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MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1653)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

The board (the “**Board**”) of directors (the “**Directors**”) of MOS House Group Limited (the “**Company**”) presents the audited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2022 together with the comparative figures of the previous financial year ended 31 March 2021 as set out below. 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**”).

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

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5	165,834	147,013
Other income	6	7,246	11,871
Other gains and losses	6	550	(1,222)
Net (provision for) reversal of impairment losses on trade receivables		(571)	678
Net changes in fair value of investment property		3,000	–
Cost of inventories sold		(69,278)	(54,005)
Staff costs	9	(22,371)	(21,233)
Depreciation	9	(42,456)	(44,617)
Property related expenses		(2,661)	(2,553)
Other expenses	9	(21,519)	(17,597)
Finance costs	8	(3,600)	(6,810)
Profit before taxation	9	14,174	11,525
Income tax expense	10	(2,304)	(1,471)
 Profit and total comprehensive income for the year		 <u>11,870</u>	 <u>10,054</u>
 Profit and total comprehensive income for the year attributable to:			
Owners of the Company		<u>11,870</u>	<u>10,054</u>
		<i>HK cents</i>	<i>HK cents</i>
 Earnings per share			
Basic	12	<u>4.95</u>	<u>4.33</u>
 Diluted		<u>4.95</u>	<u>4.33</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment property		34,000	–
Property, plant and equipment		2,140	2,798
Right-of-use assets		40,371	49,448
Deferred tax assets		1,198	2,278
Deposits and prepayments		6,615	4,894
Financial assets at fair value through profit or loss (“FVPL”)		6,880	6,636
		91,204	66,054
Current assets			
Inventories		87,870	62,971
Trade receivables	13	41,610	45,235
Deposits, prepayments and other receivables		41,806	39,917
Tax recoverable		–	4
Pledged bank deposit		15,000	15,000
Bank balances and cash		2,030	10,552
		188,316	173,679
Current liabilities			
Trade payables	14	19,176	13,377
Other payables and accrued charges		6,985	6,411
Contract liabilities		10,665	8,455
Lease liabilities – current portion		34,823	42,165
Amount due to a Director		4,332	19,410
Tax payable		3,273	2,053
Bank borrowings		55,087	21,572
		134,341	113,443
Net current assets		53,975	60,236
Total assets less current liabilities		145,179	126,290
Non-current liabilities			
Lease liabilities – non-current portion		9,600	13,314
Loan from a Director		10,733	–
		20,333	13,314
NET ASSETS		124,846	112,976
Capital and reserves			
Share capital	15	24,000	24,000
Reserves		100,846	88,976
TOTAL EQUITY		124,846	112,976

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL

MOS House Group Limited is incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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.

Its immediate holding company is RB Power Limited (“**RB Power**”) and its ultimate holding company is RB Management Holding Limited (the “**Trust Company**”), both of which are incorporated in the British Virgin Islands (“**BVI**”). They are controlled by Mr. Simon Tso (“**Mr. Tso**”), an executive Director.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are trading of tiles in Hong Kong and Macau and property investment.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year. The adoption of the new/revised HKFRSs does not have significant impact on the consolidated financial statements.

Adoption of new/revised HKFRSs

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for the payments for life insurance policies and investment property which are measured at fair value, and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Provision of ECL for trade receivables

The management of the Group measures lifetime ECL of the trade receivables based on (i) trade receivables from PRC distributors, trade receivables with aggregated significant balances exceeding HK\$1,000,000 and credit-impaired trade receivables that are assessed individually; and (ii) remaining trade receivables that are based on provision matrix through grouping of various debtors that have similar loss patterns, after considering the past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. The assessment of credit risk of trade receivables involves high degree of estimation uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly in future periods.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management of the Group reassesses the estimations on a product-by-product basis at the end of the reporting period and makes allowances when necessary.

Discount rates for calculating lease liabilities as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discount rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

Fair value of investment properties

In assessing the fair value of investment property, the Group obtains the valuation of the investment property provided by the independent professional qualified valuer. The valuation techniques applied by the independent professional qualified valuer for the investment property have been discussed with the Directors. The Directors review the valuations performed by the independent professional qualified valuer and use their estimation to determine whether valuation techniques applied are appropriate to the circumstances of the Group. Changes in assumptions could affect the reported fair value of investment property in the consolidated financial statements.

Critical judgements made in applying accounting policies

Lease term of contracts with extension options — as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group has lease contracts that include extension options. The Group applies judgement and considers all relevant factors that create an economic incentive for it to exercise the extension in evaluating whether it is reasonably certain whether or not to exercise the options to extend the lease. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within its control and affects its ability to exercise the extension option.

5. REVENUE

	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers within HKFRS 15		
<i>Types of products:</i>		
Porcelain tiles	116,974	120,329
Ceramic tiles	3,411	3,932
Mosaic tiles	477	1,113
Bathroom fixtures and others	44,252	21,639
	<u>165,114</u>	<u>147,013</u>
Revenue from other sources:		
Rental income from investment property	720	–
	<u>165,834</u>	<u>147,013</u>
Sales channel of revenue from contracts with customers within HKFRS 15:		
Retail	118,523	102,977
Non-retail	46,591	44,036
	<u>165,114</u>	<u>147,013</u>

The above revenue from contracts with customers within HKFRS 15 is recognised at a point in time and at fixed price.

The amount of revenue recognised for the year ended 31 March 2022 that was included in the contract liabilities at the beginning of the year is approximately HK\$6,294,000 (2021: HK\$4,527,000).

6. OTHER INCOME / OTHER GAINS AND LOSSES

	2022 HK\$'000	2021 HK\$'000
Other income		
Compensation income	–	167
Bank interest income	67	547
Fair value gain on financial assets at FVPL	317	244
Gain on disposal of right-of-use assets	246	234
Gain on rent concession	5,984	5,865
Government subsidies (<i>Note</i>)	–	4,224
Interest income on rental deposits	632	590
	<u>7,246</u>	<u>11,871</u>
Other gains and losses		
Net exchange gains/(losses)	718	(363)
Loss on written-off of property, plant and equipment	(168)	(859)
	<u>550</u>	<u>(1,222)</u>

Note: During the year 31 March 2021, the Group recognised government subsidies of HK\$2,864,000 and HK\$1,360,000 in respect of the Employment Support Scheme and Retail Sector Subsidy Scheme respectively under the Anti-epidemic Fund of the Hong Kong SAR Government. No government subsidies were granted during the year ended 31 March 2022.

7. 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) Retail — sale of tile and bathroom fixture products through either retail or non-retail channel; and
- (b) Property investment.

The segment performance is evaluated based on reportable segment profit or loss before income tax without allocation of finance costs (other than interest on lease liabilities) 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

	Retail		Property investment		Consolidated	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Revenue from external customers	<u>165,114</u>	<u>147,013</u>	<u>720</u>	<u>–</u>	<u>165,834</u>	<u>147,013</u>
Segment results	18,466	21,070	692	–	19,158	21,070
Net changes in fair value of investment property	–	–	3,000	–	3,000	–
Unallocated corporate expenses					(6,489)	(6,440)
Finance costs (other than interest on lease liabilities)					<u>(1,495)</u>	<u>(3,105)</u>
Profit before taxation					14,174	11,525
Income tax expenses					<u>(2,304)</u>	<u>(1,471)</u>
Profit for the year					<u>11,870</u>	<u>10,054</u>

Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 31 March 2022:

Assets and liabilities	Retail		Property investment		Consolidated	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	227,031	211,656	34,018	–	261,049	211,656
Deferred tax assets					1,198	2,278
Tax recoverable					–	4
Bank balances and cash					2,030	10,552
Pledged bank deposit					15,000	15,000
Unallocated corporate assets					243	243
Total consolidated assets					279,520	239,733
Segment liabilities	80,572	82,704	176	–	80,748	82,704
Tax payable					3,273	2,053
Bank borrowings					55,087	21,572
Loan from a Director					10,733	–
Amount due to a Director					4,332	19,410
Unallocated corporate liabilities					501	1,018
Total consolidated liabilities					154,674	126,757

Other information

	Retail		Property investment		Unallocated		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditures								
Property, plant and equipment	678	1,614	–	–	–	–	678	1,614
Right-of-use assets	36,108	14,532	–	–	–	–	36,108	14,532
Investment property	–	–	31,000	–	–	–	31,000	–
Depreciation								
Property, plant and equipment	1,168	1,349	–	–	–	–	1,168	1,349
Right-of-use assets	41,288	43,268	–	–	–	–	41,288	43,268
Loss on written off of property, plant and equipment	(168)	(859)	–	–	–	–	(168)	(859)
Net changes in fair value of investment property	–	–	3,000	–	–	–	3,000	–
Fair value gain on financial assets at FVPL	–	–	–	–	317	244	317	244
Net (provision for) reversal of impairment losses on trade receivables	(571)	678	–	–	–	–	(571)	678
Net exchange gain (loss)	718	(363)	–	–	–	–	718	(363)

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	130,778	131,803
Macau	35,056	15,210
	<u>165,834</u>	<u>147,013</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	<u>76,511</u>	<u>52,246</u>

Information about major customers

Revenue from a major customer who has individually contributed to 10% or more of the total revenue of the Group is disclosed as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	30,741	NA*

	<u>Segment</u>	<u>Geographical market which the transactions are located</u>		
Customer A	Retail	Hong Kong	30,741	NA*

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group for the relevant year.

No individual customer was accounted for 10% or more of the Group's total revenue during the year ended 31 March 2021.

8. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	762	1,355
Interest on other borrowings	–	1,750
Interest on loan from a Director	733	–
Interest on lease liabilities	<u>2,105</u>	<u>3,705</u>
	<u><u>3,600</u></u>	<u><u>6,810</u></u>

9. PROFIT BEFORE TAXATION

This is stated after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
a. Employee benefits expenses (including Directors' emoluments)		
Salaries and other benefits	21,622	20,507
Retirement benefits scheme contributions	<u>749</u>	<u>726</u>
	<u><u>22,371</u></u>	<u><u>21,233</u></u>
b. Other expenses		
Auditor's remuneration	745	680
Bank charges	2,019	1,783
Direct operating expenses arising from investment property that generated rental income	28	–
Product delivery expenses	11,113	9,177
Lease payments for short-term lease of warehouse	1,290	–
Utility and office expenses	2,347	1,746
Sundry items	<u>3,977</u>	<u>4,211</u>
	<u><u>21,519</u></u>	<u><u>17,597</u></u>
c. Other items		
Depreciation:		
— Property, plant and equipment	1,168	1,349
— Right-of-use assets	<u>41,288</u>	<u>43,268</u>
	<u><u>42,456</u></u>	<u><u>44,617</u></u>

10. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	965	–
Under provision in prior years	117	16
Macau Corporate Income Tax		
Current year	142	713
	<u>1,224</u>	<u>729</u>
Deferred taxation		
Charge for the year	1,080	742
	<u>2,304</u>	<u>1,471</u>

Under the two-tiered profits tax rates, the first HK\$2,000,000 assessable profits arising from Hong Kong of qualifying entities are taxed at 8.25%, and assessable profits arising from Hong Kong above HK\$2,000,000 are taxed at the rate of 16.5%. The profits of one of the group entities are taxed in accordance with the two-tiered profits tax rates. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

Macau Corporate Income Tax has been provided at the rate of 12% (2021: 12%) on the estimated assessable profits of the Macau subsidiary during the year.

11. DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the years ended 31 March 2022 and 2021.

12. EARNINGS PER SHARE

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

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

	2022	2021
	HK\$'000	HK\$'000
Profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	11,870	10,054
	No. of shares	
	2022	2021
Issued ordinary shares at beginning of the reporting period	240,000,000	2,000,000,000
Effect of shares issued	–	322,191,781
Effect of share consolidation	–	(2,089,972,603)
Weighted average number of ordinary shares in issue during the year, for the purpose of basic and diluted earnings per share	240,000,000	232,219,178

13. TRADE RECEIVABLES

	2022	2021
	HK\$'000	HK\$'000
From third parties		
Total gross carrying amount	44,720	50,148
Less: allowance for credit losses	(3,110)	(4,913)
	41,610	45,235

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, net of allowance for credit losses, presented based on the invoice date at the end of the reporting periods.

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–90 days	29,534	14,032
91–180 days	228	11,135
181–365 days	50	425
Over 365 days	11,798	19,643
	<u>41,610</u>	<u>45,235</u>

Included in the Group's trade receivables balance as at 31 March 2022 are debtors with aggregate carrying amounts of HK\$14,825,000 (2021: HK\$32,775,000) which are past due as at the reporting date. Out of the past due balances, HK\$14,501,000 (2021: HK\$24,235,000) have been past due 90 days or more and are not considered as in default. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information, the management of the Group does not consider these trade receivables as credit-impaired. These customers have good business relationship with the Group and their recurring overdue balances have satisfactory settlement history.

14. TRADE PAYABLES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>19,176</u>	<u>13,377</u>

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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	8,309	4,647
31–60 days	72	428
61–90 days	1,884	710
91–120 days	1,941	3,219
Over 120 days	6,970	4,373
	<u>19,176</u>	<u>13,377</u>

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2020	5,000,000,000	50,000
Share consolidation (<i>Note (ii)</i>)	(4,500,000,000)	–
	<u>500,000,000</u>	<u>50,000</u>
At 31 March 2021 and 2022	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 2020	2,000,000,000	20,000
Shares placing (<i>Note (i)</i>)	400,000,000	4,000
Share consolidation (<i>Note (ii)</i>)	(2,160,000,000)	–
	<u>240,000,000</u>	<u>24,000</u>
At 31 March 2021 and 2022	<u>240,000,000</u>	<u>24,000</u>

Notes:

- (i) On 11 May 2020, the Company and a placing agent entered into a placing agreement. Pursuant to the placing agreement, 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 to not less than six independent investors at a price of HK\$0.04 per share. The new shares rank pari passu with existing shares in all respects. The proceeds were utilised as working capital of the Group.
- (ii) 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.

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.

The Group continued to face considerable challenges in the year under review. The retail industry remained impacted by the COVID-19 pandemic, with setbacks caused by the fifth wave of pandemic in the fourth quarter of the financial year. Overall, though the difficult situation we have faced, the Group experienced an increase of approximately 12.3% in its revenue generated from the sales of tile and bathroom fixture products during the year compared to previous year. The Group continued to implement cost-saving measures including cost control, rent concession and closure of underperforming retail shop. In addition, the Group continuously endeavoured to enhance collaboration with the existing distributors in the PRC as well as to explore more potential distribution networks there.

In June 2021, the Group completed the acquisition of a residential property and a carparking space in Hong Kong. During the year, 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 year ended 31 March 2022, the Group recorded a total revenue of approximately HK\$165.8 million, representing an increase of approximately 12.8% as compared to approximately HK\$147.0 million for the year ended 31 March 2021.

Revenue generated from the sale of tile and bathroom fixture products was approximately HK\$165.1 million (2021: HK\$147.0 million), which accounted for approximately 99.6% (2021: 100%) of the Group's total revenue for the year ended 31 March 2022. In terms of sales channels, the Group's revenue was mainly derived from retail sales which accounted for approximately 71.5% and 70.0% of the Group's total revenue for the years ended 31 March 2022 and 2021 respectively.

Revenue generated from the property investment segment was rental income of approximately HK\$0.7 million (2021: nil), which accounted for approximately 0.4% (2021: nil) of the Group's total revenue for the year ended 31 March 2022.

Gross profit and product margin

The Group's gross profit (i.e. revenue from the sale of tile and bathroom fixture products minus cost of inventories sold) amounted to approximately HK\$95.8 million for the year ended 31 March 2022, representing an increase of approximately 3.0% from approximately HK\$93.0 million for the year ended 31 March 2021, which was mainly due to the increase in revenue. Nevertheless, the overall product margin decreased from approximately 63.3% for the year ended 31 March 2021 to approximately 58.0% for the year ended 31 March 2022, which was due to the sale of mass-market or aged products with lower selling prices to the PRC distributors.

Staff costs

Staff costs for the year ended 31 March 2022 was approximately HK\$22.4 million (2021: HK\$21.2 million). The increase in staff costs was mainly due to increase in sales commission and discretionary bonus in line with the increase in sales.

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

In respect of the rented premises, the Group recorded property related expenses of approximately HK\$2.7 million (2021: HK\$2.6 million), the depreciation on right-of-use assets of approximately HK\$41.3 million (2021: HK\$43.3 million) and the relevant interest expense on lease liabilities of approximately HK\$2.1 million (2021: HK\$3.7 million).

Other expenses

The Group recorded other expenses of approximately HK\$21.6 million and HK\$17.6 million for the years ended 31 March 2022 and 2021 respectively. The Group's other expenses for the year ended 31 March 2022 mainly consisted of audit fee of approximately HK\$0.7 million (2021: HK\$0.7 million), bank charges of approximately HK\$2.0 million (2021: HK\$1.8 million), products delivery expenses of approximately HK\$11.1 million (2021: HK\$9.2 million), lease payments for short-term lease of warehouse of approximately HK\$1.3 million (2021: nil), utility and office expenses of approximately HK\$2.3 million (2021: HK\$1.7 million) and sundry items of approximately HK\$4.0 million (2021: HK\$4.2 million). The increase in other expenses for the year ended 31 March 2022 was due to (i) the increase in product delivery expenses as a result of the increase in sales; (ii) the increase in lease payments for short-term lease of warehouse incurred to cope with the increase in purchases during the year; and (iii) the increase in utilities expenses attributable to short-term lease of warehouse.

Profit attributable to owners of the Company

For the year ended 31 March 2022, the Group's profit attributable to owners of the Company was approximately HK\$11.9 million, representing an increase of approximately 18% as compared to approximately HK\$10.1 million for the year ended 31 March 2021. Such increase was mainly due to (i) increase in gross profit from sale of tile and bathroom fixture products by approximately HK\$2.8 million as a result of increase in revenue; (ii) increase in rental income and fair value of investment property by approximately HK\$0.7 million and HK\$3.0 million respectively; (iii) net decrease in lease-related expenses (including property related expenses, depreciation on right-of-use assets and interest on lease liabilities) by approximately HK\$3.5 million; (iv) decrease in interest on bank and other borrowings of approximately HK\$1.6 million which was partly offset by (v) increase in other expenses by approximately HK\$3.9 million as mentioned above; (vi) decrease in other income by approximately HK\$4.6 million, including approximately HK\$4.2 million in connection with government subsidies granted under the Anti-epidemic Fund in last year; and (vii) increase in taxation expenses by approximately HK\$0.8 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 year.

As at 31 March 2022, the Group's pledged bank deposit and bank and cash balances totalled approximately HK\$17.0 million (2021: approximately HK\$25.6 million), including approximately HK\$16.6 million (2021: HK\$25.2 million) denominated in Hong Kong dollars and approximately HK\$0.4 million (2021: HK\$0.4 million) denominated in Euro, US dollars and Renminbi.

Indebtedness

As at 31 March 2022, the Group had bank borrowings of approximately HK\$55.1 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 31 March 2022, the Group's gearing ratio was approximately 0.44 time, which is calculated based on total bank borrowings divided by total equity attributable to owners of the Company as at 31 March 2022. The Directors, taking into account the nature and scale of operations of the Group, considered that the gearing ratio as at 31 March 2022 was reasonable. The Directors 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 years ended 31 March 2022 and 2021, the Group recorded net exchange gains of approximately HK\$0.7 million and net exchange losses HK\$0.4 million respectively. During both years, 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 31 March 2022, there were 240,000,000 ordinary shares in issue. There was no movement in the issued share capital of the Company during the year ended 31 March 2022.

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 the acquisition of 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 year ended 31 March 2022.

Commitments

As at 31 March 2022, the Group had outstanding contracted capital commitments in respect of property, plant and equipment of approximately HK\$1.0 million (2021: approximately HK\$0.3 million).

Charge on assets

As at 31 March 2022, the Group had pledged its investment property at the carrying value of approximately HK\$34.0 million and bank deposit of approximately HK\$15.0 million as securities for the Group's bank borrowings.

Contingent liabilities

As at 31 March 2022, the Group and the Company did not have any significant contingent liabilities.

Employees and remuneration policies

The Group had approximately 61 employees as at 31 March 2022. The Group's staff costs, including Directors' emoluments, were approximately HK\$22.4 million and HK\$21.2 million for the years ended 31 March 2022 and 2021 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 year ended 31 March 2022, no share option was granted to the relevant participants pursuant to such scheme.

Dividend

The Directors do not recommend any payment of a final dividend for the year ended 31 March 2022 (2021: 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.

In order to attain sustainable business growth, the Group will closely review its business performance by monitoring its business development and business plans in light of the changing market conditions. In addition, the Group will continue to implement effective cost control as well as to focus on expanding its product offerings for maintaining market competitiveness, and to enhance collaboration with its existing distributors in the PRC and explore more suitable distribution networks there.

With the variant strains of COVID-19 emerging, the future outlook is likely to continue to be challenging. However, the Group will continue to keep abreast of the market conditions and identify opportunities to further diversify its sources of income, so as to stabilize the financial performance of the Group. The Group is confident that it will be well-positioned in facing the challenges and preserving long-term profitability growth for the 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 31 March 2022 and the unutilised proceeds as at 31 March 2022 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 as at 31 March 2022 HK\$ million	Unutilised proceeds as at 31 March 2022 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' INTERESTS IN COMPETING BUSINESS

For the year ended 31 March 2022 and up to the date of this announcement, 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "Code") in Appendix 14 of the Listing Rules. Throughout the year, to the best knowledge of the Board and after the review of the Company's performance of its corporate governance practices, the Company has complied with all the applicable code provisions set out in the Code, save for the deviation from code provisions A.2.1 and A.6.7 as follows:

Under Code Provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the year ended 31 March 2022, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Tso is the chairman and also the chief executive officer of the Company and is responsible for overseeing the operations of the Group during the year. In view of the present composition of the Board, Mr. 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. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Under Code Provision A.6.7 of the 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 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 of conduct regarding Directors’ securities transactions. Following specific enquiries by the Company, all Directors had confirmed that they had complied with the Model Code throughout the year ended 31 March 2022.

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 year ended 31 March 2022.

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 31 March 2022 and no share options were outstanding under the Scheme as at 31 March 2022.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

As at the date of this announcement, 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 consolidated financial statements of the Group for the year ended 31 March 2022 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Company’s auditor, Mazars CPA Limited (“**Mazars**”), to the amounts set out in the Company’s draft consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by Mazars on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rbmsgroup.com). The annual report of the Company for the year ended 31 March 2022 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and posted on the above websites in due course.

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

Hong Kong, 28 June 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Simon Tso and Ms. Tsui To Fei and three independent non-executive Directors, namely Mr. Ng Wang To, Mr. Woo King Hang and Mr. Hui Chun Tak.

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