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## **MOS HOUSE GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1653)**

### **CHANGE IN USE OF PROCEEDS FROM SHARE OFFER**

Reference is made to (i) the prospectus of MOS House Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 September 2018 (the “**Prospectus**”) in relation to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited by way of share offer (the “**Share Offer**”); and (ii) the interim report of the Company for the six months ended 30 September 2019 in which the utilisation of net proceeds from the Share Offer up to 30 September 2019 was disclosed. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces that the Board has resolved to change part of the net proceeds from the Share Offer originally planned for (i) progressive expansion of retail network in Hong Kong; and (ii) strategic acquisition opportunities to strengthen the Group’s market leadership and further enhance its competitiveness in the tile retailing industry, and reallocate the relevant unutilized proceeds as property investments in Hong Kong for rental purposes and general working capital of the Group.

### **USE OF PROCEEDS FROM THE SHARE OFFER**

The actual net proceeds from the Share Offer (the “**Net Proceeds**”), after deduction of the professional fees, underwriting commissions and other fees payable by the Company in connection with the listing, were approximately HK\$86.1 million. As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the Net Proceeds for the following purposes: (i) progressive expansion of retail network in Hong Kong; (ii) meeting minimum purchase commitment under new exclusive distribution rights; (iii) strategic acquisition opportunities to strengthen the Group’s market leadership and further enhance its competitiveness in the tile retailing industry; and (iv) general working capital purposes.

Set out below is a summary of (i) the actual amount of the Net Proceeds utilised for the period from the listing date up to (a) 30 September 2019; and (b) the date of this announcement; and (ii) the actual amount of the Net Proceeds unutilised as at the date of this announcement:

	Approximate amount of Net Proceeds <i>HK\$ million</i>	Approximate actual amount of utilised Net Proceeds up to 30 September 2019 <i>HK\$ million</i>	Approximate actual amount of utilised Net Proceeds up to the date of this announcement <i>HK\$ million</i>	Approximately amount of unutilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>
Progressive expansion of retail network Hong Kong	22.0	2.7	4.0	18.0
Meeting minimum purchase commitment under new exclusive distribution rights	36.5	8.1	12.4	24.1
Strategic acquisition opportunities of retailers of overseas manufactured bathroom product and/or tile products	27.0	—	—	27.0
General working capital	0.6	—	0.6	—
	<u>86.1</u>	<u>10.8</u>	<u>17.0</u>	<u>69.1</u>

## REASONS FOR AND BENEFITS OF CHANGE IN USE OF NET PROCEEDS

As a result of (i) the global outbreak of coronavirus disease since early 2020; and (ii) the social unrest in Hong Kong since June 2019, the local economic conditions have deteriorated sharply, leading to the real Gross Domestic Products of Hong Kong in the first quarter of 2020 contracted by 8.9% from a year earlier, which is the steepest for a single quarter on record, as announced by the Hong Kong government. In particular, the retail sector is hardly hit and the market demand for the Group's products in Hong Kong remains highly uncertain. The Board therefore consider that a more prudent approach in terms of business development should be adopted, and it is not an appropriate business strategy to expand the Group's retail network in Hong Kong in the near future.

In addition, due to the anticipated hard time of the local and worldwide economies in the coming years amid the uncertain development of the coronavirus disease, the Board consider that any assessment of the business and financial prospects of potential acquisition targets would involve a high degree of uncertainties and hence the risk of the investments. As such, the Board consider acquisition of industry players is not a promising business strategy in the near future.

The Board therefore decided to change the use of the relevant amount of the unutilised Net Proceeds originally designated for expansion of retail network in Hong Kong and strategic acquisition, and reallocate it mainly for property investments in Hong Kong in order to generate more revenue from the Net Proceeds which are currently earning insignificant interest income for the Group, with any remaining amount as general working capital of the Group. Further, the Board consider that the use of investment properties as collaterals, if necessary, could allow the Group to obtain more favourable terms of banking facilities.

The Board is of the view that the change in use of the Net Proceeds is a better utilization of the Group's fund currently set aside idly in the bank accounts and is in the best interest of the Company and the Shareholders as a whole, and it will not have any material adverse effect on the existing business and operations of the Group.

The Company is currently considering the acquisition of certain properties in Hong Kong. However, as at the date of this announcement, the Company had not entered into any definitive agreement in respect of the acquisition of any property. The Company will make a further announcement in accordance with the Listing Rules once a definitive agreement in respect of the acquisition of any property has been entered into.

By order of the Board  
**MOS House Group Limited**  
**Simon Tso**  
*Chairman*

Hong Kong, 18 June 2020

*As at the date of this announcement, the Board comprises of two executive Directors, namely Mr. Simon Tso and Ms. Tsui To Fei and three independent non-executive Directors, namely Mr. Ho Wing Tim, Mr. Ng Wang To and Ms. Law Chui Yuk.*