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MOG DIGITECH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1942)

DISCLOSEABLE TRANSACTION IN RELATION TO AN ACQUISITION OF PROPERTY AND SHAREHOLDER'S LOAN

THE ACQUISITION

The Board is pleased to announce that, on 23 May 2024 (after trading hours), the Company and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and transfer or assign, and the Company has conditionally agreed to purchase and accept, the Sale Share (representing the entire issued share capital of the Target Company) and the Shareholder's Loan, at the total Consideration of HK\$70.0 million.

Upon Completion, the Target Company will become a subsidiary of the Company and the financial information of the Target Company will be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

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

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

INTRODUCTION

On 23 May 2024 (after trading hours), the Company and the Vendor entered into the Agreement.

THE AGREEMENT

The following are the key terms of the Agreement:

- Date : 23 May 2024
- Parties : (i) the Vendor; and
(ii) the Company.

To the best of the Directors' knowledge, information, and belief, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Subject matter

Subject to and upon the terms and conditions of the Agreement, the Vendor as registered, legal, and beneficial owner shall sell and transfer or assign, and the Company shall purchase and accept assignment of, the Sale Share and the Shareholder's Loan.

Consideration

The Consideration payable by the Company for the sale and purchase of the Sale Share and the assignment of the Shareholders' Loan shall be HK\$70.0 million, which shall be appointed in the customary manner as follows:

- (a) the consideration for the assignment of the Shareholder's Loan shall be the value of the outstanding amount of the Shareholder's Loan as at Completion; and
- (b) the consideration for the transfer of the Sale Share shall be the amount of the Consideration less the consideration for the assignment of the Shareholder's Loan.

Subject to the terms and conditions of the Agreement, the Consideration shall be paid by the Company to the Vendor upon Completion.

Basic for determination of the Consideration

The Consideration was determined after arm's length negotiations between the Company and the Vendor on normal commercial terms after taking into account, without limitation, the valuation in relation to the fair value of the Property of approximately HK\$77.5 million as at 20 May 2024 (the "**Valuation**"), which was prepared by the Valuer based on direct comparison approach method.

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

Conditions Precedent

Completion of the sale and purchase of the Sale Share is subject to and conditional upon due and complete fulfilment, on or before the Completion Date, of all of the following conditions:

- (a) the Vendor having proved that it has good title to the Sale Share and the Shareholder's Loan free from all encumbrances;
- (b) the Company having proved that it has a good title to the Property under sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219) as at the Completion Date;
- (c) the Vendor having delivered the Completion Accounts to the Company as required in and in accordance with the terms of the Agreement;
- (d) all necessary consents and authorisations which may be required to implement the Agreement under any existing contractual arrangements or documentation having been obtained;
- (e) all authorisations, consents, sanctions and approvals of all governmental or regulatory authorities, courts, agencies or bodies which the Company reasonably consider necessary or required (after prior consultation with the Vendor) for the purposes of the transactions contemplated by the Agreement having been obtained;
- (f) the Company shall be satisfied with the assets, liabilities, state, affairs and conditions (financial or otherwise) of the Company (including the Company's financial statements and accounts) up to and including Completion;
- (g) the Company shall be satisfied that the Accounts, Warranties and the warranties, representations and undertakings on the part of the Vendor contained therein are true and accurate up to and including the date of Completion and not misleading in any respect, and that there is no non-disclosure on the part of the Vendor;
- (h) the Company being satisfied that the Vendor shall have duly complied with and perform all the terms and conditions of the Agreement in all respects insofar as the same are to be complied with and performed on or before Completion; and
- (i) such other documentary evidence as the Company may reasonably require for proof of the due and complete fulfilment or performance of any or all the Conditions Precedent.

The Company may, on such terms and conditions as it may decide in its absolute discretion, waive all or any of the Conditions Precedent at any time by notice in writing to the Vendor.

If any Conditions Precedent shall have not been fulfilled to the satisfaction of the Company or waived by the Company in writing by the Completion Date, the Company (in addition to and without prejudice to any other claims, rights and remedies the Company shall have) shall have the right by notice in writing to terminate and rescind the Agreement and annul the sale and purchase of the Sale Share therein and (without prejudice to any of the rights, claims and remedies of any other breaches, defaults, failures, non-compliances and non-performances of any terms and conditions of the Agreement on the part of the Vendor, and without prejudice to any antecedent breach of any of the terms and conditions of the Agreement, including the breach of the clause related to the Conditions Precedent by the Vendor and the Parties' respective rights and obligations with respect to any such breach) all rights, obligations and liabilities of the Parties thereunder in relation to Completion but not further or otherwise will cease and determine. The Company shall also have the right to seek or claim losses and damages suffered by the Company on the non-compliance or non-performance of the Conditions Precedent and on the default, breach, non-compliance, and non-performances of clause related to the Conditions Precedent.

Completion

Subject to the due and complete fulfilment of all the Conditions Precedent and subject to and upon the terms and conditions of the Agreement, Completion shall take place simultaneously upon signing of the Agreement.

Upon Completion, the Target Company will become a subsidiary of the Company and the financial information of the Target Company will be consolidated into the financial statements of the Group.

THE VALUATION

The Valuation method

In accordance with the Valuation Report, the Valuation was conducted by the Valuer using the direct comparison approach and referring to comparable sales evidence as available in the relevant market.

When determining the fair market value of the Property, the Valuer analyzed transaction records of industrial units within or near the subject building. The Valuer made adjustments to different attributes such as the time of the relevant transaction, age, floor, size, building condition, headroom, and view between the Property and the comparables. Details of the five transactions that were analyzed and relied upon are summarized as follows:

- (1) Unit 2, 9/F., 46 Tsun Yip Street, Kwun Tong; Transaction date: 20 January 2022 at HK\$7,676,300; Gross Floor Area 784 square feet at HK\$9,791 per square feet;
- (2) Unit 9, 9/F., 46 Tsun Yip Street, Kwun Tong; Transaction date: 27 January 2021 at HK\$4,893,700; Gross Floor Area 543 square feet at HK\$9,012 per square feet;
- (3) Unit 16, 9/F., Core45, 43-45 Tsun Yip Street, Kwun Tong; Transaction date: 27 March 2024 at HK\$7,171,249; Gross Floor Area 946 square feet at HK\$7,581 per square feet;

- (4) Unit 1, 9/F, 46 Tsun Yip Street, Kwun Tong; Transaction date: 20 January 2022 at HK\$7,692,700; Gross Floor Area 755 square feet at HK\$10,189 per square feet; and
- (5) Unit 9, 7/F., Lemmi Center, 50 Hoi Yuen Road, Kwun Tong; Transaction date: 20 January 2024 at HK\$4,300,000; Gross Floor Area 694 square feet at HK\$6,196 per square feet.

The nature and source of information relied upon

The Valuer has carried out searches at the Land Registry regarding the Property, but the Valuer has not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments that may not appear on the copies handed to it.

To the best of the Directors' knowledge, information, and belief, having made all reasonable enquiries, there are no significant investigations, notices, pending litigation, breaches of law or title defects against the Property. In the course of the Valuation, the Valuer has assumed that the Property has good legal title and is freely transferable in the market.

Qualification of the Valuer

The Valuation is conducted by Mr. Chan Chi Wah ("Mr. Chan"). Mr. Chan is the consultant of the Valuer.

Mr. Chan is a Fellow of the Hong Kong Institute of Surveyors and has over 28 years of post-qualification experience in the surveying profession. Additionally, he is a Corporate Member of the Royal Institute of Chartered Surveyors, a Member of the China Institute of Real Estate Appraisers and Agents, and a Registered Professional Surveyor (General Practice). He possesses sufficient knowledge of the relevant market, skills, and understanding to handle the subject valuation exercise competently.

To the best of the Directors' knowledge, information, and belief, having made all reasonable enquiries, the Valuer and Mr. Chan are Independent Third Parties.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in (i) digital payment solutions-related business, (ii) sales of optical products, and (iii) franchise and license management.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company incorporated under the laws of the British Virgin Islands. As of the date of this announcement, the Target Company is the legal and beneficial owner of the Property.

As of the date of this announcement, the Vendor wholly owns the Target Company and is the legal and beneficial owner of the Shareholder's Loan.

Financial information of the Target Company

Save for the acquisition of the Property, the Target Company has not conducted any business activity since its incorporation. Based on the management accounts of the Target Company as of 30 April 2024, the unaudited total assets and unaudited net asset value of the Target Company were approximately HK\$118.6 million and HK\$7.8, respectively.

INFORMATION ON THE PROPERTY

The Property comprises 17 workshops and a roof area within a 14-story industrial building. Constructed of reinforced concrete, the Property was completed in 2020 and is primarily surrounded by other industrial and commercial buildings. The internal condition of the Property is generally well-maintained and in line with its age of construction.

Based on the available information, the Board has determined that the total gross floor area of the Property consists of approximately 10,851 square feet for workshops and a flat roof measuring about 4,074 square feet. The workshops have a saleable area of approximately 6,271 square feet. As of the date of this announcement, the Property was unoccupied.

REASONS AND BENEFITS OF ENTERING INTO THE AGREEMENT

Throughout the year, the Group has been actively seeking new business opportunities to diversify its service offerings and enhance its financial performance. After conducting thorough research and analysis, the Group's management has observed a strong and growing market for high-performance data center services in mainland China and Hong Kong. The increasing demand is driven by the rapid growth in data volume due to the ongoing digital transformation and the rising adoption of various advanced technologies such as cloud computing, 5G, artificial intelligence, big data, machine learning, blockchain, internet of things, augmented and virtual reality, e-payments, and digital currency. The Chinese government has consistently supported technology-driven development and the growth of the digital economy, endorsing the concept of "new infrastructure" which includes large-scale data centers, artificial intelligence, and industrial internet. The Chinese government has also outlined a plan for the country's digital development, aiming for significant progress and major breakthroughs in digital technology innovation by 2025. Additionally, a new National Bureau of Data will be responsible for coordinating and promoting the development of digital China. Therefore, with an aim to capitalize on this trend, the Group plans to diversify its business portfolio to the operation of intelligent data centers.

The Group's initial strategy involves offering colocation and managed services, as well as establishing direct private connections to major public clouds. This will enable cloud service providers to expand seamlessly in their primary markets and allow businesses to deploy their hybrid clouds in close proximity to the interconnected nodes of prominent public clouds. As the first phase of its development, the Group plans to construct its own first data center. The data center is expected to be equipped with server hardware, data storage system, cloud computing platforms, networking infrastructure and monitoring system, etc. which the Group will put in place and upgrade from time to time upon completion of the Acquisition. Following the implementation of the above initial strategy, the Group will continue to review its business performance. In the next phase of development, the Group will further increase its service offerings and expand its operations with additional data centers and facilities as and when appropriate. The Group believes that as the data center operations continue to grow, it is common and in line with industry practice to operate multiple data centers in order to accommodate increased service demands, strengthen service reliability, avoid service disruption and enable disaster recovery. In addition, as part of the development plans of the data center operations, the Group expects to devote resources in the recruitment of necessary talents and/or engagement of third-party consultants for different functions, such as system engineering, network administration, database management and compliance, etc.

The Group's management typically seeks sites capable of accommodating a minimum gross floor area of 10,000 square meters per data center building, with sufficient power capacity to meet the demands of the customer segments the Group aims to serve at the facility. After a thorough site visit, the Group's management determined that the Property is well-suited for conversion into a data center.

Before entering into the Agreement, the Group's management reviewed the results of the Valuation. Having considered that the Consideration was agreed between the Parties at a discount to the aforesaid valuation results, the Directors considered that the terms of the Agreement are fair and reasonable, and the Acquisition aligns with the Group's business plan.

IMPLICATIONS UNDER THE LISTING RULES

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

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

DEFINITIONS

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

“Accounts”	collectively the Management Accounts, the Completion Accounts and the Audited Completion Accounts
“Acquisition”	the sale of the Sale Share by the Vendor to the Company and the assignment of the Shareholder’s Loan from the Vendor to the Company in accordance with the terms of the Agreement
“Agreement”	the conditional sale and purchase agreement dated 23 May 2024 entered into between the Company and the Vendor in relation to the Acquisition
“Audited Completion Accounts”	the audited statement of financial position of the Target Company as at the Completion Date (but immediately before Completion) and the audited statement of comprehensive income of the Target Company (together with the breakdown, notes, statements, lists, ledgers, accounts and records attached thereto) for the period from 5 February 2020 and ended on the Completion Date (but immediately before Completion) and including the notes, opinions, reports, statements and other documents contained, annexed or attached therein and thereto, prepared and certified with an unqualified report by a firm of Hong Kong certified public accountants as shall be agreed upon by the Parties in writing
“Board”	board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed commercial banks in Hong Kong are open for general banking business for members of the public in Hong Kong
“Company”	MOG Digitech Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (Stock code: 1942)
“Completion”	completion of the Acquisition in accordance with the Agreement

“Completion Accounts”	the unaudited statement of financial position of the Target Company as at the Completion Date (but immediately before Completion) and the unaudited statement of comprehensive income of the Target Company (together with the breakdown, notes, statements, lists, ledgers, accounts and records attached thereto) for the period from 5 February 2020 and ended on the Completion Date (but immediately before Completion) and certified as true and correct by one (1) director of the Target Company.
“Completion Date”	the date on which the Completion occurs in accordance with the Agreement
“Conditions Precedent”	condition(s) precedent to Completion as set out in the Agreement
“Consideration”	the aggregate consideration for the Acquisition
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of 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 People’s Republic of China
“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
“Management Accounts”	the unaudited statement of financial position of the Target Company as at 30 April 2024 and the unaudited statement of comprehensive income of the Target Company (together with the breakdown, notes, statements, lists, ledgers, accounts and records attached thereto) for the period from 5 February 2020 and ended on 30 April 2024 and certified as true and correct by one (1) director of the Target Company and in an agreed form, which is initialed by the Vendor and the Company for identification purpose
“Parties”	collectively the Company and the Vendor
“Property”	Units 1-3, 5-10 on 15th Floor, Workshop Unites 1-3, 5-9 on 16/F, and Roof, No. 46 Tsun Yip Street, Kwun Tong, Kowloon, Hong Kong

“Sale Share”	one (1) share, representing the entire issued share capital of the Target Company and comprising of all the voting rights 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)
“Shareholder’s Loan”	the amount owing as at the Completion Date by the Target Company to the Vendor in respect of non-interest bearing loan repayable on demand made by the Vendor to the Target Company and duly acknowledged to be owing by the Target Company.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sky Trend Real Estates Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Valuation”	the valuation in relation to the fair value of the Property of approximately HK\$77.5 million as at 20 May 2024
“Valuation Report”	the valuation report prepared by the Valuer in relation to the Valuation
“Valuer”	Win Bailey Valuation and Advisory Limited, an independent professional valuer
“Vendor”	Ms. Zhao Lixa
“Warranties”	the warranties, agreements, covenants, obligations, representations, and undertakings set out in the Agreement and the replies, answers, representations, warranties, agreements, covenants and undertakings to be made by the Vendor under or pursuant to the Agreement
“%”	per cent

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

Hong Kong, 23 May 2024

As at the date of this announcement, the Company has three executive Directors, namely Mr. Deng Zhihua (Chairman), Ms. Tang Tsz Yuet and Mr. Zhou Yue, and three independent non-executive Directors, namely Mr. Yau Tung Shing, Ms. Jiao Jie and Mr. Gao Hongxiang.