

ANCHORSTONE
Anchorstone Holdings Limited

基石控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1592)

Executive Directors:

Mr. Lui Yue Yun Gary (*Chairman*)
Ms. Lui Natalie Po Wai

Independent non-executive Directors:

Mr. Ko Tsz Kin
Mr. Wong Yue Fai
Prof. Jiang Zhihong

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16 March 2026

To the Shareholders

Dear Sir/Madam,

**(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS
SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON
THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
(3) CONNECTED TRANSACTION IN RELATION TO
THE SET-OFF ARRANGEMENT; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Increase in Authorised Share Capital, the Rights Issue and the Set-off Arrangement.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Increase in Authorised Share Capital, the Rights Issue and the Set-off Arrangement; (ii) a letter of recommendation from the Independent Board Committee in respect of the Rights Issue and the Set-off Arrangement; (iii) a letter of advice from the

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Set-off Arrangement; (iv) other information required under the Listing Rules; and (v) a notice convening the EGM.

2. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval by way of ordinary resolution at the EGM by the Shareholders of an increase in its authorised share capital from HK\$50,000,000 divided into 500,000,000 Shares to HK\$400,000,000 divided into 4,000,000,000 Shares by creating an additional 3,500,000,000 unissued Shares. All such Shares shall rank *pari passu* in all respects.

Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective from the first business day immediately following the EGM. As at the Latest Practicable Date, such condition has not been fulfilled.

3. PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place with the terms set out as follows:

Issue Statistics

Basis of the Rights Issue:	Four (4) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date
Subscription Price:	HK\$0.105 per Rights Share
Number of Shares in issue:	289,555,281 Shares
Number of Rights Shares:	Up to 1,158,221,124 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK\$115,822,112.40 (assuming no change in the share capital of the Company on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares:	Up to 1,447,776,405 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued)

Number of Rights Shares being undertaken by Mr. Lui:	Up to 551,544,184 Rights Shares (the actual amount of Rights Shares to be taken up by Mr. Lui will depend on the level of subscription taken up by the Qualifying Shareholders and the results of the Placing such that it will not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code immediately after completion of the Rights Issue)
Gross proceeds to be raised from the Rights Issue:	Up to approximately HK\$121.6 million before the expenses and the Set-off Arrangement

As at the Latest Practicable Date, the Company does not have any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no change in the number of Shares in issue on or before the Record Date, 1,158,221,124 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 400% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 80% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

The Undertaking

As at the Latest Practicable Date, Mr. Lui is beneficially interested in an aggregate of 137,886,046 Shares, representing approximately 47.62% of the issued share capital of the Company.

On 14 January 2026, Mr. Lui has given the Undertaking in favour of the Company, that (i) he will not dispose of any of the 137,886,046 Shares comprising the current shareholding in the Company beneficially owned by himself, and such Shares will remain beneficially owned by him up to and including the Record Date; (ii) he will lodge his acceptance of the 551,544,184 Rights Shares, which will be the number of Rights Shares provisionally allotted to him in nil-paid form under the Rights Issue, with the Share Registrar or the Company, with payment in full therefor, by no later than the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and (iii) pursuant to the note of Rule 7.19(5)(b) of the Listing Rules, when the rights issue is not fully underwritten and on the basis that if the issue is not fully taken up, the application of the Shareholder for his/her/its assured entitlement under the Rights Issue can be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code, he consents that, in the event of an under-subscription of the Rights Issue, the Company has power and authority to scale down Mr. Lui's assured entitlement under the Rights issue to a level which does not trigger an obligation to make a general offer under the Takeovers Code immediately after completion of the Rights Issue.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully-subscribed, any Unsubscribed Rights Shares and Excluded Unsold Rights Shares will be placed to independent places on a best effort basis by the Placing Agent under the Compensatory Arrangements. Any Unsubscribed Rights Shares and Excluded Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken-up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

Save for the Undertaking, the Company has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue as at the Latest Practicable Date.

Subscription Price

The Subscription Price is HK\$0.105 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 33.12% to the closing price of HK\$0.157 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 30.00% to the closing price of HK\$0.150 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 28.57% to the average of the closing prices of approximately HK\$0.147 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 7.89% to the theoretical ex-rights price of HK\$0.114 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.150 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (v) a premium of approximately HK\$0.322 to the unaudited consolidated net deficit per Share of approximately HK\$0.217 (based on the latest published unaudited consolidated net deficit of approximately HK\$62,731,000 as at 30 June 2025 and the total number of issued Shares as at the Latest Practicable Date); and
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 24.00% represented by the theoretical diluted price of approximately HK\$0.114 per Share to the benchmarked price (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.150 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.147 per Share) of approximately HK\$0.150 per Share.

The net Subscription Price per Rights Share (after deducting the relevant expenses) will be approximately HK\$0.104 per Right Share.

The Subscription Price was determined with reference to, among others, (i) the market price of the Shares under the prevailing market conditions and the relevant discount to the closing prices; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for the Rights Issue as discussed in the section headed “Reasons for the Rights Issue and the Set-off Arrangement” in this letter.

The Directors consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their provisional allotments and to participate in the potential growth of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company on the Record Date; and
- (ii) not an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, transfer documents (together with the relevant share certificates) must be lodged with the Share Registrar no later than 4:30 p.m. on Monday, 13 April 2026.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

As at the Latest Practicable Date, there are 6 Overseas Shareholders in the PRC holding an aggregated number of 1,260,000 Shares, representing approximately 0.43% of the issued share capital of the Company.

The Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue. The Company will send the Prospectus (without the PAL) to the Excluded Shareholders for their information only. For the avoidance of doubt, the Overseas Shareholders, if any, are entitled to attend and vote at the EGM.

The Company notes the requirements specified in the notes to Rule 13.36(2)(a) of the Listing Rules, and has made enquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders present on the Record Date. The Company has been advised by its legal advisers in the PRC that, under the applicable legislations of the PRC, there is (i) no legal restriction or requirement of any regulatory body or stock exchange with respect to extending the Rights Issue to the Overseas Shareholders in the PRC; and (ii) in relation to the Rights Issue, there is no requirement under the relevant applicable legislations of the PRC requiring the prior approval and or registration of the Prospectus with the relevant regulatory authorities under the applicable laws of the PRC. Accordingly, the Rights Issue will be extended to such Overseas Shareholders in the PRC and there are no Excluded Shareholders for the Rights Issue as at the Latest Practicable Date. Save for the aforesaid Overseas Shareholders, all Shareholders on the Company's register of members as at the Latest Practicable Date have Hong Kong registered addresses.

The Company will continue to ascertain whether there are any other Overseas Shareholders (other than the aforesaid) as at the Record Date and, if applicable, will make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholder (if any) as at the Record Date.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 14 April 2026 to Monday, 20 April 2026 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the book closure periods.

Basis of provisional allotment

The basis of the provisional allotment shall be four (4) Rights Shares for every one (1) existing Share in issue and held by the Qualifying Shareholders on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Share Registrar on or before the Latest Time for Acceptance.

No fractional entitlements to the Rights Shares

On the basis of provisional allotment of four (4) Rights Shares for every one (1) existing Share held, no fractional entitlement to Rights Shares shall arise.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 3 June 2026. Those entitled, except HKSCC Nominees Limited, will receive one share certificate for all the Rights Shares in

fully-paid form, allotted and issued thereto. Refund cheques are expected to be posted on or before Wednesday, 3 June 2026 by ordinary post, at the respective Shareholders' own risk, to their registered addresses if the Rights Issue is terminated.

Procedures in respect of the Unsubscribed Rights Shares and Excluded Unsold Rights Shares and the Compensatory Arrangements

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and Excluded Unsold Rights Shares by offering the Unsubscribed Rights Shares and Excluded Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 14 January 2026 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and Excluded Unsold Rights Shares to the independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and Excluded Unsold Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis.

The Placing Agent will, on a best effort basis, procure, by not later than 6:00 p.m. on Thursday, 21 May 2026, subscribers for all (or as many as possible) of those Unsubscribed Rights Shares and Excluded Unsold Rights Shares. Any Unsubscribed Rights Shares and Excluded Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefits.

Placing Agreement for the Unsubscribed Rights Shares and Excluded Unsold Rights Shares

Principal terms of the Placing Agreement are summarised as follows:

Date: 14 January 2026 (after trading hours of the Stock Exchange)

Issuer: The Company

Placing Agent: Sun Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) regulated activity under the SFO

The Placing Agent confirms that it and its ultimate beneficial owner(s) are Independent Third Parties

Placing Period: The period commencing from Thursday, 14 May 2026 and ending at 6:00 p.m. on Thursday, 21 May 2026.

Commission: Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong Dollars, of 1.25% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and Excluded Unsold Rights Shares that have been successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement.

Assuming, save for Mr. Lui, none of the Qualifying Shareholders has taken up their entitled Rights Shares and all Unsubscribed Rights Shares and the Excluded Unsold Rights Shares have been placed by the Placed Agent, the total placing commission will be approximately HK\$0.796 million in cash to be deducted from the gross proceeds of the Rights Issue.

Placing price of the Unsubscribed Rights Shares and Excluded Unsold Rights Shares: The placing price of the Unsubscribed Rights Shares and Excluded Unsold Rights Shares shall be not less than the Subscription Price.

The final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and Excluded Unsold Rights Shares during the process of placement.

Placees: The Unsubscribed Rights Shares and Excluded Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and none of the placees shall be a party acting in concert (as defined in the Takeovers Code) with any of them or other placees.

The Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

Ranking: The placed Unsubscribed Rights Shares and Excluded Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of completion of the Rights Issue.

Conditions of the Placing Agreement: The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:

- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
- (ii) the passing of all necessary resolutions to be proposed at the EGM to be convened to consider and, approve, among others, the Increase in Authorised Share Capital and the Rights Issue and the respective transactions contemplated thereunder;

- (iii) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
- (iv) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and
- (v) the Placing Agreement not having been terminated accordance with the provisions thereof.

Save for condition (iv) which may be waived by either party by notice in writing to the other party, none of the above conditions is capable of being waived.

In the event that the above condition precedents have not been fulfilled or waived (as the case may be) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination.

Termination:

Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Rights Shares and the Excluded Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
- (b) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or

- (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (d) any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
- (e) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (f) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing of all the necessary resolution(s) at the EGM to be convened to consider and, approve, among others, the Increase in Authorised Share Capital, the Rights Issue and the respective transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders or the Independent Shareholders (as the case may be);
- (b) the Increase in Authorised Share Capital having become effective;
- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached hereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;
- (d) the Prospectus Documents are made available to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms;
- (f) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events; and
- (g) compliance with the requirements under the applicable laws and regulations of Hong Kong.

All conditions set out above cannot be waived by any party. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

As at the Latest Practicable Date, save for conditions (f) and (g), all the other conditions have not been fulfilled.

Application for listing of the Rights Shares and the Placing Shares

The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms, and the Placing Shares.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms, and the Placing Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms, and the Placing Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms, and the Placing Shares or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

There will be no odd lot matching arrangement for the Rights Shares in their nil-paid or fully paid form and the Placing Shares.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms and the Placing Shares which are registered in the register of members of the Company in Hong Kong will be in the board lots of 10,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and the Placing Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

THE SET-OFF ARRANGEMENT

The Shareholder's Loans have been provided by Mr. Lui to the Group from time to time since 2020 to finance the Group's general working capital requirements. The Shareholder's Loans are unsecured and bear interest of 5% per annum. Having considered that (i) the Group was not required to provide any collateral for the Shareholder's Loans, and (ii) the interest rate of the Shareholder's Loans is significantly lower as compared to the interest rates offered by banks in Hong Kong which range between approximately 7% to 9% per annum, the Directors consider the terms of the Shareholder's Loans to be on normal commercial terms or better to the Company.

As at the Latest Practicable Date, the Company was indebted to Mr. Lui in an aggregate amount of approximately HK\$71 million (including principal of approximately HK\$60.35 million and accrued interest of approximately HK\$10.70 million) under the Shareholder's Loans which are due on 31 December 2027, providing an extended and favorable repayment period that takes into account the Group's limited cash resources. Notwithstanding the extension of the repayment due date, and having regard to the background of the Shareholder's Loans, the Board considers that (i) the subscription monies represent repayment of indebtedness owed by the Company to Mr. Lui; (ii) the Set-off Arrangement, being an alternative method of discharging such indebtedness, does not constitute preferential treatment to Mr. Lui over other Qualifying Shareholders; and (iii) it effectively settles the Group's overdue debt without cash outflow while at the same time alleviating the continuing interest burden of 5% per annum on the Shareholder's Loans. Accordingly, the Board considers that the Set-off Arrangement is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Pursuant to the Undertaking, Mr. Lui conditionally agreed to the Set-off whereby approximately HK\$57.9 million required to be paid by Mr. Lui for the subscription of 551,544,184 Rights Shares provisionally allotted to him pursuant to the Rights Issue would be set-off against the Shareholder's Loans on a dollar-for-dollar basis. However, if the relevant resolution in respect of the Set-off Arrangement is not approved at the EGM, the Company was given to understand that Mr. Lui will satisfy the subscription monies from his internal resources.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date); and (iii) when applicable, immediately after the completions of the Rights Issue and the Placing:

	Immediately after completion of the Rights Issue and the Placing							
	As at the Latest Practicable Date		Assuming all Qualifying Shareholders have taken up the Rights Shares		Assuming no Qualifying Shareholders (except Mr. Lui pursuant to the Undertaking) had taken up their Rights Shares entitlement and all the Placing Shares have been placed		Assuming no Qualifying Shareholders (except Mr. Lui pursuant to the Undertaking) had taken up their Rights Shares entitlement after adjustment to number of Rights Shares offered to Mr. Lui (Note 1)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Lui	137,886,046	47.62	689,430,230	47.62	689,430,230	47.62	149,376,046	49.62
Independent Shareholders	151,669,235	52.38	758,346,175	52.38	151,669,235	10.48	151,669,235	50.38
Independent places	—	0.00	—	0.00	606,676,940	41.9	—	0.00
Total	<u>289,555,281</u>	<u>10.00</u>	<u>1,447,776,405</u>	<u>100.00</u>	<u>1,447,776,405</u>	<u>100.00</u>	<u>301,045,281</u>	<u>100.00</u>

Note: In the event of an under-subscription of the Rights Issue, pursuant to the note of Rule 7.19(5)(b) of the Listing Rules, which sets out that an issuer may provide for shareholders to apply on the basis that, if the issue is not fully taken up, their application can be “scaled” down to a level which does not trigger an obligation to make a general offer after completion of the Rights Issue and the Placing (i.e. Mr. Lui’s shareholding cannot be increased by more than 2% immediately after the completion of the Rights Issue).

The Shareholders and the public investors of the Company should note that the above shareholding changes are for illustrative purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue and the Placing are subject to various factors, including the results of the acceptance of the Rights Issue. The public float requirements under the Rule 8.08 of the Listing Rules shall be maintained by the Company at all times, and the Company will take all appropriate steps to ensure that sufficient public float shall be at all times in compliance with Rule 8.08(1) of the Listing Rules.

USE OF PROCEEDS

Assuming full subscription under the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date), the gross proceeds from the Rights Issue will be approximately HK\$121.6 million. After the Set-off Arrangement and deducting the related expenses, the estimated net proceeds from the Rights Issue will be further reduced to approximately HK\$61.8 million to approximately HK\$62.6 million (subject to actual number of Unsubscribed Rights Shares for Placing).

Assuming full subscription under the Rights Issue and that there will be no Unsubscribed Rights Shares for Placing, the Company intends to utilize the net proceeds from the Rights Issue of approximately HK\$62.6 million for the followings:

- (a) as to approximately HK\$41.8 million will be used for repayment of overdue bank loans and the interests incurred therefrom;
- (b) as to approximately HK\$20.3 million will be used for repayment of the outstanding trade and other payables; and
- (c) as to the remaining of approximately HK\$0.5 million will be used as general working capital of the Group, including day-to-day salaries, office administrative overheads and selling and distribution expenses.

Given that the Rights Issue is non-underwritten and will proceed regardless of the level of subscription, the following table illustrated different application of the net proceeds from the Rights Issue by subscription levels.

Table — Proceeds application by subscription levels (for illustrative purposes only)

Rights Issue and Placing		Unsubscribed Rights Shares to Places	Set-off Arrangement	Expected cash received by the Company	Repayment of Bank Loans	Repayment of Trade/Other Payables	Working Capital
Shares to Mr. Lui	Shares to other Shareholders						
<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
All Shareholders subscribing for his/her/its Rights Shares							
551,544,184	606,676,940	—	57.9	62.6	41.8	20.3	0.5
No Shareholders (except Mr. Lui) subscribing for Rights Shares but assuming all the Unsubscribed Rights Shares are placed successfully							
551,544,184	—	606,676,940	57.9	61.8	41.8	20.0	—
No Shareholder subscribing for Rights Shares but assuming 25% of the Unsubscribed Rights Shares are placed successfully and Mr. Lui's entitlement of Rights Shares has to be scaled down							
160,871,954	—	151,669,235	16.9	14.7	14.7	—	—
No Shareholder subscribing for Rights Shares and assuming all the Unsubscribed Rights Shares cannot be placed so Mr. Lui's entitlement of Rights Shares has to be scaled down							
11,490,000	—	—	1.2	1.2	—	—	—

As illustrated in the table above, should the Rights Issue be undersubscribed with low or minimal public take-up by Qualifying Shareholders, (i) Mr. Lui's entitlement to the Rights Shares pursuant to the Undertaking (by way of set-off) will be scaled down as described below; and (ii) the net proceeds will be correspondingly reduced, with the Company intending to prioritize to their use for repayment of overdue bank loans, and followed by settlement of outstanding trade and other payables. With reference to the table "Proceeds application by subscription levels" above,

- in the event that all or most of the Placing Shares are successfully placed, and Mr. Lui subscribes for up to 551,544,184 Rights Shares, the subscription monies payable of Mr. Lui under the Rights Issue, being approximately HK\$57.9 million, will be set-off in full against the Shareholder's Loans on a dollar-to-dollar basis. The remaining net proceeds of up to approximately HK\$62.6 million (subject to the actual results of the Placing) generated via the Placing, will be applied first towards the repayment of the Group's overdue bank loans, which comprise both outstanding principal and accrued interest (amounts due to Hang Seng Bank of approximately HK\$40.8 million (including principal of approximately HK\$28.8 million and accrued interest of approximately HK\$12.0 million); and amounts due to Chong Hing Bank of approximately HK\$4.2 million (including principal of approximately HK\$2.5 million and accrued interest of approximately HK\$1.7 million)) and remaining proceeds (if any) are expected to be utilized to the Group's outstanding trade and other payables.

- in the event that only a reduced number of or nil Placing Shares are placed, the Company will scale down the number of Rights Shares applied by Mr. Lui's under the Rights Issue, in accordance with note to Rule 7.19(5)(b) of the Listing Rules, to a level that will not trigger an obligation to make a general offer after completion of the Rights Issue and the Placing (i.e. Mr. Lui's shareholding cannot be increased by more than 2% immediately after the completion of the Rights Issue), which means that Mr. Lui's subscription will be reduced as necessary so that, after taking into account (i) all Rights Shares actually taken up by other Shareholders and places; and (ii) Mr. Lui's own assured entitlement he has applied for, his final shareholding will be capped at a level that does not trigger a mandatory general offer obligation under the Takeovers Code. The Company, if and when necessary, will adjust the number of Rights Shares to be allotted to Mr. Lui under the Rights Issue after receiving the results of the Rights Issue and the Placing to ensure that Mr. Lui's post-completion percentage shareholding remains below the relevant mandatory offer threshold, in accordance with note to Rule 7.19(5)(b) of the Listing Rules. As illustrated in the last column of the shareholding table of the Company set out above, on the theoretical basis that no Placing Shares are placed, the maximum number of Rights Shares to be allotted and issued to Mr. Lui will be scaled down to 11,490,000 Rights Shares, and approximately HK\$1.2 million will be set-off against the Shareholder's Loans on a dollar-to-dollar basis. Additionally, should there is an under-subscription of the Rights Issue other than those under the Undertakings and after adjustments to number of Rights Shares offered to Mr. Lui, after the Set-off Arrangement there will be no proceeds from the Rights Issue.

Having considered that the Rights Issue provides an opportunity for all Qualifying Shareholders to subscribe for their entitlements and that the relevant net proceeds are expected to improve the Group's financial position, and further offering the Group that, even if the level of public subscription is low, the outstanding balance of the Shareholder's Loans will still be partially reduced, the Board is of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

As disclosed in the annual report for the year ended 31 December 2024, the Group recorded a net loss of approximately HK\$86 million. As disclosed in the interim report for the six months ended 30 June 2025, the Group recorded a net loss attributable to owners of the Company of approximately HK\$8.7 million. The Group recorded total deficit of approximately HK\$54 million as at 31 December 2024 and total deficit of approximately 62 million as at 30 June 2025. As at 31 December 2024 and 30 June 2025, the Group had cash and cash balances of approximately HK\$308,000 and HK\$628,000 respectively. As such, taking into account (i) the current financial position of the Group; and (ii) the intended use of proceeds for the future development of the Group set out above, the Directors considered that the Group has an urgent funding need in raising additional cash and strengthen the financial position as well as liquidity of the Group through the Rights Issue. For other factors considered by the Directors in other fund raising alternatives, please refer to the "Reasons for the Rights Issue and the Set-off Arrangement" below.

REASONS FOR THE RIGHTS ISSUE AND THE SET-OFF ARRANGEMENT

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

The Directors have considered other financing alternatives including (i) additional debt financing; and (ii) equity fund raising such as sole placement of the Shares and open offer. The Directors are of the view that while additional debt financing will further increase the Group's gearing ratio and worsen the net deficit position of the Group, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company.

As for equity fund raising, such as sole placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. In addition, to raise fund from placing, substantial amount of securities must be issued and usually the subscriber(s) may ask for a relatively deeper discount to the trading price of the Shares in view of the substantial amount of securities involved.

As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate in, but it does not allow the trading of rights entitlements in the open market.

Accordingly, the Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its financial position without any ongoing burden of interest expenses, and also offer all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlements under the Rights Issue in full.

In considering methods of settlement of the amount owed to Mr. Lui by the Company, the Company also considered loan capitalisation by issuing Shares to Mr. Lui as a form of repayment to Mr. Lui. However, such loan capitalisation would cause an immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. Furthermore, a loan capitalisation would not raise any proceeds for the Group for its business and working capital use while the Rights Issue would enable the Company to raise additional capital. Besides, the Set-off Arrangement would reduce the interest obligation and burden caused on the financial performance and daily cash outflow of the Group in the long run.

Taking into account the costs and benefits of each of the alternatives as compared with the Rights Issue, the Directors consider raising funds by way of the Rights Issue is more attractive and feasible in the current market condition, and thus, in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISE IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities during the 12 months immediately preceding the date of the Announcement.

Date	Event	Net proceeds raised (approximately)	Proposed use of proceeds	Actual use of proceeds as at the Latest Practicable Date
19 September 2025	Issue of new Shares under general mandate	HK\$11.78 million such fund has been deposited in the Company's bank accounts by the Company	<ul style="list-style-type: none"> — approximately HK\$5.89 million for the repayment of bank loans — approximately HK\$2.94 million for the settlement of other debts and payables — approximately HK\$2.94 million for general working capital of the Group 	<ul style="list-style-type: none"> — approximately HK\$2.67 million for the repayment of bank loans — approximately HK\$1.56 million for the settlement of other debts and payables — approximately HK\$0.4 million for general working capital of the Group

Intended uses of the unutilized balance of the proceeds from the 2025 Proceeds

The Group had overdue bank loans and accrued interests of approximately HK\$45.0 million as at 31 December 2025, comprising (i) approximately HK\$40.8 million due to Hang Seng Bank; and (ii) approximately HK\$4.2 million due to Chong Hing Bank. As illustrated in the table above, the Company intended to utilize HK\$5.89 million from the 2025 Proceeds for the repayment of bank loans and it had applied approximately HK\$2.67 million to repay these bank loans. The Company intends to utilize HK\$3.22 million of the unutilized proceeds from the 2025 Proceeds to settle its overdue bank loan during March to April 2026. Upon completion of the Rights Issue, the Company intends to further apply approximately HK\$41.8 million from the proceeds of the Rights Issue to settle the remaining overdue amounts of bank loans in June 2026.

The Group had outstanding trade and other payables of approximately HK\$35.7 million as at 31 December 2025, comprising (i) approximately HK\$24.7 million due to suppliers and subcontractors; (ii) approximately HK\$6.0 million in accrued salaries and operating expenses; and (iii) approximately HK\$5.0 million in accrued professional fees. As illustrated in the table above, the Company intended to utilize HK\$2.94 million from the 2025 Proceeds for the settlement of other debts and payables and it had applied approximately HK\$1.56 million to settle accrued professional fees, accrued salaries and accrued operating expenses. The Company intends to utilize approximately HK\$0.79 million and approximately HK\$0.59 million, totaling HK\$1.38 million of the unutilized proceeds, from the 2025 Proceeds to settle its outstanding amounts due to suppliers and subcontractors 2026 and accrued salaries during March to April 2026, respectively. Upon completion of the Rights Issue, after the settlement of the Group's bank loans, the Company intends to further apply up to approximately HK\$20.3 million from the proceeds of the Rights Issue (if any), to settle its outstanding debts in June 2026.

The Company intended to utilize HK\$2.94 million from the 2025 Proceeds as general working capital of the Group. As at the Latest Practicable Date, the Company had utilized approximately HK\$0.4 million, and approximately HK\$2.54 million will continue to be utilized as general working capital of the Group. Should there be any unutilized proceeds from the Rights Issue after the repayment of the Group's outstanding bank loans and other debts and payables as described in the paragraphs above, the Company intends to apply around HK\$0.5 million for general working capital of the Group upon completion of the Rights Issue.

Save for the above, the Company has not conducted any other equity fund-raising activities during the 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

Increase in authorized share capital

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution on the Increase in Authorised Share Capital at the EGM.

Rights Issue and the Set-off Arrangement

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own and when aggregated with a specific mandate to issue new Shares within 12-month period immediately preceding this announcement. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

Given that the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rules 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to the approval of the Independent Shareholders by way of poll at the EGM at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As Mr. Lui is a controlling Shareholder holding 137,886,046 Shares, representing approximately 47.62% of the issued share capital of the Company as at the Latest Practicable Date, the Set-off Arrangement would constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting and announcement requirements and the approval of the Independent Shareholders at the EGM under the Listing Rules.

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Rights Issue and the Set-off Arrangement. The controlling shareholder of the Company, namely Mr. Lui and his associates will abstain from voting in favour of the resolution(s) to approve the Rights Issue and the Set-off Arrangement at the EGM.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Lui and his associates, no other Shareholder is required or indicated his intention to abstain from voting on the Rights Issue and the Set-off Arrangement at the EGM.

Independent Board Committee and the Independent Financial Adviser

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ko Tsz Kin, Mr. Wong Yue Fai and Prof. Jiang Zhihong has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue and the Set-off Arrangement are fair and reasonable and in the interests of the Shareholders and the Company as a whole; and (ii) how to vote on the resolution(s) relating to the Rights Issue and the Set-off Arrangement.

In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Rights Issue and the Set-off Arrangement and the respective voting recommendations.

THE EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve (i) the Rights Issue; (ii) the Set-off Arrangement and (iii) the Increase in Authorised Share Capital, each in accordance with the Listing Rules.

DESPATCH OF PROSPECTUS DOCUMENT

Subject to the approval of the Rights Issue, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on the Posting Date. The Prospectus (without the PAL) and a letter to the Excluded Shareholders (if any) explaining the circumstances in which they are not permitted to participate in the Rights Issue will be despatched to the Excluded Shareholders (if any) for their information only also on the Posting Date.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Anchorstone Holdings Limited



Lui Yue Yun Gary
Chairman and Executive Director