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**ANCHORSTONE**

**Anchorstone Holdings Limited**

**基石控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1592)**

## **LETTER OF INTENT**

### **IN RELATION TO A POSSIBLE ACQUISITION**

This announcement is made by Anchorstone Holdings Limited (the “**Company**”) pursuant to Rule 13.09(1) of the Listing Rules.

#### **THE LETTER OF INTENT**

The board (“**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that on 20 September 2022 (after trading hours of the Stock Exchange), the Company and the Vendor entered into a non-legally binding Letter of Intent in relation to a possible acquisition (the “**Potential Transaction**”).

Pursuant to the Letter of Intent, it is proposed that the Company will acquire from the Vendor and the Vendor shall sell and/or procure the sale of the entire issued share capital of the Target Company. The Target Company and its subsidiaries (the “**Target Group**”) are principally engaged in the supply and installation of marble and granite and other marble related business in the PRC.

#### **Assets to be acquired**

The entire issue share capital of the Target Company.

#### **Consideration**

The consideration for the sale and purchase of the Potential Transaction will be determined after arm’s length negotiation between the parties and to be satisfied in such manner as to be provided in the Formal Sale and Purchase Agreement. The consideration of the entire issued share capital of the Target Company shall be not more than HK\$100,000,000 and is intended to be settled by the issuance of shares by the Company to the Vendor. The consideration of

is subject to further negotiation of the profit guarantee to be agreed with the Vendor, which the consolidated net profit after taxation of the Target Company for the financial years ending 31 December 2022 and 2023 shall not be less than HK\$10,000,000 and HK\$15,000,000, respectively.

Other terms of the Potential Transaction will be subject to agreement between the Company and the Vendor, including the valuation of the Target Group which will be conducted by an independent professional valuer.

### **Due Diligence Review**

The Company shall have up to 3 months from the date of the Letter of Intent to conduct a due diligence review the financial, legal and other affairs of the Target Group as it may consider appropriate and the Vendor will provide such assistance as the Company may require in connection with such review.

The parties are expected to sign the Formal Sale and Purchase Agreement as soon as possible upon completion of the due diligence review. The Company shall notify the Vendor in writing whether or not it is satisfied with the result of the due diligence review on the Target Group.

### **Completion**

The parties shall complete the Potential Transaction on the completion date and deliver to the other party such documents which are customarily required to be delivered in transactions of a similar nature to the Potential Transaction.

### **Exclusivity**

Pursuant to the Letter of Intent, the Vendor undertakes not to enter into discussions or agreement(s) to, sell, dispose of or otherwise encumber the assets to be acquired under this Letter of Intent and/or the business(es) of the Target Group to, and/or enter into any transaction(s) of similar nature to the Potential Transaction with, any party (other than the Purchaser) during the due diligence review period.

### **Non-legally binding nature of the Letter of Intent**

The Letter of Intent is non-legally binding, save for the provisions relating to exclusivity and confidentiality.

### **Termination**

The Letter of Intent shall be terminated either by mutual consent or the entering into of the Formal Sale and Purchase Agreement. Neither the Company nor the Vendor shall be liable to the other party in the event the proposed Potential Transaction is not consummated or the Letter of Intent is terminated pursuant to the terms thereof.

## **REASONS FOR AND BENEFIT OF THE POTENTIAL TRANSACTION**

The Company and its subsidiaries (together the “**Group**”) is a leading building construction subcontractor in Hong Kong specialising primarily in the supply and installation of marble and granite for construction projects in Hong Kong and Macau. However, the overall performance of the Hong Kong and Macau construction industry in the recent years was not satisfactory under the impact of COVID-19, the uncertainty of the local property market and the increasing cost of building materials and construction labour costs.

Having considered the above and with the view to diversify and expand the geographical coverage of the principal business of the Group, the management of the Company intends to enter into the market for the supply and distribution of marble and granite products in the PRC. Pursuant to the deed of non-competition dated 11 June 2018 and given by Mr. Lui Yue Yun Gary (the chairman and an executive Director of the Company) in favour of the Company, Mr. Lui Yue Yun Gary, being the substantial shareholder of the Company, will not carry on or participate in any business which is or may be in competition with the business currently and from time to time engaged by the Group. In view of avoiding any competing business with each other, it was resolved that the Group will tap into the sales and distribution business of marble and granite products in the PRC through the Potential Transaction.

As the Target Group is involved in the supply and distribution of marble and granite and other marble related business in the PRC, the Directors of the Company consider that the Potential Transaction, if materialises, will open up the PRC market and will create synergy to the Group. Currently, the total contract sums of the Target Group were approximately RMB60 million. 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.

## **LISTING RULES IMPLICATIONS**

Based on the information available to the Company, the Potential Transaction (if proceeded with) may constitute a major transaction for the Company under the Listing Rules. By virtue of Mr. Lui Yue Yun Gary, being the substantial shareholder, an executive Director and the chairman of the Company, is also the Vendor in the Potential Transaction, the Vendor is a connected person (as defined in the Listing Rules) of the Company under Chapter 14A of the Listing Rules. Therefore, the Potential Transaction also constitutes a connected transaction for the Company under the Listing Rules. Further announcement(s) in relation to the Potential Transaction in compliance with the Listing Rules will be issued as and when appropriate.

**As the Potential Transaction may or may not materialise, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“Company”	Anchorstone Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Formal Sale and Purchase Agreement”	the formal sale and purchase agreement which may or may not be entered into by the Company and the potential Vendor in relation to the Potential Transaction
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Potential Transaction”	the intended sale and purchase of the entire shareholding interest in the Target Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”

Pacific Mining Industry Limited, a company incorporated in the British Virgin Islands with limited liability which Mr. Lui Yue Yun Gary is the ultimate beneficial owner. As at the date of the Letter of Intent, its major subsidiaries are (i) PMG (China) Limited, a company incorporated in Hong Kong with limited liability; and (ii) 廈門亞太宏康石業有限公司 (Xiamen Yatai Hongkang Marble Limited)\*, a wholly foreign owned enterprise established under the laws of the PRC on 14 December 2015, which is principally engaged in the supply and installation of marble and granite and the related marble business in the PRC

“Vendor”

Mr. Lui Yue Yun Gary, the substantial shareholder, an executive Director and the chairman of the Company

The English names of the PRC entities mentioned in this announcement which are marked with “\*” are translated or transliterated from their Chinese names and are for identification purposes only.

By Order of the Board  
**Anchorstone Holdings Limited**  
**Fung Wai Hang**  
*Executive Director and Company Secretary*

Hong Kong, 20 September 2022

*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, and the independent non-executive Directors are Mr. Ko Tsz Kin and Mr. Ng Yau Wah Daniel.*