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## **MOS HOUSE GROUP LTD**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1653)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

The board (the “**Board**”) of directors (the “**Director(s)**”) 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 2023 together with the comparative figures of the last corresponding period in 2022. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company’s prospectus dated 28 September 2018 (the “**Prospectus**”).

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

*For the six months ended 30 September 2023*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
<b>Revenue</b>	4	<b>81,953</b>	72,905
Other income	5	<b>948</b>	3,743
Other gains and losses	5	<b>(28)</b>	1,130
Net provision for impairment losses on trade receivables		<b>(328)</b>	–
Cost of inventories sold		<b>(31,091)</b>	(25,298)
Staff costs	8	<b>(8,679)</b>	(10,347)
Depreciation on property, plant and equipment	8	<b>(1,591)</b>	(450)
Depreciation on right-of-use assets	8	<b>(18,627)</b>	(18,588)
Property related expenses		<b>(1,162)</b>	(1,078)
Other expenses	8	<b>(7,640)</b>	(10,565)
Finance costs	7	<b>(3,844)</b>	(2,694)
		<hr/>	<hr/>
<b>Profit before taxation</b>	8	<b>9,911</b>	8,758
Income tax expense	9	<b>(1,826)</b>	(1,016)
		<hr/>	<hr/>
Profit and total comprehensive income for the period		<b>8,085</b>	7,742
		<hr/> <hr/>	<hr/> <hr/>
<b>Profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>8,085</b>	7,742
		<hr/>	<hr/>
		<b>8,085</b>	7,742
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	10		
— Basic		<b>3.37</b>	3.23
		<hr/> <hr/>	<hr/> <hr/>
— Diluted		<b>3.36</b>	3.23
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2023*

		30 September 2023	31 March 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Investment property		34,000	34,000
Property, plant and equipment		4,069	2,429
Right-of-use assets		42,283	52,032
Deferred tax assets		662	910
Deposits and prepayments		9,162	8,874
Financial assets at fair value through profit or loss (“FVPL”)	12	7,203	7,095
		<b>97,379</b>	105,340
<b>Current assets</b>			
Inventories		74,510	80,572
Trade receivables	13	86,529	58,824
Deposits, prepayments and other receivables		35,720	40,077
Pledged bank deposit	14	15,000	15,000
Bank balances and cash	14	7,118	6,257
		<b>218,877</b>	200,730
<b>Current liabilities</b>			
Trade payables	15	14,288	6,866
Other payables and accrued charges		10,227	8,058
Contract liabilities		15,222	8,160
Lease liabilities — current portion		38,766	36,335
Amount due to a Director	16	1,098	2,006
Tax payable		2,670	3,337
Borrowings	17	76,093	80,712
Loan from a Director	18	11,133	10,733
		<b>169,497</b>	156,207
<b>Net current assets</b>		<b>49,380</b>	44,523

		<b>30 September 2023</b>	31 March 2023
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Total assets less current liabilities</b>		<b><u>146,759</u></b>	<u>149,863</u>
<b>Non-current liabilities</b>			
Borrowings	<i>17</i>	<b>841</b>	–
Lease liabilities — non-current portion		<b><u>10,473</u></b>	<u>22,503</u>
		<b><u>11,314</u></b>	<u>22,503</u>
<b>Net assets</b>		<b><u>135,445</u></b>	<u>127,360</u>
<b>Capital and reserves</b>			
Share capital	<i>19</i>	<b>24,000</b>	24,000
Reserves		<b><u>111,445</u></b>	<u>103,360</u>
<b>Total equity</b>		<b><u><u>135,445</u></u></b>	<u><u>127,360</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 September 2023*

## 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 2023 (“**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 2023, 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.

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

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

#### 4. REVENUE

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers with HKFRS 15</b>		
Types of products:		
Tiles	75,764	49,884
Bathroom fixtures and others	5,949	22,781
	<u>81,713</u>	<u>72,665</u>
<b>Revenue from other sources:</b>		
Rental income from investment property	240	240
	<u>81,953</u>	<u>72,905</u>
<b>Sales channel of revenue from contracts with customers within HKFRS 15:</b>		
Retail	36,406	51,358
Non-retail	45,307	21,307
	<u>81,713</u>	<u>72,665</u>

#### 5. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Other income</b>		
Bank interest income	322	102
Gain on rent concession	–	1,609
Government subsidies	–	1,690
Interest income on rental deposits	288	197
Others	338	145
	<u>948</u>	<u>3,743</u>
<b>Other gains and losses</b>		
Net exchange (loss)/gain	(28)	1,130

## 6. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The Group's operating segments are structured and managed separately according to the nature of their businesses, which are currently organised into two operating businesses as follows:

- (a) 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	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue</b>						
Revenue from external customers	<u>81,713</u>	<u>72,665</u>	<u>240</u>	<u>240</u>	<u>81,953</u>	<u>72,905</u>
<b>Segment results</b>	<b>14,932</b>	13,073	<b>181</b>	166	<b>15,113</b>	13,239
Unallocated corporate expenses					(2,670)	(2,911)
Finance costs (Other than interest on lease liabilities)					<u>(2,532)</u>	<u>(1,570)</u>
Profit before taxation					<b>9,911</b>	8,785
Income tax expense					<u>(1,826)</u>	<u>(1,016)</u>
Profit for the period					<u><b>8,085</b></u>	<u>7,742</u>

## Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30 September 2023 and 31 March 2023:

	Retail		Property investment		Consolidated	
	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
<b>Assets and liabilities</b>						
Segment assets	259,228	249,642	34,005	34,018	293,233	283,660
Deferred tax assets					662	910
Bank balances and cash					7,118	6,257
Pledged bank deposit					15,000	15,000
Unallocated corporate assets					243	243
Total consolidated assets					<u>316,256</u>	<u>306,070</u>
Segment liabilities	90,109	81,243	176	176	90,285	81,419
Tax payable					2,670	3,337
Bank borrowings					75,122	80,712
Loan from a Director					11,133	10,733
Amount due to a Director					1,098	2,006
Unallocated corporate liabilities					503	503
Total consolidated liabilities					<u>180,811</u>	<u>178,710</u>

## 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Hong Kong	60,453	52,955
Macau	21,500	19,950
	<u>81,953</u>	<u>72,905</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:

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Hong Kong	<u>80,352</u>	<u>88,461</u>

## 7. FINANCE COSTS

	<b>Six months ended 30 September</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	2022 HK\$'000 (Unaudited)
Interest on bank borrowings	1,888	1,170
Interest on hire purchase	242	–
Interest on loan from a Director	400	400
Interest on lease liabilities	<u>1,314</u>	<u>1,124</u>
	<u>3,844</u>	<u>2,694</u>

## 8. PROFIT BEFORE TAXATION

This is stated after charging:

	<b>Six months ended 30 September</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	2022 HK\$'000 (Unaudited)
<b>(a) Employee benefits expenses (including Directors' emoluments)</b>		
Salaries and other benefits	8,381	10,003
Retirement benefits scheme contributions	<u>298</u>	<u>344</u>
	<u>8,679</u>	<u>10,347</u>
<b>(b) Other expenses</b>		
Bank charges	634	797
Product delivery expenses	3,450	5,072
Utility and office expenses	1,186	1,204
Sundry items	<u>2,370</u>	<u>3,492</u>
	<u>7,640</u>	<u>10,565</u>
<b>(c) Other items</b>		
Depreciation:		
— Property, plant and equipment	1,591	450
— Right-of-use assets	<u>18,627</u>	<u>18,588</u>

## 9. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
Current period	754	360
Macau Corporate Income Tax:		
Current period	824	727
Deferred tax:		
Change for/(credit for) the period	248	(71)
	<u>1,826</u>	<u>1,016</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% 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 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2023 and 2022.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<b>8,085</b>	<b>7,742</b>
	<b>240,000,000</b>	240,000,000
	<b>240,000,000</b>	240,000,000
	<b>766,140</b>	–
	<b>240,766,140</b>	240,000,000

## 11. DIVIDEND

The Board of Directors does not recommend the payment of any dividend for the six months ended 30 September 2023 (2022: nil).

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		<b>30 September</b>	31 March
		<b>2023</b>	2023
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Payments for life insurance policies			
— First life insurance policy (the “ <b>First Policy</b> ”)	<i>(a)</i>	<b>2,463</b>	2,423
— Second life insurance policy (the “ <b>Second Policy</b> ”)	<i>(b)</i>	<b>4,740</b>	4,672
		<u><b>7,203</b></u>	<u>7,095</u>

- (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 or 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.

### 13. TRADE RECEIVABLES

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Total gross carrying amount	<b>88,512</b>	60,479
Less: allowance for credit losses	<b>(1,983)</b>	(1,655)
	<b><u>86,529</u></b>	<u>58,824</u>

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

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

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
0–90 days	<b>44,394</b>	46,981
91–180 days	<b>1,567</b>	82
181–365 days	<b>38,094</b>	2,124
Over 365 days	<b>2,474</b>	9,637
	<b><u>86,529</u></b>	<u>58,824</u>

### 14. CASH AND CASH EQUIVALENTS

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Bank balances and cash	<b>7,118</b>	6,257
Pledged bank deposit with maturity of three months or less	<b>15,000</b>	15,000
Bank overdrafts ( <i>Note 17</i> )	<b>(6,224)</b>	(7,480)
	<b><u>15,894</u></b>	<u>13,777</u>

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 2023: 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.

## 15. TRADE PAYABLES

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
Trade payables	<u><b>14,288</b></u>	<u>6,866</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.

	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
0–30 days	7,431	2,041
31–60 days	4,995	836
61–90 days	476	92
91–120 days	1,386	271
Over 120 days	–	3,626
	<u><b>14,288</b></u>	<u>6,866</u>

## 16. AMOUNT DUE TO A DIRECTOR

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

## 17. BORROWINGS

	<i>Notes</i>	<b>30 September 2023 HK\$'000 (Unaudited)</b>	31 March 2023 HK\$'000 (Audited)
<b>Current</b>			
Secured and guaranteed			
Bank loans		42,225	44,217
Term loans from banks with repayment on demand clause		26,673	29,015
Bank overdraft		<u>6,224</u>	<u>7,480</u>
		<b>75,122</b>	80,712
Hire purchase liabilities	(a) & (b) (c)	<u>971</u>	–
		<b>76,093</b>	80,712
<b>Non-current</b>			
Hire purchase liabilities	(c)	<u>841</u>	–
Total borrowings		<u><b>76,934</b></u>	<u>80,712</u>

Notes:

- (a) These bank borrowings carry interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.5% (31 March 2023: 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 4.6% to 7.5% (31 March 2023: 2.5% to 4.56%) per annum as at 30 September 2023.
- (b) As at 30 September 2023, the Group’s pledged bank deposit of HK\$15,000,000 and investment property of HK\$34,000,000 (31 March 2023: 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.
- (c) **Hire purchase liabilities**

The Group has one motor vehicle acquired under hire purchase agreement. The rights to the assets will revert to the financier only in the event of a default of the terms under this agreement.

	<b>30 September 2023 HK\$’000 (Unaudited)</b>	31 March 2023 HK\$’000 (Audited)
<b>Gross hire purchase liabilities</b>		
— <b>minimum lease payments</b>		
Not later than 1 year	<b>1,029</b>	—
Later than 1 year and not later than 5 years	<b>857</b>	—
	<b>1,886</b>	—
Future finance charges on hire purchase	<b>(74)</b>	—
	<b>1,812</b>	—
<b>Total present value of hire purchase is as follows:</b>		
Not later than 1 year	<b>971</b>	—
Later than 1 year and not later than 5 years	<b>841</b>	—
	<b>1,812</b>	—

## 18. LOAN FROM A DIRECTOR

Loan from a Director is non-trade nature, unsecured, interest-bearing at 8% per annum and repayable on 25 March 2024.

## 19. SHARE CAPITAL

	Number of shares	Amount HK\$
<b>Authorised:</b>		
At 31 March 2023 and 30 September 2023	<u>500,000,000</u>	<u>50,000,000</u>
<b>Issued and fully paid:</b>		
At 31 March 2023 and 30 September 2023	<u>240,000,000</u>	<u>24,000,000</u>

## 20. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Interim Financial Statements, the Group had the following transactions with its related party during the six months ended 30 September 2023 and 2022:

Name of related company	Nature of transactions	Six months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cyber Building Limited	Lease payments	<u>2,580</u>	<u>2,580</u>

During the six months ended 30 September 2023 and 2022, Mr. Tso provided several guarantees to guarantee the payment and due performance of tenancy agreements to the landlord.

### 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries and other benefits	2,226	2,226
Contributions to defined contribution retirement scheme	<u>18</u>	<u>18</u>
	<u>2,244</u>	<u>2,244</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the period under review, the Group was principally engaged in two business segments, being (i) the sale of tiles, bathroom fixtures and other products through its retail shops in Hong Kong and non-retail channels in Hong Kong and Macau; and (ii) the property investment in Hong Kong, where the Group earns rental income. For the six months ended 30 September 2023, the Group's revenue increased by 12.5% to approximately HK\$82.0 million from approximately HK\$72.9 million for the six months ended 30 September 2022.

The Group's profit attributable to owners of the Company for the six months ended 30 September 2023 was approximately HK\$8.1 million, representing a slight increase of approximately 5.2% as compared to approximately HK\$7.7 million for the six months ended 30 September 2022.

#### **(i) Sale of tiles and bathroom fixtures products**

The Group is a retailer and supplier of overseas manufactured tiles and bathroom fixtures in Hong Kong. Apart from retail sales, the Group also supplies tile and non-tile 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.

While the local economy stayed on the recovery track during the period under review, persistently high interest rate and volatile market continued to dampen consumer spending which adversely affected the retail sales. For the six months ended 30 September 2023, revenue generated from the retail sales of tile and bathroom fixture products decreased by approximately 29.2% to approximately HK\$36.4 million from approximately HK\$51.4 million for the six months ended 30 September 2022.

The Group strived to further expand its business in non-retail sales which has been the main revenue driver to the Group. With the gradual resumption of economic activities, revenue from non-retail sales experienced an increase of approximately 112.7% to HK\$45.3 million from HK\$21.3 million compared with the same period last year. Such increase was primarily due to the increase in sale of tile products on project basis for residential and commercial property renovation projects principally in Hong Kong and Macau.

## **(ii) Property investment**

The Group's investment property consists of one residential property in Hong Kong which generated rental income of approximately HK\$0.2 million (2022: approximately HK\$0.2 million) for the six months ended 30 September 2023.

## **FINANCIAL REVIEW**

### **Revenue**

For the six months ended 30 September 2023, the Group recorded a total revenue of approximately HK\$82.0 million, representing an increase of approximately 12.5% as compared to approximately HK\$72.9 million for the six months ended 30 September 2022.

Revenue generated from the sale of tile and bathroom fixture products was approximately HK\$81.7 million (2022: HK\$72.7 million), of which retail sales was approximately HK\$36.4 million (2022: HK\$51.4 million) and non-retail sales was approximately HK\$45.3 million (2022: HK\$21.3 million). Revenue from the sale of tile and bathroom fixture accounted for approximately 99.6% (2022: 99.7%) of the Group's total revenue for the six months ended 30 September 2023.

Revenue generated from the property investment segment was rental income of approximately HK\$0.2 million (2022: HK\$0.2 million), which accounted for approximately 0.2% (2022: 0.3%) of the Group's total revenue for the six months ended 30 September 2023.

### **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\$50.6 million for the six months ended 30 September 2023, representing an increase of approximately 6.8% from approximately HK\$47.4 million for the six months ended 30 September 2022, which was mainly due to the increase in revenue. Nevertheless, the overall product margin decreased from approximately 65.2% for the six months ended 30 September 2022 to approximately 61.9% for the six months ended 30 September 2023, 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 2023 was approximately HK\$8.7 million (2022: HK\$10.3 million). The decrease in staff costs was a result of decrease in headcount.

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

In respect of the rented premises, the Group recorded property related expenses of approximately HK\$1.2 million (2022: HK\$1.1 million), the depreciation on right-of-use assets of approximately HK\$18.6 million (2022: HK\$18.6 million) and the relevant interest expense on lease liabilities of approximately HK\$1.3 million (2022: HK\$1.1 million).

### **Other expenses**

The Group recorded other expenses of approximately HK\$7.7 million and HK\$10.6 million for the six months ended 30 September 2023 and 2022 respectively. The Group's other expenses for the six months ended 30 September 2023 mainly consisted of bank charges of approximately HK\$0.6 million (2022: HK\$0.8 million), products delivery expenses of approximately HK\$3.5 million (2022: HK\$5.1 million), utilities and office expenses of approximately HK\$1.2 million (2022: HK\$1.2 million) and sundry items of approximately HK\$2.4 million (2022: HK\$3.5 million). The decrease in expenses on sundry items for the six months ended 30 September 2023 was due to (i) the decrease in product delivery expenses as a result of the decrease in inventory level and (ii) the decrease in donation expense of approximately HK\$0.6 million incurred in the same period last year.

### **Profit attributable to owners of the Company**

For the six months ended 30 September 2023, the Group's profit attributable to owners of the Company was approximately HK\$8.1 million, representing an increase of approximately 5.2% as compared to approximately HK\$7.7 million for the six months ended 30 September 2022. Such increase was mainly due to (i) increase in gross profit from sale of tiles and bathroom fixtures by approximately HK\$3.2 million as a result of increase in revenue; (ii) decrease in staff costs by approximately HK\$1.6 million; (iii) decrease in other expenses by approximately HK\$2.9 million as mentioned above, which was partly offset by (iv) decrease in other income by approximately HK\$2.8 million, including approximately HK\$1.6 million and 1.7 million in connection with the gain on rent concession and government subsidies respectively recorded last year; (v) decrease in net exchange gain by approximately HK\$1.1 million; (vi) increase in finance costs by approximately HK\$1.2 million mainly due to high interest rates on bank borrowings; (vii) increase in depreciation on property, plant and equipment by approximately HK\$1.1 million in connection with the depreciation on hire purchase; and (viii) increase in taxation expense 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 periods.

As at 30 September 2023, the Group's pledged bank deposit and cash and bank balances totalled approximately HK\$22.1 million (31 March 2023: approximately HK\$21.3 million), including approximately HK\$21.9 million denominated in Hong Kong dollars and approximately HK\$0.2 million denominated in Euro, US dollars and Renminbi.

### *Indebtedness*

As at 30 September 2023, the Group had bank borrowings of approximately HK\$75.1 million (31 March 2023: HK\$80.7 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 2023, the Group's gearing ratio was approximately 0.55 time (31 March 2023: 0.63 time) which is calculated based on total bank borrowings divided by total equity attributable to owners of the Company as at 30 September 2023 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 2023 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 2023 and 2022, the Group recorded net exchange losses of approximately HK\$0.3 million and net exchange gains of approximately HK\$1.1 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.

### **Securities in issue**

As at 30 September 2023, 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 2023.

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

On 14 September 2023, Unique City Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Ho Tsz Yi (the “**Vendor**”) to acquire 50% interest in Smart Asian Limited (“**Smart Asian**”) at a consideration of HK\$15.0 million which shall be settled by way of allotment and issue of 44,117,000 consideration shares at the issue price of HK\$0.34 each.

Upon completion of the acquisition, Smart Asian will become an associate company of the Company. For further details, please refer to the announcement of the Company dated 14 September 2023.

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 2023, the Group had outstanding contracted capital commitments in respect of property, plant and equipment of approximately HK\$1.0 million (31 March 2023: approximately HK\$1.0 million).

## **Charge on assets**

As at 30 September 2023, 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 2023, the Group and the Company did not have any significant contingent liabilities.

## **Employees and remuneration policies**

The Group had approximately 62 employees as at 30 September 2023. The Group's staff cost including Directors' emoluments was approximately HK\$8.7 million and HK\$10.3 million for the six months ended 30 September 2023 and 2022 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.

## **Dividend**

The Directors do not recommend any payment of dividend for the six months ended 30 September 2023 (2022: nil).

## **Prospects**

The Group anticipates that volatile market combined with high interest rates will undoubtedly continue to have a significant impact on the retailing industry. The Group will closely review its business performance by monitoring the market conditions closely and implementing rigor measures in tightening operating expenses.

Besides, the Group will continue to explore and identify opportunities to further diversify its sources of revenue, so as to boost the financial performance of the Group. On 14 September 2023, Unique City Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire 50% of the equity interest in Smart Asian at a consideration of HK\$15.0 million which shall be settled by way of allotment and issue of 44,117,000 consideration shares at the issue price of HK\$0.34 each. Smart Asian will become an associate company of the Company upon completion of the acquisition.

Smart Asian is principally engaged in project management for solar panel installation for residential, industrial and commercial buildings, providing renewable energy consultancy services as well as value-added services (including but not limited to maintenance services and fitting-out works). The Directors believe that the acquisition is an ideal business opportunity to further expand the Group's business in the renewable energy industry by gaining access to the business network of green industry, and also to diversify and broaden source of income and customer base of the Group. The Directors believe that the sale of solar panel systems is complementary to the Company's core business of selling high-end tiles products to retail customers as well as non-retail project customers. The Directors also consider that acquiring the Smart Asian will enable the Group to offer more comprehensive service packages to the customers with the combination of the tile products of the Group and energy savings service solutions and fitting-out works of Smart Asian, which will enhance the Group's competitive advantages.

In the face of challenging market environment, the Group remains confident in its long-term development and ability to enhance shareholders' value based on our excellent management team with years of experience in managing the business.

## **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 2023.

## **COMPETING INTERESTS**

For the six months ended 30 September 2023, 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 2023 save for the deviation from code provision A.2.1 as follows:

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Following specific enquiries by the Company, all Directors had confirmed that they had complied with the Model Code throughout the six months ended 30 September 2023.

## **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 2023.

## **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\$0.30 per Share. For the six months ended 30 September 2023, no share options were exercised. As at 30 September 2023, 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 2023.

## **EVENT AFTER THE REPORTING PERIOD**

On 14 September 2023, Unique City Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Ho Tsz Yi to acquire 50% interest in Smart Asian at a consideration of HK\$15.0 million which shall be settled by way of allotment and issue of 44,117,000 consideration shares at the issue price of HK\$0.34 each.

## **AUDIT COMMITTEE**

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

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

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

Hong Kong, 29 November 2023

*As at the date of this announcement, the Board comprises of two executive Directors, namely Mr. Simon Tso and Ms. Tsui To Fei and three independent non-executive Directors, namely Mr. Woo King Hang, JP, Mr. Hui Chun Tak, PDSM and Dr. Lam Lee G., BBS, JP.*

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