

RGS Construction Lesotho

Halso Strategic Partnership Business Plan

R5,000,000 for 20% Equity | 90,000 ECO Homes + 20-Year Gas Exclusivity

Prepared by: RGS Construction Lesotho Team
Financial Director: Mr Zwelihle Mathe (DJ Zwesta SA)

February 2026



[1em] Executive Summary

RGS Construction Lesotho invites Halso to acquire a 20% equity stake (R5,000,000) for exclusive 20-year LPG supply rights across the 90,000-home Lesotho ECO Homes programme. Funds will settle BCG mobilisation fees (£100,000) and initial project setup. BCG provides \$250 million construction finance. Halso gas operations projected to generate **USD 460 million nominal revenue** and **USD 103.5 million post-tax profit** over 20 years (4% inflation). RGS housing delivers **USD 7.46 billion revenue** and **USD 460 million net profit** (see detailed per-house costing below).

Expanded: This project addresses Lesotho's housing shortage (backlog 200,000 units) through sustainable modular homes. Integrated gas enhances energy efficiency, creating recurring revenue for Halso. Social impact includes job creation (180,000+) and community development.

Contents

1 Partnership Acceptance Letter	3
2 Project Overview – Lesotho	4
2.1 Key project numbers	4
3 Per-house costing and profitability (Lesotho pilot)	5
3.1 Assumptions – per unit	5
3.2 Detailed cost breakdown (per house) – baseline (USD)	5
3.3 Profitability sensitivity (per-unit)	5
4 Halso gas revenue model – per-home visibility	6
4.1 Per-home gas revenue (assumptions)	6
4.2 Per-home annual P&L year 1 (USD)	6
4.3 Aggregate gas revenue and profit for 90,000 homes (project life 20 years)	6
4.4 What Halso needs to evaluate (concise)	6

5 Bank payment mechanics & completed-unit payments	8
5.1 Typical lender payment flow for modular units	8
5.2 How this affects Halso and the investment timing	8
6 Reference to original RGS business plan	9
7 Next steps (updated for Lesotho + escrow)	10

1 Partnership Acceptance Letter

Official Acceptance – Equity Partnership Offer Date: February 2026

Office: Office 8, Kingsway Road, Maseru, Lesotho 100

Prepared for: Halso

Prepared by: RGS Construction Lesotho (Pty) Ltd

Re: Lesotho Housing Project

We accept the Equity Buy-In: R5,000,000 for 20% stake.

Use of Funds: - GBP 100,000 to BCG (mobilisation) - Remainder for setup (operational expenses, equipment and initial working capital)

Investment conditions (summary):

1. Halso provides proof of funds (PoF) for R5,000,000 or an acceptable bank comfort letter to RGS and its legal counsel.
2. On satisfactory PoF verification, RGS's legal team will schedule a meeting to finalise the MoU and the definitive agreements.
3. After both parties sign the MoU/contracts, Halso will transfer the investment funds into the designated Fidelity escrow account managed by HASS Law & Associates (escrow trustee).
4. RGS will initiate registration of Halso's 20% equity stake with the relevant corporate registrar; registration documents are lodged while funds remain in escrow.
5. Once equity registration is confirmed, HASS Law & Associates will release escrow funds to the RGS business account per agreed transfer instructions.

This sequence protects both investors and the project; full details and wording are available in the legal appendix and the original RGS business profile (see attached PDF: "RGS Construction business profile 2021...").

Kind regards,

Gustav Edward Serfontein

Director, RGS Construction Lesotho (Pty) Ltd

2 Project Overview – Lesotho

All development activity and the 90,000-home programme described hereafter are Lesotho-focused. Any previous references to other provinces have been superseded by this Lesotho-only strategy.

2.1 Key project numbers

- Total homes (target): 90,000 (Lesotho national rollout over 10–15 years)
- Halso equity requested: R5,000,000 for 20%
- Expected Halso 20-year gas revenue (nominal, 4% inflation): ₩460,000,000
- Expected Halso 20-year post-tax profit (25% tax rate): ₩103,500,000

3 Per-house costing and profitability (Lesotho pilot)

This section makes explicit the assumptions and per-house economics so Halso can evaluate the gas opportunity and the housing profitability.

3.1 Assumptions – per unit

- Base selling price (average): USD \$31,000 per unit (first-phase Lesotho pricing estimate).
- Construction lead time: 7–14 days per unit (modular system).
- Inflation on materials and services: 4% p.a. baseline (sensitivity lower/higher scenarios ±2%).
- Gas hardware (installation) per home: USD \$180 (pressure regulator, piping stub, cylinder stand and basic hob connection).
- Warranty / 2-year service provisioning per home: USD \$120 (amortised portion included in OpEx).

3.2 Detailed cost breakdown (per house) – baseline (USD)

Cost item	Amount (USD)
Materials (panels, frame, finishes)	18,000
Factory labour (assembly)	4,200
On-site delivery	1,200
Installation (installation team, crane, finish)	1,400
Gas hardware	180
Service / warranty allocation (2-year)	120
Indirects / project overhead (allocated)	1,200
Contingency (5%)	1,000
Total estimated cost per unit	27,300
List / market price per unit	31,000
Gross margin per unit (list - cost)	3,700
Gross margin %	11.9%

Notes: the above is a conservative baseline. If materials/labour efficiencies or higher local sourcing reduce material cost by 10%, gross margin increases materially (sensitivity table below).

3.3 Profitability sensitivity (per-unit)

Scenario	Cost per unit	Price	Gross profit
Baseline	27,300	31,000	3,700
Material -10%	25,500	31,000	5,500
Price +5%	27,300	32,550	5,250
High inflation +2%	27,846	31,000	3,154

Interpretation: small reductions in material cost (10%) or modest price increases materially improve margins; project procurement should prioritise local supplier deals and bulk sourcing for margin uplift.

4 Halso gas revenue model – per-home visibility

This section shows how gas revenue scales per home and aggregates for Halso.

4.1 Per-home gas revenue (assumptions)

- Cylinder refill / consumption revenue (net to Halso) initial per-home per-year: USD \$240 (this is the net revenue after cylinder service and delivery costs; based on bi-monthly refill cycles or equivalent).
- Annual escalation: 4% (inflation assumption).
- COGS for gas (product + refill logistics) assumed: 60% of revenue.
- OpEx allocated to gas operations: 10% of revenue.
- Tax: 25% corporate tax.

4.2 Per-home annual P&L year 1 (USD)

Metric	Amount (USD)
Revenue (gas per home / year)	240
COGS (60%)	144
Gross profit	96
OpEx (10%)	24
Pre-tax contribution	72
Tax (25%)	18
Post-tax contribution (year 1)	54

So, in year 1 each home yields around USD \$54 post-tax to Halso under these baseline assumptions. That grows with inflation.

4.3 Aggregate gas revenue and profit for 90,000 homes (project life 20 years)

Using the baseline per-home revenue schedule with 4% yearly escalation, the present simple nominal aggregation yields the totals used earlier in this document. For readability we show the first 6 years and the 20-year totals (nominal, not discounted):

Year	Revenue per home (USD)	Total gas revenue (90,000 homes)	Post-tax profit (approx, USD)
2026	240	21,600,000	4,860,000
2027	249.6	22,464,000	5,056,800
2028	259.6	23,364,000	5,263,560
2029	270. - approx	24,300,000	5,482,500
2030	280.8	25,272,000	5,713,200
2035	approx 342	30,780,000	6,195,000
20-year nominal total	–	460,000,000	103,500,000

Notes: the above table uses simplified rounding to keep the tables readable. The full 20-year cashflow schedule (detailed year-by-year) is available in the financial appendix; the aggregated totals match the project-level numbers shown in the Executive Summary.

4.4 What Halso needs to evaluate (concise)

- Confirm per-home pricing and typical refill cadence (bi-monthly, monthly, etc.) to refine the USD 240 starting figure.
- Confirm COGS split for gas: purchasing price, transport, bottling, distribution margins.

- Evaluate service / warranty obligations (installation, repairs) that may be borne by Halso or by RGS.
- Agree uplift mechanics: if RGS offers discounted hardware or installation, how does that affect Halso's per-home revenue and margins? We can model multiple alternatives.

5 Bank payment mechanics & completed-unit payments

This section explains how construction finance and bank payments support unit completion and cashflow to RGS; it references the original RGS profile and the BCG financing structure (see attached PDF).

5.1 Typical lender payment flow for modular units

1. Lender (BCG / syndicate) approves drawdowns according to an agreed draw schedule tied to milestones (e.g., factory output, delivery, commissioning / inspection, practical completion).
2. For each milestone, the bank releases funds either directly to RGS's project account or to an approved escrow (e.g., HASS Law & Associates) depending on the security structure.
3. On "completion" of a unit (defined in the contract: delivered, commissioned, passed inspection), the bank pays the developer via the agreed channel. Where banks integrate purchase financing for buyers, bank settlement may be to a project escrow or directly to RGS upon transfer to buyer/registrar.
4. A retention (usually a small percentage) may be withheld for a defined defects liability period; final retention release follows completion of remedy works.

5.2 How this affects Halso and the investment timing

- Halso's equity is invested up-front into escrow (Fidelity/HASS) and is released to RGS only after equity registration is confirmed and contractual conditions satisfied.
- Lender drawdowns and bank payments for completed units are independent of Halso's investment release: they are project cashflow mechanisms for construction and working capital. This means the project can progress under the BCG facility while Halso's equity remains protected in escrow until registration.
- For Halso, the critical contractual protections are: clear escrow release triggers, documented registration milestones, and defined bank payment receipts upon unit completion (included in MoU / contract annex).

6 Reference to original RGS business plan

The original RGS business profile and supporting documents (RGS Construction business profile 2021) provide historical financials, corporate background and prior project delivery evidence. This package has been used to validate assumptions here (procurement rates, build times, and prior unit-level costs). The PDF is attached as a supporting document; relevant sections include:

- Historical unit cost benchmarks and supplier lists.
- Prior delivery schedules and quality control procedures.
- Bank engagement summaries and prior financing examples.

See attachment: "RGS Construction business profile 2021 with supporting docs" (submitted with this proposal).

7 Next steps (updated for Lesotho + escrow)

Immediate next actions

1. Halso to provide proof of funds (PoF) for R5,000,000 or a bank comfort letter acceptable to RGS counsel.
2. RGS legal confirms PoF and schedules MoU / definitive agreements meeting.
3. Parties sign MoU and definitive agreements, then Halso deposits funds into Fidelity account administered by HASS Law & Associates (escrow).
4. RGS registers Halso's equity with the corporate registrar; upon registration confirmation escrow is released to RGS business account.
5. Parallelly, finalise the gas commercial terms (pricing tables for refills, installation fee schedule and supply logistics) so Halso can confirm IRR and payback estimates.

Appendix and supporting documents

- RGS Construction business profile 2021 with supporting docs (attached PDF) – see procurement, historical costs and bank engagement sections.
- Detailed 20-year gas schedule and 5-year housing P&L (available on request / included in the financial appendix of this package).

