

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in MOS House Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



INCUB Corporate Finance Limited

A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 17 of this circular. A letter from INCUB Corporate Finance Limited, the Independent Financial Adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 35 of this circular.

A notice convening the EGM to be held at 50/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong on Wednesday, 31 March 2021 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

16 March 2021

CONTENTS

	<i>Page</i>
CONTENTS	i
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	17
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	18
APPENDIX I — VALUATION REPORT OF THE PROPERTY	I-1
APPENDIX II — GENERAL INFORMATION	II-1
NOTICE OF EGM	EGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings. Capitalized terms not defined in this circular shall have the meanings ascribed to them in the Prospectus:

“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”	INCUB Corporate Finance Limited, 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), being the independent financial adviser 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

DEFINITIONS

“Independent Shareholders”	Shareholders who will not be required under the Listing Rules to abstain from voting at the EGM
“Latest Practicable Date”	15 March 2021
“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 any 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
“Prospectus”	the prospectus issued by the Company on the initial public offering and listing dated 28 September 2018
“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 in the sum of HK\$13,845,533.30 as at the date of the announcement of the Company dated 3 February 2021
“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

DEFINITIONS

“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
“Valuer”	Professional Properties Co.
“Vendor A”	Tsui To Fei, an executive Director of the Company and the owner of the 900 ordinary shares and the Sale Debt 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

LETTER FROM THE BOARD

MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1653)

Executive Directors:

Mr. Simon Tso (*Chairman*)

Ms. Tsui To Fei

Independent Non-Executive Directors:

Mr. Ho Wing Tim

Mr. Ng Wang To

Ms. Law Chui Yuk

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place
of business in Hong Kong:*

50/F, China Online Centre

333 Lockhart Road

Wanchai

Hong Kong

16 March 2021

To the Shareholders

Dear Sir or Madam,

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

BACKGROUND

Reference is made to (i) the Prospectus of the Company dated 28 September 2018 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**”); (ii) the announcement of the Company dated 18 June 2020 in relation to the change in use of proceeds from the Share Offer; and (iii) the announcement of the Company dated 3 February 2021 in relation to the Sale and Purchase Agreement and the Acquisition. Unless otherwise defined in this circular, capitalised terms used in this circular shall have the same meanings as those defined in the Prospectus.

By the announcement of the Company dated 3 February 2021, the Board announced that 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.

LETTER FROM THE BOARD

By the supplemental announcement of the Company dated 19 February 2021 (the “**Supplemental Announcement**”), the Board further announced that, based on information provided by the Vendors, the Property was acquired by the Target Company in 2011 at a consideration of HK\$22,936,000 plus incidental expenses such as legal cost, stamp duty and other miscellaneous costs in the aggregate sum of approximately HK\$1 million. The Target Company was established in 2010. The Company was informed by the Vendors that Vendor A acquired the Target Company in July 2010 for approximately HK\$10,000 from a service provider whose business includes the incorporation and selling of shelf companies. Through allotment of new shares in the Target Company in December 2014, Vendor B become a 10% shareholder of the Target Company. To the best knowledge and belief of the Directors, the seller of the Target Company is not a connected person as defined by the Listing Rules.

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.

LETTER FROM THE BOARD

Conditions precedent:

Completion of the transaction contemplated in the Sale and Purchase Agreement shall be subject to and conditional on each of the following conditions:

- (a) the Sale and Purchase Agreement and the transactions contemplated thereunder being approved by the Board and the Shareholders of the Company and all necessary approvals being obtained in compliance with the Listing Rules;
- (b) the Sale and Purchase Agreement and the transactions contemplated thereunder being approved by the board of directors of the Purchaser and all necessary approvals being obtained in compliance with the Listing Rules;
- (c) the Sale and Purchase Agreement and the transactions contemplated thereunder being approved by the board of directors of the Target Company and all necessary approvals being obtained in compliance with the Listing Rules;
- (d) the Independent Board Committee, after considering the advice of the Independent Financial Adviser who is 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, agree that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole;
- (e) the Purchaser having completed its due diligence investigations as set out in the Sale and Purchase Agreement on the business, financial and legal aspects of the Target Company and being reasonably satisfied by the Purchaser that there is no material breach of any warranties or representations made by the Vendors as set out in the Sale and Purchase Agreement and such warranties or representations being and remain true, correct, accurate and not misleading in all respects;

LETTER FROM THE BOARD

- (f) the Vendors having a good title to the Sale Shares, free from all encumbrances;
- (g) the Vendor A having a good title to the Sale Debt, free from all encumbrances;
- (h) the Target Company having shown a good title to the Property, and the Target Company having proved a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong) free from any encumbrance except for the Mortgage and the Target Company being the sole registered and beneficial owner of the Property. The Vendors shall procure the Target Company to show and prove to the Purchaser such good title at the expenses of the Vendors and to furnish the Purchaser such certified or attested copies of any deeds or documents of title, wills and matters of public records as may be necessary to show and prove such good title;
- (i) the Property is free from any lien, mortgage, charges at Completion save for the Mortgage; and
- (j) each of the Vendors having complied with all its obligations and undertakings under the Sale and Purchase Agreement which are required to be complied with on or before Completion.

The Purchaser is entitled to waive any of the above conditions precedent in writing at its discretion. The Vendors have no right to waive any of the conditions precedent.

As at date of this circular, all the conditions precedents have been satisfied except for the approval of the Acquisition by the Independent Shareholders.

The Sale and Purchase Agreement is on normal commercial terms which were determined after arm's length negotiations between the Purchaser and the Vendors by reference to the independent valuation of the Property prepared based on income approach — term and reversion analysis and cross checked by market approach. According to the valuation report set out in Appendix I to this circular, the market value of the Property as at 25 January 2021 is HK\$33,000,000. The Consideration of the Acquisition will be funded by the Net Proceeds. The Company has applied to a bank for securing a mortgage loan for the Acquisition so as to reduce the percentage of the Net Proceeds to be utilised for the Acquisition. As to the settlement of the Consideration, the intended allocation between the mortgage loan to be

LETTER FROM THE BOARD

secured and the Net Proceeds would be approximately 40% and 60% of the Consideration respectively. The expected rate of return to be generated by the Property is approximately 2.5% per annum if the Company has obtained the mortgage loan to finance 40% of the Consideration.

The Directors consider that although the Sale and Purchase Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Directors also consider the work performed by the Valuer, including the assumptions in deriving the estimated valuation of the Property, is fair and reasonable.

REASONS FOR AND BENEFIT OF THE ACQUISITION

As disclosed in the announcement dated 18 June 2020 (“**June 2020 Announcement**”), 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. Since the June 2020 Announcement, the Company has been closely monitoring the economic conditions in the regions in which the Company has business. The Directors have been exploring alternatives to utilize the Net Proceeds through the reading of media reports on a daily basis and collection of market intelligence through discussion with their business acquaintances on an irregular basis. The Company is not aware of any feasible alternative which warrants the further change of the unutilised Net Proceeds, as the global economy is still suffering from the COVID-19 pandemic. The Company will make further announcement if there is any further change to the use of Net Proceeds.

As a result of the outbreak of COVID-19, the retail market is seriously hit in Hong Kong and an uncertain economy forced consumers to curtail spending. Although there are industries which are not affected by the pandemic, examples being the vaccine related industry, or online

LETTER FROM THE BOARD

business, the Board does not want to participate in any business which the Company lacks the relevant expertise. Property investment, on the other hand, does not require complicated expertise or extensive management time to operate. Therefore, apart from investment in property, the Company could not find any feasible alternatives for further change of the use of the Net Proceeds.

The Company has attempted to identify suitable acquisition properties other than the Property with the following criteria:

- (i) commercial property in Admiralty and Wanchai; and
- (ii) retail property in Wanchai and Mongkok.

After identifying potential properties, the Company had further considered the locations, the prices, the rates of return and the market demand of such properties. Unfortunately, the properties identified by the Company in the desired locations before the signing of the Sale and Purchase Agreement were of high selling prices.

In view of (i) the high selling price; (ii) the decrease in demand of commercial property due to corporate cost-saving coupled with high vacancy amid the pandemic; and (iii) the decrease in demand of retail property as a result of uncertain retail sentiment, the Company did not proceed with such alternative properties.

Pricing is an important element in terms of attractiveness of any property, as it will have a direct impact on the rate of return and the level of risk associated with the property. Pricing of any property should include the purchase price and all other related expenses such as stamp duty, commission, legal costs etc. It should also include renovation costs required, if any, depending on the condition of the property and the age of the property.

In the case of the Property, no estate agent commission is payable because no estate agent is involved.

Secondly, although the Company has available financial resources to settle the deposit which by industry practice usually amounts to 10% of the total purchase price, which is HK\$3,100,000, there is always risks associated with the recovery of deposit if the Acquisition does not proceed for whatever reason.

Thirdly, the condition of the Property is such that no renovation cost will need to be incurred.

Fourthly, the Property already has a tenant which means that it is an income generating investment, as opposed to a vacant premises which may take time to find the right tenant.

Fifthly, the market value of the Property is higher than the Consideration.

LETTER FROM THE BOARD

After taking into account (i) the above factors; and (ii) the pricing and prospect of other properties reviewed by the Company, the Board is of the view that the Property is the best alternative available to the Company and is in the best interest of the Company and its Shareholders as a whole.

As disclosed in the June 2020 Announcement, the unutilised Net Proceeds originally designated for expansion of retail network in Hong Kong and strategic acquisition in the aggregate amount of HK\$45 million was reallocated mainly for property investment in Hong Kong. Among the HK\$45 million, it was expected that HK\$30–35 million would be used for property investment. The amount required to finance the Acquisition is HK\$31 million as disclosed in the announcement of the Company dated 3 February 2021, which is well within the Net Proceeds reallocated for this purpose.

The consideration in the sum of HK\$31 million will come from the part of Net Proceeds earmarked and already set aside for property investment which cannot be used for any other purpose. Therefore, the utilisation of this amount will not have any adverse impact on the existing business and operations of the Group.

Furthermore, the Company has applied to a bank for securing a mortgage loan to reduce the initial capital outlay for this investment so that the Group may use the remaining Net Proceeds set aside for property investment to acquire further properties if appropriate targets are available in the market. The said loan application is currently under review by the bank.

On the assumption that 100% of the consideration is settled utilising funds from the Net Proceeds without any gearing, the rate of return to be generated by the Property is approximately 3.1% per annum, based on the rental income to be generated in the next 12 months and the consideration of HK\$31 million. The cash of the Company is currently generating interest in the Company's bank accounts at the rate of 0.001% to 0.65% per annum depending on the amount, nature and length of the deposits.

Although the rate of return when there is no gearing is higher than when there is a mortgage loan, which is approximately 2.5% per annum, the bank which will provide the mortgage loan has indicated that it will provide additional banking facilities to the Group using the Property as security.

Therefore, the Board is of the view that such financing arrangement is in the best interest of the Company and the Shareholders as a whole.

Nevertheless, in the event that the negotiation with the bank for the mortgage loan and the other banking facilities as a package may possibly result in a delay in Completion, the Group will use the Net Proceeds to settle 100% of the Consideration first.

LETTER FROM THE BOARD

Due to the sluggish and uncertain retail market and the weak consumption sentiments of the general public, the Company has suffered a loss of approximately HK\$1.9 million for the six months ended 30 September 2020 as set out in the 2020 interim report, as opposed to a profit of HK\$2.3 million in the corresponding period in 2019. The rate of return generated by the Company's principal business is therefore negative for the six months ended 30 September 2020. It is important for the Company to adopt a prudent approach in terms of any possible expansion plan. The Company will continue to operate its business in a cautious manner by monitoring the market conditions closely and focusing on effective cost control. The Company has negotiated with its landlords for lowering the monthly rental of its retailed shops since 30 September 2020. Some of the landlords of the retailed shops located mainly in Mongkok and Wanchai have agreed to reduce the monthly rental by approximately 28% from the original monthly rental.

With a rebound in China's retail market to be expected after the COVID-19 pandemic, the Company expects to explore the possibility to expand its distribution networks in China by enhancing its collaboration with its existing distributors and exploring more potential distribution networks in China. It is expected that the costs for expanding distribution network will be funded by internal resources.

The Board is of the view that the Acquisition 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. Property investment is considered low risk in Hong Kong and it has upside potential which is not possible with fixed deposit. Furthermore, downward trend in interest rate means that the interest income generated by fixed deposit will become less and less attractive. Property investment will also generate cash flow through rental income.

The Target Company recorded net losses of approximately HK\$981,000 and HK\$47,000 for the years ended 31 March 2019 and 31 March 2020, respectively. Such losses were mainly due to the recognised depreciation of the Property which amounted to approximately HK\$655,000 per year. Depreciation is an accounting treatment and does not reflect the actual appreciation of the Property value from HK\$22,936,000 when it was purchased by the Target Company in May 2011 to HK\$33,000,000 as at January 2021 as set out in the valuation report in Appendix I to this circular.

The Board, including the independent non-executive Directors, consider that the terms of the Sale and Purchase Agreement, although not in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Property is currently leased to an individual for the generation of rental income. The Target Company entered into a tenancy agreement with one individual on 2 January 2021. The term of tenancy commenced on 2 January 2021 and will end on 1 January 2022. The monthly rental is HK\$80,000.

LETTER FROM THE BOARD

To the best of the information, knowledge and belief of the Directors, having made all reasonable enquires, the individual tenant is not a connected person of the Company within the meaning of the Listing Rules. The individual tenant was introduced by a friend of Mr. Tso for entering into the tenancy agreement of the Property.

Save as disclosed above, the individual tenant does not have any other past or present relationships (formal or informal, business or otherwise, implied or explicit) with the Company or its connected persons.

Apart from the Acquisition, the Company does not have any current acquisition target, but may further engage in other property investment activities with the unutilized Net Proceeds set aside for property investment and/or other means of financing if appropriate target is available at a price which makes commercial sense.

As disclosed in the Supplemental Announcement, in the event of any recovery of the economy, whether the Company will continue to rent out the Property or to sell it will depend on, among other factors, timing and extent of the economic recovery, the then market price of the Property, interest rate, whether the prevailing rate of return generated from the rental income outperforms or underperforms the retail business of the Group, and whether there are attractive acquisition targets available for reasonable prices at the relevant time. After Completion, the Directors will closely monitor (through reading of daily media reports and collection of market intelligence through discussion with estate agents and business acquaintances on an irregular basis) the property market, the interest rate, the economic conditions of the regions in which the Group has business and the availability of any potential acquisition target to determine the course of action concerning the Property and the use of Net Proceeds which will be in the best interest of the Shareholders.

As the Company will continue its principal business, the Company does not have any intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on the disposal/termination/scaling-down of the Company's existing businesses at this point in time. Apart from the Acquisition, the Company also does not currently have any intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on the injection/acquisition/commencement of any new business to the Group. The Company has no restructuring plan at this point in time other than the Acquisition.

INFORMATION OF THE PARTIES

The Group

The Group is a retailer and supplier of overseas manufactured tiles in Hong Kong and Macau, 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.

LETTER FROM THE BOARD

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 summary of the audited financial information of the Target Company for the years ended 31 March 2019 and 2020 and the unaudited management account of the Target Company for the nine months ended 31 December 2020:

	For the nine months ended 31 December 2020 HK\$ (unaudited)	For the year ended 31 March 2020 HK\$ (audited)	2019 HK\$ (audited)
Revenue	720,000	960,000	—
Operating profit/(loss)	178,925	175,693	(782,815)
Profit/(Loss) for the year/period	59,289	(47,170)	(981,376)

No revenue has been generated by the Target Company for the year ended 31 March 2019. The revenue of the Target Company represented the rental income of the Property for the year ended 31 March 2020 and for the nine months ended 31 December 2020.

The Target Company recorded a net loss for the years ended 31 March 2019 and 31 March 2020. Such loss was mainly due to the recognised depreciation of the Property which amounted to approximately HK\$655,000 per year. The Target Company recorded an unaudited net profit for the nine months ended 31 December 2020 which was mainly due to the decrease in finance cost as a result of the repayment of bank borrowings during the period.

As at the Latest Practicable Date, the outstanding mortgage loan owed by the Target Company to a financial institution is approximately HK\$9.2 million. The mortgage will be released on or before Completion.

LETTER FROM THE BOARD

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.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising Mr. Ho Wing Tim, Mr. Ng Wang To and Ms. Law Chui Yuk, all being 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 ordinary resolution regarding the transactions contemplated under the Sale and Purchase Agreement. None of the members of the Independent Board Committee has any material interest in the Sale and Purchase Agreement.

INCUB Corporate Finance Limited has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Sale and Purchase Agreement.

LETTER FROM THE BOARD

EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. Pursuant to the Listing Rules, the votes of the Independent Shareholders on the proposed ordinary resolution approving the Sale and Purchase Agreement will be taken by way of poll at the EGM and an announcement on the poll results will be made by the Company after the EGM.

Any Shareholder who has a material interest in the Sale and Purchase Agreement shall abstain from voting on the resolution in relation thereto to be proposed at the EGM. As at the Latest Practicable Date, RB Power Limited and Mr. Tso are controlling shareholders of the Company, and have material interest in the Sale and Purchase Agreement. As at the Latest Practicable Date, 150,820,000 Shares were held by RB Power Limited, representing 62.84% of the total issued share capital of the Company. By virtue of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), Mr. Tso is deemed to be interested in the Shares held by RB Power Limited. RB Power Limited will be required to abstain from exercising the voting rights of all the Shares held by it at the EGM. Please refer to paragraph headed “General information — 2. Disclosure of the Directors’ and the Chief Executive’s interests and short positions in shares, underlying shares and debentures of the Company or its associated corporation” in this circular for further details. As such, RB Power Limited, Mr. Tso and their associates are required to abstain from voting on the relevant resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder in the EGM.

Save as disclosed above and to the best of the Directors’ knowledge, as at the Latest Practicable Date, no other Shareholder had any material interest in the Sale and Purchase Agreement, and no other Shareholder is required to abstain from voting at the EGM on the relevant resolution approving the Sale and Purchase thereunder.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.rbmsgroup.com).

Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 30 March 2021 to Wednesday, 31 March 2021 (both dates inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the

LETTER FROM THE BOARD

Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than Hong Kong Time 4:30 p.m. on Monday, 29 March 2021.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 18 to 35 of this circular in connection with the connected transaction contemplated under the Sale and Purchase Agreement and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, after considering the advice from the Independent Financial Adviser) are of the view that although the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolution to approve the entering into of the Sale and Purchase Agreement and the transactions contemplated under the Sale and Purchase Agreement at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
MOS HOUSE GROUP LIMITED
Simon Tso
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1653)

16 March 2021

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 16 March 2021 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in this letter shall have the same meanings as in the Circular.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the entering into of the Sale and Purchase Agreement and the transaction contemplated under the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Sale and Purchase Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 18 to 35 of the Circular, we are of the opinion that the terms of the Sale and Purchase Agreement, although not in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the entering into of the Sale and Purchase Agreement and the transactions contemplated under the Sale and Purchase Agreement at the EGM.

Yours faithfully,
Independent Board Committee

Mr. Ho Wing Tim
Independent
non-executive Director

Mr. Ng Wang To
Independent
non-executive Director

Ms. Law Chui Yuk
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Sale and Purchase Agreement and the transaction contemplated thereunder.



INCUB Corporate Finance Limited
Unit D, 6/F,
Bank of China Building,
2A Des Voeux Road Central,
Central, Hong Kong

16 March 2021

To: The Independent Board Committee and the Independent Shareholders of MOS House Group Limited

Dear Sir or Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. Details of the which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 16 March 2021 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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.

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 at the Latest Practicable Date, Vendor A is one of the executive Directors of the Company. Mr. Tso is one of the executive Directors and controlling shareholders of the Company. Vendor B, mother of Mr. Tso, is an associate of Mr. Tso pursuant to Rule 14A.12(2)(a) of the Listing Rules. Each of the Vendors is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries as at the Latest Practicable Date, save for RB Power Limited, Mr. Tso and their associates, who are controlling shareholders of the Company and have material interest in the Sale and Purchase Agreement, no other Shareholders has any material interest in the Acquisition and is required to abstain from voting on the proposed resolution to approve the Sale and Purchase Agreement and the Acquisition at the EGM.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Ho Wing Tim, Mr. Ng Wang To and Ms. Law Chui Yuk, has been established to advise and provide recommendation to the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder and as to whether the Acquisition, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account our recommendations.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the Sale and Purchase Agreement and the transaction contemplated thereunder, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Sale and Purchase Agreement and the transaction contemplated thereunder, and accordingly, are eligible to give independent advice and recommendations on the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Sale and Purchase Agreement and the transaction contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representations made to us were true, accurate and complete in all material aspects as the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including the Circular, the Sale and Purchase Agreement and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 March 2020 (the “**2019/20 Annual Report**”), and the interim report of the Company for the six months ended 30 September 2020 (the “**2020 Interim Report**”). We have also discussed with the Directors and the management of the Group with respect to the terms of and the reasons for entering into of the Sale and Purchase Agreement, the businesses and outlook of the Group. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses or affairs and future prospects of the Group, the Vendors, the Purchaser and the Target Company nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, we have taken into consideration of the following principal factors and reasons:

1. Background and financial information of the Group

(a) Information of the Group

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Historical financial information of the Group

Set out below is the financial information of the Group for the two financial years ended 31 March 2019 and 2020 (“**FY2019**” and “**FY2020**”, respectively) as extracted from the 2019/20 Annual Report and six months ended 30 September 2019 and 2020 (“**1H2019**” and “**1H2020**”, respectively) as extracted from the 2020 Interim Report:

Consolidated financial performance of the Group

	FY2020	FY2019	1H2020	1H2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	145,369	166,694	58,587	76,480
<i>Sale of tile products</i>	133,285	153,095	53,155	74,084
<i>Sale of bathroom fixtures and other products</i>	12,084	13,599	5,432	2,396
Gross profit	104,149	118,273	40,798	53,380
(Loss) Profit and total comprehensive (loss) income for the year/period attributable to:				
Owners of the Company	(655)	5,824	(1,892)	2,349
Non-controlling interests	<u>(77)</u>	<u>(25)</u>	<u>—</u>	<u>(55)</u>
	<u><u>(732)</u></u>	<u><u>5,799</u></u>	<u><u>(1,892)</u></u>	<u><u>2,294</u></u>

FY2020 vs FY2019

For FY2020, the Group recorded a total revenue of approximately HK\$145.4 million, representing a decrease of approximately 12.8% as compared to approximately HK\$166.7 million for FY2019. Such decrease was mainly attributable to the Sino-US trade war, Hong Kong’s ongoing social unrest and the outbreak of coronavirus disease which have adversely affected the Hong Kong economy, as well as the investment and consumption sentiments of the general public.

The Group’s revenue was mainly derived from the sale of tile products, which accounted for approximately 91.7% and 91.8% of the Group’s total revenue for FY2020 and FY2019 respectively; and the remaining represented the sale of bathroom fixtures and other products.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a decrease in gross profit of approximately 12.0% from approximately HK\$118.3 million for FY2019 to approximately HK\$104.1 million for FY2020, which was mainly due to the decrease in revenue as stated above. Nevertheless, the gross profit margin remained stable at approximately 71.6% and 71.0% for FY2020 and FY2019 respectively.

The Group recorded a loss attributable to owners of the Company of approximately HK\$0.7 million for FY2020 and a profit of approximately HK\$5.8 million for FY2019. Such change from profit to loss was mainly due to combined effects of (i) decrease in gross profit of approximately HK\$14.1 million as a result of decrease in revenue; (ii) net increase in lease-related expenses of approximately HK\$4.2 million as a result of adoption of Hong Kong Financial Reporting Standard 16 “Leases”; (iii) decrease in other expenses of approximately HK\$8.1 million as a result of the listing expenses incurred during FY2019; and (iv) decrease in taxation by approximately HK\$3.1 million.

1H2020 vs 1H2019

For 1H2020, the Group recorded a total revenue of approximately HK\$58.6 million, representing a decrease of approximately 23.4% as compared to approximately HK\$76.5 million for 1H2019. Such decrease was mainly due to the outbreak of COVID-19 which has adversely affected the Hong Kong economy, as well as the investment and consumption sentiments of the general public.

The Group’s revenue was mainly derived from the sale of tile products, which accounted for approximately 90.7% and 96.9% of the Group’s total revenue for 1H2020 and 1H2019 respectively; and the remaining represented the sale of bathroom fixtures and other products.

The Group recorded a decrease in gross profit of approximately 23.6% from approximately HK\$53.4 million for 1H2019 to approximately HK\$40.8 million for 1H2020, which was mainly due to the decrease in revenue. Nevertheless, the overall product margin remained stable at approximately 69.6% and 69.8% for 1H2020 and 1H2019 respectively.

The Group recorded a loss attributable to owners of the Company of approximately HK\$1.9 million for 1H2020 and a profit of approximately HK\$2.3 million for 1H2019. Such change from profit or loss was mainly attributable to combined effects of (i) decrease in gross profit of approximately HK\$12.6 million as a result of decrease in revenue; (ii) loss on written-off of fixed assets of approximately HK\$0.8 million as a result of the closure of two retail shops during 1H2020; (iii) increase in impairment loss on trade receivables and inventories of approximately HK\$2.6 million; (iv) increase in other income of approximately HK\$3.9 million as a result of the government subsidies granted under Anti-epidemic Fund; and (v) net decrease in lease-related expenses by approximately HK\$6.7 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position of the Group

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Non-current assets	78,072	106,031
<i>Property, plant and equipment</i>	2,941	3,392
<i>Right-of-use assets</i>	57,288	84,948
<i>Deferred tax assets</i>	3,388	3,020
<i>Deposits and prepayments</i>	7,902	8,216
<i>Financial assets at fair value through profit or loss</i>	6,553	6,455
Current assets	200,960	210,098
<i>Inventories</i>	73,487	79,014
<i>Trade receivables</i>	45,474	48,188
<i>Deposits, prepayments and other receivables</i>	8,611	10,026
<i>Tax recoverable</i>	3,019	2,370
<i>Pledged bank deposits</i>	65,000	65,000
<i>Bank balances and cash</i>	5,369	5,500
Non-current liabilities	21,065	43,852
Current liabilities	156,937	185,037
<i>Trade payables</i>	16,340	17,827
<i>Other payables and accrued charges</i>	9,135	7,437
<i>Contract liabilities</i>	13,450	7,024
<i>Lease liabilities</i>	39,325	49,224
<i>Amount due to a director</i>	17,765	2,858
<i>Tax payable</i>	1,323	1,340
<i>Bank and other borrowings</i>	59,599	99,327
Equity attributable to owners of the Company	101,030	87,240

Balance of total non-current assets decreased from approximately HK\$106.0 million as at 31 March 2020 to approximately HK\$78.1 million as at 30 September 2020, representing a decrease of approximately HK\$27.9 million or 26.3%. Such decrease was mainly due to (i) depreciation and amortisation of right-of-use assets (i.e. office premises, retail shops and warehouse); and (ii) closing down of 2 retail shops during the six months ended 30 September 2020.

Balance of total current assets decreased from approximately HK\$210.1 million as at 31 March 2020 to approximately HK\$201.0 million as at 30 September 2020, representing a decrease of approximately HK\$9.1 million or

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.3%. Such decrease was mainly attributable to the (i) decrease in inventories held by the Group of approximately HK\$5.5 million; and (ii) decrease in trade receivables of approximately HK\$2.7 million.

Balance of total current liabilities decreased from approximately HK\$185.0 million as at 31 March 2020 to approximately HK\$156.9 million as at 30 September 2020, representing a decrease of approximately HK\$28.1 million or 15.2%. Such decrease was mainly attributable to the combined effects of (i) decrease in lease liabilities of approximately HK\$9.9 million in accordance to the remaining lease term of the right-of-use assets; (ii) decrease in bank and other borrowings of approximately HK\$39.7 million as a result of repayment of other borrowings from an independent third party on 27 April 2020 and reduce in bank overdrafts; and (iii) increase in amount due to a director of approximately HK\$14.9 million.

The non-current portion of lease liabilities, representing the total non-current liabilities of the Group, decreased from approximately HK\$43.9 million as at 31 March 2020 to approximately HK\$21.1 million as at 30 September 2020 due to (i) remaining lease term of the right-of-use assets reduce and reclassify to the current liabilities in accordance with the lease term; and (ii) closing down of 2 retail shops during the six months ended 30 September 2020.

The gearing ratio of the Group, which was calculated based on total borrowings divided by total equity attributable to owners of the Company, decreased from approximately 1.14 times as at 31 March 2020 to approximately 0.59 times as at 30 September 2020 as a result of the substantial reduce in the balance of bank and other borrowings.

Based on the total number of issued Shares of 240,000,000 as at 30 September 2020 and 31 March 2020, the net asset value per Share as at 30 September 2020 and 31 March 2020 amounted to approximately HK\$0.42 and HK\$0.36 respectively.

(c) Analysis

As disclosed in the prospectus of the Company dated 28 September 2018, the Group planned to expand its retail network and explore strategic acquisition opportunities of retailers of overseas manufactured bathroom product and/or tile products. Nevertheless, as disclosed in the 2019/20 Annual Report, due to the uncertainties of the Hong Kong economy, the Directors anticipate that the Group's principal business will face various challenges in the foreseeable future, including (i) economic downturn and adverse market conditions in Hong Kong and the PRC; (ii) the Group being affected by the level of demand in the real estate development industry; and (iii) the Group being exposed to foreign currency exchange fluctuations. Besides, the Hong Kong economy and the retailing industry are affected by certain international and local political issues, including the Sino-US

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

trade war and Brexit, the social unrest in Hong Kong, as well as the uncertain development of COVID-19 which render the Group's business being vulnerable to their development.

We noted that the financial performance of the Group has been deteriorating since FY2020, from profit of approximately HK\$5.8 million in FY2019 to a loss of approximately HK\$0.7 million in FY2020. In 1H2020, the Group had recorded a loss of approximately HK\$1.9 million and the revenue was reduced when comparing to the corresponding period. Taking into account the abovementioned factor, we consider that the principal businesses are subject to the above uncertainties which limit the performance of the Group in the foreseeable future. Therefore, we concur with the Board's view that it is appropriate to take a more cautious approach to expand the retail network in Hong Kong and make strategic acquisition in the near future.

2. Background and financial information of the Target Company and information of the Vendors

(a) Background of the Target Company

The Target Company is a company incorporated under the laws of Hong Kong in 2010 and principally engages in investment in ownership and holding, leasing, licensing and management for the use of the Property. The Company was informed by the Vendors that Vendor A acquired the Target Company in July 2010 for approximately HK\$10,000 from a service provider. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, such service provider and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules). Following the completion of allotment of new shares in December 2014, Vendor B is interested in 10% of the issued share capital of the Target Company. As at the Latest Practicable Date, the Target Company was owned as to 90% and 10% by Vendor A and Vendor B respectively.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Property was acquired by the Target Company in 2011 at a consideration of HK\$22,936,000, which included (i) the purchase price of HK\$21,436,000 for Flat B (including the balcony thereof) on the 22nd floor of Tower 5, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong; and (ii) the purchase price of HK\$1,500,000 for the car parking space no. 5013 on the 5th Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong. According to the valuation report set out in Appendix I to the Circular, the market value of the Property as at 25 January 2021 is HK\$33,000,000.

The Property is currently leased to an independent third party for the generation of rental income. The term of tenancy commenced on 2 January 2021 and will end on 1 January 2022. The monthly rental is HK\$80,000 (inclusive of management fee, rates and government rent). The Company intends to continue to lease out the Property upon expiry of the existing tenancy.

(b) Historical financial information of the Target Company

Financial performance of the Target Company

Set out below is the summary of the audited financial information of the Target Company for the years ended 31 March 2019 and 2020 and the unaudited management account of the Target Company for the nine months ended 31 December 2020:

	For the nine months ended 31 December 2020 HK\$ (unaudited)	For the year ended 31 March 2020 HK\$ (audited)	2019 HK\$ (audited)
Revenue	720,000	960,000	—
Operating profit/(loss)	178,925	175,693	(782,815)
Profit/(Loss) for the year/period	59,289	(47,170)	(981,376)

No revenue has been generated by the Target Company for the year ended 31 March 2019. The revenue of the Target Company represented the rental income of the Property for the year ended 31 March 2020 and for the nine months ended 31 December 2020.

The Target Company recorded a net loss for the years ended 31 March 2019 and 31 March 2020. Such loss was mainly due to the depreciation of the Property recognised amounted to approximately HK\$655,000 a year. The Target Company recorded an unaudited net profit for the nine months ended 31 December 2020, it was mainly due to the decrease in finance cost as a result of the repayment of bank borrowings during the period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial Position of the Target Company

Set out below is the summary of the key financial information of the Target Company as at 31 December 2020:

	As at 31 December 2020 HK\$ (unaudited)
Non-current assets	16,560,270
Current assets	87,837
Current liabilities	22,718,563
Net liabilities	(6,070,456)

As at 31 December 2020, total assets of the Target Company mainly comprised the Property and bank balances in aggregate amounted to approximately HK\$16.6 million, which represented approximately 99.98% of the total assets. As at 31 December 2020, total liabilities of the Target Company mainly comprised the Sale Debt and bank borrowings in aggregate amounted to approximately HK\$22.7 million, which represented approximately 99.80% of the total liabilities.

Pursuant to valuation report prepared by the Valuer as set out in the Appendix I to the Circular, the market value of the Property was approximately HK\$33 million. The adjusted net asset value of the Target Company after adjustment of the valuation premium of the Property is approximately HK\$10.3 million (the “**Adjusted NAV**”). The calculation is shown as below:

	<i>HK\$ million Approximately</i>
Property valuation as disclosed in Appendix I to the Circular	33.0
<i>Less:</i> net book value of the Property as at 31 December 2020	<u>(16.6)</u>
Valuation premium	16.4
<i>Add:</i> net liabilities of the Target Company	<u>(6.1)</u>
Adjusted NAV	<u><u>10.3</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Analysis

We noted the Consideration represents a premium of approximately 199.0% over the Adjusted NAV. However, pursuant to the Sale and Purchase Agreement, the bank borrowings secured by the Property (the “**Mortgage**”) shall be released and discharged by the Vendors upon Completion. Taking into account the bank borrowings of approximately HK\$9.3 million as at 31 December 2020 and the valuation premium of the Property, the net asset value of the Target Company will be further adjusted to approximately HK\$19.6 million. As at 31 December 2020, the Sale Debt amounted to approximately HK\$13.4 million. Hence, the total value of the Sale Shares and the Sale Debt will be amounting to approximately HK\$33.0 million, which the Consideration represents a discount of approximately 6.2%.

We noted that the net losses recorded for the two years ended 31 March 2020 were mainly attributable to the recognised depreciation of the Property. Depreciation is a non-cash expense and an accounting treatment which will not reflect the appreciation of the Property over the period. By excluding the depreciation of the Property, the Target Company recorded profit before depreciation and amortisation of approximately HK\$551,000 and HK\$608,000 for the nine months ended 31 December 2020 and the year ended 31 March 2020 respectively, which represents a positive operating cashflow to the Target Company.

In view of the above, we concur with the Board’s view that the Acquisition and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(c) Information of the Vendors

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 is the mother of Mr. Tso.

3. Reasons for and benefits of the Acquisition

As disclosed in the Letter from the Board and the announcement of the Company dated 18 June 2020 (“**June 2020 Announcement**”), 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 notably 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 a significant risk from the investments. As such, the Board considers any acquisition of retail industry players is not a promising business strategy in the near future.

The Board therefore decided to reallocate the relevant amount of the unutilised Net Proceeds originally designated for the expansion of retail network in Hong Kong and strategic acquisition, to 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 the 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.

As disclosed in the Letter from the Board, since the June 2020 Announcement, the Company has been closely monitoring the economic conditions in the regions in which the Company has business. The Company is not aware of any feasible alternative which warrants the further change of the issued Net Proceeds, as the global economy is still suffering from the COVID-19 pandemic.

The Directors have been exploring alternatives to utilise the Net Proceeds through the reading of media reports on a daily basis and collection of market intelligence through discussion with its business acquaintances on an irregular basis.

As a result of the outbreak of COVID-19, the retail market is seriously hit in Hong Kong and an uncertain economy forced consumers to curtail spending. Although there are industries which are not affected by the COVID-19 pandemic, such as the vaccine related industry and online business. However, given the Company does not have relevant expertise in such industries, the Board considered it may not be suitable and beneficial to the Company.

Property investment is considered as low risk in Hong Kong, it has upside potential which is not possible with fixed deposit. Furthermore, downward trend in interest rate means that the interest income generated by fixed deposit will become less and less attractive. Property investment will also generate cash flow through rental income. Moreover, it does not require complicated expertise or extensive management time to operate as compared to the abovementioned industries. Therefore, the Company has attempted to identify suitable properties targets.

As disclosed in the Letter from the Board, the Company has attempted to identify potential properties, including (i) commercial property in Admiralty and Wanchai; and (ii) retail property in Wanchai and Mongkok. After identifying potential properties, the Company had further considered the locations, the prices, the rates of return and the market demand of such properties. In view of (i) the high selling price; (ii) the decrease in demand of commercial property due to corporate cost-saving coupled with high

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

vacancy amid the COVID-19 pandemic; and (iii) the decrease in demand of retail property as a result of uncertain retail sentiment, the Company did not proceed with such alternative properties.

The Company considered that the terms for the Acquisition, including but not limited to (i) the payment term that no deposit is required to be paid prior to Completion; (ii) no agent commission incurred; (iii) condition of the Property; (iv) the existing tenancy; and (v) the appraisal value of the Property as compared to the Consideration, are more favorable than the terms of other potential acquisitions identified by the Company and therefore the Company proceed with the Acquisition.

Analysis

In assessing the fairness and reasonableness of entering into the Sale and Purchase Agreement, we have conducted our own desktop research for the residential and commercial property market in Hong Kong.

According to the “Hong Kong Property Review Monthly Supplement (February 2021)” (https://www.rvd.gov.hk/en/property_market_statistics/index.html) published by the Rating and Valuation Department of the Government of the Hong Kong Special Administrative Region (the “**HK Government**”), the rate of return for the residential properties market in 2019 and 2020 are 2.1% and 2.1%¹ respectively. The Property is currently leased out to independent third party and the rate of return of the Property in 2021 is approximately 3.1% which is higher than the rate of return of the market. As mentioned in the previous section in this letter, the Company intends to continue to lease out the Property upon expiry of the existing tenancy. It is expected that the Property will generate stable income to the Company.

As disclosed in the June 2020 Announcement and discussed with the management of the Company, the unutilised Net Proceeds are currently earning insignificant interest income for the Group at a rate of 0.001% to 0.65% per annum depending on the amount, nature and length of the deposits. Therefore, we concur with the Board’s view that the Acquisition is a better utilisation of the unutilised Net Proceeds in principle.

Furthermore, according to the same source from the Rating and Valuation Department of the HK Government, the price index for residential properties in Hong Kong overall shows an upward trend since 2016, which has increased from approximately 286.1 in 2016 to approximately 381.2¹ in 2020, representing a compound annual growth rate of approximately 7.44%. We note that the residential property market remains positive after taking into account the social unrest in 2019 and outbreak of COVID-19 in 2020. Therefore, we consider that the increasing trend of the price index for residential properties will preserve after the COVID-19 pandemic is contained. As such, the Acquisition would offer the Group an opportunity to capture long-term potential capital growth.

¹ *Provisional figure*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For commercial property market, according to the “Hong Kong Property Market Monitor” published by Jones Lang LaSalle IP, Inc., the vacancy rates of commercial property in Central and Wanchai increased from 4.0% and 4.4% in January 2020 to 7.3% to 7.9% in December 2020 respectively. The average monthly rental also decreased from approximately HK\$71.9 psf. in January 2020 to approximately HK\$59.4 psf. in December 2020. The commercial property market remains negative since the outbreak of COVID-19, it was mainly attributable to the decrease in demand as a result of the work from home policy widely adopted by the private sectors during the time of COVID-19 pandemic. For retail property, since the retail market has been seriously hit in Hong Kong as mentioned in the previous section in this letter, it may not be a suitable alternative for the Company.

We noted that the Company has considered alternatives for (a) utilising the unused Net Proceeds other than acquisition of properties; and (b) acquiring other properties other than the Property. Having considered that (i) the retail market remains highly uncertain as a result of the outbreak of COVID-19; (ii) the industries that are not affected by the COVID-19 pandemic mentioned above are not in the same line of the Company’s principal business; (iii) the commercial property market and retail property market remain negative as discussed above; (iv) potential uptrend of the residential property market as discussed above; (v) the Property is under a tenancy agreement which will bring positive cash inflow to the Company immediately following Completion; and (vi) the unutilised Net Proceeds are currently earning insignificant interest. We concur with the Board’s view that the Acquisition is the best alternative available to the Company.

To conclude, after taking into account (i) the outbreak of COVID-19 has adversely affected the Group’s principal business as disclosed in the section headed “1. Background and financial information of the Group” above; (ii) the Property can provide stable rental income to the Group; (iii) the Acquisition can capture the potential capital appreciation of the Property; and (iv) factors considered above that the Acquisition is the best alternative available to the Company, we are of the view and concur with the Board’s view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

4. Principal 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

The consideration was determined between the Purchaser and the Vendors after arm's length negotiations and on normal commercial terms, with reference to (i) the valuation of the Property of approximately HK\$33 million as at 25 January 2021 by Professional Properties Co., an independent valuer; and (ii) the prevailing market condition of comparable properties in the proximate area. The Consideration will be funded by the Net Proceeds. The Company has applied to a bank for securing a mortgage loan for the Acquisition (the "**New Mortgage**") so as to reduce the percentage of the Net Proceeds to be utilised for the Acquisition. As to the settlement of the Consideration, the intended allocation between the New Mortgage and the Net Proceeds would be approximately 40% and 60% of the Consideration respectively.

The expected rate of return to be generated by the Property is approximately 2.5% if the Company has obtained the New Mortgage which will be lower than 3.1% without the New Mortgage. The bank provides the New Mortgage has indicated that it will provide additional banking facilities to the Group using the Property as security. Therefore, the Board is of the view that such financing arrangement is in the best interest of the Company and the Shareholders as a whole.

As advised by the management of the Company, as at the Latest Practicable Date, the New Mortgage is still under review by the bank. In the event that the negotiation with the bank for the New Mortgage and the other banking facilities as a package may possibly result in a delay in Completion, the Group will use the Net Proceeds to settle 100% of the Consideration.

Analysis

We noted that the expected rate of return will be lower if the Company has obtained the New Mortgage. However, by obtaining the New Mortgage, the Company will be able to reduce the capital outlay of approximately HK\$12.4 million on the Completion Date and reallocate to the unutilised Net Proceeds. It allows the Company to have more flexibility in exploring other property investment opportunities and/or for general working capital use. Moreover, the additional banking facilities to be provided by the bank will also strengthen the working capital and the liquidity of the Group. As advised by the Board, the Company has not identified any other business opportunities other than the Acquisition as at the Latest Practicable Date. The Board will closely monitor the economy and determine the use of Net Proceeds which is in the best interest of the Shareholders and the Company as a whole.

5. Evaluation of the valuation of the Property

We noted that the Consideration was determined with reference to the valuation of the Property of approximately HK\$33 million as at 25 January 2021. To assess the fairness and reasonableness of the Consideration, we have reviewed the property valuation report issued by the Valuer and discussed with the Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the valuation. We noted the Valuer has adopted the term and reversion method of the income approach and cross checked with the market approach in valuing the Property. The cost approach was not appropriate as it would not capture the future earning potential of the Property.

The term and reversion analysis of the income approach estimates the capital value of the Property by capitalising rental income on a fully leased basis having regard to the current rental income from existing tenancy and the potential reversionary rental income at market level. For the reversionary rental income of the Property, the Valuer has mainly made reference to the rental of the subject property as well as other relevant comparable properties of similar usage, subject to appropriate adjustments including but not limited to size, time, frontage, depth and floor-to-floor height. As the Property is currently let to tenant, we therefore consider that the valuation methodology, basis and assumptions adopted in relation to the appraisal of the Property by the Valuer is reasonable and in line with market practice.

For market approach, several comparable properties were selected by the Valuer in order to appraise the market value of the Property. Since the Property comprised the flat portion (the “**Flat Portion**”) and the car parking space portion (the “**Car Park Portion**”), the Valuer has selected comparables for each of the portions. For the Flat Portion, we understand from the Valuer that the comparable flats (i) are located in Larvotto; (ii) are for residential use; and (iii) are recent transactions done in 2020 and 2021. We have reviewed the nature of comparable flats selected by the Valuer and the calculation to arrive at the market value of the Flat Portion. We have also discussed with the Valuer regarding to the nature and rationale of adjustments adopted in the valuation and noted that these adjustments were made to the comparable properties to compensate

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the differences between the Flat Portion and the comparable flats in relation to their level, size, condition and other characters. For the Car Park Portion, we understand from the Valuer that the comparables (i) are located in Larvotto; and (ii) are recent transactions done in 2020 and 2021. Based on our review of the comparable car parking spaces as well as our discussion with the Valuer in order to understand their selection criteria and calculation basis, we are of the view that the basis and assumptions in arriving the valuation are fair and reasonable.

For cross-checking purpose, we have reviewed the relevant sales evidence of similar properties of the Flat Portion and Car Park Portion in Larvotto extracted from the website of Midland Realty and Property.hk sold in 2020 and 2021. As stated in the valuation report in Appendix I to the Circular, the latest transaction amount of car parking spaces in Larvotto are well above HK\$3.5 million. Therefore, we adopted HK\$3.5 million as the value of the Car Park Portion and the remaining balance of HK\$29.5 million as the value of the Flat Portion for cross-checking purpose. For the Flat Portion, their unit rates ranged from approximately HK\$19,130 psf. to HK\$25,806 psf. depending on floor, size, renovation and internal conditions. The market value of the Flat Portion of the Property appraised by the Valuer is approximately HK\$25,409 psf. which falls within the range of the abovementioned unit rate identified by us. For the Car Park Portion, their unit price ranged from HK\$3.3 million to HK\$3.58 million, which the value of Car Park Portion (i.e. HK\$3.5 million) falls within such range. We noted that the unit rate per square feet of the Property is at the high-end of the range. However, taking into account the frontage and floor-to-floor height of the Property, we consider market value of the Property appraised by the Valuer is fair and reasonable.

In addition, we have enquired the Valuer as to its qualifications, expertise, independence and due diligence measures taken by the Valuer to the preparation of the valuation report. We are not aware of any irregularities during our discussion with the Valuer in view of their qualification, independence and works.

Having considered (i) the valuation methodology adopted by the Valuer is commonly adopted for determining the value of similar properties; (ii) the assumptions and underlying basis for valuation of the Property are appropriate; and (iii) the selection criteria of the comparable properties is justifiable, we are of the view that the valuation methodologies behind the Consideration are fair and reasonable.

Further details of the basis and assumptions of the valuation are included in the property valuation report as contained in Appendix I to the Circular.

6. Possible financial effects of the Acquisition

Upon 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Earnings

As set out in the paragraph headed “Historical financial information of the Target Company” under section “2. Background and financial information of the Target Company and information of the Vendors”, the unaudited net profit after taxation of the Target Company for the period ended 31 December 2020 was approximately HK\$59,000. Given that the financial results of the Target Company will be consolidated with those of the Group following the Completion, the performance of the Group will be increased slightly by the performance of the Target Company in the coming year.

Assets and liabilities

As at 30 September 2020, the unaudited consolidated total assets and liabilities of the Group, as set out in the 2020 Interim Report, amounted to approximately HK\$279.0 million and HK\$178.0 million, respectively. Assuming Completion took place on 30 September 2020 and the Consideration is fully funded by the Net Proceeds, the unaudited consolidated total assets and liabilities of the Enlarged Group would have increased to approximately HK\$279.0 million and HK\$178.0 million, respectively. Assuming Completion took place on 30 September 2020 and 40% of the Consideration is funded by the New Mortgage, the unaudited consolidated total assets and liabilities of the Enlarged Group would have increased to approximately HK\$291.4 million and HK\$190.4 million, respectively.

RECOMMENDATION

Taking into account the above principal factors and reasons, we are of the view that the terms of the Sale and Purchase Agreement, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the ordinary resolution to approve the Sale and Purchase Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
INCUCorporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUCorporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

The following is the text of a letter, a valuation summary and valuation certificates prepared for the purpose of incorporation in this circular received from Professional Properties Co., an independent valuer, in connection with its valuation of the Property. Terms defined in this appendix applies to this appendix only.

Professional Properties Co.

4–6/F., Lee Garden Three
1 Sunning Road, Causeway Bay
Hong Kong

The Board of Directors**MOS House Group Ltd**

50/F, China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS AND VALUATION DATE

We refer to the instruction of MOS House Group Ltd and its subsidiaries (hereinafter together referred to as the “Group”) for us to assess the Market Values of the property interests located in Hong Kong held by for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Values of the property interests as at 25 January 2021 (the “Valuation Date”).

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited; and Rule 11 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission.

VALUATION BASIS

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, not for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests located in Hong Kong is held under long terms leasehold interests, we have assumed that the owner has free and uninterrupted rights to use the property interests located in Hong Kong for the whole of the unexpired term of the leasehold interests.

VALUATION METHODOLOGY

When valuing the property interests, we have adopted Income Approach — Term and Reversion Analysis and cross checked by Market Approach.

Term and Reversion Analysis is a common and suitable technique for the valuation of the properties subject to existing tenancies. This technique is used when the passing rent of a property differs from the market rent. It estimates the capital value of a property by capitalizing rental income on a fully leased basis having regard to the current rental income from existing tenancy and the potential reversionary rental income at market level.

In Term and reversion Analysis, the total rental income of a property is divided into the current passing rental income over the existing lease term, namely the term income, and the potential reversionary rental income after the expiry of the existing lease term, known as the reversionary income. The term value involves the capitalization of the term income over the existing lease term. The reversionary value involves the capitalization of the reversionary income after the expiry of the existing lease term and it is then discounted back to the valuation date.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analyzed on the basis of its unit rate: each attribute of the comparable then compared with the subject and where there are any differences, the unit rate is adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

LAND TENURE AND TITLE INVESTIGATION

We have made enquires and relevant searches at the Hong Kong Land Registry for property interests located in Hong Kong. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group. We have also accepted advice given to us on matters, such as identification of the property, particulars of occupancy, area and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on the information in the documents provided to us and are therefore only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

INSPECTION AND INVESTIGATIONS

The property was inspected externally by our Mr. Herrick Lee, who is a Chartered Surveyor. Although not all areas were accessible for viewing at the time of inspection, we have endeavored to inspect all areas of the property. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the property and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the property and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the property but have assumed that the area shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

The reconciliation between valuation of the Property as at 25 January 2021 and the net book value of the Property as at 31 March 2020 is as follows:

HK\$

Market Value of the Property as at 25 January 2021 as set out in Appendix I to this circular	33,000,000
Difference ^(Note)	<u>(15,948,244)</u>
Net book value as at 31 March 2020	<u><u>17,051,756</u></u>

Note:

The difference of approximately HK\$15.9 million represents the valuation premium of the Property.

In this report the currency is in Hong Kong Dollar (“HKD”).

The valuation summary and the valuation certificate are attached hereto.

Yours faithfully,
For and on behalf of
Professional Properties Co.
Herrick Lee
Chartered Surveyor
MHKIS
MRICS

Note:

Herrick Lee is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors. He is suitably qualified to carry out the valuation and has experience in the valuation of properties of this magnitude and nature in the subject region.

VALUATION SUMMARY**Property Interests in Hong Kong**

No.	Property	Market Value as at 25 January 2021 (the valuation date)
1	Flat B (including balcony) 22/F., Tower 5, with one car parking space Larvotto 8 Ap Lei Chau Praya Road, Hong Kong	HK\$33,000,000

Property Interests in Hong Kong

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 25 January 2021 (the Valuation Date)
1.	Flat B (including balcony) 22/F., Tower 5, with one car parking space Larvotto 8 Ap Lei Chau Praya Road, Hong Kong	<p>The unit is one domestic unit with 3 bedrooms and sea view. This private residential development is a 9-tower sea view high class pure residential project with a total of 715 domestic units and 400 residential car parking spaces completed in year 2011. Unit sizes are within 1,000 to 2,000 sq ft in majority cases.</p> <p>Elite schools including local and international schools are well established in this area.</p> <p>The land matters involved is with the relevant Lot Number and the land tenure is from year 1995 to year 2047 and with lease modification done in year 2007.</p> <p>Occupation Permit of the development is issued in year 2011. Certificate of Compliance is issued in year 2011.</p> <p>Saleable area: 107.9 sq m (1,161 sq ft); Balcony area: 3.2 sq m (34 sq ft); Air-condition platform area: 3.1 sq m (33 sq ft)</p>	<p>This unit and the car parking space is now with a tenancy signed. The expiry date is 1 January 2022. The rental is HK\$80,000 on inclusive basis. Landlord is responsible for the payment of rates, government rent and management fee.</p>	HK\$33,000,000

Note:

The valuation and this certificate were prepared by Herrick Lee, MHKIS, MRICS

3. The details of the land search records of the property dated 14 January 2021 and 19 January 2021 are summarized below:

Item	Details
Registered Owner:	Mason Holdings Limited By an assignment dated June 15, year 2011 with a memorial number of 11061502600010 and 11061502600139
Major Encumbrances:	Mortgage with Bank of China (Hong Kong) Ltd dated June 15, year 2011 with a memorial number of 11061502600023

4. The property is erected on Inland Lot No Ap Lei Chau Inland Lot No. 129, which are held under Government Leases, The salient conditions are summarized below:

Item	Details
Lot Number:	Inland Lot No. APLIL129
Lease Term:	From 25 January 1995 Until 30 June 2047

5. The property falls within an area zoned “Residential Group E” under Approved Aberdeen & Ap Lei Chau Outline Zoning Plan No. S/H15/33 approved on 31 August 2018.
6. The general description and market information of the property are summarized below:

Location:	The property is a pure residential area without any immediate access of mass transit traffic in Hong Kong.
Transportation:	Private transport no mass transit system. The traffic distance to Central is considered normal and within 20 minutes traffic.
Nature of Surrounding Area:	An exclusive area with nice sea view, the location is one highly desirable residential district in Hong Kong Island.

7. In the course of our valuation of the property, we have considered and analyzed the recent transactions done in year 2020 and 2021. The unit rates done are in the range of 23,000 psf to 25,000 psf on saleable area. The latest price sold of car parking spaces are well above HK\$3.5 million.
8. Mason Holdings Limited is owned as to 90% by Vendor A and 10% by Vendor B.

1. RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF THE DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company and their associates in the Shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the “SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the Shares

Name of Directors	Capacity/Nature	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Simon Tso	Beneficiary of a trust	150,820,000 ⁽¹⁾	62.84%
Ms. Tsui To Fei	Interest of a spouse	150,820,000 ⁽²⁾	62.84%

Notes:

- (1) The 150,820,000 shares are held by RB Power Limited (“**RB Power**”), RB Power is wholly owned by RB Management Holding Limited (“**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 as one of the beneficiaries. By virtue of the SFO, Mr. Tso is deemed to be interested in the Shares held by RB Power.
- (2) Ms. Tsui is the spouse of Mr. Tso. Under Part XV of the SFO, Ms. Tsui is deemed to be interested in the same number of Shares in which Mr. Tso is interested.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company nor their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations, which had to be notified to the Company and the Stock Exchange under the SFO or pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than being a Director or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares

Name of the Shareholder	Capacity/Nature	Number of Shares held	Percentage of the issued share capital of the Company
TMF (Cayman) Ltd.	Trustee of a trust	150,820,000 ^(Note)	62.84%
RM Management	Interest of a controlled corporation	150,820,000 ^(Note)	62.84%
RB Power	Beneficial owner	150,820,000 ^(Note)	62.84%

Note: 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.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any corporation which/person (other than a Director or the chief executive of the Company) who had interest or short position in the Shares or underlying shares which were recorded in the register required to be kept under Section 336 of the SFO.

4. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, each of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

5. DIRECTORS' INTEREST IN ASSET AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, save as those disclosed in the section headed "Disclosure of the Directors' and the chief executive's interests and short positions in shares, underlying shares and debentures of the Company or its associated corporation" above and the Sale and Purchase Agreement, none of the Directors had: (i) any direct or indirect interests in any assets which have been, since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any contract or arrangement at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice for inclusion in this circular:

Name	Qualifications
INCUB Corporate Finance Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Professional Properties Co.	Independent valuer

INCUB Corporate Finance Limited and Professional Properties Co. have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their letter of advice or references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, INCU Corporate Finance Limited and Professional Properties Co. did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, INCU Corporate Finance Limited and Professional Properties Co. had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 March 2020 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

9. CORPORATE INFORMATION OF THE COMPANY

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	50/F, China Online Centre 333 Lockhart Road, Wanchai Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited 17M Floor Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in 50/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Sale and Purchase Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 18 to 35 of this circular;
- (d) the valuation report of the Property issued by Professional Properties Co. as set out in Appendix I to this circular;
- (e) the letter of consent from INCU Corporate Finance Limited referred to in the above paragraph headed "Expert and Consent" of this appendix to this circular;
- (f) the letter of consent from Professional Properties Co. referred to in the above paragraph headed "Expert and Consent" of this appendix to this circular; and
- (g) this circular.

NOTICE OF EGM

MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1653)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of MOS House Group Limited (the “**Company**”) will be held at 50/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong on Wednesday, 31 March 2021 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

THAT

“the execution of the sale and purchase agreement dated 3 February 2021 (the “**Sale and Purchase Agreement**”) (copy of which has been produced to the EGM marked “**A**” and signed by the Chairman of the EGM for identification purpose) entered into amongst Ms. Tsui To Fei, Ms. Hung Zoi Lin, China Bless Limited and Mason Holdings Limited be and is hereby approved, confirmed and ratified and any director(s) of the Company be and is hereby authorized to sign, execute, perfect and deliver all such documents and to affix the common seal of the Company on any such document as and when necessary and do all such deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable for the purposes of or in connection with the implementation of the Sale and Purchase Agreement and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed.”

Yours faithfully,
For and on behalf of the Board
MOS House Group Limited
Simon Tso
Chairman

Hong Kong, 16 March 2021

Registered office:

Cricket Square Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

50/F, China Online Centre,
333 Lockhart Road, Wanchai,
Hong Kong

NOTICE OF EGM

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one proxy to attend and, subject to the provisions of the Memorandum of Association and Articles of Association of the Company, to vote on his/her behalf. A Member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member.
2. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. A proxy form for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
5. In order to be valid, the proxy form, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).
6. Delivery of a proxy form shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be) and, in such event, the proxy form appointing a proxy shall be deemed to be revoked.
7. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Tuesday, 30 March 2021 to Wednesday, 31 March 2021 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than Hong Kong time 4:30 p.m. on Monday, 29 March 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.

NOTICE OF EGM

PRECAUTIONARY MEASURES FOR THE EGM

The Company would like to inform its Shareholders that precautionary measures will be implemented at the EGM to prevent the COVID-19 pandemic, including:

- (i) Compulsory body temperature check;
- (ii) Compulsory wearing of surgical face mask throughout the EGM;
- (iii) No refreshments will be provided; and
- (iv) Maintaining proper distance between seats.

Any person who does not comply with any of the above precautionary measures, or who has a fever or exhibits flu-like symptoms or is subject to any Hong Kong Government prescribed quarantine may be denied entry to the EGM venue.

For the health and safety of Shareholders, the Company encourages Shareholders NOT to attend the EGM in person, and remind Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.