MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1653)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of MOS House Group Limited (the "**Company**") presents the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2019 together with the comparative figures of the last corresponding period in 2018. 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 2019

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**76,480**	97,000
Other income		**475**	120
Other gains	*4*	**41**	2,125
Cost of inventories sold		**(23,100)**	(29,663)
Staff costs		**(10,714)**	(10,795)
Depreciation on property, plant and equipment		**(761)**	(1,361)
Depreciation on right-of-use assets		**(24,293)**	–
Property rentals and related expenses		**(1,492)**	(26,032)
Other expenses		**(8,255)**	(15,359)
Finance costs	*5*	**(5,404)**	(2,247)
Profit before taxation	*6*	**2,977**	13,788
Taxation	*7*	**(683)**	(3,247)
Profit and total comprehensive income for the period		**2,294**	10,541
Profit(loss) and total comprehensive income(expenses) for the period attributable to:			
Owners of the Company		**2,349**	10,415
Non-controlling interests		**(55)**	126
		2,294	10,541
Earnings per share			
— Basic (HK cents)	*8*	**0.12**	0.69

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**4,675**	4,495
Right-of-use assets		**87,161**	–
Deferred tax assets		**1,727**	1,572
Deposits and prepayments		**17,785**	17,156
		111,348	23,223
Current assets			
Inventories		**77,510**	75,272
Trade receivables	*10*	**46,126**	46,557
Deposits, prepayments and other receivables		**4,065**	8,815
Amount due from a director	*11*	**1,353**	1,337
Amounts due from related companies		**–**	800
Tax recoverable		**1,269**	688
Pledged bank deposit		**65,453**	65,453
Bank balances and cash		**19,566**	37,321
		215,342	236,243
Current liabilities			
Trade payables	*12*	**17,350**	19,186
Other payables and accrued charges		**6,523**	6,489
Lease liabilities		**44,649**	–
Contract liabilities		**11,258**	7,976
Tax payable		**41**	41
Bank borrowings	*13*	**112,659**	137,702
		192,480	171,394
Net current assets		**22,862**	64,849
Total assets less current liabilities		**134,210**	88,072
Non-current liabilities			
Lease liabilities		**43,844**	–
Net assets		**90,366**	88,072
Capital and reserves			
Share capital	*14*	**20,000**	20,000
Reserves		**70,250**	67,901
Equity attributable to owners of the Company		**90,250**	87,901
Non-controlling interests		**116**	171
Total equity		**90,366**	88,072

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 25 September 2015. 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**").

The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 50/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong, respectively.

The Group is a retailer and supplier of overseas manufactured tiles in Hong Kong, specializing in high-end European imported porcelain, ceramic and mosaic tiles.

BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 September 2019 ("**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Interim Financial Statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate. The Interim Financial Statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2. PRINCIPAL ACCOUNTING POLICIES AND CHANGES IN 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 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 April 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015–2017 Cycle

Other than as further explained below regarding HKFRS 16 "Leases", the new and revised HKFRSs do not have material impact on the Interim Financial Statements.

The Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparative figures for the last reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new requirements under HKFRS 16 are therefore recognized in the opening statement of financial position on 1 April 2019.

Adjustments recognized on adoption of HKFRS 16 "Leases"

Upon the adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the Group's lease liabilities on 1 April 2019 was 5.825%.

	At 1 April 2019 *HK$'000*
Operating lease commitments disclosed as at 31 March 2019	98,227
Add: Lease liabilities resulting from lease modifications of existing leases *(note)*	21,833
	120,060
Lease liabilities relating to operating lease recognised upon application of HKFRS 16 and as at 1 April 2019	111,454
Of which are:	
Current lease liabilities	46,180
Non-current lease liabilities	65,274
	111,454

Note: The Group renewed the leases of certain shops by entering into new lease contracts which commence after date of initial application. These new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

In applying HKFRS 16 "Leases" for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease which already existed prior to the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and IFRIC 4 "Determining whether an arrangement contains a lease".

As a lessee, the Group's leases are mainly rentals of offices, warehouses and retail shops. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The following table shows the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included.

Condensed consolidated statement of financial position (extract)	**Carrying amount as at 31 March 2019**	**Impacts of adoption of HKFRS 16 "Lease"**	**Carrying amount as at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)
NON-CURRENT ASSETS			
Right-of-use assets	–	111,454	111,454
CURRENT LIABILITIES			
Lease liabilities	–	46,180	46,180
NON-CURRENT LIABILITIES			
Lease liabilities	–	65,274	65,274

3. REVENUE AND SEGMENT INFORMATION

(A) Revenue

Disaggregation of revenue was disclosed as follows:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Type of products:		
Tiles	**74,084**	95,263
Bathroom fixtures and others	**2,396**	1,737
	76,480	97,000
Geographical market by location of delivery:		
Hong Kong	**76,480**	97,000

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

(B) Segmental information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) reviews the overall results and financial position of the Group as a whole. 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.

Information about major customers

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

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other gains and losses		
Net exchange gain	**41**	2,142
Loss on written-off of property, plant and equipment	**–**	(17)
	41	2,125

5. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**2,435**	2,247
Interest on lease liabilities	**2,969**	–
	5,404	2,247

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Directors' emoluments	**2,496**	1,963
Other staff costs:		
Salaries and other benefits	**7,823**	8,476
Retirement benefits scheme contributions	**394**	356
Total staff costs	**10,713**	10,795
Allowance for credit losses	**511**	–
Operating lease rentals in respect of rented premises	**–**	24,199
Listing expenses (included in other expenses)	**–**	6,229

7. TAXATION

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
Current period	**837**	3,396
Deferred tax:		
Credit for the period	**(154)**	(149)
	683	3,247

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods, except that under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations is taxed at 8.25%, and profits above HK$2,000,000 is taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of calculating basic earnings per share *(HK$'000)*	**2,349**	10,415
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,000,000,000**	1,500,000,000

No diluted earnings per share is presented as there were no potential ordinary shares in issue during both periods.

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

10. TRADE RECEIVABLES

	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Total gross carrying amount	**50,873**	50,793
Less: allowance for credit losses	**(4,747)**	(4,236)
Total	**46,126**	46,557

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

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

	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
0–30 days	**19,308**	11,713
31–60 days	**210**	396
61–90 days	**937**	992
91–120 days	**258**	797
Over 120 days	**25,413**	32,659
	46,126	46,557

11. AMOUNT DUE FROM A DIRECTOR

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

12. TRADE PAYABLES

The credit period on purchases of goods is 90 to 180 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting periods.

	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
0–30 days	**947**	6,480
31–60 days	**4,679**	1,524
61–90 days	**3,495**	5,358
91–120 days	**1,753**	1,340
121–180 days	**5,161**	2,379
Over 180 days	**1,315**	2,105
	17,350	19,186

13. BANK BORROWINGS

As at 30 September 2019, bank borrowings of HK$110,209,000 were secured by the properties owned by certain related companies, the Group's pledged bank deposit of HK$65,453,000 and payments for life insurance policies with carrying amount of HK$4,040,000 as at 30 September 2019, corporate guarantee from certain related companies and personal guarantee from Mr. Tso. The remaining unsecured bank borrowing of HK$2,450,000 was guaranteed by a group entity. 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 Mr. Tso as at the date of approval of the Interim Financial Statements.

14. SHARE CAPITAL

	Number of shares	**Amount** *HK$*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2017 and 31 March 2018	38,000,000	380,000
Increase in authorised share capital *(note i)*	4,962,000,000	49,620,000
At 31 March 2019 and 30 September 2019	5,000,000,000	50,000,000
Issued and fully paid:		
At 1 April 2017 and 31 March 2018	1	–
Capitalisation issue *(note ii)*	1,499,999,999	15,000,000
Issue of shares *(note iii)*	500,000,000	5,000,000
At 31 March 2019 and 30 September 2019	2,000,000,000	20,000,000

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.

15. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Interim Financial Statements, the Group had the following transactions with its related parties during the six months ended 30 September 2018 and 2019:

Names of related companies	Nature of transactions	Six months ended 30 September **2019** *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Cyber Building Limited ("**Cyber Building**")	Rental expenses	**3,180**	3,180
Denmark Investments Limited	Rental expenses	**1,680**	1,680
Happy Gear Limited ("**Happy Gear**")	Rental expenses	**1,260**	1,260
Fortune Goldman Limited	Rental expenses	**2,460**	2,460
Asian Wealth Limited	Rental expenses	**–**	900
		8,580	9,480

During the six months ended 30 September 2019, Mr. Tso provided several guarantees to guarantee the payment and due performance of tenancy agreements to the landlords.

During the six months ended 30 September 2018 and 2019, the Group provided corporate guarantee to banks for general banking facilities granted to certain related companies. Details are disclosed in note 16.

Compensation of key management personnel

The key management personnel of the Group represents the Directors, whose remunerations are disclosed in note 6.

16. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

On 29 February 2012, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$28,500,000 to Cyber Building for a maturity period of 15 years. The banking facilities are also pledged by a premise in Hong Kong owned by Cyber Building. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner Consultancy & Appraisals Limited ("**Access Partner**"). The initial fair value of this financial guarantee was insignificant. As at 30 September 2019, Cyber Building has utilised the banking facilities of approximately HK$15,573,000 (31 March 2019: HK$16,512,000). During both periods, there is no default payment by Cyber Building.

On 17 April 2013, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$47,500,000 to Happy Gear for a maturity period of 20 years. The banking facilities are also pledged by a premise in Hong Kong owned by Happy Gear. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 30 September 2019, Happy Gear has utilised the banking facilities of approximately HK$33,361,000 (31 March 2019: HK$34,385,000). During both periods, there is no default payment by Happy Gear.

On 16 April 2014, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$26,000,000 to Wealth Goldman Limited ("**Wealth Goldman**") for a maturity period of 12 years. The banking facilities are also pledged by a premise in Hong Kong owned by Wealth Goldman. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 30 September 2019, Wealth Goldman has utilised the banking facilities of approximately HK$15,558,000 (31 March 2019: HK$16,564,000). During both periods, there is no default payment by Wealth Goldman.

On 17 October 2016, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$10,000,000 to Cyber Building for a maturity period of 20 years. The banking facilities are also pledged by a premise in Hong Kong owned by Cyber Building. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 30 September 2019, Cyber Building has utilised the banking facilities of approximately HK$8,853,000 (31 March 2019: HK$9,093,000). During both periods, there is no default payment by Cyber Building.

On 4 October 2018, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK$50,000,000 to Wealth Goldman for a maturity period of 2 months and rollover (the "**Wealth Goldman Guarantee**"). The banking facilities are also pledged by a premise in Hong Kong owned by Wealth Goldman. The initial fair value of this financial guarantee was insignificant according to assessment performed by the management of the Company. As at 31 March 2019, Wealth Goldman has utilised the banking facilities HK$30,000,000. During both periods, there is no default payment by Wealth Goldman. During the period, Wealth Goldman fully settled the outstanding balance and this guarantee has been released.

As at 30 September 2019, the Group was in the progress of actively negotiating with the banks for the release of the guarantees provided by the Group which remained outstanding.

Prior to the Listing and as disclosed in the Prospectus, the guarantees provided by the Group (including those which had been released prior to 30 September 2019 and not disclosed above, collectively the "**Guarantees**") were made pursuant to the respective cross guarantee arrangements between the Group and the related companies to secure the related companies' bank borrowings, and were reciprocated by the provision of guarantees by Mr. Tso (an executive Director and a controlling shareholder of the Company) and the related companies, and the pledge of certain properties owned by the related companies to secure certain Group's bank borrowings (the "**Related Companies Guarantees**"). Based on the communications with the relevant banks and the in-principle consent letters obtained by the Group prior to the Listing, the Company was given to understand that the Guarantees would be released and the Related Companies Guarantees would be released and replaced by a corporate guarantee provided by the Company upon Listing. As such, the Directors confirmed in the Prospectus that the Guarantees and the Related Companies Guarantees would be released upon Listing.

Nevertheless, the Guarantees provided by the Group were not released upon Listing due to circumstances which were unexpected prior to the Listing. Whilst the management of the Group had been actively negotiating with the banks for the release of the Guarantees and the Related Companies Guarantees upon Listing, based on the communication with the banks, the Company was given to understand that with the tightening of lending policies and regulations of banks amid the changing environment surrounding the Company's retail business such as the Sino-US trade war, all relevant banks had delayed in approving the release of the Guarantees and the Related Companies Guarantees.

As at the date of this announcement, four Guarantees remained outstanding as disclosed above. Apart from awaiting the approval process of the relevant banks for the release of the remaining Guarantees, as an alternative, the related companies are in the process of obtaining credit facilities from other banks to settle their outstanding bank borrowings with the remaining banks in order to release the Guarantees provided by the Group and are striving to complete the release as soon as practicable.

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 30 September 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.

During the period under review, the Group continued to face considerable challenges as a result of the Sino-US trade war and Hong Kong's ongoing social unrest which have adversely affected investment and consumption sentiments of the general public, leading to the decrease in the Group's revenue.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2019, the Group recorded a total revenue of approximately HK$76.5 million, representing a decrease of approximately 21.2% as compared to approximately HK$97.0 million for the six months ended 30 September 2018. Such decrease was mainly attributable to the Sino-US trade war and Hong Kong's ongoing social unrest which have adversely affected the Hong Kong economy, as well as 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 96.9 % and 98.2% of the Group's total revenue for the six months ended 30 September 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 84.2% and 75.9% of the Group's total revenue for the six months ended 30 September 2019 and 2018 respectively.

Gross profit and product margin

The Group's gross profit (i.e. revenue minus cost of inventories sold) amounted to approximately HK$53.4 million for the six months ended 30 September 2019, representing a decrease of approximately 20.7% from approximately HK$67.3 million for the six months ended 30 September 2018, which was mainly due to the decrease in revenue. Nevertheless, the overall product margin remained stable at approximately 69.8% and 69.4% for the six months ended 30 September 2019 and 2018 respectively.

Staff costs

Staff costs for the six months ended 30 September 2019 was approximately HK$10.7 million, which was stable as compared to approximately HK$10.8 million for the six months ended 30 September 2018.

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

For the six months ended 30 September 2019, the Group recorded property rentals and related expenses of approximately HK$1.5 million (2018: HK$26.0 million). The decrease was mainly attributed to the adoption of Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS16") whereby the Group no longer recognizes rental expenses in respect of rented premises, and instead, recognizes depreciation on right-of-use assets and the relevant interest expense on lease liabilities, which amounted to approximately HK$24.3 million and HK$3.0 million respectively for the six months ended 30 September 2019, totalling approximately HK$27.3 million which was comparable to the rental expenses of approximately HK$24.2 million included in property rentals and related expenses for the six months ended 30 September 2018.

Other expenses

The Group recorded other expenses of approximately HK$8.3 million and HK$15.4 million for the six months ended 30 September 2019 and 2018 respectively. The Group's other expenses mainly consisted of transportation and delivery expenses, bank charges and utilities. Other expenses for the six months ended 30 September 2018 also included the listing expenses of approximately HK$6.2 million. The other expenses recorded for the six months ended 30 September 2019 remained relatively stable as compared to the same period last year excluding the listing expenses.

Profit attributable to owners of the Company

For the six months ended 30 September 2019, the Group's profit attributable to owners of the Company was approximately HK$2.3 million, representing a substantial decrease of approximately HK$8.1 million or 77.5% from approximately HK$10.4 million for the six months ended 30 September 2018. Such decrease was mainly due to (i) decrease in the Group's gross profit by approximately HK$14.0 million as a result of decrease in revenue; (ii) decrease in net exchange gain by approximately HK$2.1 million; (iii) net increase in lease-related expenses (including property rentals and related expenses, depreciation on right-of-use assets, and interest on lease liabilities) by approximately HK$2.7 million resulting from the adoption of HKFRS16; which was partially offset by (iv) decrease in other expenses by approximately HK$7.1 million, including approximately HK$6.2 million in connection with the listing expenses incurred in the corresponding period in 2018 and (v) decrease in taxation expenses by approximately HK$2.6 million.

Liquidity, financial resources and capital structure

Capital structure

The Group's objectives when 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 30 September 2019, the Group's pledged bank deposit and cash and cash equivalents totalled approximately HK$85.0 million (31 March 2019: approximately HK$102.8 million), including approximately HK$84.5 million denominated in Hong Kong dollars and approximately HK$0.5 million denominated in Euro, US dollars and Renminbi. The decrease was mainly due to the repayment of certain bank borrowings during the period.

Indebtedness and banking facilities

As at 30 September 2019, the Group had bank borrowings of approximately HK$112.7 million, comprising approximately HK$97.0 million denominated in Hong Kong dollars and approximately HK$15.7 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, and were secured by the pledge of properties owned by certain related companies, life insurance policies of the Group, corporate guarantees from certain related companies and personal guarantee from a Director.

As at 30 September 2019, the Group's gearing ratio was approximately 1.2 times, which is calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company as at 30 September 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 30 September 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 six months ended 30 September 2019 and 2018, the Group recorded net exchange gains of approximately HK$21,000 and HK$2.1 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 2019, there were 2,000,000,000 ordinary shares in issue. There was no movement in the issued share capital of the Company during the six months ended 30 September 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 six months ended 30 September 2019. Save as disclosed in this announcement, there was no plan for material investment or capital assets as at 30 September 2019.

Commitments

As at 30 September 2019, the Group had outstanding contracted capital commitments in respect of property, plant and equipment of approximately HK$0.4 million (31 March 2019: approximately HK$0.4 million).

Charge on assets

As at 30 September 2019, the Group pledged its bank deposit and 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 30 September 2019, the Group had contingent liabilities in respect of corporate guarantees in the aggregate amount of approximately HK$73.3 million (31 March 2019: approximately HK$106.6 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 actively negotiating with the banks for the release of the guarantees provided by the Group.

Employees and remuneration policies

The Group had approximately 78 employees as at 30 September 2019. The Group's staff cost, including Directors' emoluments, was approximately HK$10.7 million and HK$10.8 million for the six months ended 30 September 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 (the "**Senior Management**") receive compensation in the form of salaries and discretionary bonuses with reference to salaries paid by comparable companies, time commitment of each of the Directors and Senior Management and the performance of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and the Senior Management by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the Senior Management and the performance of the Group.

The remuneration committee of the Board reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the share option scheme adopted by the Company on 20 September 2018. During the six months ended 30 September 2019, no share option was granted to the relevant participants pursuant to such scheme.

Dividend

The Directors do not recommend any payment of dividend for the six months ended 30 September 2019 (six months ended 30 September 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. Nevertheless, 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 that the Hong Kong economy and the retailing industry are currently affected by certain international and local political issues, including the Sino-US trade war and the Brexit, as well as the recent social unrest, 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 actual business progress up to 30 September 2019:

		Business objectives as set out in the Prospectus	Actual business progress up to 30 September 2019
1.	Progressive expansion in the retail network in Hong Kong	The Group planned to open two new shops (one in Wanchai and one in Mongkok) during the year ended 31 March 2019, two new shops (one in Wanchai and one in Mongkok) during the year ending 31 March 2020, and three new shops (one in Wanchai and two in Mongkok) during the year ending 31 March 2021.	The Group opened a new shop in Wanchai in the first quarter of 2019. The Group also entered into a lease agreement in October 2019 for another new shop in Wanchai which is currently under renovation and expected to be opened in the first quarter of 2020. However, due to the uncertain market situation as mentioned above, the Company is more conscious on its retail network expansion and will seek opportunity to secure shop premises with more favourable leasing terms, and currently expects that the opening of the remaining five new shops will be postponed as to two shops (both in Mongkok) and three shops (one in Wanchai and two in Mongkok) during the years ending 31 March 2021 and 2022 respectively. The location of the new shops may be adjusted depending on the market situation by then.

		Business objectives as set out in the Prospectus	Actual business progress up to 30 September 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) For tiles products, 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.	In order to diversify the Group's product offering, the Group entered into exclusive distribution agreements with three European tile suppliers and had placed orders with the suppliers since then. Due to the uncertain market situation as mentioned above, the Group's pace of purchase of European tile products with newly acquired exclusive distribution rights was slower than that originally planned as set out in the Prospectus. Going forward, the Group will continue to secure more exclusive distribution rights from other European tile suppliers, with the aim of utilizing the remaining amount of approximately HK$10.5 million (planned amount: HK$16.6 million; used amount: HK$6.1 million) planned for such usage by the end of the financial year ending 31 March 2022.
		(ii) For bathroom fixtures products, 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. Due to the uncertain market situation as mentioned above, the Group needs more time to assess the market demand and entered into exclusive distribution agreement with only one bathroom fixture supplier. Going forward, the Group will secure exclusive distribution rights from existing or other bathroom fixture suppliers, with the aim of utilizing the remaining amount of approximately HK$7.9 million (planned amount: HK$9.9 million; used amount: HK$2.0 million) planned for such usage by the end of the financial year ending 31 March 2022.

	Business objectives as set out in the Prospectus	Actual business progress up to 30 September 2019
	(iii) For wooden flooring products, 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.	Due to the uncertain market situation as mentioned above and the negative impact on the Group's business during the period, the Group currently focuses on boosting the sales of tile and bathroom fixture products, and has yet to commence market research on wooden flooring products. Going forward, depending on the pace of market recovery, the Group will secure exclusive distribution rights from wooden flooring suppliers, with the aim of utilizing the amount of approximately HK$10.0 million planned for such usage by the end of the financial year ending 31 March 2022.
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. Due to the uncertain market situation as mentioned above, the Company will be more conscious on evaluating potential targets. In the premises, it is currently expected that the implementation of acquisition plans and the utilisation of approximately HK$27.0 million reserved for such use will be postponed to 2021.

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 Sino-US trade war and the Brexit, as well as the recent social unrest. 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 local and external factors, the implementation of the Group's business plan may slow down at a reasonable 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 30 September 2019, the net proceeds from the Share Offer were applied as follows:

	Planned use of proceeds as set out in the Prospectus *(Note 1)* *HK$ (million)*	**Planned use of proceeds as set out in the Prospectus up to 30 September 2019** *(Note 1)* *HK$ (million)*	**Actual use of proceeds up to 30 September 2019** *HK$ (million)*
Progressive expansion of retail network in Hong Kong	22.0	9.4	2.7
Meeting minimum purchase commitment under new exclusive distribution rights	36.5	17.4 *(Note2)*	8.1
Strategic acquisition opportunities	27.0	–	–
General working capital	0.6	–	–
	86.1	26.8	10.8

Due to the postponement of implementation of the Group's business plan for reasons mentioned above, the timeline for utilization of the remaining net proceeds is revised as follows:

	Unutilized proceeds as at 30 September 2019 *HK$ (million)*	**To be utilized during the year ending 31 March 2020** *HK$ (million)*	**To be utilized during the year ending 31 March 2021** *HK$ (million)*	**To be utilized during the year ending 31 March 2022** *HK$ (million)*
Progressive expansion of retail network in Hong Kong	19.3	3.6	6.3	9.4
Meeting minimum purchase commitment under new exclusive distribution rights	28.4	2.7	9.3	16.4
Strategic acquisition opportunities	27.0	–	–	27.0
General working capital	0.6	–	–	0.6
Total	75.3	6.3	15.6	53.4

Notes:

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

2. The planned amount up to 30 September 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 the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

As at 30 September 2019, approximately HK$10.8 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 continuously review the Group's business objectives and may change or modify the Group's plans in light of the changing market conditions to attain sustainable business growth of the Group.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in note 15 to the interim financial information, 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 2019.

COMPETING INTERESTS

For the six months ended 30 September 2019, 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 2019 save for the deviation from code provision A.2.1 and A.6.7 as follows:

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

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the view of shareholders. An independent non-executive Director and a non-executive Director were unable to attend the annual general meeting of the Company held on 30 August 2019 due to other business engagements. The Company will request all the independent non-executive Directors and other non-executive Director(s) to attend all future general meetings in order to comply with the code provision A.6.7 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Following specific enquiries by the Company, all Directors had confirmed that they had complied with the Model Code throughout the six months ended 30 September 2019.

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 2019.

SHARE OPTION SCHEME

On 20 September 2018, the Company adopted a share option scheme (the "**Scheme**"). No share option has been granted since the adoption up to the date of this announcement and no share options were outstanding under the Scheme as at the date of this announcement.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises 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 unaudited interim financial information of the Group for the six months ended 30 September 2019 has been reviewed by the Audit Committee.

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

Hong Kong, 28 November 2019

As at the date of this announcement, the Board comprises of two executive Directors, namely Mr. Simon Tso and Ms. Tsui To Fei, one non-executive Director, namely 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.