

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

ANCHORSTONE

Anchorstone Holdings Limited

基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1592)

**VERY SUBSTANTIAL ACQUISITION 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



THE ACQUISITION

The Board is pleased to announce that on 4 September 2023 (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 75.51% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 43.02% 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 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular 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 the independent non-executive Director, 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 has been 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 6 October 2023, 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

The Board is pleased to announce that on 4 September 2023 (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: 4 September 2023

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) 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
- (n) 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 maximum number of Consideration Shares to be allotted and issued under the Consideration of HK\$100,000,000 is 1,176,470,588.

The Consideration shall be satisfied in the following manner:

- (i) as to the sum of approximately HK\$50,000,000 (representing one-half of the Consideration) to be settled by way of allotment and issue of 588,235,294 Consideration Shares by the Company to the Vendor (or as it may direct) on the Completion Date; and
- (ii) as to the sum of approximately HK\$50,000,000 (representing one-half of the Consideration), to be settled by way of allotment and issue of such number of Consideration Shares (the maximum number of which is 588,235,294) by the Company to the Vendor (or as it may direct) in accordance with the paragraph headed "Profit Guarantee and Consideration Adjustment".

In the event that the share capital of the Company has been sub-divided, consolidated or reorganised, the number of the Consideration Shares to be allotted and issued by the Company shall be adjusted accordingly.

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 valuation on the Target Group of approximately HK\$131,000,000 as at 30 April 2023 conducted by the Valuer under market approach;
- (ii) the historical financial performance, 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;
- (iii) the payment terms of the Consideration, which includes an adjustment mechanism depending on the achievement of the Guaranteed Profit by the Target Group; and
- (iv) 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 Director 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 75.51% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 43.02% 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 premium of approximately 66.67% to the closing price of HK\$0.051 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- (ii) a premium of approximately 42.14% to the average of the closing price of HK\$0.0598 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 premium of approximately 41.67% to the average of the closing price of HK\$0.06 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 Director 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 less than HK\$18,000,000 (the "**Guaranteed Profit**") for the Guaranteed Period.

In the event that the Actual Profit for the Guaranteed Period as verified by the Review Report equals or exceeds the Guaranteed Profit for the Guaranteed Period, no adjustment shall be made to the Consideration.

In the event that the Actual Profit for the Guaranteed Period equals or exceeds the Guaranteed Profit for such period, the Purchaser shall procure the Company to allot and issue the Guaranteed Period Consideration Shares to the Vendor (or as it may direct) within 14 Business Days after the Review Report Date.

Adjustment arrangement

In the event that the Actual Profit for the 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 the sum of HK\$18,000,000;

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

Y is the Adjusted Consideration.

In the event that the Adjusted Consideration equals or exceeds the Value of Consideration Shares, 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 Value of Consideration Shares by the Issue Price) to the Vendor (or as it may direct) within 14 Business Days after the Review Report Date.

In the event that the Adjusted Consideration is less than the Value of Consideration Shares, the Vendor shall pay to the Purchaser any shortfall between the Value of Consideration Shares and the Adjusted Consideration in cash within 14 Business Days after the 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; and (iii) 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 the issuance of all of the Consideration Shares	
	Number of Shares	Approximate Percentage	Number of Shares	Approximate Percentage	Number of Shares	Approximate Percentage
Mr. Lui	560,000	0.04%	560,000	0.03%	560,000	0.02%
PMG Investments Limited (<i>Note 1</i>)	784,210,000	50.34%	784,210,000	36.54%	784,210,000	28.68%
The Vendor (or its nominee) (<i>Note 2</i>)	—	0%	588,235,294	27.41%	1,176,470,588	43.02%
Sub-total of Mr. Lui and his associates	784,770,000	50.37%	1,373,005,294	63.97%	1,961,240,588	71.72%
Other Shareholders	<u>773,196,341</u>	<u>49.63%</u>	<u>773,196,341</u>	<u>36.03%</u>	<u>773,196,341</u>	<u>28.28%</u>
Total (<i>Note 3</i>)	<u><u>1,557,966,341</u></u>	<u><u>100%</u></u>	<u><u>2,146,201,635</u></u>	<u><u>100%</u></u>	<u><u>2,734,436,929</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 2021 and 31 December 2022 and the six months ended 30 June 2023, respectively:

	For the year ended 31 December 2021 <i>HK\$ million</i> (unaudited)	For the year ended 31 December 2022 <i>HK\$ million</i> (unaudited)	For the six months ended 30 June 2023 <i>HK\$ million</i> (unaudited)
Net profit/(loss) before tax	1.16	14.03	10.62
Net profit/(loss) after tax	1.16	11.28	9.58

According to the unaudited consolidated financial information of the Target Group, as at 30 June 2023, the Target Group had consolidated net assets of approximately HK\$13.78 million.

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 Director 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\$64,800,000). The Directors (excluding Mr. Lui and the independent non-executive Director 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.

Reference is made to the announcements of the Company dated 18 November 2022 and 30 June 2023 respectively, pursuant to which the parties had previously entered into a sale and purchase agreement in respect of the sale and purchase of the Sale Shares on 18 November 2022 (the “**Previous Agreement**”), which had subsequently lapsed on 30 June 2023. Since the signing of the Previous Agreement, the parties had endeavoured to ensure the fulfilment of the conditions precedent therein by the agreed long stop date, including conducting the due diligence review of the Target Group and preparing the information required for the circular (including the audited financial information of the Target Group for the period up to 31 October 2022 and the indebtedness statement of the Group) for the consideration and approval of the Independent Shareholders at the EGM. As the Target Group consists of private companies operating in the PRC which have their own daily business obligations and affairs to manage, it took time for the professional parties of the Company to liaise with and obtain from the Target Group the required information, documents and assistance for the due diligence and audit work. In light of the work to be done as mentioned above, additional time was required and the Company had to delay the despatch of the circular for several times and seek the agreement of the Vendor to extend the long stop date of the Previous Agreement from 28 February 2023 to 31 May 2023.

During this period, the market price of the Shares had started to decrease substantially from 17 March 2023 and the Vendor was concerned that the then issue price and the then number of the consideration shares would not reflect the circumstances at the time, and therefore, discussed with the Company to explore the possibility of revising the terms.

Taking into account that (i) the Vendor's Guarantor has expertise and experience in the business of the supply and distribution of marble and granite products in the PRC and thus it would be in the interests of the Company if he would be willing to continue to retain a management role in the Target Group after Completion; (ii) the due diligence on the Target Group was still ongoing as the Board considered that it would be in the interests of the Company to devote sufficient time to complete the due diligence process in order to be satisfied with the legal, financial and business position and prospects of the Target Group; and (iii) the audit on the Target Group had not been completed yet, the Company and the Vendor negotiated on the possibility of revising the terms to take into account the latest market conditions during mid-March to May 2023, instead of proceeding with the existing terms of the Previous Agreement immediately. In particular for the audit on the Target Group, the Company considered that the inclusion of the updated financial information of the Target Group for the year ended 31 December 2022 in the circular would assist the Independent Shareholders to consider and approve the Acquisition, given that the Independent Shareholders could have a clearer picture on the performance of the Target Group and whether the Target Group could have been able to reach the guaranteed profit for that year under the original terms of the Previous Agreement, and therefore, the Company had decided to update the audit work of the Target Group. However, the progress for the updated audit on the Target Group was further affected by the preparation of the annual results and annual report by the Company and the auditors during March and April 2023 and had taken more time than the Company had originally expected.

By the time the Company had almost completed its due diligence and audit work, it was already close to the extended long stop date of the Previous Agreement and the Company wished to seek the agreement of the Vendor to extend the long stop date of the Previous Agreement again. However, the Vendor had expressed that it was unwilling to further extend the long stop date of the Previous Agreement upon the existing terms, yet the parties had not been able to reach an agreement on any revision of the terms thereof at that time either. As the conditions precedent set out in the Previous Agreement had not been fulfilled on or prior to the agreed long stop date and the parties to the Previous Agreement had not agreed on any further extension of such long stop date thereafter, the Previous Agreement lapsed accordingly. Despite there being a time gap between the signing of the Previous Agreement on 18 November 2022 and the extended long stop date on 31 May 2023 as explained above, it was not the intention of the Company to deliberately delay the Previous Agreement in order to facilitate the Vendor in entering into the Sale and Purchase Agreement.

As mentioned in the announcement of the Company dated 30 June 2023, in spite of the lapse of the Previous Agreement, negotiations in relation to the proposed acquisition of the Target Company have been ongoing and the parties subsequently reached agreement on the current terms in the Sale and Purchase Agreement. The Directors (excluding Mr. Lui and the independent non-executive Director whose views will be set out in the letter from the Independent Board Committee in the circular) have considered, among others, (i) that the Consideration represents a discount of approximately 23.7% to the valuation of the Target Group as at 30 April 2023 conducted by the Valuer and is therefore fair and reasonable; (ii)

that the Issue Price represents a premium to the recent market price of the Shares; (iii) that the Vendor and the Vendor's Guarantor have undertaken a larger amount of Guaranteed Profit for the Guaranteed Period as compared to the Previous Agreement; (iv) that the settlement by allotment and issue of the Consideration Shares would allow the Company to minimise cash outflow; (v) that there is sufficient public float immediately after the issuance of all the Consideration Shares (assuming that there will be no other change in the issued share capital of the Company); and (vi) the reasons for and the benefits of entering into the Sale and Purchase Agreement as disclosed above. In this regard, the Directors (excluding Mr. Lui and the independent non-executive Director whose views will be set out in the letter from the Independent Board Committee in the circular) believe that the current terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Although the Consideration Shares have almost doubled under the current terms of the Sale and Purchase Agreement as compared to the terms under the Previous Agreement, the Directors (excluding Mr. Lui and the independent non-executive Director whose views will be set out in the letter from the Independent Board Committee in the circular) are of the view that apart from the greater potential dilution in public shareholding interest, the current terms of the Acquisition are more favourable to the Company than those of the Previous Agreement for the reasons and benefits mentioned above and such benefits would outweigh such potential dilution effect to the public Shareholders overall taken as a whole. In any event, the Company believes that it is the Independent Shareholders who could ultimately exercise their voting rights on the consideration and approval of the Acquisition at the EGM and make an informed decision accordingly based on the disclosures made in this announcement and the circular to be despatched.

With regard to the Guaranteed Profit for the Guaranteed Period undertaken by the Vendor and the Vendor's Guarantor, although the unaudited net profit after tax of the Target Group for the six months ended 30 June 2023 was approximately HK\$9.58 million, the Directors (excluding Mr. Lui and the independent non-executive Director whose views will be set out in the letter from the Independent Board Committee in the circular) are of the view that such amount of Guaranteed Profit is fair and reasonable based on their review of the latest project schedule of the existing projects of the Target Group through due diligence review, and taking into account the business development and prospects of the Target Group in the supply, installation and trading of marble and granite and other marble related business in the PRC. In particular, it was noted that certain existing projects were still in the early stages in June 2023 and thus the profits recognised therefrom were limited. It is expected that more profits will be recognised from these existing projects during the remainder of 2023 based on the expected project schedule. The Directors (excluding Mr. Lui and the independent non-executive Director whose views will be set out in the letter from the Independent Board Committee in the circular) also consider that in the event that the Guaranteed Profit could not be met, such shortfall as calculated by the formula under the section headed "Profit Guarantee and Consideration Adjustment" will be compensated by the Vendor in cash, and is therefore fair and reasonable and in the interests of the Company and 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 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular 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 the independent non-executive Director, 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 has been 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 6 October 2023, 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
“Actual Profit”	actual consolidated net profit of the Target Group
“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
“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
“Group”	the Company and its subsidiaries
“Guaranteed Period”	the financial year ending 31 December 2023
“Guaranteed Period Consideration Shares”	588,235,294 Consideration Shares to be allotted and issued if the Guaranteed Profit is met for the Guaranteed Period
“Guaranteed Profit”	has the meaning ascribed to it under the paragraph headed “Profit guarantee” under the section headed “Profit Guarantee and Consideration Adjustment”
“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 the independent non-executive Director, established to advise the Independent Shareholders in relation to the Acquisition
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities, which has been appointed as the independent financial adviser 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\$0.085 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
“Lock-up Undertaking”	has the meaning ascribed to it under the section headed “Lock-up Undertaking”
“Long Stop Date”	31 December 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
“Purchaser”	Pegasus Stone Limited, a company incorporated under the laws of the BVI with limited liability and is wholly-owned by the Company
“Review Report”	a review report to be issued by the auditors of the Purchaser
“Review Report Date”	the date of the relevant Review Report for the audited consolidated financial statements of the Target Group for the Guaranteed Period
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 4 September 2023 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 (which expression shall, if and to the extent that the share capital of the Company has been sub-divided, consolidated or reorganised, mean the securities into which those shares have been sub-divided, consolidated or reorganised)
“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
“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 2020, 31 December 2021, 31 December 2022 and 30 June 2023 and the consolidated audited statement of profit or loss and other comprehensive income of the Target Group for the three years ended 31 December 2022 and the six months ended 30 June 2023, including the notes thereto and together with the draft reports and other documents annexed thereto
“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
“Value of Consideration Shares”	total value of the Consideration Shares then allotted and issued based on the Issue Price, being approximately HK\$50,000,000 in the event that the Consideration Shares are allotted and issued on the Completion Date only

“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 Guarantee”	has the meaning ascribed to it under the section headed “Guarantee”
“Vendor’s Guarantor”	Mr. Lui, a director and the ultimate beneficial owner of the Vendor
“Xiamen Yatai”	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 and is directly wholly-owned by PMG China and indirectly wholly-owned by the Target Company
“%”	per cent.

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

Hong Kong, 4 September 2023

The exchange rate adopted in this announcement for illustration purpose only is RMB1.00=HK\$1.08.

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 Director is Mr. Ko Tsz Kin.

* For identification purpose only.