Anchorstone Holdings Limited
基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1592

2022 ANNUAL REPORT

CONTENT

CORPORATE INFORMATION

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

http://www.anchorstone.com.hk

COMPANY EMAIL

info@anchorstone.com.hk

BOARD OF DIRECTORS

Executive Directors

Mr. Lui Yue Yun Gary *(Chairman)*
Mr. Lui Edwin Wing Yiu
Mr. Fung Wai Hang
Ms. Qiao Xiaowei *(retired on 28 June 2022)*
Ms. Zhang Li *(retired on 28 June 2022)*

Non-Executive Director

Ms. Lui Natalie Po Wai *(appointed on 23 September 2022)*

Independent Non-Executive Directors

Mr. Ko Tsz Kin
Mr. Ng Yau Wah Daniel
Mr. Nie Kin Kwok Kevin *(appointed on 23 September 2022)*
Mr. Lee Chun Wai *(retired on 28 June 2022)*
Mr. Zou Haiyan *(retired on 28 June 2022)*

BOARD COMMITTEE

Audit committee

Mr. Ko Tsz Kin *(Chairman)*
Mr. Ng Yau Wah Daniel
Mr. Nie Kin Kwok Kevin *(appointed on 23 September 2022)*
Mr. Zou Haiyan *(retired on 28 June 2022)*

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

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

PRINCIPAL BANKS

Hang Seng Bank
Chong Hing Bank
Nanyang Commercial Bank

SHAREHOLDER INFORMATION

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

SHARE REGISTRAR

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

INVESTOR RELATIONSHIP

For enquiries, please contact: Mr. Fung Wai Hang, our Company Secretary
Email: ricofung@anchorstone.com.hk
Telephone: (852) 2511 6668
Fax: (852) 2511 6667

CORPORATE INFORMATION

FINANCIAL CALENDAR

For ascertaining shareholders' entitlement to attend and vote at Annual General Meeting ("**AGM**"), the closure dates of register of members will be on Friday, 23 June 2023 to Wednesday, 28 June 2023 (both days inclusive), during which period no transfer of shares in the Company will be effected.

In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Thursday, 22 June 2023.

The Annual General Meeting will be held on Wednesday, 28 June 2023 at 3:00 p.m. at Room 1301, 13/F, One Island South, 2 Heung Yip Road, Aberdeen, 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 2022.

Since 2020, most of the Group's construction projects were significantly delayed due to the impact of Coronavirus disease ("**COVID-19**") pandemic. The Group's performance was significantly affected as a result. At the same time, the global economy was gloomy and experiencing serval turbulent challenges. In 2022, with inflation higher than seen in decades and tightening financial conditions in most regions, and increasing number of economies all over the world are in growth slowdown or even contraction. Furthermore, the conflict between Russia and Ukraine has led to a severe energy crisis in Europe that is sharply increasing the commodity cost. This factor coupled with the ongoing COVID-19 pandemic has severely affected the global economic outlook.

In light of the severe and complex business environment and the impact of the pandemic control measures in Mainland China and Hong Kong, the Group has flexibly adjusted its strategic targets in order to maintain its market competitiveness. The Group also maintained its in-depth relationship with various customers and supplies and delivered quality products to its customers. With the coronavirus became contained since late 2022, Hong Kong has gradually "restarted" the economic activities. The construction activities became active again in Hong Kong. The Group has made prompt responses to the market recovered and actively participated in various tendering activities.

In addition, the Group has planned to enter into the China construction market in 2023. The National 14th Five Year Plan promulgates "expedition of the construction of inter-city railways, coordinated planning for the positioning of ports and airports, and optimisation of the allocation of maritime and aviation resources" to strengthen connectivity in the Greater Bay Area, which calls for faster growth in infrastructure construction in the region. The recovery of the real estate business in the Mainland China also created the business opportunity.

Our Group has long history in Hong Kong. Our project teams and business partners are experienced and highly skilled, which we can use the craftsman's spirit to tell Hong Kong stories with heart.

I would also like to draw your attention that in the past two years, the Group actively sought for various financial sources and improved its operational receivables cycle to reduce its overdue bank borrowings (and thus to reduce its financial pressure and risks). The Group's overdue bank borrowings have further decreased to approximately HK$36.6 millions for the year ended 31 December 2022.

CHAIRMAN'S LETTER TO SHAREHOLDERS

Based on the current information that I best knew, I believe the most difficult time of the Group has been over. The Group's performance would be gradually caught up in the future.

Lastly, I would 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, 30 March 2023

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group operates in Hong Kong Special Administrative Region ("**Hong Kong**") and Macau Special Administrative Region ("**Macau**"). The ongoing COVID-19 pandemic, international trade relations, supply chain disruptions, increasing geopolitical tensions, interest rate hikes and the rising costs of construction have created uncertainties and volatility in the local property market and the construction industry in 2022. In particular, the increasing geopolitical risk and the COVID-19 pandemic continued to affect the local economy. However, with the COVID-19 pandemic seems to show a sign of ease since late 2021, the overall delay situation on the Group's existing construction projects has improved.

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

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

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

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

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

Contract assets represented the Group's construction work in progress that have not yet billed as at the reporting date. As at 31 December 2022, the outstanding contract assets on hand was approximately HK$142.4 million, representing an edged down of 16.0% over the same period in 2021. This was mainly due to the previous slowdown in the overall construction industry in Hong Kong.

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

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

OVERVIEW *(Continued)*

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

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

Accruals and other payables was approximately HK$31.4 million (2021: HK$17.5 million) for the year ended 31 December 2022, presenting an increase of 79% compared to last year, This was mainly due to increase in interest payable and accrued employee benefit expenses.

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

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

BUSINESS REVIEW

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

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

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

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

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

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.

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

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

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

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.

GOING CONCERN AND MITIGATION MEASURES

For the year ended 31 December 2022, the Group reported a net loss attributable to the owners of the Company of approximately HK$44.4 million (2021: approximately 46.7 million). As at 31 December 2022, the Group's current bank borrowings was approximately HK$36.6 million (2021: HK$42.9 million), while its total bank balances and cash was approximately HK$1.1 million (2021: HK$2.7 million).

As at 31 December 2022, bank borrowings with a total principal amount of approximately HK$36.6 million were overdue. In addition, default interests have been charged to the unsettled overdue borrowings by the respective banks. The Group is unable to draw down new borrowings from its bank facilities since 20 November 2020 and any further draw down would be subject to the approvals by the relevant banks. All bank borrowings would be immediately repayable if requested by the banks formally in accordance with the underlying bank facilities letters. Although the Group has not received any formal demand letters from the relevant banks, all the aforementioned bank borrowings have been classified as current liabilities in the consolidated statement of financial position as at 31 December 2022.

Since 1 January 2023 and up to the report date, the Group has repaid HK$0.7 million in relation to these overdue borrowings.

In accordance with the underlying bank facilities letters, performance bonds issued through a bank aforementioned of HK$3.7 million (2021: 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 uncertainty which may cast doubt about the Group's ability to continue as a going concern.

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

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

(ii) The Group has implemented measures to accelerate the certification, billing and collection with customers for completed projects;

(iii) The Group is also in active negotiations with its customers to request for deposits before commencement of projects and suppliers and sub-contractors to extend the settlement terms for its purchases;

GOING CONCERN AND MITIGATION MEASURES *(Continued)*

(iv) The Group obtained loans from Executive Directors for financial support. As at 31 December 2022, such loans amounted to HK$56.9 million are unsecured and repayable after twelve months from the date of draw down and interest bearing at 5% per annum; and

(v) The Group is actively looking for other sources of financing including any possible from of debt or equity financing to enhance the capital structure and reduce the overall financing expenses. The Company issued 2% redeemable mandatory convertible bonds of HK$20.0 million on 22 August 2022 to two subscribers in order to raise additional funds.

The Directors of the Company have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the Directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, uncertainty related to going concern exist as to whether the Group is able to achieve its plans and measures as described above. Further information could be found in Note 2.1(a) to the consolidated financial statements.

The Audit Committee understands the uncertainties in relation to going concern and has discussions with the management in this regard. The Audit Committee concurs the view with the management, 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 2022 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 consolidated cash flows for the year ended 31 December 2022, in accordance with the relevant rules and requirements. Details could be found in the "Independent Auditor's Report".

BUSINESS REVIEW, MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR TRANSACTION AND ENTERING INTO THE MAINLAND CHINA MARKET

Having considered the Group's performance in Hong Kong and Macau, as well as other relevant factors, the Group would like to diversify and expand its geographical coverage of the principal business and intends to enter into the market for the supply and distribution of marble and granite products in the PRC. Pursuant to the deed of non-competition dated 11 June 2018 and given by Mr. Lui Yue Yun Gary (the Chairman and an Executive Director of the Company) in favour of the Company, Mr. Lui Yue Yun Gary, being the substantial shareholder of the Company, will not carry on or participate in any business which is or may be in competition with the business currently and from time to time engaged by the Group. In view of avoiding any competing business with each other, the Company was resolved that the Group will tap into the sales and distribution business of marble and granite products in the PRC through a potential transaction. Reference is made to the announcements of the Company dated 20 September 2022, 18 November 2022, 16 December 2022, 19 January 2023, 27 February 2023 and 23 March 2023 respectively.

The Directors of the Company are of the view that entering into the PRC market by the Group will broaden the market of the Company, creating a significant improvement of the turnover and profitability to the Company. It is expected that the transaction would be completed in 2023, based on the information as at the report date.

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 trade and retention receivables, and contract assets. 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 its 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.

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 2022 was 1.9 times (2021: 2.5 times) and 1.4 times (2021: 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.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Environment, Social and Governance Report of the Company for the year ended 31 December 2022 contained the information required under Appendix 27 to the Listing Rules is set out in pages 20 to 43 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 2022, the Group had 88 full-time employees who were directly employed by the Group.

Total staff costs including Directors' emoluments for the year ended 31 December 2022 amounted to approximately HK$11.0 million (2021: approximately HK$12.2 million). The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee. During the year ended 31 December 2022, there has not been any incident of strike or labour shortage which adversely affected the Group's operations. In addition, the Group has not experienced any significant problem with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

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 2022 and as at the report date, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Please refer to Note 34 to the consolidated financial statements.

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 2022.

	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	(2.6)	–	Not applicable
Enhancing services and increasing sales and marketing efforts	6	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	(1.2)	1.0	In considering the impact of COVID-19 to the Group's financial performance, the Group further extended the ERP system development to year 2024.
Repaying outstanding trust receipt loans	7.9	5.8	(5.8)	–	Not applicable
Total	**100.0**	**73.2**	**(72.2)**	**1.0**	

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 2022 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.

For the year ended 31 December 2022, the Group recorded a loss for the year of approximately HK$44.4 million (2021: HK$46.7 million).

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

REVENUE

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

Hong Kong

Revenue generated from the Hong Kong construction project increased by approximately HK$14 million or 18.1% in 2022. The increase was mainly due to the improvement of construction work progress during the year.

Macau

Revenue in Macau had decreased by approximately HK$14.3 million or 97.7% in 2022. Although Macau was less impacted by the COVID-19 pandemic last year, the cross-boundary limitation between Hong Kong and Macau under the epidemic prevention measures caused the Group to invest extra time and resources for communication with the project status in Macau. Moreover, there were less tendering activities in Macau given the weak economy in 2022.

GROSS PROFIT AND MARGIN

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

FINANCIAL REVIEW

ADMINISTRATIVE EXPENSES

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

FINANCE COSTS

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

INCOME TAX EXPENSE

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 2022 as the Group (and its subsidiaries) recognised loss for the year.

No provision for deferred taxation has been made in 2022 since no significant deferred taxation liability was expected to crystallise.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company was approximately HK$44.4 million for the year ended 31 December 2022 (2021: HK$46.7 million).

LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding adjusting with the impact on issuance of mandatory convertible bonds during the financial year. Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, 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 loss per share was approximately 3.45 HK cents (2021: basic loss per share 3.76 HK cents). The decrease is due to the increase in weighted average number of ordinary shares during the year. As the impact of dilutive element was not significant, the diluted loss per share was also approximately 3.45 HK cents (2021: diluted loss per share 3.76 HK cents).

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2022, the diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding.

FINANCIAL REVIEW

DIVIDEND

The Directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2022 (2021: 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 2022, the capital structure of the Group consisted of equity of approximately HK$53.6 million (31 December 2021: HK$83.0 million) and debt of approximately HK$98.6 million (31 December 2021: HK$123.4 million). For details, please refer to the paragraph headed "Bank borrowings" below.

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

As at the years ended 31 December 2021 and 2022 and up to the report date, the Group has not received any formal demand letters from the banks for immediate repayment. The Directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to the banks, including speed up the project status and receivable collection cycle. As at the report date, the Group's bank borrowings reduced to approximately HK$35.9 million.

Based on the cash flow projections cover a period of not less than twelve months from 31 December 2022 and the measurements mentioned in Note 2(a) to the consolidated financial statements, the Group is expected to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. 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 2022, the current ratio of the Group was approximately 1.9 times (31 December 2021: 2.5 times). It was calculated as the current assets divided by the current liabilities as at the end of the respective years.

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

BANK BORROWINGS

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

GEARING RATIO

The gearing ratio was calculated as the net debts (loans from Directors, bank borrowings and convertible bonds less the bank balances and cash divided by the total capital as at the end of the respective years and multiplied by 100%. The gearing ratio of 2022 was 65% (2021: 59%).

NET CURRENT ASSETS

As at 31 December 2022, the Group had net current assets of approximately HK$108.7 million (2021: HK$160.9 million). The decrease in net current assets position was mainly attributable to the decrease in contract assets and increase in accruals and other payables during the year.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with covenants in relation to banking facility agreements, to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from the banks to meet its liquidity requirements.

FINANCIAL REVIEW

PLEDGE OF ASSETS

As at 31 December 2022, certain trade and retention receivables and contract assets set out in Note 22 to the consolidated financial statements, the Group has no other pledged assets.

THE BANK BORROWINGS COVENANTS

As at 31 December 2022, the Group had total bank borrowings of approximately HK$36.6 million (2021: HK$42.9 million). As at 31 December 2022, the Group has not renewed its banking facilities since its last report date in 2021.

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 2022.

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 2022, the Group has issued performance bonds in respect of construction contracts through the bank amounted to HK$3.7 million (2021: HK$5.1 million). This performance bond was related to the construction contract that substantially completed during the year ended 31 December 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This is the 4th Environmental, Social and Governance Report (the "**Report**") presented by Anchorstone Holdings Limited (the "**Company**") and its subsidiaries (collectively as the "**Group**" or "**We**"), which discloses the Group's policies, measures and performances in environmental, social and governance ("**ESG**") aspects. This Report is prepared in Chinese and English and has been uploaded to the website of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the Company's website (www.anchorstone.com.hk).

Reporting Scope and Boundary

In line with previous ESG Report, unless otherwise stated, this Report only covers the business activities on sales, supply, and installation of marble and granite for construction projects of the Group in Hong Kong, which are the main revenue sources of the Group. It covers the Group's ESG performance during the period of 1 January 2022 to 31 December 2022 (the "**Reporting Period**" or "**2022**").

Reporting Standard

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

Reporting Principles	Definition	The Group's Response
Materiality	The ESG issues determined by the Group are sufficiently important to stakeholders that they should be reported.	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	Key performance indicators ("**KPIs**") and their data should be measurable and comparable where appropriate, enabling evaluation of the effectiveness of ESG policies and management systems.	The Group's key environmental and social performance indicators are disclosed quantitatively where feasible in accordance with the ESG Reporting Guidelines.

ABOUT THE REPORT *(Continued)*

Reporting Standard *(Continued)*

Reporting Principles	Definition	The Group's Response
Consistency	Statistical methodologies should be consistent and historical data should be provided where feasible to allow for meaningful comparisons of ESG performance over time.	Unless otherwise stated, the reporting scope and methods of this Report are generally the same as 2021, and annual comparable data are disclosed where feasible.
Balance	The Report should provide an unbiased picture of ESG performance, allowing stakeholders to objectively evaluate the Group's ESG performance.	The Group's ESG performance has been reported in an impartial manner to ensure readers can evaluate performance rationally and objectively.

Disclosure of Data and Information

The Group has established internal data system and review processes to ensure that all data and information collected and presented in this Report is as accurate and reliable as possible. The Board of Directors (the "**Board**") has reviewed and confirmed the contents of this Report on 30 March 2023.

Contact and Feedback

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

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

OUR APPROACH TO ESG

Governance

The Group believes that sustainable development is critical in achieving its success. Under a robust governance structure, the Board undertakes the ultimate responsibilities for overseeing key ESG matters, including strategies, targets, policies, performance and reporting. With the leadership and supervision of the Board, the Task Force on Environmental, Social and Governance (the "**Task Force**"), which comprises representatives from various business functions and divisions, meets regularly to discuss ESG issues and make recommendations to the Board. Its major duties include reviewing and monitoring the Group's ESG goals and performance and assisting the Group to embed sustainability throughout its operations.

- Undertake the overall responsibility for managing relevant ESG matters

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

The Group has established a Sustainability Policy that outlines its overall commitment and approach to the environment, employee, value chain and the community. Moving ahead, the Group plans to establish sustainability strategy and goals that align the Group's future business development and stakeholders' expectations through a tiered approach: strengthen communication with its stakeholders, identify and assess the significant environmental and social impacts according to our current business operation, focus on improving relevant materiality issues and risks, develop its business plans and implement sustainability goals.

Risk Management

The Board has the responsibility for maintaining the effectiveness of the Group's risk management and internal control systems. The Audit Committee oversees management in the design, implementation and monitoring of the systems. An annual review, covering all material factors such as operational and compliance factors, will be conducted. During the Reporting Period, the Board considered that the risk management and internal control systems of the Company were effective and adequate. For more information on the systems, please refer to the Corporate Governance Report.

The Group plans to formulate a more targeted ESG-related risk management framework with the aim to advancing the identification, evaluation and management of the significant ESG-related risks arising from the Group's business, climate change and the constantly changing business environment.

OUR APPROACH TO ESG *(Continued)*

Compliance Management

The Group is committed to operating its businesses by adhering to the highest ethical standards and all relevant laws and regulations. Any violations of laws and regulations could lead to penalties, litigation and other consequences that might pose an impact on the Group's business operations and reputation. The management team including Executive Directors of the Company supervises the internal control measures and conducts regular review for identifying improvement measures. A series of internal control policies and systems are in place to enforce compliance management, which is overseed and reviewed by the Audit Committee and the Board.

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

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

STAKEHOLDER ENGAGEMENT

The Group believes that recognising the expectations and interests of its stakeholders is vital to enrich its business and create shared values for all related parties. To take stakeholders' views into account for the Group's strategic business and ESG planning, the Group has established different communication channels to keep in close communication and relationship with its key stakeholders.

Key Stakeholders and Their Communication Channels

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

Customers and business partners
Customer satisfaction survey, customer complaint mechanism, and industry events

Employees
Training, seminars, and briefings

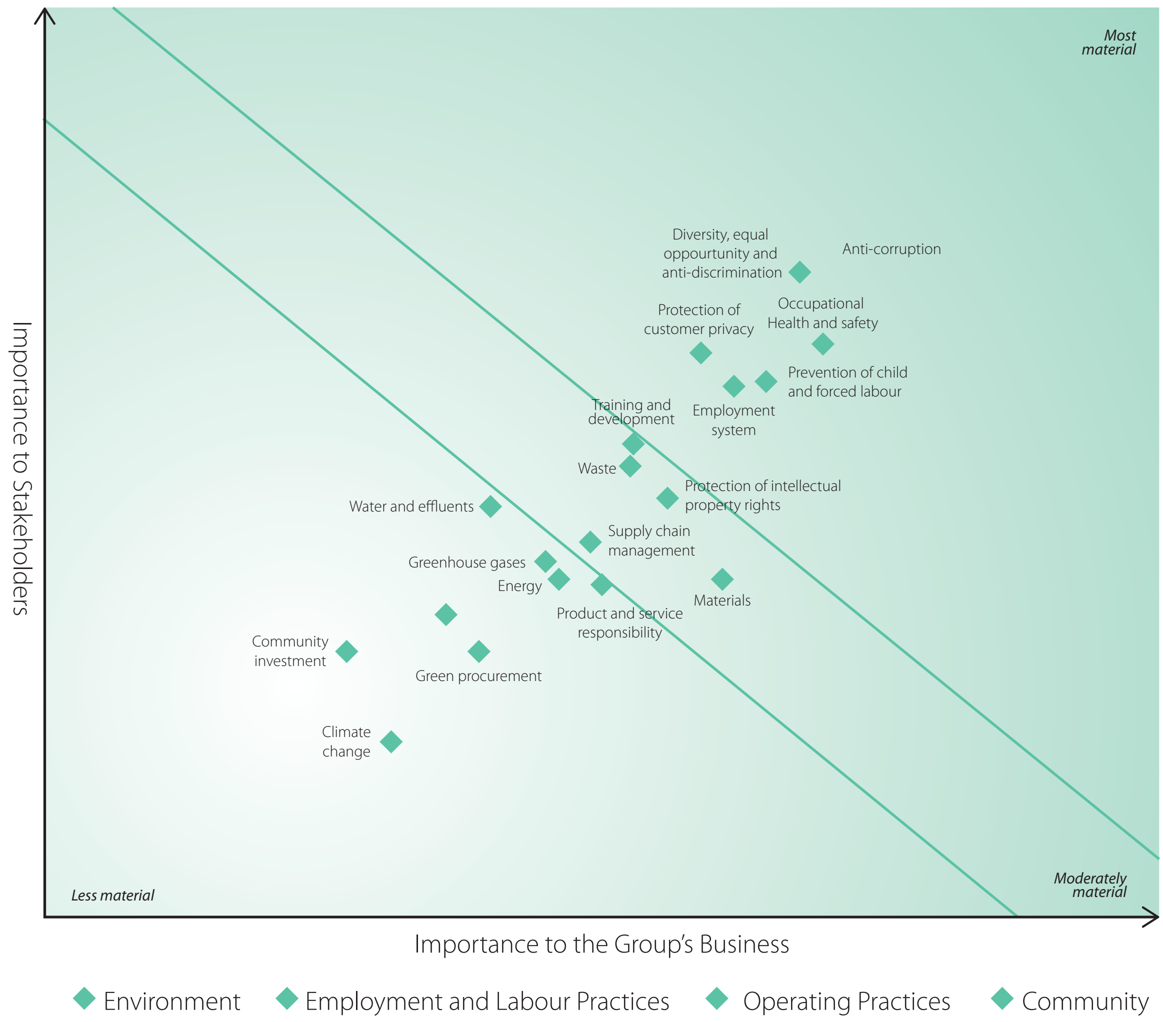
Suppliers and subcontractors
Supply chain management meetings and events

NGOs and the public
Community activities

Materiality Assessment

The Group continues to refine its process of evaluating and prioritising the ESG issues that are material to its stakeholders and business. We adopted a more comprehensive approach and appointed an independent consultancy to conduct materiality assessment during the Reporting Period.

1. Identify relevant ESG issues	• 19 relevant ESG issues, covering "Environment", "Employment and Labour Practices", "Operating Practices" and "Community", were identified by reviewing the ESG Reporting Guide, past materiality results and market trends.
2. Collect stakeholders' responses	• An online survey was distributed and collected from 21 internal and external stakeholders for analysis.
3. Prioritise material ESG issues	• 6 issues, including "Anti-corruption", "Diversity, equal opportunity and anti-discrimination", "Occupational health and safety", "Prevention of child and forced labour", "Protection of customer privacy", and "Employment system", are considered as most material issues.
4. Validation	• The Board has reviewed and confirmed the results of materiality assessment and the most material issues identified for the Group, which will be disclosed and addressed and with priority in this Report and in our strategic planning.



	Material Issues	Sections
1.	Anti-corruption	Operating with Integrity
2.	Diversity, equal opportunity and anti-discrimination	Valuing Our People
3.	Occupational health and safety	Valuing Our People
4.	Prevention of child and forced labour	Valuing Our People
5.	Protection of customer privacy	Operating with Integrity
6.	Employment system	Valuing Our People

OPERATING WITH INTEGRITY

Anti-corruption

The Group upholds the highest level of business ethics and integrity across its operations and takes a zero-tolerance approach towards all forms of corruption. All employees are required to comply with our Anti-corruption Policy, Code of Conduct and Whistle-blowing Policy, which provide guidelines on the employee conduct, as well as prevention, identification and handling approaches and measures against corruption.

Soliciting, offering or receiving any gifts or advantages that may influence a business relationship unfairly are strictly prohibited. Employees shall disclose all relevant interests or relationships that may involve an actual or potential conflicts of interest. If employees and business partners discover any suspected misconduct or activities that violates our Code of Conduct, the Group encourages them to report the case immediately through our Whistle-blowing System under which the identity of whistle-blowers will be protected. We promise to handle and investigate the cases in a prompt, fair and confidential manner, and take remedial actions as necessary.

To prevent corruption and fraud-related behaviours, the Group provides anti-corruption training for our Board Members and employees to raise their awareness against corruption and understanding of relevant legislations. During the Reporting Period, our Board members and employees received a total of 42 and 18 hours of anti-corruption training respectively.

Product Responsibility

The Group adheres to rigorous product and service quality management while meeting the needs of our customers and protecting data privacy and intellectual property rights. A Quality Control Management System was established to monitor the purchasing and manufacturing processes and ensure the product and service meet our quality requirements and expectations of our customers or users.

Quality control management

All operational departments are required to follow the Quality Control Management System and implement related measures to reduce quality risks.

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:

  (1) choosing the desired stone colour range;

  (2) establishing the bench, layer and locations where the particular colour range will be quarried; and

  (3) determining if there are sufficient stones of the desired colour for the project.

OPERATING WITH INTEGRITY *(Continued)*

Product Responsibility *(Continued)*

Quality control management *(Continued)*

Blocks selection	• Our quality control staff will examine the blocks. Blocks with defects including cracks, badly chipped edges, stress fractures, excessive microcracking, holes, pits, inclusions, surface weathering, staining or any feature which the architect considers unacceptable or detrimental to the performance of the stone will be rejected. • Testing of stone will be carried out to ensure compliance with the stone specification and the requirements of any relevant regulatory authorities.
Fabrication	• Once the block has been sawn and the slabs exposed, each cut-to-size panel will be individually inspected, ensuring that the cut-to-size panel produced will correspond to the control samples previously selected. • After the slabs have been cut into finished pieces, we will carry out a 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 satisfaction

To proactively care for our customers and enhance our product and service quality, our business development team solicit feedback from customer through various channels, such as customer satisfaction survey. Following a standardised procedure for handling enquiries and complaints, the business development team will handle all cases with care and make improvement programmes and plans.

OPERATING WITH INTEGRITY *(Continued)*

Product Responsibility *(Continued)*

Protection of customer privacy and intellectual property

The Group is committed to protecting its customers' information assets and privacy, and intellectual property rights. We have installed firewalls, anti-virus and anti-spam software in our IT system to protect against cyber threats and prevent leakage of confidential data or information. To further improve the overall information security management of the Group, it is drafting a policy regarding product and service responsibilities to closely monitor and review relevant customer data protection measures and supervise relevant operations within the Group.

During the Reporting Period, the Group was not aware of any product and service related complaints as well as any cases of product recall due to health and safety reasons. If there are complaints about our products and services, we will undergo investigation and establish improvement measures where appropriate.

Supply Chain Management

The Group strives to build trusted and long-term relationships with its suppliers and subcontractors, and to strengthen the sustainability management of its supply chain. To avoid and manage environmental and social risks along the supply chain, vendors are requested to adhere to our expectations and requirements, as stipulated in the Vendor Code of Conduct, that cover the following areas. Through which, we will be able to encourage our suppliers, including subcontractors, to observe and integrate sustainability into their operations.

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

Procurement of all goods and services is conducted in an open, fair and competitive manner. Any forms of differential treatment or discrimination against suppliers are strictly prohibited. All suppliers will be evaluated and selected carefully through standardised criteria such as their developments, procurements, productions, and service supplies. In the event of violation of the Vendor Code of Conduct, we will review or terminate the contract of the relevant supplier. Apart from considering the ESG performances of suppliers in the procurement processes where appropriate, we also prioritise selecting environment-friendly product and services such as materials and production methods.

During the Reporting Period, the Group has engaged 73 suppliers in Hong Kong, 8 suppliers in Mainland China and 1 supplier in Macau, and implemented practices relating to engaging suppliers on major suppliers. Looking ahead, the Group will continue to work with its suppliers on meeting the relevant requirements and improving their performances in ESG aspects, so as to enhance the Group's capability of supply chain risk management.

VALUING OUR PEOPLE

Employment System

The Group believes that talents are the keystone for achieving sustainable development in its operations. Considering the protection of employee rights and interests as one of our most important responsibilities, we have established an employment and remuneration system and Human Rights Policy to create a fair, diverse and inclusive workplace for our employees. All employment-related policies and arrangements are guided by the Employee Handbook.

Recruitment and dismissal

- All applicants are recruited based on objective criteria, such as working experiences, academic qualifications, skills and abilities, through transparent, open, and fair recruitment processes.
- Employee who fails to reach the level required by the Group or has committed misconduct or unethical behaviours will be terminated legally to prohibit any form of unfair or illegal dismissal.

Promotion and retention

- Annual performance evaluation is conducted for employees based on KPIs such as job skills, qualifications, and performance, where outstanding employees will receive promotion opportunities to help them achieve their maximum potential.
- Remuneration ranges are adjusted timely to retain talents in response to employees' performance and market changes.

Compensation and benefits

- Employees will be provided with competitive remuneration and benefits, including cash, discretionary bonuses and allowances, depending on the types of operations and the local labour markets.
- Rest days, statutory holidays and paid annual leave are given according to employees' working locations and job titles, including marriage, maternity, paternity, bereavement leaves, etc.

Diversity, equal opportunity and anti-discrimination

- All forms of harassment or bullying are strictly prohibited in our workplace.
- Applicants and employees are provided with equal opportunity for recruitment, promotion and compensation regardless of their age, gender, sexual orientation, marital status, family status, disability, race, nationality, religion or other factors.

VALUING OUR PEOPLE *(Continued)*

Employment System *(Continued)*

Labour standards	• All forms of child and forced labour are strictly prohibited within the Group. • All applicants and newly hired employees must provide their personal information such as identification documents to our Human Resources and Administration Departments during the recruitment process, to verify the identity and eligibility of work of the applicants. • Employees cannot work overtime unless approved by the department head to avoid the violation of Labour Standards. Any violations will be handled by the Group on a case-by-case basis. • Employees who are required to work overtime due to actual business needs will receive overtime allowances and compensatory leaves in accordance with relevant labours laws and regulations.
Communication and grievance mechanism	• Employees are encouraged to make suggestions on daily working environment through mailboxes, appraisal meetings and employee satisfaction surveys. • Employees who feel their rights and interests may have been violated can file a complaint and report to their management. Our management will evaluate, handle, and record the complaints, and take necessary disciplinary measures to substantiate cases.

The Group had 88 employees as of 31 December 2022, with 71 males and 17 females, with a total turnover rate of 9.09%. For more details, please refer to Appendix II: Social Performance Data for the workforce profile.

VALUING OUR PEOPLE *(Continued)*

Occupational Health and Safety

Safeguarding the health and safety of every employee and related stakeholders is at the core of our operations. We have established a sound safety system with appropriate policies, management and control measures that aim to protect our employees and subcontractors from health and safety risks. All employees and subcontractors strictly abide by the Corporate Health and Safety Policy and Vendor Code of Conduct, which outline our general safety and health standards for workplace and construction activities.

Our Health and Safety Management Committee and Safety Supervisor assist the Group in mitigating, managing and reviewing the occupational health and safety risks and measures:

	General Management	Construction Activities
Mitigate	• Ensure compliance with all applicable laws and regulations • Embed health and safety considerations in business activities	• Require sub-contractors to conduct risk assessments regularly • Provide role-based health and safety briefing, training and protective equipment for employees and sub-contractors
Manage	• Provide training and promotional materials to enhance employees' safety awareness • Establish an accident reporting mechanism, and conduct investigation and appropriate follow-up actions	• Establish an accident reporting mechanism, and conduct investigation and appropriate follow-up actions • Require sub-contractors to submit regular safety monitoring reports
Review	• Set and monitor relevant indicators and conduct regularly monitoring and reporting	• Monitor the safety performance of sub-contractors through the project development cycle

The Group will continue to review and advance its occupational health and safety system to enhance employees' protection and awareness of the importance of occupational health and safety during work. During the Reporting Period, the Group did not have any safety incidents occurred that resulted in work-related injury or death.

VALUING OUR PEOPLE *(Continued)*

Development and Training

The Group endeavours to allocate resources to enhance its employees' skill sets that drive them to personal and professional success. To ensure that every employee has an equal opportunity to access training resources and explore further development, the Group has arranged diversified training programmes and activities that satisfy employees' needs and fill missing skill sets within the operations. Annual performance evaluation is arranged for employees. Outstanding employees will receive promotion opportunities for advancing their career path.

Training contents are regularly reviewed and updated to ensure contents are diverse enough to cater to current market trends and stakeholders' changing needs, such as laws and regulations, technological changes, product trends, and customer behavioural changes. During the Reporting Period, the Group has arranged the following training programmes:

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

The Group also encourages our employees to participate in external training courses and obtain certification courses to sharpen their competitive edge, as well as to broaden the Group's talent pool. During the Reporting Period, 9.09% of employees received training, averaging 7.55 hours per employee. Please refer to Appendix II: Social Performance Data for the training data.

We promise to enhance relevant provisions in our internal policies and review training and development initiatives continuously that helps strengthen the overall development and competitiveness of the Group and our employees.

MANAGING ENVIRONMENTAL FOOTPRINT

With the world facing climate change and associated risks, the Group recognises the impacts that its operations and construction projects may pose to the environment and natural resources and strives to minimise its environmental footprints. To demonstrate its commitment and take actions, we have established the Environmental Policy and Climate Change Policy. We are committed to regularly assessing the environmental risks of our business and putting in place a series of measures to reduce emissions to the environment, and conserve and optimise the use of energy, water and other natural resources within our operations. In addition, we promote environmental awareness among our employees, sub-contractors and other stakeholders through education and communication.

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

To achieve greener production, we employ environment-friendly technologies and materials and increase resource efficiency in our operations and construction projects whenever feasible. Our subcontractors are also encouraged to enhance their environmental management by implementing environmental policies and measures. Looking ahead, the Group is exploring ways in advancing environmental measures and setting feasible objectives and targets for continual environmental improvements.

MANAGING ENVIRONMENTAL FOOTPRINT *(Continued)*

Emissions Reduction

Waste and wastewater

The Group is determined to seek ways in mitigating the environmental impacts of hazardous and non-hazardous wastes. It has been embedding its waste prevention considerations into its business operations to reduce the generation of waste. Most of the non-hazardous waste generated by the Group was paper, while only a small amount of hazardous waste such as toner and ink cartridges were produced. We have initiated a series of waste management measures:

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

During the Reporting Period, the Group generated 849.80 tonnes of non-hazardous waste at an intensity of 9.66 tonnes per employee, an increase of 5.54% and a decrease of 64.01% over 2021, respectively. Hazardous waste was not generated during the Reporting Period.

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

MANAGING ENVIRONMENTAL FOOTPRINT *(Continued)*

Emissions Reduction *(Continued)*

Carbon and air emissions

Due to its business nature, the carbon (or greenhouse gases, "GHG") and air emissions of the Group mainly come from the fuel consumption of vehicles and purchased electricity. During the Reporting Period, the Group emitted 4.82 kg of nitrogen oxides, 0.09 kg of sulphur oxides and 0.35 kg of respirable suspended particulates, in addition to 39.19 tonnes of CO_2-equivalent ("tCO_2e") GHG emissions, which increased by approximately 26.46%. As the company expanded and new employees were hired, the Group's total GHG emissions increased while its intensity dropped by around 56.31%.

	Unit	2022	2021	% Change
Air emissions[1]				
Nitrogen oxides	kg	**4.82**	5.26	-8.00%
Sulphur oxides	kg	**0.09**	0.09	0.00%
Respirable suspended particulates	kg	**0.35**	0.04	775%
Greenhouse gas emissions[2]				
Scope 1 Direct GHG emissions	tCO_2e	**16.89**	17.01	-0.71%
Scope 1 intensity	tCO_2e/ employee	**0.19**	0.57	-66.67%
Scope 2 Indirect GHG emissions[3]	tCO_2e	**22.30**	13.98	59.51%
Scope 2 intensity	tCO_2e/ employee	**0.25**	0.47	-46.08%
Total GHG emissions	tCO_2e	**39.19**	30.99	26.46%
GHG intensity	tCO_2e/ employee	**0.45**	1.03	-56.31%

Resources conservation

Energy

The Group's primary energy consumption is related to the use of electricity in its offices and gasoline in its transportation operations. Since the company expanded and hired new employees during the Reporting Period, the electricity consumption of the Group increased by 59.50% compared with last year, resulting in a decrease in electricity intensity of 45.63%. In the meantime, fuel consumption and intensity of gasoline have declined by 0.56% and 66.10%, respectively, due to the decrease in construction site visits and the increase in teleworking.

	Unit	2022	2021	% Change
Energy consumption				
Direct energy				
Gasoline	kWh	**61,523.75**	61,869.63	-0.56%
Intensity	kWh/employee	**699.13**	2,062.32	-66.10%
Indirect energy				
Electricity	kWh	**57,174.33**	35,846.00	59.50%
Intensity	kWh/employee	**649.71**	1,194.87	-45.63%
Total energy consumption	kWh	**118,698.08**	97,715.63	21.47%
Intensity	kWh/employee	**1,348.84**	3,257.19	-58.59%

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

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

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

MANAGING ENVIRONMENTAL FOOTPRINT *(Continued)*

Resources conservation *(Continued)*

Water

Water consumption of the Group is mainly for basic business operations, cleaning and sanitation. As a result of our increase in employees, we consumed 1,125.70 m^3 of water with an intensity of 12.79 m^3 per employee during the Reporting Period, which increased 169.31% compared to last year, while electricity intensity decreased by 8.18%. 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 waste.

	Unit	2022	2021	% Change
Water consumption				
Total water consumption	m^3	**1,125.70**	418.00	169.31%
Intensity	m^3/ employee	**12.79**	13.93	-8.18%

Paper

The Group pursues and adopts green office management that enhances the use of resources. A 33.94% increase in paper consumption and a 54.34% reduction in paper intensity per employee were recorded by the Group during the Reporting Period.

	Unit	2022	2021	% Change
Paper consumption				
Total paper consumption	piece	**257,500.00**	192,250.00	33.94%
Intensity	piece/ employee	**2,926.14**	6,408.33	-54.34%

Climate Change

With the increasing concerns and challenges brought by climate change, the Group recognises the need for immediate action on climate change to safeguard its long-term growth. We believe incorporating climate-related risks and opportunities into our business decision-making can enhance the Group's resilience to climate-related issues and associated impacts.

To support the HKSAR Government's objective to achieve carbon neutrality by 2050, we promise to progressively enhance our management of climate-related risks and opportunities by carefully considering climate-related issues relevant to our business operations, as stated in our Climate Change Policy. This serves as a strategic framework that guides us on mitigation and adaptation strategies for addressing climate change to enhance our climate resiliency. We strive to reduce the carbon footprint of our construction project and operations, while exploring ways in reducing the impacts of climate change on our properties and operations.

CARING FOR THE COMMUNITY

The Group places great emphasis on serving our community and helping those who are in need. We are committed to manage the impacts of our operations on the communities and understand their needs. To bring positive impacts in which we operate, we support community investment initiatives in various focus areas. Our employees are also encouraged to volunteer and support charitable activities as a member of the community.

Moving ahead, we will continue to identify and support community investment opportunities that are in line with the needs of society and business goals, thereby bringing positive impacts to the society. We understand that our success is intertwined with the well-being of the communities we serve, and we will strive to create shared values that benefit both the community and the business.

APPENDIX

Appendix I: Environmental Performance Data

	Unit	2022	2021
Greenhouse gas emissions[4]			
Scope 1 Direct GHG emissions	tCO_2e	**16.89**	17.01
Scope 1 intensity	tCO_2e/employee	**0.19**	0.57
Scope 2 Indirect GHG emissions[5]	tCO_2e	**22.30**	13.98
Scope 2 intensity	tCO_2e/employee	**0.25**	0.47
Total GHG emissions	tCO_2e	**39.19**	30.99
GHG intensity	tCO_2e/employee	**0.45**	1.03
Air emissions[6]			
Nitrogen oxides	kg	**4.82**	5.26
Sulphur oxides	kg	**0.09**	0.09
Particles	kg	**0.35**	0.04
Waste			
Total non-hazardous waste	tonne	**849.80**	805.23
Intensity	tonne/employee	**9.66**	26.84
Total hazardous waste	tonne	**0**	0
Intensity	tonne/employee	**–**	–
Energy consumption			
Direct energy			
Gasoline	kWh	**61,523.75**	61,869.63
Intensity	kWh/employee	**699.13**	2,062.32
Indirect energy			
Electricity	kWh	**57,174.33**	35,846.00
Intensity	kWh/employee	**649.71**	1,194.87
Total energy consumption	kWh	**118,698.08**	97,715.63
Intensity	kWh/employee	**1,348.84**	3,257.19
Water consumption			
Total water consumption	m^3	**1,125.70**	418.00
Intensity	m^3/employee	**12.79**	13.93
Paper consumption			
Total paper consumption	piece	**257,500.00**	192,250.00
Intensity	piece/employee	**2,926.14**	6,408.33

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

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

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

APPENDIX *(Continued)*

Appendix II: Social Performance Data

Number of employees		2022	2021
Gender	Male	**71**	21
	Female	**17**	9
Age group	Below 31	**2**	2
	31–40	**44**	16
	41–50	**33**	5
	Above 50	**9**	7
Rank	Senior management	**4**	10
	Middle management	**5**	4
	General employees	**79**	16
Employee type	Full-time	**88**	30
Total		**88**	30

Employee turnover rate[7]		2022	2021
Gender	Male	**8.45%**	38.10%
	Female	**11.76%**	55.56%
Age group	Below 31	**50.00%**	0.00%
	31–40	**13.64%**	62.50%
	41–50	**3.03%**	60.00%
	Above 50	**0.00%**	0.00%
Total		**9.09%**	43.33%

New hire rate[8]		2022	2021
Gender	Male	**91.55%**	–
	Female	**47.06%**	–
Age group	Below 31	**100.00%**	–
	31–40	**81.82%**	–
	41–50	**90.91%**	–
	Above 50	**44.44%**	–
Total		**82.95%**	–

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

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

APPENDIX *(Continued)*

Appendix II: Social Performance Data *(Continued)*

Percentage of employees trained[9]		2022	2021
Gender	Male	**5.63%**	66.67%
	Female	**23.53%**	88.89%
Rank	Senior management	**75.00%**	60.00%
	Middle management	**100.00%**	75.00%
	General employees	**0.00%**	31.25%
Total		**9.09%**	73.33%

Average training hours[10]		2022	2021
Gender	Male	**5.01**	4.30
	Female	**18.12**	4.12
Rank	Senior management	**80.00**	6.65
	Middle management	**68.80**	7.25
	General employees	**0.00**	2.00
Total		**7.55**	4.25

Health and safety	2022	2021
Number of work-related fatalities[11]	**0**	0
Number of employees injured at work	**0**	0
Injury rate (per thousand employees)	**0**	0
Lost days due to work injury	**0**	0

Anti-corruption training	2022	2021
Total training hours for the Board	**42**	40
Total training hours for employees	**18**	20

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

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

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

APPENDIX *(Continued)*

Appendix III: HKEx ESG Reporting Guide Index

Aspect	Content	Page Index
A1 Emissions		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	22-23, 33-36
A1.1	The types of emissions and respective emissions data.	35, 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).	35, 37
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	34, 37
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	34, 37
A1.5	Description of emission target(s) set and steps taken to achieve them.	33-36
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	33-34
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	22, 33-36
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).	35, 37
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	36, 37
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	33, 35
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	33, 36
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Given our business nature, this topic is immaterial to the Group.

APPENDIX *(Continued)*

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

Aspect	Content	Page Index
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	22, 33-36
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	33-36
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.	22, 33, 36
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.	36
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	22-23, 29-30
B1.1	Total workforce by gender, employment type, age group and geographical region	30, 38
B1.2	Employee turnover rate by gender, age group and geographical region	30, 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.	22-23, 31
B2.1	Number and rate of work-related fatalities.	31, 39
B2.2	Lost days due to work injury.	31, 39
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	31

APPENDIX *(Continued)*

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

Aspect	Content	Page Index
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	22, 29, 32
B3.1	The percentage of employees trained by gender and employee category.	32, 39
B3.2	The average training hours completed per employee by gender and employee category.	32, 39
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	22-23, 29-30
B4.1	Description of measures to review employment practices to avoid child and forced labour.	30
B4.2	Description of steps taken to eliminate such practices when discovered.	30
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	22, 28
B5.1	Number of suppliers by geographical region.	28
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	28
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	28
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	28

APPENDIX *(Continued)*

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

Aspect	Content	Page Index
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	22-23, 26-28
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	28
B6.2	Number of products and service-related complaints received and how they are dealt with.	27-28
B6.3	Description of practices relating to observing and protecting intellectual property rights.	28
B6.4	Description of quality assurance process and recall procedures.	26-27
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	28
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.	22-23, 26
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.	23
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	26
B7.3	Description of anti-corruption training provided to directors and staff.	26
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.	22, 36
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	36
B8.2	Resources contributed (e.g. money or time) to the focus area.	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 ended 31 December 2022, 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.

During the period from 28 June 2022 to 22 September 2022 the Company has only two INEDs, thus (i) the number of the INEDs falls below the minimum number (i.e. at least three INEDs) required under Rule 3.10(1) of the Listing Rules, and (ii) the Audit Committee of the Company has only two INEDs, thus the number of the members falls below the minimum number (i.e. at least three members) as required under Rule 3.21 of the Listing Rules. The Company fulfilled the above requirements after Mr. Nie Kin Kwok Kevin appointed as an INED on 23 September 2022.

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.

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 Composition

As at the date of this report, the Board comprises 3 Executive Directors ("**Executive Directors**" or "**EDs**"), 1 Non-Executive Director ("**NED**") and 3 INEDs. They are:

Mr. Lui Yue Yun Gary *(Chairman)*
Mr. Lui Edwin Wing Yiu
Mr. Fung Wai Hang
Ms. Lui Natalie Po Wai
Mr. Ko Tsz Kin
Mr. Ng Yau Wah Daniel
Mr. Nie Kin Kwok Kevin

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

BOARD OF DIRECTORS *(Continued)*

Board Composition *(Continued)*

INEDs comprise approximately 42.9% (3 out of 7) 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 three 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 2022 and as at the date of this report, the Board compromises seven Directors, one of whom is 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:

	Age group			
Name of Directors	**Age (20–29)**	**Age (30–39)**	**Age (40–59)**	**Age (60 and above)**
Executive Directors:				
Mr. Lui Yue Yun Gary				✔
Mr. Lui Edwin Wing Yiu		✔		
Mr. Fung Wai Hang		✔		
NED:				
Ms. Lui Natalie Po Wai	✔			
INEDs:				
Mr. Ko Tsz Kin			✔	
Mr. Ng Yau Wah Daniel				✔
Mr. Nie Kin Kwok Kevin				✔

	Professional experience and knowledge			
Name of Directors	**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			✔	✔
NED:				
Ms. Lui Natalie Po Wai	✔			
INEDs:				
Mr. Ko Tsz Kin			✔	
Mr. Ng Yau Wah Daniel	✔			
Mr. Nie Kin Kwok Kevin				✔

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

BOARD OF DIRECTORS *(Continued)*

Directors' Training

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

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

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

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

Board Responsibilities and Delegations

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

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

BOARD MEETING AND ATTENDANCE

The Board meets regularly at least four times a year to review financial and operating performance of the Group and to discuss future strategy and development. During the year ended 31 December 2022, 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	13/13
Mr. Lui Edwin Wing Yiu	13/13
Mr. Fung Wai Hang	13/13
Ms. Lui Natalie Po Wai (appointed as 23 September 2022)	1/1
Mr. Ko Tsz Kin	10/13
Mr. Ng Yau Wah Daniel	10/13
Mr. Nie Kin Kwok Kevin (appointed as 23 September 2022)	0/1
Ms. Qiao Xiaowei (retired on 28 June 2022)	0/3
Ms. Zhang Li (retired on 28 June 2022)	0/3
Mr. Lee Chun Wai (retired on 28 June 2022)	0/3
Mr. Zou Haiyan (retired on 28 June 2022)	1/3

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 2022, the Chairman has held one meeting with all INEDs without the presence of other Executive Directors.

GENERAL MEETING

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

In 2022, one general meeting was held at Units 5906–12, 59/F, The Center, 99 Queen's Road Central, Hong Kong on Tuesday, 28 June 2022 at 3:00 p.m.

In 2022, one extraordinary general meeting was held at Room 1301, 13/F, One Island South, 2 Heung Yip Road, Aberdeen, Hong Kong on Thursday, 28 July 2022 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 INEDs (Mr. Ko Tsz Kin, Mr. Ng Yau Wah Daniel and Mr. Nie Kin Kwok Kevin). The Audit Committee has reviewed the management and accounting policies adopted by the Group and discussed auditing, 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 2022, the Audit Committee held three meetings:

Name of Directors	Number of attendance
Mr. Ko Tsz Kin	3/3
Mr. Ng Yau Wah Daniel	3/3
Mr. Nie Kin Kwok Kevin (appoint as 23 September 2022)	0/0
Mr. Lee Chun Wai (retired on 28 June 2022)	1/3

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 2022 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 30 March 2023, 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 2022, 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 2022 is set out below:

Name of senior management	HK$'000
Mr. Lui Yue Yun Gary	3,910
Mr. Fung Wai Hang	1,043
Mr. Lui Edwin Wing Yiu	1,008
Mr. Kan Shu Kai Raie	788

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 2022, the Nomination Committee held four meetings:

Name of Directors	Number of attendance
Mr. Lui Yue Yun Gary	4/4
Mr. Ko Tsz Kin	4/4
Mr. Ng Yau Wah Daniel	4/4

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;

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 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 2022, 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 and a fellow member of the Chartered Governance Institute. He confirmed that he has taken no less than 15 hours of relevant professional training for the year ended 31 December 2022. 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 2022 are set out in the section headed "Disclosure of Interests — Directors' and Chief Executive's Interests" in the Report of the Directors.

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

SHAREHOLDERS' RIGHTS

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

Shareholders to Convene an EGM

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

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

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

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

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at Units 1501–02, 15/F., Delta House, No.3 On Yiu Street, Shatin, New Territories by post or by email to 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 Units 1501–02 15/F., Delta House, No.3 On Yiu Street, Shatin, New Territories, or the share registrar of the Company at Tricor Investor Services Limited, 17/F, Far East Financial Centre, 16 Harcourt Road Hong Kong, for the attention of the Company Secretary.

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 2022, 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 2022, 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 2022 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 67, 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 39 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 36, 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. Lui Edwin Wing Yiu was a committee member of the Hong Kong Marble & Granite Merchants Association (2019–2021).

Mr. Edwin Lui is the nephew of Mr. Lui and the cousin of Ms. Lui Natalie Po Wai (a Non-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.

EXECUTIVE DIRECTORS *(Continued)*

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

Mr. Fung, aged 37, 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, a fellow member of the Chartered Governance Institute, a chartered global management accountant of the Chartered Institute of Management Accountants, a certified financial consultant of the Institute of Financial Consultants, 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 15 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 is currently the chairman of the Hong Kong Girl Guides Association, Sham Shui Po District, the president of the Rotary club of Hong Kong Island East, the vice chairman of the Young Innovative Entrepreneurs Association, a member of the Professional Accountants in Business Committee of the Hong Kong Institute of Certified Public Accountants, a council member of the Council for the Promotion of Guangdong-Hongkong-Macao Cooperation and a member of the Panel of Advisers (Film Censorship) by the Film Censorship Authority of the Government of the Hong Kong SAR.

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 on 4 October 2018 and delisting since 23 May 2022. 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

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

Ms. Lui, aged 23, was appointed as a Non-Executive Director since 23 September 2022. Ms. Lui obtained a bachelor's degree from The University of British Columbia in Canada. Ms. Lui is currently the marketing manager at Pacific Marble & Granite Limited, an indirectly wholly-owned subsidiary of the Company, and is responsible for its business promotion and development. Ms. Lui also works at a research company and is responsible for the recruitment and preparation of industry experts for investment firms and management consultancies.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Ko, aged 53, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Ng, aged 67, 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.

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

Mr. Nie, aged 67, was appointed as an Independent Non-executive Director Since September 2022 obtained a bachelor of arts degree from the University of Toronto in Canada. Mr. Nie furthered his education and completed the common professional examination (CPE) in Manchester Polytechnic in England and the Law Society's Final Examination (LSF) in the College of Law, Chester in England. He was admitted as a Solicitor of the High Court of Hong Kong in 1985.

Mr. Nie has vast experience for over 35 years in various legal fields. He was one of the partners of Oldham, Li & Nie, Solicitors from 1986 to 2000 and had set up his own firm Nie & Company, Solicitors (ceased practice) from 2000 to 2005. Mr. Nie has been a consultant for several law firms, including Jesse H.Y. Kwok & Co., Solicitors and Dundons, Solicitors (ceased practice). He is currently a consultant at Cheung Eric & Lau, Solicitors.

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

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 59, 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 2022.

REGISTERED OFFICE OF THE COMPANY AND PRINCIPAL ACTIVITIES

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

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 15 to the consolidated financial statements.

BUSINESS REVIEW

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 83.

DONATIONS

There were no charitable and other donations made by the Group during the year (2021: 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 2022, calculated under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$131.5 million (2021: HK$111.7 million).

PROPOSED FINAL DIVIDEND

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

REPORT OF THE DIRECTORS

CLOSURE OF REGISTERS OF MEMBERS

Please refer to the "financial calendar" under corporate information of this Annual 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 2022 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 Note 33 to the consolidated financial statements.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Lui Yue Yun Gary
Mr. Lui Edwin Wing Yiu
Mr. Fung Wai Hang
Ms. Qiao Xiaowei *(retired on 28 June 2022)*
Ms. Zhang Li *(retired on 28 June 2022)*

Non-Executive Director

Ms. Lui Natalie Po Wai *(appointed as 23 September 2022)*

Independent Non-Executive Directors

Mr. Ko Tsz Kin
Mr. Ng Yau Wah Daniel
Mr. Nie Kin Kwok Kevin *(appointed on 23 September 2022)*
Mr. Lee Chun Wai *(retired on 28 June 2022)*
Mr. Zou Haiyan *(retired on 28 June 2022)*

Biographical details of the Directors are set out on pages 61 to 65 of this annual report.

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

Accordingly, Mr. Lui Yue Yun Gary, Mr. Lui Edwin Wing Yiu, Mr. Ko Tsz Kin and Mr. Ng Yau Wah Daniel shall retire from office by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election at the Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

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

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

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

SHARE OPTION SCHEME

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

1. Purpose of the Share Option Scheme

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

2. Participants of the Share Option Scheme

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

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

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

No new share option was granted during the year ended 31 December 2022.

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.

SHARE OPTION SCHEME *(Continued)*

10. The validity period of share options

For the share option granted on 8 July 2019, the validity period of the share options is from 8 July 2019 to 7 July 2021 (both days inclusive) and exercisable in whole or in parts. The vesting period shall be the period commencing from the registration date of the grant of share options (8 July 2019) to the first exercise date. The vesting period for the share option scheme shall be 24 months. No new share option was granted during the year ended 31 December 2022.

11. The closing price

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

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

No outstanding balance as at 31 December 2022 with respect to their share options granted under the Share Option Scheme:

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

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

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

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

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

Name of Director and 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)	792,305,000 shares	59.50%
Mr. Lui Yue Yun Gary	Beneficial owner	792,865,000 shares	59.54%

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	5.44%
Mr. Lui Yue Yun Gary	Beneficial owner	560,000 shares	0.042%

Capitalised terms were defined in the Company's announcement dated 18 November 2022. Pursuant to Sale and Purchase agreement, subject to adjustment, 597,371,565 consideration shares will be allotted and issue to PMG Holdings (BVI), a company solely controlled and owned indirectly by Mr. Liu Yue Yun Gary, as a vendor of the transaction. The transaction has not been completed as at the report date.

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)	792,305,000 shares	59.50%
Mr. Lui Yue Yun Gary	Beneficial owner	792,865,000 shares	59.54%

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	5.44%
Mr. Lui Yue Yun Gary	Beneficial owner	560,000 shares	0.042%

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

C. Directors' Interests in Contracts

Save as disclosed above, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the year ended 31 December 2022 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 2022.

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 2022 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 2022. 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 2022, 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 2022.

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 2022.

EQUITY-LINKED AGREEMENTS

No other equity-linked agreement was entered into by the Group, or existed during the year ended 31 December 2022.

SUBSIDIARIES

Details of subsidiaries of the Company as at 31 December 2022 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 27 to the consolidated financial statements. The Directors of the Company consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MANAGEMENT CONTACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2022.

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:	33%
Five largest customers combined:	89%

Purchases

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

The largest supplier:	10%
Five largest suppliers combined:	33%

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

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

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

PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Lui Yue Yun Gary
Chairman
Hong Kong, 30 March 2023

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 147, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hog Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1(a) to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$44,407,000 for the year ended 31 December 2022, and as at 31 December 2022, the Group's total borrowings and loans amounted to approximately HK$111,283,000, out of approximately HK$36,555,000, are due for repayment in the next twelve months from the date of approval of these consolidated financial statements, while its cash and cash equivalents amounted to HK$1,140,000 at 31 December 2022. In addition, as at 31 December 2022, the Group was in default in respect of principal amount of borrowings totaling approximately HK$36,555,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2022.

These conditions, along with other matters as set forth in note 2.1(a) 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 impairment assessment of 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 2022, the Group's revenue derived from construction contracts was HK$84,425,000. *(i) Contract revenue recognition* 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 revenue recognised involved significant estimation and judgement by the management on estimation of (i) total sum of contract and total budgeted costs for determination of profits margin of each project; and (ii) percentage of completion by comparing actual cost incurred to total budgeted costs. When determining total contract sum and total budgeted costs, significant estimation is required and management make reference to information such as (i) current or recent offers from subcontractors and suppliers; (ii) variation orders received from customers; and (iii) estimation on project material costs, labor costs and other costs for completion of projects.	Our procedures to assess management's recognition of contract revenue 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. — 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
(ii) Impairment assessment of contract assets Contract assets represent the Group's right to consideration for work completed less progress billings as at the reporting date. As at 31 December 2022, the carrying amount of contract assets amounted to HK$142,432,000 (net of loss allowance of HK$75,327,000), accounted for 61.4% of the Group's total assets. Significant management judgement is required to assess the recoverability of contract assets. Management performed a detailed analysis taking into customers aging profile, credit history and historical payment pattern together with forward looking information for the estimation of expected credits losses of contract assets.	Our audit procedures in respect of management's impairment assessment on contract assets are: — We understood the management's process and control over assessment of recoverability of contract assets. — We evaluated the reasonableness and appropriateness of management's assumption for impairment assessment by reference to historical payment record, market information, credit history and correspondence with the customers.

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

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

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

Our 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.

The engagement partner on the audit resulting in the independent auditor's report is Wong Cho Yi.

CL Partners CPA Limited
Certified Public Accountants

Wong Cho Yi
Practicing Certificate Number: P07897
Hong Kong

30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers	5	**91,686**	91,942
Cost of sales		**(76,751)**	(80,776)
Gross profit		**14,935**	11,166
Other gains, net	6	**1,244**	6,525
Impairment losses on trade and retention receivables and contract assets, net	16	**(30,453)**	(28,925)
Administrative expenses		**(22,560)**	(25,258)
Operating loss		**(36,834)**	(36,492)
Finance income		**–**	13
Finance costs	10	**(7,573)**	(10,270)
Finance costs, net		**(7,573)**	(10,257)
Loss before taxation	7	**(44,407)**	(46,749)
Income tax expense	11	**–**	–
Loss and total comprehensive expenses for the year and attributable to owners of the Company		**(44,407)**	(46,749)

		2022 HK cents	2021 HK cents
Loss per share attributed to owners of the Company			
Basic and diluted loss per share	12	**(3.45)**	(3.76)

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 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property and equipment	13	**1,014**	1,696
Right-of-use assets	14	**1,270**	2,031
Total non-current assets		**2,284**	3,727
Current assets			
Inventories	18	**66,583**	72,364
Trade and retention receivables	16	**18,301**	24,881
Contract assets	5	**142,432**	169,489
Deposits, prepayments and other receivables	17	**884**	1,301
Tax recoverable		**194**	194
Bank balances and cash	19	**1,140**	2,680
Total current assets		**229,534**	270,909
Total assets		**231,818**	274,636
EQUITY			
Share capital	24	**13,315**	12,472
Accumulated losses		**(91,234)**	(46,827)
Reserves		**131,534**	117,377
Total equity		**53,615**	83,022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	**440**	1,075
Loans from directors	27	**56,890**	80,550
Total non-current liabilities		**57,330**	81,625
Current liabilities			
Trade and retention payables	20	**43,657**	42,778
Accruals and other payables	21	**31,389**	17,511
Contract liabilities	5	**3,476**	5,500
Lease liabilities	14	**635**	605
Bank borrowings	22	**36,555**	42,877
Convertible bonds	23	**5,148**	–
Tax payables		**13**	718
Total current liabilities		**120,873**	109,989
Total liabilities		**178,203**	191,614
Total equity and liabilities		**231,818**	274,636

The consolidated financial statements on page 83 to 147 were approved and authorised for issue by the Board of Directors on 30 March 2023 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 2022

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 24)	**Share premium** HK$'000	**Capital reserve** HK$'000	**Share option reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2021	12,240	96,435	14,000	1,396	(78)	123,993
Loss and total comprehensive expenses for the year	–	–	–	–	(46,749)	(46,749)
Shares issued upon exercise of share options (note 29)	232	6,942	–	(1,396)	–	5,778
At 31 December 2021	12,472	103,377	14,000	–	(46,827)	83,022
At 1 January 2022	**12,472**	**103,377**	**14,000**	**–**	**(46,827)**	**83,022**
Loss and total comprehensive expenses for the year	**–**	**–**	**–**	**–**	**(44,407)**	**(44,407)**
Shares issued upon conversion of convertible bonds (note 23)	**843**	**14,157**	**–**	**–**	**–**	**15,000**
At 31 December 2022	**13,315**	**117,534**	**14,000**	**–**	**(91,234)**	**53,615**

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 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Net cash generated from operations	28	**10,362**	1,786
Interest received		**–**	13
Income tax (paid)/refunded		**(705)**	165
Net cash generated from operating activities		**9,657**	1,964
Cash flows from investing activities			
Net cash outflows on disposal of subsidiaries	25	**–**	(42)
Purchase of property and equipment	13	**(24)**	(3,965)
Withdrawal of pledged bank deposits		**–**	34,507
Payment of rental deposits		**–**	(217)
Net cash (used in) generated from investing activities		**(24)**	30,283
Cash flows from financing activities			
Interest paid		**(518)**	(4,670)
Proceeds from shares issued		**–**	5,778
Repayments of bank borrowings	28	**(6,397)**	(113,941)
Proceeds from loans from directors	28	**–**	77,460
Repayments of loans from directors	28	**(23,660)**	–
Proceeds from loan from a third party	28	**–**	10,322
Proceeds from issuance of convertible bonds	28	**20,000**	–
Principal elements of lease payments	28	**(605)**	(2,314)
Interest elements of lease payments	28	**(68)**	(419)
Net cash used in financing activities		**(11,248)**	(27,784)
Net (decrease)/increase in cash and cash equivalents		**(1,615)**	4,463
Cash and cash equivalents at beginning of year		**(7,562)**	(12,025)
Cash and cash equivalents at end of year		**(9,177)**	(7,562)
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	19	**1,140**	2,680
Bank overdrafts	22	**(10,317)**	(10,242)
		(9,177)	(7,562)

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 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. The consolidated financial statements have been prepared under the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

2.1 Basis of preparation *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 2022, the Group reported a net loss attributable to the owners of the Company of approximately HK$44,407,000 (2021: approximately HK$46,749,000). As at 31 December 2022, the Group's current bank borrowings was approximately HK$36,555,000 (2021: approximately HK$42,877,000), while its total bank balances and cash was approximately HK$1,140,000 (2021: approximately HK$2,680,000).

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 2022, bank borrowings with a total principal amount of approximately HK$36,555,000 were overdue. In addition, default interests have been charged to the unsettled overdue borrowings by the respective banks. The Group is unable to draw down new borrowings from its bank facilities since 20 November 2020 and any further draw down would be subject to the approvals by the relevant banks. All bank borrowings would be immediately repayable if requested by the banks formally in accordance with the underlying bank facilities letters. Although the Group has not received any formal demand letters from the relevant banks, all the aforementioned bank borrowings have been classified as current liabilities in the consolidated statement of financial position as at 31 December 2022.

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

In accordance with the underlying bank facilities letters, performance bonds issued through one of the bank aforementioned of HK$3,705,000 (2021: HK$5,138,000) might be cancelled by the bank, which might result in non-compliance with the relevant construction contracts if the Group is unable to replace them with other equivalent performance bonds.

The aforementioned conditions indicate the existence of uncertainty which may cast 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 Group had yet renewed the banking facilities of its major banks subsequent to the end of the reporting period, the Group continued to negotiate with the relevant banks for extension of the overdue bank borrowings and to waive their rights arising from the events of default. The directors of the Company are confident that agreements with the relevant banks will be reached in due course. Up to the date of this report, the Group has not received any formal demand letters from the relevant banks. Based on this, the directors of the Company believes that, the relevant banks would not enforce their rights of requesting for immediate repayment of its outstanding bank borrowings nor cancelation of the performance bonds in the forthcoming period;

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 has implemented measure to accelerate the certification, billing and collection with customers for completed projects;

(iii) The Group is also in active negotiations with its customers to request for deposits before commencement of projects and suppliers and sub-contractors to extend the settlement terms for its purchases;

(iv) The Group obtained loans from its executive directors for financial support. As at 31 December 2022, such loans amounted to HK$56,890,000 are unsecured and repayable after twelve months from the date of draw down and interest bearing at 5% per annum; and

(v) The Group is actively looking for other sources of financing including any possible from of debt or equity financing to enhance the capital structure and reduce the overall financing expenses. The Company issued 2% redeemable mandatory convertible bonds of HK$20,000,000 on 22 August 2022 to two subscribers in order to raise additional funds.

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2022. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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 Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or 1 January 2024

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

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 HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5* (2020)

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.

Based on the Group's outstanding liabilities as at 31 December 2022, including convertible bonds which classified as liabilities, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders/convertible instrument holders, the application of the amendments will not result in reclassification of the Group's liabilities.

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 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 Group can elect to apply optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be business and no further assessment is needed.

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 in a business combination 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 in exchange for control of the acquiree, 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 at acquisition date.

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 recognised 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Principles of consolidation *(Continued)*

Business combinations *(Continued)*

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.

Consolidations

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Principles of consolidation *(Continued)*

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

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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.

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

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

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

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

(a) Stone sales

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

(b) Supply and installation service

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

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

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

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

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

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/other gains".

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.

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis at the commencement date of a lease. 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)*

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Dividend distribution

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment

Property and equipment are stated at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. 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 profit or loss during the 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, with the effect of any changes in estimate accounted for on a prospective basis.

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 net sales proceeds with the carrying amount of the asset and are recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered impairment loss. 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

Inventories

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of financial assets carried at FVTPL are expensed in profit or loss.

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

Debt instruments

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(c) Measurement *(Continued)*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

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

(i) Trade and retention receivables

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

Trade 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.

(ii) 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 statement of financial position, bank overdrafts are shown within bank borrowings in current liabilities.

(d) Impairment of financial assets and contract assets

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

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and retention receivables, and contract assets using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

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

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

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

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

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

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

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

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

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

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

Offsetting financial instruments

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

Financial liabilities and equity

(a) Classification

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

(b) Recognition and derecognition

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity *(Continued)*

(c) Measurement

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

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

(i) Trade and retention payables

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

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

(ii) Bank borrowings

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

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.

(iii) Convertible bonds

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 profit or loss in the period 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 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.

(a) Current income tax

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

(b) Deferred 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 end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

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 end of each reporting period.

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

(b) Retirement benefit obligations

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

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

(c) Bonus plans

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

(d) Long service payments

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payments

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

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

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

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

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

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

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

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

Provisions

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

Provisions are measured 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 at the end of the reporting period. 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**").

(b) Transactions and balances

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

(a) Revenue recognition for construction contract

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

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

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

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

As at 31 December 2022, the carrying amount of trade and retention receivables, and contract assets were HK$18,301,000 (2021: HK$24,881,000) and HK$142,432,000 (2021: HK$169,489,000) respectively (net of allowance for credit losses on trade and retention receivables, and contract assets of HK$10,091,000 (2021: HK$7,227,000) and HK$75,327,000 (2021: HK$47,738,000) respectively).

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

(c) Contingent liabilities

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

5 REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

(a) Revenue from contracts with customers

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

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

(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 Segments*. The executive directors assess the performance of the operating segment based on revenue generated. The Group does not report a measure of segment profit or an analysis of segment asset and segment liability as the executive directors do not use this information to allocate resources to or evaluate the performance of the operating segment.

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

	2022 HK$'000	2021 HK$'000
Hong Kong	**91,347**	77,320
Macau	**339**	14,622
	91,686	91,942

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:

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

Notes:

(i) The revenue was generated from the supply and installation of marble product and stone sales in Hong Kong.

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

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

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

(v) The revenue of the particular customer was less than 10% of the Group's revenue for the year ended 31 December 2021.

(vi) The revenue for the particular customer was less than 10% of the Group's revenue for the year ended 31 December 2022.

(d) Assets and liabilities related to contracts with customers

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

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

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

Notes:

(i) *Contract assets*

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

The Group assessed impairment for contract assets by lifetime ECL. Loss allowance of HK$27,589,000 was provided for the year ended 31 December 2022 (2021: HK$28,046,000). Movements in the loss allowance for contract assets are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**47,738**	19,692
Loss allowance	**27,589**	28,046
At 31 December	**75,327**	47,738

The Group also typically agrees to a retention period ranging from 12 to 24 months for certain percentage of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditioned with numerous variation orders yet to be confirmed and finalised.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of impairment assessment as disclosed in note 31.

As at 31 December 2022, contract assets amounted to HK$98,175,000 (2021: HK$125,700,000) have been pledged to secure the bank facilities as set out in note 22.

(ii) *Contract liabilities*

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.

6 OTHER GAINS, NET

	2022 HK$'000	2021 HK$'000
Government grants (Note)	**915**	–
Gain on disposal of subsidiaries (note 25)	**–**	6,430
Others	**329**	95
	1,244	6,525

Note:

Wage subsidies of HK$915,000 were granted from the Hong Kong Special Administrative Region Government's Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from May to July 2022 during the year ended 31 December 2022 (2021: Nil).

7 LOSS BEFORE TAXATION

		2022 HK$'000	2021 HK$'000
(a)	**Employee benefit expenses (including directors' emoluments in note 9)**		
	Wages, salaries and bonuses	**14,252**	14,682
	Retirement benefit costs — defined contribution plans	**326**	345
	Less: amounts included in construction cost	**(3,499)**	(2,826)
		11,079	12,201
(b)	**Other items**		
	Cost of inventories	**4,625**	20,966
	Construction cost recognised in cost of sales	**72,126**	59,810
	Auditor's remuneration		
	— Audit services	**1,080**	1,080
	Depreciation — plant and equipment (note 13)	**706**	521
	Depreciations — right-of-use assets (note 14)	**761**	4,912

8 FIVE HIGHEST PAID INDIVIDUALS

For the year ended 31 December 2022, the five individuals whose emoluments were the highest in the Group include three (2021: four) directors of the Company whose emolument is reflected in the analysis in note 9. During the year ended 31 December 2022, the emolument paid/payable to the remaining two individuals (2021: one individual) is as follows:

	2022 HK$'000	2021 HK$'000
Wages, salaries and benefits in kind	**1,320**	702
Discretionary bonuses	**100**	40
Retirement benefit costs — defined contribution plans	**36**	18
	1,456	760

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

	Number of individuals	
	2022	2021
Emolument band		
HK$500,001 to HK$1,000,000	**2**	1

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

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

For the year ended 31 December 2022:

	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	180	3,480	250	–	–	3,910
Mr. Fung Wai Hang	180	780	65	–	18	1,043
Mr. Lui Edwin Wing Yiu	180	750	60	–	18	1,008
Ms. Qiao Xiaowei (Note ii)	150	–	–	–	–	150
Ms. Zhang Li (Note iii)	150	–	–	–	–	150
	840	5,010	375	–	36	6,261
Non-Executive Director						
Ms. Lui Natalie Po Wai (Note v)	33	225	25	–	15	298
Independent Non-Executive Directors						
Mr. Ko Tsz Kin	240	–	–	–	–	240
Mr. Ng Yau Wah Daniel	240	–	–	–	–	240
Mr. Nie Kin Kwok Kevin (Note v)	33	–	–	–	–	33
Mr. Lee Chun Wai (Note ii)	180	–	–	–	–	180
Mr. Zou Haiyan (Note ii)	120	–	–	–	–	120
	813	–	–	–	–	813
Total	1,686	5,235	400	–	51	7,372

9 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

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

Notes:

i. Resigned on 6 December 2021
ii. Appointed on 13 April 2021 and retired on 28 June 2022
iii. Appointed on 30 June 2021 and retired on 28 June 2022
iv. Resigned on 30 June 2021
v. Appointed on 23 September 2022

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

9 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year ended 31 December 2022 (2021: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2022 (2021: Nil).

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

The Group did not pay consideration to any third parties for making available directors' services during the year ended 31 December 2022 (2021: Nil).

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

Except as disclosed in note 27, there are no other loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with such directors during the year ended 31 December 2022 (2021: 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 2022 (2021: Nil).

10 FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interests on:		
— Bank overdrafts	**518**	559
— Trust receipt loans	**3,069**	4,904
— Bank borrowings	**383**	453
— Lease liabilities (note 14)	**68**	419
— Loans from directors (note 27)	**3,337**	3,935
— Others	**198**	–
	7,573	10,270

11 INCOME TAX EXPENSE

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

Under the Law of the People Republic of China ("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:

	2022 **HK$'000**	2021 HK$'000
Loss before taxation	**(44,407)**	(46,749)
Calculated at a tax rate of 16.5%	**(7,327)**	(7,714)
Tax effect of income not taxable for tax purposes	**(151)**	(1,063)
Tax effect of expenses not deductible for tax purposes	**1,728**	1,474
Temporary differences not recognised	**5,119**	4,824
Tax effect of tax losses not recognised	**631**	3,025
Effect of different tax rate of subsidiaries	**–**	(546)
	–	–

For the year ended 31 December 2022, the Group has unrecognised tax losses of HK$18,736,000 (2021: HK$14,912,000) respectively available for offset against future taxable profits. 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 profits 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

	2022 HK$'000	2021 HK$'000
Loss for the year		
Loss attributable to owners of the Company, used in calculating basic and diluted loss per share:	**(44,407)**	(46,749)

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

	2022 HK Cents	2021 HK Cents
Total basic loss per share attributable to the owners of the Company	**(3.45)**	(3.76)

	2022 (In thousand)	2021 (In thousand)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**1,287,834**	1,243,768

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the impact on issuance of mandatorily convertible bonds on August 2022.

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

13 PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2021	571	31	416	2,085	3,103
Additions	3,866	5	852	–	4,723
Disposal of subsidiaries (note 25)	(2,294)	–	(852)	–	(3,146)
Disposals	(571)	–	–	–	(571)
At 31 December 2021	1,572	36	416	2,085	4,109
Additions	–	21	3	–	24
At 31 December 2022	1,572	57	419	2,085	4,133
ACCUMULATED DEPRECIATION					
At 1 January 2021	**571**	**31**	**306**	**1,631**	**2,539**
Provided for the year	**239**	**–**	**95**	**187**	**521**
Disposal of subsidiaries (note 25)	**(64)**	**–**	**(12)**	**–**	**(76)**
Eliminated on disposals	**(571)**	**–**	**–**	**–**	**(571)**
At 31 December 2021	**175**	**31**	**389**	**1,818**	**2,413**
Provided for the year	**524**	**5**	**27**	**150**	**706**
At 31 December 2022	**699**	**36**	**416**	**1,968**	**3,119**
NET BOOK VALUES:					
As at 31 December 2022	**873**	**21**	**3**	**117**	**1,014**
As at 31 December 2021	**1,397**	**5**	**27**	**267**	**1,696**

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:

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Leased properties	**1,270**	2,031
Lease liabilities		
Current lease liabilities	**635**	605
Non-current lease liabilities	**440**	1,075
	1,075	1,680

There is no additions to the right-of-use assets during the year ended 31 December 2022 (2021: HK$16,399,000). During the year ended 31 December 2021, there was disposal to the right-of-use assets and derecognised the respective lease liabilities of HK$11,761,000 and HK$13,074,000, respectively through disposal of subsidiaries (note 25).

(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:

	2022 HK$'000	2021 HK$'000
Depreciation of right-of-use assets — leased properties	**761**	4,912
Interest expense on lease liabilities (note 10)	**68**	419

14 LEASES *(Continued)*

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

The total cash outflows for leases were analysed as below:

	2022 HK$'000	2021 HK$'000
Cash flows from financing activities		
Payment of principal element of lease liabilities	**605**	2,314
Payment of interest element of lease liabilities	**68**	419

(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 2022 and 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

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

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

As at 31 December 2022, trade and retention receivables of HK$3,981,000 (2021: HK$6,973,000) have been pledged to secure the bank facilities as set out in Note 22 and are classified as current assets.

Note:

(i) The Group assessed impairment for trade and retention receivables based on lifetime ECL. Loss allowance of HK$2,864,000 was made for the year ended 31 December 2022 (2021: HK$879,000). Movements in the loss allowance for trade and retention receivables are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**7,227**	6,348
Loss allowance	**2,864**	879
At 31 December	**10,091**	7,227

As at 31 December 2022, trade and retention receivables of HK$504,000 were impaired and fully provided (2021: HK$504,000). The individually impaired trade and retention receivables mainly relate to customers that were in default or delinquency in payments, in which the directors of the Company 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 trade receivables, based on invoice date, is as follows:

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

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

	2022 HK$'000	2021 HK$'000
Retention receivables		
Within one year	**21,344**	20,259

Details of the impairment assessment are set out in note 31.

17 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Prepayment	**274**	417
Insurance compensation receivables	**275**	617
Other receivables	**335**	267
	884	1,301

Details of the impairment assessment are set out in note 31.

18 INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods — marble and granite	**66,583**	72,364

19 BANK BALANCES AND CASH

	2022 HK$'000	2021 HK$'000
Cash in bank	**1,135**	2,615
Cash on hand	**5**	65
Bank balances and cash	**1,140**	2,680

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

	2022 HK$'000	2021 HK$'000
HK$	**1,133**	2,673
Renminbi ("**RMB**")	**7**	7
	1,140	2,680

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

	2022 HK$'000	2021 HK$'000
Bank balances and cash in the consolidated statement of financial position	**1,140**	2,680
Less: bank overdrafts (note 22)	**(10,317)**	(10,242)
Cash and cash equivalents in the consolidated statement of cash flows	**(9,177)**	(7,562)

For the year ended 31 December 2022, the bank balances generate interest at prevailing market interest rates at ranged from 0.01% to 0.63% per annum (2021: ranged from 0.01% to 0.25% per annum).

Details of impairment assessment are set out in note 31.

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.

	2022 HK$'000	2021 HK$'000
Trade payables	**27,062**	27,430
Retention payables	**16,595**	15,348
	43,657	42,778

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

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

21 ACCRUALS AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Accruals for employee benefit expenses	**12,413**	3,366
Accruals for long service payment	**248**	261
Interest payable	**12,685**	5,847
Other accruals and other payables	**6,043**	8,037
	31,389	17,511

22 BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank overdrafts (note 19)	**10,317**	10,242
Term loans — secured	**3,500**	3,800
Trust receipt loans — secured	**21,088**	24,835
Revolving loans — secured	**1,650**	4,000
Total borrowings	**36,555**	42,877

Bank overdrafts are repayable within the next 12 months as at 31 December 2022 and 2021. 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:

	2022 HK$'000	2021 HK$'000
Bank borrowings:		
Within 1 year	**36,555**	42,877

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

(a) Trade and retention receivables of HK$3,981,000 (2021: HK$6,973,000) (note 16);

(b) Contract assets of HK$98,175,000 (2021: HK$125,700,000) as at 31 December 2022 (note 5); and

(c) Cross guarantees by the Group's subsidiaries (2021: same).

As at 31 December 2022, the Group's bank borrowings amounting approximately HK$36,555,000 (2021: HK$42,877,000) were overdue pursuant to the relevant agreements which constituted events of defaults. In connection with the default, the Group was subject to overdue interest as penalties of approximately HK$5,361,000 (2021: HK$1,944,000) which were included in the accruals and other payables at 31 December 2022.

The effective interest rates of bank borrowings as at 31 December 2022 are 3.38% to 7.35% per annum (2021: 2.75% to 5.00% per annum).

23 CONVERTIBLE BONDS

On 10 June 2022, the Company entered into the subscription agreement with Advance Opportunities Fund and Advance Opportunities Fund I ("AOF and AOFI"), pursuant to which the Company has conditionally agreed to issue to AOF and AOFI for the convertible notes in the principal amounts of HK$200,000,000. The convertible notes are unsecured and carried at 2% per annum on outstanding amount at issuance date to maturity date. It is convertible at any time during the conversion period at a price determined as the 90% of the average closing price per share on any five consecutive trading days immediately preceding to the conversion date at a maximum number of shares to be converted as 400,000,000. The Company may redeem any convertible notes at any time before maturity date.

And as at 31 December 2022, only HK$20,000,000 convertible bonds were subscribed and issued.

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

Movement of convertible bonds classified as financial liabilities as below:

	2022 HK$'000
Nominal value on issuance date	20,000
Less: converted during the year (note 24)	(15,000)
Effective interest expense recognised	148
At 31 December 2022	5,148

24 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amount
		HK$'000
Ordinary share of HK$0.01 each:		
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**3,000,000,000**	**30,000**
Issued and fully paid:		
At 1 January 2021	1,224,000,000	12,240
Shares issued upon exercise of share options (note 29)	23,200,000	232
At 31 December 2021	1,247,200,000	12,472
Shares issued upon conversion of convertible bonds (note 23) (Note)	84,269,661	843
At 31 December 2022	**1,331,469,661**	**13,315**

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

Note: During the year ended 31 December 2022, the holders of convertible bonds exercised the conversion right for conversion of HK$15,000,000 convertible bonds into 84,269,661 ordinary shares of the Company of HK$0.01 each at the conversion price determined at the date of conversion as at HK$0.178 per each share.

25 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.

26 DIVIDENDS

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

27 RELATED PARTIES BALANCES AND TRANSACTIONS

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

The directors of the Company 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 2022 and 2021:

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 2022 and 2021:

	2022 HK$'000	2021 HK$'000
Mr. Lui Yue Yun Gary	53,550	76,890
Mr. Lui Edwin Wing Yiu	1,020	1,020
Mr. Fung Wai Hang	2,320	2,640
	56,890	80,550

The Group entered into loan agreements with the directors of the Company for an unsecured and bears a fixed 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. The loan agreements have been further extended to 30 June 2024 during the year ended 31 December 2022. As at 31 December 2022, the outstanding loans from the directors of the Company were amounted to HK$56,890,000.

27 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 2022 and 2021:

	2022 **HK$'000**	2021 HK$'000
Interest expense to Mr. Lui Yue Yun Gary	**3,161**	3,752
Interest expense to Mr. Lui Edwin Wing Yiu	**54**	51
Interest expense to Mr. Fung Wai Hang	**122**	132
	3,337	3,935

(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:

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and benefits in kind	**6,570**	6,838
Discretionary bonuses	**425**	125
Retirement benefit costs – defined contribution plans	**54**	72
	7,049	7,035

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

28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2022 HK$'000	2021 HK$'000
Cash flows from operating activities		
Loss before taxation	**(44,407)**	(46,749)
Adjustments for:		
Finance income — Interest income	**–**	(13)
Finance costs (note 10)	**7,573**	10,270
Credit loss allowance of trade and retention receivables (note 16)	**2,864**	879
Credit loss allowance of contract assets (note 5)	**27,589**	28,046
Gain on disposal of subsidiaries (note 25)	**–**	(6,430)
Depreciation of property and equipment (note 13)	**706**	521
Depreciation of right-of-use assets (note 14)	**761**	4,912
	(4,914)	(8,564)
Changes in working capital:		
Inventories	**5,781**	17,558
Trade and retention receivables	**3,716**	(10,295)
Deposits, prepayments and other receivables	**417**	(2,293)
Contract assets	**(532)**	(9,531)
Contract liabilities	**(2,024)**	968
Trade and retention payables	**879**	14,246
Accruals and other payables	**7,039**	(303)
Net cash generated from operations	**10,362**	1,786

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

(b) Reconciliation of cash flow from financing activities

This section sets out the movement of liabilities from financing activities for the years ended 31 December 2022 and 2021.

	Lease liabilities HK$'000	Bank borrowings (excludes bank overdrafts) HK$'000	Loans from directors HK$'000	Loan from a third party HK$'000	Convertible bonds HK$'000
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 (note 25)	(13,074)	–	–	(10,322)	–
New leases entered	15,934	–	–	–	–
Accrued interest expenses	419	–	–	–	–
At 31 December 2021	1,680	32,635	80,550	–	–
At 1 January 2022	**1,680**	**32,635**	**80,550**	**–**	**–**
Financing cash flows	**(673)**	**(6,915)**	**(23,660)**	**–**	**20,000**
Non-cash movement:					
Converted to shares (note 23)	**–**	**–**	**–**	**–**	**(15,000)**
Accrued interest expenses	**68**	**518**	**–**	**–**	**148**
At 31 December 2022	**1,075**	**26,238**	**56,890**	**–**	**5,148**

29 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 and 31 December 2022	0.249	–
Vested and exercisable at 31 December 2021 and 31 December 2022	0.249	–

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

29 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 2022	2021
8 July 2019	7 July 2021	HK$0.249	**–**	–
Weighted average remaining contractual life of options outstanding at end of period			**N/A**	N/A

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 (2021: 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.

(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.

30 FINANCIAL INSTRUMENTS BY CATEGORY

	2022 HK$'000	2021 HK$'000
Financial assets at amortised cost		
Trade and retention receivables	**18,301**	24,881
Deposits and other receivables	**610**	884
Bank balances and cash	**1,140**	2,680
	20,051	28,445
Financial liabilities at amortised cost:		
Trade and retention payables	**43,657**	42,778
Accruals and other payables	**31,389**	17,511
Bank borrowings	**36,555**	42,877
Loans from directors	**56,890**	80,550
Convertible bonds	**5,148**	–
Lease liabilities	**1,075**	1,680
	174,714	185,396

31 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

(a) Interest rate risk

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

As at 31 December 2022, 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 of approximately HK$148,000 (2021: approximately HK$168,000). The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates of variable interest rate bank borrowings 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 and bank balances.

Bank balances

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

Deposits and other receivables

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

31 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.

At 31 December 2022, 77.0% (2021: 80.6%) of the total trade and retention receivables, and contract assets, were due from the Group's top five largest customers.

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

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

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

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

As at 31 December 2022

	Trade and retention receivables			
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Low risk (Note (i))	0.8%	3,295	28	3,267
Doubtful (Note (ii))	16.6%	18,034	3,000	15,034
Loss (Note (iii))	100.0%	7,063	7,063	–
		28,392	10,091	18,301

31 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Credit risk *(Continued)*

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

As at 31 December 2022

	Contract assets			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Low risk (note (i))	**1.4%**	**48,158**	**685**	**47,473**
Doubtful (note (ii))	**30.0%**	**135,602**	**40,643**	**94,959**
Loss (note (iii))	**100.0%**	**33,999**	**33,999**	**–**
		217,759	**75,327**	**142,432**

As at 31 December 2021

	Trade and retention receivables			
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Low risk (note (i))	0.8%	18,991	159	18,832
Doubtful (note (ii))	13.2%	6,969	920	6,049
Loss (note (iii))	100.0%	6,148	6,148	–
		32,108	7,227	24,881

As at 31 December 2021

	Contract assets			
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Low risk (note (i))	1.7%	101,153	1,764	99,389
Doubtful (note (ii))	23.5%	91,599	21,499	70,100
Loss (note (iii))	100.0%	24,475	24,475	–
		217,227	47,738	169,489

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

Notes:

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

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

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

31 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 2022, no banking facilities is available for the Group (2021: 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), the Group's bank borrowings would be immediately repayable if requested by the lenders under the bank facilities letters, the total amount is classified as "on demand".

	Effective interest rate	On demand HK$'000	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Total HK$'000
As at 31 December 2022					
Trade and retention payables	–	–	43,657	–	43,657
Accruals and other payables	–	–	31,389	–	31,389
Bank borrowings	6.5%	36,555	–	–	36,555
Convertible bonds	12.5%	–	5,148	–	5,148
Loans from directors	5%	–	56,890	–	56,890
Lease liabilities	4.9%	–	672	448	1,120
		36,555	137,756	448	174,759

31 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 2021				
Trade and retention payables	–	42,778	–	42,778
Accruals and other payables	–	17,511	–	17,511
Bank borrowings	42,877	–	–	42,877
Loans from directors	–	–	86,666	86,666
Lease liabilities	–	672	1,120	1,792
	42,877	60,961	87,786	191,624

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.

	Overdue HK$'000
As at 31 December 2022	**36,555**
As at 31 December 2021	42,877

Note: For the year ended 31 December 2022, included in banks borrowings is trust receipt loans, term loans, revolving loans and bank overdraft amounted to HK$36,555,000 (2021: HK$42,877,000). 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".

31 FINANCIAL RISK MANAGEMENT *(Continued)*

Capital management

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

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

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

The gearing ratios were as follows:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Bank borrowings (note 22)	**36,555**	42,877
Convertible bonds (note 23)	**5,148**	–
Loans from directors (note 27)	**56,890**	80,550
Less: bank balances and cash (note 19)	**(1,140)**	(2,680)
Net debt	**97,453**	120,747
Total equity	**53,615**	83,022
Total capital	**151,068**	203,769
Gearing ratio	**65%**	59%

Fair value estimation

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

The fair value of the early redemption option of convertible bonds are determined under Binominal model and it is classified as derivative.

The directors of the Company considers the fair value of the redemption option as insignificant to the consolidated financial statements.

32 CONTINGENCIES

Performance bonds

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

Legal cases

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

(i) There were several legal cases concerning claims for personal injuries against certain subsidiaries of the Company. As at the date of this 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.

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	2022 HK$'000	2021 HK$'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		104,596	89,261
Bank balances and cash		11	14
Total current assets		104,607	89,284
Total assets		104,607	89,284
EQUITY			
Share capital		13,315	12,472
Reserves	(a)	79,645	72,432
Total equity		92,960	84,904
LIABILITIES			
Current liabilities			
Accruals and other payables		5,120	3,349
Amount due to a subsidiary		1,379	1,031
Convertible bonds		5,148	–
Total current liabilities		11,647	4,380
Total liabilities		11,647	4,380
Total equity and liabilities		104,607	89,284

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2023 and was signed on its behalf:

Mr. Lui Yue Yun Gary
Director

Mr. Fung Wai Hang
Director

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

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 2021	96,435	1,396	(27,500)	70,331
Loss and total comprehensive expenses for the year	–	–	(3,445)	(3,445)
Shares issued upon exercise of share options (note 29)	6,942	(1,396)	–	5,546
At 31 December 2021 and 1 January 2022	103,377	–	(30,945)	72,432
Loss and total comprehensive expenses for the year	–	–	(6,944)	(6,944)
Shares issued upon conversion of convertible bonds (note 23)	14,157	–	–	14,157
At 31 December 2022	117,534	–	(37,889)	79,645

34 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

On 18 November 2022, the Group has entered into the sales and purchase agreement with its connected party, Pacific Marble & Granite Holdings Limited for acquisition of entire equity share of Pacific Mining Industry Limited and its subsidiaries which engaged in the supply, installation and trading of marble and granite and other marble related business in the PRC. The acquisition is yet to be completed as at 31 December 2022 and up to the date of this report as it is subject to certain conditions as stated in the announcement as published on 18 November 2022.

FIVE YEAR FINANCIAL SUMMARY

For the year	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	**91,686**	91,942	170,348	324,256	299,045
Gross profit	**14,935**	11,166	19,096	43,312	69,765
Operating (loss)/profit	**(36,834)**	(36,492)	(25,675)	12,164	31,524
(Loss)/profit before income tax	**(44,407)**	(46,749)	(34,099)	4,691	27,217
(Loss)/profit attributable to owners of the Company	**(44,407)**	(46,749)	(34,099)	2,090	20,540

For the year	2022 HK cents	2021 HK cents	2020 HK cents	2019 HK cents	2018 HK cents
Basic and diluted (loss)/earnings per share (Note)	**(3.45)**	(3.76)	(2.82)	0.17	1.96

At year end	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Pledged bank deposits	**–**	–	34,507	37,385	34,196
Bank balances and cash	**1,140**	2,680	218	2,922	9,778
Total assets	**231,818**	274,636	333,502	333,436	309,330
Loans from Directors	**56,890**	80,550	3,090	–	–
Convertible bonds	**5,148**	–	–	–	–
Bank borrowings	**36,555**	42,877	158,819	146,405	124,136
Total liabilities	**178,203**	191,614	209,509	181,320	150,135
Total equity	**53,615**	83,022	123,993	152,116	159,195

Key financial ratios	2022	2021	2020	2019	2018
Gross profit margin (%)	**16.3**	12.1	11.2	13.4	23.3
Net profit margin (%)	**N/A**	N/A	N/A	0.6	6.9
(Loss)/return on equity (%)	**(82.8)**	(56.3)	(27.5)	1.3	20.9
(Loss)/return on total assets (%)	**(19.2)**	(17.0)	(10.2)	0.7	8.3
Interest coverage (time)	**N/A**	N/A	N/A	1.6	6.5
Current ratio	**1.9**	2.5	1.6	1.8	2.1
Quick ratio	**1.4**	1.8	1.2	1.5	2.0

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 owners 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 (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company, by the weighted average number of ordinary shares outstanding during the respective financial year.

For the financial year ended 31 December 2022, basic loss per shares is calculated by dividing the loss attributable to the owners of the Company, by the weighted average number of ordinary shares outstanding during the year and adjusting with the impact on issuance of mandatory convertible bonds.

Diluted (loss)/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.