MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1653)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

The board (the "**Board**") of directors (the "**Directors**") of MOS House Group Limited (the "**Company**") presents the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2019 together with the comparative figures of the previous financial year ended 31 March 2018 as set out below. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company's prospectus dated 28 September 2018 (the "**Prospectus**"):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	*5*	**166,694**	190,839
Other income	*6*	**988**	501
Other gains and losses	*6*	**2,804**	(4,841)
Net impairment losses on trade receivables		**(2,392)**	–
Cost of inventories sold		**(48,421)**	(59,022)
Staff costs		**(23,594)**	(21,370)
Depreciation		**(1,698)**	(2,948)
Property rentals and related expenses		**(52,743)**	(50,190)
Other expenses		**(28,311)**	(26,085)
Finance costs	*7*	**(4,445)**	(4,240)
Profit before taxation	*8*	**8,882**	22,644
Taxation	*9*	**(3,083)**	(5,538)
Profit and total comprehensive income for the year		**5,799**	17,106
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**5,824**	17,077
Non-controlling interests		**(25)**	29
		5,799	17,106
Earnings per share			
Basic (HK cents)	*11*	**0.34**	1.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**4,495**	3,780
Deferred tax assets		**1,572**	788
Deposits		**17,156**	16,771
		23,223	21,339
Current assets			
Inventories		**75,272**	73,398
Trade receivables	*12*	**46,557**	32,820
Deposits, prepayments and other receivables		**8,815**	8,586
Amount due from a director		**1,337**	35,880
Amounts due from related companies		**800**	130,938
Tax recoverable		**688**	–
Pledged bank deposit		**65,453**	–
Bank balances and cash		**37,321**	6,308
		236,243	287,930
Current liabilities			
Trade payables	*13*	**19,186**	35,277
Other payables and accrued charges		**6,489**	19,603
Contract liabilities		**7,976**	–
Amount due to a related company		**–**	6,463
Tax payable		**41**	934
Bank borrowings		**137,702**	136,834
		171,394	199,111
Net current assets		**64,849**	88,819
Total assets less current liabilities		**88,072**	110,158
Capital and reserves			
Share capital	*14*	**20,000**	–
Reserves		**67,901**	109,962
Equity attributable to owners of the Company		**87,901**	109,962
Non-controlling interests		**171**	196
Total equity		**88,072**	110,158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

MOS House Group Limited (the "**Company**") was incorporated in the Cayman Islands on 25 September 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, and was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 3 February 2016. The Company was formerly known as RBMS Group Limited. Its name changed to MOS House Group Limited on 25 January 2018. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is located at 50/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong. The Company's shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 19 October 2018 (the "**Listing Date**").

The Company is an investment holding company and its subsidiaries are principally engaged in trading tiles in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

The Company and its subsidiaries (collectively referred to as the "**Group**") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" in advance of the effective date, i.e. 1 April 2019.

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded Hong Kong Accounting Standards ("HKAS") 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits or other components of equity and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from sales of tiles and bathroom fixtures and related delivery services in Hong Kong which arise from contracts with customers.

Summary of effects arising from initial application of HKFRS 15

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018
		HK$'000	*HK$'000*	*HK$'000*
Current liabilities				
Other payables and accrued charges	*(a)*	19,603	(7,576)	12,027
Contract liabilities	*(a)*	–	7,576	7,576

Note:

(a) As at 1 April 2018, advances from customers of HK$7,576,000 in respect of sales of tiles and bathroom fixtures contracts previously included in other payables and accrued charges were reclassified to contract liabilities.

There is no material impact on the revenue recognition on the timing and amounts of revenue recognised upon the application of HKFRS 15 on 1 April 2018.

2.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments", Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) expected credit losses ("ECL") for financial assets and financial guarantee contracts; and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	**Amortised cost (previously classified as loans and receivables)** *HK$'000*	**Payments for life insurance policies** *HK$'000*	**Deferred tax assets** *HK$'000*	**Retained profits** *HK$'000*
Closing balance at 31 March 2018 — HKAS 39		212,299	–	788	109,945
Reclassification					
From loans and receivables	*(a)*	(5,897)	5,897	–	–
Remeasurement					
Impairment under ECL model	*(b)*	(1,844)	–	304	(1,540)
Opening balance at 1 April 2018		204,558	5,897	1,092	108,405

Notes:

(a) Under HKAS 39, payments for life insurance policies are measured at amortised cost. Since 1 April 2018, payments for life insurance policies are stated in the consolidated statement of financial position at cost adjusted for interest income and service charges, less impairment losses, if any.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables from distributors located in the People's Republic of China ("PRC Distributors") and trade receivables with aggregated outstanding balances exceeding HK$1,000,000 have been assessed individually, while remaining trade receivables have been assessed collectively using a provision matrix grouped with past due status as at 1 April 2018. As at 1 April 2018, the allowance for credit losses of HK$1,844,000 has been recognised against retained profits. The allowance for credit losses is charged against the allowance account. The deferred tax assets increased by HK$304,000.

Loss allowances for other financial assets at amortised cost mainly comprise of deposits and other receivables, amounts due from a director and related companies and bank balances are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition. In the opinion of the directors of the Company, the ECL on these financial assets are insignificant on 1 April 2018.

All loss allowance for trade receivables as at 31 March 2018 reconciled to the opening allowance for credit losses or trade receivables as at 1 April 2018 is as follows:

	HK$'000
At 31 March 2018 — HKAS 39	–
Amounts recognised through opening retained profits	1,844
At 1 April 2018	1,844

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for HKFRS 16, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements in the foreseeable future. For details of the effect of HKFRS 16, please refer to note 2 to the consolidated financial statements included in the annual report to be dispatched.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

For details of the principal accounting policies adopted by the Group, please refer to note 3 to the consolidated financial statements included in the annual report to be dispatched.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of expected credit losses ("ECL") for trade receivables

Upon the initial application of HKFRS 9 since 1 April 2018, the management of the Group measures lifetime ECL of the trade receivables based on (i) trade receivables with customers located in the People's Republic of China ("**PRC Distributors**") and trade receivables with aggregate significant balances exceeding HK$1,000,000 and credit-impaired trade receivables that are assessed individually; and (ii) remaining trade receivables that are based on provision matrix through grouping of past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the past due status of the debtors and are adjusted for forward-looking information. The assessment of credit risk of trade receivables involves high degree of estimation uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly in future periods.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 16 and 33 to the consolidated financial statements included in the annual report to be dispatched, respectively. The carrying amount of trade receivables is HK$46,557,000 (net of allowances for credit losses of HK$4,236,000) as at 31 March 2019.

Net realisable value of inventories

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

The carrying amounts of inventories are HK$75,272,000 (2018: HK$73,398,000) as at 31 March 2019.

5. REVENUE AND SEGMENTAL INFORMATION

(A) Revenue

For the year ended 31 March 2019

Disaggregation of revenue was disclosed as follows:

	2019
	HK$'000
Types of products:	
— Porcelain tiles	**144,254**
— Ceramic tiles	**4,769**
— Mosaic tiles	**4,072**
— Bathroom fixtures and others	**13,599**
	166,694
Geographical market by location of delivery:	
Hong Kong	**166,694**
Timing of revenue recognition:	
At a point in time	**166,694**
Sales channel:	
Retail	**128,786**
Other	**37,908**
	166,694

The Group makes sales transactions of tiles and bathroom fixtures with customers both through its own retail outlets and other channels.

Revenue is recognised when control of the products has been transferred to the customers, being at the point the customers purchased and took the goods at the retail outlets directly or being when the goods have been delivered to the customers' specific location. Transportation and other related activities that occurred before customers obtained control of the related products are considered as fulfilment activities. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group generally does not grant any credit period to retail customers. Credit period of 30 to 180 days are granted to non-retail customers with bulk purchases (including the PRC Distributors). The transaction price received by the Group for goods that require delivery is recognised as a contract liability until the goods have been delivered to the customer.

The Group applies practical expedient of HKFRS 15 which allows the Group not to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period because the performance obligation is part of a contract that has an original expected duration of one year or less.

For the year ended 31 March 2018

Revenue represents the fair value of amounts received and receivable from the sales of goods by the Group to outside customers, net of discount.

The following is an analysis of the Group's revenue from its major products:

	2018
	HK$'000
Porcelain tiles	173,997
Ceramic tiles	5,661
Mosaic tiles	5,275
Bathroom fixtures and others	5,906
	190,839

(B) Segmental information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of goods delivered. The Group's property, plant and equipment amounting of HK$4,495,000 (2018: HK$3,780,000), as at 31 March 2019, are all located in Hong Kong by physical location of assets. Payments for the insurance policies of HK$6,070,000 as at 31 March 2019 and deposits and prepayments of HK$11,086,000 (2018: HK$10,874,000) as at 31 March 2019 are located in Hong Kong by the location of the counterparties.

Information about major customers

No individual customer was accounted for over 10% of the Group's total revenue during both years.

6. OTHER INCOME/OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Other income		
Income from government fund	**–**	286
Compensation income	**–**	37
Interest income from bank deposits	**657**	–
Others	**331**	178
	988	501

	2019	2018
	HK$'000	*HK$'000*
Other gains and losses		
Net exchange gain (loss)	**2,821**	(4,832)
Loss on written-off of property, plant and equipment	**(17)**	(9)
	2,804	(4,841)

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**4,445**	4,240

8. PROFIT BEFORE TAXATION

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,050**	500
Directors' emoluments	**4,859**	3,802
Other staff costs:		
Salaries and other benefits	**18,003**	16,870
Retirement benefits scheme contributions	**732**	698
Total staff costs	**23,594**	21,370
Operating lease rentals in respect of rented premises	**50,066**	47,668
Listing expenses (included in other expenses)	**9,168**	9,051

9. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	**3,647**	5,908
Overprovision in prior years	**(84)**	(61)
Deferred tax:		
Credit for the year	**(480)**	(309)
	3,083	5,538

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 ("**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

10. DIVIDEND

No dividends have been paid or declared by the Company during the year ended 31 March 2018.

On 10 September 2018, the Company declared dividends of HK$109,000,000 (HK$109,000,000 per share) to the then sole shareholder of the Company. The dividends were settled through the amounts due from a director and related companies under the instruction by Mr. Tso.

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 March 2019.

11. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of calculating basic earnings per share (Profit for the year attributable to owners of the Company)	**5,824**	17,077
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,724,658**	1,500,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue as described in note 14 had been effective on 1 April 2017.

No diluted earnings per share for both years was presented as there were no potential ordinary shares in issue during both years.

12. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Total gross carrying amount	**50,793**	32,820
Less: allowance for credit losses	**(4,236)**	–
Total	**46,557**	32,820

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers amounted to HK$46,557,000 and HK$30,976,000 respectively.

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

The following is an ageing analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting periods.

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**11,713**	10,235
31–60 days	**396**	4,324
61–90 days	**992**	6,431
91–120 days	**797**	6,678
Over 120 days	**32,659**	5,152
	46,557	32,820

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$35,213,000 which are past due as at the reporting date. Out of the past due balances, HK$30,149,000 has been past due 90 days or more and is not considered as in default. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information to those customers, the management of the Group does not consider these trade receivables as credit impaired as these customers have a good business relationship with the Group and recurring overdue records of these customers with satisfactory settlement history.

13. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**19,186**	35,277

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:

	Trade payables As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
0–30 days	**6,480**	16,335
31–60 days	**1,524**	1,246
61–90 days	**5,358**	3,566
91–120 days	**1,340**	3,815
121–180 days	**2,379**	6,170
Over 180 days	**2,105**	4,145
	19,186	35,277

14. SHARE CAPITAL

The share capital as at 1 April 2017, 31 March 2018 and 31 March 2019 represented the share capital of the Company with the details as follows:

	Number of shares	Amount	
		HK$	*HK$'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 April 2017 and 31 March 2018	38,000,000	380,000	380
Increase in authorised share capital *(note i)*	4,962,000,000	49,620,000	49,620
At 31 March 2019	5,000,000,000	50,000,000	50,000
Issued and fully paid:			
At 1 April 2017 and 31 March 2018	1	–	–
Capitalisation issue *(note ii)*	1,499,999,999	15,000,000	15,000
Issue of shares *(note iii)*	500,000,000	5,000,000	5,000
At 31 March 2019	2,000,000,000	20,000,000	20,000

Notes:

(i) On 20 September 2018, the authorised share capital of the Company was further increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 shares of HK$0.01 each by the creation of further 4,962,000,000 shares pursuant to a resolution passed by the shareholders of the Company.

(ii) On 19 October 2018, 1,499,999,999 shares of the Company were issued to the then sole shareholder of the Company as of the date of passing of the relevant resolution on a pro-rata basis through capitalisation of HK$15,000,000 standing to the credit of share premium account of the Company.

(iii) The shares of the Company have been listed on the Stock Exchange by way of share offer on 19 October 2018. 500,000,000 shares of the Company were issued at an offer price of HK$0.19 per share.

All issued shares of the Company rank pari passu in all respects with each other.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a retailer and supplier of overseas manufactured tiles in Hong Kong, specialising in high-end European imported porcelain, ceramic and mosaic tiles. The Group bases its operations vastly on retail business of overseas manufactured tiles and, to a lesser extent, bathroom fixtures in Hong Kong. As at 31 March 2019, the Group operated 19 retail shops, all strategically located at prime retail locations in Hong Kong for home improvement, remodelling and furnishing materials. Apart from retail sale, the Group also supplies tile products on project basis for large-scale property development projects and residential and commercial property renovation projects principally in Hong Kong and Macau, and sells tiles and bathroom fixtures to distributors located in the PRC, respectively.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2019, the Group recorded a total revenue of approximately HK$166.7 million, representing a decrease of approximately 12.7% as compared to approximately HK$190.8 million for the year ended 31 March 2018. Such decrease was mainly due to, among others, the general downtrend of the Hong Kong property market since mid-2018, which has further worsened since October 2018 as a result of the intensifying and increasingly gloominess of the situation of the China-US trade war, leading to the sluggish economies in Hong Kong and China since then and consequently, negatively affected the investment and consumption sentiments of the general public.

The Group's revenue was mainly derived from the sale of tile products (including porcelain, ceramic and mosaic tiles), which accounted for approximately 91.8% and 96.9% of the Group's total revenue for the years ended 31 March 2019 and 2018 respectively; and the remaining represented the sales of bathroom fixtures and other products.

In terms of sales channels, the Group's revenue was mainly derived from retail sales which accounted for approximately 77.3% and 75.6% of the Group's total revenue for the years ended 31 March 2019 and 2018 respectively; and the remaining mainly represented revenue from sales to project customers and PRC distributors.

Gross profit and product margin

The Group's gross profit (i.e. revenue minus cost of inventories sold) amounted to approximately HK$118.3 million for the year ended 31 March 2019, representing a decrease of approximately 10.3% from approximately HK$131.8 million for the year ended 31 March 2018, which was mainly due to the decrease in revenue. Nevertheless, the overall product margin improved from approximately 69.1% for the year ended 31 March 2018 to approximately 71.0% for the year ended 31 March 2019. Such improvement of product margin was mainly due to the general depreciation of Euro against HK$ during the year under review which saved the Group's overall purchase costs, as well as the fact that the relevant cost of inventories in respect of certain tile products sold to PRC distributors during the year ended 31 March 2019 had been substantially written-off in prior years, resulting in minimal cost of inventories sold in respect of the relevant sales.

Net impairment losses on trade receivables

For the year ended 31 March 2019, the Group adopted the newly effective accounting standard HKFRS 9 "Financial Instruments" in relation to the impairment assessment of trade receivables, and resulted in the record of net impairment losses on trade receivables of approximately HK$2.4 million. Please refer to note 2.2 to the consolidated financial statements in this announcement for details and summary of effects arising from initial application of HKFRS 9.

Staff costs

Staff costs for the year ended 31 March 2019 was approximately HK$23.6 million, representing an increase of approximately 10.4% as compared to approximately HK$21.4 million for the year ended 31 March 2018. Such increase was mainly due to additional remuneration for newly employed directors and increase in salaries for senior management staff in connection with the listing of the Company, as well as the payment of bonus upon the successful listing of the Company.

Property rentals and related expenses

The Group's property rentals and related expenses mainly comprised rentals for its retail shops and warehouse. Property rentals and related expenses for the year ended 31 March 2019 was approximately HK$52.7 million, representing an increase of approximately 5.1% as compared to approximately HK$50.2 million for the year ended 31 March 2018. Such increase was mainly due to the rental increment of certain retail shops upon rental renewal, as well as the rental incurred for two new retail shops opened during the year under review.

Other expenses

The Group's other expenses mainly consisted of listing expenses, transportation and delivery expenses, bank charges and utilities. Excluding the listing expenses of approximately HK$9.2 million and HK$9.1 million for the years ended 31 March 2019 and 2018 respectively, the Group's other expenses would be approximately HK$19.1 million and HK$17.0 million for the respective periods, representing an increase of approximately 12.4% which was mainly due to the increase in expenses incurred for outsourced inventory management and logistics services by approximately HK$1.3 million.

Profit attributable to owners of the Company

For the year ended 31 March 2019, the Group's profit attributable to owners of the Company was approximately HK$5.8 million, representing a decrease of approximately HK$11.3 million or 65.9% from approximately HK$17.1 million for the year ended 31 March 2018. Such decrease was mainly due to (i) decrease in gross profit by approximately HK$13.5 million as a result of decrease in revenue; (ii) increase in staff costs, property rentals and related expenses and other operating expenses by an aggregate of approximately HK$7.0 million; which is partly offset by (iii) the turnaround of a net exchange loss of approximately HK$4.8 million recorded for the year ended 31 March 2018 to a net exchange gain of approximately HK$2.8 million recorded for the year ended 31 March 2019; and (iv) decrease in taxation expenses by approximately HK$2.5 million.

Liquidity, financial resources and capital structure

Capital structure

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its Shareholders and to maintain an optimal capital structure to reduce the cost of capital.

As at 31 March 2019, the Group's pledged bank deposit and cash and cash equivalents aggregated to approximately HK$102.8 million (31 March 2018: approximately HK$6.3 million), including approximately HK$102.3 million denominated in Hong Kong dollars and approximately HK$0.5 million denominated in Euro, US dollars and Renminbi. The increase was mainly due to the net proceeds raised from the Share Offer upon the listing of the shares of the Company.

Indebtedness and banking facilities

As at 31 March 2019, the Group had bank borrowings of approximately HK$137.7 million, comprising approximately HK$133.6 million denominated in Hong Kong dollars and approximately HK$4.1 million denominated in Euro, which carried floating rates of Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1.0% to 4.0% or a spread below Prime Rate/ Standard Bills Rate quoted by the banks per annum. As at 31 March 2019, bank borrowings of approximately HK$132.8 million were secured by the pledge of properties owned by certain related companies, pledged bank deposit of HK$65.5 million, payments for life insurance policies of the Group, corporate guarantees from certain related companies and personal guarantee from a Director. The remaining unsecured bank borrowing of HK$4.9 million was guaranteed by a group entity. As at the date of this announcement, the Company was in the progress to release the pledge of properties owned by the related companies, corporate guarantee from related companies and personal guarantee from a Director.

As at 31 March 2019, the Group's gearing ratio was approximately 1.6 times, which is calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company as at 31 March 2019 and multiplied by 100%. The Directors, taking into account the nature and scale of operations of the Group, and capital structure of the Group upon the listing, considered that the gearing ratio as at 31 March 2019 was reasonable.

Foreign exchange exposure

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

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

For the years ended 31 March 2019 and 2018, the Group recorded net exchange gains of approximately HK$2.8 million and net exchange losses of approximately HK$4.8 million, respectively. During both years, the Group had not used any financial instruments for hedging purposes. The Group currently does not have any foreign currency hedging policy. However, the Group's management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

Securities in issue

As at 31 March 2019, there were 2,000,000,000 ordinary shares in issue. Save for the issue of shares during the Reorganisation and capitalisation of shares and upon the Share Offer as detailed in the Prospectus and note 14 to the consolidated financial statements in this announcement, there was no other movement in the issued share capital of the Company during the year ended 31 March 2019.

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

There was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 March 2019. Save as disclosed in this announcement, there was no plan for material investment or capital assets as at 31 March 2019.

Commitments

As at 31 March 2019, the Group had outstanding contracted capital commitments in respect of property, plant and equipment of approximately HK$0.4 million (31 March 2018: approximately HK$0.4 million).

Charge on assets

As at 31 March 2019, the Group pledged its bank deposit and payments for life insurance policies of approximately HK$65.5 million and HK$4.0 million, respectively, as securities for the Group's bank borrowings. Save as disclosed above, the Group did not have any charge over its assets.

Contingent liabilities

As at 31 March 2019, the Group had contingent liabilities in respect of corporate guarantees in the aggregate amount of approximately HK$106.6 million (31 March 2018: approximately HK$183.8 million) provided to banks in relation to the granting of banking facilities to certain related companies. As at the date of this announcement, the Group was in the progress of negotiation with the banks for the release of the guarantees provided by the Group.

Employees and remuneration policies

The Group had approximately 75 employees as at 31 March 2019. The Group's staff cost, including Directors' emoluments, was approximately HK$23.6 million and HK$21.4 million for the years ended 31 March 2019 and 2018, respectively. The remuneration policy of the Group is based on merit, performance and individual competence.

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

The remuneration committee of the Board reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the share option scheme adopted by the Company on 20 September 2018. During the years ended 31 March 2019 and 2018, no share option was granted to the participants pursuant to such scheme.

Dividend

The Directors do not recommend any payment of a final dividend for the year ended 31 March 2019 (2018: nil).

Prospects

The successful listing of the Company on the Main Board of the Stock Exchange in October 2018, marks a major milestone as well as a new chapter of the Group. Due to the uncertainties of the Hong Kong economy, the Directors anticipate that the Group's business will face various challenges in the foreseeable future. The Directors consider that there are certain risks involved in the Group's operations. The most significant risks that the Group is facing include: (i) the Group's business and results of operations being susceptible to fluctuations in the market prices and demand for tiles; (ii) the Group's success being dependent on its ability to respond to changes in consumer preferences, perception or consumption patterns; (iii) the Group being affected by the level of demand in the real estate development industry; (iv) economic downturn and adverse market conditions in Hong Kong and the PRC; (v) disruptions in relationships with the Group's suppliers; and (vi) the Group being exposed to foreign currency exchange fluctuations.

Besides, the Directors consider the Hong Kong economy and the retailing industry are currently affected by certain international and local political issues, including the China-US trade war and the Brexit, as well as the recent controversial issue about the extradition law in Hong Kong, which render the Group's business being vulnerable to the relevant development and outcomes.

Nonetheless, the management is confident of the Group's long-term development and ability to enhance Shareholders' value. The Group aims to maintain and further strengthen its position as the market leader in the overseas manufactured tile retailing industry in Hong Kong by (i) strengthening the Group's leading position in Hong Kong; (ii) expanding its product mix and enhancing the diversity of its product offerings; (iii) pursuing strategic acquisition opportunities; and (iv) expanding its sales network in the PRC market.

Comparison of business plan with actual business progress

The following is a comparison of the Group's business objectives as set out in its Prospectus and the business progress up to 31 March 2019:

		Business objectives up to 31 March 2019 as stated in the Prospectus	Business progress up to 31 March 2019
1.	Progressive expansion in the retail network in Hong Kong	The Group planned to open a new shop in Wanchai and a new shop in Mongkok	The Group opened a new shop in Wanchai in the first quarter of 2019.
2.	Meeting minimum purchase commitment under new exclusive distribution rights with well-known European tiles, bathroom fixtures and wooden flooring manufacturers of brands which are considered to have potential in Hong Kong	(i) The Group will conduct market research to gain a better understanding of the product trend, the customer's behaviour, preference and taste of two European brands of tile products. The Group plans to obtain product samples from the two European manufacturers and display in its retail shops or submit in project tenders for feedback from the market. If the products are well received by the market, the Group expects to negotiate the exclusive distribution agreement with the relevant manufacturers in the fourth quarter of 2018 and commence the exclusive distribution right in the first quarter of 2019.	The Group entered into an exclusive distribution agreement with one European tile supplier in the fourth quarter of 2018 and placed orders with the supplier since then.

Business objectives up to 31 March 2019 as stated in the Prospectus	Business progress up to 31 March 2019
(ii) The Group will conduct market research to gain a better understanding of the product trend, the customer's behaviour, preference and taste of the imported bathroom fixtures market. The Group plans to obtain product samples for display and market's feedback in the second half of 2018. If the products are well received by the market, the Group expects to negotiate the exclusive distribution agreement with the relevant manufacturers in the fourth quarter of 2018 and commence the exclusive distribution right in the second quarter of 2019.	The Group opened two new retail shops in the third quarter of 2018 and the first quarter of 2019, respectively, which mainly sell bathroom fixtures and facilitate the Group's assessment of customers' demand and preference for certain newly launched bathroom fixtures. The Group was yet to enter into exclusive distribution agreement with the relevant manufacturers.
(iii) The Group will conduct market research to gain a better understanding of the product trend, the customer's behaviour, preference and taste of the imported wooden flooring market. The Group plans to obtain product samples for display and market's feedback during 2019. If the products are well received by the market, the Group expects to negotiate the exclusive distribution agreement with the relevant manufacturers in the fourth quarter of 2019 and commence the exclusive distribution right in the second quarter of 2020.	The Group has yet to commence market research on wooden flooring products.

	Business objectives up to 31 March 2019 as stated in the Prospectus	Business progress up to 31 March 2019
3. Pursue strategic acquisition of retailers of overseas manufactured bathroom products and/or tile products	Identifying and evaluating any potential target and conducting preliminary market research on the product portfolios of the Group's competitors. If synergies could be created by the potential acquisitions, the Group expects to perform pre-acquisition due diligence and commence negotiations in the first half of 2019, and enter into formal agreement in the second half of 2019.	The Group was in the progress of identifying and evaluating potential targets. Yet, no specific acquisition targets had been identified, nor had the Group commenced any negotiation with any party or entered into any letter of intent or agreement for any potential acquisition.

During the year under review, the Directors considered the Hong Kong economy, including the properties market and the retailing industry, was uncertain and sluggish, and was affected by certain external factors such as the development of the China-US trade war and the Brexit. As such, the Group was more cautious on the implementation of its expansion plan and resulted in the above deviation of actual business progress as compared to the stated business objectives. Going forward, depending on the stability of the market situation and other relevant external factors, the implementation of the Group's business plan may be slowed down at a moderate pace.

Use of proceeds from the Listing

The shares of the Company (the "**Shares**") were listed on the Stock Exchange on 19 October 2018 (the "**Listing Date**") with net proceeds received by the Company from the placing in the amount of approximately HK$86.1 million after deducting underwriting commissions and all related expenses.

As at 31 March 2019, the net proceeds from the Share Offer were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 March 2019 (Note 1) *HK$'000*	Actual use of proceeds up to 31 March 2019 *HK$'000*
Progressive expansion of retail network in Hong Kong	6.3	2.6
Meeting minimum purchase commitment under new exclusive distribution rights	4.2 (Note 2)	1.0
Strategic acquisition opportunities	–	–

Notes:

1. The amounts of planned use as stated in the Prospectus are adjusted on a pro-rata basis as below based on the actual amount of net proceeds received by the Company.

2. The planned amount up to 31 March 2019 represents a proportional amount based on the assumption that the annual minimum purchase commitment will be evenly met over a year.

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

As at 31 March 2019, approximately HK$3.6 million out of the net proceeds from the Listing had been used. The unused net proceeds were deposited in licensed banks in Hong Kong.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly review the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 March 2019 and up to the date of this announcement, each of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") in Appendix 14 of the Listing Rules. Since the Listing Date and up to 31 March 2019 (the "**Reporting Period**"), to the best knowledge of the Board and after the review of the Company's performance of its corporate governance practices, the Company has complied with all the applicable code provisions set out in the Code, except for deviation as specified with considered reasons for such deviation as explained below.

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

During the Reporting Period, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Tso is the chairman and also the chief executive officer of the Company and is responsible for overseeing the operations of the Group during such period. In view of the present composition of the Board, Mr. Tso's in-depth knowledge and experience in the industry in which the Group operates and his familiarity with the operations of the Group, the Company believes that it is in the best interest of the Group for Mr. Tso to assume both roles as the Chairman and the chief executive officer of the Company. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions upon the listing. Following specific enquiries by the Company, all Directors had confirmed that they had complied with the Model Code throughout the Reporting Period.

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

The Company's shares have been listed on the Stock Exchange since 19 October 2018. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

SHARE OPTION SCHEME

On 20 September 2018, the Company adopted a share option scheme (the "**Scheme**") conditional upon the listing of the Company's shares on the Stock Exchange. The Scheme became effective on the Listing Date. No share option has been granted since the adoption up to 31 March 2019 and no share options were outstanding under the Scheme as at 31 March 2019.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any important event requiring the disclosure that has been taken place subsequent to 31 March 2019 and up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

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

The consolidated financial statements of the Group for the year ended 31 March 2019 have been reviewed by the Audit Committee and have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu.

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

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rbmsgroup.com). The annual report of the Company for the year ended 31 March 2019 containing all the information required by the Listing Rules will be dispatched to the Shareholders and posted on the above websites in due course.

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

Hong Kong, 21 June 2019

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

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