

MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1653



2020

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Simon Tso (*Chairman and chief executive officer*)
Ms. Tsui To Fei

Independent Non-executive Directors

Mr. Ho Wing Tim
Mr. Ng Wang To
Ms. Law Chui Yuk

AUDIT COMMITTEE

Ms. Law Chui Yuk (*Chairlady*)
Mr. Ho Wing Tim
Mr. Ng Wang To

REMUNERATION COMMITTEE

Mr. Ng Wang To (*Chairman*)
Ms. Law Chui Yuk
Ms. Tsui To Fei

NOMINATION COMMITTEE

Mr. Simon Tso (*Chairman*)
Mr. Ho Wing Tim
Mr. Ng Wang To

CORPORATE GOVERNANCE COMMITTEE

Ms. Law Chui Yuk (*Chairlady*)
Mr. Ho Wing Tim
Mr. Ng Wang To

COMPANY SECRETARY

Mr. Chan Cheung, *CPA*

AUTHORISED REPRESENTATIVES

Mr. Simon Tso
Ms. Tsui To Fei

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Wong Heung Sum & Lawyers

AUDITORS

Mazars CPA Limited

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited

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

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

STOCK CODE

1653

COMPANY WEBSITE

www.rbmsgroup.com

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of MOS House Group Limited (the “**Company**”) presents the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020 together with the comparative figures of the last corresponding period in 2019. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company’s prospectus dated 28 September 2018 (the “**Prospectus**”).

	<i>Notes</i>	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	58,587	76,480
Other income	5	4,326	475
Other gains and losses	5	(833)	41
Net impairment losses on trade receivables		(972)	(510)
Net impairment losses on inventories		(2,153)	–
Cost of inventories sold		(17,789)	(23,100)
Staff costs		(10,619)	(10,714)
Depreciation on property, plant and equipment		(696)	(761)
Depreciation on right-of-use assets		(18,160)	(24,293)
Property rentals and related expenses		(1,990)	(1,492)
Other expenses		(7,543)	(7,745)
Finance costs	7	(4,311)	(5,404)
(Loss) Profit before taxation	8	(2,153)	2,977
Income tax credit (expenses)	9	261	(683)
(Loss) Profit and total comprehensive (loss) income for the period		(1,892)	2,294
(Loss) Profit and total comprehensive (loss) income for the period attributable to:			
Owners of the Company		(1,892)	2,349
Non-controlling interests		–	(55)
		(1,892)	2,294
		HK cents	HK cents
(Loss) Earnings per share	10		
– Basic		(0.84)	1.17
– Diluted		(0.84)	1.17

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

		30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		2,941	3,392
Right-of-use assets		57,288	84,948
Deferred tax assets		3,388	3,020
Deposits and prepayments		7,902	8,216
Financial assets at fair value through profit or loss	12	6,553	6,455
		78,072	106,031
Current assets			
Inventories		73,487	79,014
Trade receivables	13	45,474	48,188
Deposits, prepayments and other receivables		8,611	10,026
Tax recoverable		3,019	2,370
Pledged bank deposit		65,000	65,000
Bank balances and cash		5,369	5,500
		200,960	210,098
Current liabilities			
Trade payables	14	16,340	17,827
Other payables and accrued charges		9,135	7,437
Contract liabilities		13,450	7,024
Lease liabilities — current portion		39,325	49,224
Amount due to a director	15	17,765	2,858
Tax payable		1,323	1,340
Bank and other borrowings	16	59,599	99,327
		156,937	185,037
Net current assets		44,023	25,061
Total assets less current liabilities		122,095	131,092
Non-current liabilities			
Lease liabilities — non-current portion		21,065	43,852
Net assets		101,030	87,240
Capital and reserves			
Share capital	17	24,000	20,000
Reserves		77,030	67,240
Equity attributable to owners of the Company		101,030	87,240
Total equity		101,030	87,240

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total HK\$'000
	Share capital	Share premium	Other reserve	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2020 (Audited)	20,000	62,655	17	4,568	87,240	–	87,240	
Loss and total comprehensive loss for the period	–	–	–	(1,892)	(1,892)	–	(1,892)	
Proceeds from placing of new shares	4,000	12,000	–	–	16,000	–	16,000	
Issuing expenses of placing of new share	–	(318)	–	–	(318)	–	(318)	
At 30 September 2020 (Unaudited)	24,000	74,337	17	2,676	101,030	–	101,030	
At 1 April 2019 (Audited)	20,000	62,655	17	5,229	87,901	171	88,072	
Profit/(loss) and total comprehensive income (expenses) for the period	–	–	–	2,349	2,349	(55)	2,294	
At 30 September 2019 (Unaudited)	20,000	62,655	17	7,578	90,250	116	90,366	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	50,220	36,156
Net cash used in investing activities	(783)	(503)
Net cash used in financing activities	(45,260)	(45,860)
Net increase/(decrease) in cash and cash equivalents	4,177	(10,207)
Cash and cash equivalents at beginning of the period	60,497	95,226
Cash and cash equivalents at end of the period represented by: Bank balances and cash	64,674	85,019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 19 October 2018 (the “**Listing**”).

The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 50/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong respectively.

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.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 September 2020 (“**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Interim Financial Statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate. The Interim Financial Statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those used in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) that are relevant to the Group and effective for the current period.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

Except as explained below regarding the Amendment to HKFRS 16, the adoption of the above new/revised HKFRSs did not have material impact on the Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendment to HKFRS 16 — COVID-19-related rent concessions

The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if there were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19 related rent concessions. Rent concessions totaling approximately HK\$2.5 million have been accounted for as negative variable lease payments and recognised in “Depreciation on right-of-use assets” in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2020, with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity as at 1 April 2020.

4. REVENUE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Type of products:		
Tiles	53,155	74,084
Bathroom fixtures and others	5,432	2,396
	58,587	76,480
Sales channels:		
Retail	50,973	64,396
Other	7,614	12,084
	58,587	76,480

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

5. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Compensation income	166	–
Bank interest income	321	454
Interest income on rental deposits	361	–
Government grants (Note)	3,276	–
Others	202	21
	4,326	475
Other gains and losses		
Net exchange gain	26	41
Loss on written-off of property, plant and equipment	(859)	–
	(833)	41

Note:

Being the employment subsidy and the retail sector subsidy granted under Anti-epidemic Fund by the Government of the Hong Kong Special Administrative Region for paying wages and subsidising retail stores respectively.

6. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment (i.e. trading of tiles and bathroom fixtures), no further analysis of this single segment is presented.

Geographical information

The Group's operations are principally located in Hong Kong and Macau. The following table provides an analysis of the Group's revenue from external customers by geographical market in which the transactions are located:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	58,587	76,480
Macau	–	–
	58,587	76,480

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

6. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

The following is an analysis of the carrying amounts of non-current assets (excluding financial instruments and deferred tax assets) in which the assets are located:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Hong Kong	60,229	88,340

Information about major customers

No individual customer accounted for 10% or more of the Group's total revenue during both periods.

7. FINANCE COSTS

	Six months ended 30 September 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on bank and other borrowings	2,336	2,435
Interest on lease liabilities	1,975	2,969
	4,311	5,404

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

8. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	10,269	10,320
Retirement benefits scheme contributions	350	394
	10,619	10,714
(b) Other expenses		
Bank charges	947	1,213
Product delivery expenses	3,343	3,523
Utility and office expenses	2,326	2,341
Sundry items	927	668
	7,543	7,745
(c) Other items		
Depreciation:		
— Property, plant and equipment	696	761
— Right-of-use assets	18,160	24,293

9. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
Current period	107	837
Macau Corporate Income Tax:		
Current period	—	—
Deferred tax:		
Credit for the period	(368)	(154)
	(261)	683

The two-tiered profits tax rates regime has been implemented for both periods, under which the first HK\$2,000,000 of assessable profits of qualifying corporations are taxed at 8.25%, and assessable profits above HK\$2,000,000 are taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Macau Corporate Income Tax has been provided at the rate of 12% on the estimated assessable profits of the Macau subsidiary for the six months ended 30 September 2020. The Group did not derive any profit from Macau for the six months ended 30 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the (loss) profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period.

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share for the six months ended 30 September 2020 and 2019 has been adjusted for the consolidation of shares on 4 September 2020 (the “**Share Consolidation**”).

Diluted (loss) earnings per share for the six months ended 30 September 2020 and 2019 are the same as the basic (loss) earnings per share as there were no potential dilutive ordinary shares in issue.

The calculations of basic and diluted (loss) earnings per share are based on:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share (HK\$'000)	(1,892)	2,349
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	224,480,874	200,000,000

11. DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 September 2020	31 March 2020
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Payments for life insurance policies			
– First life insurance policy (the “ First Policy ”)	(a)	2,245	2,197
– Second life insurance policy (the “ Second Policy ”)	(b)	4,308	4,258
		6,553	6,455

- (a) In 2012, the Group entered into a life insurance policy with an insurance company to insure a director of the Company. Under this policy, the Group is the beneficiary and policy holder and the total insured sum is United States Dollar (“**USD**”) 1,000,000 (equivalent to HK\$7,800,000). The Group paid a single premium of USD250,000 (equivalent to HK\$1,950,000) at inception. The Group can, at any time, withdraw cash based on the account value of the policy (“**Account Value**”) at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge deducted from Account Value. The insurance company will pay the Group a guaranteed interest at 4.2% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 3% per annum) during the effective period of the policy.
- (b) In 2012, the Group also entered into a life insurance policy with another insurance company to insure the same director of the Company. Under this policy, the Group is the beneficiary and policy holder and the total insured sum is USD2,507,610 (equivalent to HK\$19,559,000). The Group paid a single premium of USD500,000 (equivalent to HK\$3,900,000) at inception. The Group can, at any time, withdraw cash based on the Account Value at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge deducted from Account Value. The insurance company will pay the Group a guaranteed interest at 4.25% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 2.5% per annum) during the effective period of the policy.

As represented by the directors of the Company, the Group will not terminate the policies nor withdraw cash prior to the 15th policy year for the First Policy and the 18th policy year for the Second Policy and the expected life of the policies remained unchanged from the initial recognition. The balance of the payments for life insurance policies is denominated in USD, being a currency other than the functional currency of the relevant subsidiary.

The fair value of the payments for life insurance policies is determined by reference to the surrender cash value of the life insurance policies at the end of the reporting period, together with the guaranteed interest as mentioned above.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

13. TRADE RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Total gross carrying amount	52,037	53,779
Less: allowance for credit losses	(6,563)	(5,591)
	45,474	48,188

Generally, the Group did not grant any credit period to its retail customers. Credit period of 30 to 180 days is granted to customers with bulk purchases.

The following is an ageing analysis of trade receivables presented based on the invoice date at the end of the reporting periods.

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
0–90 days	1,766	17,037
91–180 days	109	821
181–365 days	15,122	512
Over 365 days	28,477	29,818
	45,474	48,188

14. TRADE PAYABLES

The credit period on purchases of goods is 90 to 180 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting periods.

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
0–30 days	2,126	6,894
31–60 days	1,563	501
61–90 days	2,963	896
91–120 days	2,025	140
121–180 days	4,992	3,478
Over 180 days	2,671	5,918
	16,340	17,827

15. AMOUNT DUE TO A DIRECTOR

The amount due is non-trade nature, unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

16. BANK AND OTHER BORROWINGS

		30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
	<i>Notes</i>		
Secured and guaranteed:			
Bank loans		53,400	54,076
Bank overdrafts		5,695	10,003
Trust receipt loans		–	3,862
	(a)	59,095	67,941
Unsecured and guaranteed:			
Bank loan	(b)	504	1,386
Total bank borrowings		59,599	69,327
Unsecured and unguaranteed:			
Other borrowings	(c)	–	30,000
Total bank and other borrowings		59,599	99,327

		30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Carrying amount repayable based on scheduled repayment terms:			
On demand or within one year		53,400	57,941
Carrying amounts of bank borrowings (shown under current liabilities) contain a repayment on demand clause:			
Within one year		6,199	41,386
		59,599	99,327

Notes:

- (a) These bank borrowings carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.0% to 2.5% (31 March 2020: HIBOR plus 2.0% to 2.5%) or a spread below Prime Rate/Standard Bills Rate quoted by the banks per annum and the effective interest rate is from 2.29% to 5.25% (31 March 2020: 2.29% to 5.25%) per annum as at 30 September 2020.

As at 30 September 2020, bank loans of HK\$53,400,000, and bank overdrafts of HK\$5,695,000 are secured by pledged bank deposit of HK\$65,000,000, and payments for life insurance policies with carrying amount of HK\$4,308,000.

As at 31 March 2020, bank loans of HK\$54,076,000, trust receipt loans of HK\$3,862,000 and bank overdrafts of HK\$10,003,000 are secured by pledged bank deposit of HK\$65,000,000, and payments for life insurance policies with carrying amount of HK\$4,258,000.

- (b) As at 30 September 2020, the bank borrowing of HK\$504,000 (31 March 2020: HK\$1,386,000) is guaranteed by a group entity.
- (c) As at 31 March 2020, other borrowings from an independent third party which holds a money lenders licence, was unsecured and interest-bearing at 2.5% per month. The loan was repaid on 27 April 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

17. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
At 1 April 2020	5,000,000,000	50,000,000
Share Consolidation (note i)	(4,500,000,000)	–
At 30 September 2020	500,000,000	50,000,000
Issued and fully paid:		
At 1 April 2020	2,000,000,000	20,000,000
Placing of new shares (note ii)	400,000,000	4,000,000
Share Consolidation (note i)	(2,160,000,000)	–
At 30 September 2020	240,000,000	24,000,000

Notes:

- (i) Pursuant to the ordinary resolution passed by the Company's shareholders at the annual general meeting held on 2 September 2020, every ten (10) issued and unissued ordinary shares of par value of HK\$0.01 each were consolidated into one (1) consolidated ordinary share of par value of HK\$0.1 (the "**Share Consolidation**"). The Share Consolidation became effective on 4 September 2020.
- (ii) Pursuant to the placing agreement dated 11 May 2020, the Company allotted and issued 400,000,000 new shares of nominal value HK\$0.01 each in the share capital of the Company on 11 June 2020 at a price of HK\$0.04 per share. The new shares rank pari passu with existing shares in all respects.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

18. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Interim Financial Statements, the Group had the following transactions with its related parties during the six months ended 30 September 2020 and 2019:

Names of related companies	Nature of transactions	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cyber Building Limited	Rental expenses	3,180	3,180
Denmark Investments Limited	Rental expenses	1,680	1,680
Happy Gear Limited	Rental expenses	1,260	1,260
Fortune Goldman Limited	Rental expenses	2,460	2,460
		8,580	8,580

During the six months ended 30 September 2020 and 2019, Mr. Tso provided several guarantees to guarantee the payment and due performance of tenancy agreements to the landlords.

During the six months ended 30 September 2019, the Group provided corporate guarantee to banks for general banking facilities granted to certain related companies. As disclosed in the annual report for the year ended 31 March 2020, the related companies had fully settled the outstanding balance and the guarantees were released.

Compensation of key management personnel

The key management personnel of the Group represents the Directors, whose remunerations are disclosed in note 8.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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. The Group bases its operations vastly on retail business of overseas manufactured tiles and, to a lesser extent, bathroom fixtures in Hong Kong. The retail shops in Hong Kong are operated for home improvement, remodelling and furnishing materials. In addition to sales through retail shops, the Group also supplies tile products on project basis for large-scale property development projects and residential and commercial property renovation projects principally in Hong Kong and Macau, and sells tiles and bathroom fixtures to distributors located in the PRC.

The period under review was characterised by challenging market conditions, especially the retail market was sluggish and uncertain. Months of weak consumption sentiments of the general public had a significant impact on revenue, which were reflected in a 23.4% decline in the Group's revenue for the six months ended 30 September 2020. To address this challenging situation, the Group implemented stringent cost management including cost control, rent reduction and closure of underperforming retail shops. As at 30 September 2020, the Group operated 16 retail shops (31 March 2020: 18 retail shops).

Due to uncertain market situation and the sluggish retail market as mentioned above, the Board considered that it was not appropriate to expand the retail network in Hong Kong and make strategic acquisition in the near future. Therefore, in June 2020, the Board decided to change part of unutilised net proceeds from the listing originally planned for expansion of retail network and strategic acquisition, and reallocate it as property investments in Hong Kong for rental and general working capital purposes. The Board expects that property investments can generate constant cash flow and provide sustainable and stable rental income for the Group in the long run, as well as to strengthen the asset portfolio of the Group. During the period under review, the Company was in the process of identifying potential investment properties. However, no specific acquisition of property was identified, nor had the Group entered into any agreement for acquisition.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2020, 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 the six months ended 30 September 2019. 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 (including porcelain, ceramic and mosaic tiles), which accounted for approximately 90.7% and 96.9% of the Group's total revenue for the six months ended 30 September 2020 and 2019 respectively; and the remaining represented the sales of bathroom fixtures and other products.

In terms of sales channels, the Group's revenue was mainly derived from retail sales which accounted for approximately 87.0% and 84.2% of the Group's total revenue for the six months ended 30 September 2020 and 2019 respectively.

Gross profit and profit margin

The Group's gross profit (i.e. revenue minus cost of inventories sold) amounted to approximately HK\$40.8 million for the six months ended 30 September 2020, representing a decrease of approximately 23.6% from approximately HK\$53.4 million for the six months ended 30 September 2019, which was mainly due to the decrease in revenue. Nevertheless, the overall product margin remained stable at approximately 69.6% and 69.8% for the six months ended 30 September 2020 and 2019 respectively.

Staff costs

Staff costs for the six months ended 30 September 2020 was approximately HK\$10.6 million, which was stable as compared to approximately HK\$10.7 million for the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Property rentals and related expenses/Depreciation of right-of-use assets

In respect of the rented premises, the Group recorded property rentals and related expenses of approximately HK\$2.0 million (2019: HK\$1.5 million), the depreciation on right-of-use assets of approximately HK\$18.2 million (2019: HK\$24.3 million) and the relevant interest expense on lease liabilities of approximately HK\$2.0 million (2019: HK\$3.0 million).

Other expenses

The Group recorded other expenses of approximately HK\$7.5 million and HK\$7.7 million for the six months ended 30 September 2020 and 2019 respectively. The Group's other expenses for the six months ended 30 September 2020 mainly consisted of bank charges of approximately HK\$1.0 million (2019: HK\$1.2 million), products delivery expenses of approximately HK\$3.3 million (2019: HK\$3.5 million), utilities and office expenses of approximately HK\$2.3 million (2019: HK\$2.3 million) and sundry items of approximately HK\$0.9 million (2019: HK\$0.7 million). Other expenses recorded for the six months ended 30 September 2020 remained relatively stable as compared to the same period last year.

Loss attributable to owners of the Company

For the six months ended 30 September 2020, the Group's loss attributable to owners of the Company was approximately HK\$1.9 million, representing a substantial decrease in profit of approximately HK\$4.2 million from a profit of approximately of HK\$2.3 million for the six months ended 30 September 2019. Such decrease was mainly due to (i) decrease in the Group's gross profit by 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 the reporting period; and (iii) increase in net impairment loss on trade receivable and inventories by an aggregate of approximately HK\$2.6 million; which was partially offset by (iv) increase in other income of approximately HK\$3.9 million, including approximately HK\$3.3 million in connection with government subsidies granted under Anti-epidemic Fund; (v) net decrease in lease-related expenses (including property rentals and related expenses, depreciation on right-of-use assets, and interest on lease liabilities) by approximately HK\$6.7 million; and (vi) decrease in tax expenses by approximately HK\$0.9 million.

Liquidity, financial resources and capital structure

Capital structure

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior periods.

As at 30 September 2020, the Group's pledged bank deposit and cash and cash balances totalled approximately HK\$70.4 million (31 March 2020: approximately HK\$70.5 million), including approximately HK\$69.9 million denominated in Hong Kong dollars and approximately HK\$0.5 million denominated in Euro, US dollars and Renminbi.

Use of proceeds from placing of new shares

On 11 June 2020, a total of 400,000,000 new shares of the Company were placed by a placing agent to not less than six independent placees at the price of HK\$0.04 per share (the "Placing") which raised net proceeds of approximately HK\$15.7 million. The net proceeds was utilised for general working capital of the Group. Details of the Placing were set out in the announcements dated 11 May 2020 and 11 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Indebtedness

As at 30 September 2020, the Group had bank borrowings of approximately HK\$59.6 million, comprising approximately HK\$48.2 million denominated in Hong Kong dollars and approximately HK\$11.4 million denominated in Euro, which carried floating rates of HIBOR plus 2.0% to 2.5% or a spread below Prime Rate/Standard Bills Rate quoted by the banks per annum, and were secured by the deposit pledged to a bank and insurance policies of the Group.

As at 30 September 2020, the Group's gearing ratio was approximately 0.59 times which is calculated based on total borrowings divided by total equity attributable to owners of the Company as at 30 September 2020 and multiplied by 100%. The Board, taking into account the nature and scale of operations of the Group, considered that the gearing ratio as at 30 September 2020 was reasonable. The Board would keep monitoring the financial and liquidity position of the Group closely and make appropriate financing strategy for the Group from time to time.

Foreign exchange exposure

The Group incurs its cost of purchases in Euro while it receives its revenue in Hong Kong dollars. Accordingly, the Group is exposed to the currency risk and fluctuations in foreign currency exchange rates, in particular, Euro, can increase or decrease the Group's profit margin and affect the results of its operations.

In addition, fluctuations in exchange rates between HK\$ and other currencies, primarily Euro, US\$ and RMB, affect the translation of the Group's non-HK\$ denominated assets and liabilities into HK\$ when the Group prepares its financial statements and result in foreign exchange gains or losses which will affect its financial condition and results of operations.

For the six months ended 30 September 2020 and 2019, the Group recorded net exchange gains of approximately HK\$26,000 and HK\$41,000 respectively. During both periods, the Group had not used any financial instruments for hedging purposes. The Group currently does not have any foreign currency hedging policy. However, the Group's management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

Securities in issue

On 11 June 2020, the Company allotted and issued 400,000,000 new shares to not less than six placees pursuant to the Placing. After completion of the Placing, the number of shares in issue of the Company increased from 2,000,000,000 to 2,400,000,000.

Pursuant to an ordinary resolution passed at the Company's annual general meeting held on 2 September 2020, every ten issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into one ordinary share of HK\$0.1 in the share capital of the Company. The Share Consolidation became effective on 4 September 2020. Following completion of the Share Consolidation, the Company has an authorised share capital of HK\$50 million divided into 500,000,000 consolidated shares with par value of HK\$0.1 each, and an issued and paid-up capital of HK\$24 million divided into 240,000,000 consolidated shares with par value of HK\$0.1 each.

As at 30 September 2020, the total issued share capital of the Company was HK\$24 million divided into 240,000,000 ordinary shares with par value of HK\$0.1 each.

Commitments

As at 30 September 2020, the Group had outstanding contracted capital commitments in respect of property, plant and equipment of approximately HK\$0.4 million (31 March 2020: approximately HK\$0.4 million).

Charge on assets

As at 30 September 2020, the Group pledged its bank deposit and life insurance policies of approximately HK\$65.0 million and HK\$4.3 million respectively as securities for the Group's bank borrowings. Save as disclosed above, the Group did not have any charge over its assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As at 30 September 2020, the Group and the Company did not have any significant contingent liabilities.

Employees and remuneration policies

The Group had approximately 64 employees as at 30 September 2020. The Group's staff cost including Directors' emoluments was approximately HK\$10.6 million and HK\$10.7 million for the six months ended 30 September 2020 and 2019 respectively. The remuneration policy of the Group is based on merit, performance and individual competence.

The Directors and the senior management of the Group (the "**Senior Management**") receive compensation in the form of salaries and discretionary bonuses with reference to salaries paid by comparable companies, time commitment of each of the Directors and Senior Management and the performance of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and the Senior Management by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the Senior Management and the performance of the Group.

The remuneration committee of the Board reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the share option scheme adopted by the Company on 20 September 2018. During the six months ended 30 September 2020, no share option was granted to the relevant participants pursuant to such scheme.

Dividend

The Directors do not recommend any payment of dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

Prospects

Although the challenges of Covid-19 are still continuing and the future outlook remains uncertain, the Group maintains a cautious approach and will continue to closely monitor market conditions and focus on effective cost control.

To address fast-changing consumer behaviour, the Group has been focusing on expanding its product mix and enhancing the diversity of its product offerings. At the same time, the Group continues to enhance collaboration with its existing distributors in the PRC to explore more suitable distribution networks there.

Besides, the Group will continue to identify potential investment properties in order to generate constant cash flow and provide sustainable and stable rental income for the Group in the long run, as well as to strengthen the asset portfolio of the Group.

Despite the above, the Directors will continuously review the Group's business objectives and development, and may further change or modify the Group's plans in light of the changing market conditions in order to attain sustainable business growth of the Group.

Use of Proceeds from the Listing

The shares of the Company were listed on the Stock Exchange on 19 October 2018 with net proceeds received from the listing in the amount of approximately HK\$86.1 million.

As disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Company intended to use the net proceeds for (i) progressive expansion of retail network in Hong Kong; (ii) meeting minimum purchase commitment under new exclusive distribution rights; (iii) strategic acquisition opportunities to strengthen the Group's market leadership and further enhance its competitiveness in the tile retailing industry; and (iv) general working capital purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

On 18 June 2020, the Company decided to change part of unutilised net proceeds of approximately HK\$45 million originally planned for expansion of retail network in Hong Kong and strategic acquisition, and reallocate approximately HK\$30 million to HK\$35 million for property investments in Hong Kong and the balance for general working capital of the Group. The Board expects that property investments can generate constant cash flow and provide sustainable and stable rental income for the Group in the long run, as well as to strengthen the asset portfolio of the Group. Details of the change in use of proceeds were set out in the announcement dated 18 June 2020.

Details of the original planned use of proceeds, the revised allocation of proceeds on 18 June 2020, the utilised proceeds up to 30 September 2020 and the unutilised proceeds as at 30 September 2020 are set out as follows:

Future Plans and Use of Proceeds

	Planned use of proceeds as set out in the Prospectus HK\$ million (Note 1)	Revised allocation of proceeds on 18 June 2020 HK\$ million	Utilised proceeds up to 30 September 2020 HK\$ million	Unutilised proceeds as at 30 September 2020 HK\$ million	Expected timeline for utilising the remaining net proceeds from the Listing HK\$ million
Progressive expansion of retail network in Hong Kong	22.0	4.0	4.0	–	–
Meeting minimum purchase commitment under new exclusive distribution rights	36.5	36.5	15.4	21.1	Expected to be fully utilised by 31 March 2023 (Note 1)
Strategic acquisition opportunities	27.0	–	–	–	–
Property investments in Hong Kong	–	45.0	–	45.0 ^(Note 2)	Expected to be fully utilised by the end of 2021
General working capital	0.6	0.6	0.6	–	–
	86.1	86.1	20.0	66.1	

Notes:

- (1) It is currently expected that the amount of unutilised proceeds of approximately HK\$21.1 million allocated for meeting minimum purchase commitment under new exclusive distribution rights will be applied as to HK\$4 million, HK\$8.8 million and HK\$8.3 million during the years ending 31 March 2021, 2022 and 2023 respectively.
- (2) The Company originally planned to fully utilise the reallocated proceeds on investment properties by the end of 2020. The Group was in the process of identifying potential investment properties. However, no specific acquisition of property was identified, nor had the Group entered into any agreement for acquisition up to the date of this report. It is currently expected that the utilisation of proceeds on investment properties will be postponed to 2021. The revised net proceeds will be used mainly for property investments in Hong Kong, with any remaining amount as general working capital of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 September 2020, the interests and 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	150,000,000 ⁽¹⁾	62.5%
Ms. Tsui To Fei	Interest of a spouse	150,000,000 ⁽²⁾	62.5%

Notes:

- (1) The 150,000,000 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 30 September 2020, none of the Directors or 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 2020, the interest and short positions of the persons (other than the Directors or chief executive of the Company) in the Shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Positions in the Shares

Name of Shareholder	Capacity/Nature	Number of Shares held	Percentage of the issued share capital of the Company
TMF (Cayman) Ltd.	Trustee of a trust	150,000,000 ^(Note)	62.5%
RB Management	Interest of a controlled corporation	150,000,000 ^(Note)	62.5%
RB Power	Beneficial owner	150,000,000 ^(Note)	62.5%

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 30 September 2020, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in note 18 to the Interim Financial Statements, there were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or associates was a party and in which any Director or controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the six months ended 30 September 2020.

COMPETING INTERESTS

For the six months ended 30 September 2020, 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.

CORPORATE GOVERNANCE

The Company is committed to ensure a high standard of corporate governance in the interests of its shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has adopted and complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2020 save for the deviation from code provision A.2.1 as follows:

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, Mr. Simon Tso's in-depth knowledge and experience in the industry in which the Group operates and his familiarity with the operations of the Group, the Company believes that it is in the best interest of the Group for Mr. Tso to assume both roles as the Chairman and the chief executive officer of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Following specific enquiries by the Company, all Directors had confirmed that they had complied with the Model Code throughout the six months ended 30 September 2020.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2020.

SHARE OPTION SCHEME

On 20 September 2018, the Company adopted a share option scheme (the "**Scheme**"). No share option has been granted since the adoption up to the date of this report and no share options were outstanding under the Scheme as at the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises the three independent non-executive Directors. The Audit Committee reviews, amongst others, the financial information of the Group; the relationship with and terms of appointment of the external auditors; and the Group's financial reporting system and internal control procedures.

The Interim Financial Statements have been reviewed by the Audit Committee.

By Order of the Board
MOS House Group Limited
Simon Tso
Chairman

Hong Kong, 25 November 2020