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## **MOS HOUSE GROUP LIMITED**

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

**(Stock code: 1653)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF SALE SHARES AND SALE DEBT OF THE TARGET COMPANY**

Reference is made to (i) the prospectus of the Company 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 announcement of the Company dated 18 June 2020 in relation to the change in use of proceeds from the Share Offer. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

On 3 February 2021 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors for the acquisition of Sale Shares (representing the entire equity interest in the Target Company) and Sale Debt at the Consideration of HK\$31,000,000.

The major asset of the Target Company is the Property.

Upon completion of the Acquisition, 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**

Vendor A is one of the executive Directors of the Company. Pursuant to Rule 14A.07(1) of the Listing Rules, Vendor A is a connected person of the Company.

Mr. Tso is one of the executive Directors and controlling shareholders of the Company. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Tso is a connected person of the Company. Pursuant to Rule 14A.12(2)(a) of the Listing Rules, Vendor B, the mother of Mr. Tso, is an associate of Mr. Tso and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

As the applicable percentage ratios of the Acquisition in aggregate exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company.

As Vendor A and Vendor B are connected persons of the Company, the entering into of the Sale and Purchase Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **EXTRAORDINARY GENERAL MEETING**

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

An Independent Board Committee, comprising all independent non-executive Directors, has been established to consider the Sale and Purchase Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the relevant resolutions regarding the Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Board Committee will appoint the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders of the same.

Any Shareholder who has a material interest in the Sale and Purchase Agreement shall abstain from voting to approve the Sale and Purchase Agreement at the EGM. As at the date of this announcement, RB Power Limited and Mr. Tso are the controlling shareholders of the Company and have material interest in the Sale and Purchase Agreement. As such, RB Power Limited and Mr. Tso and their associates shall abstain from voting on the relevant resolutions at the EGM accordingly.

A circular containing, among other things, (i) a letter from the Board setting out details of the transactions contemplated under the Sale and Purchase Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) independent valuation report for the Property; (v) a notice of the EGM; and (vi) other information required under the Listing Rules, will be despatched to the Shareholders on or before 26 February 2021.

### **BACKGROUND**

On 3 February 2021 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendors for the acquisition of Sale Shares (representing 100% equity interest in the Target Company) and Sale Debt at the Consideration of HK\$31,000,000.

The major asset of the Target Company is the Property.

## **MAJOR TERMS OF THE SALE AND PURCHASE AGREEMENT**

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

Subject assets to be acquired: The Purchaser has agreed to acquire, and Vendors agreed to sell, Sale Shares (representing the entire equity interest in the Target Company) and Sale Debt.

Consideration: Consideration of HK\$31,000,000 shall be paid by the Purchaser on the Completion Date

Liabilities for breach of Sale and Purchase Agreement: Should the Purchaser fail to complete the sale and purchase under the Sale and Purchase Agreement (save and except the Sale and Purchase Agreement is terminated as a result of the conditions precedent set out in the Sale and Purchase Agreement not being fulfilled or waived by the Purchaser in writing on or before the Long Stop Date or such other date as may be agreed between the parties therein in writing), the Vendors shall be entitled to terminate the Sale and Purchase Agreement. Upon determination of the Sale and Purchase Agreement, without prejudice to the Vendors' right to recover any actual loss arising from the Purchaser's breach of the Sale and Purchase Agreement, the Vendors may resell the Sale Shares and the Sale Debt and any increase in price on resale shall belong to the Vendors.

Should any of the Vendors fail to comply with any terms of the Sale and Purchase Agreement or fail to complete the sale and purchase under the Sale and Purchase Agreement, the Purchaser shall be entitled to terminate the Sale and Purchase Agreement and recover any actual loss arising from the Vendors' breach of this Agreement.

## **BASIS OF THE CONSIDERATION**

The consideration was determined between the Purchaser and the Vendor after arm's length negotiations and on normal commercial terms, with reference to:

- (a) the valuation of the Property of approximately HK\$33 million as at 25 January 2021 by Professional Properties Co., an independent valuer; and
- (b) the prevailing market condition of comparable properties in the proximate area.

The Consideration will be funded by the Net Proceeds.

## **DETAILS OF THE PROPERTY**

The major asset of the Target Company is the Property. Details of the Property are as follows:

Location:	Flat B (including the balcony thereof) on the 22nd floor of Tower 5 and Car Parking Space No. 5013 on the 5th Floor, Larvotto, No. 8 Ap Lei Chau, Praya Road, Hong Kong
Approximate aggregate floor area:	1,161 square feet
Usage:	residential

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

As disclosed in the announcement dated 18 June 2020, 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. 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 considers 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 considers 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 considers 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 considers that the use of investment properties as collaterals, if necessary, could allow the Group to obtain more favourable terms of banking facilities.

Subject to the advice of the Independent Financial Adviser, the Board is of the view that the Acquisition in principle is a better utilization of the Group's fund 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.

As the two executive Directors have a material interest in the Acquisition for reasons set out in the section headed "Implications under the Listing Rules" below in this announcement, they have abstained from voting on the Board resolutions to approve the Sale and Purchase Agreement. The independent non-executive Directors, being members of the Independent Board Committee, will express their views on whether the Sale and Purchase Agreement is on normal commercial terms and is fair and reasonable after taking into consideration the

advice of the Independent Financial Adviser, and the Sale and Purchase Agreement was approved by the Board on the basis that it is conditional upon, among other things, the necessary approvals being obtained in compliance with the Listing Rules, which the Board considers to be in the best interests of the Company and its Shareholders.

## **INFORMATION OF THE PARTIES**

### **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.

### **Purchaser**

The Purchaser is a direct wholly-owned subsidiary of the Company and incorporated under the laws of the British Virgin Islands with limited liability.

### **Vendor A**

Vendor A is an executive Director of the Company. She is also the spouse of Mr. Tso who is one of the executive Directors and controlling shareholders of the Company.

### **Vendor B**

Vendor B is the mother of Mr. Tso.

### **The Target Company**

The Target Company is a company incorporated under the laws of Hong Kong and principally engages in investment in ownership and holding, leasing, licensing and management for the use of the Property.

As at the date of the Sale and Purchase Agreement, the Target Company was owned as to 90%, and 10% by Vendor A and Vendor B respectively. Set out below is the financial information of the Target Company for the years ended 31 March 2019 and 2020:

	<b>For the years ended 31 March</b>	
	<b>2019</b>	<b>2020</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(audited)</i>	<i>(audited)</i>
Net loss before taxation	(981)	(47)
Net loss after taxation	(981)	(47)

Based on the audited financial statements of the Target Company as at 31 March 2020, its audited total assets and net liabilities were approximately HK\$17.1 million and HK\$6.1 million. The liabilities mainly comprised of the shareholder's loan owing by the Target Company and the mortgage loan owed to an independent financial institution by the Target Company.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **Acquisition of asset by the Company**

Vendor A is an executive Director of the Company. Pursuant to Rule 14A.07(1) of the Listing Rules, Vendor A is a connected person of the Company.

Mr. Tso is one of the executive Directors and controlling shareholders of the Company. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Tso is a connected person of the Company. Pursuant to Rule 14A.12(2)(a) of the Listing Rules, Vendor B, the mother of Mr. Tso, is an associate of Mr. Tso and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

As the applicable percentage ratios of the Acquisition in aggregate exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company.

As Vendor A and Vendor B are connected persons of the Company, the entering into of the Sale and Purchase Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Tso (who is the spouse of Vendor A and the son of Vendor B) and Vendor A have a material interest in the Sale and Purchase Agreement, they have abstained from voting on the Board resolutions to approve the Sale and Purchase Agreement. Save as disclosed above, none of the Directors has any material interest in the above connected transaction and hence no other Director was required to abstain from voting on the relevant resolution approving the same.

## **EXTRAORDINARY GENERAL MEETING**

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

An Independent Board Committee, comprising all independent non-executive Directors, has been established to consider the Sale and Purchase Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the relevant resolutions regarding the Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Board Committee will appoint the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders of the same.

Any Shareholder who has a material interest in the Sale and Purchase Agreement shall abstain from voting to approve the Sale and Purchase Agreement at the EGM. As at the date of this announcement, RB Power Limited and Mr. Tso are controlling shareholders of the Company, and have material interest in the Sale and Purchase Agreement. As such, RB Power Limited, Mr. Tso and their associates shall abstain from voting on the relevant resolutions at the EGM accordingly.

A circular containing, among other things, (i) a letter from the Board setting out details of the transactions contemplated under the Sale and Purchase Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) independent valuation report for the Property; (v) a notice of the EGM; and (vi) other information required under the Listing Rules, will be despatched to the Shareholders on or before 26 February 2021.

## DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Sale Shares and Sale Debt by the Purchaser from the Vendors pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	MOS House Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1653)
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement
“Completion Date”	date of completion of the Acquisition in accordance with the Sale and Purchase Agreement
“Consideration”	the aggregate consideration of HK\$31,000,000 payable by the Purchaser in relation to the Acquisition
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder



“Independent Financial Adviser”	the independent financial adviser to be appointed for the purposes of advising the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder who will be a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong)
“Independent Shareholders”	Shareholders who will not be required under the Listing Rules to abstain from voting at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Long Stop Date”	15 April 2021 or such other date as may be agreed by the parties of the Sale and Purchase Agreement in writing
“Mr. Tso”	Mr. Simon Tso, one of the executive Directors and controlling shareholders of the Company
“Net Proceeds”	actual net proceeds from the Share Offer
“Property”	property known as Flat B (including the balcony thereof) on the 22nd floor of Tower 5 and Car Parking Space No. 5013 on the 5th Floor, Larvotto, No. 8 Ap Lei Chau, Praya Road, Hong Kong
“Purchaser”	China Bless Limited, a direct wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands with limited liability
“Sale and Purchase Agreement”	the equity transaction agreement dated 3 February 2021 entered into among the Purchaser, the Vendors and the Target Company in relation to the acquisition of Sale Shares and Sale Debt
“Sale Debt”	the shareholder’s loan owed by the Target Company to Vendor A as at the Completion Date. Such shareholder’s loan is amounted to approximately HK\$13,845,533.30 as at the date of this announcement
“Sale Shares”	The entire issued 1,000 ordinary shares at Completion representing the entire issued share capital of the Target Company, out of which 900 ordinary shares are beneficially owned by Vendor A and 100 ordinary shares are beneficially owned by Vendor B.



“Share(s)”	ordinary share(s) of nominal value of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Mason Holdings Limited, a limited liability company incorporated in Hong Kong
“Vendor A”	Tsui To Fei, an executive Director of the Company and the owner of the 900 ordinary shares of the Target Company before Completion
“Vendor B”	Hung Zoi Lin, mother of Mr. Tso and the owner of the 100 ordinary shares of the Target Company before Completion
“Vendors”	Vendor A and Vendor B

By order of the Board  
**MOS HOUSE GROUP LIMITED**  
**Simon Tso**  
*Chairman*

Hong Kong, 3 February 2021

*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.*