

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **MOS HOUSE GROUP LIMITED**

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

**(Stock code: 1653)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021**

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 2021 together with the comparative figures of the previous financial year ended 31 March 2020 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 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	5	<b>147,013</b>	145,369
Other income	6	<b>11,871</b>	2,211
Other gains and losses	6	<b>(1,222)</b>	419
Net reversal of (provision for) impairment losses on trade receivables		<b>678</b>	(1,355)
Cost of inventories sold		<b>(54,005)</b>	(41,220)
Staff costs	9	<b>(21,233)</b>	(22,502)
Depreciation		<b>(44,617)</b>	(50,346)
Property related expenses		<b>(2,553)</b>	(2,871)
Other expenses	9	<b>(17,597)</b>	(20,238)
Finance costs	8	<b>(6,810)</b>	(10,272)
<b>Profit (Loss) before taxation</b>	9	<b>11,525</b>	(805)
Income tax (expense) credit	10	<b>(1,471)</b>	73
Profit (Loss) and total comprehensive income (loss) for the year		<b><u>10,054</u></b>	<u>(732)</u>
<b>Profit (Loss) and total comprehensive income (loss) for the year attributable to:</b>			
Owners of the Company		<b>10,054</b>	(655)
Non-controlling interests		<b>–</b>	(77)
		<b><u>10,054</u></b>	<u>(732)</u>
		<i>HK cents</i>	<i>HK cents</i> (Adjusted)
Earnings (Loss) per share			
Basic	12	<b><u>4.33</u></b>	<u>(0.33)</u>
Diluted		<b><u>4.33</u></b>	<u>(0.33)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		2,798	3,392
Right-of-use assets		49,448	84,948
Deferred tax assets		2,278	3,020
Deposits and prepayments		4,894	8,216
Financial assets at fair value through profit or loss ("FVPL")		6,636	6,455
		<b>66,054</b>	106,031
<b>Current assets</b>			
Inventories		62,971	79,014
Trade receivables	13	45,235	48,188
Deposits, prepayments and other receivables		39,917	10,026
Tax recoverable		4	2,370
Pledged bank deposit		15,000	65,000
Bank balances and cash		10,552	5,500
		<b>173,679</b>	210,098
<b>Current liabilities</b>			
Trade payables	14	13,377	17,827
Other payables and accrued charges		6,411	7,437
Contract liabilities		8,455	7,024
Lease liabilities – current portion		42,165	49,224
Amount due to a director		19,410	2,858
Tax payable		2,053	1,340
Bank and other borrowings		21,572	99,327
		<b>113,443</b>	185,037
<b>Net current assets</b>		<b>60,236</b>	25,061
<b>Total assets less current liabilities</b>		<b>126,290</b>	131,092
<b>Non-current liabilities</b>			
Lease liabilities – non-current portion		13,314	43,852
<b>NET ASSETS</b>		<b>112,976</b>	87,240
<b>Capital and reserves</b>			
Share capital	15	24,000	20,000
Reserves		88,976	67,240
<b>TOTAL EQUITY</b>		<b>112,976</b>	87,240

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 1. GENERAL

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

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

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

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

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

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

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

The 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. In addition, the Group has early adopted amendments to HKFRS 16 Covid-19-Related Rent Concession Beyond 30 June 2021 in current year. Except for amendments to HKFRS 16, the adoption of the new/revised HKFRSs does not have significant impact on the consolidated financial statements.

#### **Adoption of new/revised HKFRSs**

##### *Amendments to HKASs 1 and 8: Definition of Material*

The amendments clarify the definition of material and align the definition used across HKFRSs.

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

##### *Amendments to HKFRS 3: Definition of a Business*

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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

### *Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021*

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has elected to early adopt the amendments in the current year and use the practical expedient not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications. The Group applied it consistently to all lease contracts with similar characteristics and in similar circumstances.

The adoption of the amendments has resulted in a gain on rent concession of approximately HK\$5,865,000 recognised in profit or loss in the current year.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

## **Key sources of estimation uncertainty**

### *Provision of ECL for trade receivables*

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

### *Net realisable value of inventories*

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

### *Discount rates for calculating lease liabilities as lessee*

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

## **Critical judgements made in applying accounting policies**

### *Lease term of contracts with extension options — as lessee*

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

## 5. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Types of products:</b>		
— Tiles	125,374	133,285
— Bathroom fixtures and others	21,639	12,084
	<u>147,013</u>	<u>145,369</u>
<b>Sales channel:</b>		
Retail	102,977	115,722
Other	44,036	29,647
	<u>147,013</u>	<u>145,369</u>

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

The amount of revenue recognised for the year ended 31 March 2021 that was included in the contract liabilities at the beginning of the year is approximately HK\$4,527,000 (2020: HK\$7,771,000).

## 6. OTHER INCOME / OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Other income</b>		
Compensation income	167	22
Bank interest income	547	1,076
Fair value gain on financial assets at FVPL	244	446
Gain on disposal of right-of-use assets	234	–
Gain on rent concession	5,865	–
Government subsidies ( <i>Note</i> )	4,224	–
Interest income on rental deposits	590	665
Others	–	2
	<u>11,871</u>	<u>2,211</u>
<b>Other gains and losses</b>		
Net exchange (loss) gain	(363)	419
Loss on written-off of property, plant and equipment	(859)	–
	<u>(1,222)</u>	<u>419</u>

*Note:* During the year, the Group recognised government subsidies of HK\$2,864,000 (2020: Nil) and HK\$1,360,000 (2020: Nil) in respect of the Employment Support Scheme and Retail Sector Subsidy Scheme respectively under the Anti-epidemic Fund of the Hong Kong SAR Government.

## 7. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole. Since the Group has only one single operating segment (i.e. trading of tiles and bathroom fixtures), no further analysis of this single segment is presented.

### Geographical information

The Group's operations are principally located in Hong Kong and Macau. The following table provides an analysis of the Group's revenue from external customers by geographical market in which the transactions are located:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	<b>131,803</b>	128,920
Macau	<b>15,210</b>	16,449
	<u><b>147,013</b></u>	<u>145,369</u>

The following is an analysis of the carrying amounts of non-current assets (excluding financial instruments and deferred tax assets) in which the assets are located:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	<u><b>52,246</b></u>	<u>88,340</u>

### Information about major customers

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

## 8. FINANCE COSTS

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	<b>1,355</b>	5,042
Interest on other borrowings	<b>1,750</b>	–
Interest on lease liabilities	<b>3,705</b>	5,230
	<u><b>6,810</b></u>	<u>10,272</u>

## 9. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>a. Employee benefits expenses (including directors' emoluments)</b>		
Salaries and other benefits	20,507	21,738
Retirement benefits scheme contributions	726	764
	<u>21,233</u>	<u>22,502</u>
<b>b. Other expenses</b>		
Auditor's remuneration	680	630
Bank charges	1,783	2,073
Product delivery expenses	9,177	10,585
Utility and office expenses	1,746	2,635
Sundry items	4,211	4,315
	<u>17,597</u>	<u>20,238</u>
<b>c. Other items</b>		
Depreciation:		
— Property, plant and equipment	1,349	1,532
— Right-of-use assets	43,268	48,814
	<u>43,268</u>	<u>48,814</u>
<b>10. INCOME TAX EXPENSE (CREDIT)</b>		

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current tax</b>		
Hong Kong Profits Tax		
Under provision in prior years	16	35
Macau Corporate Income Tax		
Current year	713	1,340
	729	1,375
<b>Deferred taxation</b>		
Charge (Credit) for the year	742	(1,448)
	<u>1,471</u>	<u>(73)</u>

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

Macau Corporate Income Tax has been provided at the rate of 12% (2020: 12%) on the estimated assessable profits of the Macau subsidiary during the year.

## 11. DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the years ended 31 March 2021 and 2020.

## 12. EARNINGS (LOSS) PER SHARE

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

No adjustment has been made to the basic earnings (loss) per share amounts presented for the years ended 31 March 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2021 and 2020.

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit (Loss) for the year attributable to owners of the Company, for the purpose of basic and diluted earnings (loss) per share	<u><b>10,054</b></u>	<u>(655)</u>
	<b>No. of shares</b>	
	<b>2021</b>	2020 (Adjusted)
Issued ordinary shares at beginning of the reporting period	<b>2,000,000,000</b>	2,000,000,000
Effect of shares issued	<b>322,191,781</b>	–
Effect of share consolidation ( <i>Note 15</i> )	<u><b>(2,089,972,603)</b></u>	<u>(1,800,000,000)</u>
Weighted average number of ordinary shares in issue during the year, for the purpose of basic and diluted earnings (loss) per share	<u><b>232,219,178</b></u>	<u>200,000,000</u>

## 13. TRADE RECEIVABLES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total gross carrying amount	<b>50,148</b>	53,779
Less: allowance for credit losses	<u><b>(4,913)</b></u>	<u>(5,591)</u>
	<u><b>45,235</b></u>	<u>48,188</u>

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

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	<b>14,032</b>	17,037
91–180 days	<b>11,135</b>	821
181–365 days	<b>425</b>	512
Over 365 days	<b>19,643</b>	29,818
	<u><b>45,235</b></u>	<u>48,188</u>

Included in the Group's trade receivables balance as at 31 March 2021 are debtors with aggregate carrying amounts of HK\$32,775,000 (2020: HK\$38,827,000) which are past due as at the reporting date. Out of the past due balances, HK\$24,235,000 (2020: HK\$35,676,000) have been past due 90 days or more and are not considered as in default. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information, the management of the Group does not consider these trade receivables as credit-impaired. These customers have good business relationship with the Group and their recurring overdue balances have satisfactory settlement history.

#### 14. TRADE PAYABLES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<u><b>13,377</b></u>	<u>17,827</u>

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	<b>4,647</b>	6,894
31–60 days	<b>428</b>	501
61–90 days	<b>710</b>	896
91–120 days	<b>3,219</b>	140
121–180 days	<b>3,187</b>	3,478
Over 180 days	<u><b>1,186</b></u>	<u>5,918</u>
	<u><b>13,377</b></u>	<u>17,827</u>

## 15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Ordinary shares of HK\$0.1 each</b>		
<b>Authorised:</b>		
At 1 April 2019 and 2020	5,000,000,000	50,000
Share consolidation ( <i>Note (ii)</i> )	<u>(4,500,000,000)</u>	<u>–</u>
At 31 March 2021	<u>500,000,000</u>	<u>50,000</u>
<b>Issued and fully paid:</b>		
At 1 April 2019 and 2020	2,000,000,000	20,000
Shares placing ( <i>Note (i)</i> )	400,000,000	4,000
Share consolidation ( <i>Note (ii)</i> )	<u>(2,160,000,000)</u>	<u>–</u>
At 31 March 2021	<u>240,000,000</u>	<u>24,000</u>

*Notes:*

- (i) On 11 May 2020, the Company and a placing agent entered into a placing agreement. Pursuant to the placing agreement, the Company allotted and issued 400,000,000 new shares of nominal value HK\$0.01 each in the share capital of the Company on 11 June 2020 to not less than six independent investors at a price of HK\$0.04 per share. The new shares rank pari passu with existing shares in all respects. The proceeds were utilised as working capital of the Group.
- (ii) Pursuant to the ordinary resolution passed by the Company's shareholders at the annual general meeting held on 2 September 2020, every ten (10) issued and unissued ordinary shares of par value of HK\$0.01 each were consolidated into one (1) consolidated ordinary share of par value of HK\$0.1 (the "**Share Consolidation**"). The Share Consolidation became effective on 4 September 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a retailer and supplier of overseas manufactured tiles and bathroom fixtures in Hong Kong. The retail shops in Hong Kong are operated for home improvement, remodelling and furnishing materials. In addition to sales through retail shops, the Group also supplies tile and bathroom fixture products on project basis for large-scale property development projects and residential and commercial property renovation projects in Hong Kong and Macau, and sell tiles and bathroom fixtures to distributors in the PRC.

The year under review was characterized by challenging market conditions as a result of the COVID-19 pandemic. During the first half of the year ended 31 March 2021, the Group faced various challenges especially the sluggish and uncertain retail market and the weak consumption sentiments. To address the situation, the Group took proactive measures to tighten operational expenses including cost control, rent reduction and closure of underperforming retail shops. As at 31 March 2021, the Group operated 16 retail shops (31 March 2020: 18 retail shops) in Hong Kong.

With the gradual easing of the pandemic situation in Hong Kong, the consumption sentiments picked up in the second half of the financial year. The Group experienced an increase of approximately 28.4% in its revenue during the six months ended 31 March 2021 compared to the same period last year.

In June 2020, the Company made an announcement in relation to change in part of unutilised listing proceeds of approximately HK\$45 million originally planned for expansion of retail network and strategic acquisition, and reallocate approximately HK\$30 million to HK\$35 million for property investments in Hong Kong and the balance for general working capital of the Group. Since the announcement, the Group had closely monitored the economic conditions in the regions in which the Company had business and attempted to identify suitable acquisition properties in Hong Kong. In February 2021, the Group entered into an agreement to acquire the entire equity interest and shareholder's loan in a property holding company with the residential property and car parking space located in Ap Lei Chau, Hong Kong (the "**Property**"), at the consideration of HK\$31 million. Upon completion of the acquisition of the Property, the Board expects that the Property can generate constant cash flow and provide sustainable and stable rental income for the Group in the long run, as well as to obtain more favourable terms of banking facilities.

### FINANCIAL REVIEW

#### Revenue

For the year ended 31 March 2021, the Group recorded a total revenue of approximately HK\$147.0 million, representing an increase of approximately 1.1% as compared to approximately HK\$145.4 million for the year ended 31 March 2020.

The Group's revenue was mainly derived from the sale of tile products (including porcelain, ceramic and mosaic tiles), which accounted for approximately 85.3% and 91.7% of the Group's total revenue for the years ended 31 March 2021 and 2020 respectively; and the remaining represented the sale 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 70.0% and 79.6% of the Group's total revenue for the years ended 31 March 2021 and 2020 respectively.

### **Gross profit and product margin**

The Group's gross profit (i.e. revenue minus cost of inventories sold) amounted to approximately HK\$93.0 million for the year ended 31 March 2021, representing a decrease of approximately 10.7% from approximately HK\$104.1 million for the year ended 31 March 2020, which was mainly due to the decrease in product margin of sales of some products. As a result, the overall product margin decreased from approximately 71.6% for the years ended 31 March 2020 to 63.3% for the year ended 31 March 2021.

### **Staff costs**

Staff costs for the year ended 31 March 2021 was approximately HK\$21.2 million, which was stable as compared to approximately HK\$22.5 million for the year ended 31 March 2020.

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

In respect of the rented premises, the Group recorded property related expenses of approximately HK\$2.6 million (2020: HK\$2.9 million), the depreciation on right-of-use assets of approximately HK\$43.3 million (2020: HK\$48.8 million) and the relevant interest expense on lease liabilities of approximately HK\$3.7 million (2020: HK\$5.2 million). The decrease in property related expenses were due to the closure of two retail shops during the year.

### **Other expenses**

The Group recorded other expenses of approximately HK\$17.6 million and HK\$20.2 million for the years ended 31 March 2021 and 2020 respectively. The Group's other expenses for the year ended 31 March 2021 mainly consisted of audit fee of approximately HK\$0.7 million (2020: HK\$0.6 million), bank charges of approximately HK\$1.8 million (2020: HK\$2.1 million), products delivery expenses of approximately HK\$9.2 million (2020: HK\$10.6 million), utility and office expenses of approximately HK\$1.7 million (2020: HK\$2.6 million) and sundry items of approximately HK\$4.2 million (2020: HK\$4.3 million). Other expenses recorded for the year ended 31 March 2021 remained relatively stable as compared to the same period last year.

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

For the year ended 31 March 2021, the Group's profit attributable to owners of the Company was approximately HK\$10.1 million, representing a substantial increase in profit of approximately HK\$10.8 million from a loss of approximately HK\$0.7 million for the year ended 31 March 2020. Such increase was mainly due to (i) increase in other income of approximately HK\$9.7 million, including approximately HK\$4.2 million in connection with government subsidies granted under the Anti-epidemic Fund and the gain on rent concession of the Group's shops by approximately HK\$5.9 million; (ii) net decrease in lease-related expenses (including property related expenses, depreciation on right-of-use assets, and interest on lease liabilities) by approximately HK\$7.4 million; (iii) decrease in staff cost and other expenses by an aggregate of approximately HK\$3.9 million; and (iv) decrease in interest on bank and other borrowings of approximately HK\$1.9 million which was partially offset by (v) decrease in the Group's gross profit by approximately HK\$11.1 million; (vi) loss on written-off of fixed assets of approximately HK\$0.9 million as a result of the closure of two retail shops during the year; and (vii) increase in tax expenses by approximately HK\$1.5 million.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Capital structure**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

As at 31 March 2021, the Group's pledged bank deposit and bank and cash balances totalled approximately HK\$25.6 million (2020: approximately HK\$70.5 million), including approximately HK\$25.2 million (2020: HK\$70.1 million) denominated in Hong Kong dollars and approximately HK\$0.4 million (2020: HK\$0.4 million) denominated in Euro, US dollars and Renminbi. The decrease was mainly due to the repayment of certain bank borrowings during the year.

### **Indebtedness**

As at 31 March 2021, the Group had bank borrowings of approximately HK\$21.6 million, comprising approximately HK\$20.3 million denominated in Hong Kong dollars and approximately HK\$1.3 million denominated in Euro, which carried floating rates of Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2% (2020: HIBOR plus 2.0% to 2.5%) or a spread below Prime Rate/Standard Bills Rate quoted by the banks per annum, and were secured by the deposit pledged to a bank of the Group.

As at 31 March 2021, the Group's gearing ratio was approximately 0.2 times, which is calculated based on total borrowings divided by total equity attributable to owners of the Company as at 31 March 2021. The Directors, taking into account the nature and scale of operations of the Group, considered that the gearing ratio as at 31 March 2021 was reasonable. The Directors, would keep monitoring the financial and liquidity position of the Group closely, and make appropriate financing strategy for the Group from time to time.

## **Foreign exchange exposure**

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

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

For the years ended 31 March 2021 and 2020, the Group recorded net exchange losses of approximately HK\$0.4 million and net exchange gains HK\$0.4 million respectively. During both years, the Group had not used any financial instruments for hedging purposes. The Group currently does not have any foreign currency hedging policy. However, the Group's management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

## **Securities in issue**

On 11 June 2020, a total of 400,000,000 new shares of the Company were placed by a placing agent to not less than six independent placees at the price of HK\$0.04 per share (the "**Placing**") which raised net proceeds of approximately HK\$15.7 million. The net proceeds were utilised for general working capital of the Group. Details of the Placing were set out in the announcements dated 11 May 2020 and 11 June 2020.

On 11 June 2020, the Company allotted and issued 400,000,000 new shares to not less than six placees pursuant to the Placing.

After completion of the Placing, the number of shares in issue of the Company increased from 2,000,000,000 to 2,400,000,000.

Pursuant to an ordinary resolution passed at the Company's annual general meeting held on 2 September 2020, every ten issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into one ordinary share of HK\$0.1 in the share capital of the Company. The Share Consolidation became effective on 4 September 2020. Following completion of the Share Consolidation, the Company has an authorised share capital of HK\$50 million divided into 500,000,000 consolidated shares with par value of HK\$0.1 each, and an issued and paid-up capital of HK\$24 million divided into 240,000,000 consolidated shares with par value of HK\$0.1 each.

As at 31 March 2021, the total issued share capital of the Company was HK\$24 million divided into 240,000,000 ordinary shares with par value of HK\$0.1 each.

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

On 3 February 2021, the Group entered into the sale and purchase agreement to acquire the entire equity interest and shareholder's loan in a property holding company with the residential property and car parking space located in Ap Lei Chau, Hong Kong, at a consideration of HK\$31 million. The consideration was financed by proceeds from the listing under part of the Company's plan of using such proceeds on property investments in Hong Kong. The acquisition was completed on 21 June 2021. For further details, please refer to the circular of the Company dated 16 March 2021.

Except for the aforementioned transaction, there was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies and plans for material investment or capital assets during the year ended 31 March 2021.

## **Commitments**

As at 31 March 2021, the Group had outstanding contracted capital commitments in respect of property, plant and equipment of approximately HK\$0.3 million (2020: approximately HK\$0.4 million).

## **Charge on assets**

As at 31 March 2021, the Group pledged its bank deposit of approximately HK\$15.0 million 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 2021, the Group and the Company did not have any significant contingent liabilities.

## **Employees and remuneration policies**

The Group had approximately 71 employees as at 31 March 2021. The Group's staff cost, including Directors' emoluments, was approximately HK\$21.2 million and HK\$22.5 million for the years ended 31 March 2021 and 2020 respectively. The remuneration policy of the Group is based on merit, performance and individual competence.

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

The remuneration committee of the Board reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the share option scheme adopted by the Company on 20 September 2018. During the year ended 31 March 2021, no share option was granted to the relevant participants pursuant to such scheme.

## **Dividend**

The Directors do not recommend any payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

## **Prospects**

The Company will continue to operate its business in a prudent manner by monitoring the market conditions closely and focusing on effective cost control. To address fast-changing consumer behaviour, the Group has been focusing on expanding its product mix and enhancing the diversity of its product offerings.

With a rebound in China's retail market to be expected after the COVID-19 pandemic, the Group will continue to expand its distribution networks in China by enhancing its collaboration with its existing distributors and exploring more potential distribution networks in China.

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

## **USE OF PROCEEDS FROM THE LISTING**

The shares of the Company were listed on the Stock Exchange on 19 October 2018 with net proceeds received from the listing in the amount of approximately HK\$86.1 million.

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the net proceeds for (i) progressive expansion of retail network in Hong Kong; (ii) meeting minimum purchase commitment under new exclusive distribution rights; (iii) strategic acquisition opportunities to strengthen the Group’s market leadership and further enhance its competitiveness in the tile retailing industry; and (iv) general working capital purposes.

On 18 June 2020, the Company decided to change part of unutilised net proceeds of approximately HK\$45 million originally planned for expansion of retail network in Hong Kong and strategic acquisition, and reallocate approximately HK\$30 million to HK\$35 million for property investments in Hong Kong and the balance for general working capital of the Group. The Board expects that property investments can generate constant cash flow and provide sustainable and stable rental income for the Group in the long run, as well as to strengthen the asset portfolio of the Group. Details of the change in use of proceeds were set out in the announcement dated 18 June 2020.

Details of the original planned use of proceeds, the revised allocation of proceeds on 18 June 2020, the utilised proceeds up to 31 March 2021 and the unutilised proceeds as at 31 March 2021 are set out as follows:

## Use of Proceeds

	Planned use of proceeds as set out in the Prospectus HK\$ million (Note 1)	Revised allocation of proceeds on 18 June 2020 HK\$ million	Utilised proceeds as at 31 March 2021 HK\$ million	Unutilised proceeds as at 31 March 2021 HK\$ million	Expected timeline for utilising the remaining net proceeds from the Listing HK\$ million
Progressive expansion of retail network in Hong Kong	22.0	4.0	4.0	–	–
Meeting minimum purchase commitment under new exclusive distribution rights	36.5	36.5	32.4	4.1	Expected to be fully utilised by the end of 2021 <sup>(Note 2)</sup>
Strategic acquisition opportunities	27.0	–	–	–	–
Property investments in Hong Kong	–	35.0	–	35.0 <sup>(Note 3)</sup>	Expected to be fully utilised by the end of 2021
General working capital	0.6	10.6	10.6	–	–
	<u>86.1</u>	<u>86.1</u>	<u>47.0</u>	<u>39.1</u>	

### Notes:

- (1) The planned use as stated in the Prospectus are adjusted on a pro-rata basis based on the actual amount received by the Company.
- (2) As at 30 September 2020, the amount of unutilised proceeds allocated to meeting minimum purchase commitment under new exclusive distribution rights was approximately HK\$21.1 million. The Company expected to utilised as to HK\$4 million, HK\$8.8 million and HK\$8.3 million during the years ending 31 March 2021, 2022 and 2023. In light of the gradual recovery of consumer spending in China with COVID-19 under control, the Group will focus on boosting the sales through the distributors in China. During the six months ended 31 March 2021, the Group had utilised approximately HK\$17 million on new exclusive products to which we were granted exclusive distribution rights by certain suppliers. The remaining balance of approximately HK\$4.1 million is expected to be fully utilised by the end of 2021.
- (3) On 3 February 2021, the Group entered into the sale and purchase agreement to acquire the entire equity interest and shareholder's loan in a property holding company with the residential property and car parking space located in Ap Lei Chau, Hong Kong, at a consideration of HK\$31 million. The consideration was financed by proceeds from the listing under part of the Company's plan of using such proceeds on property investments in Hong Kong. The acquisition was completed on 21 June 2021. For further details, please refer to the circular of the Company dated 16 March 2021.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

For the year ended 31 March 2021 and up to the date of this announcement, each of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

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

During the year ended 31 March 2021, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Tso is the chairman and also the chief executive officer of the Company and is responsible for overseeing the operations of the Group during the year. In view of the present composition of the Board, Mr. Tso's in-depth knowledge and experience in the industry in which the Group operates and his familiarity with the operations of the Group, the Company believes that it is in the best interest of the Group for Mr. Tso to assume both roles as the Chairman and the chief executive officer of the Company. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors had confirmed that they had complied with the Model Code throughout the year ended 31 March 2021.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 March 2021.

## **SHARE OPTION SCHEME**

On 20 September 2018, the Company adopted a share option scheme (the "**Scheme**"). No share option has been granted since the adoption up to 31 March 2021 and no share options were outstanding under the Scheme as at 31 March 2021.

## **EVENTS AFTER THE REPORTING PERIOD**

On 3 February 2021, the Company entered into a sale and purchase agreement for the acquisition of the entire equity interest and shareholder's loan in Mason Holdings Limited (“**Mason**”) at the total Consideration of HK\$31,000,000 (the “**Acquisition**”). The major asset of Mason is a residential property and a carparking space. The Acquisition constituted a disclosable and connected transaction of the Company and was approved by the Company's independent shareholders at the extraordinary general meeting convened on 31 March 2021. Completion took place on 21 June 2021.

## **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 2021 have been reviewed by the Audit Committee.

## **SCOPE OF WORK OF MAZARS CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Company's auditors, Mazars CPA Limited (“**Mazars**”), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2021. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

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

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.rbmsgroup.com](http://www.rbmsgroup.com)). The annual report of the Company for the year ended 31 March 2021 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, 28 June 2021

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