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Anchorstone Holdings Limited

基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1592)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS (UNAUDITED)

The board (the “**Board**”) of directors (the “**Directors**”) of Anchorstone Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020, together with the comparative unaudited figures of the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue from contract with customers	3	98,548	229,404
Cost of sales		(85,100)	(198,247)
Gross profit		13,448	31,157
Other income and other gains, net		376	109
Administrative expenses		(14,226)	(15,112)
Operating (loss)/profit		(402)	16,154
Finance costs, net	4	(4,417)	(3,688)
(Loss)/profit before income tax	5	(4,819)	12,466
Income tax expense	6	(197)	(2,123)
(Loss)/profit for the period attributable to owners of the Company		(5,016)	10,343
Other comprehensive income for the period		–	–
Total comprehensive income for the period attributable to owners of the Company		(5,016)	10,343
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company for the period:			
Basic and diluted (loss)/earnings per share (HK cent)	7	(0.4)	0.9

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2020

		As at	
		30 June 2020	31 December 2019
	Note	HK\$'000 (unaudited)	HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment		833	925
Right-of-use assets		3,443	4,611
Total non-current assets		4,276	5,536
Current assets			
Trade and retention receivables	9	22,582	58,776
Deposits, prepayments and other receivables	10	5,441	3,805
Inventories		105,677	62,661
Contract assets		173,430	161,329
Income tax recoverable		–	1,022
Pledged bank deposits		37,593	37,385
Cash and bank balances		462	2,922
Total current assets		345,185	327,900
Total assets		349,461	333,436
EQUITY			
Share capital	13	12,000	12,000
Reserve and retained earnings		135,100	140,116
Total equity		147,100	152,116
LIABILITIES			
Non-current liabilities			
Bank borrowings	12	4,000	–
Lease liabilities		2,273	2,275
		6,273	2,275
Current liabilities			
Trade and retention payables	11	16,135	20,586
Accruals and other payables		3,985	7,696
Contract liabilities		35	488
Lease liabilities		1,186	2,376
Bank borrowings	12	171,421	146,405
Income tax payable		3,326	1,494
Total current liabilities		196,088	179,045
Total liabilities		202,361	181,320
Total equity and liabilities		349,461	333,436

Notes:

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the stone sales and supply and installation of marble products in Hong Kong (“**HK**”) and Macau.

The ultimate holding company of the Company is PMG Investments Limited. The ultimate controlling party of the Group is Mr. Lui Yue Yun Gary (“**Mr. Lui**”).

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

2.1 Basis of presentation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The interim financial information should be read in conjunction with the 2019 annual report, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2019 that is included in this preliminary announcement of the interim results as comparative information does not constitute the Company’s statutory annual consolidated accounts for that financial year but is derived from those accounts. The unaudited interim results should be read in conjunction with the 2019 annual report.

2.2 Accounting policies

The accounting policies applied are consistent with those described in the 2019 annual report except for the adoption of new and amended standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The preparation of unaudited condensed consolidated interim financial information in conformity with HKFRS 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.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- (a) The Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial period beginning on 1 January 2020 throughout the period:

Conceptual Framework For Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 1 and 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 16 (Amendments)	COVID-19 — Related Rent Concessions

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed consolidated financial statements.

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined

According to the preliminary assessment made by the Directors, these new standards and amendments to existing standards are not expected to have significant impact on the financial performance and positions of the Group when they become effective.

3 REVENUE FROM CONTRACT WITH CUSTOMERS AND SEGMENT INFORMATION

Revenue from contract with customers

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Supply and installation services	97,266	226,999
Stone sales	1,282	2,405
	<u>98,548</u>	<u>229,404</u>
Timing of revenue recognition:		
Over time	97,266	226,999
At a point in time	1,282	2,405
	<u>98,548</u>	<u>229,404</u>

Segment information

The Executive Directors are the Group's chief operating decision-makers. The Executive Directors consider the segment from a business perspective and regards the Group's business as a single operating segment and reviews financial information accordingly.

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

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Hong Kong	46,667	219,975
Macau	51,881	9,429
	<u>98,548</u>	<u>229,404</u>

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the Executive Directors.

4 FINANCE COSTS, NET

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Finance income		
Interests from bank deposits	133	83
Finance costs		
Interests from:		
— Bank overdrafts	262	278
— Trust receipt loans interest	3,539	3,131
— Bank loans	73	193
— Bond interest	560	—
	<u>4,434</u>	<u>3,602</u>
Lease liability interest	116	169
	<u>4,550</u>	<u>3,771</u>
Finance costs, net	<u>4,417</u>	<u>3,688</u>

5 (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit before income tax has been arrived at after charging:		
Construction cost recognised in cost of sales	84,665	197,531
Depreciation	1,301	237
Employee benefit expenses, including Directors' emoluments	7,692	8,978
Auditor's remuneration	750	750
Legal and professional fees	3,240	2,266
	<u>84,665</u>	<u>197,531</u>

6 INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the six months ended 30 June 2019 and 2020.

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong profits tax	197	2,030
	<u>197</u>	<u>2,030</u>

7 (LOSS)/EARNINGS PER SHARE

For the six months ended 30 June 2019 and 2020, 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 in issue.

(Loss)/earnings

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/earnings attributable to owners of the Company used in this basic and diluted (loss)/earnings per share calculation	(5,016)	10,343
	<u>(5,016)</u>	<u>10,343</u>

	As at 30 June	
	2020	2019
	(unaudited)	(unaudited)
Weighted average number of ordinary shares used in the basic (loss)/earnings per share calculation (<i>in thousand</i>)	1,200,000	1,200,000
	<u>1,200,000</u>	<u>1,200,000</u>
Total basic and diluted (loss)/earnings per share (<i>HK cents</i>)	(0.4)	0.9
	<u>(0.4)</u>	<u>0.9</u>

The share options granted by the Company could have potential dilutive effect on the loss per share. During the six month ended 30 June 2020, the share options had anti-dilutive effect to the Group as the assumed conversion of share options by the Company would result in a decrease in loss per share (30 June 2019: Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the period).

8 DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2020.

9 TRADE AND RETENTION RECEIVABLES

	As at	
	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Trade receivables	3,850	34,487
Retention receivables	19,412	24,969
	<u>23,262</u>	<u>59,456</u>
Less: provision for impairment	(680)	(680)
	<u>22,582</u>	<u>58,776</u>

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

As at 30 June 2020 and 31 December 2019, the ageing analysis of the third-party trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Up to 30 days	943	123
31–60 days	–	33,456
61–90 days	–	–
Over 90 days	2,907	908
	<u>3,850</u>	<u>34,487</u>

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

10 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Refundable deposits for a potential acquisition of subsidiaries terminated on 26 March 2020	3,500	2,000
Prepayments	18	13
Insurance compensation receivables	1,122	969
Other receivables	801	823
	<u>5,441</u>	<u>3,805</u>

11 PAYABLES

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

	As at	
	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Contract creditors and suppliers	1,250	7,047
Retention payables	14,885	13,539
	<u>16,135</u>	<u>20,586</u>

12 BANK BORROWINGS

	As at	
	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Bank overdraft	11,754	2,188
Term loans — secured	37,682	661
Trust receipt loans — secured	117,985	139,556
Revolving loans — secured	4,000	4,000
Other loans — secured	4,000	—
	<u>175,421</u>	<u>124,136</u>

13 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	Amounts HK\$'000
Authorised:		
At 31 December 2019, 1 January 2020 and 30 June 2020	<u>3,000,000,000</u>	<u>30,000</u>
Issued and fully paid:		
At 31 December 2019, 1 January 2020 and 30 June 2020	<u>1,200,000,000</u>	<u>12,000</u>

14 SUBSEQUENT EVENTS

On 6 August 2020, the Company allotted 24,000,000 shares at HK\$0.249 each upon Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang exercised their share options of 12,000,000 shares each respectively. The closing price of securities at the share allotment date was HK\$0.34 per share.

RESULT

Anchorstone Holdings Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), is a leading and well-established subcontractor in Hong Kong specialising primarily in the stone sales and supply and installation of marble projects in Hong Kong and Macau.

Since the second half of 2019, the overall business environment has deteriorated. Although there was no significant adverse impact to the Group’s operation, the increasing political risk and the risk of economic downturn in Hong Kong posted negative impact in the construction industry. In early 2020, the outbreak of Coronavirus Disease 2019 (“**COVID-19**”) caused suspension of the operation of our subcontractors in the Mainland China, and affected the supply of labour force and materials to our supply and installation projects. These cause an overall delay in the work status of the Group’s supply and installation projects on hand. As a result, the Group recorded a revenue of approximately HK\$98.5 million in the six months ended 30 June 2020, representing a decrease of 57.0% compared with the same period last year.

The Group’s overall gross profit margin for the period is approximately 13.6%, which is in line with the last period. However, the overall amount of gross profit dropped by approximately HK\$17.7 million or 56.8% compared with last period. As the operation expense and the finance cost of the first half of 2020 did not drop in line with the gross profit, the Group recorded an operation loss of approximately HK\$0.4 million, and a significant decrease in the profit/(loss) attributable to owners of the Company of HK\$15.4 million or 148.5% for the six months ended 30 June 2020 as compared with the corresponding period in 2019.

Based on the understanding of the board of directors (the “**Board**”), the decrease was mainly due to the adverse impact of the COVID-19 pandemic, resulting in most of the work status of the Group’s supply and installation projects were deferred for a few months. Although the overall work progress of our projects were slow down, it is not a systematic risk to the Group as most of our projects resumed normal and the Group is able to catch up the work status since the second quarter of the year. The Group is also actively looking for other business opportunities. Therefore, the Board is not pessimistic to our business future.

INTERIM DIVIDEND

In order to retain resources for the Group’s future development, the Directors have resolved not to pay any interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

BUSINESS REVIEW AND OUTLOOK

Since the outbreak of COVID-19 in early 2020, there has been uncertainty in the local property market and the real estate sector in Hong Kong. Although there was no catastrophic impact to the construction industry, it posted negative impact to the development of the construction business in Hong Kong. Besides, the wrestling between China and the USA affected our business development plan to the overseas market(s) including the USA.

Under this tough environment, the Group recorded a revenue of approximately HK\$98.5 million (30 June 2019: HK\$229.4 million) for the six months ended 30 June 2020, representing a decrease of 57.0% compared with the same period last year. Mainly due to the delay in our project status, the Group also made a loss of approximately HK\$4.8 million in the first half of 2020.

Since there are increasing business risks in Hong Kong and the overseas market(s) as stated above, the Group intends to enter the market for the supply and distribution of marble and granite products in China. We can see that despite the uncertainty in the global market, there will still be strong demand for the high quality marble and granite products as the property markets in China are expected to have a steady and growing momentum in the future. For this purpose, the Company entered into a non-legally binding memorandum of understanding with the two related parties with operations in China on 3 April 2020, in relation to the proposed acquisition of these two related parties. This will enable the Group to enter into the supply and distribution of marble and granite products market in China in an effective way.

Up to the date of this announcement, most of our projects had resumed normal. The Group has also rewarded certain new projects during the second half of 2020, and will continue to emphasis its core value to provide professional services to our customers. Together with the future development plan of the Group, the Board is confident to the prospects of the Group.

Revenue

During the six months ended 30 June 2020, the Group generated revenue from the its supply and installation projects and stone sales projects in Hong Kong and Macau. It recorded decrease in revenue for approximately HK\$130.9 million or 57.0% compared with last period. The decrease was mainly due to the delay in project status during the period.

Gross profit and gross profit margin

Cost of sales mainly includes the cost of raw materials, fabrication expenses, transportation and subcontracting costs. The Group's overall gross profit margin was around 13.6% which is in line with the last period.

However, in term of the absolute amount, the gross profit declined from HK\$31.2 million in the first half of 2019 to HK\$13.4 million in the second half of 2020.

Administrative expenses

The administrative expenses of the Group for the current period amounted to approximately HK\$14.2 million, representing a slightly decrease of approximately HK\$0.9 million, or 5.9% compared to approximately HK\$15.1 million for the last period.

The decrease was mainly due to the decrease in staff cost and related expenses by approximately HK\$1.3 million, which was mainly due to the decrease in average headcount compared with last period. The Group's other general and administrative expenses were also decreased compared with last period.

The decrease was partially off-set by the increase in legal and professional expenses by approximately HK\$0.9 million. The increase in legal and professional expenses were mainly due to the professional charges for the major transactions in relation to an acquisition involving issue of conversion bonds under specific mandate. Such potential acquisition has been terminated on 26 March 2020.

Finance costs

Finance costs were mainly arisen from the bank borrowings for the operation purpose.

Net finance costs increased in HK\$0.7 million or 19.8% compared with the same period last year. This is mainly due to the interest expense from a bond with an aggregate principal amount of HK\$16,000,000 placed on 27 March 2020. The bond has been redeemed in full during the period.

Income tax expense

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

(Loss)/profit before income tax has been decreased by approximately HK\$17.3 million or 138.7%. Following the decrease in (loss)/profit before income tax in the current period, the Group's income tax expense decreased by approximately HK\$1.9 million.

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

(Loss)/profit attributable to owners of the Company

Based on the above factors, loss attributable to owners of the Company was approximately HK\$5.0 million for the current period, as compared to a profit attributable to owners of the Company of approximately HK\$10.3 million for the last period. It represents a decrease of approximately 148.5% when compared to the last period.

The decrease was mainly contributed by the decrease in gross profit due to the delay of supply and installation projects in the period.

Liquidity and financial resources

The Group has funded the liquidity and capital requirements primarily through retained profits, borrowings and cash inflows from operating activities. As at 30 June 2020, the capital structure of the Group consisted of equity of approximately HK\$147.1 million (31 December 2019: HK\$152.1 million) and bank borrowings of approximately HK\$175.4 million (31 December 2019: HK\$146.4 million). For details, please refer to the paragraph headed “Bank borrowings” below.

Cash position and fund available

The working capital of the Group was mainly financed by its operating cash flows and bank borrowings. As at 30 June 2020, the Group’s cash and cash equivalents were approximately HK\$0.5 million (31 December 2019: HK\$2.9 million). The Group has pledged bank deposits of approximately HK\$37.6 million (31 December 2019: HK\$37.4 million) to secure the Group’s banking facilities. As at 30 June 2020, the current ratio of the Group was approximately 1.76 times (31 December 2019: 1.83 times).

Bank borrowings

As at 30 June 2020, the Group had total bank borrowings of approximately HK\$175.4 million (31 December 2019: HK\$146.4 million). As at 30 June 2020, the Group had aggregate banking facilities of approximately HK\$178.9 million, of which approximately HK\$3.5 million was unutilised.

Gearing ratio

As at 30 June 2020, the Group’s gearing ratio was approximately 48.3% (31 December 2019: 41.1%), calculated as the interest-bearing debts divided by the total equity as at the end of the respective periods and multiplied by 100%.

Pledge of assets

Except for the pledged bank deposits stated in the paragraph headed “Cash position and fund available” above, certain trade and retention receivables and contract assets for obtaining the banking facilities, the Group has no other pledged assets.

Capital commitments

The Group has no material capital commitments as at 30 June 2020.

Contingencies

As at 30 June 2020 and 31 December 2019, the Group has issued performance bonds in respect of construction contracts through banks which amounted to approximately HK\$1.5 million and HK\$1.5 million respectively. These performance bonds were secured by bank facilities.

During the period ended 30 June 2020, there were several legal cases concerning claims for personal injuries against certain subsidiaries of the Company. As at the date of this announcement, two cases had developed to legal proceedings while the other two cases were still at their initial stage. The amount being claim for in these cases was still being determined, and the amount of the possible obligation cannot be ascertained with reliability.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 26 full-time employees who were directly employed by the Group. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee. During the six months ended 30 June 2020, there has not been any incident of strike or labour shortage which adversely affected the Group's operations. In addition, the Group has not experienced any significant problem with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

AUDIT COMMITTEE

The Audit Committee, with its terms of reference established in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), is composed of all the three Independent Non-Executive Directors (Mr. Ko Tsz Kin, Mr. Choi Hok Ya and Mr. Ng Yau Wah Daniel) of the Company. The Audit Committee has reviewed with management the accounting policies adopted by the Group and discussed auditing, risk management and internal control system, and financial reporting matters. This unaudited condensed consolidated interim financial information has not been audited by the Company's auditors, but has been reviewed by the Audit Committee of the Company. The Audit Committee was satisfied that the unaudited condensed interim consolidated financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee, with its terms of reference established in compliance with the Listing Rules, was set up with the responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee is composed of the Chairman of the Board (Mr. Lui) and two Independent Non-Executive Directors (Mr. Ng Yau Wah Daniel and Mr. Ko Tsz Kin) of the Company.

NOMINATION COMMITTEE

The Nomination Committee, with its terms of reference established in compliance with the Listing Rules, is composed of the Chairman of the Board (Mr. Lui) and two Independent Non-Executive Directors (Mr. Ng Yau Wah Daniel and Mr. Ko Tsz Kin) of the Company. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

DIRECTOR'S INTERESTS IN CONTRACTS

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

CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control and to enhance the transparency and accountability of the Board to all shareholders of the Company. The Company has complied with the applicable code provisions of the Corporate Governance Code ("**CG Code**") from the listing date of the shares of the Company and up to the date of this announcement, except for the deviations as mentioned below. The roles of the chairman and chief executive of the Company have not been segregated as required by the code provision A.2.1 of the Code. As Mr. Lui is the chairman of the Company and the founder of the Group, the Board considers that vesting the roles of both chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is adequately ensured by the Board which comprise experienced and high caliber individuals with a sufficient number of them being Independent Non-executive Directors of the Company. Therefore has a strong independent element in its composition.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. All Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by Directors as set out in the Model Code for the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under “Latest Listed Company Information” and on the website of the Company at www.anchorstone.com.hk. The interim report for the six months ended 30 June 2020 will be dispatched to the shareholders and published on the above websites in due course.

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

Hong Kong, 19 August 2020

As at the date of this announcement, the Executive Directors are Mr. Lui Yue Yun Gary, Ms. Lui Po Kwan Joyce, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang, and the Independent Non-executive Directors are Mr. Ko Tsz Kin, Mr. Choi Hok Ya and Mr. Ng Yau Wah Daniel.