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**ANCHORSTONE**

**Anchorstone Holdings Limited**

**基石控股有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 1592)**

**MEMORANDUM OF UNDERSTANDING IN RELATION TO  
A POTENTIAL ACQUISITION**

**Financial Adviser**



**Draco Capital Limited**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

**THE MOU**

The Board wishes to announce that on 3 April 2020 (after trading hours of the Stock Exchange), the Company entered into a non-legally binding MOU with the Vendor in relation to the proposed acquisition of two companies (“**Target Companies**”) by the Company from the Vendor (“**Potential Transaction**”).

The MOU does not constitute a legally binding commitment of the parties to the MOU in respect of the Potential Transaction save for certain clauses regarding, among others, confidentiality, costs and expenses and governing law. The Potential Transaction is subject to, amongst others, the execution of a Formal Sale and Purchase Agreement. The terms of the Formal Sale and Purchase Agreement for the Potential Transaction have not yet been agreed.

## **PRINCIPLE TERMS OF THE MOU**

### **Assets to be acquired**

The Company proposes to purchase and the Vendor proposes to sell the entire equity interest in the Target Companies.

### **Consideration**

The consideration for the Potential Transaction is estimated by reference to the preliminary valuation of the Target Companies by an independent professional valuer and is preliminary determined to be approximately HK\$76,500,000 which is intended to be settled by the issuance of a Convertible Bond by the Company to the Vendor. The intended Conversion Price of the Convertible Bond shall be HK\$0.32 per Conversion Share. The consideration of the Proposed Transaction is subject to further negotiation of the profit guarantee to be agreed with the Vendor. It is expected that if the consideration will be settled by way of cash, the Company will utilise its internal resources other than the net proceeds from its initial public offering in 2018. Other terms of the Potential Transaction will be subject to agreement between the Company and the Vendor, including the valuation of the Target Companies which will be conducted by the independent professional valuer.

The intended Conversion Price of HK\$0.32 per Conversion Share represents:

- (i) a discount of approximately 17.95% over the closing price of HK\$0.390 per Share as quoted on the Stock Exchange as at the date of the MOU; and
- (ii) a discount of approximately 13.04% to the average closing price of HK\$0.368 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the MOU.

The intended Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor with reference to the recent trading performance of the Shares. Any conversion of the Convertible Bond by the Vendor will not result in the public float of the Shares being less than 25% of the Company's issued share capital at all times be held by the public, as prescribed under Rule 8.08(1)(a) of the Listing Rules.

### **Conditions precedent**

The completion of the Proposed Transaction will be subject to the fulfillment of certain conditions precedent including, but not limited to, the approval of the Proposed Transaction by the independent Shareholders and the Stock Exchange granting the listing approval for the Conversion Shares.

### **Due diligence review**

The Company will conduct a due diligence review on the assets, indebtedness, operation and other aspect of the Target Companies as it may consider appropriate and the Vendor will provide such assistance as the Company may require in connection with such review.

## **Legal effect**

Save for certain clauses regarding, among others, confidentiality, costs and expenses and governing law, the MOU is not legally binding on the Vendor and the Company.

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

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 for over 24 years. Following the listing of the Shares on the Stock Exchange on 4 July 2018, the Group has been widely recognised by property developers and main contractors in the PRC. However, as set out in the annual results announcement for the year ended 31 December 2019 of the Group dated 31 March 2020, the overall performance of the construction industry in the second half of 2019 was not satisfactory under the influence of increasing political risk in Hong Kong, the weaker local economy, the uncertainty of the local property market, the risk of economic downturn globally and the increasing cost of building materials and construction labour costs had posted negative impact on the construction industry in Hong Kong.

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 the Vendor in favour of the Company, the Vendor, being the controlling 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 of the Target Companies.

As the Target Companies are both involved in the supply and distribution of marble and granite in the PRC, the Directors consider that the Potential Transaction, if materialises, will open up the PRC market and will create synergy to the Group. The Directors also noted the economy of PRC showed a steady and growing momentum in the past 10 years, which demonstrates a strong and tremendous potential in economic development in the future, leading to a strong demand in marble and granite products. In any event, the Group does have experience in the PRC market as the Group had engaged in the marble and granite trading business in the PRC through Shanghai Pacific Marble before July 2015. The Directors are of the view that the re-entry into the PRC market by the Group will broaden the market of the Company, creating a bigger turnover and profitability to the Company.

## **GENERAL**

As of the date of this announcement, the Vendor is the controlling Shareholder, chairman and executive Director of the Company and holding more than 30% of the equity interest in each of the Target Companies, and each of the Target Companies is therefore an associate of a connected person of the Company under the Listing Rules. The Potential Transaction, if materialised, will constitute a notifiable transaction and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules. The Company will comply with

the relevant requirements under the Listing Rules as and when appropriate. Further announcement in respect of the Potential Transaction will be made by the Company in the event that any Formal Sale and Purchase Agreement has been signed.

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

## **DEFINITION**

In this announcement, the following expressions have the meanings set out below unless the context requires others:

“Board”	the board of Directors
“Company”	Anchorstone Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.32 per Conversion Share upon conversion of the Convertible Bond
“Conversion Share(s)”	Shares to be allotted and issued upon conversion of the Convertible Bond
“Convertible Bond”	the three years 0% interest unsecured convertible bond in the principal amount of not less than HK\$76,500,000 to be issued by the Company
“Director(s)”	director(s) of the Company
“Formal Sale and Purchase Agreement”	the formal sale and purchase agreement which may or may not be entered into by the Company and the potential Vendor in relation to the Potential Transaction
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOU”	the non-legally binding memorandum of understanding dated 3 April 2020 entered into between the Company and the Vendor
“Potential Transaction”	the intended sale and purchase of the entire shareholding interest in the Target Companies
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shanghai Pacific Marble”	上海太平洋石材有限公司 (Shanghai Pacific Marble and Granite Limited)*, a Sino-foreign cooperative joint venture established under the laws of the PRC on 4 May 1997 and indirectly owned as to 90.48% and 9.52% by the Vendor and Independent Third Parties respectively as at the date of this announcement
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, Shanghai Pacific Marble and Xiamen Yatai
“Vendor”	Mr. Lui Yue Yun Gary
“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 on 14 December 2015 and indirectly wholly-owned by the Vendor
“HK\$”	the lawful currency of Hong Kong
“%”	per cent.

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

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

Hong Kong, 3 April 2020

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