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MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1653)

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

THE ACQUISITION

On 14 September 2023 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor and the Company 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 Share, representing 50% of the total issued share capital of the Target Company for a total consideration of HK\$15.0 million which shall be settled by way of allotment and issue of 44,117,000 Consideration Shares at the Issue Price of HK\$0.340 each.

The Consideration Shares represent approximately 18.38% of the total issued share capital of the Company as at the date of this announcement and approximately 15.53% 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 2022 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.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios of the Acquisition exceed 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

As the Acquisition is conditional upon fulfillment or waiver (where applicable) of a number of conditions precedent, the transactions may or may not proceed. Shareholders and potential investors are urged to exercise extreme caution when dealing in the Shares.

The transactions contemplated under the Sale and Purchase Agreement are subject to the fulfillment of a number of conditions precedent and therefore may or may not materialize and proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. The Company will keep the public informed of the latest developments by making further announcements as and when appropriate.

THE ACQUISITION

On 14 September 2023 (after trading hours), the Purchaser, the Vendor and the Company 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 Share, representing 50% of the total issued share capital of the Target Company, at the consideration of HK\$15.0 million, which shall be settled by way of allotment and issue of 44,117,000 Consideration Shares at the Issue Price of HK\$0.340 each.

THE SALE AND PURCHASE AGREEMENT

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

Date: 14 September 2023

Parties: (i) The Purchaser;
(ii) the Vendor; and
(iii) the Company.

As at the date of this announcement, the Sale Share, representing 50% of the 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 Share, representing 50% of the total 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\$15.0 million shall be satisfied by the allotment and issue of an aggregate of 44,117,000 Consideration Shares.

The consideration was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement taking into account of, among others, (i) the existing operation and prospects of the Target Company; (ii) approximately 10 price-earnings multiple of the Profit Guarantee (as disclosed in the following section) and equity interests to be acquired in the Target Company (i.e. $\text{HK\$}3,000,000 \times 50\% \times 10 = \text{HK\$}15,000,000$); and (iii) the information set out under the section headed "Reasons for and benefits of the Acquisition". The Directors consider that such 10 price-earnings multiple is a reasonable price-earnings ratio considering the prevailing price-earnings multiple of listed companies in Hong Kong engaged in similar business of the Target Company. As one of the conditions precedent, the Purchaser will obtain an independent valuation report of the fair value of the Sale Share of the Target Company. In the event that the valuation of the Sale Share of the Target Company shown in the independent valuation report is lower than HK\$15.0 million, the consideration of the Acquisition shall be satisfied by allotment and issue of a number of Consideration Shares with an aggregate value equal to such valuation of the Sale Share. For the avoidance of doubt, in the event that the valuation of the Sale Share of the Target Company shown in the independent valuation report is higher than HK\$15.0 million, the consideration of the Acquisition shall remain be the allotment and issue of 44,117,000 Consideration Shares.

The Board consider 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 44,117,000 Consideration Shares represents:

- (i) approximately 18.38% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 15.53% 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 2022 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\$0.340 each represents:

- (i) a discount of approximately 4.23% over the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 3.41% over the average closing price of HK\$0.352 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) a discount of approximately 4.49% over the average closing price of HK\$0.356 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days 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 Share to be issued by an independent valuer to be appointed by the Purchaser;
- (c) the unaudited profit & loss statement of the Target Company from its date of incorporation to 31 August 2023 and the unaudited balance sheet of the Target Company as at 31 August 2023 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) 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 2023 up to the Acquisition Completion; and
- (h) 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 irrevocably and unconditionally warrants and guarantees (the “**Profit Guarantee**”) to the Purchaser that the audited net profit before tax of the Target Company as shown in its audited financial statement for the year ending 31 March 2025 (the “**Relevant Year**”) will not be less than HK\$3,000,000 (the “**Guaranteed Profit**”). In the event the actual net profit before tax (the “**Actual Net Profit**”) of the Target Company for the Relevant Year is less than the Guaranteed Profit, the Vendor shall compensate the Purchaser by an amount (the “**Shortfall**”) equivalent to:

(Guaranteed Profit — Actual Net Profit) x 10 (10 being the price-to-earnings ratio, i.e. HK\$30,000,000 divided by HK\$3,000,000) x 50%.

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 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 third Business Day immediately after the 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, the Vendor will become a Substantial Shareholder of the Company, holding approximately 15.53% 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 was principally engaged in the sales of tiles and bathroom fixture products to retail customers through its retail shops in Hong Kong, as well as the sale of tiles, bathroom fixtures and other products on project basis for residential and commercial premises renovation projects in Hong Kong and Macau.

INFORMATION OF THE TARGET COMPANY

Business of the Target Company

The Target Company commenced its business in February 2023 as a Hong Kong-based contractor and is principally engaged in project management for solar panel installation for residential, industrial and commercial buildings, providing renewable energy consultancy services as well as value-added services (including but not limited to maintenance services and fitting-out works).

The Target Company will be registered as Minor Works Contractor (Types A and B) under Building Ordinance (Cap 123) Section 8A and a Registered Specialist Trade Contractor (on the register of subcontractors) with the Construction Industry Council.

Financial information of the Target Company

Set out below is a summary of the key financial information of the Target Company for the seven months ended 31 August 2023:

	For the seven months ended 31 August 2023 <i>HK\$</i> <i>(unaudited)</i>
Revenue	148,235
Gross profit	58,235
Loss before tax	(129,989)
Loss after tax	<u>(129,989)</u>
	As at 31 August 2023
Total assets	1,131,932
Total liabilities	1,261,921
Net liabilities	<u>(129,989)</u>

REASONS FOR AND BENEFITS OF THE ACQUISITION

Increasing the use of renewable energy is one of the important means to achieve carbon neutrality before 2050. As set out in the Hong Kong's Climate Action Plan 2050, the Government will strive to increase the share of renewable energy in the fuel mix for electricity generation. As mentioned above, the Target Company is engaged in project management for solar panel installation for residential, industrial and commercial buildings. The Target Company provides a wide range of commercial solutions to its customers, catering to a variety of customer needs. Solutions come in the form of investment models and turnkey models. Under the investment model, the Target Company invests in the solar panel system and the customers are the project owners. The project owners can sell the renewable energy they generate to the power companies at a rate higher than the normal electricity tariff rate. The project owners earn feed-in tariff FiT revenue and pay service fees to the Target Company. Under the turnkey model, The Target Company offers engineering, procurement, and construction services to customers to build solar panel systems. Customers own the project and equipment and earn the full FiT revenues.

Currently, the Target Company has invested in three solar panel systems in residential, industrial and commercial buildings to earn service fee from the owners of the buildings, and has several potential projects under negotiation in relation to the installation of solar panel systems. The Directors believe that the Acquisition is an ideal business opportunity to further expand the Group's business in the renewable energy industry by gaining access to the business network of green industry, and also to diversify and broaden source of income and customer base of the Group. The Group remains committed to expanding its product portfolio to enhance the diversity of its product offerings. The Directors believe that the sale of solar panel systems is complementary to the Company's core business of selling high-end tiles products to retail customers as well as non-retail project customers. The Directors also consider that acquiring the Target Company will enable the Group to offer more comprehensive service packages to the customers with the combination of the tile products of the Group and energy savings service solutions and fitting-out works of the Target Company, which will enhance the Group's competitive advantages. In addition, as stated in the section headed "Profit Guarantee" above, the Vendor has guaranteed to the Purchaser that the audited net profit before tax of the Target Company as shown in its audited financial statement for the Relevant Year will not be less than HK\$3,000,000, 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	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Controlling Shareholders				
RB Power (<i>Note 1</i>)	150,000,000	62.50	150,000,000	52.80
Cyber Building Limited (<i>Note 2</i>)	11,920,000	4.97	11,920,000	4.19
Mr. Tso	2,740,000	1.14	2,740,000	0.96
	<u>164,660,000</u>	<u>68.61</u>	<u>164,660,000</u>	<u>57.95</u>
Other Shareholders				
The Vendor	—	—	44,117,000	15.53
Public Shareholders	<u>75,340,000</u>	<u>31.39</u>	<u>75,340,000</u>	<u>26.52</u>
	<u>240,000,000</u>	<u>100.00</u>	<u>284,117,000</u>	<u>100.0</u>

Notes:

1. RB Power (Mr. Tso and Ms. Tsui being its directors) 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 exceed 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 Share 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
“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)”	new Shares to be allotted and issued by the Company to the Vendor (or her designated person or entity as she 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 before tax of the Target Company for the financial year ending 31 March 2025 by the date falling three months after the expiry of the financial year ending 31 March 2025
“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 People’s Republic of China
“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\$0.340 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”	31 December 2023 (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
“Profit Guarantee”	the guarantee given by the Vendor in favour of the Purchaser that the audited net profit before tax of the Target Company as shown in its audited financial statement for the year ending 31 March 2025 will not be less than HK\$3,000,000
“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 14 September 2023 entered into between the Purchaser as purchaser, the Vendor as vendor and the Company in relation to the Acquisition
“Sale Share”	1 ordinary share of the Target Company, which represent 50% of the total 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)
“Shareholder(s)”	holder(s) of the Shares
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules

“Target Company”	Smart Asian Limited, a company incorporated in Hong Kong with limited liability and as at the date hereof, has an issued share capital of HK\$2 divided into 2 shares
“Vendor”	Ms. Ho Tsz Yi, an individual who is an Independent Third Party
“%”	per cent.

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

Hong Kong, 14 September 2023

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.