital. The remaining proceeds of HK$3,517,000 net of transaction cost of HK$148,000 have been credited to the share premium account.

(d) For settlement of consideration of the Group's Acquisition of PMG China Group, the Company issued 588,235,294 ordinary shares at the issued price of HK$0.085 per share on Completion Date.

(e) On 3 October 2024, to settle the adjusted consideration following the finalisation of Actual Profit for the Guaranteed Period (Note 2.1), the Company issued an additional 266,761,176 shares to the Vendor in accordance with the terms of the sales and purchase agreement. The shares were issued at Issued Price of HK$0.085 per share, resulting in a total approximately HK$22,675,000.

25 DIVIDENDS

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

26 RELATED PARTIES BALANCES AND TRANSACTIONS

For the purposes of the consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operational decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

26 RELATED PARTIES BALANCES AND TRANSACTIONS *(Continued)*

The directors of the Company are of the view that the following were related parties that had transactions or balances with the Group during the years ended 31 December 2024 and 2023:

Name of the related parties	Relationship with the Group
Mr. Lui Yue Yun Gary	The Controlling Shareholder of the Group and Executive Director of the Company
Mr. Lui Edwin Wing Yiu	The Former Executive Director of the Company
Mr. Fung Wai Hang	The Executive Director of the Company

(a) The Group had the following loans from related parties at 31 December 2024 and 2023:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Mr. Lui Yue Yun Gary	**9,586**	23,719
Mr. Lui Edwin Wing Yiu (Note ii)	**–**	730
Mr. Fung Wai Hang	**2,035**	2,035
	11,621	26,484

Notes:

(i) The amounts represent loans from directors of the Company which are unsecured, carrying a fixed interest rate at 2% to 5% per annum and with the maturity date on 30 June 2026.

(ii) During the year ended 31 December 2024, Mr. Lui Edwin Wing Yiu has resigned from the position on 2 May 2024 and the amount has been reclassified to accruals and other payables (Note 21).

26 RELATED PARTIES BALANCES AND TRANSACTIONS *(Continued)*

(b) Transactions with related parties

The following transactions were undertaken by the Group with related parties during the years ended 31 December 2024 and 2023:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Interest expense to Mr. Lui Yue Yun Gary	**1,420**	1,960
Interest expense to Mr. Lui Edwin Wing Yiu	**18**	37
Interest expense to Mr. Fung Wai Hang	**102**	104
	1,540	2,101

(c) Key management compensation

Key management includes executive directors, non-executive director and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Salaries, allowances and benefits in kind	**5,616**	7,521
Retirement benefit costs – defined contribution plans	**42**	88
	5,658	7,609

Directors' remuneration disclosures are provided in the remuneration report in Note 9.

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to net cash generated from operations

	31 December 2024 HK$'000	31 December 2023 HK$'000
Cash flows from operating activities		
Loss before taxation	**(85,462)**	(38,537)
Adjustments for:		
Finance income — Interest income	**(1)**	(2)
Finance costs (Note 10)	**4,949**	5,222
Write back of trade payables (Note 6)	**(409)**	–
Impairment loss, net of reversal on trade and retention receivables (Note 16)	**9,882**	6,781
Impairment loss, net of reversal on contract assets (Note 5)	**68,447**	29,456
Impairment loss on other receivables	**–**	275
Impairment losses on right-of-use asset	**1,142**	–
Depreciation of plant and equipment (Note 13)	**355**	647
Depreciation of right-of-use asset (Note 14)	**736**	762
	(361)	4,604
Changes in working capital:		
Decrease in inventories	**6,030**	8,085
(Increase) decrease in trade and retention receivables	**(21,943)**	675
Decrease (increase) in deposits, prepayments and other receivables	**454**	(2,125)
Decrease in contract assets	**5,689**	4,920
(Decrease) increase in contract liabilities	**(193)**	6,991
Increase (decrease) in trade and retention payables	**6,523**	(755)
Increase in accruals and other payables	**7,449**	948
Decrease in amount due from (to) a director	**–**	(9,400)
Net cash generated from operations	**3,648**	13,943

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of cash flow from financing activities

This section sets out the movement of liabilities from financing activities for the years ended 31 December 2024 and 2023.

	Lease liability HK$'000	Amounts due to related parties HK$'000	Bank borrowings HK$'000	Loans from a former director (included in accruals and other payables) HK$'000	Loans from directors HK$'000	Convertible bonds HK$'000
At 1 January 2023	1,075	2,915	26,238	–	56,890	5,148
Financing cash flows	(673)	–	(3,545)	–	(18,717)	818
Non-cash movement:						
Converted to shares (Note 23)	–	–	–	–	–	(5,994)
Settle on behalf of related parties	–	(2,915)	–	–	2,915	–
Net settlement with amount due from (to) a director in trade nature	–	–	–	–	(14,621)	–
Net impact to accrued interest expenses	38	–	1,172	–	17	28
At 31 December 2023	440	–	23,865	–	26,484	–
At 1 January 2024	**440**	**–**	**23,865**	**–**	**26,484**	**–**
Financing cash flows	**(688)**	**–**	**10,136**	**–**	**(13,620)**	**–**
Non-cash movement:						
New lease	**1,370**	**–**	**–**	**–**	**–**	**–**
Transfers	**–**	**–**	**–**	**1,427**	**(1,427)**	**–**
Factoring loans settlement	**–**	**–**	**(11,430)**	**–**	**–**	**–**
Net impact to accrued interest expenses	**29**	**–**	**1,251**	**–**	**–**	**–**
Exchange differences	**–**	**–**	**–**	**9**	**184**	**–**
At 31 December 2024	**1,151**	**–**	**23,822**	**1,436**	**11,621**	**–**

28 SHARE-BASED PAYMENTS

(a) Share option scheme

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.

29 FINANCIAL INSTRUMENTS BY CATEGORY

	31 December 2024 HK$'000	31 December 2023 HK$'000
Financial assets at amortised cost		
Trade and retention receivables	**13,582**	14,138
Deposits and other receivables	**1,450**	1,210
Bank balances and cash	**308**	507
	15,340	15,855
Financial liabilities at amortised cost:		
Trade and retention payables	**49,633**	43,542
Accruals and other payables	**49,131**	36,250
Bank borrowings	**33,456**	33,152
Loans from directors	**11,621**	26,484
Lease liability	**1,151**	440
	144,992	139,868

30 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance department under the supervision of the board of directors. The board provides principles for overall risk management.

(a) Interest rate risk

The Group's cash flows interest rate risk are substantially independent of changes in market interest rates, including prime rate and HIBOR. The Group's cash flow interest rate risk mainly arises from variable-rate bank balances and bank borrowings. Loans from directors and lease liability which carried at fixed rates expose the Group to fair value interest rate risk.

The sensitivity analysis below have been determined on the exposure to interest rates at the end of reporting period. The analysis is prepared is assuming the financial instruments outstanding at the end of the reporting period were outstanding for whole year. As at 31 December 2024, it is estimated that an increase/decrease of 50 basis points in interest, with all other variables held constant, would result in an increase/decrease the Group's loss for the year of approximately HK$165,000 (2023: approximately HK$163,000). The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates of variable interest rate bank borrowings and bank balances over the period until the next annual reporting date.

(b) Foreign currency risk

The Group mainly operates in Hong Kong and the PRC with most of the sales transactions and purchase transactions are settled in HK$ and RMB and thus foreign exchange exposure is considered to be minimal.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

(c) Credit risk

The credit risk of the Group mainly arises from trade and retention receivables, contract assets, deposits and other receivables and bank balances.

Bank balances

To manage the risk arising from bank balances, the Group only transacts with reputable banks which are all high-credit-quality financial institutions. There has no recent history of default in relation to these financial institutions. The expected credit loss is insignificant.

Deposits and other receivables

For deposits and other receivables, management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience, as well as quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that the expected credit loss is insignificant.

30 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

Deposits and other receivables *(Continued)*

For the year ended 31 December 2023, in regard of other receivables of approximately HK$275,000 arisen from insurance compensation receivables are aged for over two years, the management of the Group considers the balance might not be recoverable and it has considered as credit-impaired and full provision of loss allowance is provided.

No further impairment loss allowance has been provided for the year ended 31 December 2024.

Trade and retention receivables and contract assets

For trade and retention receivables, and contract assets, management makes periodic collective assessments as well as individual assessment on the recoverability with no significant credit risk identified.

At 31 December 2024, 67% (2023: 69%) of the total trade and retention receivables, and contract assets, were due from the Group's top five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Trade receivables and contract assets for contract work are considered past due 90 days after the billings have been made and revenue has been recognised, respectively. The Group does not obtain collateral from customers.

The Group measures loss allowances for trade and retention receivables, and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

To measure expected credit losses, the Group categorises its trade and retention receivables, and contract assets based on the nature of customer accounts, historical repayment record and shared credit risk characteristics. The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

30 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

Trade and retention receivables and contract assets *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade and retention receivables, and contract assets:

As at 31 December 2024

	Trade and retention receivables			
	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Low risk (Note (i))	0.98%	9,317	91	9,226
Doubtful (Note (ii))	50.73%	8,397	4,260	4,137
Loss (Note (iii))	99.04%	22,845	22,626	219
		40,559	26,977	13,582

As at 31 December 2024

	Contract assets			
	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Low risk (Note (i))	0.10%	1,929	2	1,927
Doubtful (Note (ii))	62.02%	87,488	54,257	33,231
Loss (Note (iii))	99.46%	119,751	119,110	641
		209,168	173,369	35,799

30 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

Trade and retention receivables and contract assets *(Continued)*

As at 31 December 2023

	Trade and retention receivables			
	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Low risk (Note (i))	0.8%	8,930	74	8,856
Doubtful (Note (ii))	55.1%	11,762	6,480	5,282
Loss (Note (iii))	100%	10,542	10,542	–
		31,234	17,096	14,138

As at 31 December 2023

	Contract assets			
	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Low risk (Note (i))	5.2%	45,145	2,338	42,807
Doubtful (Note (ii))	48.7%	131,938	64,267	67,671
Loss (Note (iii))	100%	38,318	38,318	–
		215,401	104,923	110,478

The weighted average expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management to ensure relevant information about specific debtors is updated.

Notes:

(i) The counterparty has low probability of default considering relative size, business relationship and repayment history. Debtors usually settled before due date or within 30 days after past due.

(ii) The counterparty has moderate default risk considering relative size, business relationship and repayment history. Debtors usually settles within 90 days after past due.

(iii) There is risk that the counterparty is in default. Debtors are usually with long outstanding balances and without any further business relationship with the Company.

30 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(d) Liquidity risk

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate, as well as considering short-term and long-term financing in its capital structuring. The Group aims to maintain flexibility in funding by committed credit lines available and interest-bearing borrowings which enable the Group to continue its business for the foreseeable future.

As at 31 December 2024 and 2023, no undrawn banking facilities is available for the Group.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the end of the reporting date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balance within 12 months equal their carrying balances as impact from discounting is not significant.

As described in Note 2.1, the Group's bank borrowings have been in default and are past due as at the years ended date 31 December 2024 and 2023, therefore, the bank borrowings would be immediately repayable if requested by the lenders under the bank facilities letters, the total amount is classified as "within 1 year or on demand".

	Effective interest rate	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 3 years HK$'000	Total HK$'000	Total undiscounted cash flows HK$'000
As at 31 December 2024						
Trade and retention payables	–	49,633	–	–	49,633	49,633
Accruals and other payables	5%	47,767	1,472	–	49,239	49,131
Bank borrowings	8.6%	33,456	–	–	33,456	33,456
Loans from directors	4.2%	488	11,865	–	12,353	11,621
Lease liability	4.9%	720	480	–	1,200	1,151
		132,064	13,817	–	145,881	144,992

	Effective interest rate	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 3 years HK$'000	Total HK$'000	Total undiscounted cash flows HK$'000
As at 31 December 2023						
Trade and retention payables	–	43,542	–	–	43,542	43,542
Accruals and other payables	–	36,250	–	–	36,250	36,250
Bank borrowings	10.3%	33,152	–	–	33,152	33,152
Loans from directors	5.0%	1,479	1,479	27,224	30,182	26,484
Lease liability	4.9%	448	–	–	448	440
		114,871	1,479	27,224	143,574	139,868

30 FINANCIAL RISK MANAGEMENT *(Continued)*

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less bank balances and cash. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios were as follows:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Bank borrowings (Note 22)	**33,456**	33,152
Loan from a former director (included in accruals and other payables) (Note 21)	**1,436**	–
Loans from directors (Note 26)	**11,621**	26,484
Less: bank balances and cash (Note 19)	**(308)**	(507)
Net debts	**46,205**	59,129
Total (deficit) equity	**(54,103)**	35,245
Total capital	**(7,898)**	94,374
Gearing ratio	**N/A**	62.6%

Note: As at 31 December 2024, the gearing ratio is negative.

31 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.

31 CONTINGENCIES *(Continued)*

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 22).

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 report.

(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 2, and remains committed to complying with labor regulations under the Hong Kong Employment Ordinance, including assessing potential risks or penalties.

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	**31 December 2024 HK$'000**	31 December 2023 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary		**72,675**	47,150
Total non-current asset		**72,675**	47,150
Current assets			
Deposits, prepayments and other receivables		**194**	3,044
Amounts due from subsidiaries		**–**	110,777
Bank balances and cash		**11**	14
Total current assets		**205**	113,835
Total assets		**72,880**	160,985
EQUITY			
Share capital		**24,130**	21,462
Reserves	(a)	**40,796**	131,675
Total equity		**64,926**	153,137
LIABILITIES			
Current liabilities			
Accruals and other payables		**6,635**	6,469
Amount due to a subsidiary		**1,319**	1,379
Total current liabilities		**7,954**	7,848
Total liabilities		**7,954**	7,848
Total equity and liabilities		**72,880**	160,985

The statement of financial position of the Company was approved by the Board of Directors on 16 May 2025 and was signed on its behalf:

Mr. Lui Yue Yun Gary
Director

Ms. Lui Po Wai Natalie
Director

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Note (a) Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2023	117,534	(37,943)	79,591
Loss and total comprehensive expense for the year	–	(4,416)	(4,416)
Shares issued upon conversion of convertible bonds (Note 24)	4,837	–	4,837
Shares issued and alloted	7,545	–	7,545
Shares issued in consideration of acquisition of business combinations involving entities under common control	44,118	–	44,118
At 31 December 2023	174,034	(42,359)	131,675
Loss and total comprehensive expense for the year	–	(110,886)	(110,886)
Share issued upon expiration of guaranteed period of acquisition of business combinations involving entities under common control	20,007	–	20,007
At 31 December 2024	194,041	(153,245)	40,796

33 MAJOR NON-CASH TRANSACTION

(a) During the year ended 31 December 2023, a director of the Company, a related company, related parties and the wholly-owned subsidiaries have entered into the supplementary agreement for settlement of balances with the related company, the related parties and wholly-owned subsidiaries in trade nature through the loan from director.

Upon the effective date of the agreement, i.e. 31 December 2023, the rights and obligations of amounts due from a related company, amounts due to related parties and amounts due from (to) a director in trade nature are cancelled and discharged as at 31 December 2023.

(b) During the year ended 31 December 2024, the Group entered into the new lease arrangement for renewal of office premise of 2 years leading to addition to right-of-use asset and lease liability of HK$1,370,000 (2023: Nil) respectively.

(c) During the year ended 31 December 2024, trade receivables of approximately HK$11,430,000 (2023: Nil) were discounted with recourse of which amounting of approximately HK$10,974,000 (2023: Nil) have been obtained as factoring loans from third parties financial institutions and amounting of approximately of HK$456,000 (2023: Nil) included in finance costs. The factoring loans granted from the financial institutions were presented in the consolidated statement of cash flows under financing activities as "Borrowings from factoring of trade receivables". Corresponding borrowings of approximately HK$11,430,000 (2023: Nil) were discharged in full without cash outflows upon relevant debtors settled in full to the respective parties during the current year.

In accordance with the judgement mechanism under the sales and purchase agreement, contingent consideration receivable of approximately HK$2,850,000 were recognised based on the Preliminary Profit for the Guaranteed Period and the consideration adjustment to approximately HK$72,675,000. These receivables were contingent upon the finalisation of the review report.

Following the completion of the review report in October 2024, the Actual Profit was finalised at approximately HK$13,081,000, which was higher than the Preliminary Profit. As a result, the contingent consideration receivable was reversed in 2024, with the adjustment recorded in merger reserve.

34 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 report, 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 report, 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.

FIVE YEAR FINANCIAL SUMMARY

For the year	**2024**	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**58,514**	77,199	130,394	91,942	170,348
Gross profit	**15,384**	23,949	31,354	11,166	19,096
Operating loss	**(80,514)**	(33,317)	(22,649)	(36,492)	(25,675)
Loss before income tax	**(85,462)**	(38,537)	(30,222)	(46,749)	(34,099)
Loss attributable to owners of the Company	**(86,372)**	(40,449)	(32,338)	(46,749)	(34,099)

For the year	**2024**	2023	2022	2021	2020
	HK cents	HK cents	HK cents	HK cents	HK cents
Basic and diluted loss per share (Note)	**(3.9)**	(1.97)	(1.74)	(3.76)	(2.82)

At year end	**2024**	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Pledged bank deposits	**–**	–	–	–	34,507
Bank balances and cash	**308**	507	1,319	2,680	218
Total assets	**104,589**	190,274	244,680	274,636	333,502
Loans from Directors	**11,621**	26,484	56,890	80,550	3,090
Convertible bonds	**–**	–	5,148	–	–
Bank borrowings	**33,456**	33,152	36,555	42,877	158,819
Total liabilities	**158,692**	155,029	186,491	191,614	209,509
Total (deficit) equity	**(54,103)**	35,245	58,189	83,022	123,993

Key financial ratios	**2024**	2023	2022	2021	2020
Gross profit margin (%)	**26**	31	24	12.1	11.2
Net profit margin (%)	**N/A**	N/A	N/A	N/A	N/A
(Loss)/return on equity (%)	**N/A**	114.8	(55.6)	(56.3)	(27.5)
Loss on total assets (%)	**(82.6)**	(21.3)	(13.2)	(17.0)	(10.2)
Interest coverage (time)	**N/A**	N/A	N/A	N/A	N/A
Current ratio	**0.72**	1.47	1.88	2.5	1.6
Quick ratio	**0.36**	1.02	1.36	1.8	1.2

Note: For the financial years ended 31 December 2024, 2023, 2022, 2021 and 2020, 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 during the respective financial year.

Diluted loss per share adjusts the figures used in the determination of basic (losses)/earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.