Anchorstone Holdings Limited
基石控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1592)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of Directors (the "**Directors**") of Anchorstone Holdings Limited (the "**Company**") would like to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**31 December 2023** ***HK$'000***	31 December 2022 *HK$'000* (restated)
Revenue from contracts with customers	*3*	**77,199**	130,394
Cost of sales	*5*	**(53,250)**	(99,040)
Gross profit		**23,949**	31,354
Other income	*4*	**5**	1,786
Impairment losses under expected credit loss model, net of reversal:			
— trade and retention receivables		**(6,781)**	(3,095)
— contract assets		**(29,456)**	(27,734)
— other receivables		**(275)**	–
Administrative expenses	*5*	**(20,759)**	(24,960)
Operating loss		**(33,317)**	(22,649)
Finance income		**2**	–
Finance costs	*6*	**(5,222)**	(7,573)
Finance costs, net		**(5,220)**	(7,573)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2023

	Notes	31 December 2023 HK$'000	31 December 2022 HK$'000 (restated)
Loss before taxation		**(38,537)**	(30,222)
Income tax expense	7	**(1,912)**	(2,116)
Loss for the year		**(40,449)**	(32,338)
Other comprehensive income/(expense):			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of a foreign operation		**8**	(176)
Total comprehensive expense		**(40,441)**	(32,514)

	Notes	31 December 2023 HK cents	31 December 2022 HK cents (restated)
Loss per share			
Basic and diluted	8	**(1.97)**	(1.74)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**31 December 2023** **HK$'000**	31 December 2022 HK$'000 (restated)	1 January 2022 HK$'000 (restated)
ASSETS				
Non-current assets				
Property and equipment		**367**	1,014	1,696
Right-of-use asset		**508**	1,270	2,031
Total non-current assets		**875**	2,284	3,727
Current assets				
Inventories		**58,498**	66,583	72,364
Trade and retention receivables	*10*	**14,138**	22,777	24,881
Contract assets	*3*	**110,478**	145,446	169,489
Deposits, prepayments and other receivables		**5,584**	887	1,301
Amount due from a related company		**–**	1	1
Amount due from a director		**–**	5,189	–
Tax recoverable		**194**	194	194
Bank balances and cash		**507**	1,319	2,833
Total current assets		**189,399**	242,396	271,063
Total assets		**190,274**	244,680	274,790
EQUITY				
Share capital	*13*	**21,462**	13,315	12,472
Accumulated losses		**(126,631)**	(86,182)	(53,844)
Reserves		**140,414**	131,056	117,075
Total equity		**35,245**	58,189	75,703
LIABILITIES				
Non-current liabilities				
Lease liability		**–**	440	1,075
Loans from directors		**26,484**	56,890	80,550
Total non-current liabilities		**26,484**	57,330	81,625

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2023

	Notes	**31 December 2023** *HK$'000*	31 December 2022 *HK$'000* (restated)	1 January 2022 *HK$'000* (restated)
Current liabilities				
Trade and retention payables	*11*	**43,542**	44,312	42,778
Accruals and other payables		**37,007**	32,110	17,540
Contract liabilities	*3*	**10,741**	5,403	5,500
Amount due to a director		**–**	–	6,343
Amount due to related parties		**–**	2,915	1,101
Lease liability		**440**	635	605
Bank borrowings	*12*	**33,152**	36,555	42,877
Convertible bonds		**–**	5,148	–
Tax payables		**3,663**	2,083	718
Total current liabilities		**128,545**	129,161	117,462
Total liabilities		**155,029**	186,491	199,087
Total equity and liabilities		**190,274**	244,680	274,790

NOTES:

1 BASIS OF PREPARATION

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

During the year, the Group commenced the business in the People's Republic of China (the "**PRC**") along with the acquisition of Pacific Mining Industry Limited and its subsidiaries (the "**PMG China Group**") (as detailed in below).

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

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

Pursuant thereto, the Purchaser has to buy the entire issued share capital of Pacific Mining Industry Limited, the initial sum of consideration was satisfied by (i) of which HK$50,000,000 through allotment and issue of 588,235,294 share of the Company at an Issue Price to the Vendor on the completion date and (ii) remaining of HK$50,000,000 through allotment and issue of 588,235,294 share of the Company to the Vendor at an Issue Price subject to adjustments (see note 16) based on the satisfactory of the Guaranteed Profits in the Guaranteed Period within 14 business days after the review report on the consolidated results of PMG China Group for the year ended 31 December 2023 be issued.

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

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

The acquisition was completed on 24 November 2023. The Purchaser and the PMG China Group were both ultimately controlled by Mr. Lui Yue Yun, Gary, the ultimate controlling shareholder of the Company, before and after the acquisition, therefore, the acquisition of PMG China Group was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG 5**") issued by the HKICPA. Accordingly, the acquired PMG China Group was included in the consolidated financial statements from the beginning of the earliest period presented as if PMG China Group acquired had always been part of the Group. As a result, the Group has included the operating results of PMG China Group as if the acquisition had been completed on the earliest date being presented , i.e., 1 January 2022. The consolidated statement of financial position of the Group as at 31 December 2022 was restated to include the assets and liabilities of PMG China Group and its business. The followings are the reconciliation of the effect arising from the business acquisition under common control on the consolidated statement of financial position as at 1 January 2022 and 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

(i) The effect of restatements described above on the consolidated statement of profit or loss and other comprehensive for the year ended 31 December 2022 by line items is as follows:

	Year ended 31 December 2022 (as Originally stated) *HK$'000*	**Business combination under common control of PMG China** *HK$'000*	**Year ended 31 December 2022 (as restated)** *HK$'000*
Revenue from contracts with customers	91,686	38,708	130,394
Cost of sales	(76,751)	(22,289)	(99,040)
Gross profit	14,935	16,419	31,354
Other income	1,244	542	1,786
Impairment losses under expected credit losses model net, of reversal			
— trade and retention receivables	(2,864)	(231)	(3,095)
— contract assets	(27,589)	(145)	(27,734)
Administrative expenses	(22,560)	(2,400)	(24,960)
Operating (loss) profit	**(36,834)**	**14,185**	**(22,649)**
Finance costs	(7,573)	–	(7,573)
(Loss) profit before taxation	**(44,407)**	**14,185**	**(30,222)**
Income tax expense	–	(2,116)	(2,116)
(Loss) profit for the year	**(44,407)**	**12,069**	**(32,338)**
Other comprehensive expense:			
Exchange difference arising from translation of a foreign operation	–	(176)	(176)
Total comprehensive (expense) income for the year	(44,407)	11,893	(32,514)
(Loss) earnings per share (HK cents) *(Note 8)*	**(3.45)**	**1.71**	**(1.74)**

(ii) The effect of restatements described above on the consolidated statement of financial position as at 1 January 2022 is as follows:

	1 January 2022 (as Originally stated) *HK$'000*	Business of PMG China combination under common control of PMG China *HK$'000*	1 January 2022 (as restated) *HK$'000*
Non-current assets			
Property and equipments	1,696	–	1,696
Right-of-use asset	2,031	–	2,031
	3,727	–	3,727
Current assets			
Inventories	72,364	–	72,364
Trade and retention receivables	24,881	–	24,881
Contract assets	169,489	–	169,489
Deposits, prepayments and other receivables	1,301	–	1,301
Amount due from a related company	–	1	1
Tax recoverable	194	–	194
Bank balances and cash	2,680	153	2,833
	270,909	154	271,063
Current liabilities			
Trade and retention payables	42,778	–	42,778
Accruals and other payables	17,511	29	17,540
Contract liabilities	5,500	–	5,500
Amount due to a director	–	6,343	6,343
Amounts due to related parties	–	1,101	1,101
Lease liability	605	–	605
Bank borrowings	42,877	–	42,877
Tax payables	718	–	718
	109,989	7,473	117,462
Total assets less current liabilities	164,647	(7,319)	157,328
Non-current liabilities			
Lease liability	1,075	–	1,075
Loans from directors	80,550	–	80,550
	81,625	–	81,625
Net assets (liabilities)	83,022	(7,319)	75,703
Equity			
Share capital	12,472	–	12,472
Reserves	70,550	(7,319)	63,231
	83,022	(7,319)	75,703

(iii) The effect of restatements described above on the consolidated statement of financial position as at 31 December 2022 is as follows:

	31 December 2022 (as Originally stated) HK$'000	Business of PMG China combination under common control of PMG China HK$'000	31 December 2022 (as restated) HK$'000
Non-current assets			
Property and equipment	1,014	–	1,014
Right-of-use asset	1,270	–	1,270
	2,284	–	2,284
Current assets			
Inventories	66,583	–	66,583
Trade and retention receivables	18,301	4,476	22,777
Contract assets	142,432	3,014	145,446
Deposits, prepayments and other receivables	884	3	887
Amount due from a related company	–	1	1
Amount due from a director	–	5,189	5,189
Tax recoverable	194	–	194
Bank balances and cash	1,140	179	1,319
	229,534	12,862	242,396
Current liabilities			
Trade and retention payables	43,657	655	44,312
Accruals and other payables	31,389	721	32,110
Contract liability	3,476	1,927	5,403
Amounts due to related parties	–	2,915	2,915
Lease liabilities	635	–	635
Bank borrowings	36,555	–	36,555
Convertible bonds	5,148	–	5,148
Tax payables	13	2,070	2,083
	120,873	8,288	129,161
Total assets less current liabilities	110,945	4,574	115,519
Non-current liabilities			
Lease liability	440	–	440
Loans from directors	56,890	–	56,890
	57,330	–	57,330
Net assets	53,615	4,574	58,189
Equity			
Share capital	13,315	–	13,315
Reserves	40,300	4,574	44,874
	53,615	4,574	58,189

(b) Going concern basis

As the outbreak of Coronavirus Disease ("**COVID-19**") pandemic eased, most of anti-pandemic measures in Hong Kong were lifted in 2023, leading to a gradual normalization of the construction industry. Nonetheless, the industry is still facing many uncertainties arising from the global economic landscape.

Due to the difficult operation environment during COVID-19 period and the current year, construction projects of the Group were delayed and thus affecting the Group's receivables collection cycle. As a result, the Group could not repay bank borrowings in accordance to the repayment schedule and on maturity date as at year ended 31 December 2023.

For the year ended 31 December 2023, the Group reported a net loss for the year of approximately HK$40,449,000 (2022 (as restated): approximately HK$32,338,000). As at 31 December 2023, the Group's current bank borrowings was approximately HK$33,152,000 (2022: approximately HK$36,555,000), while its total bank balances and cash was approximately HK$507,000 (2022 (as restated): approximately HK$1,319,000).

For the entire bank borrowings with a total principal amount of approximately HK$33,152,000 as mentioned above were overdue as at 31 December 2023 (2022: approximately of HK$36,555,000 were overdue at 31 December 2022). In addition, default interests of approximately HK$646,000 (2022: approximately HK$1,365,000) have been charged to the profit or loss and while with approximately HK$2,996,000 included in accrual interest payables as at 31 December 2023 (2022: approximately HK$3,971,000). The Group is unable to draw down new borrowings from its bank facilities and any further draw down would be subject to the approvals by the relevant banks. 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 2023 and 31 December 2022.

In accordance with the underlying bank facilities letters, performance bonds issued through one of the bank aforementioned of HK$3,705,000 (2022: HK$3,705,000) might be cancelled by the bank, which might result in non-compliance with the relevant construction contracts if the Group is unable to replace them with other equivalent performance bonds.

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 announcement, 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 cancellation of the performance bonds in the forthcoming period;

(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 2023, such loans amounted to HK$26,484,000 are unsecured and repayable on 30 June 2026 and interest bearing ranged at 2% to 5% per annum; should there is need arisen, the executive director will further extend the facilities amounts increased by approximately HK$10,000,000, subject to further negotiation with the Company for the terms and conditions; and

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

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 31 December 2023. 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 2023. 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 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Application of new and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and 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.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined
[2] Effective for annual periods beginning on or after 1 January 2024
[3] Effective for annual periods beginning on or after 1 January 2025

The directors of the Company anticipate that the application of the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

(a) Revenue from contracts with customers

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

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
		(restated)
Supply and installation service	**24,499**	99,899
Stone sales	**52,700**	30,495
	77,199	130,394
Timing of revenue recognition:		
Over time	**24,499**	99,899
At a point of time	**52,700**	30,495
	77,199	130,394

(b) Segment information

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

Following the acquisition of the PMG China Group which principally engaged in the supply, installation and trading of marble and granite and other marble related business in the PRC, the Group's CODM has expanded its operating segments for further geographical location in the PRC. As a result of such changes occurred during the year ended 31 December 2023, prior year's corresponding segment information that is presented for comparative purposes has been restated to conform with AG 5 issued by the HKICPA as a result of the acquisition of the PMG China which is detailed in Note 1(a).

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

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
		(restated)
Hong Kong	**41,260**	91,347
PRC	**35,858**	38,708
Macau	**81**	339
	77,199	130,394

(c) Information about major customers

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

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
		(restated)
Customer A *(Notes (i))*	**–**	31,441
Customer B *(Notes (i))*	**–**	21,332
Customer C *(Notes (ii))*	**–**	20,600
Customer D *(Notes (iii))*	**26,072**	23,134
Customer E *(Notes (iv))*	**–**	28,476
Customer F *(Notes (v))*	**11,787**	–

Notes:

(i) The revenue was generated from the supply and installation of marble product and stone sales in Hong Kong and contributed as less than 10% of revenue for the year ended 31 December 2023.

(ii) The revenue was generated from the supply and installation of marble product in Hong Kong and contributed as less than 10% of revenue for the year ended 31 December 2023.

(iii) The revenue was generated from stone sales in the PRC.

(iv) The revenue was generated from the supply and installation of marble product in the PRC and contributed as less than 10% of revenue for the year ended 31 December 2023.

(v) The revenue was generated from stone sale in Hong Kong and contributed as less than 10% of revenue for the year ended 31 December 2022.

(d) Assets and liabilities related to contracts with customers

(i) Contract assets

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

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
Contract assets arisen from provision of supply and installation of marble and granite services	**215,401**	220,918
Less: loss allowances	**(104,923)**	(75,472)
	110,478	145,446

As at 1 January 2022, gross carrying amount of contract assets amounted to HK$217,227,000.

(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 as referred to contractual arrangement mentioned above.

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
Contract liabilities arising from		
— provision of supply and installation of marble and granite service	**8,551**	5,403
— trading of marble and granite	**2,190**	–
	10,741	5,403

As at 1 January 2022, contract liabilities amounted to approximately HK$5,500,000. The following table shows how much of revenue recognised during the years ended 31 December 2023 and 2022 related to contract liabilities at the beginning of the year:

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liability balance at the beginning of the period	**5,403**	5,500

The contract liabilities as at the year ended 31 December 2023 are expected to be recognised as revenue in one year.

4 OTHER INCOME

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000* (restated)
Government grants *(Note)*	**–**	915
Consultant service income	**–**	542
Others	**5**	329
	5	1,786

Note:

Wage subsidies of approximately 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.

5 LOSS BEFORE TAXATION

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000* (restated)
(a) Employee benefit expenses		
Wages, salaries and bonuses (including directors' emoluments)	**13,875**	14,409
Retirement benefit costs — defined contribution plans	**480**	373
Less: amounts included in construction cost	**(3,087)**	(3,499)
	11,268	11,283
(b) Other items		
Cost of inventories	**38,297**	17,354
Construction cost recognised in cost of sales	**14,953**	81,686
Auditor's remuneration		
— Audit services	**1,200**	1,080
— Non-audit services	**600**	–
Depreciation — plant and equipment	**647**	706
Depreciation — right-of-use asset	**761**	761
Short-term leases payments	**182**	103

6 FINANCE COSTS

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000*
Interests on:		
— Bank overdrafts	**570**	518
— Trust receipt loans	**1,899**	3,069
— Bank borrowings	**527**	383
— Lease liability	**38**	68
— Loans from directors	**2,101**	3,337
— Others	**87**	198
	5,222	7,573

7 INCOME TAX EXPENSE

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000* (restated)
Current tax		
— PRC Enterprise Income Tax ("**EIT**")	**237**	607
— Hong Kong Profits Tax	**1,675**	1,509
	1,912	2,116

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

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8 LOSS PER SHARE

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000* (restated)
Loss for the year		
Loss attributable to owners of the Company, used in calculating basic and diluted loss per share:	**(40,449)**	(32,338)

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.

	31 December 2023 *HK Cents*	31 December 2022 *HK Cents* (restated)
Total basic loss per share attributable to the owners of the Company	**(1.97)**	(1.74)

	2023 ***(In thousand)***	2022 *(In thousand)*
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**2,057,204**	1,863,460

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

No diluted loss per share for the year ended 31 December 2023 was presented as there were no potential ordinary shares in issue. For the year ended 31 December 2022, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in a decrease in loss per share.

9 DIVIDENDS

The Board resolved not to propose final dividend for the year ended 31 December 2023 (2022: Nil) at the forthcoming Annual General Meeting.

10 TRADE AND RETENTION RECEIVABLES

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000* (restated)
Trade receivables	**6,514**	11,559
Retention receivables	**24,720**	21,540
	31,234	33,099
Less: loss allowance	**(17,096)**	(10,322)
	14,138	22,777

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

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000*
Up to 30 days	**1,444**	3,806
31–60 days	**705**	1,566
61–90 days	**–**	151
Over 90 days	**4,365**	6,036
	6,514	11,559

11 TRADE AND RETENTION PAYABLES

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

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000* (restated)
Trade payables	**27,569**	27,717
Retention payables	**15,973**	16,595
	43,542	44,312

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

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000* (restated)
Up to 30 days	**1,746**	1,926
31–60 days	**850**	1,867
61–90 days	**265**	1,381
Over 90 days	**24,708**	22,543
	27,569	27,717

12 BANK BORROWINGS

	31 December 2023 *HK$'000*	31 December 2022 *HK$'000*
Bank overdrafts	**9,287**	10,317
Term loan — secured *(note i)*	**3,500**	3,500
Trust receipt loans — secured *(note ii)*	**19,365**	21,088
Revolving loans — secured *(note iii)*	**1,000**	1,650
Total borrowings	**33,152**	36,555

Note:

i) At 31 December 2023, the bank borrowings were carried at variable interest rate at prime rate -2.5% with an effective interest rate of 3.63% (2022: 3.38%) per annum. It is the SME Business Loan proposed by the HKSAR.

ii) At 31 December 2023, the bank borrowings were carried at variable interest rate ranged at Hong Kong Interbank Offered Rate ("HIBOR") + 2.75% to 3.00% with an effective interest rate from 8.02% to 8.27% (2022: 7.10% to 7.35%) per annum.

iii) At 31 December 2023, the bank borrowings were carried at variable interest rate at HIBOR + 3.00% at effective interest rate of 8.27% (2022: 7.35%) per annum.

iv) All of the bank borrowings and bank overdrafts are overdue and the banks have the overriding right to demand for immediate repayment as at 31 December 2023 and 2022.

v) As at 31 December 2023 and 2022, bank facilities granted to the Group are secured by the followings:

(a) Trade and retention receivables of HK$3,769,000 (2022: HK$3,981,000) *(note 10)*

(b) Contract assets of HK$64,581,000 (2022: HK$98,175,000) as at 31 December 2023 *(note 3)*

(c) Cross guarantees by the Group's subsidiaries (2022: same).

13 SHARE CAPITAL

	Issued and fully paid	
	Number of shares	**Amount**
		HK$'000
Ordinary share of HK$0.01 each:		
Authorised:		
At 1 January 2022, 31 December 2022 and 1 January 2023	**3,000,000,000**	**30,000**
Increase in authorised share capital	**2,000,000,000**	**20,000**
At 31 December 2023	**5,000,000,000**	**50,000**
Issued and fully paid:		
At 1 January 2022	1,247,200,000	12,472
Shares issued upon conversion of convertible bonds	84,269,661	843
At 31 December 2022 and 1 January 2023	1,331,469,661	13,315
Shares issued upon conversion of convertible bonds	**115,730,339**	**1,157**
Shares issued and allotted	**110,766,341**	**1,108**
Shares issued as consideration for acquisition under common control	**588,235,294**	**5,882**
At 31 December 2023	**2,146,201,635**	**21,462**

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

14 SHARE-BASED PAYMENTS

The establishment of the Company's Share Option Scheme was approved by the Board of Directors (including all the Independent Non-Executive Directors). The Share Option Scheme is designed to provide long-term incentives for grantees to deliver long-term shareholder returns. Except for the share options granted to the Directors, the share options granted are conditional upon achievement of certain performance target. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

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

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

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

There was no outstanding share option as at 31 December 2023 and 2022.

15 CONTINGENCIES

Performance bonds

As at 31 December 2023, the Group has issued performance bonds in respect of construction contracts through the bank amounted to HK$3,705,000 (2022: HK$3,705,000).

Legal cases

During the year ended 31 December 2023, 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 announcement, 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 announcement, 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.

16 EVENTS AFTER THE END OF THE REPORTING PERIOD

Pursuant to the sale and purchase agreement for the acquisition of the entire issued share capital of PMG China Group , it is explicitly stated that the Vendor and the Purchaser have provided a guarantee and warranty to the Company. This assurance pertains to the audited consolidated net profit of PMG China Group for the designated “Guaranteed Period” and stipulates that it shall not fall below HK$18,000,000, which is referred to as the “Guaranteed Profit.” Should the Actual Profit of PMG China Group during this period be lower than the Guaranteed Profit, the consideration will be adjusted proportionately, taking into account the shortfall in Guaranteed Profits. The precise details concerning the calculation of the compensation can be found in the Group's circular dated 24 October 2023.

As it stands, the Actual Profit achieved for the Guaranteed Period amounts to approximately HK$8,500,000, indicating that the Guaranteed Profit has not been met. Consequently, the fair value of the profit guarantee has been determined based on the adjusted consideration. This has resulted in the recognition of a fair value gain of HK$2,850,000 on contingent consideration as of 31 December 2023 and included in “deposits, prepayments and other receivables” under the consolidated statements of financial position as at year ended 31 December 2023.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023, issued by CL Partners CPA Limited ("**CL partners**"), the Company's external auditor:

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

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

As described in Note 1(b) above, the Group reported a net loss of approximately HK$40,449,000 for the year ended 31 December 2023. As at 31 December 2023, the Group's current bank borrowings was approximately HK$33,152,000 was approximately, while its total bank balances and cash was approximately HK$507,000.

For the entire bank borrowings with a total principal amount of approximately HK$33,152,000 as mentioned above were overdue and were in default as at 31 December 2023. In addition, default interests of approximately HK$646,000 have been charged to the unsettled overdue borrowings by the respective banks and with an aggregate amounts of approximately HK$2,996,000 included in accrual interest payables as at 31 December 2023. All bank borrowings would be immediately repayable if requested by the banks formally in accordance with the underlying bank facilities letters.

The above conditions, along with other matters as set forth in Note 1b to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As detailed in Note 1b to the consolidated financial statements, in view of the above circumstances, the directors of the Company have prepared a cash flow forecast of the Group which takes into account certain plans and measures covering a period of not less than twelve months from 31 December 2023. The validity of the going concern assumption is dependent on the successful and favourable outcomes of these plans and measures, as mentioned in Note 1b to the consolidated financial statements, being undertaken by the management of the Group. The director of the Company are in the opinion that, considering the plans and measures described in Note 1b which improve the liquidity and financial position of the Group, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023 and would be able to continue as a going concern. Accordingly, the directors of the Company prepare the consolidated financial statements on a going concern basis.

The appropriateness of the preparation of the consolidated financial statements on the going concern basis depends on whether the plans and measures, as mentioned in Note 1b to the consolidated financial statements, taken into account by the directors of the Company in the going concern assessment are achievable.

The consolidated financial statements had been prepared on a going concern basis, the validity of which depends on the outcome of those plans and measures as mentioned in Note 1(b) to the consolidated financial statements, which are subject to multiple uncertainties.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the events or conditions underpinning the cash flow forecast of the Group for going concern assessment are reasonable and supportable because of

(i) the lack of sufficient supporting basis from the management on the successfulness of negotiation with the banks on restructuring or extension of repayment terms of bank borrowings and accrued interests; and

(ii) the lack of sufficient supporting basis that the improvement of future operating results and cash flows would be realised, in particular, the uncertainty of outcome of those plans and measures and how variability in outcome would affect the future cash flows of the Group.

There were no other satisfactory audit procedures that we could adopt to conclude whether it is appropriate to use the going concern assumption to prepare these consolidated financial statements.

Should the Group fail to achieve the plans and measures, as mentioned in Note 1b to the consolidated financial statements, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in these consolidated financial statements.

RESULT

As the COVID-19 pandemic eased, most of anti-pandemic measures in Hong Kong were lifted in 2023, leading to a gradual normalization of the construction industry. Nonetheless, the industry is still facing many uncertainties arising from the global economic landscape, including high inflation and interest rates, geopolitical tensions, environmental concerns, and a scarcity of skilled labor in Hong Kong, potentially impeding industry growth.

The Group experienced a decrease in revenue for the year ended 31 December 2023 which is mainly due to several large projects reaching the completion stage and the newly awarded large projects have not yet commenced during the current year.

For the year ended 31 December 2023, the Group recorded a revenue of approximately HK$77.2 million (2022 (restated): approximately HK$130.4 million), representing a decrease of 40.8% compared with that in the year ended 31 December 2022. The Group also recorded an decrease of gross profit for the year ended 31 December 2023 (2023: approximately HK$23.9 million; 2022 (restated): approximately HK$31.4 million), representing a decrease of 23.9%.

The management had made provision for loss allowance of the contract assets and trade and retention receivable, in total of approximately HK$36.2 million (2022 (restated): approximately HK$30.8 million) for certain projects based on the impairment assessment.

In the current year, the Group's administrative expenses was approximately HK$20.7 million (2022 (restated): approximately HK$25.0 million), representing a decrease of approximately HK$4.3 million or 17.2%.

Due to the combination of the factors above, the Group recorded a loss before taxation and total comprehensive expense of approximately HK$38.5 million (2022 (restated): approximately HK$30.2 million) for the year ended 31 December 2023, representing a decrease in loss of approximately HK$8.3 million or 27.5%.

FINANCIAL POSITION

The Group's net asset was approximately HK$35.2 million (2022 (restated): approximately HK$58.2 million). The key assets as at 31 December 2023 were contract assets, inventories, trade and retention receivables and bank balances and cash.

Contract assets represented the Group's construction work in progress as at the reporting date. As at 31 December 2023, the outstanding contract assets on hand was approximately HK$110.5 million, representing an edged down of 24.0% over the same period in 2022. 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 2023, the trade and retention receivables was approximately HK$14.1 million, representing a decrease of 38.1% compared to last year. This was due to the decrease 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.

The key liabilities of the Group as at 31 December 2023 were the trade and retention payables, bank borrowings and loans from Directors of the Company.

Trade and retention payables represents the amounts due to subcontractors and suppliers of the Group. As at 31 December 2023, there was no significant change in the trade and retention payables position.

The Group's bank borrowings were mainly used for its operation purpose. As at 31 December 2023, all bank borrowings with a total principal amount of approximately HK$33.2 million (2022: approximately HK$36.6 million) were overdue. The total bank borrowings were reduced from approximately HK$36.6 million in 2022 to approximately HK$33.2 million in 2023. 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 Directors of the Company were provided to support the Group's operating and financing activities. Most of the loans from Directors were utilised to settle the overdue bank borrowings.

INDUSTRY REVIEW

In 2023, the industry was recovering slowly. The management had tried the best to get the operations back on track as effectively and efficiently by closely working with its consumers, suppliers and subcontractors.

Nevertheless, the overall Hong Kong economy needs time to recover. The performance of the 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 Posed negative impact on the performance of the construction sector in Hong Kong, resulting in the thinner profit margin for the Group.

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

GROUP PERFORMANCE

During the year, the Group's performance future declined due to the dropping of overall tendering numbers and the volumes of the work. For the year ended 31 December 2023, the Group recorded a loss for the year of approximately HK$40.4 million (2022 (restated): HK$32.3 million).

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

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

In considering the weak economic environment in Hong Kong, the possibilities of doubtful debts and other relevant factors which may affect adversely on the business cycles of the Group, the provision for loss allowance of the contract assets, trade and retention receivables and other receivables of approximately HK$36.2 million (2022 (restated): HK$30.8 million) was made.

Having considered the Group's performance in Hong Kong and Macau, as well as other relevant factors, the Group had taken the step 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 People Republic's of China (the "**PRC**") though a Very Substantial Acquisition and Connected Transaction which completed on 24 November 2023.

The Directors 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 in the future.

Revenue

The Group generated revenue from the foundation projects we undertook. The Group recorded a revenue of approximately HK$77.2 million for the year ended 31 December 2023 (2022 (restated): HK$130.4 million), representing a decrease of 40.8% compared with that in the year ended 31 December 2022.

Hong Kong

Revenue generated from the Hong Kong construction project decreased by approximately HK$75.4 million or 75.5% in 2023. The decrease was mainly due to several large projects reality the completion stage and the newly awarded large projects have not yet commenced during the current year.

Macau

Revenue in Macau had decreased by approximately HK$0.3 million or 76.1% in 2023. The decrease was mainly due to several projects reaching the completion stage during the year and there were less tendering activities in Macau given the weak economy in 2023.

Gross profit and margin

The Group's gross profit decreased from approximately HK$31.4 million to approximately HK$23.9 million, representing approximately HK$7.5 million or 23.9% decrease as compared with the gross profit for the corresponding period in 2022. There was an increase in gross profit margin from approximately 24.0% in 2022 to 31.0% in 2023.

Administrative expenses

The administrative expenses of the Group in 2023 was approximately HK$20.7 million, representing an decrease of approximately HK$4.3 million or 17.2% as compared to approximately HK$25.0 million in 2022. The decrease was mainly due to the decrease in professional fees associated with the issuance of convertible bonds and management fee.

Loss attributable to owners of the Company

Based on the above, loss attributable to equity holders of the Company was approximately HK$40.4 million for the year ended 31 December 2023 (2022 (restated): HK$32.3 million).

Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 December 2023 (2022: same).

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 2023, the capital structure of the Group consisted of equity of approximately HK$35.2 million (31 December 2022 (restated): HK$58.2 million) and debt of approximately HK$59.6 million (31 December 2022 (restated): HK$98.6 million). For details, please refer to the paragraph headed "Bank borrowings" below.

Due to the difficult operation environment in years 2022 and 2023, most of the construction projects of the Group were delayed and thus the receivables collection cycle had unexpectedly procrastinated. As a result, the Group failed to repay certain trust receipt loans to the banks by the due date as at 31 December 2023.

As at the years ended 31 December 2022 and 2023 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.

Based on the cash flow projections cover a period of not less than twelve months from 31 December 2023 and the measurements mentioned in Note 1(a), the Group is expected to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. The Group remains committed to a high degree of financial control, a prudent risk management and a full utilisation of financial resources.

Cash position and fund available

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

As at 31 December 2023, the current ratio of the Group was approximately 1.47 times (31 December 2022 (restated): 1.88 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 2023, the Group's gearing ratio was 62.7% (31 December 2022 (restated): 62.6%). It was calculated as the net debts (loans from Directors, bank borrowings and convertible notes less the bank and cash balance) divided by the total capital as at the end of the respective years and multiplied by 100%. As at 31 December 2023, the Group's bank and cash balance were approximately HK$0.5 million (31 December 2022 (restated): HK$1.3 million). The decrease in cash and cash equivalents was mainly due to repayment of bank borrowings.

Bank borrowings

As at 31 December 2023, the Group had total bank borrowings of approximately HK$33.1 million (31 December 2022 (restated): HK$36.6 million). The Group has not renewed its banking facilities since late 2020.

Finance costs, net

Net finance costs decreased from HK$7.6 million to HK$5.2 million for the year ended 31 December 2023. The decrease was mainly due to the settlement of the outstanding bank loans 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.

FOREIGN EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 31 December 2023, the Group has issued performance bonds in respect of construction contracts through the bank amounted to HK$3,705,000 (2022: HK$3,705,000).

HUMAN RESOURCES

As at 31 December 2023, the Group had 17 full-time employees who were directly employed by the Group. Total staff costs including Directors' emoluments for the year ended 31 December 2023, amounted to approximately HK$11.3 million (2022 (restated): approximately HK$11.3 million). The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee. During the year ended 31 December 2023, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

Pursuant thereto, the Company has to buy the entire issued share capital of Pacific Mining Industry Limited, the initial sum of consideration was satisfied by (i) of which HK$50,000,000 through allotment and issue of 588,235,294 share of the Company at an issued price of HK$0.085 per share to the Vendor on the completion date and (ii) remaining of HK$50,000,000 through allotment and issue of 588,235,294 share of the Company to the Vendor at an issued price of HK$0.085 per share subject to adjustments based on the satisfactory of the Guaranteed Profits in the Guaranteed Period within 14 business days after the review report on the consolidated results of PMG China Group for the year ended 31 December 2023 be issued.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control and to enhance the transparency and accountability of the Board to all Shareholders. Except for the disclosure below, the Company had complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Chairman and Chief Executive Officer

The roles of the chairman and chief executive of the Company have not been segregated as required by the code provision A.2.1 of the Code. Mr. Lui Yue Yun Gary is the chairman of the Company and the founder of the Group. The Board considers that vesting the roles of both chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is adequately ensured by the Board which comprise experienced and high caliber individuals with a sufficient number of them being independent non-executive directors of the Company ("**Independent Non-Executive Directors**"). Therefore, it has a strong independent element in its composition.

Full details on the Company's corporate governance practices will be set out in the Company's 2023 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2023.

AUDIT COMMITTEE

The Audit Committee, with its terms of reference established in compliance with the Listing Rules, is composed of four Independent Non-Executive Directors (Mr. Ko Tsz Kin, Mr. Lam Lap Sing, Mr. Wong Yue Fai and Mr. Nie Kin Kwok Kevin). The Audit Committee has reviewed the management and accounting policies adopted by the Group and discussed auditing issues, risk management and internal control system, and financial reporting matters. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2023. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, CL Partners, Certified Public Accountants, Hong Kong.

REMUNERATION COMMITTEE

The Remuneration Committee, with its terms of reference established in compliance with the Listing Rules, was set up with the responsibility of making recommendations to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee is composed of the Chairman of the Board (Mr. Lui Yue Yun Gary) and two Independent Non-Executive Directors (Mr. Lam Lap Sing and Mr. Ko Tsz Kin).

NOMINATION COMMITTEE

The Nomination Committee, with its terms of reference established in compliance with the Listing Rules, is composed of the Chairman of the Board (Mr. Lui Yue Yun Gary) and two Independent Non-Executive Directors (Mr. Lam Lap Sing 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.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, CL Partners, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by CL Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CL Partners on the preliminary announcement. The Audit Committee has reviewed the annual results for the year ended 31 December 2023.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2023. They are of the opinion that, based on the cash flow projections and taking into account the plans and measures disclosed in note 1(b) of this announcement, 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 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis. However, this conclusion is based on the assumptions. Should the various measures stated in note 1(b) not achievable, nor the Group's operating and/or financial situations be worsen in the future, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. These conditions, along with other matters as set forth in note 1(b) of this announcement, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Directors would like to draw shareholders and potential investors' attention to the relevant section and the "Exact From the Independent Auditor's Report" in this announcement.

ANNUAL REPORT

The 2023 Annual Report will be despatched to shareholders and will be published on the websites of the Stock Exchange (www.hkex.com.hk) as well as the website of the Company (www.anchorstone.com.hk) in due course.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 28 June 2024. Notice of Annual General Meeting will be published on the websites of the Stock Exchange and the Company, and despatched to Shareholders in due course.

Shareholders whose names appear on the register of members of the Company on 28 June 2024 are entitled to attend and vote at the AGM. The register of members of the Company will be closed from Monday, 24 June 2024 to Friday, 28 June 2024, both days inclusive. 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 Friday, 21 June 2024.

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Executive Directors are Mr. Lui Yue Yun Gary, Mr. Lui Edwin Wing Yiu and Mr. Fung Wai Hang, the non-executive Director is Ms. Lui Natalie Po Wai and the Independent Non-Executive Directors are Mr. Ko Tsz Kin, Mr. Lam Lap Sing, Mr. Wong Yue Fai and Mr. Nie Kin Kwok Kevin.