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MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1653)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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 2021 together with the comparative figures of the last corresponding period in 2020. 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**”).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 September 2021

		Six months ended	
		30 September	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	76,211	58,587
Other income	5	1,375	4,326
Other gains and losses	5	85	(833)
Net impairment losses on trade receivables		–	(972)
Net impairment losses on inventories		–	(2,153)
Cost of inventories sold		(24,995)	(17,789)
Staff costs		(11,457)	(10,619)
Depreciation on property, plant and equipment		(610)	(696)
Depreciation on right-of-use assets		(16,393)	(18,160)
Property related expenses		(2,629)	(1,990)
Other expenses		(7,392)	(7,543)
Finance costs	7	(1,805)	(4,311)
Profit (Loss) before taxation	8	12,390	(2,153)
Income tax (expenses) credit	9	(2,464)	261
Profit (Loss) and total comprehensive income (loss) for the period		<u>9,926</u>	<u>(1,892)</u>
Profit (Loss) and total comprehensive income (loss) for the period attributable to:			
Owners of the Company		<u>9,926</u>	<u>(1,892)</u>
		<u>9,926</u>	<u>(1,892)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings (Loss) per share	10		
— Basic		<u>4.14</u>	<u>(0.84)</u>
— Diluted		<u>4.14</u>	<u>(0.84)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		30 September 2021	31 March 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		2,398	2,798
Investment property	12	31,000	–
Right-of-use assets		27,793	49,448
Deferred tax assets		1,884	2,278
Deposits and prepayments		3,270	4,894
Financial assets at fair value through profit or loss (“FVPL”)	13	6,742	6,636
		73,087	66,054
Current assets			
Inventories		95,030	62,971
Trade receivables	14	32,145	45,235
Deposits, prepayments and other receivables		27,835	39,917
Tax recoverable		–	4
Pledged bank deposit		15,000	15,000
Bank balances and cash		3,064	10,552
		173,074	173,679
Current liabilities			
Trade payables	15	12,793	13,377
Other payables and accrued charges		6,359	6,411
Contract liabilities		13,162	8,455
Lease liabilities — current portion		26,004	42,165
Amount due to a director	16	11,455	19,410
Tax payable		4,119	2,053
Bank borrowings	17	33,868	21,572
		107,760	113,443
Net current assets		65,314	60,236

		30 September 2021	31 March 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Total assets less current liabilities		138,401	126,290
Non-current liabilities			
Loan from a director	18	10,000	–
Lease liabilities — non-current portion		5,499	13,314
		15,499	13,314
Net assets		122,902	112,976
Capital and reserves			
Share capital	19	24,000	24,000
Reserves		98,902	88,976
Total equity		122,902	112,976

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 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 Company is an investment holding company. During the reporting period, the Group was engaged in (i) the business of retailing and supplying overseas manufactured tiles, specializing in high-end European imported porcelain, ceramic and mosaic tiles; and (ii) property investment.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 September 2021 (“**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 the investment property and the payments for life insurance policies, 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 2021, 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 39, HKFRS 4, *Interest Rate Benchmark Reform — Phase 2*
HKFRS 7, HKFRS 9 and HKFRS 16

The adoption of the revised standards does not have any significant impact on the condensed consolidated interim financial statements of the Group.

4. REVENUE

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
An analysis of the Group's revenue is as follows:		
Revenue from contracts with customers		
Sale of products (<i>Note</i>):		
— tiles	60,116	53,155
— bathroom fixtures and others	15,855	5,432
	75,971	58,587
Revenue from other sources		
Rental income from investment property	240	—
	76,211	58,587

Note:

Disaggregated sales of products by sales channels:		
Retail	63,526	50,973
Other	12,445	7,614
	75,971	58,587

5. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income		
Compensation income	—	166
Bank interest income	47	321
Gain on disposal of right-of-use assets	919	—
Interest income on rental deposits	347	361
Government grants (<i>Note</i>)	—	3,276
Others	62	202
	1,375	4,326
Other gains and losses		
Net exchange gain	85	26
Loss on written-off of property, plant and equipment	—	(859)
	85	(833)

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 results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The Group's operating segments are structured and managed separately according to the nature of their businesses, which are currently organised into two operating businesses as follows:

- (a) Tiles — retailer and supplier of overseas manufactured tiles; and
- (b) Property investment.

The segment performance is evaluated based on reportable segment profit or loss before income tax without allocation of finance costs and other unallocated corporate expenses and the basis of preparing such information is consistent with that of the consolidated financial statements. All assets are allocated to reportable segments other than deferred tax assets, tax recoverable, bank balances and cash (including pledged bank deposit) and other unallocated corporate assets. All liabilities are allocated to reportable segments other than tax payable, bank borrowings and other unallocated corporate liabilities.

Business segments

	Tiles		Property investment		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue						
Revenue from external customers	<u>75,971</u>	<u>58,587</u>	<u>240</u>	<u>–</u>	<u>76,211</u>	<u>58,587</u>
Segment results	<u>17,493</u>	<u>5,006</u>	<u>215</u>	<u>–</u>	<u>17,708</u>	<u>5,006</u>
Unallocated corporate expenses					(4,624)	(4,823)
Finance costs (Other than interest on lease liabilities)					<u>(694)</u>	<u>(2,336)</u>
Profit/(loss) before tax					<u>12,390</u>	<u>(2,153)</u>
Income tax (expense)/credit					<u>(2,464)</u>	<u>261</u>
Profit/(loss) for the period					<u><u>9,926</u></u>	<u><u>(1,892)</u></u>

Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30 September 2021 and 31 March 2021:

	Tiles		Property investment		Consolidated	
	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Assets and liabilities						
Segment assets	194,153	210,886	31,051	–	225,204	210,886
Deferred tax assets					1,884	2,278
Tax recoverable					–	4
Bank balances and cash					18,064	25,552
Unallocated corporate assets					1,009	1,013
Total consolidated assets					<u>246,161</u>	<u>239,733</u>
Segment liabilities	84,369	102,113	4	–	84,373	102,113
Tax payable					4,119	2,053
Bank borrowings					33,868	21,572
Unallocated corporate liabilities					899	1,019
Total consolidated liabilities					<u>123,259</u>	<u>126,757</u>

Geographical information

Revenue from external customers

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong	67,160	58,587
Macau	9,051	–
	<u>76,211</u>	<u>58,587</u>

The revenue information above is based on the locations of the customers.

7. FINANCE COSTS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on bank and other borrowings	694	2,336
Interest on lease liabilities	1,111	1,975
	<u>1,805</u>	<u>4,311</u>

8. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(a) Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	11,077	10,269
Retirement benefits scheme contributions	380	350
	<u>11,457</u>	<u>10,619</u>
(b) Other expenses		
Bank charges	1,059	947
Product delivery expenses	3,199	3,343
Utility and office expenses	2,141	2,326
Sundry items	993	927
	<u>7,392</u>	<u>7,543</u>
(c) Other items		
Depreciation:		
— Property, plant and equipment	610	696
— Right-of-use assets	16,393	18,160
	<u>16,393</u>	<u>18,160</u>

9. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
Current period	2,659	107
Macau Corporate Income Tax:		
Current period	199	—
Deferred tax:		
Credit for the period	(394)	(368)
	<u>2,464</u>	<u>(261)</u>

The two-tiered profits tax rates regime has been implemented for both periods, under which the first HK\$2,000,000 of assessable profits arising from Hong Kong of qualifying corporations are taxed at 8.25%, and assessable profits arising from Hong Kong above HK\$2,000,000 are taxed at 16.5%. The profits of corporations in Hong Kong 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 during the period.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 September	31 March
		2021	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Payments for life insurance policies			
— First life insurance policy (the “ First Policy ”)	<i>(a)</i>	2,287	2,272
— Second life insurance policy (the “ Second Policy ”)	<i>(b)</i>	4,455	4,364
		6,742	6,636

- (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.

14. TRADE RECEIVABLES

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Total gross carrying amount	37,058	50,148
Less: allowance for credit losses	(4,913)	(4,913)
	<u>32,145</u>	<u>45,235</u>

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

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

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
0–90 days	9,562	14,032
91–180 days	83	11,135
181–365 days	13,480	425
Over 365 days	9,020	19,643
	<u>32,145</u>	<u>45,235</u>

15. 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 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
0–30 days	2,232	4,647
31–60 days	852	428
61–90 days	4,519	710
91–120 days	1,030	3,219
121–180 days	1,713	3,187
Over 180 days	2,447	1,186
	<u>12,793</u>	<u>13,377</u>

16. AMOUNT DUE TO A DIRECTOR

The amount due to Mr. Simon Tso (being an executive director) is non-trade nature, unsecured, interest-free and repayable on demand.

17. BANK BORROWINGS

	30 September 2021	31 March 2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Secured and guaranteed:		
Bank loans	32,360	21,504
Bank overdrafts	1,508	68
Total bank borrowings	(a) <u>33,868</u>	<u>21,572</u>

Notes:

- (a) As at 30 September 2021, the Group had bank borrowings of approximately HK\$33.9 million, of which (i) bank loans of approximately HK\$15.5 million were secured by pledging the Group's investment property together with the rental assignment, and corporate guarantee from the Company; (ii) bank loans of approximately HK\$10.9 million and bank overdrafts of approximately HK\$1.5 million were secured by bank deposit of approximately HK\$15 million; and (iii) bank loans of approximately HK\$6 million were secured by guarantee provided under the SME Financing Guarantee Scheme.

As at 31 March 2021, the Group had bank borrowings of approximately HK\$21.6 million, of which (i) bank loans of approximately HK\$17.5 million and bank overdrafts of approximately HK\$0.1 million were secured by bank deposit of approximately HK\$15 million; and (ii) bank loans of approximately HK\$4 million were secured by guarantee provided under the SME Financing Guarantee Scheme.

These bank borrowings carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.5% to 2.5% (31 March 2021: HIBOR plus 2.0%) or a spread below Prime Rate/Standard Bills Rate quoted by the banks per annum.

18. LOAN FROM A DIRECTOR

The loan advanced from Ms. Tsui To Fei, an executive director of the Company, is non-trade nature, unsecured, interest-bearing at 8% per annum and repayable after 2 years.

19. SHARE CAPITAL

	Number of shares	Amount <i>HK\$</i>
Authorised:		
At 31 March 2021 and 30 September 2021	<u>500,000,000</u>	<u>50,000,000</u>
Issued and fully paid:		
At 31 March 2021 and 30 September 2021	<u>240,000,000</u>	<u>24,000,000</u>

20. ACQUISITION OF A SUBSIDIARY

On 3 February 2021, China Bless Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with the vendors (being an executive director and a parent of an executive director) to acquire the entire equity interest in Mason Holdings Limited (“**Mason**”), a property holding company, at a consideration of HK\$31,000,000. The acquisition constituted a discloseable and connected transaction and was completed on 21 June 2021. Upon completion of the transaction, Mason has become a wholly-owned subsidiary of the Group. The acquisition did not constitute business combination and was accounted for as acquisition of assets.

21. 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 2021 and 2020:

Names of related companies	Nature of transactions	Six months ended	
		30 September	2020
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Cyber Building Limited	Rental expenses	2,580	3,180
Denmark Investments Limited	Rental expenses	–	1,680
Happy Gear Limited	Rental expenses	–	1,260
Fortune Goldman Limited	Rental expenses	–	2,460
		<u>2,580</u>	<u>8,580</u>

During the six months ended 30 September 2021 and 2020, Mr. Tso provided several guarantees to guarantee the payment and due performance of tenancy agreements to the landlords.

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 and 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 and bathroom fixture products on project basis for large-scale property development projects and residential and commercial property renovation projects in Hong Kong and Macau, and sell tiles and bathroom fixtures to distributors in the PRC.

During the period under review, the Hong Kong economy remained on track for recovery as a result of the gradual easing of the pandemic situation in Hong Kong. In particular, the retail sector grew at a faster pace due to the improvement in consumption sentiments amidst better labor market conditions. The Group recorded an increase of approximately 29.7% in its sales of tiles and bathroom fixture products during the six months ended 30 September 2021 compared to the same period last year.

In June 2021, the Group completed to acquire a residential property and a carparking space in Hong Kong. During the reporting period, the property together with the carpark were rented out for rental income. The Group believes that the property can generate constant cash flow and provide sustainable and stable rental income for the Group.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2021, the Group recorded a total revenue of approximately HK\$76.2 million, representing an increase of approximately 30.1% as compared to approximately HK\$58.6 million for the six months ended 30 September 2020. Such increase was mainly due to the gradual easing of the pandemic situation in Hong Kong and the improvement in consumption sentiments.

Revenue generated from the sale of tile and bathroom fixture products was approximately HK\$76.0 million (2020: HK\$58.6 million), which accounted for approximately 99.7% (2020: 100%) of the Group's total revenue for the six months ended 30 September 2021. In terms of sales channels, the Group's revenue was mainly derived from retail sales which accounted for approximately 83.6% and 87.0% of the Group's total revenue for the six months ended 30 September 2021 and 2020 respectively.

Revenue generated from the property investment segment was rental income of approximately HK\$0.2 million (2020: nil), which accounted for approximately 0.3% (2020: nil) of the Group's total revenue for the six months ended 30 September 2021.

Gross profit and profit margin

The Group's gross profit (i.e. revenue from the sale of tiles and bathroom fixtures minus cost of inventories sold) amounted to approximately HK\$51.0 million for the six months ended 30 September 2021, representing an increase of approximately 25.0% from approximately HK\$40.8 million for the six months ended 30 September 2020, which was mainly due to the increase in revenue. Nevertheless, the overall product margin decreased from approximately 69.6% for the six months ended 30 September 2020 to approximately 67.1% for the six months ended 30 September 2021, which was due to the sale of products with lower profit margin in Macau.

Staff costs

Staff costs for the six months ended 30 September 2021 was approximately HK\$11.5 million, which was relatively stable as compared to approximately HK\$10.6 million for the six months ended 30 September 2020.

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

In respect of the rented premises, the Group recorded property related expenses of approximately HK\$2.6 million (2020: HK\$2.0 million), the depreciation on right-of-use assets of approximately HK\$16.4 million (2020: HK\$18.2 million) and the relevant interest expense on lease liabilities of approximately HK\$1.1 million (2020: HK\$2.0 million).

Other expenses

The Group recorded other expenses of approximately HK\$7.4 million and HK\$7.5 million for the six months ended 30 September 2021 and 2020 respectively. The Group's other expenses for the six months ended 30 September 2021 mainly consisted of bank charges of approximately HK\$1.1 million (2020: HK\$1.0 million), products delivery expenses of approximately HK\$3.2 million (2020: HK\$3.3 million), utilities and office expenses of approximately HK\$2.1 million (2020: HK\$2.3 million) and sundry items of approximately HK\$1.0 million (2020: HK\$0.9 million). Other expenses recorded for the six months ended 30 September 2021 remained relatively stable as compared to the same period last year.

Profit attributable to owners of the Company

For the six months ended 30 September 2021, the Group's profit attributable to owners of the Company was approximately HK\$9.9 million, representing a substantial increase in profit of approximately HK\$11.8 million from a loss of approximately of HK\$1.9 million for the six months ended 30 September 2020. Such increase was mainly due to (i) increase in the Group's gross profit by approximately HK\$10.4 million as a result of increase in revenue; (ii) net decrease in lease-related expenses (including property related expenses, depreciation on right-of-use assets, and interest on lease liabilities) by approximately HK\$2.0 million; (iii) decrease in net impairment losses on trade receivables and inventories in an aggregate of approximately HK\$3.1 million; which was partially offset by (iv) decrease in other income of approximately HK\$3.0 million in respect of the government subsidies granted under Anti-epidemic Fund in 2020; and (v) increase in tax expenses by approximately HK\$2.7 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 2021, the Group's pledged bank deposit and cash and cash balances totalled approximately HK\$18.1 million (31 March 2021: approximately HK\$25.6 million), including approximately HK\$17.8 million denominated in Hong Kong dollars and approximately HK\$0.3 million denominated in Euro, US dollars and Renminbi.

Indebtedness

As at 30 September 2021, the Group had bank borrowings of approximately HK\$33.9 million of which all borrowings were denominated in Hong Kong dollars and were secured by the Group's investment property and the deposit pledged to a bank of the Group.

As at 30 September 2021, the Group's gearing ratio was approximately 0.28 times which is calculated based on total bank borrowings divided by total equity attributable to owners of the Company as at 30 September 2021 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 2021 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 2021 and 2020, the Group recorded net exchange gains of approximately HK\$85,000 and HK\$26,000 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

As at 30 September 2021, there were 240,000,000 ordinary shares in issue. There was no movement in the issued share capital of the Company during the six months ended 30 September 2021.

Significant investment held, material acquisition or disposal of subsidiaries and affiliated companies and plans for material investment or capital assets

On 21 June 2021, the Group completed to acquire the entire equity interest in a property holding company with the residential property and car parking space located in Ap Lei Chau, Hong Kong, at a consideration of HK\$31 million. The consideration was financed by proceeds from the listing under part of the Company's plan of using such proceeds on property investments in Hong Kong. For further details, please refer to the circular of the Company dated 16 March 2021.

Except for the aforementioned transaction, there was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies and plans for material investment or capital assets during the reporting period.

Commitments

As at 30 September 2021, the Group had outstanding contracted capital commitments in respect of property, plant and equipment of approximately HK\$0.3 million (31 March 2021: approximately HK\$0.3 million).

Charge on assets

As at 30 September 2021, the Group had pledged its investment property at the carrying value of approximately HK\$31.0 million and bank deposit of approximately HK\$15 million to secure the Group's bank borrowings as set out in Note 17 to the Interim Financial Statements.

Contingent liabilities

As at 30 September 2021, the Group and the Company did not have any significant contingent liabilities.

Employees and remuneration policies

The Group had approximately 67 employees as at 30 September 2021. The Group's staff cost including Directors' emoluments was approximately HK\$11.5 million and HK\$10.6 million for the six months ended 30 September 2021 and 2020 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 2021, 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 2021 (six months ended 30 September 2020: nil).

Prospects

The Group currently operates 15 retail shops in Hong Kong. The Group remained focus on its retail shops and has streamlined their operating costs and will continue to do so with a view to further enhance the cost efficiency of each shop.

Looking forward, the Group will continue to dedicate efforts on its principal business as a supplier and retailer of tiles and bathroom fixtures by 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 our existing distributors in the PRC while also expand more suitable distribution networks in the PRC.

Besides, the Group will continuously review the Group’s business objectives and development, and monitor the Group’s plans in light of the changing market conditions in order to attain sustainable business growth of the Group. The Group is confident that it will be well positioned in facing the challenges and preserving long-term profitability growth for its shareholders.

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.

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 2021 and the unutilised proceeds as at 30 September 2021 are set out as follows:

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 (Note 2)	Utilised proceeds up to 30 September 2021 HK\$ million	Unutilised proceeds as at 30 September 2021 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	36.5	–
Strategic acquisition opportunities	27.0	–	–	–
Property investments in Hong Kong	–	31.0	31.0	– (Note 3)
General working capital	0.6	14.6	14.6	–
	<u>86.1</u>	<u>86.1</u>	<u>86.1</u>	<u>–</u>

Notes:

- (1) The planned use as stated in the Prospectus are adjusted on a pro-rata basis based on the actual amount received by the Company.
- (2) On 18 June 2020, the Company decided to change the use of 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.
- (3) On 3 February 2021, the Group entered into the sale and purchase agreement to acquire the entire equity interest and shareholder's loan in a property holding company with the residential property and car parking space located in Ap Lei Chau, Hong Kong, at a consideration of HK\$31 million. The consideration was financed by proceeds from the listing under part of the Company's plan of using such proceeds on property investments in Hong Kong. The acquisition was completed on 21 June 2021. For further details, please refer to the circular of the Company dated 16 March 2021.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in note 21 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 2021.

COMPETING INTERESTS

For the six months ended 30 September 2021, 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 2021 save for the deviations from code provision A.2.1 & A.6.7 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.

Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings to gain and develop a balanced understanding of the view of shareholders. An independent non-executive Director was unable to attend the annual general meeting of the Company held on 30 September 2021 due to other business engagements. The Company will request all the independent non-executive Directors to attend all future general meetings in order to comply with the code provision A.6.7 of the CG Code.

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 2021.

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 2021.

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 announcement and no share options were outstanding under the Scheme as at the date of this announcement.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises 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, 29 November 2021

As at the date of this announcement, the Board comprises of two executive Directors, namely Mr. Simon Tso and Ms. Tsui To Fei and three independent non-executive Directors, namely Mr. Ho Wing Tim, Mr. Ng Wang To and Ms. Law Chui Yuk.

In case of any inconsistency between the English and Chinese versions, the English text of this announcement shall prevail over the Chinese text.