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## **MOG HOLDINGS LIMITED**

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

**(Stock Code: 1942)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY AND THE SALE LOAN**

#### **THE DISPOSAL**

The Board is pleased to announce that, on 29 December 2022 (after trading hours), the Vendor, being a wholly owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell and assign to the Purchaser, and the Purchaser conditionally agreed to purchase from the Vendor, the Sales Shares, representing the entire issued share capital of the Target Company, and to accept the assignment of the Sale Loan from the Vendor at a total cash consideration of approximately RM9,000,000.

Upon Completion, the Group will no longer hold any interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Company.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Completion is subject to the fulfillment (or waiver) of the Conditions Precedent and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

On 29 December 2022 (after trading hours), the Vendor and the Purchaser entered into the Agreement.

## **THE AGREEMENT**

Principal terms of the Agreement are set out below.

Date : 29 December 2022

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

### **Subject matter**

Subject to the terms and conditions set forth in the Agreement, the Vendor conditionally agreed to sell and assign to the Purchaser, and the Purchaser conditionally agreed to purchase from the Vendor, the Sales Shares, representing the entire issued share capital of the Target Company, and to accept the assignment of the Sale Loan from the Vendor.

### **Consideration**

The consideration payable by the Purchaser to the Vendor for the sale and purchase of the Sale Shares shall be approximately RM779,000 and the consideration payable by the Purchaser to the Vendor for the assignment of the Sale Loan shall be the dollar-to-dollar equivalent of the amount of the Sale Loan.

As at the date of this announcement, the total outstanding amount of the Sale Loan is approximately RM8,221,000.

The Consideration shall be satisfied by cash by the Purchaser to the Vendor or its nominee(s) within 90 Business Days after the Completion Date.

### **Basic for determination of the Consideration**

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms after taking into account, without limitation, (i) a premium of approximately 21.47% over the valuation results in respect of the fair value of the entire issued share capital of the Target Group of approximately RM7,409,000 as at 6 September 2022, which was prepared by an independent valuer based on the market approach using the EV/EBITDA (enterprise value ("EV") to earnings before interest, tax, depreciation and amortization ("EBITDA")) multiple method; and (ii) the outstanding amount of the unsecured interest-free loan provided by the Vendor to the Target Group and remains outstanding of approximately RM8,221,000 as at the date of this announcement.

Taking into account the above, the Directors consider that the Consideration is fair and reasonable and on normal commercial terms or better and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

## **Conditions Precedent**

The Completion shall be conditional upon fulfilment or waiver (as the case maybe) of the following conditions precedent:

- (a) the Stock Exchange not raising any objection against any of the transactions contemplated under the Agreement;
- (b) the Purchaser having completed, and to its satisfaction with the results of, the due diligence review conducted on the Target Group;
- (c) the Purchaser having obtained a valuation report as assessed by the Independent Valuer, in form and substance satisfactory to the Purchaser at its absolute discretion on the Target Group and the fair value of the entire issued share capital of the Target Group is not less than RM7,000,000;
- (d) the representations, warranties, undertakings and guarantees from each of the Vendor and the Purchaser on all information in whatever medium provided to each other and its authorised representatives as set out in this Agreement are true, accurate and complete in all respects, and not misleading in any respect;
- (e) the Vendor having entered into all relevant legal documents to effect the transactions contemplated under the Agreement and matters incidental thereto in accordance with the relevant legal advice and the results of due diligence review conducted by the Purchaser; and
- (f) there having been no material breach by each of the Vendor and the Purchaser of its obligations under the Agreement and/or any documents incidental to the transactions contemplated under the Agreement, to which it is a party.

The Purchaser may waive in whole or in part any of the above Conditions Precedent (except (a) and (c)) by written notice to the Vendor.

The Vendor and the Purchaser shall use (to the extent they are able) their respective best endeavours to procure the fulfilment of the above Conditions Precedent as soon as possible but in any event not later than the Long Stop Date. If any of the above Conditions Precedent shall not have been fulfilled (or waived, where applicable) in all respects prior to the Long Stop Date, the Agreement shall be terminated automatically and of no further effect and all liabilities and obligations of the parties to the Agreement shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties to the Agreement hereto which shall have accrued prior to such termination.

### **Completion**

The Completion shall take place within 90 Business Days after all the Conditions Precedent have been fulfilled or waived (as the case may be), or such other date as the Vendor and the Purchaser my mutually agree in writing.

Upon Completion, the Group will no longer hold any interest in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Company.

### **INFORMATION ON THE VENDOR AND THE GROUP**

The Company is an investment holding company which, together with its subsidiaries, is principally engaged in business-to-business hardware trading in the PRC, sales of optical products and franchise and license management in Malaysia.

The Vendor is a company incorporated under the laws of the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Vendor is wholly owned by the Company.

### **INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated under the law of Malaysia and is principally engaged in investment holding. As at the date of this announcement, the Purchaser is ultimately and beneficially owned by Mr. Lim Jit Cheng.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

## **INFORMATION ABOUT THE TARGET GROUP**

The Target Group comprises the Target Company and the Target Subsidiaries.

### **The Target Company**

The Target Company is a company incorporated under the laws of the British Virgin Islands with limited liability and is an investment holding company holding the controlling interest of the Target Subsidiaries.

As at the date of this announcement, the Target Company is wholly owned by the Company.

### **The Target Subsidiaries**

The Target Subsidiaries comprises of eighteen companies, being Subsidiary A, Subsidiary B, Subsidiary C, Subsidiary D, Subsidiary E, Subsidiary F, Subsidiary G, Subsidiary H, Subsidiary I, Subsidiary J, Subsidiary K, Subsidiary L, Subsidiary M, Subsidiary N, Subsidiary O, Subsidiary P, Subsidiary Q and Subsidiary R.

#### ***Subsidiary A***

Subsidiary A is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in wholesale and retail of optical products in Malaysia. As at the date of this announcement, Subsidiary A is 60% owned by the Target Company.

#### ***Subsidiary B***

Subsidiary B is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in retail sale of spectacles and other optical goods in Malaysia. As at the date of this announcement, Subsidiary B is 51% owned by the Target Company.

#### ***Subsidiary C***

Subsidiary C is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in the business of optometrists and dealers of all kinds of optical apparatus and related accessories in Malaysia. As at the date of this announcement, Subsidiary C is 60% owned by the Target Company.

#### ***Subsidiary D***

Subsidiary D is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in retail sale of spectacles and other optical goods in Malaysia. As at the date of this announcement, Subsidiary D is wholly owned by the Target Company.

### ***Subsidiary E***

Subsidiary E is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in wholesale and retail of optical product in Malaysia. As at the date of this announcement, Subsidiary E is 51% owned by the Target Company.

### ***Subsidiary F***

Subsidiary F is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in wholesale and retail of optical product in Malaysia. As at the date of this announcement, Subsidiary F is 80% owned by the Target Company.

### ***Subsidiary G***

Subsidiary G is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in retail sale of spectacles and other optical goods in Malaysia. As at the date of this announcement, Subsidiary G is 60% owned by the Target Company.

### ***Subsidiary H***

Subsidiary H is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in optometrists and dealers of all kinds of optical apparatus and related Accessories in Malaysia. As at the date of this announcement, Subsidiary H is 40% owned by the Target Company.

### ***Subsidiary I***

Subsidiary I is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in wholesale and retail of optical product in Malaysia. As at the date of this announcement, Subsidiary I is 80% owned by the Target Company.

### ***Subsidiary J***

Subsidiary J is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in trading of spectacle frames, lens and related eye care products in Malaysia. As at the date of this announcement, Subsidiary J is 80% owned by the Target Company.

### ***Subsidiary K***

Subsidiary K is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in wholesale and retail of optical product in Malaysia. As at the date of this announcement, Subsidiary K is wholly owned by the Target Company.

### ***Subsidiary L***

Subsidiary L is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in wholesale and retail of optical product in Malaysia. As at the date of this announcement, Subsidiary L is wholly owned by the Target Company.

### ***Subsidiary M***

Subsidiary M is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in dealer and retailer of spectacles and other optical products in Malaysia. As at the date of this announcement, Subsidiary M is 91% owned by the Target Company.

### ***Subsidiary N***

Subsidiary N is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in retail of optical products and related accessories in Malaysia. As at the date of this announcement, Subsidiary N is wholly owned by the Target Company.

### ***Subsidiary O***

Subsidiary O is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in wholesale and retail of optical product in Malaysia. As at the date of this announcement, Subsidiary O is 60% owned by the Target Company.

### ***Subsidiary P***

Subsidiary P is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in retail of optical product and related accessories in Malaysia. As at the date of this announcement, Subsidiary P is 70% owned by the Target Company.

### ***Subsidiary Q***

Subsidiary Q is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in retail sale of spectacles and other optical goods in Malaysia. As at the date of this announcement, Subsidiary Q is wholly owned by the Target Company.

### ***Subsidiary R***

Subsidiary R is a company incorporated under the law of Malaysia with limited liabilities and is principally engaged in retail sale of spectacles and other optical goods in Malaysia. As at the date of this announcement, Subsidiary R is wholly owned by the Target Company.

## Financial information of the Target Group

Set out below is the audited combined financial performance of the Target Group for the two years ended 31 March 2022 and the unaudited combined financial performance for the six months ended 30 September 2022:

	<b>For the six months ended 30 September 2022 RM'000 (unaudited)</b>	<b>For the years ended 31 March</b>	
		<b>2022 RM'000 (audited)</b>	<b>2021 RM'000 (audited)</b>
Revenue	26,572	34,186	33,158
Profit before taxation for the period/year	4,709	3,786	2,597
Profit after taxation for the period/year	3,653	2,904	1,735

As at 30 September 2022, the unaudited combined net asset value of the Target Group was approximately RM8,759,000.

## REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT AND USE OF PROCEEDS FROM DISPOSAL

The Group commenced its optical retail business in Malaysia in 1996 offering a wide range of optical products which generally includes lenses, frames, contact lenses and sunglasses which are from (i) international brands, (ii) the Group's own brands and (iii) manufacturers' brands carried by the Group. As the retail industry in Malaysia has been severely affected by the prolonged COVID-19 pandemic while the impact on the industry prospect is still uncertain even there was a sign of recovery after economy reopening, such recent social and economic development has spurred the management team of the Group to examine the long-term strategic options of its optical retail business in Malaysia.

The Board considers that the current intensive operation model of its optical retail business has to be aligned with the Group's going forward strategy of asset-light and service-oriented business. After Completion, the Group shall enter into franchising agreements with the Target Subsidiaries pursuant to which the Target Subsidiaries as franchisees shall bear all operational costs, including but not limited to staff costs and rental expenses, while the Group shall retain its management over the retail outlets. Further, the Group shall receive franchise management fees from the Target Subsidiaries based on each of its revenue performance. Under these circumstances, the Group shall be able to mitigate the risk by combining the upside potential with business ownership with reduced risk of uncertainties.



The Directors also considered that after Completion, the number of subsidiaries under control would be reduced which in turn help to simplify the Group's structure. By doing so, the management cost is expected to reduce and the Directors could be more focus on monitoring the market change and business direction in order to attain the Group's long-term success.

Last but not least, the Directors intend to apply the proceeds from the Disposal for further development and market the Group's own bands optical products. In view of the ongoing review of the Group's business, the Board considers that the Disposal presents a good opportunity for the Group to re-strategise around business of the Group. The Board believes that after Completion, the Group will still be able to build on its strengths of strong retailing knowledge, operation excellence, and proven business models to continue serving its core customers and to achieve quality growth in its businesses. Therefore, the Directors consider that the Disposal is on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL**

It is estimated that the Company will record a gain on the Disposal of approximately RM241,000, which is calculated with reference to the Consideration for the Disposal less the unaudited combined net asset value of the Target Group as at 30 September 2022, taking into account the expenses directly attributable to the Disposal and adjustments in relation to the assignment of Sale Loan.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain/loss eventually to be recognised in the consolidated financial statements of the Company, depends on, among other things, the review by the auditor of the Company, upon finalisation of the consolidated financial statements of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment (or waiver) of the Conditions Precedent and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

## DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 29 December 2022 entered into between the Purchaser and the Vendor in relation to the Disposal
“Board”	board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday or a public holiday) on which banks located in Hong Kong are open for business
“Company”	MOG Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on main board of the Stock Exchange (Stock code: 1942)
“Completion”	Completion of the Disposal in accordance with the Agreement
“Completion Date”	the date on which the Completion occurs in accordance with the Agreement
“Condition(s) Precedent”	condition(s) precedent to Completion as set out in the Agreement
“Consideration”	the aggregate consideration for the Disposal
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the sale of the Sale Shares by the Vendor to the Purchaser and the assignment of the Sale Loan from the Company to the Purchaser in accordance with the terms of the Agreement
“Franchise Agreement(s)”	the agreements to be entered into between the Company and the Target Subsidiaries to grant by the Company to each of the Target Subsidiaries during the terms of the agreement and any further period for which it may be renewed or extended upon the terms and conditions the exclusive right and license to operate the outlet within an agreed territory approved by the Company.

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or entity(ies) who is/are third party(ies) independent of, and not connected with the Company and any of its respective connected persons
“Listing Rules”	the Rules Governing the Listing of Securities
“Long Stop Date”	the date immediately after the expiry of six(6) months immediately after the date of the Agreement or such later date as agreed by the Purchaser and the Vendor
“PRC”	People’s Republic of China
“Purchaser”	Retailtech Capital Sdn. Bhd., a company incorporated under the law of Malaysia with limited liabilities
“RM”	Ringgit, the lawful currency of Malaysia
“Sale Loan”	the entire amount of an unsecured interest-free loan provided by the Vendor to the Target Company and remains outstanding at Completion.
“Sale Share(s)”	issued ordinary shares of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary A”	Exon Optical Sdn. Bhd., a company incorporated under the laws of Malaysia and is 60% owned by the Target Company
“Subsidiary B”	Exon Eyewear (R&F) Sdn. Bhd., a company incorporated under the laws of Malaysia and is 51% owned by the Target Company
“Subsidiary C”	Evershine Optical House Sdn. Bhd., a company incorporated under the laws of Malaysia and is 60% owned by the Target Company

“Subsidiary D”	Exotika Icon Sdn. Bhd., a company incorporated under the laws of Malaysia and is wholly owned by the Target Company
“Subsidiary E”	Eyes Founder Sdn. Bhd., a company incorporated under the laws of Malaysia and is 51% owned by the Target Company
“Subsidiary F”	Harvest Eyewear Sdn. Bhd., a company incorporated under the laws of Malaysia and is 80% owned by the Target Company
“Subsidiary G”	Harvest Gallery Sdn. Bhd., a company incorporated under the laws of Malaysia and is 60% owned by the Target Company
“Subsidiary H”	Intelligent Spec Saver Sdn. Bhd., a company incorporated under the laws of Malaysia and is 40% owned by the Target Company
“Subsidiary I”	Luxshine Eyewear Sdn. Bhd., a company incorporated under the laws of Malaysia and is 80% owned by the Target Company
“Subsidiary J”	M Optical Sdn. Bhd., a company incorporated under the laws of Malaysia and is 80% owned by the Target Company
“Subsidiary K”	MOG Optometry Sdn. Bhd., a company incorporated under the laws of Malaysia and is wholly owned by the Target Company
“Subsidiary L”	Real Eyes Sdn. Bhd., a company incorporated under the laws of Malaysia and is wholly owned by the Target Company
“Subsidiary M”	Right View Optic Sdn. Bhd., a company incorporated under the laws of Malaysia and is 91% owned by the Target Company
“Subsidiary N”	Smart Vision House Sdn. Bhd., a company incorporated under the laws of Malaysia and is wholly owned by the Target Company
“Subsidiary O”	Spec Trend Sdn. Bhd., a company incorporated under the laws of Malaysia and is 60% owned by the Target Company
“Subsidiary P”	Specs Gallery Sdn. Bhd., a company incorporated under the laws of Malaysia and is 70% owned by the Target Company
“Subsidiary Q”	Specs Saver Sdn. Bhd., a company incorporated under the laws of Malaysia and is wholly owned by the Target Company

“Subsidiary R”	Victory Eyewear Sdn. Bhd., a company incorporated under the laws of Malaysia and is wholly owned by the Target Company
“Target Company”	Able Hero Developments Limited, a company incorporated in under the laws of the British Virgin Islands with limited liability
“Target Subsidiaries”	collectively Subsidiary A, Subsidiary B, Subsidiary C, Subsidiary D, Subsidiary E, Subsidiary F, Subsidiary G, Subsidiary H, Subsidiary I, Subsidiary J, Subsidiary K, Subsidiary L, Subsidiary M, Subsidiary N, Subsidiary O, Subsidiary P, Subsidiary Q and Subsidiary R
“Vendor”	MOG (BVI) Limited, a company incorporated in under the laws of British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company
“%”	per cent

By Order of the Board  
**MOG Holdings Limited**  
**Zhou Yue**  
*Executive Director*

Hong Kong, 29 December 2022

*As at the date of this announcement, the Company has four executive Directors, namely Dato’ Ng Kwang Hua (Chairman), Ms. Tang Tsz Yuet, Mr. Zhou Yue and Mr. Deng Zhihua, and four independent non-executive Directors, namely Mr. Yau Tung Shing, Mr. Chu Hoi Kan, Ms. Jiao Jie and Puan Sri Datuk Seri Rohani Parkash Binti Abdullah.*