Anchorstone Holdings Limited
基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1592

2021
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
Unit 1501–02, Delta House
No. 3 On Yiu Street, Shatin
New Territories

COMPANY WEBSITE
http://www.anchorstone.com.hk

COMPANY EMAIL
info@anchorstone.com.hk

BOARD OF DIRECTORS
Executive Directors
Mr. Lui Yue Yun Gary *(Chairman)*
Mr. Lui Edwin Wing Yiu
Mr. Fung Wai Hang
Ms. Qiao Xiaowei *(appointed on 13 April 2021)*
Ms. Zhang Li *(appointed on 30 June 2021)*
Ms. Lui Po Kwan Joyce *(resigned on 6 December 2021)*

Independent Non-Executive Directors
Mr. Ko Tsz Kin
Mr. Ng Yau Wah Daniel
Mr. Lee Chun Wai *(appointed on 13 April 2021)*
Mr. Zou Haiyan *(appointed on 30 June 2021)*
Mr. Choi Hok Ya *(resigned on 30 June 2021)*

BOARD COMMITTEE
Audit committee
Mr. Ko Tsz Kin *(Chairman)*
Mr. Ng Yau Wah Daniel
Mr. Zou Haiyan

Remuneration Committee
Mr. Ng Yau Wah Daniel *(Chairman)*
Mr. Ko Tsz Kin
Mr. Lui Yue Yun Gary

Nomination Committee
Mr. Lui Yue Yun Gary *(Chairman)*
Mr. Ko Tsz Kin
Mr. Ng Yau Wah Daniel

COMPANY SECRETARY
Mr. Fung Wai Hang

AUTHORISED REPRESENTATIVES
Mr. Lui Yue Yun Gary
Mr. Fung Wai Hang

AUDITOR
PricewaterhouseCoopers *(resigned on 24 January 2022)*
Certified Public Accounts
Registered Public Interest Entity 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
Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

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

FINANCIAL CALENDAR

For ascertaining shareholders' entitlement to attend and vote at Annual General Meeting, the closure dates of register of members will be on Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive), during which period no transfer of shares in the Company will be effected.

In order to qualify for entitlement to attend and vote at the Annual General Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre 183 Queen's Road East Hong Kong, no later than 4:30 p.m. on Wednesday, 22 June 2022.

The Annual General Meeting will be held on Tuesday, 28 June 2022 at 3:00 p.m. at Units 5906–12, 59/F, The Centre, 99 Queen's Road Central, Hong Kong.

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 2021.

During the year ended 31 December 2021, with the acceleration of global vaccination including the Mainland China and Hong Kong, the gradual easing of lockdowns in various countries and the stabilisation of the political environment in Hong Kong, the business environment in Hong Kong showed a positive momentum to rebound. However, the negative impact of COVID-19 pandemic continued to affect our Group's business, in particular the spread of the Delta variant of COVID-19 among European countries and the lag in vaccination in some developing countries had affected the Group's supply chain and labour supply which in return affected the work status of our construction projects. The recent "fifth wave" COVID-19 spread over in Hong Kong has also increased the uncertainty of the further recovery of the local economy.

Without doubt, the past two years have created tremendous challenges for individuals and organisations around the world for which there is no blueprint for resolution. Our Group was also facing the most difficult time since 2020. We have conducted a lot of measures to rise to the challenge, such as undertaking various cost-cutting measurements, deepen the co-operations with our suppliers and subcontractors to improve the construction efficiency, negotiation with our principal banks for the settlement plan of outstanding borrowings and actively seeking for additional funds and financial resources. With these efforts, together with our Executive Directors' contributions in terms of the professional knowledge, leadership and financial supports, the Group got through most of the difficulties in the past.

Given the Group has long history and experience in the industry, I strongly believe when the local economic recovered, the Group would be able to grasp the growth opportunities and recovered from the pandemic.

In this difficult year, our staff has kept in their positions and made the best efforts to support the Group's business. I would also like to extend my gratitude to all our staff for their cordial contributions as usual. Also, I would like to express my deepest appreciation to the full trust and dedicated support from all the shareholders.

Lui Yue Yun Gary
Chairman
Hong Kong, 31 March 2022

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Since the National People's Congress passed of the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region (commonly known as the "**Hong Kong National Security Law**") in year 2020 and the Decision on Improving the Electoral System of the Hong Kong Special Administrative Region in year 2021, the political environment in Hong Kong has become stable again for business. However, the increasing geopolitical risk and the COVID-19 pandemic continued to affect the local economy. The economic situation in Hong Kong is not optimistic currently.

Although the sustainability of the Group's was not significantly affected by the COVID-19 pandemic, its supply chain has been affected due to the various quarantine policies imposed by the government of various countries and/or places. Such policies frequently affected the materials supply. In addition, the pandemic also caused the problem of labour shortage in the Hong Kong construction section. These two reasons caused the overall delay on the Group's existing construction projects.

In addition, the industry competition remains very keen. The Group's tender success rate was declined in 2021. As a result, the Group's revenue from stone supply and installation services with customers decreased compared with last year.

For the year ended 31 December 2021, the Group recorded a revenue of approximately HK$91.9 million (2020: HK$170.3 million), representing a decrease of 46.0% compared with that in the year ended 31 December 2020. The Group also recorded a decrease of gross profit for the year ended 31 December 2021 (2021: HK$11.2 million; 2020: HK$19.1 million), representing a decrease in 41.4%.

Whilst the Group's revenue decreased compared with last year, its operating cost increased in 2021. The key elements were the provision for loss allowance and the administrative expenses.

In the view of the downturn in the local economy and certain other factors, the management had made the provision for loss allowance of the contract assets and trade and retention receivables of approximately HK$28.9 million (2020: HK$25.4 million) for certain construction projects based on the impairment assessment and management's judgement.

In the current financial year, the Group's administrative expenses was approximately HK$25.3 million (2020: HK$21.4 million), representing an increase of approximately HK$3.9 million or 18.2%. This was mainly due to the increase in staff cost, as there was a one-off salary reduction in year 2020.

Due to the combination factors above, the Group recorded a loss before taxation of approximately HK$46.7 million (2020: HK$34.1 million) for the year ended 31 December 2021. The loss and total comprehensive expense of the year were approximately HK$46.7 million (2020: HK$34.1 million), representing an increase in loss of approximately HK$12.6 million or 37.0%.

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group maintained its business focus on the supply and installation of marble product contracts in Hong Kong. However, the overall business environment in Hong Kong deteriorated during the year. The adverse impact of the ongoing COVID-19 pandemic and the deterioration of the general economic environment on the Group's businesses has been unprecedented. Majority of the Group's ongoing projects had been delayed during the year. The tendering successful rate of the Group was significantly declined.

The persistence of the pandemic has posted adverse impact to the general operation environment on the industry, in particular the shipping supply of marble and granites from oversea countries to the Mainland China and Hong Kong. The work schedule of the Group's subcontractors and suppliers were affected as a result.

The pandemic also shocked the Hong Kong economy. The performance of the local property market has shown uncertainty recently, which may affect the future tendering activities of our industry.

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

COVID-19 pandemic would remain a significant risk to the Group and its operations, and is likely to remain so well into 2022, in particular due to the recent outbreak of the "fifth wave" in Hong Kong.

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

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

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. 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.

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

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 will maintain good relationship with our employees. At the same time, we will continue to enhance our competitiveness by building on the capabilities of its employees. The Group will maintain support to the development of employees with training and encourage them to engage in lifelong learning.

PRINCIPAL RISKS AND UNCERTAINTIES

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. For example, the control policy in relation to the spread of the novel coronavirus in year 2020 has affected our project status, and thus the collection of certain receivables have been unexpectedly prolonged due to the overall work status of the Group's projects were delayed.

GOING CONCERN AND MITIGATION MEASURES

For the year ended 31 December 2021, the Group reported a net loss attributable to the equity owners of the Company of approximately HK$46.7 million (2020: approximately HK$34,099,000). As at 31 December 2021, the Group's current bank borrowings was approximately HK$42.9 million (2020: HK$158.8 million), while its total bank balances and cash was approximately HK$2.7 million (2020: HK$34.7 million).

GOING CONCERN AND MITIGATION MEASURES *(Continued)*

As at 31 December 2021, bank borrowings with a total principal amount of approximately HK$42.9 million were overdue. Since 1 January 2022, the Group has repaid HK$3.3 million in relation to these overdue bank borrowings. In addition, default interests have been charged to the unsettled overdue borrowings by the respective banks. The Group is unable to draw down new borrowings from its bank facilities since 20 November 2020 and any further draw down would be subject to the approvals by the relevant banks. All bank borrowings would be immediately repayable if requested by the banks formally in accordance with the underlying bank facilities letters. Although the Group has not received any formal demand letters from the relevant banks, all the aforementioned bank borrowings have been classified as current liabilities in the consolidated statement of financial position as at 31 December 2021.

In accordance with the underlying bank facilities letters, performance bonds issued through a bank aforementioned of HK$5.1 million (2020: HK$5.1 million) 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 uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

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

(i) Despite the main banks of the Group had yet renewed the banking facility subsequent to the year end, the Group continued to negotiate with the relevant banks for extension of the overdue bank borrowings and to waive their rights arising from the events of default. The Directors are confident that agreements with the relevant banks will be reached in due course. Up to the date of this report, the Group has not received any formal demand letters from the relevant banks. Based on this, the management believes that these banks would not enforce their rights of requesting for immediate repayment of its outstanding bank borrowings nor cancelation of the performance bonds;

(ii) The Group is closely monitoring the impact of COVID-19 outbreak on its existing and potential projects. It has implemented measures to accelerate the certification, billing and collection with customers for completed projects. In addition, the Group is in active discussion with a customer to complete the contract in relation to stone sales;

(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) During the current year, the Group obtained loans from Executive Directors amounted to approximately HK$80.6 million at 31 December 2021, which are unsecured and repayable after twelve months from the date of draw down and interest bearing at 5% per annum; and

(v) The Group is actively looking for other sources of financing including any possible form of debt or equity financing to enhance the capital structure and reduce the overall financing expenses.

GOING CONCERN AND MITIGATION MEASURES *(Continued)*

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2021. 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 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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, particularly, deliberations were focused on the uncertainty and difficulties faced by the Company in the COVID-19 pandemics. The Audit Committee is of the view that the Group could address the issue of uncertainties relating to going concern.

ADDITIONAL INFORMATION REGARDING THE INDEPENDENT AUDITOR'S REPORT

In consider the fundamental uncertainties relating to the going concern basis of presentation of financial statements which stated in the independent auditor's report and Note 2.1(a) to the consolidated financial statements, the auditor had issued the opinion on the Group's consolidated financial statements for the year ended 31 December 2021 with an emphasis of matter. In auditor's opinion, the consolidated financial statements of the Group give a true and fair view of the Group's financial position, and of its consolidated financial performance and cash flows for the year ended 31 December 2021, in accordance with the relevant rules and requirements.

IMPACT OF COVID-19

The unexpected prolonging of the COVID-19 pandemic has affected the Group's construction projects' overall status and the recoverability of the Group's accounts receivables. As a result, the Group's turnover had been rapidly declined and its operation cash inflows had been significantly dropped. This tighten the working capital of the Group and caused certain bank borrowings were overdue as described in Note 2.1(a) to the consolidated financial statements. However, no formal demand letters for immediate repayment had been issued to the Group and/or its subsidiaries by the relevant banks. The Group had actively discussed the subsequent repayment plans with the relevant banks. The banks facilities, nevertheless, have been renewed without material changes in its key terms and conditions.

Certain measures such as cost control and adjustment to the Group's business plans had been taken to manage the impact of the COVID-19 pandemic. The management has also assessed the Group's liquidity positions and working capital sufficiency with reference to the operations and capital commitments. Accordingly, the Group's current ratio and quick ratio in 2021 was 2.5 times and 1.8 times representatively. Besides, taking into on the results of cash flow forecasts and the latest business recovery environment, though slow, the management concluded that the Group will have adequate resources to continue and resume its business operations and to meet its financial obligations as and when they fall due in the next 12 months from the year end date. The Group would actively seek for the different source of financing in case of contingency in relation to working capital position.

The management will continue to monitor closely the status of our projects on hand and assess the impact of the overall business environment on the Group.

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICY AND PERFORMANCE

The Environment, Social and Governance Report of the Company for the year ended 31 December 2021 contained the information required under Appendix 27 to the Listing Rules is set out in pages 18 to 42 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 2021, the Group had 30 full-time employees who were directly employed by the Group.

Total staff costs including Directors' emoluments for the year ended 31 December 2021 amounted to approximately HK$12.2 million (2020: approximately HK$9.7 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 2021, there has not been any incident of strike or labour shortage which adversely affected the Group's operations. In addition, the Group has not experienced any significant problem with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

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 2021 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.

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM SHARE OFFER

On 4 July 2018, the Company issued a total of 300,000,000 shares by way of public offering and placing at a price of HK$0.4 per share, and successfully listed its share on the Hong Kong Stock Exchange Limited. The net proceeds of the share offer received by the Company in relation to the listing of its share were approximately HK$73.2 million, after deduction of underwriting fee, commissions and all related expenses. The table below sets out the proposed application of the net proceeds and its utilisation status as at 31 December 2021.

	Percentage of net proceeds %	Net proceeds HK$'million	Amount utilised HK$'million	Amount remaining HK$'million	Expected timeline
Financing the start-up costs for awarded or potential projects submitted	79.5	58.2	(58.2)	–	Not applicable
Strengthening project management team	3.6	2.6	(1.3)	1.3	In considering the impact of COVID-19 to the Group's financial performance, the Group further extended the project team enhancement plan to year 2023.
Enhancing services and increasing sales and marketing efforts	4.1	4.4	(4.4)	–	Not applicable
Implementing a computerised ERP system and recruiting additional technology staff to support the ERP system	3.0	2.2	(0.2)	2.0	In considering the impact of COVID-19 to the Group's financial performance, the Group further extended the ERP system development to year 2023.
Repaying outstanding trust receipt loan	8.0	5.8	(5.8)	–	Not applicable
Total	**100.0**	**73.2**	**(69.9)**	**3.3**	

As at the report date, the Directors consider that these proceeds have been applied in accordance with the proposed application set out in the Prospectus dated 20 June 2018. The unutilised amount of the net proceeds have been deposited in the bank accounts of the Company and its subsidiaries.

OUTLOOK AND PROSPECTS

The Group's performance in 2021 did not demonstrate a sanguine outlook. However, this is mainly affected by the COVID-19 pandemic which the Board believes that the continuous strong demand in the luxury construction material, such as marble, still existed in Hong Kong. The local and global economic environment would become active again when the COVID-19 pandemic being overcome, and the Group's business would be able to catch up.

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.

The Group's overall performance in 2021 was not satisfactory. Its loss for the year ended 31 December 2021 was approximately HK$46.7 million, which represented an increase for approximately HK$12.6 million or 37.0%.

The enlargement of loss during the year was mainly due to the further declined in revenue from contracts with customers and thus a drop of approximately HK$7.9 million gross profit in 2021. In addition, in considering the economic environment and other relevant business factors, the impairment loss on trade and retention receivables and contract assets increased for approximately HK$3.5 million.

REVENUE

The Group generated revenue from the foundation projects we undertook. The Group recorded a revenue of approximately HK$91.9 million for the year ended 31 December 2021 (2020: HK$170.3 million), representing a significant decrease of 46.0% compared with that in the year ended 31 December 2020. The decrease was mainly due to certain construction projects undertaken by the Group were delayed, and the decline in the new tender activities during the year.

Hong Kong

Revenue generated from the Hong Kong construction project decreased by approximately HK$31.5 million or 29.0% in 2021, due to the overall weaken economic environment in Hong Kong, the delaying of construction projects under the COVID-19 pandemic and the decrease in new tender success rate of the Group.

Macau

Revenue in Macau had decreased by approximately HK$46.9 million or 76.3% in 2021. Although Macau was less impacted by the COVID-19 pandemic last year, the cross-boundary limitation between Hong Kong and Macau under the epidemic prevention measures caused the Group to invest extra time and resources for communication with the project status in Macau.

GROSS PROFIT AND MARGIN

The Group's gross profit decreased from approximately HK$19.1 million to approximately HK$11.2 million, representing approximately HK$7.9 million or 41.4% decrease as compared with the gross profit for the corresponding period in 2020. There was a slight increase in gross profit margin from approximately 11.2% in 2020 to 12.1% in 2021.

FINANCIAL REVIEW

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group in 2021 was approximately HK$25.3 million, representing an increase of approximately HK$3.9 million or 18.2% as compared to approximately HK$21.4 million in 2020. The increase was mainly due to the increase in wages, salaries and bonuses (excluding amount included in construction contracts) by approximately HK$2.5 million mainly due to the increase in overall headcount and salary.

FINANCE COSTS

The increase in finance cost was mainly due to the extension of certain trust receipt loans and additional interest cost for certain overdue bank borrowings.

INCOME TAX EXPENSE

Income tax expense represents the tax expense incurred in relation to the operation of the Group in Hong Kong.

No provision for income tax expense has been made in 2021 as the Group (and its subsidiaries) recognised loss for the year.

No provision for deferred taxation has been made in 2021 since no significant deferred taxation liability was expected to crystallise.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Based on the above, loss attributable to owners of the Company was approximately HK$46.7 million for the year ended 31 December 2021 (2020: HK$34.1 million).

LOSSES PER SHARE

Basic losses 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. Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The basic losses per share was approximately 3.76 HK cents (2020: basic losses per share 2.82 HK cents). The increase is due to the increase in loss for the year. As the impact of dilutive element was not significant, the diluted losses per share was also approximately 3.76 HK cents (2020: diluted earnings per share 2.82 HK cents).

Diluted losses 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 2021, the Company has not considered the effect of the share options given that the effect is anti-dilutive.

FINANCIAL REVIEW

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through its loans, borrowings and cash inflows from operating activities. As at 31 December 2021, the capital structure of the Group consisted of equity of approximately HK$83.0 million (2020: HK$124.0 million) and debt of approximately HK$123.4 million (2020: HK$161.9 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Due to the difficult operation environment in years 2020 and 2021, most of the construction projects of the Group were delayed and thus the receivables collection cycle had unexpectedly procrastinated. As a result, the Group failed to repay certain trust receipt loans to the banks by the due date during the years ended 31 December 2020 and 2021. Such trust receipt loans were secured by the assets of the Group, including the trade and retention receivables, pledged bank deposits and contract assets, and were cross guaranteed by the Group's subsidiaries to the relevant banks.

As at the years ended 31 December 2020 and 2021 and up to the report date, the Group has not received any formal demand letters from the banks for immediate repayment. The Directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to the banks, including speed up the project status and receivable collection cycle, the repayment of trust receipts loan principal and interest of approximately HK$115.9 million during the year ended 31 December 2021 and actively discussed and agreed the repayment plans with the relevant banks to extend the principal subsequent to the due date. As at the report date, the Group's bank borrowings significantly reduced to approximately HK$39.6 million.

The Group expected that the remaining overdue payments would be settled during the interim result report of year 2022.

Based on the cash flow projections cover a period of not less than twelve months from 31 December 2021 and the measurements mentioned in Note 2.1(a), the Group is expected to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. The Group remains committed to a high degree of financial control, a prudent risk management and a full utilisation of financial resources.

FINANCIAL REVIEW

CASH POSITION AND FUND AVAILABLE

The Group maintained the liquidity position by managing its gearing ratio and its current ratio.

As at 31 December 2021, the current ratio of the Group was approximately 2.5 times (2020: 1.6 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 2021, the Group's gearing ratio was 59% (2020: 51%). It was calculated as the net debts (including the loans from Directors, bank borrowings less the bank balances and cash and pledged bank deposits) divided by the total capital as at the end of the respective years and multiplied by 100%. As at 31 December 2021, the Group's bank balances and cash were approximately HK$2.7 million (2020: HK$0.2 million) and there was no pledged bank deposits (2020: the Group has pledged bank deposits of approximately HK$34.5 million as security for the Group's banking facilities). The decrease in cash and cash equivalents was mainly due to repayments of bank borrowings during the year.

BANK BORROWINGS

As at 31 December 2021, the Group had total bank borrowings of approximately HK$42.9 million (2020: HK$158.8 million). The Group has not renewed its banking facilities since the last report date in 2021 (2020: aggregate banking facilities of approximately HK$174.9 million).

GEARING RATIO

The gearing ratio was calculated as the net debts (loans from Directors, bank borrowings less the cash and cash equivalents and pledged bank deposits) divided by the total capital as at the end of the respective years and multiplied by 100%. The gearing ratio of 2021 was 59% (2020: 51%).

NET CURRENT ASSETS

As at 31 December 2021, the Group had net current assets of approximately HK$160.9 million (2020: HK$124.2 million). The increase in net current assets position was mainly attributable to the decrease in bank borrowings 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 adequate committed lines of funding from the banks to meet its liquidity requirements.

FINANCIAL REVIEW

PLEDGE OF ASSETS

As at 31 December 2021, except for the pledged bank deposits stated in the paragraph headed "Cash Position And Fund Available" above, certain trade and retention receivables and contract assets set out in Note 22 to the consolidated financial statements, the Group has no other pledged assets.

THE BANK BORROWINGS COVENANTS

Except for the overdue borrowings as set out in Note 2.1(a) to the consolidated financial statements, the Group had complied with all the financial covenants as at 31 December 2021. Details of the bank borrowings are set out in Note 22 to the consolidated financial statements.

CASH FLOWS

The Group's cash flows has been presented in the consolidated statement of cash flows and Note 29 to the consolidated financial statements.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2021.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and Macau. Its revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contract to hedge its exposure to foreign exchange risk.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group has issued performance bonds in respect of construction contracts through the bank amounted to HK$5.1 million (2020: HK$5.1 million). Among these performance bonds, approximately HK$0.4 million were related to the construction contracts that completed or substantially completed during the year ended 31 December 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Anchorstone Holdings Limited has been listed on the Stock Exchange since 2018. The Group has been issuing the Environmental, Social and Governance ("**ESG**") report annually to show its commitment and determination to fulfil corporate social responsibilities and pursue sustainable development to all its stakeholders. This report is the fourth ESG report issued by the Group, which covers the Group policies, measures and performance regarding its sustainable development as of 31 December 2021. This report is prepared in Chinese and English and has been uploaded to the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (http://www.anchorstone.com.hk).

Reporting scope

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. The Group understands that this report has not yet covered all of its operations, and we promise that we will continue to expand the scope of the disclosure under the principle of 'Materiality' in due course.

Reporting standard

This report is prepared in accordance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") in the Appendix 27 of the Rules Governing the Listing of Securities (the "**Listing Rules**") by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Group has adhered to the Materiality, Quantitative, Balance and Consistency reporting principles when disclosing our ESG performance in the reporting period (the "**Reporting Period**"). For details, please refer to the following table:

Materiality: Material issues were identified and disclosed in the Report based on the Group's industry peculiarities, operations, and stakeholders' concerns. Please refer to the section "Materiality Assessment" for the identification processes and results of the materiality assessment.

Quantitative: The Group's key environmental and social performance indicators are disclosed quantitatively where feasible in accordance with the ESG Reporting Guidelines.

Consistency: Unless otherwise stated, the reporting scope and reporting methods of this report are generally the same as 2020, and annual comparable data are disclosed where feasible.

Balance: The group's ESG performance has been reported in an impartial manner to ensure readers can evaluate performance rationally and objectively.

Disclosure of Data and Information

The data and information of this report are mainly collected through the Company's internal data system, statistical records, as well as text and quantitative information collection templates based on the reporting framework. The Board of Directors has reviewed and confirmed the contents of this report on 31 March 2022.

ABOUT THE REPORT *(Continued)*

Contact and feedback

The Group welcomes any comments from stakeholders on the Group's future development and governance strategies. If you have any comments or suggestions on the contents of this report, please feel free to contact the Group through the following contact methods:

Anchorstone Holdings Limited
Unit 1501–1502, 15/F., Delta House, No. 3 On Yiu Street, Hong Kong
Telephone: (852) 2511 6668
Email: info@anchorstone.com.hk

STABLE OPERATION

Sustainable Development

Governance Structure

The Group strives to enhance its performances in all aspects of ESG. The Board undertakes the overall responsibility for managing relevant ESG matters. Under the leadership and supervision of the Board, we have gathered employees from various departments to form a Task Force on Environmental, Social and Governance (the "**Task Force**"). The Task Force regularly discusses the following issues related to ESG management:

- Review and Implementation of the Overall ESG Policies and Measures

- ESG Risks Assessment

- Preparation of the ESG Report:

The Task Force reports to the Board regularly to assist the Directors in reviewing the Group's ESG-related performance and goals, and continuously promote the Group to participate in sustainable development.

Risk Management

The Group believes that sustainable development risk management is essential for establishing effective corporate governance, which can stabilise and enhance the Group's business development by coping with the business risks and uncertainties brought about by the current climate crisis. To reduce the environmental impacts caused by the risks and our business operations, the Group aims to identify and evaluate its potential ESG-related risks, and review the effectiveness of its risk management and internal control systems. In addition, the Group plans to incorporate sustainability elements into its business decisions and daily operation. We will continue to implement sustainable strategies and management systems that formulate a more targeted ESG risk management framework for the Group and create shared values with our stakeholders and communities.

STABLE OPERATION *(Continued)*

Sustainable Development *(Continued)*

Development Goals

To establish sustainability goals relative to the Group's future business development, the Group will first identify and assess the significant environmental and social impacts according to our current business operation and then focus on improving relevant materiality issues and risks. In the coming year, the Group plans to strengthen communication with its stakeholders and engage with them to understand their expectations, opinions, and concerns about the Group in different aspects. Thus, providing strategic support for the Group to develop its business plans and implement sustainability goals that satisfy the interests of all parties.

Stakeholder Engagement

The Group values the opinions of our stakeholders regarding our business operations, and has always sought to create shared value for them. We have established different communication channels to keep in close communication and relationship with our key stakeholders such as shareholders and investors, customers and business partners, employees, suppliers and subcontractors, NGOs, and the public.

Key Stakeholders and Their Communication Channels

Shareholders and investors
Investor presentation, business development meetings, and announcements & 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

The increased participation of stakeholders through various communication channels allow us to understand their perceptions on the Group's ESG strategies and performance, and be able to take their expectations into account for our future business development.

STABLE OPERATION *(Continued)*

Sustainable Development *(Continued)*

Materiality Assessment

Drawing on global sustainability trends, industry experiences, and stakeholders' opinions collected from various channels, and with reference to the materiality assessments of peer companies, the Board has assessed 12 aspects listed in the ESG Reporting Guide and identified 4 key issues that are most significant to our business operations and stakeholders. Those issues will be handled and disclosed with priority in this report as well as in our future strategic planning. Details of the key issues are as follow:

Materiality Issues	The Group's responses
1. Health and Safety	Due to the Group's business nature, its contractors/sub-contractors require handling heavy stones and cutting processes daily. Those operations may increase the chances of fatalities and injuries in the workforce if they are not using the powered haulage and heavy machinery properly. Therefore, the Group cares about the health and safety of our contractors/sub-contractors and will ensure everyone complies with its training requirements to prevent and reduce such incidents from happening in the Group.
2. Emissions	The Group concerns with the current issue of Climate Change, and aims to become a socially responsible company, so it promises to put more effects into reducing its environmental impacts by implementing more environmental policies and regulations, investing in more energy-efficient products such as LED Lights, Eco-friendly paper, and energy-efficient appliances, etc. within the company.
3. Compliance and Integrity in Procurement	The Group strictly monitors its employees to avoid actual or apparent conflicts of interest in the procurement processes. It also requires its suppliers to disclose all relevant interests or relationships that may involve actual or potential conflicts of interest to prevent any form of corruption, bribery, and other misconduct.
4. Anti-corruption	The Group values and adheres to decent, honest, and fair business practices, so it has strengthened its internal control system and attached importance to employees' awareness against corruption and understanding of the anti-corruption legislation.

STABLE OPERATION *(Continued)*

Sustainable Development *(Continued)*

Materiality Assessment *(Continued)*

In the future, the Group will expand its communication channels and invite more internal and external stakeholders to share their opinions. By understanding the stakeholders' expectations, views, and concerning issues, we are determined to improve the Group's operating performance and set relevant KPI targets that drive the Group towards sustainability and further create values in the long run.

Compliance and Integrity

Compliance Management

In compliance with all applicable laws and regulations is a basic requirement for the Group's operations. The Group understands that violation of laws and regulations will cause an impact on the Group's business operations that may tarnish its reputation, incur penalties, or drag it into litigation. With the continuous refinement and implementation of laws, regulations, and policies in the Mainland China, the Group will continue to manage and set our operational compliance as an important goal. We have also formulated and implemented a series of internal policies and systems to strengthen our compliance management. Our Audit Committee is responsible for overseeing the Group's policies and practices regarding compliance with legal and regulatory requirements, while the Board reviews the Group's compliance performance annually.

Aspects	Laws and Regulations that have significant impacts towards the Group
Environmental	"Cap. 311 Air Pollution Control Ordinance" "Cap. 354 Waste Disposal Ordinance" "Cap. 603 Product Eco-responsibility Ordinance"
Employment	"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"

Anti-corruption

The Group values and adheres to decent, honest, and fair business practices, which strictly prohibit any form of corruption and adopt a zero-tolerance attitude towards all suspected bribery, extortion, fraud, money laundering or other violations of professional ethics. To combat corruption and fraud-related behaviours, the Group has strengthened its internal control system and attached importance to employees' awareness against corruption and understanding of the anti-corruption legislation. No legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period.

STABLE OPERATION *(Continued)*

Compliance and Integrity *(Continued)*

Anti-corruption *(Continued)*

Code of Conduct	Code of Conduct Policy has listed out the Group's basic requirements regarding employee conduct. All employees are strictly prohibited from offering or receiving any gifts, gratuities, or hospitalities that may be perceived to influence a business relationship unfairly and required to disclose all relevant interests or relationships that may involve actual or potential conflicts of interests to the Group for review. If an employee is found to be deliberately concealed relevant interests or relationships, violated any anti-corruption policies, or committed fraud-related behaviours, that employee will be subject to varying degrees of disciplinary actions depending on the seriousness of the case, which can be verbal or written warnings, demotion or dismissal, or referred to the law enforcement for prosecution.
Effective Reporting Channels	The Group's Whistle-blowing System and Policy has clearly stated that employees and business partners should report to the Group through different reporting methods and channels when they discover any suspicious or illegal activities e.g. negligence, corruption, bribery and other misconduct. We promise to investigate and verify related cases promptly, fairly, and confidentially, and take remedial action if necessary.
Secure the Management Effectiveness	The Audit Committee of the Group will continuously evaluate the effectiveness of its internal control system, detect potential deficiencies, and identify areas for improvement. The Board and Audit Committee will also be responsible for supervising and reviewing the effectiveness of the related anti-corruption-related policies on a regular basis.
Strengthen anti-corruption training	The Group has prepared anti-corruption training for our Board Members and employees. We encourage them to enhance their anti-corruption awareness by accessing anti-corruption and bribery information shown on the website of the Independent Commission Against Corruption (ICAC) of the Hong Kong Special Administrative Region.

The data of anti-corruption training organised by the Group during the Reporting Period are as follows:

Total hours of anti-corruption training provided to employees	20
Total hours of anti-corruption training provided to the Board	40

In the future, the Group plans to create a Handbook regarding employee code of conduct, which outlines the expectations and guidelines of anti-corruption towards our employees, as well as strengthening employees' awareness of corruption prevention and eliminate any risk of violating professional ethics. The Group will also provide more anti-corruption training and assist our employees and relevant stakeholders in learning more anti-corruption laws and regulations, so as to enhance the Group's corporate governance and employees' code of ethics.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HARMONIOUS ENVIRONMENT

Being aware of our responsibility for potential direct and indirect negative environmental impacts associated with our business operations, we make long-term efforts to improve environmental issues such as greenhouse gas ("**GHG**") emissions, noise and solid waste, and actively promote environmental data inventories and emissions reductions. In addition, understanding that environmental risks, including climate change, may become the obstacles that impact the stability and development of the Group, we are committed to improving related policies and measures to reduce our environmental footprints regarding emissions, use of resources, environmental and natural resources, and climate change.

Reducing Emissions

Climate change has become a challenge facing all countries. The Group actively responds to the challenges brought by climate change, including establishing and implementing management policies to reduce our GHG emissions. Such emissions of the Group mainly come from the fuel consumption of vehicles and purchased electricity. To reduce the GHG emissions produced during our operational processes, the Group has taken the following measures to improve the efficiency of fuel use in our vehicles.

— 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; and

— Provide maintenance service to the vehicles on a regular basis to ensure engine performance and efficient use of fuel.

The section "Conserving Resources" provides more details on the measures implemented to save energy.

During the Reporting Period, the total GHG emissions of the Group amounted 30.99 tonnes of CO_2-equivalent ("CO_2e"). The increasing use of teleworking under the current pandemic situation and the shortening of the transportation routes to our construction sites have led to an approximately 42% reduction in the total GHG emissions. In the future, the Group will continue to apply more measures in reducing GHG emissions and setting feasible reduction targets.

HARMONIOUS ENVIRONMENT *(Continued)*

Reducing Emissions *(Continued)*

GHG emissions[1]	2021	2020	Change
Direct GHG emissions — Scope 1 (tCO_2e)	**17.01**	27.84	–38.90%
Scope 1 intensity (tCO_2e/employee)	**0.57**	1.27	–55.19%
Indirect GHG emissions — Scope 2 (tCO_2e)	**13.98**	25.71	–45.62%
Scope 2 intensity (tCO_2e/employee)	**0.47**	1.17	–59.83%
Total GHG emissions (tCO_2e)	**30.99**	53.55	–42.13%
GHG intensity (tCO_2e/employee)	**1.03**	2.43	–57.61%

Air emissions are also generated from the use of vehicles. During the Reporting Period, the Group had emitted 5.26 kilograms of nitrogen oxides, 0.09 kilograms of sulphur oxides and 0.04 kilograms of respirable suspended particulates[2]. In addition, to cut down dust emissions from construction sites, we implemented stringent quality control measures on stone fabrication to avoid the need to carry out on-site remedial fabrication works.

Managing Waste

Most of the Group's waste is non-hazardous waste such as paper. We have incorporated waste prevention considerations into our business operations and have established guidelines for waste management and disposal.

To reduce the environmental impacts of waste, we have initiated the following measures to encourage employees to take their responsibilities in waste management:

— Use double-sided printing or photocopying wherever possible;

— Utilise electronic media for communication;

— Avoid single-use disposable items; and

— Place "Green Message" reminders on office equipment.

We also require our employees and suppliers to place recycling bins at offices and construction sites, encouraging them to collect valuable resources for recycling. In addition, our project coordinators or site managers stationed at the construction site will review and monitor the waste management performance of our subcontractors, ensuring that they will clean up and discard the wastes generated during the installation in compliance with the laws and regulations.

1 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 2021.

2 The calculation is based on the emission factors from "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" published by HKEX. The kilometres travelled by vehicles are estimated based on the actual fuel consumption and the combined fuel consumption per 100 kilometres of the respective models.

HARMONIOUS ENVIRONMENT *(Continued)*

Managing Waste *(Continued)*

To further reduce the environmental impacts, the Group has enhanced its waste management by advancing its garbage classification, which allows the Group to keep track of the number of wastes generated throughout the Reporting Period. Therefore, the number of non-hazardous wastes generated had skyrocketed from 0.93 tons to 805.23 tons, the majority of which was construction and demolition waste.

Non-hazardous Waste	2021	2020[3]
Total non-hazardous waste (tonne)	**805.23[4]**	0.93
Intensity (tonne/employee)	**26.84**	–

In terms of hazardous waste, only small amount of hazardous waste such as toner and ink cartridges were generated during the Reporting Year. All employees are required to follow guidelines to manage the disposal of hazardous waste, which must be handled carefully by qualified chemical waste collectors that comply with the relevant environmental regulations and rules.

In the future, the Group plans to set feasible targets in enhancing our waste management performance and reducing the generation of waste continually.

Conserving Resources

With gasoline, electricity and water being regularly consumed in our operations, the Group has established policies and procedures to manage the efficient use of resources, aiming to achieve greater energy efficiency and reducing the use of unnecessary materials. In a further effort to optimise the use of resources in our daily operations, we conduct ongoing resource consumption data collection and analysis, which will be used for future policies, targets, and plans settings in reducing the need to harvest new raw materials as well as greenhouse gas emissions that contribute to global climate change.

Energy Efficiency

The primary energy consumption of the Group in daily operation is the use of electricity in the office and the use of gasoline for transportation. To optimise the energy efficiency as well as to encourage our employees to reduce electricity and gasoline consumptions, the Group has carried out a series of energy conservation policies and measures to ensure more efficient use of energy, which details are as follow:

— Selects energy-efficient equipment and electrical appliances e.g. LED lights in the office and the production processes;

— Forbids the use of large-power electrical appliances such as heaters, kettles, refrigerators, etc., to avoid electricity overloaded.

— Turns off all unnecessary lights, air conditioners, and other office equipment in office areas when they are not in use to avoid waste of electricity

[3] Only include wastepaper.

[4] Include 1.23 tonnes of waste paper.

HARMONIOUS ENVIRONMENT *(Continued)*

Conserving Resources *(Continued)*

Energy Efficiency *(Continued)*

— Turns off computers (host or monitor) when employees go out for a long time, and switches computers to standby or sleep mode when employees go out for lunch; and

— Enhances the maintenance and overhaul of equipment, maintain the best condition of all electronic equipment for effective use of electricity

During the Reporting Period, due to the increase of headcounts, the electricity consumption of the Group had increased 12.52% compared to last year, but the electricity intensity had decreased 17.48%. Meanwhile, the consumption of gasoline of the Group and the gasoline intensity had declined 37.90% and 54.46%, and it was because we reduced the amount of construction site visits and increased the use of teleworking.

Energy consumption	2021	2020	Change
Electricity consumption (kWh)	**35,846.00**	31,857.00	+12.52%
Intensity (kWh/employee)	**1,194.87**	1,448.05	–17.48%
Gasoline consumption (Litre)	**6,384.00**	10,281.00	–37.90%
Intensity (Litre/employee)	**212.80**	467.32	–54.46%

In the future, the Group will continue to monitor its energy consumption and performance by implementing relevant policies and measures that habit the reduction of energy consumption and the prevention of wastefulness. We will also conduct regular energy audits and set up analytics systems to review and discipline our energy use. The Group can refer to those data and identify ways to reduce energy consumption, and set up relevant targets and goals that help to promote green company culture.

Water Consumption

Water consumption of the Group is mainly for basic business operations, cleaning and sanitation. During the Reporting Period, we consumed 418.00 m^3 of water with an intensity of 13.93 m^3 per employee. The Group promises to implement more policies and measures to promote water-saving wherever possible in the office, such as posting water-saving reminders and guidelines to avoid generating waste.

Paper Consumption

The Group pursues and adopts green office management that enhances the use of resources. To achieve that, we are committed to using sustainable materials such as paper made from recycled content and managing documents digitally. We encourage our employees to send digitised documents than print out copies, and choose double-sided printing if necessary. We will continue to reduce paper use by putting on reader-friendly posters and recycling bins that promote paper recycling properly.

HARMONIOUS ENVIRONMENT *(Continued)*

Conserving Resources *(Continued)*

Paper Consumption *(Continued)*

During the Reporting Period, the Group's paper consumption and intensity per employee decreased significantly compared to the previous year. We had also recycled 89,000 pieces of paper. These significant results demonstrate that the measures we use can effectively reduce the Group's paper consumption.

	2021	2020	**Change**
Paper consumption (piece)	**192,250.00**	345,155.00	–44.30%
Intensity (piece/employee)	**6,408.33**	11,505.00	–44.30%
Paper recycled (piece)	**89,000.00**	–	N/A

Embracing the Environment

Whilst the Group's core business has a limited impact on the environment and natural resources, we recognise that as a company that commits to operating in an environmentally, socially, and economically responsible manner, it is important to minimise the negative impact of our business on the environment. While regularly assessing the environmental risks of our business, taking preventive measures to reduce potential risks to our own operations and ensuring compliance with relevant laws and regulations, the Group is also committed to promoting a green transformation of our supply chain with the aim of reducing the environmental impact of our products and services throughout their life cycle.

The Group leads subcontractors to implement environmental policies and measures that focus on reducing natural resources consumption and enhancing effective environmental management. We also adopt sustainable installation methods that can utilise natural resources efficiently to eliminate resource, and utilise environmentally friendly materials whenever possible.

We hope that our actions can continuously help promote environmental awareness within the industry, and endeavour to make positive social and environmental impacts that benefit all parties.

Climate Change

Understanding the uncertainty that climate change may bring to our future business development, the Group plans to develop a strategic framework for addressing climate change. We are committed to incorporating climate change risks and opportunities into our business decision-making, and implementing policies that promote the adoption of climate change mitigation and adaptation measures. We will also enhance the transparency of the decision-making process for relative climate change risks, and strengthen the communication with both internal and external stakeholders in the coming future.

FRIENDLY SOCIETY

Caring for the Employee

Employee Rights and Benefits

The Group believes that employees are the solid foundation of sustainable development. We have always adopted people-oriented management skills and are committed to building a fair, diverse, and inclusive workplace for our employees, and ensuring that their rights and interests will be protected while reaching their full potential. The Employee Handbook has documented all the policies and measures related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. All of their effectiveness has been reviewed and advanced by the Group during the Reporting Period.

Compensation and Dismissal

To boost employee morale and working enthusiasm, the Group has provided employees with competitive remuneration and benefits. We provide employees with fixed and unfixed remunerations, including cash, discretionary bonuses, and allowances depending on the types of operations and the local labour markets. We conduct annual performance evaluations for employees and adjust the remuneration ranges based on key performance indicators such as job skills, qualifications, and performance. On the contrary, if an employee fails to reach the level required by the Group, or has committed misconduct or unethical behaviours, we will terminate the employee contract legally and strictly prohibit any form of unfair or illegal dismissal.

Recruitment and Promotion

The Group attaches great importance to building a diverse and professional team, therefore we adhere to recruiting employees through transparent, open, and fair recruitment processes. We ensure equal employment opportunity by recruiting and evaluating applicants based on objective criteria such as working experiences, academic qualifications, skills, and abilities, and never on age, gender, sexual orientation, disability, race, marital status, religion, or political background. In addition, through effective management of internal KPIs, the Group will continue to provide equal promotion opportunities for outstanding employees and help them achieve their maximum potential.

FRIENDLY SOCIETY *(Continued)*

Caring for the Employee *(Continued)*

Employee Rights and Benefits *(Continued)*

Working Hours and Rest Periods

The Group strictly abides by the Employee Handbook and implements a clock-in clock-out system to monitor the working hours of our employees, and to ensure that they comply with the local employment laws and regulations. If employees are required to work overtime due to actual business needs, they will receive overtime allowances and compensatory leaves in accordance with relevant labours laws and regulations. Other than the annual paid leaves and statutory holidays, the Group will also provide marriage leave, maternity leave, paternity leave, bereavement leave, sick leave for our employees according to employees' working locations and job titles.

Equal Opportunity and Anti-discrimination

The Group is committed to building a workplace that encourages and promotes fair competition, respect, and diversity. We do not tolerate any form of harassment or bullying in our workplace. If employees' rights and interests have been violated, they can file a complaint and report to their management through different communication channels. Our management will evaluate, handle, and record the complaints, and take necessary disciplinary measures to substantiate cases.

Labour Standards

The Group strictly prohibits any forms of child labour or forced labour. To prevent child labour, 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 ensure that their ages meet the legal working age and they are allowed to work legally.

On the other hand, to avoid the violation of Labour Standards, employees cannot work overtime unless approved by the department head. Any violations will get handled by the Group on a case-by-case basis.

In the coming year, the Group promises to close any loopholes by reviewing and enhancing its regulations on labour, strengthening its preventive measures against any suspected violations or violations of employees' rights.

Communication Channels

The Group encourages its employees to interact and share information, and welcome them to make suggestions on the daily working environment and content with the management. We have provided many communication channels such as mailboxes, appraisal meetings, and employee satisfaction surveys. The management level also promises to constantly review employees' feedback and make improvements.

FRIENDLY SOCIETY *(Continued)*

Caring for the Employee *(Continued)*

Employee Rights and Benefits *(Continued)*

As of December 31, 2021, the Group had 30 employees with 21 males and 9 females. The following table provides a breakdown of the total number of employees by gender, age group, employment type, and region:

	2021	
	Numbers of employees	Employee turnover rate (%)
Total number of employees	30	43.33
By gender		
Male	21	38.10
Female	9	55.56
By age group		
30 and below 30	2	0.00
31–40	16	62.50
41–50	5	60.00
Above 50	7	0.00

Training and Development Management

The Group cares about its employees' personal development and their career paths, which is why we keep encouraging them to pursue continuous learning. We ensure that every employee has an equal opportunity to access training resources and explore further development by establishing and improving our training system. We promise to implement more internal policies to enhance relevant provision continuously that helps strengthen the overall development and competitiveness of the Group and our employees.

During the Reporting Period, the Group has arranged various training programmes, including induction training, vocational training, and training related to health and safety. These programmes allow our employees to understand the Group's business model as well as enhance their basic skills and business-related knowledge. Training contents are regularly updated to ensure contents are relevant to current market trends and stakeholders' changing needs, such as laws and regulations, technological changes, market trends, product trends, and customer behavioural changes. The Group also encourages and supports our employees to participate in external training courses and obtain professional qualifications, which can enhance their professional skills, and the Group's business model and corporate performance.

We review these policies, training programmes, and employee development activities annually based on the feedback from our employees, and promise to improve relevant provisions continuously by optimizing training programmes so as to satisfy the needs of customers, employees, and society.

FRIENDLY SOCIETY *(Continued)*

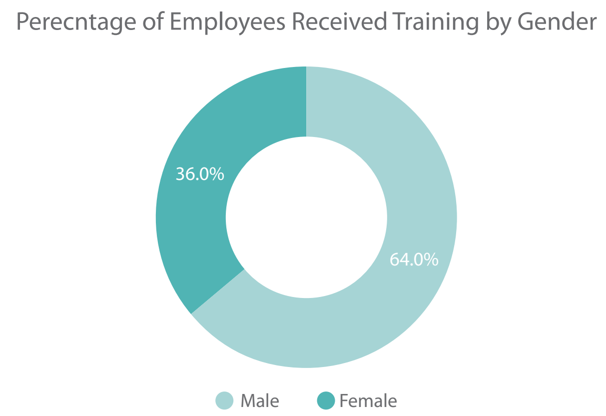
Caring for the Employee *(Continued)*

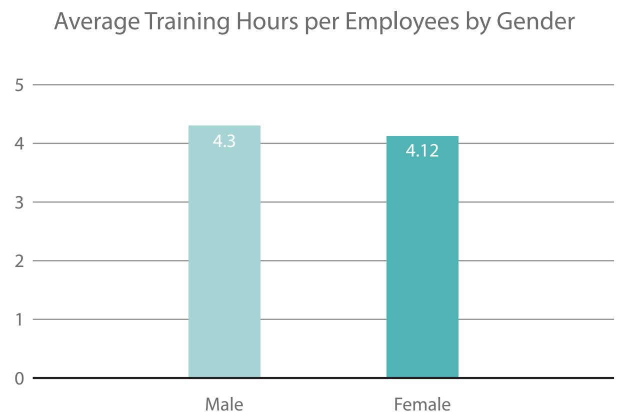
Training and Development Management *(Continued)*

The Group's employee training data during the Reporting Period are as follows:

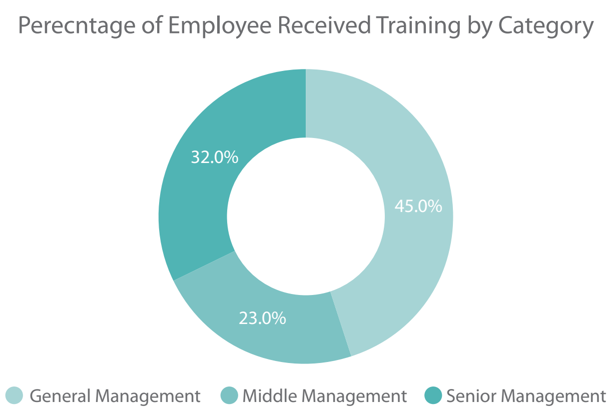
	2021	
Total	**Percentage of employees received training**	**Average training hour per employee**
	73.33	**4.25**

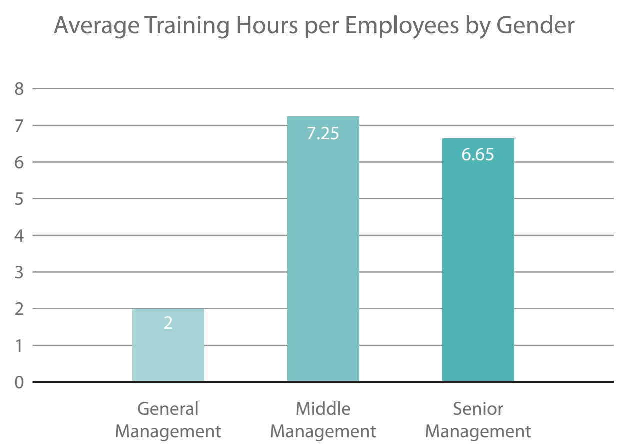
Employee Received Training by Gender in 2021





Employee Received Training by Category in 2021





FRIENDLY SOCIETY *(Continued)*

Caring for the Employee *(Continued)*

Occupational Health and Safety

The Group is committed to minimising associated risks of occupational injuries by providing employees and subcontractors with a healthy and safe workplace. Therefore, we continue to establish a sound safety system with a series of occupational health and safety policies and measures to enhance employees' protection and awareness of the importance of occupational health and safety during work.

All employees and subcontractors strictly abide by the Group's Code of Conduct Policy, and they are mandated to participate in an induction safety training held by the Group before entering the construction site. They are also required to conduct weekly seminars to review and identify any safety issues that help to prevent potential risks. All employees abide by all applicable laws, regulations, and safety requirements imposed by the relevant government authorities. They must use the safety equipment provided by the employer during the construction, including helmets, safety goggles, welding masks, etc., to prevent occupational health and safety hazards. Furthermore, to ensure the Group's occupational health and safety policies and measures are effectively implemented, we have implemented a Safety Management Committee to assist the Group in establishing, implementing, and managing the occupational health and safety policies and measures. A Safety Supervisor will prepare safety protocols with a corporate structure for emergencies, and assure each worker on site understands the Group's health and safety policies and objectives.

The Group has already written a detailed emergency procedure for fire incidents in our Code of Conduct Policy. Employees shall carry out evacuation according to the procedure and contact emergency services and the company's emergency contact person as soon as possible to notify the relevant accident. During the year, the Group did not have any safety incidents resulting in work-related injury or death.

Customer Satisfaction

As the Group is one of the well-established subcontractors that specialise in supplying and installing marble and granite, we care about our customers' satisfaction and attach great importance to producing high-quality and high-standard products and services. Hence, we have established a Quality Management System, which monitors our purchasing and manufacturing processes, and ensures that our products and services meet the quality requirements and the needs and expectations of our customers or users.

Quality Control Management

To stabilise the Group's Quality Control Management System and maintain product quality, we have developed a systematic approach to our quality control management to enforce internal control, monitor the purchasing and manufacturing processes, and reduce risks in quality control management. All operational departments require to execute this systematic approach, and implement various measures to ensure our products meet the specification requirements and our client requests. The quality control processes can be categorised into four different processes, and their details are as follows:

FRIENDLY SOCIETY *(Continued)*

Customer Satisfaction *(Continued)*

Quality Control Management *(Continued)*

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 (i) choosing the desired stone colour range; (ii) establishing the bench, layer and locations where the particular colour range will be quarried; and (iii) determining if there are sufficient stones of the desired colour for the project
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 pre-laying 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 Communication

To ensure our customers satisfy with our product and service qualities, the Group welcomes feedback from our customers on our services, and has already established a standardised procedure for handling complaints. All enquiries and complaints will be handled by our business development team, which will make improvement programmes and plans to prevent similar incidents from happening again. To ensure that customers are satisfied with our follow-up actions, our business development team will conduct another customer satisfaction survey after the dismissal of the case. During the Reporting Period, the Group did not receive any complaints.

FRIENDLY SOCIETY *(Continued)*

Customer Satisfaction *(Continued)*

Customer Privacy Protection

The Group respects the values and rights of customers' information assets and privacy. For this reason, we have already installed firewalls, anti-virus, and anti-spam solutions in our IT system to protect our computers from being attacked by viruses, thus, preventing any leakages of confidential data or information. In the future, the Group plans to implement more policies and measures regarding the protection of customer privacy and their intellectual property rights, and clarify the monitoring methods and the consequences of violating customer privacy between the Group and its stakeholders.

During the Reporting Period, the Group was not aware of any violation of relevant laws and regulations on service responsibility and customer privacy that had a significant impact on the Group.

Protection of IP Rights

The Group has registered a trademark of our company logo in Hong Kong by using "Anchorstone" as its brand name while our principal subsidiaries that undertaken projects during the year, including Pacific Marble & Granite Limited and PMG Engineering Limited, branded their businesses by using "PMG" as their brand names. We are also the registered owner of the domain name www.anchorstone.com.hk. If anyone commits suspected or illegal acts against the Group's brand, such as defamation or infringement, the Group will urge the infringer to cease such action. The Group reserves the right to seek damages from any such person to the fullest extent permitted by law.

Supply Chain Management

The Group focuses on building trusted and long-term relationships with our suppliers (including sub-contractors), and encouraging and supporting them to improve their sustainability performance. Therefore, all suppliers are evaluated and selected carefully to ensure a stable supply of raw materials for production, which allows us to manage potential environmental and social risks while improving our operational efficiency.

To manage the progress and quality of work conducted by our suppliers and subcontractors, the Group has formulated and implemented a series of policies and monitoring measures to regulate and strengthen the service quality of our suppliers and subcontractors. The Group is also committed to improving its supply chain management system by clarifying the specific requirements of selecting, evaluating, and managing suppliers and subcontractors through standardised criteria such as their developments, procurements, productions, and service supplies. These criteria allow the Group to access the suppliers' performances promptly and fairly.

During the Reporting Period, the Group has engaged 59 suppliers in Hong Kong, and 12 suppliers in the Mainland China.

- **Fair and Open Procurement**

  All goods and services procurement is carried out in an open, fair, competitive manner. The Group treats every potential business partner equally in the procurement process and strictly prohibits any form of differential treatment or discrimination against suppliers. The Group will strictly monitor its employees to avoid actual or apparent conflicts of interest. We also require our suppliers to disclose all relevant interests or relationships that may involve actual or potential conflicts of interest to prevent any form of corruption, bribery, and other misconduct.

FRIENDLY SOCIETY *(Continued)*

Supply Chain Management *(Continued)*

- **Green Procurement**

  To enhance sustainability in supply chain management, the Group undertakes to identify all the obstacles and risks that hinder it from implementing green procurement practices. We establish relevant standards and factors to evaluate the performances of suppliers and subcontractors in the procurement process, including the environmental, social, health and safety, labour, and other factors. The Group will also prioritise and use the products and services with high environmental standards when choosing the products, materials, and production methods to reduce the environmental impacts and risks caused by the suppliers.

  In the future, the Group will continue to require its business partners to improve their performance on sustainable development, and encourage them to cooperate with the Group's environmental protection policies, produce more environmentally friendly products, and join the Group on the path of sustainable development.

COMMUNITY INVESTMENT

The Group attaches great importance to serving our community and helping those who are in need. The Group has shown its support by contributing to various charitable activities, such as participating in the Dress Casual Day organised by The Community Chest of Hong Kong. The Group hopes to spread positivity and build a stronger sense of morality and compassion for others by encouraging its employees to do something good for others in their work time and spare time. Other than focusing on participating in fundraisers and charity events, protecting the environment has also been the core value of our company. We have upgraded our garbage classification to reduce unnecessary waste to lower our environmental impacts. In the future, the Group strives to give back to our community by arranging more types of activities that allow us to share our values and our ethical commitments continuously.

APPENDIX

Appendix I: Environmental and Social Performance Data

	Unit	2021	2020	2019
Greenhouse gas emissions[1]				
Direct GHG emissions — Scope 1	tCO_2e	**17.01**	27.84	24.84
Scope 1 intensity	tCO_2e/employee	**0.57**	1.27	0.81
Indirect GHG emissions — Scope 2	tCO_2e	**13.98**	25.71	26.21
Scope 2 intensity	tCO_2e/employee	**0.47**	1.17	0.87
Total GHG emissions	tCO_2e	**30.99**	53.55	50.47
GHG intensity	tCO_2e/employee	**1.03**	2.43	1.68
Air emissions[2]				
Nitrogen oxides	Kg	**5.26**	–	–
Sulphur oxides	Kg	**0.09**	–	–
Particles	Kg	**0.04**	–	–
Energy consumption				
Gasoline	Litre	**6,384.00**	10,281.00	8,959.00
Intensity	Litre/employee	**212.80**	467.32	298.63
Electricity	kWh	**35,846.00**	31,857.00	33,182.00
Intensity	kWh/employee	**1,194.87**	1,448.05	1,106.07
Total energy consumption	kWh	**97,715.63**	–	–
Intensity	kWh/employee	**3,257.19**	–	–
Natural resources consumption[6]				
Water consumption	m^3	**418.00**	–	–
Intensity	m^3/employee	**13.93**	–	–
Paper consumption	piece	**192,250.00**	205,000.00	345,155.00
Intensity	piece/employee	**6,408.33**	9,318.00	11,505.00
Total non-hazardous waste	tonne	**805.23**	–	–
intensity	tonne/employee	**26.84**	–	–
Total hazardous waste	tonne	**–**	–	–
intensity	tonne/employee	**–**	–	–

[6] As the Group advanced its data collection methods, more data are incorporated in this year's report.

APPENDIX *(Continued)*

Appendix I: Environmental and Social Performance Data *(Continued)*

Number of employees		
Gender	Male	21
	Female	9
Age group	30 and below 30	2
	31–40	16
	41–50	5
	Above 50	7
Rank	Senior management	10
	Medium management	4
	General management	16
Employee type	Full-time	100.00%
Total number of employees		30

Employee turnover rate		
Gender	Male	38.10%
	Female	55.56%
Age group	30 and below 30	0.00%
	31–40	62.50%
	41–50	60.00%
	Above 50	0.00%
Total turnover rate of employees		43.33%

Number of workers died or injured in course of duty	
Number of work-related fatalities[7]	0
Number of employees injured at work	0
Injury rate (per thousand employees)	0
Lost days due to work injury	0

[7] 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

Material 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.	P.24–26
A1.1	The types of emissions and respective emissions data.	P.25, 37
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).	P.25, 37
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.26, 37
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.26, 37
A1.5	Description of measures to mitigate emissions and results achieved.	P.24
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P.25–26
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P.26–28
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).	P.27, 37
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P.27, 37
A2.3	Description of energy use efficiency initiatives and results achieved.	P.26–27
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P.27
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P.27–28, 37

APPENDIX *(Continued)*

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

Material 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.	P.28
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P.28
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.	P.28
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.	P.28
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.	P.29–31
B1.1	Total workforce by gender, employment type, age group and geographical region.	P.31, 38
B1.2	Employee turnover rate by gender, age group and geographical region.	P.31, 38
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.	P.33
B2.1	Number and rate of work-related fatalities.	P.33, 38
B2.2	Lost days due to work injury.	P.33, 38
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P.33

APPENDIX *(Continued)*

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

Material 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.	P.31–32
B3.1	The percentage of employees trained by gender and employee category.	P.32
B3.2	The average training hours completed per employee by gender and employee category.	P.32
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.	P.30
B4.1	Description of measures to review employment practices to avoid child and forced labour.	P.30
B4.2	Description of steps taken to eliminate such practices when discovered.	P.30
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P.35–36
B5.1	Number of suppliers by geographical region.	P.35
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P.35–36
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P.35–36
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P.36

APPENDIX *(Continued)*

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

Material 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.	P.33–35
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P.34
B6.2	Number of products and service-related complaints received and how they are dealt with.	P.34
B6.3	Description of practices relating to observing and protecting intellectual property rights.	P.35
B6.4	Description of quality assurance process and recall procedures.	P.34
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P.35
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.	P.22–23
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.	P.22
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P.22–23
B7.3	Description of anti-corruption training provided to Directors and staff.	P.23
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.	P.36
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P.36
B8.2	Resources contributed (e.g. money or time) to the focus area.	P.36

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 2021, 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.

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.

Paragraphs A.3(a)(i) of Appendix 10 to the Listing Rules stated that a director must not deal in any securities of the listed issuer on any day on which its financial results are published and: (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met as described in section C below. In any event, the Director must comply with the procedure in rules B.8 and B.9 of this code.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

On 30 March 2021, PMG Investments Limited, the substantial shareholder of the Company which Mr. Lui Yue Yun Gary (being an Executive Director of the Company) is the sole director and beneficial of it, had been force sold 10,000,000 shares of the Company during a black-out period of Directors at HK$1.2 per share by a stockbroker of it under a financing arrangement (the "Disposal"). Mr. Lui Yue Yun Gary had notified the Board at a board meeting before the Disposal. The Company's Directors (except for Mr. Lui Yue Yun Gary) are satisfied that the Disposal were occurred due to exceptional circumstances under paragraph C.14 of Appendix 10 to the Listing Rules. A written record had been maintained by the Company that the appropriate notification was given and acknowledged pursuant to rule B.8 of this code, and for the Director concerned to have received written confirmation to that effect.

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.

Pursuant to code provision C.1.3, where the Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report.

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 OF DIRECTORS *(Continued)*

Board Composition

As at the date of this report, the Board comprises 5 executive directors ("**Executive Directors**" or "**EDs**") and 4 INEDs. They are:

Mr. Lui Yue Yun Gary *(Chairman)*
Mr. Lui Edwin Wing Yiu
Mr. Fung Wai Hang
Ms. Qiao Xiaowei *(appointed on 13 April 2021)*
Ms. Zhang Li *(appointed on 30 June 2021)*
Mr. Ko Tsz Kin
Mr. Ng Yau Wah Daniel
Mr. Lee Chun Wai *(appointed on 13 April 2021)*
Mr. Zou Haiyan *(appointed on 30 June 2021)*

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.

INEDs comprise 44.4% (4 out of 9) 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. 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.

BOARD OF DIRECTORS *(Continued)*

Board Diversity Policy *(Continued)*

During the year ended 31 December 2021 and as at the date of this report, the Board compromises nine 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.

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

Name of Directors	Age group Age (30–39)	Age (40–59)	Age (60 and above)
Executive Directors:			
Mr. Lui Yue Yun Gary			✔
Mr. Lui Edwin Wing Yiu	✔		
Mr. Fung Wai Hang	✔		
Ms. Qiao Xiaowei		✔	
Ms. Zhang Li	✔		
INEDs:			
Mr. Ko Tsz Kin		✔	
Mr. Ng Yau Wah Daniel			✔
Mr. Lee Chun Wai	✔		
Mr. Zou Haiyan		✔	

Name of Directors	Professional experience and knowledge Business and management	Construction and subcontracting	Accounting and finance	Other professional knowledge
Executive Directors:				
Mr. Lui Yue Yun Gary	✔	✔		
Mr. Lui Edwin Wing Yiu		✔		
Mr. Fung Wai Hang			✔	✔
Ms. Qiao Xiaowei	✔			
Ms. Zhang Li	✔			
INEDs:				
Mr. Ko Tsz Kin			✔	
Mr. Ng Yau Wah Daniel	✔			
Mr. Lee Chun Wai			✔	
Mr. Zou Haiyan			✔	

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.

The Company has regular updates with all existing Directors with an aim 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. In addition, Directors may also choose to attend external courses, conferences, seminars and luncheons organised by various local organisations.

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 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.

CORPORATE GOVERNANCE REPORT

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 2021, four 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.

For the regular Board meetings, a schedule of Board meetings dates is fixed for each year in advance. At least 14 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	10/10
Mr. Lui Edwin Wing Yiu	10/10
Mr. Fung Wai Hang	10/10
Ms. Qiao Xiaowei *(appointed on 13 April 2021)*	6/7
Ms. Zhang Li *(appointed on 30 June 2021)*	1/6
Ms. Lui Po Kwan Joyce *(resigned on 6 December 2021)*	5/10
Mr. Ko Tsz Kin	10/10
Mr. Ng Yau Wah Daniel	10/10
Mr. Lee Chun Wai *(appointed on 13 April 2021)*	6/7
Mr. Zou Haiyan *(appointed on 30 June 2021)*	1/6
Mr. Choi Hok Ya *(resigned on 30 June 2021)*	4/4

Code Provision A.2.7 stipulates that the Chairman should at least annually hold meetings with the INEDs without the presence of other Directors. During the year ended 31 December 2021, the Chairman has held one meeting with all INEDs without the presence of other Executive Directors.

CORPORATE GOVERNANCE REPORT

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 2021, one general meeting was held at Units 5906–12, 59/F, The Center, 99 Queen's Road Central, Hong Kong on Tuesday, 29 June 2021 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 three Independent Non-executive Directors (Mr. Ko Tsz Kin, Mr. Ng Yan Wah Daniel and Mr. Zou Haiyan). 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.

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 2021, the Audit Committee held two meetings:

Name of Directors	Number of attendance
Mr. Ko Tsz Kin	2/2
Mr. Choi Hok Ya *(resigned on 30 June 2021)*	1/1
Mr. Ng Yau Wah Daniel	2/2
Mr. Zou Haiyan *(appointed on 30 June 2021)*	1/1

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.

On 24 January 2022, PricewaterhouseCoopers resigned as the auditors of the Company after taking into consideration factors including the professional risks associated with the audit, their available internal resources and the level of audit fees.

AUDIT COMMITTEE *(Continued)*

With the recommendation from the Audit Committee of the Company, the Board has resolved to appoint CL Partners CPA Limited as the new auditors of the Company with effect from 24 January 2022 to fill the casual vacancy following the resignation of PricewaterhouseCoopers and to hold office until the conclusion of the next Annual General Meeting of the Company.

The Group's consolidated financial statements for the year ended 31 December 2021 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. On 31 March 2022, the Audit Committee has recommended to the Board that CL Partners CPA Limited be re-appointed as the auditor of the Company at the forthcoming Annual General Meeting.

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 (Mr. Ng Yau Wah Daniel and Mr. Ko Tsz Kin).

For the year ended 31 December 2021, the Remuneration Committee held two meetings:

Name of Directors	Number of attendance
Mr. Ng Yau Wah Daniel	2/2
Mr. Ko Tsz Kin	2/2
Mr. Lui Yue Yun Gary	2/2

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.

Senior Management's Remuneration

The remuneration of every senior management for the year ended 31 December 2021 is set out below:

Name of senior management	HK$'000
Mr. Lui Yue Yun Gary	3,600
Mr. Fung Wai Hang	926
Mr. Lui Edwin Wing Yiu	801
Ms. Qiao Xiaowei	225
Ms. Zhang Li	175

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 (Mr. Ng Yau Wah Daniel and Mr. Ko Tsz Kin). The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed change.

For the year ended 31 December 2021, 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. Ng Yau Wah Daniel	2/2

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;

(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;

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE *(Continued)*

Nomination Policy and Directors Selection Criteria *(Continued)*

(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 REPORT

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 2021, the remuneration paid/payable to the Company's auditor are set out below:

	HK$'000
Audit services	1,080
Non-audit services	–

COMPANY SECRETARY

The Company has appointed Mr. Fung Wai Hang, who is an employee of the Company, as its Company Secretary. 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 (formerly known as the Hong Kong Institute of Chartered Secretaries) and a fellow member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators). He confirmed that he has taken no less than 15 hours of relevant professional training for the year ended 31 December 2021. The biography of Mr. Fung Wai Hang is set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

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 2021 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.

CORPORATE GOVERNANCE REPORT

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 Unit 1501–02, 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 Unit 1501–02, Delta House, No.3 On Yiu Street, Shatin, New Territories by post or by email to Mr. Fung Wai Hang at ricofung@anchorstone.com.hk.

SHAREHOLDERS' RIGHTS *(Continued)*

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 Unit 1501–02, Delta House, No.3 On Yiu Street, Shatin, New Territories, or the share registrar of the Company at Tricor Investor Services Limited, Level 54, Hopewell Centre 183 Queen's Road East Hong Kong, for the attention of the Company Secretary.

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 2021, 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;

(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

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.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

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 2021, 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 2021 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 66, 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 over 38 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 Edwin Wing Yiu ("Mr. Edwin Lui")

Mr. Edwin Lui, aged 35, an Executive Director since January 2019. He is mainly responsible for the business development and construction project work management of the Group. Mr. Edwin Lui is also a director of certain subsidiaries of the Group.

Mr. Edwin Lui obtained a Bachelor's degree in computer science from Worcester Polytechnic Institute. Prior to joining the Group, Mr. Edwin Lui worked for Cheong Wah Metal Company Limited and Multi-trade Industries Limited. He has approximately 10 years of experience in business development and general management.

Mr. Edwin Lui is the nephew of Mr. Lui and the cousin of Ms. Lui Po Kwan Joyce (a former Executive Director of the Company), respectively.

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

Mr. Lui Edwin Wing Yiu is a committee member of the Hong Kong Marble & Granite Merchants Association (2019–2021) since July 2019.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Fung Wai Hang ("Mr. Fung")

Mr. Fung, aged 36, an Executive Director since January 2019. Mr. Fung has also been the Company Secretary of the Company and the Chief Financial Officer of the Group since October 2017 and January 2019 respectively. He is mainly responsible for overseeing the finance and accounting functions of the Group and performing the company secretarial duties. Mr. Fung is also a director of certain subsidiaries of the Group.

Mr. Fung obtained a Master's degree in business administration from Fudan University and a Bachelor's degree in business administration from The Chinese University of Hong Kong. He completed the short-term management training courses at the MIT Sloan School of Management and the University of Oxford in 2019 and 2020 respectively. He was conferred as a fellow of the Social Enterprise Research Academy in 2021.

Mr. Fung is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries), a fellow member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators), a chartered global management accountant of the Chartered Institute of Management Accountants, a certified financial consultant of the Institute of Financial Consultants, a certified internal auditor of the Association of Chinese Internal Auditors, a member of the Hong Kong Securities and Investment Institute, an accredited mediator (general) of the Hong Kong Mediation Accreditation Association, a panel member of the Hong Kong Mediation Centre, a certified workplace mediator of the International Dispute Resolution and Risk Management Institute and a life member of the Hong Kong Independent Non-Executive Director Association.

Mr. Fung joined the Group as the Financial Controller in August 2017 and was appointed as Company Secretary in October 2017. He was promoted to the current position since January 2019. Prior to joining the Group, Mr. Fung worked for PricewaterhouseCoopers mainly responsible for auditing and assurance works. Mr. Fung has been practising (under part-time mode) as a Certified Public Accountant under his own name since 2018. Mr. Fung has approximately 14 years of experience in accounting, auditing and financial management.

Mr. Fung has hold office in certain public and charity associations at his private time. For example, Mr. Fung was a member of the Panel of Advisers (Film Censorship) by the Film Censorship Authority of the Government of the Hong Kong SAR since April 2020. He is currently the chairman of the Hong Kong Girl Guides Association, Sham Shui Po District, the vice chairman of the Young Innovative Entrepreneurs Association and a council member of the Council for the Promotion of Guangdong-Hongkong-Macao Cooperation.

From June 2020 to August 2021, Mr. Fung was an independent non-executive director of Sun Cheong Creative Development Holdings Limited (stock code: 1781), a company listed on the Main Board of the Stock Exchange. He resigned this position on 31 August 2021.

Save as disclosure above, Mr. Fung does not have any other current or past directorship in any listed company in the past three years.

EXECUTIVE DIRECTORS *(Continued)*

Ms. Qiao Xiaowei ("Ms. Qiao")

Ms. Qiao, aged 45, an Executive Director since April 2021.

Ms. Qiao obtained a bachelor's degree in business administration from The Open University of China. Ms. Qiao is the vice president of Hanmei Media (Shenzhen) Co., Ltd.* (翰美傳媒(深圳)有限公司) ("Hanmei"), responsible for the management of Hanmei's market operations, management, etc. Ms. Qiao also works in for some companies, which are engaged in fund, gold trading and jewelry trading, as a senior management and authorised representative. Ms. Qiao had been the deputy general manager and the assistant to the chairman of the board of Shenzhen Dingding Investment Co., Ltd.* (深圳頂鼎投資有限公司) until February 2019. She was a general manager of Shandong branch in Liejiang Energy Technology (Beijing) Co., Ltd.* (獵匠能源科技(北京)有限公司山東分公司).

Before joining the Group, Ms. Qiao worked in certain "top 500 financial company in the world" in respect of various finance and fintech areas and has over 15 years extensive experience in managing on finance, fund and project management.

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

Ms. Qiao's interests in the Company was disclosed in the Report of the Directors.

Ms. Zhang Li ("Ms. Zhang")

Ms. Zhang, aged 35, an Executive Director since June 2021.

Ms. Zhang obtained a bachelor's degree in accounting from China Central Radio & Television University* (中央廣播電視大學). Ms. Zhang is the executive director and general manager of Shenzhen Tiandihai Trading Co., Ltd.* (深圳市天地海貿易有限公司) ("STTC") and Shenzhen Head of State Technology Co., Ltd.* (深圳市元首科技有限公司) ("SHSTC"). She is also an executive president of Heilongjiang Shimeng Chuangzhan Investment Co., Ltd.* (黑龍江世盟創展投資有限公司) ("HSCIC"). Ms. Zhang is responsible for the management of STTC, SHSTC and HSCIC's operations, management, etc.

Before joining the Group, Ms. Zhang served as Asset Management Association of China training lecturer, financial analyst and other positions in different financial institutions and has over 10 years extensive experience in managing on finance and project management.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Ko, aged 52, 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 a member of the Association of Chartered Certified Accountants.

Mr. Ko has over 28 years of experience in auditing and accounting. From 1992 to 2015, he joined Robert Chui & Co., Certified Public Accountants, and his last position was the principal of the audit department responsible for the audit and assurance engagements carried out by the firm. Mr. Ko has been practising as a Certified Public Accountant under his own name since 2015.

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

Mr. Ng Yau Wah Daniel ("Mr. Ng")

Mr. Ng, aged 66, was appointed as an Independent Non-Executive Director since June 2018. Mr. Ng is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee and is responsible for providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance.

Mr. Ng obtained a Bachelor's degree in Economics from York University, Canada and has over 32 years of experience in business operation and general management. In 1989, Mr. Ng was appointed as the executive director of Charter York Real Estate Management Limited, responsible for the daily management of the company. Also in 1989, Mr. Ng was appointed as the executive director of International Carpet Company Limited, responsible for the sales and business development. Since 2008, Mr. Ng has been appointed as the executive director of Gayloy Limited, responsible for managing the company's business. Since 2010, Mr. Ng has been appointed the director of Smart Result Limited, responsible for managing the company's business.

Since 2015, Mr. Ng has been appointed as an independent non-executive director of Guangzhou R&F Properties Co., Ltd. (stock code: 2777), a company listed on the Main Board of the Stock Exchange.

Save as disclosed above, Mr. Ng does not hold any other position in the Company or its subsidiaries nor any directorship in other listed public company in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Lee Chun Wai ("Mr. Lee")

Mr. Lee, aged 37, was appointed as an Independent Non-Executive Director since April 2021.

Mr. Lee obtained a Bachelor's Degree of Accounting and Finance from University of Hertfordshire in United Kingdom. Mr. Lee has over 15 years of experience in securities trading, finance and project investment. Mr. Lee possesses knowledge in financial analysis, corporate finance and corporate governance. Mr. Lee is currently chief investment officer of a licensed representative of a company ("Firm"), which is licensed to carry on type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). During Mr. Lee's service at the Firm, Mr. Lee is principally responsible for (i) advising on securities activities; (ii) providing asset management services; and (iii) formulating and executing investment projects.

Since May 2021, Mr. Lee has been appointed as an executive director and the chairman of Vinco Financial Group Limited (stock code: 8340), a company listed on the Stock Exchange.

Save as disclosed above, Mr. Lee does not hold any other position in the Company or its subsidiaries nor any directorship in other listed public company in the last three years.

Mr. Zou Haiyan ("Mr. Zou")

Mr. Zou, aged 57, was appointed as an Independent Non-Executive Director since June 2021.

Mr. Zhou graduated from Guangdong Provincial Finance School in Taxation in July 1985; graduated from The Hong Kong Polytechnic University in Diploma of Business Management in 1997; graduated from University of Electronic Science and Technology in Human Resources Management in January 2015; graduated from Europort Business School in the Netherlands in EMBA in February 2018; and graduated from Shaanxi Normal University in law in July 2018.

Mr. Zou has obtained the following qualifications and memberships of professional accountancy bodies including (i) the qualifications of Chinese Certified Public Accountant (CICPA); (ii) a Fellow of the Institute of Public Accountants of Australia (FIPA); (iii) a Fellow of the Institute of Financial Accountants of British (FFA); (iv) a associate member of Association of International Accountants (AAIA); (v) a member of the Institute of Cost Accountants of India (ACMA); and (vi) a Certified Financial Planner (FChFP). Mr. Zou has been a training instructor and guest lecturer of the Association of Chartered Certified Accountants (ACCA) Hong Kong, International Institute of Certified Public Accountants Hong Kong, Associate of International Accountants (AIA) Hong Kong, Hong Kong Chinese Accountants Association, The Hong Kong Institute of Chartered Secretaries (HKICS), continuing education of Shanghai University of Finance and Economics Institute, Hainan Local Taxation Bureau, Huangshan Local Taxation Bureau, Qingdao Provincial SAT Office and Shenzhen Municipal SAT Office. Mr. Zou also is an Adjunct Associate Professor of The Hong Kong Polytechnic University; and a distinguished Professor at the School of Continuing Education of Shanghai University of Finance and Economics.

Mr. Zou has over 36 years of experience in the financial and accounting services industry. Mr. Zou is an independent non-executive director of Universal Health International Group Holding Limited (stock code: 2211) which is listed on the Main Board of the Stock Exchange. He has been appointed as (i) a managing director of Kaowick Listing and Financial Services Company Limited since April 2003; (ii) a partner of Shenzhen Guangshen Certified Public Accountants since March 2012; and Mr. Zou was the managing director of China Tax and Business Consultants Company Limited since September 2016; (iv) and an independent non-executive director of Shenzhen AV-Display Co., Ltd since September 2017, a company had been listed on Shenzhen Stock Exchange (stock code: 300939); (v) an independent non-executive director of Shenzhen Asia Electricity Co., Ltd., a company had been listed on National Equities Exchange and Quotations in China (stock code: 837584) since year 2016, which has been delisted since year 2018; and (vi) a director of Shenzhen Kaosin Investment Ltd. for the period from May 2016 to January 2021. Save as disclosed above, Mr. Zou does not hold any other position in the Company or its subsidiaries nor any directorship in other listed public 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.

Chief Financial Officer and Company Secretary

Mr. Fung has been the Company Secretary of the Company and the Chief Financial Officer of the Group since October 2017 and January 2019, respectively. For further details of Mr. Fung, please refer to the paragraph headed "Executive Directors" of this section.

Project Director

Mr. Kan Shu Kai Raie ("**Mr. Kan**"), aged 58, has been the Project Director of the Group since December 2015. He is responsible for the overall project management of the Group.

Mr. Kan holds a higher certificate in building studies awarded by the Vocational Training Council in July 2005. He joined the Group in July 2008 as a Project Director responsible for overall supervision and management of projects until January 2014. In February 2014, Mr. Kan founded Point's Creative Limited where he served as a director and was responsible for business strategies and engaged in management of sub-contracting work of various construction projects. Mr. Kan re-joined our Group in December 2015 and served as a project director. Mr. Kan has over 30 years of experience in the construction industry.

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

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 2021.

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 2021 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 83.

DONATIONS

There were no charitable and other donations made by the Group during the year (2020: 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 2021, calculated under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$111.7 million (2020: HK$111.8 million).

PROPOSED FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

REPORT OF THE DIRECTORS

CLOSURE OF REGISTERS OF MEMBERS

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

USE OF PROCEEDS FROM THE COMPANY'S SHARE OFFER

The aggregate net proceeds from the share offer (after deducting listing related expenses borne by the Company) amounted to approximately HK$73.2 million. The proposed application of net proceeds as stated in the Prospectus has been adjusted according to the principles and proposed percentage of utilisation as specified in the section headed "Future plans and use of proceeds" of the Prospectus. The use of proceeds from the listing date to 31 December 2021 is included in the "Business Review, Management Discussion and Analysis" on page 13.

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 Notes 25 and 35 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 36 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Lui Yue Yun Gary
Mr. Lui Edwin Wing Yiu
Mr. Fung Wai Hang
Ms. Qiao Xiaowei *(appointed on 13 April 2021)*
Ms. Zhang Li *(appointed on 30 June 2021)*
Ms. Lui Po Kwan Joyce *(resigned on 6 December 2021)*

Independent Non-Executive Directors

Mr. Ko Tsz Kin
Mr. Ng Yau Wah Daniel
Mr. Lee Chun Wai *(appointed on 13 April 2021)*
Mr. Zou Haiyan *(appointed on 30 June 2021)*
Mr. Choi Hok Ya *(resigned on 30 June 2021)*

Biographical details of the Directors are set out on pages 60 to 64 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. Fung Wai Hang, Ms. Qiao Xiaowei, Ms. Zhang Li, Mr. Lee Chun Wai and Mr. Zou Haiyan 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.

REPORT OF THE DIRECTORS

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.

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.

As at the date of this report, a total of 47,200,000 share options had been granted and 82,800,000 Shares, representing approximately 7% of the total issued Shares of the Company, are available for issue under the Share Option Scheme.

SHARE OPTION SCHEME *(Continued)*

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.

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

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.

SHARE OPTION SCHEME *(Continued)*

11. The closing price

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.

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, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang. All Grantees accepted the share options granted to them.

The following shows the outstanding position as at 31 December 2021 with respect to their share options granted under the Share Option Scheme:

				Number of Share Options				
	Date of Grant	Exercise price per Share (HK$)	Exercise period	Balance as at 1 January 2021	Granted during the year ended 31 December 2021	Exercised during the year ended 31 December 2021	Cancelled/ lapsed during the year ended 31 December 2021	Balance as at 31 December 2021
Name of Directors								
Mr. Lui Yue Yun Gary	8 July 2019	0.249	8 July 2019 to 7 July 2021	1,200,000	–	(1,200,000)	–	–
Ms. Lui Po Kwan Joyce	8 July 2019	0.249	8 July 2019 to 7 July 2021	12,000,000	–	(12,000,000)	–	–
Mr. Lui Edwin Wing Yiu	8 July 2019	0.249	8 July 2019 to 7 July 2021	–	–	–	–	–
Mr. Fung Wai Hang	8 July 2019	0.249	8 July 2019 to 7 July 2021	–	–	–	–	–
Supplier of goods or services								
In aggregate	8 July 2019	0.249	8 July 2019 to 7 July 2021	10,000,000	–	(10,000,000)	–	–

On 24 February 2021, the Company allotted 23,200,000 shares at HK$0.249 each upon (i) two Directors (including the chairman, Mr. Lui Yue Yun Gary) exercised their shares options of 13,200,000 shares in total, and (ii) a consultant of the Group exercised his share options of 10,000,000 shares. All share options had been exercised as at 31 December 2021.

As a result of the above, the Company allotted another 23,200,000 shares at HK$0.249 on 24 February 2021. The closing price of the Company's shares at the share allotment date was HK$0.55 per shares.

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 the chief executive	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporation (PMG Investments Limited)	792,595,000 shares	63.54%
Mr. Lui Yue Yun Gary	Beneficial owner	793,155,000 shares	63.59%
Ms. Qiao Xiaowei	Beneficial owner	45,980,000 shares	3.69%

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

Name of Director and the chief executive	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporation (PMG Investments Limited)	72,515,000 shares	5.81%
Mr. Lui Yue Yun Gary	Beneficial owner	560,000 shares	0.044%

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.

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

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

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

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

Name of substantial shareholder	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporation (PMG Investments Limited)	792,595,000 shares	63.54%
Mr. Lui Yue Yun Gary	Beneficial owner	793,155,000 shares	63.59%

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

Name of substantial shareholder	Capacity/nature of interest	Total number of share(s) held	Percentage of interest in our Company's issued capital
Mr. Lui Yue Yun Gary	Interest in controlled corporation (PMG Investments Limited)	72,515,000 shares	5.81%
Mr. Lui Yue Yun Gary	Beneficial owner	560,000 shares	0.044%

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

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 2021 or at any time during the year.

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 2021.

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 2021 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 2021. 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 2021, 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 2021.

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 2021.

EQUITY-LINKED AGREEMENTS

No other equity-linked agreement was entered into by the Group, or existed during the year ended 31 December 2021.

SUBSIDIARIES

Details of subsidiaries of the Company as at 31 December 2021 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 28 to the consolidated financial statements. The Directors 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 2021.

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.

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:	18%
Five largest customers combined:	63%

Purchases

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

The largest supplier:	25%
Five largest suppliers combined:	44%

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.

REPORT OF THE DIRECTORS

AUDITOR

PricewaterhouseCoopers resigned as the auditor of the Company with effect from 24 January 2022 and CL Partners CPA Limited was appointed as auditor of the Company with effect from 24 January 2022 to fill the causal vacancy occasioned by the resignation of PricewaterhouseCoopers. Save as aforesaid, there was no change in auditors during the past three years.

A resolution will be submitted to the Annual General Meeting to re-appoint CL Partners CPA Limited as the auditor of the Company.

On behalf of the Board

Lui Yue Yun Gary
Chairman
Hong Kong, 31 March 2022

INDEPENDENT AUDITOR'S REPORT

CL Partners

To the Shareholders of Anchorstone Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Anchorstone Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 143, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hog Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$46,749,000 for the year ended 31 December 2021 and as at 31 December 2021, the Group's total borrowings and loans amounted to approximately HK$123,427,000, out of which borrowings and loans of approximately HK$42,877,000, are due for repayment in the next twelve months from the date of approval of these consolidated financial statements, while its cash and cash equivalents amounted to HK$2,680,000 at 31 December 2021. In addition, as at 31 December 2021, the Group was in default in respect of principal amount of borrowings totaling approximately HK$42,877,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2021. These conditions, together with other matters described in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2021. They are of the opinion that, taking into account the plans and measures described in note 2.1 which improve the liquidity and financial position of the Group, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. However, the ultimate success of the renewal of the existing loans or the likelihood of raising any new funds could not be determined as of the date of approval of these consolidated financial statements. Should the above financing be unavailable, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for construction contracts — recognition of revenue and contract assets	
Refer to note 3 in the summary of significant accounting policies and note 5 to the consolidated financial statements. For the year ended 31 December 2021, the Group's revenue derived from construction contracts was HK$67,985,000. Revenue from construction contracts is recognised over the period of the contract by measuring the progress towards complete satisfaction of the performance obligation on the basis of the actual costs incurred by the Group up to the end of the reporting period as a percentage of total estimated costs for each contract. Contract assets represent the Group's right to consideration for work completed less progress billings as at the reporting date. As at 31 December 2021, the carrying amount of contract assets amounted to HK$169,489,000, accounted for 62% of the Group's total assets.	Our procedures to assess management's recognition of revenue and contract assets included: — We inspected material construction contracts of the Group entered into during the year for agreed contract sums. — We tested, on a sample basis, actual costs incurred to supporting documents including, but not limited to, suppliers' invoices and subcontractors' latest payment certificates or invoices. — On management's estimated costs of the projects: • We obtained an understanding on their budgetary process on construction costs. • We examined the total budgeted cost of material construction contracts prepared by the project managers by comparing the budgeted component costs to supporting documents including, but not limited to, price quotations and rates of labour costs. — We checked the calculations for the progress towards complete satisfaction of the performance obligation; and recomputed the revenue recognised based on the project completion progress.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue and contract assets recognised from construction contracts require significant judgement in (a) measuring the progress with reference to the actual costs incurred as a percentage of total estimated costs for each contract; (b) estimating total budgeted costs and profit margin for each contract; and (c) estimating the expected recovery of costs arising from additional work performed throughout the contract periods.	— For projects with change in scope of work and variation orders, we tested these changes by checking to relevant supporting documents, such as correspondence with customers, on a sample basis. — We tested progress billings to all projects by checking to invoices issued to customers; and re-computed the contract assets balances for each project by comparing the progress billings against revenue recognised which represented the Group's rights to consideration for work completed.
We focus on this area as the recognition of revenue and contract assets require significant estimation and management's judgement, and given the magnitude of the amounts, the audit of this area requires significant audit effort and resources.	We found the judgement and estimates adopted by management in recognising revenue and contract assets are supported by available evidence.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed disclaimer opinion on those consolidated financial statements on 31 March 2021.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 HKFRSs issued by 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 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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CL Partners CPA Limited
Certified Public Accountants

Lee Wai Chi
Practicing Certificate Number: P07830
Hong Kong

31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Revenue from contracts with customers	5	**91,942**	170,348
Cost of sales		**(80,776)**	(151,252)
Gross profit		**11,166**	19,096
Other gains, net	6	**6,525**	2,015
Impairment losses on trade and retention receivables and contract assets, net	5, 16	**(28,925)**	(25,360)
Administrative expenses		**(25,258)**	(21,426)
Operating loss		**(36,492)**	(25,675)
Finance income	10	**13**	206
Finance costs	10	**(10,270)**	(8,630)
Finance costs, net		**(10,257)**	(8,424)
Loss before taxation	7	**(46,749)**	(34,099)
Income tax expense	11	**–**	–
Loss and total comprehensive expenses for the year and attributable to owners of the Company		**(46,749)**	(34,099)

		2021 **HK cents**	2020 HK cents
Loss per share attributed to owners of the Company			
Basic loss per share	12	**(3.76)**	(2.82)
Diluted loss per share	12	**(3.76)**	(2.82)

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 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property and equipment	13	**1,696**	564
Right-of-use assets	14	**2,031**	2,305
Total non-current assets		**3,727**	2,869
Current assets			
Inventories	18	**72,364**	89,922
Trade and retention receivables	16	**24,881**	15,465
Contract assets	5	**169,489**	188,004
Deposits, prepayments and other receivables	17	**1,301**	1,382
Tax recoverable		**194**	1,135
Pledged bank deposits	19	**–**	34,507
Bank balances and cash	19	**2,680**	218
Total current assets		**270,909**	330,633
Total assets		**274,636**	333,502
EQUITY			
Share capital	24	**12,472**	12,240
Accumulated losses		**(46,827)**	(78)
Reserves	25	**117,377**	111,831
Total equity		**83,022**	123,993

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	**1,075**	–
Loans from directors	28	**80,550**	3,090
Total non-current liabilities		**81,625**	3,090
Current liabilities			
Trade and retention payables	20	**42,778**	28,532
Accruals and other payables	21	**17,511**	10,767
Contract liabilities	5	**5,500**	4,532
Lease liabilities	14	**605**	2,275
Bank borrowings	22	**42,877**	158,819
Tax payables		**718**	1,494
Total current liabilities		**109,989**	206,419
Total liabilities		**191,614**	209,509
Total equity and liabilities		**274,636**	333,502

The consolidated financial statements on page 83 to 143 were approved and authorised for issue by the Board of Directors on 31 March 2022 and are signed on its behalf by:

Mr. Lui Yue Yun Gary
Director

Mr. Fung Wai Hang
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 2021

	Attributable to owners of the Company			
	Share capital HK$'000 (Note 24)	Reserves HK$'000 (Note 25)	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2020	12,000	106,095	34,021	152,116
Loss and total comprehensive expenses for the year	–	–	(34,099)	(34,099)
Transactions with owners in their capacity as owners:				
Shares issued under share option scheme (Note 30)	240	5,736	–	5,976
At 31 December 2020	12,240	111,831	(78)	123,993
At 1 January 2021	**12,240**	**111,831**	**(78)**	**123,993**
Loss and total comprehensive expenses for the year	**–**	**–**	**(46,749)**	**(46,749)**
Transactions with owners in their capacity as owners:				
Shares issued under share option scheme (Note 30)	**232**	**5,546**	**–**	**5,778**
At 31 December 2021	**12,472**	**117,377**	**(46,827)**	**83,022**

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 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	29(a)	**1,786**	(18,403)
Interest received		**13**	206
Income tax refunded/(paid)		**165**	(113)
Net cash generated from/(used in) operating activities		**1,964**	(18,310)
Cash flows from investing activities			
Proceed from disposal of property and equipment	29(b)	**–**	70
Net cash outflows on disposal of subsidiaries	26	**(42)**	–
Purchase of property and equipment	13	**(3,965)**	(48)
Receipt of refundable deposit for potential acquisition, net		**–**	1,900
Withdrawal of pledged bank deposits		**34,507**	3,030
Placement of pledged bank deposits		**–**	(152)
Payment of rental deposits		**(217)**	–
Net cash generated from investing activities		**30,283**	4,800
Cash flows from financing activities			
Interest paid		**(4,670)**	(7,684)
Proceeds from shares issued		**5,778**	5,976
Proceeds from bank borrowings	29(c)	**–**	194,813
Repayments of bank borrowings	29(c)	**(113,941)**	(192,454)
Proceeds from loans from directors	29(c)	**77,460**	3,090
Proceeds from loan from a third party	29(c)	**10,322**	–
Proceeds from bond issuance	29(c)	**–**	16,000
Redemption of bond issued	29(c)	**–**	(16,000)
Bond issuing cost paid	23	**–**	(400)
Interest paid on bonds issued	23	**–**	(160)
Principal elements of lease payments	29(c)	**(2,314)**	(2,202)
Interest elements of lease payments	29(c)	**(419)**	(228)
Net cash (used in)/generated from financing activities		**(27,784)**	751
Net increase/(decrease) in cash and cash equivalents		**4,463**	(12,759)
Cash and cash equivalents at beginning of year		**(12,025)**	734
Cash and cash equivalents at end of year		**(7,562)**	(12,025)
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	19	**2,680**	218
Bank overdrafts	22	**(10,242)**	(12,243)
		(7,562)	(12,025)

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 registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

2 BASIS OF PREPARATION AND APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

(a) Going concern basis

The outbreak of Coronavirus Disease in early 2020 (the "**COVID-19 outbreak**") has caused a severe slowdown of property development affecting construction industries in Hong Kong and Macau. It has therefore adversely affected the progress of ongoing project orders as well as future customers' demand of the Group's products and services and thereby affecting the Group's ability to generate adequate cash from its operations to meet its bank borrowings repayment obligations.

For the year ended 31 December 2021, the Group reported a net loss attributable to the owners of the Company of approximately HK$46,749,000 (2020: approximately HK$34,099,000). As at 31 December 2021, the Group's current bank borrowings was approximately HK$42,877,000 (2020: approximately HK$158,819,000), while its total bank balances and cash was approximately HK$2,680,000 with no pledged bank deposit (2020: approximately HK$34,725,000 which included pledged bank deposits of HK$34,507,000).

2 BASIS OF PREPARATION AND APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) Going concern basis *(Continued)*

As at 31 December 2021, certain bank borrowings with a total principal amount of approximately HK$42,877,000 were overdue. Since 1 January 2022, the Group has repaid HK$3,300,000 in relation to these overdue borrowings. In addition, default interests have been charged to the unsettled overdue borrowings by the respective banks. The Group is unable to draw down new borrowings from its bank facilities since 20 November 2020 and any further draw down would be subject to the approvals by the relevant banks. All bank borrowings would be immediately repayable if requested by the banks formally in accordance with the underlying bank facilities letters. Although the Group has not received any formal demand letters from the relevant banks, all the aforementioned bank borrowings have been classified as current liabilities in the consolidated statement of financial position as at 31 December 2021.

In accordance with the underlying bank facilities letters, performance bonds issued through a bank aforementioned of HK$5,138,000 (2020: HK$5,138,000) might be cancelled by the bank, which might result in non-compliance with the relevant construction contracts if the Group is unable to replace them with other equivalent performance bonds.

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

In view of such circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position, and in an effort to remediating the delayed payments to the relevant banks, which include, but are not limited to, the following:

(i) Despite the main banks of the Group had yet renewed the banking facility subsequent to the year end, the Group continued to negotiate with the relevant banks for extension of the overdue bank borrowings and to waive their rights arising from the events of default. The directors are confident that agreements with the relevant banks will be reached in due course. Up to the date of this report, the Group has not received any formal demand letters from the relevant banks. Based on this, the management believes that, these banks would not enforce their rights of requesting for immediate repayment of its outstanding bank borrowings nor cancelation of the performance bonds;

2 BASIS OF PREPARATION AND APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) Going concern basis *(Continued)*

(ii) The Group is closely monitoring the impact of COVID-19 outbreak on its existing and potential projects. It has implemented measures to accelerate the certification, billing and collection with customers for completed projects. In addition, the Group is in active discussion with a customer to complete the contract in relation to stone sales;

(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) During the current year, the Group obtained loans from Executive Directors amounted to HK$80,550,000 at 31 December 2021, which are unsecured and repayable after twelve months from the date of draw down and interest bearing at 5% per annum; and

(v) The Group is actively looking for other sources of financing including any possible from of debt or equity financing to enhance the capital structure and reduce the overall financing expenses.

The 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 2021. 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 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, uncertainty related to going concern exist as to whether the Group is able to achieve its plans and measures as described above.

Should the Group be unable to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2 BASIS OF PREPARATION AND APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 Application of amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year 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.

The Group has early adopted the following amended standard for the first time for their annual reporting period commencing 1 January 2020:

Amendment to HKFRS16	COVID-19 Related Rent Concessions

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

2 BASIS OF PREPARATION AND APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 Application of amendments to HKFRSs *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

[1] Effective for annual periods beginning on or after 1 April 2021

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] Effective for annual periods beginning on or after a date to be determined

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

<u>Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"</u>

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

2 BASIS OF PREPARATION AND APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 Application of amendments to HKFRSs *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

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

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

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

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

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

Amendments to HKAS 8 "Definition of Accounting Estimates"

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former equity holders of the acquired business, the equity interests issued by the Group, the fair value of any asset or liability resulting from a contingent consideration arrangement, and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Principles of consolidation *(Continued)*

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Revenue is recognised when goods are transferred or services are rendered to the customer.

Depending on the terms of the contract and the laws that apply to the contract, service may provide over time or at a point in time. Service is provided over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

If service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

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.

A contract asset is the Group's right to consideration in exchange for the services that the Group has transferred to a customer. 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.

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 but before the Group renders the service to the customer. Contract liabilities mainly included the advanced payments received from stone sales and provision of Supply and installation service.

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.

(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.

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 balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract asset represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract liability represents liability where the opposite is the case.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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".

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Leases

The Group leases certain land and property to operate as its office premises. Property lease is typically made for fixed periods of three years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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 consolidated statements of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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.

Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

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. 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 useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

(a) Classification

The Group classifies its financial assets to be measured at amortised cost.

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

The Group reclassifies debt investments when and only when its business model for managing the assets changes.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, 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.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net". Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and retention receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 16 for further details.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet 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.

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 and retention 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.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within bank borrowings in current liabilities. Pledged bank deposits are not included on cash and cash equivalents.

Inventories

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

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 consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and other comprehensive income, 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Current and deferred income tax *(Continued)*

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where the company's subsidiaries 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 income tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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.

Current and deferred tax is recognised in 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(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 consolidated balance sheet date.

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 balance sheet 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

Share-based compensation benefits are provided to directors and consultants via the Anchorstone Holdings Limited's Share Option Scheme.

The fair value of options granted under the Anchorstone Holdings Limited's Share Option Scheme is recognised as employee benefits expense 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 options granted:

— including any market performance conditions (eg the entity's share price)

— excluding the impact of any service and non-market performance vesting conditions (eg 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, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on 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.

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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The Group makes estimates and assumptions concerning the future. 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(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 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. 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. Management regularly reviews the progress of the contracts and the corresponding costs of the supply and installation service.

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(c) Income tax

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) 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:

	2021 HK$'000	2020 HK$'000
Supply and installation service	**67,985**	148,903
Stone sales	**23,957**	21,445
	91,942	170,348
Timing of revenue recognition:		
Over time	**67,985**	148,903
At a point of time	**23,957**	21,445
	91,942	170,348

(b) Segment information

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

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

	2021 HK$'000	2020 HK$'000
Hong Kong	**77,320**	108,833
Macau	**14,622**	61,515
	91,942	170,348

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

(c) Information about major customers

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

	2021 HK$'000	2020 HK$'000
Customer A (Note i)	**16,711**	18,601
Customer B (Note iii)	**13,077**	38,674
Customer C (Note ii)	**10,817**	N/A
Customer D (Note ii)	**N/A**	40,572
Customer E (Note ii)	**N/A**	27,617
Customer F (Note iii)	**N/A**	22,842

Notes:

(i) The revenue was generated from stone sales in Hong Kong.

(ii) The revenue was generated from the supply and installation of marble product contract in Hong Kong.

(iii) The revenue was generated from the supply and installation of marble product contract in Macau.

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

(d) Assets and liabilities related to contracts with customers

	2021 HK$'000	2020 HK$'000
Contract costs incurred plus recognised profits less recognised losses	**271,149**	314,276
Less: progress billings	**(59,422)**	(106,580)
Less: loss allowance (Note i)	**(47,738)**	(19,692)
Balance at end of year	**163,989**	188,004
Analysed for reporting purposes as:		
Contract assets (Note ii)	**217,227**	207,696
Less: loss allowance (Note i)	**(47,738)**	(19,692)
	169,489	188,004
Contract liabilities (Note iii)	**(5,500)**	(4,532)
	163,989	183,472

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

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

Notes:

(i) The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. Loss allowance of HK$28,046,000 was made for the year ended 31 December 2021 (2020: HK$19,692,000). Movements in the loss allowance for contract assets are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	19,692	–
Loss allowance	28,046	19,692
At 31 December	47,738	19,692

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

(iii) The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the supply and installation services.

As at 31 December 2021, contract assets amounted to HK$125,700,000 (2020: HK$167,732,000) have been pledged to secure the bank facilities as set out in Note 22.

6 OTHER GAINS, NET

	2021 HK$'000	2020 HK$'000
Exchange gains, net	–	150
Government grants (Note)	–	1,691
COVID-19-related rent concessions	–	174
Gain on disposal of subsidiaries (Note 26)	6,430	–
Others	95	–
	6,525	2,015

Note:

Wage subsidies of HK$1,591,000 were granted from the Hong Kong SAR Government's Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from June to November 2020 during the year ended 31 December 2020 (2021: Nil).

Remaining subsidies of HK$100,000 were granted from the one-off Construction Sector Subsidy Scheme under Anti-Epidemic Fund launched by the Government of the Hong Kong SAR Government during the year ended 31 December 2020 (2021: Nil).

7 LOSS BEFORE TAXATION

	2021 HK$'000	2020 HK$'000
Cost of inventories	**20,966**	18,338
Construction cost recognised in cost of sales	**59,810**	132,914
Auditor's remuneration		
— Audit services	**1,080**	1,550
Depreciation — plant and equipment (Note 13)	**521**	409
Depreciation — right-of-use assets (Note 14)	**4,912**	2,306
Overseas travelling expenses	**42**	83
Employee benefit expenses (including directors' emoluments) (Note 8)	**12,201**	9,738
Motor vehicle expenses	**390**	590
Legal and professional fees	**3,151**	4,496
Gain on disposal of property and equipment	**–**	(70)
Consultancy expenses — fee	**483**	369
Others	**2,478**	1,955
Total cost of sales and administrative expenses	**106,034**	172,678

8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expenses

	2021 HK$'000	2020 HK$'000
Wages, salaries and bonuses	14,682	13,341
Retirement benefit costs — defined contribution plans	345	354
Less: amount included in construction contracts	(2,826)	(3,957)
	12,201	9,738

(b) Five highest paid individuals

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group include four (2020: four) directors whose emolument is reflected in the analysis in Note 9. During the year ended 31 December 2021, the emolument paid/payable to the remaining one individual (2020: one individual) is as follows:

	2021 HK$'000	2020 HK$'000
Wages, salaries and benefits in kind	702	815
Discretionary bonuses	40	–
Retirement benefit costs — defined contribution plans	18	18
	760	833

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

	Number of individuals	
	2021	2020
Emolument band		
HK$500,001 to HK$1,000,000	1	1

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2021:

	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	120	3,480	–	–	–	3,600
Ms. Lui Po Kwan Joyce (Note i)	110	420	–	–	18	548
Mr. Fung Wai Hang	84	779	45	–	18	926
Mr. Lui Edwin Wing Yiu	84	659	40	–	18	801
Ms. Qiao Xiaowei (Note ii)	225	–	–	–	–	225
Ms. Zhang Li (Note iii)	175	–	–	–	–	175
	798	5,338	85	–	54	6,275
Independent Non-Executive Directors						
Mr. Ko Tsz Kin	240	–	–	–	–	240
Mr. Choi Hok Ya (Note iv)	120	–	–	–	–	120
Mr. Ng Yau Wah Daniel	240	–	–	–	–	240
Mr. Lee Chun Wai (Note ii)	270	–	–	–	–	270
Mr. Zou Haiyan (Note ii)	140	–	–	–	–	140
	1,010	–	–	–	–	1,010
Total	1,808	5,338	85	–	54	7,285

9 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2020:

	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	120	3,480	–	–	11	3,611
Ms. Lui Po Kwan Joyce (Note i)	120	495	–	–	18	633
Mr. Fung Wai Hang	80	801	–	–	18	899
Mr. Lui Edwin Wing Yiu	79	682	–	–	18	779
	399	5,458	–	–	65	5,922
Independent Non-Executive Directors						
Mr. Ko Tsz Kin	240	–	–	–	–	240
Mr. Choi Hok Ya (Note iv)	240	–	–	–	–	240
Mr. Ng Yau Wah Daniel	240	–	–	–	–	240
	720	–	–	–	–	720
Total	1,119	5,458	–	–	65	6,642

Notes:

i. Resigned on 6 December 2021
ii. Appointed on 13 April 2021
iii. Appointed on 30 June 2021
iv. Resigned on 30 June 2021

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 Independent Non-Executive Directors' emoluments shown above were for their services as directors of the Company.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year ended 31 December 2021 (2020: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2021 (2020: Nil).

9 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(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 2021 (2020: Nil).

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

There are no 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 2021 (2020: 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 Group 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 2021 (2020: Nil).

10 FINANCE INCOME AND COSTS

	2021 **HK$'000**	2020 HK$'000
Finance income		
Interests from:		
— Bank deposits	**13**	206
	13	206
Finance costs		
Interests on:		
— Bank overdrafts	**(559)**	(556)
— Trust receipt loans interest	**(4,904)**	(7,084)
— Bank loans	**(453)**	(198)
— Bonds issued	**–**	(160)
— Interest expense on lease liabilities (Note 14)	**(419)**	(228)
— Loans from directors	**(3,935)**	(4)
Bonds issuing cost	**–**	(400)
	(10,270)	(8,630)
Finance costs, net	**(10,257)**	(8,424)

11 INCOME TAX EXPENSE

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using the enacted tax rate of the Group's subsidiaries as follows:

	2021 **HK$'000**	2020 HK$'000
Loss before taxation	**(46,749)**	(34,099)
Calculated at a tax rate of 16.5%	**(7,714)**	(5,626)
Tax effect of income not taxable for tax purposes	**(1,063)**	(721)
Tax effect of expenses not deductible for tax purposes	**1,474**	1,340
Temporary differences not recognised	**4,824**	4,184
Tax effect of tax losses not recognised	**3,025**	842
Effect of different tax rate of subsidiaries	**(546)**	–
Utilisation of tax losses previously not recognised	**–**	(19)
	–	–

For the year ended 31 December 2021, the Group has unrecognised tax losses of HK$14,912,000 (2020: HK$6,319,000) respectively available for offset against future profit. No deferred tax asset has been recognised in respect of these tax losses in the consolidated financial statements as it is uncertain whether future taxable profit will be available for utilising the tax losses. All unutilised tax losses can be carried forward indefinitely under the current tax legislation.

12 LOSS PER SHARE

	2021 **HK$'000**	2020 HK$'000
Loss		
Loss attributable to the owners of the Company, used in calculating basic and diluted loss per share:	**(46,749)**	(34,099)

12 LOSS PER SHARE *(Continued)*

(a) Basic loss per share

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

	2021 **HK Cents**	2020 HK Cents
Total basic loss per share attributable to the owners of the Company	**(3.76)**	(2.82)

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2021 **HK cents**	2020 HK cents
Total diluted loss per share attributable to the owners of the Company	**(3.76)**	(2.82)

(c) Weighted average number of shares used as the denominator

	2021 **(In thousand)**	2020 (In thousand)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**1,243,768**	1,209,666

Share options granted under the Anchorstone Holdings Limited's Share Option Scheme are considered to be potential ordinary shares. They have been included in the determination of diluted loss per share if the required total return to shareholders return hurdles would have been met based on the Company's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic loss per share. Details relating to the options are set out in Note 30.

The computation of diluted loss per share does not assume the exercise of the Company's share options as the exercise would result in a decrease in a loss per share.

13 PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2020					
Cost	571	31	368	2,352	3,322
Accumulated depreciation	(571)	(31)	(225)	(1,570)	(2,397)
Net book amount	–	–	143	782	925
Year ended 31 December 2020					
Opening net book amount	–	–	143	782	925
Additions	–	–	48	–	48
Disposal (Note (i))	–	–	–	–	–
Depreciation	–	–	(81)	(328)	(409)
Closing net book amount	–	–	110	454	564
At 31 December 2020					
Cost	571	31	416	2,085	3,103
Accumulated depreciation	(571)	(31)	(306)	(1,631)	(2,539)
Net book amount	–	–	110	454	564
Year ended 31 December 2021					
Opening net book amount	**–**	**–**	**110**	**454**	**564**
Additions	**3,866**	**5**	**852**	**–**	**4,723**
Disposal of subsidiaries	**(2,230)**	**–**	**(840)**	**–**	**(3,070)**
Disposal (Note (i))	**–**	**–**	**–**	**–**	**–**
Depreciation	**(239)**	**–**	**(95)**	**(187)**	**(521)**
Closing net book amount	**1,397**	**5**	**27**	**267**	**1,696**
At 31 December 2021					
Cost	**1,572**	**36**	**416**	**2,085**	**4,109**
Accumulated depreciation	**(175)**	**(31)**	**(389)**	**(1,818)**	**(2,413)**
Net book amount	**1,397**	**5**	**27**	**267**	**1,696**

Notes:

(i) As at 31 December 2021, the leasehold improvements with cost of HK$571,000 was fully depreciated and disposed. As at 31 December 2020, the motor vehicle with cost of HK$267,000 was fully depreciated and disposed.

(ii) For the year ended 31 December 2021, depreciation of the Group's property and equipment of HK$521,000 (2020: HK$409,000) has been charged to "administrative expenses" in consolidated statement of profit or loss and other comprehensive income.

14 LEASES

This note provides information for leases 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 leases:

	2021 HK$'000	2020 HK$'000
Right-of-use assets		
Leased properties	**2,031**	2,305
Lease liabilities		
Current lease liabilities	**605**	2,275
Non-current lease liabilities	**1,075**	–
	1,680	2,275

There is additions to the right-of-use assets of HK$16,399,000 during the year ended 31 December 2021 (2020: Nil). There is disposal to the right-of-use assets and lease liabilities of HK$11,761,000 and HK$13,074,000, respectively through disposal of subsidiaries (Note 26) during the year ended 31 December 2021 (2020: Nil).

(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 leases:

	2021 HK$'000	2020 HK$'000
Depreciation charge of right-of-use assets		
Leased properties	**4,912**	2,306
Interest expense (included in finance costs)	**419**	228

14 LEASES *(Continued)*

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

The total cash outflows for leases were analysed as below:

	2021 **HK$'000**	2020 HK$'000
Cash flows from financing activities		
Payment of principal element of lease liabilities	**2,314**	2,202
Payment of interest element of lease liabilities	**419**	228

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

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

15 SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2021 are as follows:

Name of entities	Place and date of incorporation	Principal activities	Principal country of operation	Particulars of issued share 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%

16 TRADE AND RETENTION RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables — third parties	**11,849**	1,102
Retention receivables — third parties	**20,259**	20,711
	32,108	21,813
Less: provision for impairment (Note (i))	**(7,227)**	(6,348)
	24,881	15,465

The Group's credit terms granted to third-party trade customers other than retention receivables generally ranged from 30 to 90 days. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion or the expiry of the defect liability period ranging from 12 to 24 months.

As at 31 December 2021, trade and retention receivables of HK$6,973,000 (2020: HK$6,739,000) have been pledged to secure the bank facilities as set out in Note 22 and are classified as current assets.

Note:

(i) The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and retention receivables. Loss allowance of HK$879,000 was made for the year ended 31 December 2021 (2020: HK$5,668,000). Movements in the loss allowance for trade and retention receivables are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**6,348**	680
Loss allowance	**879**	5,668
At 31 December	**7,227**	6,348

As at 31 December 2021, trade and retention receivables of HK$7,227,000 were impaired and fully provided (2020: HK$6,348,000). The individually impaired trade and retention receivables mainly relate to customers that were in default or delinquency in payments, in which the directors are of the opinion that whole outstanding amount are expected not to be recovered.

16 TRADE AND RETENTION RECEIVABLES *(Continued)*

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

	2021 **HK$'000**	2020 HK$'000
Up to 30 days	**6,048**	800
31–60 days	**452**	–
61–90 days	**1,872**	15
Over 90 days	**3,477**	287
	11,849	1,102

As at 31 December 2021 and 2020, the carrying amounts of trade and retention receivables are denominated in following currencies and approximate their fair values.

	2021 **HK$'000**	2020 HK$'000
HK$	**24,881**	15,465

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. The ageing analysis of the retention receivables based on terms of contracts was as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 year	**20,259**	14,740
Between 1 to 2 years	**–**	5,971
	20,259	20,711

17 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayment	**417**	–
Insurance compensation receivables	**617**	489
Refundable deposits for potential acquisition of subsidiaries (Note)	**–**	100
Other receivables	**267**	793
	1,301	1,382

Note:

On 21 November 2019, the Stable Wealthy Holdings Limited, a wholly-owned subsidiary of the Company, signed a sales and purchase agreement to acquire a private company engaging in supply and installation of Kitchenware and furniture in Hong Kong for a consideration of HK$120 million. During the year ended 31 December 2020, the potential acquisition was terminated and the refundable deposit of HK$100,000 has not been refunded as at 31 December 2020 and was fully refunded during the year ended 31 December 2021.

18 INVENTORIES

	2021 HK$'000	2020 HK$'000
Finished goods — marble and granite	**72,364**	89,922

For the year ended 31 December 2021, the cost of inventories recognised as expense and included in "cost of sales" of HK$20,966,000 (2020: HK$18,338,000) (Note 7).

19 PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2021 HK$'000	2020 HK$'000
Pledged bank deposits	–	34,507
Cash in bank	2,615	213
Cash on hand	65	5
Bank balances and cash	2,680	218

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

	2021 HK$'000	2020 HK$'000
HK$	2,673	34,718
Renminbi ("**RMB**")	7	7
	2,680	34,725

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

	2021 HK$'000	2020 HK$'000
Bank balances and cash in the consolidated statement of financial position	2,680	218
Less: bank overdrafts (Note 22)	(10,242)	(12,243)
Cash and cash equivalents in the consolidated statement of cash flows	(7,562)	(12,025)

For the year ended 31 December 2021, the pledged bank deposits and bank balances generate interest at prevailing market interest rates ranged from 0.01% to 0.25% per annum (2020: ranged from 0.01% to 0.25% per annum).

The pledged bank deposits are held in designated bank accounts for the Group's banking facilities (Note 22).

Pledged bank deposits represent deposits that will mature within 3 months and are therefore classified as current assets.

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.

	2021 HK$'000	2020 HK$'000
Trade payables	**27,430**	13,731
Retention payables	**15,348**	14,801
	42,778	28,532

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

	2021 HK$'000	2020 HK$'000
Up to 30 days	**7,407**	11,562
31–60 days	**429**	–
61–90 days	**503**	–
Over 90 days	**19,091**	2,169
	27,430	13,731

As at 31 December 2021 and 2020, the carrying amounts of trade and retention payables are denominated in HK$ and approximate their fair values.

21 ACCRUALS AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Accruals for employee benefit expenses	**3,366**	1,849
Accruals for long service payment	**261**	472
Interest payable	**5,847**	–
Other accruals and other payables	**8,037**	8,446
	17,511	10,767

As at 31 December 2021 and 2020, the carrying amounts of accruals and other payables are denominated in HK$ and approximate their fair values.

22 BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank overdrafts (Note 19)	**10,242**	12,243
Term loans — secured	**3,800**	36,600
Trust receipt loans — secured	**24,835**	105,976
Revolving loans — secured	**4,000**	4,000
Total borrowing	**42,877**	158,819

Bank overdrafts are repayable within the next 12 months as at 31 December 2021 and 2020. 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:

	2021 HK$'000	2020 HK$'000
Bank borrowings:		
Within 1 year	**42,877**	154,819
Between 1 and 2 years	**–**	4,000
	42,877	158,819

As at 31 December 2021, bank facilities granted to the Group are secured by the following:

(a) Trade and retention receivables of HK$6,973,000 (2020:HK$6,739,000) (Note 16);

(b) Pledged bank deposits of Nil (2020:HK$34,507,000) as at 31 December 2021 (Note 19);

(c) Contract assets of HK$125,700,000 (2020:HK$167,732,000) as at 31 December 2021 (Note 5); and

(d) Cross guarantees by the Group's subsidiaries (2020:same).

As at 31 December 2021 and 2020, the carrying amounts of bank borrowings are denominated in HK$ and approximate their fair values.

The effective interest rates of bank borrowings as at 31 December 2021 are 2.75% to 5% per annum (2020: 2.75% to 5.15% per annum).

23 BONDS ISSUED

During the year ended 31 December 2020, the Group had issued the bonds under placing agreement dated 27 March 2020 for bonds issuing with aggregate principal amount of HK$16,000,000.

Under placing agreement, the bonds bore fixed annual interest on its principal amount at the rate of 12% per annum with a maturity period of 18 months from the issue date.

During the year ended 31 December 2020, the Group exercised of its early redemption option of the bonds issued under the placing agreement dated 27 March 2020. An aggregate principal amount of HK$16,000,000 was redeemed by the Group in April 2020. The interest accrued thereon up to the date of redemption of HK$160,000 and bonds issuing cost of HK$400,000 were fully settled.

24 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amount
		HK$'000
Ordinary share of HK$0.01 each:		
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**3,000,000,000**	**30,000**
Issued and fully paid:		
At 1 January 2020	1,200,000,000	12,000
Shares issued under share option scheme (Note 30)	24,000,000	240
At 31 December 2020	1,224,000,000	12,240
Shares issued under share option scheme (Note 30)	23,200,000	232
At 31 December 2021	**1,247,200,000**	**12,472**

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

25 RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2020	89,264	14,000	2,831	106,095
Transaction with owners in their capacity as owners:				
Shares issued under share option scheme (Note 30)	7,171	–	(1,435)	5,736
At 31 December 2020	**96,435**	**14,000**	**1,396**	**111,831**
Transaction with owners in their capacity as owners:				
Shares issued under share option scheme (Note 30)	**6,942**	**–**	**(1,396)**	**5,546**
At 31 December 2021	**103,377**	**14,000**	**–**	**117,377**

26 DISPOSAL OF SUBSIDIARIES

On 22 December 2021, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to dispose of 100% interest in its subsidiaries (the "**Disposal Group**") at a consideration of HK$100. The disposal was completed on 22 December 2021.

The assets and liabilities of the Disposal Group on the date of disposal included property and equipment, right-of-use assets, deposits, prepayments and other receivables, bank balances and cash, accruals and other payables, lease liabilities and loan from a third party amounted to approximately HK$3,070,000, HK$11,761,000, HK$2,591,000, HK$42,000, HK$498,000, HK$13,074,000 and HK$10,322,000, respectively, which aggregate to net liabilities of approximately HK$6,430,000.

During the year ended 31 December 2021, a gain on disposal of subsidiaries of approximately HK$6,430,000 was recognised, with net cash outflows on disposal amounted to approximately HK$42,000.

27 DIVIDENDS

The Board resolved not to propose final dividend for the year ended 31 December 2021 (2020: Nil) at the forthcoming Annual General Meeting.

28 RELATED PARTIES BALANCES AND TRANSACTIONS

For the purposes of these 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.

The directors are of the view that the following individuals were related parties that had transactions or balances with the Group during the years ended 31 December 2021 and 2020:

Name of the related party	**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 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 2021 and 2020:

	2021 **HK$'000**	2020 HK$'000
Mr. Lui Yue Yun Gary	**76,890**	3,090
Mr. Lui Edwin Wing Yiu	**1,020**	–
Mr. Fung Wai Hang	**2,640**	–
	80,550	3,090

During the year ended 31 December 2021, the Group entered into director loan agreements with directors of the Company for an unsecured and bears interest at 5% per annum. As at 31 December 2021, HK$80,550,000 had been drawn down by the Company and will mature and become repayable on 30 June 2023.

During the year ended 31 December 2020, the Group entered into a director loan agreement with a director of the Company for an unsecured and bears interest at 2% per annum. As at 31 December 2020, HK$3,090,000 had been drawn down by the Company and will mature and become repayable on 30 June 2022.

28 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 2021 and 2020:

	2021 HK$'000	2020 HK$'000
Interest expense to Mr. Lui Yue Yun Gary	**3,752**	4
Interest expense to Mr. Lui Edwin Wing Yiu	**51**	–
Interest expense to Mr. Fung Wai Hang	**132**	–
	3,935	4

(c) Key management compensation

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

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**6,838**	6,672
Discretionary bonuses	**125**	–
Retirement benefit costs – defined contribution plans	**72**	83
	7,035	6,755

Detailed remuneration disclosures are provided in the remuneration report in Note 9.

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to cash generated from/(used in) operations

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Loss before taxation	**(46,749)**	(34,099)
Adjustments for:		
Finance income (Note 10)	**(13)**	(206)
Finance costs (Note 10)	**10,270**	8,630
COVID-19-related rent concessions (Note 6)	**–**	(174)
Credit loss allowance of trade and retention receivables	**879**	5,668
Credit loss allowance of contract assets	**28,046**	19,692
Gain on disposal of property and equipment (Note 7)	**–**	(70)
Gain on disposal of subsidiaries (Note 26)	**(6,430)**	–
Depreciation of property and equipment (Note 7)	**521**	409
Depreciation of right-of-use assets (Note 7)	**4,912**	2,306
	(8,564)	2,156
Changes in working capital:		
Inventories	**17,558**	(27,261)
Trade and retention receivables	**(10,295)**	37,643
Deposits, prepayments and other receivables	**(2,293)**	523
Contract assets	**(9,531)**	(46,367)
Contract liabilities	**968**	4,044
Trade and retention payables	**14,246**	7,946
Accruals and other payables	**(303)**	2,913
Net cash generated from/(used in) operations	**1,786**	(18,403)

(b) In the consolidated statement of cash flows, proceeds from disposal of property and equipment comprise:

	2021 HK$'000	2020 HK$'000
Net book amount	**–**	–
Gain on disposal of property and equipment	**–**	70
Proceed from disposal of property and equipment	**–**	70

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

(c) Cash flow information — Financing activities

This section sets out the movement of liabilities from financing activities for each of the years ended 31 December 2021 and 2020.

	Lease liabilities HK$'000	Bank borrowings (excludes bank overdrafts) HK$'000	Loans from directors HK$'000	Loan from a third party HK$'000	Bonds issued HK$'000
At 1 January 2020	4,651	144,217	–	–	–
Cash inflow	–	194,813	3,090	–	16,000
Cash outflow	(2,604)	(192,454)	–	–	(16,000)
Non-cash movement:					
Accrued interest expenses	228	–	–	–	–
At 31 December 2020	2,275	146,576	3,090	–	–
At 1 January 2021	**2,275**	**146,576**	**3,090**	**–**	**–**
Financing cash flows	**(2,733)**	**(113,941)**	**77,460**	**10,322**	**–**
Non-cash movement:					
Net off with rental deposit	**(1,141)**	**–**	**–**	**–**	**–**
Disposal of subsidiaries	**(13,074)**	**–**	**–**	**(10,322)**	**–**
New leases entered	**15,934**	**–**	**–**	**–**	**–**
Accrued interest expenses	**419**	**–**	**–**	**–**	**–**
At 31 December 2021	**1,680**	**32,635**	**80,550**	**–**	**–**

30 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.

Under the scheme, share options granted to the Directors are vested immediately upon grant while the share options granted to a consultant 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.

The amount of options granted to the consultant vested upon the completion of its service to the Group on 7 September 2019. The options are exercisable from 8 September 2019 to 7 July 2021.

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

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

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

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

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

30 SHARE-BASED PAYMENTS *(Continued)*

(a) Share option scheme *(Continued)*

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Share options as at 31 December 2021	2020
8 July 2019	7 July 2021	HK$0.249	–	23,200,000
Weighted average remaining contractual life of options outstanding at end of period			N/A	0.52 years

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2019 was HK$0.06 per option (2020: HK$0.06 per option). The fair value at grant date is independently determined using Binomial Option Price Model which includes a binomial lattice model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The model inputs for options granted included:

(a) Options are granted under the Share Option Scheme at the consideration of HK$1 per grant

(b) exercise price: HK$0.249

(c) grant date: 8 July 2019

(d) expiry date: 7 July 2021

(e) share price at grant date: HK$0.249

(f) expected price volatility of the Company's shares: 51.18%

(g) expected dividend yield: 0%

(h) risk-free interest rate: 1.67%

The expected price volatility is based on annualised historical daily volatility of peer group companies' share price.

30 SHARE-BASED PAYMENTS *(Continued)*

(b) Expenses arising from share-based payment transactions

No expenses arising from share-based payment transactions were recognised during the period as part of consultancy expenses and employee benefit expense.

31 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 **HK$'000**	2020 HK$'000
Financial assets at amortised cost		
Trade and retention receivables	**24,881**	15,465
Deposits and other receivables	**884**	1,382
Pledged bank deposits	**–**	34,507
Cash and cash equivalents	**2,680**	218
	28,445	51,572
Financial liabilities at amortised cost:		
Trade and retention payables	**42,778**	28,532
Accruals and other payables	**17,511**	10,767
Bank borrowings	**42,877**	158,819
Loans from directors	**80,550**	3,090
Lease liabilities	**1,680**	2,275
	185,396	203,483

32 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 income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank balances and bank borrowings. Interest-bearing financial assets/liabilities issued at variable rates expose the Group to cash flow interest rate risk. Interest-bearing financial assets/liabilities issued at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2021, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses of HK$179,000 (2020: HK$631,000). The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

(b) Foreign currency risk

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

(c) Credit risk

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

Bank balances and pledged bank deposits

To manage the risk arising from bank balances and pledged bank deposits, 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 close to zero under 12-month ECL.

Deposits and other receivables

For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience. The management believes that the expected credit loss is close to zero under 12-month ECL.

32 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

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.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and retention receivables and contract assets.

To measure expected credit losses, the Group categorises its trade and retention receivables and contract assets based on the nature of customer accounts 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.

On that basis, the loss allowance as at 31 December 2021 and 2020 was determined as follows for trade and retention receivables and contract assets:

	Weighted average expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
As at 31 December 2021				
Provision on customers with higher credit risk (note (i))	100%	30,622	(30,622)	–
Provision on customers with lower credit risk (note (ii))	11.1%	218,713	(24,343)	194,370
		249,335	(54,965)	194,370

32 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

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

	Weighted average expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
As at 31 December 2020				
Provision on customers with higher credit risk (note (i))	100.00%	23,846	(23,846)	–
Provision on customers with lower credit risk (note (ii))	1.07%	205,663	(2,194)	203,469
		229,509	(26,040)	203,469

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 moderate default risk considering relative size, business relationship and repayment history. Debtors frequently settles after past due 90 days or more.

ii. The counterparty has low probability of default considering relative size, business relationship and repayment history. Debtors frequently settles before due date.

32 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 2021, no banking facilities is available for the Group (2020: Nil).

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(a), certain bank borrowings would be immediately repayable if requested by the lenders under the bank facilities letters, the total amount is classified as "on demand".

	On demand HK$'000	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
As at 31 December 2021				
Trade and retention payables	–	42,778	–	42,778
Accruals and other payables	–	17,511	–	17,511
Bank borrowings	44,478	–	–	44,478
Loans from directors	–	–	86,666	86,666
Lease liabilities	–	672	1,120	1,792
	44,478	60,961	87,786	193,225

32 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(d) Liquidity risk *(Continued)*

	On demand HK$'000	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
As at 31 December 2020				
Trade and retention payables	–	28,532	–	28,532
Accruals and other payables	–	8,446	–	8,446
Bank borrowings	165,977	–	–	165,977
Loan from a director	–	–	3,183	3,183
Lease liabilities	–	2,387	–	2,387
	165,977	39,365	3,183	208,525

The table below analyses the bank borrowings of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	On demand HK$'000	**Within 1 year** HK$'000	**Between 1 and 2 years** HK$'000	**Total** HK$'000
As at 31 December 2021	**44,478**	**–**	**–**	**44,478**
As at 31 December 2020	165,977	–	–	165,977

Note: For the year ended 31 December 2021, included in banks borrowings is trust receipt loans, term loans, revolving loans and bank overdraft amounted to HK$42,877,000 (2020: HK$158,819,000). The facility agreement contains a repayment on demand clause, giving the lenders the unconditional right to call in the loan at any time and, therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

32 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 and pledged bank deposits. 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	
	2021	2020
	HK$'000	HK$'000
Bank borrowings (Note 22)	**42,877**	158,819
Loans from directors (Note 28)	**80,550**	3,090
Less: bank balances and cash (Note 19)	**(2,680)**	(218)
Less: pledged bank deposits (Note 19)	**–**	(34,507)
Net debt	**120,747**	127,184
Total equity	**83,022**	123,993
Total capital	**203,769**	251,177
Gearing ratio	**59%**	51%

Fair value estimation

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

33 CONTINGENCIES

Performance bonds

As at 31 December 2021, the Group has issued performance bonds in respect of construction contracts through the bank amounted to HK$5,138,000 (2020: HK$5,138,000).

Legal cases

During the year ended 31 December 2021, the legal cases of the Group was as follows:

(i) There were several legal cases concerning claims for personal injuries against certain subsidiaries of the Company. As at the date of this report, two cases had developed to legal proceedings, while the other two cases were still at their initial stage. The amount being claimed for in these cases was still being determined, and the amount of the possible obligation cannot be ascertained with reliability.

(ii) A previous subcontractor of the Group initiated a claim for payment of service rendered of HK$8,763,000. As at the date of this report, the Group took legal actions to defend against the claim and the likelihood of the plaintiff succeed in the whole of its claim is remote.

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary		–	–
Total non-current asset		–	–
Current assets			
Deposits, prepayments and other receivables		9	–
Amounts due from subsidiaries		89,261	87,625
Bank balances and cash		14	17
Total current assets		89,284	87,642
Total assets		89,284	87,642
EQUITY			
Share capital		12,472	12,240
Reserves	(a)	72,432	70,331
Total equity		84,904	82,571
LIABILITIES			
Current liabilities			
Accruals and other payables		3,349	4,041
Amount due to a subsidiary		1,031	1,030
Total current liabilities		4,380	5,071
Total liabilities		4,380	5,071
Total equity and liabilities		89,284	87,642

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2022 and was signed on its behalf:

Mr. Lui Yue Yun Gary
Director

Mr. Fung Wai Hang
Director

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Note (a) Reserve movement of the Company

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	89,264	2,831	(23,082)	69,013
Loss and total comprehensive expenses for the year	–	–	(4,418)	(4,418)
Transactions with owners in their capacity as owners:				
Shares issued under share option scheme (Note 30)	7,171	(1,435)	–	5,736
At 31 December 2020 and 1 January 2021	96,435	1,396	(27,500)	70,331
Loss and total comprehensive expenses for the year	–	–	(3,445)	(3,445)
Transactions with owners in their capacity as owners:				
Shares issued under share option scheme (Note 30)	6,942	(1,396)	–	5,546
At 31 December 2021	103,377	–	(30,945)	72,432

36 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Details of events occurring after the reporting period are listed as follows:

With respect to the outbreak of the coronavirus disease 2019 ("**COVID 19**"), the Group has assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to the year ended 31 December 2021 and up to the date of this report. The Group will keep continuous attention on the situation of the COVID 19 and react actively to its impacts on the operation and financial position of the Group.

FIVE YEAR FINANCIAL SUMMARY

For the year	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**91,942**	170,348	324,256	299,045	224,793
Gross profit	**11,166**	19,096	43,312	69,765	62,967
Operating (loss)/profit	**(36,492)**	(25,675)	12,164	31,524	37,224
(Loss)/profit before income tax	**(46,749)**	(34,099)	4,691	27,217	32,703
(Loss)/profit attributable to owners of the Company	**(46,749)**	(34,099)	2,090	20,540	25,274

For the year	2021 HK cents	2020 HK cents	2019 HK cents	2018 HK cents	2017 HK cents
Basic and diluted (losses)/earnings per share (Note)	**(3.76)**	(2.82)	0.17	1.96	2.81

At year end	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Pledged bank deposits	**–**	34,507	37,385	34,196	19,080
Bank balances and cash	**2,680**	218	2,922	9,778	503
Total assets	**274,636**	333,502	333,436	309,330	186,399
Bank borrowings	**42,877**	158,819	146,405	124,136	102,886
Total liabilities	**191,614**	209,509	181,320	150,135	149,008
Total equity	**83,022**	123,993	152,116	159,195	37,391

Key financial ratios	2021	2020	2019	2018	2017
Gross profit margin (%)	**12.1%**	11.2	13.4	23.3	28.0
Net profit margin (%)	**N/A**	N/A	0.6	6.9	11.2
(Loss)/return on equity (%)	**(56.3)**	(27.5)	1.3	20.9	54.6
(Loss)/return on total assets (%)	**(17.0)**	(10.2)	0.7	8.3	12.1
Interest coverage (time)	**N/A**	N/A	1.6	6.5	7.9
Current ratio	**2.5**	1.6	1.8	2.1	1.3
Quick ratio	**1.8**	1.2	1.5	2.0	1.3

Note: For the financial years ended 31 December 2018 and 2017, basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation and the capitalisation of shares.

For the financial years ended 31 December 2021, 2020 and 2019, basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company, by the weighted average number of ordinary shares outstanding during the financial year. Diluted (losses)/earnings 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.