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MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1653)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

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 2020 together with the comparative figures of the previous financial year ended 31 March 2019 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 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	*5*	**145,369**	166,694
Other income	*6*	**2,211**	988
Other gains and losses	*6*	**419**	2,804
Net impairment losses on trade receivables		**(1,355)**	(2,392)
Cost of inventories sold		**(41,220)**	(48,421)
Staff costs		**(22,502)**	(23,594)
Depreciation		**(50,346)**	(1,698)
Property rentals and related expenses		**(2,871)**	(52,743)
Other expenses		**(20,238)**	(28,311)
Finance costs	*7*	**(10,272)**	(4,445)
(Loss) Profit before taxation	*8*	**(805)**	8,882
Income tax credit (expense)	*9*	**73**	(3,083)
(Loss) Profit and total comprehensive (loss) income for the year		**(732)**	5,799
(Loss) Profit and total comprehensive (loss) income for the year attributable to:			
Owners of the Company		**(655)**	5,824
Non-controlling interests		**(77)**	(25)
		(732)	5,799
(Loss) Earnings per share			
Basic (HK cents)	*11*	**(0.03)**	0.34
Diluted (HK cents)		**(0.03)**	0.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**3,392**	4,495
Right-of-use assets		**84,948**	–
Deferred tax assets		**3,020**	1,572
Deposits and prepayments		**8,216**	17,156
Financial assets at fair value through profit or loss		**6,455**	–
		106,031	23,223
Current assets			
Inventories		**79,014**	75,272
Trade receivables	*12*	**48,188**	46,557
Deposits, prepayments and other receivables		**10,026**	8,815
Amount due from a director		**–**	1,337
Amounts due from related companies		**–**	800
Tax recoverable		**2,370**	688
Pledged bank deposit		**65,000**	65,453
Bank balances and cash		**5,500**	37,321
		210,098	236,243
Current liabilities			
Trade payables	*13*	**17,827**	19,186
Other payables and accrued charges		**7,437**	6,489
Contract liabilities		**7,024**	7,976
Lease liabilities – current portion		**49,224**	–
Amount due to a director		**2,858**	–
Tax payable		**1,340**	41
Bank and other borrowings		**99,327**	137,702
		185,037	171,394
Net current assets		**25,061**	64,849
Total assets less current liabilities		**131,092**	88,072
Non-current liabilities			
Lease liabilities – non-current portion		**43,852**	–
NET ASSETS		**87,240**	88,072

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	*14*	**20,000**	20,000
Reserves		**67,240**	67,901
Equity attributable to owners of the Company		**87,240**	87,901
Non-controlling interests		**–**	171
TOTAL EQUITY		**87,240**	88,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2020

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. Except for HKFRS 16, the adoption of the other new/revised HKFRSs does not have significant impact on the consolidated financial statements.

Adoption of new/revised HKFRSs

Annual Improvements Project — 2015–2017 Cycle

HKAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in HKFRS 9.

HKAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

The Interpretation supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

Amendments to HKFRS 9: Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss ("**FVPL**") if specified conditions are met.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17: *Lease* and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the "**DIA**") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of retained profits or other components of equity, where appropriate, at the DIA.

The Group has also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee — leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
(b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.
(c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.
(d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.
(e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either:

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or
(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 5.85%.

The reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 March 2019 to lease liabilities recognised at the DIA is as follows:

	HK$'000
Operating lease commitments at 31 March 2019	98,227
Discounted using the lessee's incremental borrowing rate at the DIA	91,852
Less: Rental prepayment previously not deducted from operating lease commitments	(3,660)
Lease liabilities as at 1 April 2019	88,192

At the DIA, all right-of-use assets were presented within the line item "right-of-use assets" on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position. As a result, transfer was made at the DIA to reflect the changes in presentation:

	Note	Carrying amount under HKAS 17 at 31 March 2019	Reclassification on adoption of HKFRS 16	Carrying amount under HKFRS 16 at 1 April 2019
		HK$'000	*HK$'000*	*HK$'000*
Assets				
Right-of-use assets		–	92,830	92,830
Rental and utility deposits	*(a)*	11,723	(978)	10,745
Rental prepayment		3,660	(3,660)	–
Liabilities				
Lease liabilities		–	(88,192)	(88,192)
		15,383	–	15,383

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$978,000 was adjusted to refundable rental deposits paid and right-of-use assets.

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.

For details of the principal accounting policies adopted by the Group, please refer to note 2 to the consolidated financial statements included in the annual report to be dispatched.

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 customers located in the People's Republic of China ("**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 will reassess the estimations on a product-by-product basis at the end of the reporting period and write down obsolete inventories when necessary.

Deferred tax assets

As at the end of the reporting period, a deferred tax asset of HK$1,148,000 (2019: Nil) in relation to unused tax losses has been recognised in the statement of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

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 discounts 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 and considers all relevant factors that create an economic incentive for it to exercise the extension. 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 AND SEGMENTAL INFORMATION

(A) Revenue

Disaggregation of revenue was disclosed as follows:

	2020	2019
	HK$'000	*HK$'000*
Types of products:		
— Tiles	**133,285**	153,095
— Bathroom fixtures and others	**12,084**	13,599
	145,369	166,694
Timing of revenue recognition:		
At a point in time	**145,369**	166,694
Sales channel:		
Retail	**115,722**	128,786
Other	**29,647**	37,908
	145,369	166,694

(B) Segmental information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in note 3. 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:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**128,920**	166,694
Macau	**16,449**	–
	145,369	166,694

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:

	2020 *HK$'000*	2019 *HK$'000*
Hong Kong	**88,340**	4,495

Information about major customers

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

6. OTHER INCOME / OTHER GAINS AND LOSSES

	2020 *HK$'000*	2019 *HK$'000*
Other income		
Compensation income	**22**	–
Bank interest income	**1,076**	657
Fair value gain on financial asset at FVPL	**446**	–
Interest income on rental deposits	**665**	–
Others	**2**	331
	2,211	988
Other gains and losses		
Net exchange gain	**419**	2,821
Loss on written-off of property, plant and equipment	**–**	(17)
	419	2,804

7. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Interest on bank borrowings	**5,042**	4,445
Interest on lease liabilities	**5,230**	–
	10,272	4,445

8. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging:

	2020	2019
	HK$'000	*HK$'000*
Employee benefits expenses (including directors' emoluments)		
Salaries and other benefits	**21,738**	22,826
Retirement benefits scheme contributions	**764**	768
	22,502	23,594
Auditor's remuneration	**630**	1,050
Depreciation:		
— Property, plant and equipment	**1,532**	1,698
— Right-of-use assets	**48,814**	–
Operating lease expenses in respect of rented premises	**–**	50,066
Listing expenses (included in other expenses)	**–**	9,168

9. INCOME TAX (CREDIT) EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax		
Current year	**–**	3,647
Under(Over) provision in prior years	**35**	(84)
	35	3,563
Macau Corporate Income Tax		
Current year	**1,340**	–
	1,375	3,563
Deferred taxation		
Credit for the year	**(1,448)**	(480)
	(73)	3,083

The two-tiered profits tax rates regime has been implemented from the year of assessment 2018/2019, under which the first HK$2,000,000 of assessable profits of qualifying group entity are taxed at 8.25%, and assessable profits above HK$2,000,000 are 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% on the estimated assessable profits of the Macau subsidiary during the year ended 31 March 2020. The Group did not derive any profit from Macau during the year ended 31 March 2019.

10. DIVIDEND

	2020	2019
	HK$'000	*HK$'000*
Interim dividends	**–**	109,000

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

No interim dividend was declared for the financial year ended 31 March 2020. During the year ended 31 March 2019, the Company declared dividends of HK$109,000,000 to the then sole shareholder of the Company. The dividends were settled through the amounts due from a director and related companies under the instruction of Mr. Tso.

11 (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on (loss) profit attributable to the equity holders 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 per share amounts presented for the years ended 31 March 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019.

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

	2020	2019
	HK$'000	*HK$'000*
(Loss) Profit for the year attributable to owners of the Company, for the purpose of basic and diluted (loss) earnings per share	**(655)**	5,824

	2020	2019
Weighted average number of ordinary shares in issue during the year, for the purpose of basic and diluted (loss) earnings per share	**2,000,000,000**	1,724,658,000

12. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Total gross carrying amount	**53,779**	50,793
Less: allowance for credit losses	**(5,591)**	(4,236)
	48,188	46,557

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

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

	2020	2019
	HK$'000	*HK$'000*
0–90 days	**17,037**	13,101
91–180 days	**821**	2,080
181–365 days	**512**	18,613
Over 365 days	**29,818**	12,763
	48,188	46,557

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$38,827,000 (2019: HK$35,213,000) which are past due as at the reporting date. Out of the past due balances, HK$35,676,000 (2019: HK$30,149,000) has been past due 90 days or more and is not considered as in default. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information to those customers, the management of the Group does not consider these trade receivables as credit impaired as these customers have good business relationship with the Group and their recurring overdue balances have satisfactory settlement history.

13. TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**17,827**	19,186

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:

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**6,894**	6,480
31–60 days	**501**	1,524
61–90 days	**896**	5,358
91–120 days	**140**	1,340
121–180 days	**3,478**	2,379
Over 180 days	**5,918**	2,105
	17,827	19,186

14. SHARE CAPITAL

	Number of shares	Amount	
		HK$	*HK$'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 April 2018	38,000,000	380,000	380
Increase in authorised share capital	4,962,000,000	49,620,000	49,620
At 31 March 2019 and 31 March 2020	5,000,000,000	50,000,000	50,000
Issued and fully paid:			
At 1 April 2018	1	–	–
Capitalisation issue	1,499,999,999	15,000,000	15,000
Issue of shares	500,000,000	5,000,000	5,000
At 31 March 2019 and 31 March 2020	2,000,000,000	20,000,000	20,000

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a retailer and supplier of overseas manufactured tiles in Hong Kong and Macau, specialising in high-end European imported porcelain, ceramic and mosaic tiles. The Group bases its operations vastly on retail business of overseas manufactured tiles and, to a lesser extent, bathroom fixtures in Hong Kong. As at 31 March 2020, the Group operated 18 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.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2020, the Group recorded a total revenue of approximately HK$145.4 million, representing a decrease of approximately 12.8% as compared to approximately HK$166.7 million for the year ended 31 March 2019. Such decrease was mainly attributable to the Sino-US trade war, Hong Kong's ongoing social unrest and the outbreak of coronavirus disease 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 91.7% and 91.8% of the Group's total revenue for the years ended 31 March 2020 and 2019 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 79.6% and 77.3% of the Group's total revenue for the years ended 31 March 2020 and 2019 respectively; and the remaining mainly represented revenue from sales to project customers and PRC distributors.

Gross profit and product margin

The Group's gross profit (i.e. revenue minus cost of inventories sold) amounted to approximately HK$104.1 million for the year ended 31 March 2020, representing a decrease of approximately 12.0% from approximately HK$118.3 million for the year ended 31 March 2019, which was mainly due to the decrease in revenue. Nevertheless, the overall product margin remained stable at approximately 71.6% and 71.0% for the years ended 31 March 2020 and 2019 respectively.

Staff costs

Staff costs for the year ended 31 March 2020 was approximately HK$22.5 million, which was stable as compared to approximately HK$23.6 million for the year ended 31 March 2019.

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

For the year ended 31 March 2020, the Group recorded property rentals and related expenses of approximately HK$2.9 million (2019: HK$52.7 million). The decrease was mainly attributed to the adoption of Hong Kong Financial Reporting Standard 16 "Leases" ("**HKFRS 16**") 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$48.8 million and HK$5.2 million respectively for the year ended 31 March 2020, totalling approximately HK$54.0 million which was comparable to the rental expenses of approximately HK$50.1 million included in property rentals and related expenses for the year ended 31 March 2019.

Other expenses

The Group recorded other expenses of approximately HK$20.2 million and HK$28.3 million for the years ended 31 March 2020 and 2019 respectively. The Group's other expenses for the year ended 31 March 2020 mainly consisted of transportation and delivery expenses, bank charges and utilities. Other expenses for the year ended 31 March 2019 also included the listing expenses of approximately HK$9.2 million. Other expenses recorded for the year ended 31 March 2020 remained relatively stable as compared to the same period last year excluding the listing expenses.

Loss attributable to owners of the Company

For the year ended 31 March 2020, the Group's loss attributable to owners of the Company was approximately HK$0.7 million, representing a substantial decrease in profit of approximately HK$6.5 million from a profit of approximately HK$5.8 million for the year ended 31 March 2019. Such decrease was mainly due to (i) decrease in the Group's gross profit by approximately HK$14.1 million as a result of decrease in revenue; (ii) decrease in net exchange gain by approximately HK$2.4 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$4.2 million resulting from the adoption of HKFRS 16; which was partially offset by (iv) increase in other income of approximately HK$1.2 million; (v) decrease in net impairment loss on trade receivables of approximately HK$1.0 million; (vi) decrease in other expenses by approximately HK$8.1 million, including approximately HK$9.2 million in connection with the listing expenses incurred during the year ended 31 March 2019; and (vii) decrease in taxation expenses by approximately HK$3.1 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 2020, the Group's pledged bank deposit and bank and cash balances totalled approximately HK$70.5 million (2019: approximately HK$102.8 million), including approximately HK$70.1 million (2019: HK$102.3 million) denominated in Hong Kong dollars and approximately HK$0.4 million (2019: 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 year.

Indebtedness

As at 31 March 2020, the Group had bank borrowings and a short-term unsecured loan of approximately HK$69.3 million and HK$30 million respectively. The bank borrowings comprised approximately HK$65.4 million denominated in Hong Kong dollars and approximately HK$3.9 million denominated in Euro, which carried floating rates of Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.0% to 2.5% (2019: 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 deposit pledged to a bank and insurance policies of the Group. The short-term loan is unsecured and interest-bearing at 2.5% per month and repaid on 27 April 2020.

As at 31 March 2020, the Group's gearing ratio was approximately 1.1 times, which is calculated based on total borrowings divided by total equity attributable to owners of the Company as at 31 March 2020 and multiplied by 100%. The Directors, taking into account the nature and scale of operations of the Group, considered that the gearing ratio as at 31 March 2020 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 2020 and 2019, the Group recorded net exchange gains of approximately HK$0.4 million and HK$2.8 million respectively. During both years, the Group had not used any financial instruments for hedging purposes. The Group currently does not have any foreign currency hedging policy. However, the Group's management closely monitors its exposure to foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

Securities in issue

As at 31 March 2020, there were 2,000,000,000 ordinary shares in issue. There was no movement in the issued share capital of the Company during the year ended 31 March 2020.

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

There was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 March 2020. Save as disclosed in this announcement, there was no plan for material investment or capital assets as at 31 March 2020.

Commitments

As at 31 March 2020, the Group had outstanding contracted capital commitments in respect of property, plant and equipment of approximately HK$0.4 million (2019: approximately HK$0.4 million).

Charge on assets

As at 31 March 2020, the Group pledged its bank deposit and life insurance policies of approximately HK$65 million and HK$4.3 million, respectively as securities for the Group's bank borrowings. Save as disclosed above, the Group did not have any charge over its assets.

Contingent liabilities

As at 31 March 2020, 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 2020. The Group's staff cost, including Directors' emoluments, was approximately HK$22.5 million and HK$23.6 million for the years ended 31 March 2020 and 2019 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 2020, 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 2020 (2019: Nil).

Prospects

The Group believes that public listing status has enhanced its profile, while the net proceeds from the listing can strengthen its financial position and allow the Group to implement and execute its business plan. Nevertheless, 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, the social unrest in Hong Kong, as well as the uncertain development of coronavirus disease which render the Group's business being vulnerable to their development. As such, the Group has been cautious on the implementation of its expansion plan in terms of expansion of retail network and strategic acquisition.

To better utilize the listing proceeds, in June 2020, the Group has decided to change part of unutilised listing proceeds originally planned for expansion of retail network and strategic acquisition, and reallocate it mainly for property investments in Hong Kong in order to generate more revenue, with any remaining amount as general working capital of the Group. The Group is considering acquisition of certain properties in Hong Kong. However, no specific acquisition of property was identified, nor had the Group entered into any agreement for acquisition. In addition, the Group will focus to improve its profitability by (i) taking stringent cost management through rent reductions and cost control, (ii) expanding more sales networks in the PRC market; and (iii) expanding its product mix and enhancing the diversity of its product offerings.

While the future outlook is likely to continue to be challenging and performance in the year ahead will be affected by economic and political conditions, as well as the impacts of the coronavirus disease, the Group is optimistic about the prospects for a recovery once the situation has stabilised and 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.

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 31 March 2020:

	Business objectives as set out in the Prospectus	Actual business progress up to 31 March 2020
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 2 new shops in Wanchai in the first quarter of 2019 and the second quarter of 2020 respectively. However, due to the uncertain market situation as mentioned above, the Company is more conscious on its retail network expansion. Before the proposed change of use of proceeds as further described in the section headed "Use of proceeds from the listing" below, the Group expected that the opening of the remaining five new shops would 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, and 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 31 March 2020
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.
	(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 above two newly opened retail shops 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.
	(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 year, 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.

	Business objectives as set out in the Prospectus	Actual business progress up to 31 March 2020
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.	Before the proposed change of use of proceeds as further described in the section headed "Use of proceeds from the listing" below, the Group was in the progress of identifying and evaluating potential targets. Yet, no specific acquisition targets had been identified, nor had the Group commenced any negotiation with any party or entered into any letter of intent or agreement for any potential acquisition.

During the year under review, the Directors considered the Hong Kong economy, including the properties market and the retailing industry, was uncertain and sluggish, and was affected by certain external factors such as the development of the Sino-US trade war and the Brexit, the social unrest in Hong Kong, as well as the coronavirus. 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, apart from the proposed change of use of proceeds as further described in the section headed "Use of proceeds from the listing" below, 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 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 at 31 March 2020, the net proceeds were applied as follows:

	Planned use of proceeds as set out in the Prospectus *(Note 1)*	Planned use of proceeds as set out in the Prospectus up to 31 March 2020 *(Note 1)*	Utilised proceeds as at 31 March 2020	Unutilised proceeds as at 31 March 2020
	HK$ (million)	*HK$ (million)*	*HK$ (million)*	*HK$ (million)*
Progressive expansion of retail network in Hong Kong	22.0	12.5	4.0	18.0
Meeting minimum purchase commitment under new exclusive distribution rights	36.5	26.5 *(Note 2)*	10.9	25.6
Strategic acquisition opportunities	27.0	–	–	27.0
General working capital	0.6	–	0.6	–
	86.1	39.0	15.5	70.6

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) The planned amount up to 31 March 2020 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 31 March 2020, approximately HK$15.5 million out of the net proceeds from the Listing had been used. The unused net proceeds were deposited in licensed banks in Hong Kong.

Before the proposed change of use of proceeds as further described below, the Company intended to apply the net proceeds in the manner as stated in the Prospectus. However, based on the prevailing market situation, the Company proposed the change of use of proceeds on 18 June 2020 as detailed below.

	Planned use of proceeds as set out in the Prospectus *HK$ million* *(Note 1)*	**Utilised proceeds up to 18 June 2020** *HK$ million*	**Unutilised proceeds as at 18 June 2020** *HK$ million*	**Change of use of proceeds on 18 June 2020** *HK$ million*
Progressive expansion of retail network Hong Kong	22.0	4.0	18.0	–
Meeting minimum purchase commitment under new exclusive distribution rights	36.5	12.4	24.1	24.1
Strategic acquisition opportunities	27.0	–	27.0	–
Property investments in Hong Kong	–	–	–	45.0 *(Note 3)*
General working capital	0.6	0.6	–	–
	86.1	17.0	69.1	69.1

Notes:

(3) Part of the unutilised net proceeds will be used mainly for property investments in Hong Kong, with any remaining amount as general working capital of the Group.

Given (i) the global outbreak of coronavirus disease since early 2020; and (ii) the social unrest in Hong Kong since June 2019, the local economic conditions have deteriorated sharply. In particular, the retail sector is hardly hit and the market demand for the Group's products in Hong Kong remains highly uncertain. The Directors therefore consider that a more prudent approach in terms of business development should be adopted, and it is not an appropriate business strategy to expand the Group's retail network in Hong Kong in the near future.

In addition, due to the anticipated hard time of the local and worldwide economies in the coming years amid the uncertain development of the coronavirus disease, the Directors consider that any assessment of the business and financial prospects of potential acquisition targets would involve a high degree of uncertainties and hence the risk of the investments. As such, the Directors consider acquisition of industry players is not a promising business strategy in the near future.

The Board therefore decided to change the use of the relevant amount of the unutilised net proceeds originally designated for expansion of retail network in Hong Kong and strategic acquisition, and reallocate it mainly for property investments in Hong Kong in order to generate more revenue from the net proceeds which are currently earning insignificant interest income for the Group with any remaining amount as general working capital of the Group. Further, the Directors consider that the use of investment properties as collaterals, if necessary, could allow the Group to obtain more favourable terms of banking facilities.

It is currently expected that (i) the amount of untilised proceeds of approximately HK$24.1 million as stated above allocated for meeting minimum purchase commitment under new exclusive distribution rights will be applied as to HK$6.0 million, HK$9.8 million and HK8.3 million during the years ending 31 March 2021, 2022 and 2023 respectively; and (ii) the amount of untilised proceeds of approximately HK$45.0 million as stated above allocated for property investments in Hong Kong will be applied by the end of 2020.

The Board is of the view that the change in use of the net proceeds is a better utilization of the Group's fund currently set aside idly in the bank accounts and is in the best interest of the Company and the shareholders as a whole, and it will not have any material adverse effect on the existing business and operations of the Group.

Despite the above, the Directors will continuously review the Group's business objectives and development, and may further change or modify the Group's plans in light of the changing market conditions in order to attain sustainable business growth of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 March 2020 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 and A.6.7 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 2020, 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.

Under code provision A.6.7 of the 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 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 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 2020.

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 2020.

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 2020 and no share options were outstanding under the Scheme as at 31 March 2020.

EVENTS AFTER THE REPORTING PERIOD

(1) Placing of new shares

On 11 May 2020, the Company entered into a placing agreement to place through a placing agent up to 400,000,000 new shares at a price of HK$0.04 per share. The new shares were allotted and issued under the general mandate granted to the Directors on 30 August 2019. The placing of 400,000,000 new shares was completed on 11 June 2020 with net proceeds of approximately HK$15.68 million which will be used as general working capital of the Company.

(2) Change in use of proceeds from share offer

As disclosed in the Company's announcement dated 18 June 2020, the Company decided to change part of the net proceeds from the listing originally planned for (i) progressive expansion of retail network in Hong Kong; and (ii) strategic acquisition opportunities to strengthen the Group's market leadership and further enhance its competitiveness in the tile retailing industry, and reallocate the relevant unutilized proceeds as property investments in Hong Kong for rental purposes and general working capital purpose. The proposed change of use of the remaining net proceeds as at 18 June 2020 is detailed in the section headed "Use of proceeds from the listing" above.

(3) Impact of Coronavirus Disease 2019 ("COVID-19")

In view of the outbreak of COVID-19 in January 2020 in the PRC, the PRC authority has taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

At the date of authorisation of these consolidated financial statements, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19.

(4) Advance from a director

Subsequent to end of the reporting period, Mr. Tso advanced HK$25,800,000 to the Group. The amounts are unsecured, interest-free and repayable on demand.

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 2020 have been reviewed by the Audit Committee and have been audited by the Group's auditor, Messrs. Mazars CPA Limited.

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

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rbmsgroup.com). The annual report of the Company for the year ended 31 March 2020 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, 29 June 2020

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.