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MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1653)

DISCLOSEABLE TRANSACTION ACQUISITION OF SALE SHARES OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

Financial Adviser to the Company



INCUB Corporate Finance Limited

THE ACQUISITION

On 27 September 2022 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor, the Company and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company for a total consideration of HK\$10.0 million which shall be settled by way of allotment and issue of 40,000,000 Consideration Shares at the Issue Price of HK\$0.250 each.

The Consideration Shares represent approximately 16.7% of the total issued share capital of the Company as at the date of this announcement and approximately 14.3% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to the general mandate granted to the Directors of the Company at the annual general meeting convened on 30 September 2021 to issue, allot and deal with up to 20% of the issued share capital of the Company and are not subject to the approval of the Shareholders. The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. The Consideration Shares, when allotted and issued, shall rank pari passu with the Shares in issue.

Upon the Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios of the Acquisition exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the announcement requirement under Chapter 14 of the Listing Rules.

WARNING

Acquisition Completion is subject to the fulfillment (or waiver) of the conditions precedent as set out in the Sale and Purchase Agreement and therefore 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

On 27 September 2022 (after trading hours), the Purchaser, the Vendor, the Company and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the consideration of HK\$10.0 million, which shall be settled by way of allotment and issue of 40,000,000 Consideration Shares at the Issue Price of HK\$0.250 each.

THE SALE AND PURCHASE AGREEMENT

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

Date: 27 September 2022

Parties: (i) the Purchaser;
(ii) the Vendor;
(iii) the Company; and
(iv) the Guarantor

As at the date of this announcement, the Sale Shares, representing the entire issued share capital of the Target Company, are legally and beneficially owned by the Vendor. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company. Details of the Target Company are set out in the section headed “Information of the Target Company” in this announcement.

Consideration

The consideration of the Acquisition of HK\$10.0 million shall be satisfied by the allotment and issue of an aggregate of 40,000,000 Consideration Shares.

The consideration was determined by the parties to the Sale and Purchase Agreement after arm’s length negotiation taking into account, among others, the recent business development of the Target Company and the valuation of the fair value of the Sale Shares of approximately HK\$10.3 million as at 30 June 2022, which was assessed by the Valuer using market approach. The Board is of the view that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Issue of Consideration Shares

The aggregate of 40,000,000 Consideration Shares represents:

- (i) approximately 16.7% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 14.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be issued pursuant to a general mandate granted to the Directors of the Company at the annual general meeting convened on 30 September 2021 to issue, allot and deal with up to 20% of the issued share capital of the Company and are not subject to the approval of Shareholders. Under the general mandate, the maximum number of Shares that can be issued is 48,000,000 Shares. As at the date of this announcement, the Company has not allotted and issued any Shares under the general mandate. The general mandate is sufficient for the allotment and issue of the Consideration Shares.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. The Consideration Shares will rank *pari passu* in all respects with each other and with the Shares in issue at the time of the issue and allotment of the Consideration Shares.

Issue Price

The Issue Price of HK\$0.250 each represents:

- (i) a discount of approximately 16.67% to the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 16.67% to the average closing price of HK\$0.300 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days of the Shares immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) a discount of approximately 16.67% to the average closing price of HK\$0.300 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days of the Shares immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price was determined after arm's length negotiation between the Company and the Vendor with reference to, among other things, the recent price performance of the Shares and the prevailing market conditions. The Directors consider that the Issue Price is fair and reasonable.

Conditions precedent

The Acquisition shall be conditional upon the satisfaction or waiver (as the case may be) of, among others, the following conditions:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review to be conducted on the Target Company;
- (b) the valuation report of the fair value of the Sale Shares has been issued by the Valuer;
- (c) the Audited Accounts having been delivered to the Purchaser, and the Purchaser having been satisfied that there not having been any adverse change in the financial position or net asset value of the Target Company;
- (d) all necessary consents, licences and approvals and/or waiver required to be obtained on the part of the Vendor and the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (e) all necessary consents, licences and approvals and/or waiver required to be obtained on the part of the Purchaser and the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereby (including but not limited to any consent, approval or waiver from compliance with any of the Listing Rules from the Stock Exchange and/or the SFC, if applicable) having been obtained and remain in full force and effect;
- (f) the warranties given by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all material respects;
- (g) there having been no Material Adverse Change to the Target Company since 1 April 2022 up to the Acquisition Completion;

- (h) the disposal of the PRC Subsidiary by the Target Company has been completed; and
- (i) the Listing Committee granting the listing of and permission to deal in the Consideration Shares.

If the conditions above have not been fulfilled or waived (as the case may be) on or before the Long Stop Date (or such other date as the parties may agree), the Sale and Purchase Agreement shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Sale and Purchase Agreement.

Profit Guarantee

Pursuant to the Sale and Purchase Agreement, the Vendor and the Guarantor jointly and severally, and irrevocably and unconditionally warrants and guarantees (the “**Profit Guarantee**”) to the Purchaser that the audited net profit after tax of the Target Company as shown in its audited financial statement for the year ending 31 March 2023 (the “**Relevant Year**”) will not be less than HK\$4,000,000 (the “**Guaranteed Profit**”). In the event the actual net profit after tax (the “**Actual Net Profit**”) of the Target Company for the Relevant Year is less than the Guaranteed Profit, the Vendor and the Guarantor shall jointly and severally compensate the Purchaser by an amount (the “**Shortfall**”) equivalent to:

$(\text{Guaranteed Profit} - \text{Actual Net Profit}) \times 2.5$ (2.5 being the price-to-earnings ratio, i.e. HK\$10,000,000 divided by HK\$4,000,000).

For the avoidance of doubt, should the Target Company record a loss in its audited financial statements for the Relevant Year, the Actual Net Profit for the Relevant Year shall be deemed as zero, and should the Actual Net Profit for the Relevant Year exceed the Guaranteed Profit, no additional consideration shall be payable to the Vendor by the Purchaser.

On the date of the Acquisition Completion, the Consideration Shares will be registered under the name of the Vendor (or her designated person or entity as she may direct in writing) and the share certificates of the Consideration Shares shall be delivered to and held by the Escrow Agent.

If the Profit Guarantee is fulfilled, the Purchaser shall instruct the Escrow Agent to release the share certificate(s) for the Consideration Shares to the Vendor within seven business days after the issuance of the Guarantee Certificate.

If the Profit Guarantee is not fulfilled, the Purchaser shall only instruct the Escrow Agent to release the share certificate(s) for the Consideration Shares to the Vendor within seven business days after the Vendor and/or the Guarantor has paid the Shortfall to the Purchaser.

The Vendor undertakes that as long as the share certificate(s) of the Consideration Shares are held by the Escrow Agent, the Vendor shall not (i) sell, transfer, dispose of, or otherwise deal with, either directly or indirectly any of the Consideration Shares or any interest in the Consideration Shares, including but not limited to the creation of any option in relation to the Consideration Shares; (ii) create or allow to create any Encumbrances over the Consideration Shares; or (iii) claim herself as the beneficial owner of the Consideration

Shares, and may not exercise any rights of the Consideration Shares (including but not limited to voting rights, receipt of dividend and rights of rights issue), otherwise the Vendor agrees and undertake to indemnify the Purchaser and the Company for all losses, damages and all costs incurred by the Purchaser and the Company.

Acquisition Completion

Acquisition Completion shall take place on the date upon compliance with or fulfillment (or waiver) of all the conditions precedent to the Sale and Purchase Agreement or such other date as the Vendor and the Purchaser may agree.

Upon Acquisition Completion, (i) the Target Company will become an indirect wholly-owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group; and (ii) the Vendor will become a Substantial Shareholder of the Company, holding approximately 14.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Acquisition Completion).

INFORMATION OF THE GROUP

The Group is a retailer and supplier of overseas manufactured tiles in Hong Kong, specialising in high-end European imported porcelain, ceramic and mosaic tiles.

INFORMATION OF THE TARGET COMPANY

Business of the Target Company

The Target Company was incorporated in Hong Kong in 2009 and is a Hong Kong-based contractor which mainly carries out works of waterproofing, fitting-out works and maintenance works in both public and private sectors, including schools, government buildings and commercial buildings, etc., as well as shops and private housings in Hong Kong. The Target Company has been registered as Minor Works Contractor (Type A, B, D, E, F and G) under Building Ordinance (Cap 123) Section 8A and a Registered Specialist Trade Contractor (on the register of subcontractors) with the Construction Industry Council. The Target Company has also been registered as an approved constructor of Fosroc products. Fosroc is a well-known international brand of waterproofing products and is recognized and recommended by government units, construction companies and property management companies.

The Target Company wholly owns the PRC Subsidiary, which has minimal operation and the Target Company will dispose it before the Acquisition Completion.

Financial information of the Target Company

Set out below is a summary of the key financial information of the Target Company for the two financial years ended 31 March 2021 and 31 March 2022 respectively:

	For the year ended 31 March	
	2021 HK\$ (audited)	2022 HK\$ (unaudited)
Revenue	7,927,906	7,514,729
Gross profit	2,358,917	2,788,282
Profit before tax	642,348	85,498
Profit after tax	621,677	78,444

	As at 31 March	
	2021 HK\$ (audited)	2022 HK\$ (unaudited)
Total assets	3,659,272	2,583,515
Total liabilities	2,936,526	1,772,324
Net assets	732,746	811,191

REASONS FOR AND BENEFITS OF THE ACQUISITION

As mentioned above, the Target Company is principally engaged in the provision of works of waterproofing, fitting-out works and maintenance works in both public and private sectors, including schools, government buildings and commercial buildings, etc., as well as shops and private housings in Hong Kong. The outbreak of COVID-19 pandemic has materially impacted the overall market condition of the construction industry in Hong Kong and the Target Company was in difficult situation in the last two financial years. As the Target Company recently hired professional consultants that possess in-depth knowledge and experience in the architecture, building services engineering and electrical and structural engineering, together with the Target Company's engineering team, the Target Company is able to maintain good relationship with its existing customers and obtain new projects from new customers. The Target Company currently has existing projects with total contract sum of approximately HK\$12.9 million, which will be completed during the year ending 31 March 2023, and several potential projects under negotiation. The Directors believe that with the combination of the Target Company's strong expertise and good reputation in the industry, the Acquisition is an ideal business opportunity to further expand the Group's business in the construction industry by gaining access to the business network of building and structural engineering, and also to diversify and broaden source of income and customer base of the Group. The Directors also consider that acquiring the Target Company with well-established business and contractor licenses as mentioned above will allow the Group to offer more comprehensive service packages to the customers with the combination of the tile products of the Group and building services engineering of the Target Company, which enhance the Group's competitive advantages. In addition, as stated in the section headed "Profit Guarantee" above, the Vendor has undertaken and guaranteed to the Purchaser that the audited net profit after tax of the Target Company as shown in its audited financial statement for the Relevant Year will not be less than HK\$4,000,000, which provides a secured source of profit to the Company.

Taking into the account that (i) the Acquisition does not create any cash outflow to the Group; (ii) the consideration is determined with reference to the valuation of the Target Company; (iii) the Consideration Shares will be locked up until the Guaranteed Profit is achieved; and (iv) the reasons for and benefits of the Acquisition as discussed above, the Board is of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR LISTING OF THE CONSIDERATION SHARES ON THE STOCK EXCHANGE

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Subject to the granting of the listing of, and permission to deal in, the Consideration Shares, on the Stock Exchange as well as compliance with the stock admission requirement of HKSCC, the Consideration Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consideration Shares on the Stock Exchange or such other dates as 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 CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Consideration Shares on the Stock Exchange will be subject to the payment of stamp duty, Stock Exchange trading fee, the SFC transaction levy or any other applicable fees and charges in Hong Kong.

CHANGE IN SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the completion of allotment and issue of all Consideration Shares, assuming there are no other changes in the share capital of the Company from the date of this announcement to the date of allotment and issue of the Consideration Shares:

	As at the date of this announcement		Immediately upon allotment and issue of Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Controlling Shareholders				
RB Power (<i>Note 1</i>)	150,000,000	62.5	150,000,000	53.6
Cyber Building Limited (<i>Note 2</i>)	1,480,000	0.6	1,480,000	0.5
	151,480,000	63.1	151,480,000	54.1
Other Shareholders				
The Vendor	—	—	40,000,000	14.3
Public Shareholders	88,520,000	36.9	88,520,000	31.6
	<u>240,000,000</u>	<u>100.0</u>	<u>280,000,000</u>	<u>100.0</u>

Note:

1. RB Power (Mr. Tso being its sole director) is wholly-owned by RB Management, the holding vehicle incorporated in the BVI used by TMF (Cayman) Ltd., the trustee of the Family Trust, which is a discretionary trust established by Mr. Tso (as the settlor) with Mr. Tso and Mr. Tso's family members as beneficiaries. By virtue of the SFO, each of TMF (Cayman) Ltd. and RB Management is deemed to be interested in the Shares held by RB Power.
2. The shares are held by Cyber Building Limited, a company owned as to 50/50 by Mr. Tso and Ms. Tsui. By virtue of the SFO, both Mr. Tso and Ms. Tsui are deemed to be interested in the shares held by Cyber Building Limited.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios of the Acquisition exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the announcement requirement under Chapter 14 of the Listing Rules.

Acquisition Completion is subject to the fulfillment (or waiver) of the conditions precedent as set out in the Sale and Purchase Agreement and therefore 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

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Acquisition”	the proposed acquisition of the Sale Shares from the Vendor by the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Acquisition Completion”	completion of the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Audited Accounts”	collectively, the audited financial statements of the Target Company for the year ended 31 March 2022
“Board”	the board of Directors
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	MOS House Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1653)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration Share(s)”	40,000,000 new Shares to be allotted and issued by the Company to the Vendor (or his designated person or entity as he may direct in writing) at the Issue Price pursuant to the Sale and Purchase Agreement
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules, and in the context of this announcement, refers to the controlling shareholders of the Company
“Director(s)”	the director(s) of the Company
“Encumbrances”	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Escrow Agent”	the Company to be jointly appointed by the Vendor and the Purchaser as the escrow agent for the share certificate(s) of the Consideration Shares
“Family Trust”	the family trust established on 18 December 2015 by Mr. Tso as the settlor, with TMF (Cayman) Ltd. acting as the trustee
“Group”	the Company and its subsidiaries
“Guarantee Certificate”	a certificate issued by the auditors of the Purchaser to certify the amount of the actual net profit after tax of the Target Company for the financial year ending 31 March 2023 by the date falling three months after the expiry of the financial year ending 31 March 2023
“Guarantor”	Mr. Lau Hoi Yeung, a director of the Target Company
“HK Government”	the government of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected person(s) of the Company and is/are not connected person(s) of the Company
“Issue Price”	issue price of HK\$0.250 per Consideration Share

“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2022 (or such other date as may be agreed between the Vendor and the Purchaser)
“Material Adverse Change”	any change (or effect) which has a material and adverse effect on the results, financial position, business or property, operations and prospects of the Target Company as a whole
“Mr. Tso”	Mr. Simon Tso, one of the executive Directors and Controlling Shareholders of the Company
“Ms. Tsui”	Ms. Tsui To Fei, one of the executive Directors and the spouse of Mr. Tso
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Subsidiary”	清遠市前力行新材料技術有限公司, a company incorporated in the PRC and wholly owned by the Target Company as at the date of this announcement
“Profit Guarantee”	the guarantee given by the Vendor and the Guarantor in favour of the Purchaser that the audited net profit after tax of the Target Company as shown in its audited financial statement for the year ending 31 March 2023 will not be less than HK\$4,000,000
“Purchaser”	Unique City Limited, a direct wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands with limited liability
“RB Management”	RB Management Holding Limited, a limited liability company incorporated in the BVI on 9 September 2015, a holding vehicle used by TMF (Cayman) Ltd., the trustee of the Family Trust
“RB Power”	RB Power Limited, a limited liability company incorporated in the BVI on 9 September 2015 wholly-owned by RB Management and is one of the Controlling Shareholders
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 27 September 2022 entered into between the Purchaser as purchaser, the Vendor as vendor, the Guarantor as the guarantor and the Company in relation to the Acquisition

“Sale Shares”	10,000 ordinary shares of the Target Company, which represent the entire issued share capital of the Target Company as at the date of this announcement
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.1 each in the capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Company”	TRA International Limited, a company incorporated in Hong Kong with limited liability and as at the date hereof, has an issued share capital of HK\$10,000 divided into 10,000 shares
“Valuer”	AVISTA Valuation Advisory Limited, an independent valuer engaged by the Company to assess the fair value of 100% equity interest of Target Company as at 30 June 2022
“Vendor”	Ms. Xiao Xiake, an individual who is an Independent Third Party
“%”	per cent

For and on behalf of
MOS House Group Limited
Simon Tso
Chairman

Hong Kong, 27 September 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Simon Tso and Ms. Tsui To Fei and three independent non-executive Directors, namely Mr. Ng Wang To, Mr. Woo King Hang and Mr. Hui Chun Tak.