

MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1653

Interim Report 2022



Contents

Corporate Information	2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash Flows	6
Notes to the Condensed Consolidated Interim Financial Statements	7
Management Discussion and Analysis	17
Corporate Governance and Other Information	22



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Ng Wang To
Mr. Woo King Hang
Mr. Hui Chun Tak

AUDIT COMMITTEE

Mr. Woo King Hang (*Chairman*)
Mr. Ng Wang To
Mr. Hui Chun Tak

REMUNERATION COMMITTEE

Mr. Ng Wang To (*Chairman*)
Mr. Woo King Hang
Ms. Tsui To Fei

NOMINATION COMMITTEE

Mr. Simon Tso (*Chairman*)
Mr. Ng Wang To
Mr. Hui Chun Tak

CORPORATE GOVERNANCE COMMITTEE

Mr. Woo King Hang (*Chairman*)
Mr. Ng Wang To
Mr. Hui Chun Tak

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
DBS Bank (Hong Kong) Limited
Hang Seng Bank 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, United Asia Finance 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 2022

The board (the “**Board**”) of directors (the “**Director**”) 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 2022 together with the comparative figures of the last corresponding period in 2021. 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**”).

	Notes	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
Revenue	4	72,905	76,211
Other income	5	3,743	5,235
Other gains, net	5	1,130	85
Cost of inventories sold		(25,298)	(22,974)
Staff costs		(10,347)	(11,457)
Depreciation on property, plant and equipment		(450)	(610)
Depreciation on right-of-use assets		(18,588)	(20,253)
Property related expenses		(1,078)	(2,629)
Other expenses		(10,565)	(9,413)
Finance costs	7	(2,694)	(1,805)
Profit before taxation	8	8,758	12,390
Income tax expense	9	(1,016)	(2,464)
Profit and total comprehensive income for the period		7,742	9,926
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		7,742	9,926
		7,742	9,926
		HK cents	HK cents
Earnings per share	10		
— Basic		3.23	4.14
— Diluted		3.23	4.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

		30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Non-current assets			
Investment property		34,000	34,000
Property, plant and equipment		2,521	2,140
Right-of-use assets		36,197	40,371
Deferred tax assets		1,269	1,198
Deposits and prepayments		4,115	6,615
Financial assets at fair value through profit or loss ("FVPL")	12	6,967	6,880
		85,069	91,204
Current assets			
Inventories		93,699	87,870
Trade receivables	13	61,408	41,610
Deposits, prepayments and other receivables		27,264	41,806
Pledged bank deposit	14	15,000	15,000
Bank balances and cash	14	3,745	2,030
		201,116	188,316
Current liabilities			
Trade payables	15	17,082	19,176
Other payables and accrued charges		10,488	6,985
Contract liabilities		14,464	10,665
Lease liabilities — current portion		26,329	34,823
Amount due to a Director	16	13,036	4,332
Tax payable		4,360	3,273
Bank borrowings	17	46,168	55,087
		131,927	134,341
Net current assets		69,189	53,975
Total assets less current liabilities		154,258	145,179
Non-current liabilities			
Lease liabilities — non-current portion		10,537	9,600
Loan from a Director	18	11,133	10,733
		21,670	20,333
Net assets		132,588	124,846
Capital and reserves			
Share capital	19	24,000	24,000
Reserves		108,588	100,846
Total equity		132,588	124,846

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2022	24,000	74,337	17	26,492	124,846
Profit and total comprehensive income for the period	-	-	-	7,742	7,742
At 30 September 2022 (Unaudited)	24,000	74,337	17	34,234	132,588
At 1 April 2021	24,000	74,337	17	14,622	112,976
Profit and total comprehensive loss for the period	-	-	-	9,926	9,926
At 30 September 2021 (Unaudited)	24,000	74,337	17	24,548	122,902

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash from operating activities	27,026	19,599
Net cash used in investing activities	(831)	(31,210)
Net cash (used in)/from financing activities	(28,211)	2,683
Net decrease in cash and cash equivalents	(2,016)	(8,928)
Cash and cash equivalents at beginning of the period	13,766	25,484
Cash and cash equivalents at end of the period	11,750	16,556

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

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, United Asia Finance 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 2022 (“**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 (the “**Listing Rules**”).

The Interim Financial Statements are presented in Hong Kong dollars (“**HK\$**”), in which all amounts have been rounded to the nearest thousand, unless otherwise indicated.

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 2022, 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 HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The adoption of the revised standards does not have any significant impact on the Interim Financial Statements of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

4. REVENUE

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customers with HKFRS 15		
Types of products:		
— tiles	49,884	60,116
— bathroom fixtures and others	22,781	15,855
	72,665	75,971
Revenue from other sources:		
Rental income from investment property	240	240
	72,905	76,211
Sales channel of revenue from contracts with customers within HKFRS 15:		
Retail	51,358	63,526
Non-retail	21,307	12,445
	72,665	75,971

5. OTHER INCOME/OTHER GAINS, NET

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (restated)
Other income		
Bank interest income	102	47
Gain on disposal of right-of-use assets	–	919
Gain on rent concession	1,609	3,860
Government subsidies	1,690	–
Interest income on rental deposits	197	347
Others	145	62
	3,743	5,235
Other gains, net		
Net exchange gains	1,130	85

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30 September 2022 and 31 March 2022:

	Retail		Property investment		Consolidated	
	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Assets and liabilities						
Segment assets	231,873	227,031	34,005	34,018	265,878	261,049
Deferred tax assets					1,269	1,198
Bank balances and cash					3,745	2,030
Pledged bank deposit					15,000	15,000
Unallocated corporate assets					293	243
Total consolidated assets					286,185	279,520
Segment liabilities	78,139	80,572	260	176	78,399	80,748
Tax payable					4,360	3,273
Bank borrowings					46,168	55,087
Loan from a Director					11,133	10,733
Amount due to a Director					13,036	4,332
Unallocated corporate liabilities					501	501
Total consolidated liabilities					153,597	154,674

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	52,955	67,160
Macau	19,950	9,051
	72,905	76,211

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 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Hong Kong	72,718	76,511

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

7. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest on bank borrowings	1,170	361
Interest on loan from a Director	400	333
Interest on lease liabilities	1,124	1,111
	2,694	1,805

8. PROFIT BEFORE TAXATION

This is stated after charging:

	Six months ended 30 September	
	2022	2021
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited) (restated)
(a) Employee benefits expenses (including Directors' emoluments)		
Salaries and other benefits	10,003	11,077
Retirement benefits scheme contributions	344	380
	10,347	11,457
(b) Other expenses		
Bank charges	797	1,059
Product delivery expenses	5,072	5,220
Utility and office expenses	1,204	1,048
Sundry items	3,492	2,086
	10,565	9,413
(c) Other items		
Depreciation:		
– Property, plant and equipment	450	610
– Right-of-use assets	18,588	20,253

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

9. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong Profits Tax:		
Current period	360	2,659
Macau Corporate Income Tax:		
Current period	727	199
Deferred tax:		
Credit for the period	(71)	(394)
	1,016	2,464

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% on the estimated assessable profits of the Macau subsidiary during the period.

10. EARNINGS PER SHARE

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

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2022 and 2021.

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

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	7,742	9,926

	Number of shares	
Weighted average number of ordinary shares in issue during the period for the purpose of calculating basic and diluted earnings per share	240,000,000	240,000,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

11. DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the six months ended 30 September 2022 (2021: nil).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Payments for life insurance policies			
– First life insurance policy (the “ First Policy ”)	(a)	2,348	2,346
– Second life insurance policy (the “ Second Policy ”)	(b)	4,619	4,534
		6,967	6,880

- (a) In 2012, the Group entered into a life insurance policy with an insurance company to insure a Director. 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. 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, 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 2022

13. TRADE RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Total gross carrying amount	64,518	44,720
Less: allowance for credit losses	(3,110)	(3,110)
	61,408	41,610

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 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0–90 days	20,573	29,534
91–180 days	205	228
181–365 days	29,514	50
Over 365 days	11,116	11,798
	61,408	41,610

14. CASH AND CASH EQUIVALENTS

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Bank balances and cash	3,745	2,030
Pledged bank deposit with maturity of three months or less	15,000	15,000
Bank overdrafts (<i>Note 17</i>)	(6,995)	(3,264)
	11,750	13,766

Cash at bank earns interest at floating rates based on daily bank deposit rates. The pledged bank deposit of HK\$15,000,000 (31 March 2022: HK\$15,000,000) is pledged to a bank to secure banking facilities granted to the Group. It is made with maturity of three months or less, and earns interest at the prevailing short-term deposit rates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

15. TRADE PAYABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade payables	17,082	19,176

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 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0–30 days	667	8,309
31–60 days	1,611	72
61–90 days	2,858	1,884
91–120 days	2,766	1,941
Over 120 days	9,180	6,970
	17,082	19,176

16. AMOUNT DUE TO A DIRECTOR

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

17. BANK BORROWINGS

	Notes	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Secured and guaranteed:			
Bank loans		18,718	31,058
Term loans from banks with repayment on demand clause		20,455	20,765
Bank overdrafts		6,995	3,264
Total bank borrowings	(a)&(b)	46,168	55,087

Notes:

- (a) These bank borrowings carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.5% (31 March 2022: HIBOR plus 1.5%) or a spread below Prime Rate/Standard Bills Rate quoted by the banks per annum and the effective interest rate is from 1.74% to 3.0% (31 March 2022: 1.74% to 3.0%) per annum as at 30 September 2022.
- (b) As at 30 September 2022, the Group’s pledged bank deposit of HK\$15,000,000 and investment property of HK\$34,000,000 (31 March 2022: pledged bank deposit of HK\$15,000,000 and investment property of HK\$34,000,000) were pledged to secure banking facilities of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

18. LOAN FROM A DIRECTOR

The loan advanced from a director of the Company, is non-trade nature, unsecured, interest-bearing at 8% per annum and repayable after 20 months.

19. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
At 31 March 2022 and 30 September 2022	500,000,000	50,000,000
Issued and fully paid:		
At 31 March 2022 and 30 September 2022	240,000,000	24,000,000

20. 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 2022 and 2021:

Names of related companies	Nature of transactions	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cyber Building Limited	Lease payments	2,580	2,580

During the six months ended 30 September 2022 and 2021, 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 set out below.

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries and other benefits	2,226	2,226
Contributions to defined contribution retirement scheme	18	18
	2,244	2,244

21. COMPARATIVE FIGURES

Certain comparative figures have been restated where necessary to conform with the current period presentation.

BUSINESS REVIEW

During the period under review, the Group was principally engaged in two business segments, being (i) the sales of overseas manufactured tiles and bathroom fixtures through retail and non-retail channels; and (ii) the property investment in Hong Kong, where the Group earns rental income. For the six months ended 30 September 2022, the Group recorded a total revenue of approximately HK\$72.9 million (2021: HK\$76.2 million), representing a slight decrease of approximately 4.3% over the same period last year. Revenue generated from the sales of tiles and bathroom fixtures segment was approximately HK\$72.7 million (2021: HK\$76.0 million) and the rental income generated from the property investment segment was approximately HK\$0.2 million (2021: HK\$0.2 million).

For the six months ended 30 September 2022, the Group's profit attributable to owners of the Company was approximately HK\$7.7 million, representing a decrease of approximately 22.2% as compared to approximately HK\$9.9 million for the six months ended 30 September 2021. The decrease was mainly due to the decrease in the Group's revenue.

(i) Sales of tiles and bathroom fixtures products

The Group is a retailer and supplier of overseas manufactured tiles and bathroom fixtures in Hong Kong. As at 30 September 2022, the Group operated 14 retail shops in Hong Kong for home improvement, remodelling and furnishing materials. Apart from retail sales, the Group also supplies tile and bathroom fixture products on project basis for large-scale property development projects, residential and commercial property renovation projects and hotel renovation projects in Hong Kong and Macau, as well as selling tiles and bathroom fixtures to distributors in the PRC.

For the six months ended 30 September 2022, revenue from the sales of tiles and bathroom fixture products were approximately HK\$72.7 million (2021: HK\$76.0 million), of which revenue from retail sales and non-retail sales were approximately HK\$51.4 million (2021: HK\$63.5 million) and HK\$21.3 million (2021: HK\$12.5 million) respectively.

The Group continued to face considerable challenges in the period under review. In particular, the retail market remained impacted by the fifth wave of COVID-19 pandemic. As such, the Group recorded a decrease in retail sales of tiles and bathroom fixtures by approximately 19.1% to approximately HK\$51.4 million for the six months ended 30 September 2022. Nevertheless, the Group experienced an increase in non-retail sales by approximately 70.4% to approximately HK\$21.3 million for the six months ended 30 September 2022, which was mainly attributable to the increase in project sales of bathroom fixtures and others in Macau following the end of lockdown in Macau in late July 2022.

(ii) Property Investment

The Group's investment property consists of one residential property in Hong Kong which was purchased in late June 2021. Rental income earned from the property investment for the six months ended 30 September 2022 was approximately HK\$0.2 million (three months ended 30 September 2021: HK\$0.2 million). There was a decrease in monthly rental income as the tenant requested rent reduction amid the fifth wave of COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2022, the Group recorded a total revenue of approximately HK\$72.9 million, representing a decrease of approximately 4.3% as compared to approximately HK\$76.2 million for the six months ended 30 September 2021. Such decrease was mainly due to the adverse impact of the fifth wave of COVID-19 pandemic on consumer sentiment in Hong Kong's retail market which in turn affected the sale of the Group's products.

Revenue generated from the sale of tile and bathroom fixture products was approximately HK\$72.7 million (2021: HK\$76.0 million), of which retail sales was approximately HK\$51.4 million (2021: HK\$63.5 million) and non-retail sales was approximately HK\$21.3 million (2021: HK\$12.5 million). Revenue from the sale of tile and bathroom fixture accounted for approximately 99.7% (2021: 99.7%) of the Group's total revenue for the six months ended 30 September 2022.

Revenue generated from the property investment segment was rental income of approximately HK\$0.2 million (2021: HK\$0.2 million), which accounted for approximately 0.3% (2021: 0.3%) of the Group's total revenue for the six months ended 30 September 2022.

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\$47.4 million for the six months ended 30 September 2022, representing a decrease of approximately 10.6% from approximately HK\$53.0 million for the six months ended 30 September 2021, which was mainly due to the decrease in revenue. In addition, the overall product margin decreased from approximately 69.8% for the six months ended 30 September 2021 to approximately 65.2% for the six months ended 30 September 2022, which was due to the increase in proportion of project sales under non-retail sales channel, which offered higher discount to non-retail customers given the scale of purchase made.

Staff costs

Staff costs for the six months ended 30 September 2022 was approximately HK\$10.3 million (2021: HK\$11.5 million). The decrease in staff costs was mainly due to the decrease in sales commission in line with the decrease in revenue.

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

In respect of the rented premises, the Group recorded property related expenses of approximately HK\$1.1 million (2021: HK\$2.6 million), the depreciation on right-of-use assets of approximately HK\$18.6 million (2021: HK\$20.3 million) and the relevant interest expense on lease liabilities of approximately HK\$1.1 million (2021: HK\$1.1 million). The decrease in property related expense was due to the decrease in short-term lease of warehouse of approximately HK\$1.5 million incurred in the corresponding period last year.

Other expenses

The Group recorded other expenses of approximately HK\$10.6 million and HK\$9.4 million for the six months ended 30 September 2022 and 2021 respectively. The Group's other expenses for the six months ended 30 September 2022 mainly consisted of bank charges of approximately HK\$0.8 million (2021: HK\$1.1 million), products delivery expenses of approximately HK\$5.1 million (2021: HK\$5.2 million), utilities and office expenses of approximately HK\$1.2 million (2021: HK\$1.0 million) and sundry items of approximately HK\$3.5 million (2021: HK\$2.1 million). The increase in expenses on sundry items for the six months ended 30 September 2022 was due to the donation expense of HK\$0.6 million and the professional fee of HK\$0.5 million incurred during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to owners of the Company

For the six months ended 30 September 2022, the Group's profit attributable to owners of the Company was approximately HK\$7.7 million, representing a decrease of approximately 22.2% as compared to approximately HK\$9.9 million for the six months ended 30 September 2021. Such decrease was mainly due to (i) decrease in gross profit from sales of tiles and bathroom fixtures by approximately HK\$5.6 million as a result of decrease in revenue; (ii) decrease in other income by approximately HK\$1.5 million, including approximately HK\$0.9 million in connection with the gain on disposal of right-of-use assets arising from lease modification in last year; (iii) increase in interest on bank and other borrowings by approximately HK\$0.9 million; (iv) increase in other expenses by approximately HK\$1.2 million, which was partly offset by (v) net decrease in lease-related expenses (including property related expenses, depreciation on right-of-use assets and interest on lease liabilities) by approximately HK\$3.2 million; (vi) increase in net exchange gain by approximately HK\$1.0 million as a result of the general depreciation of Euro against HK\$ during the period under review; (vii) decrease in staff costs by approximately HK\$1.1 million; and (viii) decrease in taxation expense by approximately HK\$1.4 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 2022, the Group's pledged bank deposit and cash and cash balances totalled approximately HK\$18.7 million (31 March 2022: approximately HK\$17.0 million), including approximately HK\$17.4 million denominated in Hong Kong dollars and approximately HK\$1.3 million denominated in Euro, US dollars and Renminbi.

Indebtedness

As at 30 September 2022, the Group had bank borrowings of approximately HK\$46.2 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 2022, the Group's gearing ratio was approximately 0.35 time which is calculated based on total bank borrowings divided by total equity attributable to owners of the Company as at 30 September 2022 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 2022 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 2022 and 2021, the Group recorded net exchange gains of approximately HK\$1.1 million and HK\$0.09 million 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Securities in issue

As at 30 September 2022, 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 2022.

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

On 27 September 2022, Unique City Limited (“**Unique City**”), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Xiao Xiake (the “**Vendor**”) and Mr. Lau Hoi Yeung (being one of the guarantors), to acquire the entire equity interest in TRA International Limited (“**TRA**”) at a consideration of HK\$10.0 million which shall be settled by way of allotment and issue of 40,000,000 Consideration Shares at the Issue Price of HK\$0.25 each.

On 29 November 2022, the Vendor and Unique City agreed to extend the Long Stop Date to 16 January 2023 or such later date as the Vendor and Unique City may agree in writing.

Upon completion of the acquisition, TRA will become an indirect wholly-owned subsidiary of the Company, and the financial results of TRA will be consolidated into the consolidated financial statements of the Group. For further details, please refer to the announcement of the Company dated 27 September 2022.

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

Charge on assets

As at 30 September 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 to secure the Group’s bank borrowings.

Contingent liabilities

As at 30 September 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 30 September 2022. The Group’s staff cost including Directors’ emoluments was approximately HK\$10.3 million and HK\$11.5 million for the six months ended 30 September 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 (“**Share Option Scheme**”) adopted by the Company on 20 September 2018. During the six months ended 30 September 2022, an aggregate of 4,800,000 share options were granted to the executive Directors. Please refer to the paragraph “Share Option Scheme” for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Directors do not recommend any payment of dividend for the six months ended 30 September 2022 (2021: nil).

Prospects

The Group will continue to dedicate efforts on its principal business as a retailer and supplier of tiles and bathroom fixtures by focusing on expanding its product mix and diversifying its product offerings. At the same time, the Group will enhance collaboration with its existing distributors and explore more suitable distribution networks.

To safeguard the steady development of the Group in the long run, the Group will continue to explore and identify opportunities to further diversify its sources of income. On 27 September 2022, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement to acquire the entire equity interest in TRA International Limited (“**TRA**”) at a consideration of HK\$10.0 million which shall be settled by way of allotment and issue of 40,000,000 Consideration Shares at the Issue Price of HK\$0.25 each. TRA will become an indirect wholly-owned subsidiary of the Company upon completion of the acquisition.

TRA is principally engaged in the provision of works of waterproofing, fitting-out works and maintenance works in both public and private sectors, including schools, government buildings and commercial buildings, etc., as well as shops and private housings in Hong Kong. The Directors believe that the acquisition is an ideal business opportunity to further expand the Group’s business in the construction industry by gaining access to the business network of building and structural engineering, and also to diversify and broaden source of income and customer base of the Group as well as to provide comprehensive service packages to the customers with the combination of the tile products of the Group and building services engineering of TRA, which enhance the Group’s competitive advantages.

Though the future outlook is likely to continue to be challenging, the Group remains confident in its long-term development and ability to enhance shareholders’ value based on our excellent management team in managing the business.

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 2022, 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%
	Interest of controlled corporation	1,480,000 ⁽²⁾	0.62%
Ms. Tsui To Fei	Interest of a spouse	150,000,000 ⁽³⁾	62.5%
	Interest of controlled corporation	1,480,000 ⁽²⁾	0.62%

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 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) The Shares are held by Cyber Building Limited, a company owned as to 50/50 by Mr. Tso and Ms. Tsui. By virtue of the SFO, both Mr. Tso and Ms. Tsui are deemed to be interested in the Shares held by Cyber Building Limited.
- (3) 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 2022, 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 2022, 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 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 2022, 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 by the Company under Section 336 of the SFO.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in note 20 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 2022.

COMPETING INTERESTS

For the six months ended 30 September 2022, 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 2022 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 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 six months ended 30 September 2022.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme to provide incentives and rewards to directors, employees and advisers, etc. of the Company for their contributions to the success of the Company and its subsidiaries.

Pursuant to the Scheme, on 29 September 2022, the Company granted the options to subscribe for an aggregate of 4,800,000 Shares to the executive Directors at an exercise price of HK\$0.300 per Share. For the six months ended 30 September 2022, no share options were exercised. As at 30 September 2022, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Scheme was 4,800,000 Shares, representing 2% of the Company’s issued share capital as at 30 September 2022.

EVENTS AFTER THE REPORTING PERIOD

On 27 September 2022, Unique City Limited (“**Unique City**”), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Xiao Xiake (the “**Vendor**”) and Mr. Lau Hoi Yeung (being one of the guarantors), to acquire the entire equity interest in TRA International Limited at a consideration of HK\$10.0 million which shall be settled by way of allotment and issue of 40,000,000 Consideration Shares at the Issue Price of HK\$0.25 each.

On 29 November 2022, the Vendor and Unique City agreed to extend the Long Stop Date to 16 January 2023 or such later date as the Vendor and Unique City may agree in writing.

AUDIT COMMITTEE

As at the date of this report, 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 2022