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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)

**MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY INVOLVING
THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

Financial adviser to the Company



**中國通海企業融資
CHINA TONGHAI CAPITAL**

THE ACQUISITION

The Board is pleased to announce that on 18 November 2022 (after trading hours), the Vendor, the Vendor's Guarantor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, which holds Xiamen Yatai through PMG China. The Consideration for the Acquisition is HK\$100,000,000 (subject to Adjustment), which shall be satisfied by the allotment and issue of the Consideration Shares at the Issue Price under the Specific Mandate to be sought by the Company at the EGM.

After Completion, the Purchaser will hold the entire issued share capital of the Target Company. As a result, the Target Company, PMG China and Xiamen Yatai will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

The Consideration Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares represent (i) approximately 44.87% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 30.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (subject to Adjustment and assuming that there will be no change in the issued share capital of the Company other than the allotment and issue of Consideration Shares).

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 25% but all of them are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is ultimately beneficially owned as to 100% by Mr. Lui, being an executive Director, the chairman of the Board, the chief executive officer of the Group and a controlling shareholder of the Company. Accordingly, the Vendor is an associate of Mr. Lui and a connected person of the Company. The Acquisition therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass ordinary resolution(s) to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition and the issue of the Consideration Shares under the Specific Mandate.

As Mr. Lui has a material interest in the Acquisition, he and his associates (including PMG Investments Limited) are required to abstain from voting at the EGM on the resolution(s) approving the same. Save for the aforementioned and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder has a material interest in the Acquisition and is required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition and the issue of the Consideration Shares under the Specific Mandate at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition and the issue of the Consideration Shares under the Specific Mandate, (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (iv) financial information of the Group and the Target Group; (v) other information required under the Listing Rules; and (vi) a notice of the EGM, is expected to be despatched to the Shareholders on or before 19 December 2022, which is more than 15 Business Days after the publication of this announcement as additional time is required for the preparation of the relevant information to be included in the circular.

As the Completion is subject to the satisfaction or waiver (if applicable) of certain Conditions Precedent, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE ACQUISITION

Reference is made to the Company's announcement dated 20 September 2022 in relation to the letter of intent entered into between the Company and the Vendor's Guarantor in relation to the possible acquisition of the entire issued share capital of the Target Company.

The Board is pleased to announce that on 18 November 2022 (after trading hours), the Vendor, the Vendor's Guarantor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, which holds Xiamen Yatai through PMG China. The Consideration for the Acquisition is HK\$100,000,000 (subject to Adjustment), which shall be satisfied by the allotment and issue of the Consideration Shares at the Issue Price under the Specific Mandate to be sought by the Company at the EGM.

SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

- Date: 18 November 2022
- Parties: (i) The Vendor (as seller);
(ii) the Vendor's Guarantor (as guarantor); and
(iii) the Purchaser (as purchaser).

Subject Matter

The Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company.

Conditions Precedent

Completion is subject to and conditional upon the satisfaction or waiver (if applicable) of the following conditions:

- (a) the Purchaser shall have been satisfied in its absolute discretion with the results of the due diligence review of the Target Group, including but not limited to the satisfaction of the legal, financial and business position and prospects of the Target Group;
- (b) the Listing Committee of the Stock Exchange shall have granted or agreed to grant the approval for the listing of and permission to deal in the Consideration Shares;
- (c) the Independent Shareholders shall have approved the Sale and Purchase Agreement and all transactions contemplated hereunder (including the issue of the Consideration Shares and other matters contemplated thereunder) at the EGM in accordance with the Listing Rules;
- (d) the Target Group Accounts in such form and substance acceptable to the Purchaser shall have been delivered to the Purchaser to its absolute satisfaction;
- (e) the Valuation Report showing the valuation to be not less than HK\$100,000,000 in such form and substance acceptable to the Purchaser shall have been delivered to the Purchaser to its absolute satisfaction;
- (f) the legal opinion from the legal advisers of the PRC in such form and substance acceptable to the Purchaser confirming, inter alia: (i) due establishment and shareholding structure of the subsidiaries of the Target Group established in the PRC; (ii) compliance of the Target Group's operation of its business and ownership of property interests (if any) with all the relevant PRC laws, rules and regulations; and (iii) such other matters as may be required by the Purchaser, shall have been delivered to the Purchaser to its absolute satisfaction;

- (g) all other applicable laws, rules and regulations including but not limiting to the Listing Rules and/or the Hong Kong Code on Takeovers and Mergers for the transactions contemplated under the Sale and Purchase Agreement shall have been complied with by the Company, the Vendor, the Vendor's Guarantor and the Purchaser;
- (h) the board and shareholders of the Vendor shall have approved the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (i) the board of the Target Company shall have approved the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (j) the board of each of the Company and the Purchaser shall have approved the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (k) all requisite consents required to be obtained by the Company, the Vendor, the Vendor's Guarantor and the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder shall have been obtained;
- (l) all outstanding loans and/or liabilities due and owing by the Target Company to the Vendor shall have been fully settled;
- (m) the completion of the Target Restructuring to the absolute satisfaction of the Purchaser;
- (n) it has not come to the attention of the Purchaser that the warranties given by the Vendor and the Vendor's Guarantor being inaccurate and incorrect in any respect on the date of the Sale and Purchase Agreement and on each date on which they are deemed repeated, and as if made on, the Completion Date; and
- (o) it has not come to the attention of the Purchaser that any material adverse changes or effect (as set out in the Sale and Purchase Agreement) has occurred prior to the Completion Date or are likely to occur whether before the Completion Date.

The Vendor and the Purchaser may by agreement waive in whole or in part any of the Conditions Precedent (except Conditions Precedent (b), (c) and (g) to (k) above). In the event that any of the Conditions Precedents are deemed not to have been fulfilled or are not fulfilled or waived (if applicable), in each case, at or before 1:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement and everything contained in it shall terminate and be null and void and of no further effect and no party to the Sale and Purchase Agreement shall have any liability to any other party, save in respect of any prior breaches of the Sale and Purchase Agreement.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration payable by the Purchaser for the Sale Shares is HK\$100,000,000, subject to Adjustment.

The Consideration shall be satisfied in the following manner:

- (i) as to the sum of approximately HK\$33,333,333 (representing one-third of the Consideration) to be settled by way of allotment and issue of 199,123,855 Consideration Shares by the Company to the Vendor (or as it may direct) on the Completion Date;
- (ii) as to the sum of approximately HK\$33,333,333 (representing one-third of the Consideration), to be settled by way of allotment and issue of such number of Consideration Shares by the Company to the Vendor (or as it may direct) in accordance with the paragraph headed “Profit Guarantee and Consideration Adjustment”; and
- (iii) as to the sum of approximately HK\$33,333,334 (representing one-third of the Consideration), to be settled by way of allotment and issue of such number of Consideration Shares by the Company to the Vendor (or as it may direct) in accordance with the paragraph headed “Profit Guarantee and Consideration Adjustment”.

BASIS OF THE CONSIDERATION

The Consideration was arrived at based on normal commercial terms after arm’s length negotiation among the parties to the Sale and Purchase Agreement after taking into account, among others, the following:

- (i) the market value of the equity interests of the Target Group based on a preliminary valuation on the Target Group of approximately HK\$105,000,000 as at 31 October 2022 conducted by the Valuer;
- (ii) the unaudited consolidated management accounts of the Target Group for the period ended 31 October 2022;
- (iii) the business development and future prospect of the Target Group in the supply, installation and trading of marble and granite and other marble related business in the PRC;
- (iv) the payment terms of the Consideration, which includes an adjustment mechanism depending on the achievement of the Guaranteed Profit(s) by the Target Group; and
- (v) other reasons and benefits as described under the paragraph headed “REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT” below.

The Directors (excluding Mr. Lui and the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) believe that the Consideration and the Adjusted Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE CONSIDERATION SHARES AND THE ISSUE PRICE

The Consideration Shares represent (i) approximately 44.87% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 30.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (subject to Adjustment and assuming that there will be no change in the issued share capital of the Company other than the allotment and issue of Consideration Shares).

The Issue Price was arrived at after arm's length negotiation among the parties to the Sale and Purchase Agreement with reference to recent market prices of Shares. The Issue Price represents:

- (i) a discount of approximately 1.5% to the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 5.0% to the average of the closing price of HK\$0.1762 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) a discount of approximately 7.8% to the average of the closing price of HK\$0.1816 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to the date of the Sale and Purchase Agreement.

The Directors (excluding Mr. Lui and the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) consider that the Issue Price is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

Lock-Up Undertaking

The Vendor and the Vendor's Guarantor have jointly and severally, irrevocably and unconditionally, undertaken to the Purchaser that the Vendor (or its nominee) shall not and the Vendor's Guarantor shall procure the Vendor (or its nominee) not to, engage in any transaction which will affect the ownership of the Consideration Shares, including but not limited to (i) offer, lend, sell, contract to sell, pledge or grant any option to purchase, or otherwise transfer or dispose of any Consideration Shares, or (ii) enter into any swap or similar arrangement that transfers any of the economic risk of ownership of the Consideration Shares to another person (the "**Lock-up Undertaking**") for a period of six months commencing from the date of the allotment and issue of the relevant Consideration Shares.

For the avoidance of doubt, the Vendor (or its nominee) shall be entitled to other rights and interests of the Consideration Shares, including voting rights and the right to receive all dividends, distributions and other payments attached to the Consideration Shares, notwithstanding the Lock-up Undertaking.

Non-competition Undertaking

The Vendor and the Vendor's Guarantor have undertaken to the Purchaser that, at Completion, a deed of non-competition shall be executed by them in favour of the Purchaser in a form acceptable to the Purchaser in its absolute discretion.

Profit Guarantee and Consideration Adjustment

Profit guarantee

Pursuant to the Sale and Purchase Agreement, each of the Vendor and the Vendor's Guarantor undertakes to the Purchaser that the consolidated net profit (after taxation and excluding any profit (loss) deriving from activities not within the ordinary and usual course of business) of the Target Group shall not be (i) less than HK\$10,000,000 for the First Year and (ii) less than HK\$25,000,000 (the "**Guaranteed Profit(s)**") for the Whole Guaranteed Period.

In the event that the actual consolidated net profit of the Target Group (the "**Actual Profit**") for the Whole Guaranteed Period as verified by a review report to be issued by the auditors of the Purchaser (the "**Review Report**") equals or exceeds the Guaranteed Profit for the Whole Guaranteed Period, no adjustment shall be made to the Consideration.

In the event that the Actual Profit for the First Year equals or exceeds the Guaranteed Profit for that year, the Purchaser shall procure the Company to allot and issue the First Year Consideration Shares to the Vendor (or as it may direct) within 14 Business Days after the date of the relevant Review Report for the audited consolidated financial statements of the Target Group for the First Year.

In the event that the Actual Profit for the Whole Guaranteed Period equals or exceeds the Guaranteed Profit for such period, the Purchaser shall procure the Company to allot and issue the remaining number of Consideration Shares that have not been allotted and issued (i.e. the difference between the Whole Guaranteed Period Consideration Shares and the First Year Consideration Shares allotted and issued), to the extent that they have not been otherwise allotted and issued according to the terms of the Sale and Purchase Agreement, to the Vendor (or as it may direct) within 14 Business Days after the date of the relevant Review Report for the audited consolidated financial statements of the Target Group for the Whole Guaranteed Period (the "**Final Review Report Date**").

Adjustment arrangement

In the event that the Actual Profit for the Whole Guaranteed Period is less than the Guaranteed Profit for such period, the Consideration shall be reduced to the Adjusted Consideration as calculated in accordance with the following formula:

$$Y = C/B \times A$$

where A is the total Consideration in the sum of HK\$100,000,000;

B is the Guaranteed Profit in an aggregate sum of HK\$25,000,000;

C is the Actual Profit for the Whole Guaranteed Period, provided that if the Target Group suffers an actual consolidated loss before tax for the Whole Guaranteed Period, then the Actual Profit for the Whole Guaranteed Period shall be deemed as zero; and

Y is the Adjusted Consideration.

In the event that the Adjusted Consideration equals or exceeds the Consideration Shares Value, the Purchaser shall procure the Company to allot and issue such number of Consideration Shares (calculated by dividing the difference between the Adjusted Consideration and the Consideration Shares Value by the Issue Price) to the Vendor (or as it may direct) within 14 Business Days after the Final Review Report Date.

In the event that the Adjusted Consideration is less than the Consideration Shares Value, the Vendor shall pay to the Purchaser any shortfall between the Consideration Shares Value and the Adjusted Consideration in cash within 14 Business Days after the Final Review Report Date.

For the avoidance of doubt, the Company shall not allot and issue the Consideration Shares in any other circumstances.

Guarantee

The Vendor's Guarantor unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance by the Vendor of its obligations under the Sale and Purchase Agreement and undertakes to indemnify and keep indemnified the Purchaser against all losses, damages, costs and expenses of whatsoever nature which the Purchaser may suffer or incur by reason of any default or unreasonable delay on the part of the Vendor in the performance of its obligations (the "**Vendor's Guarantee**"). If any of the obligations of the Vendor that are the subject of the Vendor's Guarantee ceases to be valid or enforceable (in whole or in part) on any ground whatsoever, the Vendor's Guarantor shall nevertheless be liable to the Purchaser in respect of the purported obligation or liability as if the same were fully valid and enforceable and the Vendor's Guarantor was the principal obligor in respect thereof. The Purchaser shall not be obliged to take any steps to enforce any rights or remedy against the Vendor before enforcing the Vendor's Guarantee. The Vendor's Guarantee is in addition to any other security available to the Purchaser as at the date of the Sale and Purchase Agreement and thereafter.

Completion

Completion shall take place on the Completion Date after the Conditions Precedent have been fulfilled or waived (if applicable) in accordance with the Sale and Purchase Agreement.

Upon Completion, the Purchaser will hold the entire issued capital of the Target Company. As a result, the Target Company, PMG China and Xiamen Yatai will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there will be no change in the issued share capital of the Company other than the allotment and issue of the relevant Consideration Shares, the effect on the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Completion; (iii) immediately after issuance of the First Year Consideration Shares; and (iv) immediately after issuance of all of the Consideration Shares are set forth below for illustrative purposes:

	As at the date of this announcement		Immediately after the Completion		Immediately after issuance of the First Year Consideration Shares		Immediately after the issuance of all of the Consideration Shares	
	Number of Shares	Approximate Percentage	Number of Shares	Approximate Percentage	Number of Shares	Approximate Percentage	Number of Shares	Approximate Percentage
Mr. Lui	560,000	0.04%	560,000	0.04%	560,000	0.03%	560,000	0.03%
PMG Investments Limited (Note 1)	792,305,000	59.51%	792,305,000	51.76%	792,305,000	45.81%	792,305,000	41.08%
The Vendor (or its nominee) (Note 2)	—	0%	199,123,855	13.01%	398,247,710	23.02%	597,371,565	30.97%
Sub-total of Mr. Lui and his associates	792,865,000	59.55%	991,988,855	64.81%	1,191,112,710	68.86%	1,390,236,565	72.08%
Other Shareholders	<u>538,604,661</u>	<u>40.45%</u>	<u>538,604,661</u>	<u>35.19%</u>	<u>538,604,661</u>	<u>31.14%</u>	<u>538,604,661</u>	<u>27.92%</u>
Total (Note 3)	<u><u>1,331,469,661</u></u>	<u><u>100%</u></u>	<u><u>1,530,593,516</u></u>	<u><u>100%</u></u>	<u><u>1,729,717,371</u></u>	<u><u>100%</u></u>	<u><u>1,928,841,226</u></u>	<u><u>100%</u></u>

Note:

1. PMG Investments Limited is directly wholly-owned by Mr. Lui.
2. The Vendor is indirectly wholly-owned by Mr. Lui.
3. Percentage figures may not add up to the total due to rounding.

INFORMATION ON THE GROUP AND THE PURCHASER

The Group is principally engaged in the stone sales and supply and installation of marble products in Hong Kong and Macau.

The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Purchaser is directly wholly-owned by the Company.

INFORMATION ON THE VENDOR AND THE VENDOR'S GUARANTOR

The Vendor is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Vendor is indirectly wholly-owned by the Vendor's Guarantor.

The Vendor's Guarantor is a director and the ultimate beneficial owner of the Vendor. The Vendor's Guarantor is also an executive Director, the chairman of the Board, the chief executive officer of the Group and a controlling shareholder of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Vendor holds the entire issued share capital of the Target Company, which holds 100% equity interests in Xiamen Yatai through its wholly-owned subsidiary, PMG China. As at the date of this announcement, the Target Restructuring has not yet been completed.

Xiamen Yatai and PMG China are the major operating subsidiaries of the Target Group and are principally engaged in the supply, installation and trading of marble and granite and other marble related business in the PRC.

Set out below is the unaudited consolidated financial information of the Target Group for the two financial years ended 31 December 2020 and 31 December 2021, and the ten months ended 31 October 2022, respectively:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the ten months ended 31 October 2022
	<i>HK\$ million</i> (unaudited)	<i>HK\$ million</i> (unaudited)	<i>HK\$ million</i> (unaudited)
Net profit/(loss) before tax	(0.02)	1.16	10.49
Net profit/(loss) after tax	(0.02)	1.16	10.42

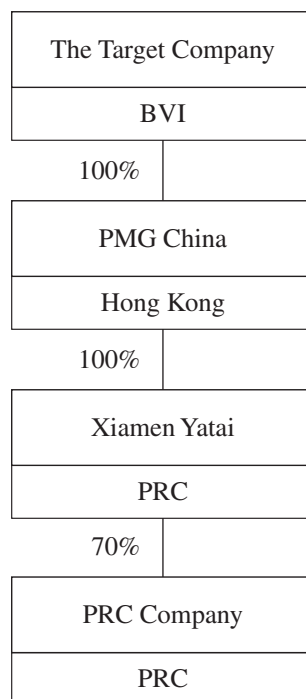
According to the unaudited consolidated financial information of the Target Group, as at 31 October 2022, the Target Group had consolidated net assets of approximately HK\$10.4 million.

The Target Restructuring

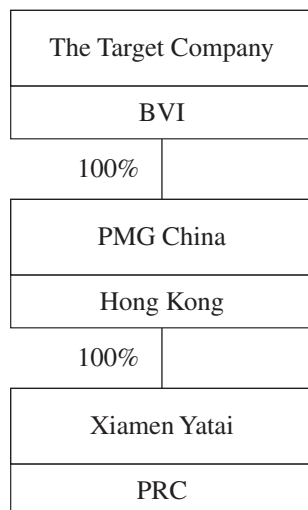
Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Target Company shall undergo the Target Restructuring which includes, the disposal of the PRC Company by Xiamen Yatai.

Set out below are the shareholding structures of (i) the Target Company and its subsidiaries as at the date of this announcement and (ii) the Target Group upon completion of the Target Restructuring and immediately after Completion:

As at the date of this announcement, the shareholding structure of the Target Company and its subsidiaries is as follows:



Upon completion of the Target Restructuring and immediately after Completion, the shareholding structure of the Target Group is as follows:



REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

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 in favour of the Company, Mr. Lui, 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 Acquisition.

As the Target Group is involved in the supply, installation and trading of marble and granite and other marble related business in the PRC, the Directors (excluding Mr. Lui and the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) consider that the Acquisition will open up the PRC market and will create synergy to the Group. Currently, the total contract sums of the Target Group were approximately RMB60,000,000 (equivalent to approximately HK\$66,600,000). The Directors (excluding Mr. Lui and the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) 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. The Directors (excluding Mr. Lui and the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

As Mr. Lui has a material interest in the Acquisition, he has abstained from voting on the relevant Board resolution(s) approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 25% but all of them are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is ultimately beneficially owned as to 100% by Mr. Lui, being an executive Director, the chairman of the Board, the chief executive officer of the Group and a controlling shareholder of the Company. Accordingly, the Vendor is an associate of Mr. Lui and a connected person of the Company. The Acquisition therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass ordinary resolution(s) to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition and the issue of the Consideration Shares under the Specific Mandate.

As Mr. Lui has a material interest in the Acquisition, he and his associates (including PMG Investments Limited) are required to abstain from voting at the EGM on the resolution(s) approving the same. Save for the aforementioned and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder has a material interest in the Acquisition and is required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition and the issue of the Consideration Shares under the Specific Mandate at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition and the issue of the Consideration Shares under the Specific Mandate, (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (iv) financial information of the Group and the Target Group; (v) other information required under the Listing Rules; and (vi) a notice of the EGM, is expected to be despatched to the Shareholders on or before 19 December 2022, which is more than 15 Business Days after the publication of this announcement as additional time is required for the preparation of the relevant information to be included in the circular.

As the Completion is subject to the satisfaction or waiver (if applicable) of certain Conditions Precedent, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
“Adjusted Consideration”	the consideration as adjusted by the Adjustment (if any)
“Adjustment”	adjustment pursuant to the Sale and Purchase Agreement, details of which are set out in the paragraph headed “Profit Guarantee and Consideration Adjustment”
“associate”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“Business Day(s)”	a day on which banks are generally open for business in Hong Kong (other than a Saturday, a Sunday, a public holiday or a day on which a tropical cyclone warning signal no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	British Virgin Islands
“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
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement
“Completion Date”	the date falling within five (5) Business Days after fulfilment or waiver (if applicable) of the Conditions Precedent (or such other date as the Vendor and the Purchaser may mutually agree in writing) and the date on which Completion takes place
“Conditions Precedent”	conditions precedent to the Completion as set out under the paragraph headed “Conditions Precedent”
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$100,000,000, subject to the Adjustment
“Consideration Share(s)”	Shares to be allotted and issued by the Company to the Vendor (or as it may direct) at the Issue Price as settlement of the Consideration pursuant to the Sale and Purchase Agreement
“Consideration Shares Value”	the value of the Consideration Shares allotted and issued under sub-paragraphs (i) and (ii) (as the case may be) as set out in the paragraph headed “Consideration”, which shall be the relevant monetary amount(s) set out therein
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, pass ordinary resolution(s) to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition and the issue of the Consideration Shares under the Specific Mandate
“First Year”	the financial year ending 31 December 2022
“First Year Consideration Shares”	199,123,855 Consideration Shares to be allotted and issued if the Guaranteed Profit is met for the First Year
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in relation to the Acquisition
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“Independent Shareholders”	Shareholders other than Mr. Lui and his associates
“Independent Third Party”	third party independent of the Company and its connected persons
“Issue Price”	HK\$0.1674 per Share
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 February 2023 or such other date as may be agreed between the Vendor and the Purchaser in writing
“Mr. Lui”	Mr. Lui Yue Yun Gary (雷雨潤), an executive Director, the chairman of the Board, the chief executive officer of the Group and a controlling shareholder of the Company
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules

“PMG China”	PMG (China) Limited (太平洋(中國)礦業有限公司), a company incorporated in Hong Kong with limited liability and is directly wholly-owned by the Target Company
“PRC”	the People’s Republic of China, which shall for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company”	內鄉縣聚鑫礦業有限公司 (Neixiang Juxin Mining Co., Ltd.*), a wholly foreign owned enterprise established under the laws of the PRC, which is principally engaged in the investment of mining projects, and is owned as to 70% by Xiamen Yatai and as to 30% by an Independent Third Party
“Purchaser”	Pegasus Stone Limited, a company incorporated under the laws of the BVI with limited liability and is wholly-owned by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18 November 2022 entered into among the Purchaser, the Vendor and the Vendor’s Guarantor, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares
“Sale Shares”	100 shares of a par value of US\$1.00 in the share capital of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant to the Board the authority for the allotment and issue of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Pacific Mining Industry Limited (太平洋礦業有限公司), a company incorporated in the BVI with limited liability and is wholly-owned by the Vendor
“Target Group”	the Target Company and its subsidiaries, namely PMG China and Xiamen Yatai, and excluding the PRC Company
“Target Group Accounts”	the consolidated audited financial statements of the Target Group comprising the consolidated audited statement of financial position of the Target Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 October 2022 and the consolidated audited statement of profit or loss and other comprehensive income of the Target Group for the three years ended 31 December 2021 and the ten months ended 31 October 2022, including the notes thereto and together with the draft reports and other documents annexed thereto
“Target Restructuring”	the restructuring of the Target Company and its subsidiaries prior to Completion, which includes, the disposal of the PRC Company by Xiamen Yatai
“Valuation Report”	a valuation report to be prepared by the Valuer relating to the business and/or other assets (as the case may be) of the Target Group
“Valuer”	Greater China Appraisal Limited
“Vendor”	Pacific Marble & Granite Holdings Limited (太平洋石業集團有限公司), a company incorporated in Hong Kong with limited liability and is indirectly wholly-owned by the Vendor’s Guarantor
“Vendor’s Guarantor”	Mr. Lui, a director and the ultimate beneficial owner of the Vendor
“Whole Guaranteed Period”	the two financial years ending 31 December 2023

“Whole Guaranteed Period Consideration Shares”	398,247,710 Consideration Shares to be allotted and issued if the Guaranteed Profit is met for the Whole Guaranteed Period
“Xiamen Yatai”	廈門亞太宏康石業有限公司 (Xiamen Yatai Hongkong Marble Limited*), a wholly foreign owned enterprise established under the laws of the PRC and is directly wholly-owned by PMG China and indirectly wholly-owned by the Target Company

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

Hong Kong, 18 November 2022

The exchange rate adopted in this announcement for illustration purpose only is RMB1.00=HK\$1.11.

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. Ng Yau Wah Daniel and Mr. Nie Kin Kwok Kevin.

* *For identification purpose only.*