

PACIFIC LEGEND GROUP LIMITED

(Incorporated in the Cayman Islands
with limited liability)

Stock Code: 8547



2020 FIRST QUARTERLY REPORT

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*This report, for which the directors (the “**Directors**”) of Pacific Legend Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.*

The original report is prepared in the English language. This report is translated into Chinese. In the event of any inconsistencies between the Chinese and the English versions, the latter shall prevail and it is available on the Company’s website at www.pacificlegendgroup.com.



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FINANCIAL HIGHLIGHTS

- The unaudited revenue of the Group amounted to approximately HK\$39.3 million for the three months ended 31 March 2020, representing a decrease of approximately HK\$28.4 million or 42.0% as compared with the revenue of approximately HK\$67.8 million for the three months ended 31 March 2019.
- The unaudited loss of the Group after tax was approximately HK\$18.6 million for the three months ended 31 March 2020 as compared to a loss of approximately HK\$5.3 million for the three months ended 31 March 2019.
- Basic and diluted loss per share were both 1.86 Hong Kong cents for the three months ended 31 March 2020 compared to basic and diluted loss per share of 0.53 Hong Kong cent for the three months ended 31 March 2019.
- No interim dividend is recommended by the Board for the three months ended 31 March 2020.

UNAUDITED FIRST QUARTERLY FINANCIAL INFORMATION

The board of Directors (the “**Board**”) of Pacific Legend Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2020 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2020

(Expressed in Hong Kong dollars)

	Note	Three months ended 31 March	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	39,326	67,762
Cost of sales		(15,181)	(28,335)
Gross profit		24,145	39,427
Other income and gains	5	529	260
Selling and distribution costs		(14,532)	(14,893)
Administrative and other operating expenses		(28,328)	(29,512)
Loss from operation		(18,186)	(4,718)
Finance costs	6(a)	(338)	(505)
Loss before taxation	6	(18,524)	(5,223)
Income tax expense	7	(40)	(45)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2020

(Expressed in Hong Kong dollars)

	Note	Three months ended 31 March	
		2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Loss for the period attributable to equity shareholders of the Company		(18,564)	(5,268)
Other comprehensive (loss)/income			
Item that may be classified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		<u>(55)</u>	<u>118</u>
Total comprehensive loss for the period attributable to equity shareholders of the Company		<u>(18,619)</u>	<u>(5,150)</u>
		HK cents	HK cents
Loss per share			
Basic and diluted	8	<u>(1.86)</u>	<u>(0.53)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2020

(Expressed in Hong Kong dollars)

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2019 (audited)	10,000	67,136	1,234	155	789	58,282	137,596
Loss for the period	-	-	-	-	-	(5,268)	(5,268)
Other comprehensive income	-	-	-	118	-	-	118
Total comprehensive loss for the period	-	-	-	118	-	(5,268)	(5,150)
Equity settled share-based payments transaction	-	-	895	-	-	-	895
Balance at 31 March 2019 (unaudited)	<u>10,000</u>	<u>67,136</u>	<u>2,129</u>	<u>273</u>	<u>789</u>	<u>53,014</u>	<u>133,341</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2020

(Expressed in Hong Kong dollars)

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2020 (audited)	10,000	67,136	3,900	109	789	50,494	132,428
Loss for the period	-	-	-	-	-	(18,564)	(18,564)
Other comprehensive loss	-	-	-	(55)	-	-	(55)
Total comprehensive loss for the period	-	-	-	(55)	-	(18,564)	(18,619)
Equity settled share-based payments transaction	-	-	399	-	-	-	399
Balance at 31 March 2020 (unaudited)	<u>10,000</u>	<u>67,136</u>	<u>4,299</u>	<u>54</u>	<u>789</u>	<u>31,930</u>	<u>114,208</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Pacific Legend Group Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 1 September 2017. The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Units 1202-04, Level 12, Cyberport 2, 100 Cyberport Road, Hong Kong. The Company’s shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 July 2018 (the “**Listing**”).

The Company and its subsidiaries (together the “**Group**”) is principally engaged in the sale of home furniture and accessories, leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings.

At 31 March 2020, the Directors consider the immediate and ultimate holding company to be Double Lions Limited, which is incorporated in the British Virgin Islands (the “**BVI**”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial information should be read in conjunction with the audited consolidated financial information for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA, as included in the Company’s 2019 Annual Report.

The significant accounting policies that have been used in the preparation of these unaudited consolidated financial statements have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of the unaudited consolidated financial statements of the Group for the relevant period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group’s accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

The HKICPA has issued the following new HKFRSs, amendments to HKFRSs and interpretations that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material

The adoption of the above standards and interpretations does not have a significant impact on the Group's consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments:

- Sale of home furniture and accessories
- Rental of home furniture and accessories
- Project and hospitality services

Performance is based on segment gross profit. The Group's most senior executive management does not evaluate operating segment using assets and liabilities information, so segment assets and liabilities are not reported to the Group's most senior executive management. Accordingly, reportable segment assets and liabilities have not been presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the three months ended 31 March 2020

	Sale of home furniture and accessories	Rental of home furniture and accessories	Project and hospitality services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue				
– external customers	<u>30,031</u>	<u>4,155</u>	<u>5,140</u>	<u>39,326</u>
Segment results	<u>18,059</u>	<u>3,409</u>	<u>2,677</u>	24,145
Other income and gains				529
Selling and distribution costs				(14,532)
Administrative and other operating expenses				(28,328)
Finance costs				<u>(338)</u>
Loss before taxation				<u>(18,524)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the three months ended 31 March 2019

	Sale of home furniture and accessories <i>HK\$'000</i> (Unaudited)	Rental of home furniture and accessories <i>HK\$'000</i> (Unaudited)	Project and hospitality services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
– external customers	<u>45,816</u>	<u>4,777</u>	<u>17,169</u>	<u>67,762</u>
Segment results	<u>27,228</u>	<u>4,039</u>	<u>8,160</u>	39,427
Other income and gains				260
Selling and distribution costs				(14,893)
Administrative and other operating expenses				(29,512)
Finance costs				<u>(505)</u>
Loss before taxation				<u>(5,223)</u>

There was no inter-segment revenue for the three months ended 31 March 2020 and 31 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	Three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong	29,614	54,284
United Arab Emirates (the "UAE")	7,295	10,943
The People's Republic of China (excluding Hong Kong and Macao, the "PRC")	2,417	2,535
	<u>39,326</u>	<u>67,762</u>

The above revenue information is based on the locations of the customers.

5. OTHER INCOME AND GAINS

	Three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	176	20
Interest income from finance leases	45	45
Income from franchising	260	–
Gain on disposal of property, plant and equipment	33	–
Sundry income	15	98
Net exchange gains	–	97
	<u>529</u>	<u>260</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(a) Finance costs:		
Interest on short-term bank loans	49	44
Interest on lease liabilities	289	461
	338	505
(b) Staff costs:		
Salaries, allowances and commissions	18,333	19,230
Share-based payment expenses	399	895
Retirement benefits scheme contributions	747	878
Provision for long service payments and employees' end-of-service benefits	286	204
	19,765	21,207
(c) Other items:		
Auditors' remuneration	265	255
Cost of inventories recognised as expense	14,499	27,659
Depreciation of property, plant and equipment	1,401	1,591
Depreciation of right-of-use assets	7,456	8,503
Net exchange loss	425	–
Expenses related to short-term leases	1,651	389
Variable lease payments not included in the measurement of lease liabilities	70	45

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE

Taxation in unaudited consolidated statement of profit or loss and other comprehensive income:

	Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – provision for the period		
Hong Kong Profits Tax	40	45
PRC Enterprise Income Tax	–	–
	40	45

The Group is not subject to any income tax in the Cayman Islands, the BVI and the UAE pursuant to the rules and regulations in those jurisdictions.

The provision for Hong Kong Profits Tax for the three months ended 31 March 2020 is calculated at 8.25% (three months ended 31 March 2019: 8.25%) of the first HK\$2,000,000 and 16.5% (2019: 16.5%) of the remaining estimated assessable profits for the period.

The PRC Enterprise Income Tax is calculated at 25% (2019: 25%) of the estimated assessable profits in accordance with relevant rules and regulations in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to equity shareholders of the Company of HK\$18,564,000 (2019: HK\$5,268,000) and the weighted average of 1,000,000,000 (2019: 1,000,000,000) ordinary shares in issue.

No diluted loss per share for the three months ended 31 March 2020 and 2019 respectively was presented as there were no dilutive potential ordinary shares in issue during both periods.

9. DIVIDENDS

The Directors do not recommend the payment of any interim dividend in respect of the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group principally operates three lines of business, namely, (i) sale of home furniture and accessories (“**Furniture Sales**”, which includes retail, corporate sales, online shops, wholesale and franchise); (ii) rental of home furniture and accessories (“**Furniture Rental**”); and (iii) project and hospitality services (“**Projects**”, which typically involve designing, styling, decorating and furnishing commercial or residential properties such as hotels, serviced apartments and showflats).

During the three months ended 31 March 2020 we were faced with new struggles in all of our geographic markets and in both retail and corporate sales as the impact of COVID-19 took its toll across the globe. Retail sales in Dubai were holding up fairly well in January and February. However, we saw a decrease in sales towards the end of March, when the lockdown in Dubai went into effect. Meanwhile, Hong Kong retail has shown consistently slow sales throughout the period and our corporate sales business has been delayed but is still in the pipeline. As such we have seen a decline in all sectors of our business compared to the same period last year.

While we still have a large amount of corporate sales in all our markets in the pipeline, the execution of those projects has been delayed until lockdowns are lifted.

In response to the slow down and the review of our operations, we instigated a number of cost cutting measures in the first quarter that included reducing our retail manpower, salary cuts, unpaid leave options and negotiating rent reductions from most of our retail landlords. We are also applying for all the government support available to Hong Kong, the PRC and the UAE businesses, the results of which are not yet visible in the financials of the first quarter of 2020.

The impact of COVID-19 will continue to affect the Group in the second quarter of 2020. However, if the pandemic subsides and the current crowd control measures and lockdowns are lifted, we expect to see sales pick up across all our markets, both in retail and corporate sales, although still below last year’s levels. We also expect our cost cutting measures to help us offset the slow down in revenue. After several months of delay and restrictions related to COVID-19, we will finally be opening the second store in Jing An District in Shanghai in June, which will use part of the proceeds from the Listing within the purpose as set out in the Company’s Prospectus. We believe that should assist us to generate additional revenue in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue for the three months ended 31 March 2020 (the "**First Quarter 2020**" or the "**Current Quarter**") was approximately HK\$39.3 million, representing a decrease of HK\$28.4 million or 42.0% as compared with that of the three months ended 31 March 2019 (the "**First Quarter 2019**" or the "**Corresponding Period in 2019**") of HK\$67.8 million.

The revenue derived from the Furniture Sales decreased by approximately 34.5% from approximately HK\$45.8 million in the First Quarter 2019 to approximately HK\$30.0 million in the First Quarter 2020.

In Hong Kong, the same store retails sales revenue dropped from HK\$22.4 million in the First Quarter 2019 to HK\$14.6 million for the First Quarter 2020. The social unrest in Hong Kong since June 2019 continued to have an adverse impact on our retail stores in Hong Kong, especially those stores in Shatin and Yuen Long, compromising our effort on the seasonal sale campaign after Christmas. The outbreak of COVID-19 which started in late January 2020 just before Chinese New Year, together with the crowd-control orders in March 2020 have brought the shopper traffic in the malls and in the streets to unprecedented low levels. Most of our Hong Kong retail stores noted revenue downfall ranging from 35% to 45%.

The corporate sales in Hong Kong were also affected by the pandemic as property developers have postponed the release of the sale of their residential flats which had delayed the completion of our showflats.

Retail revenue from our Sheikh Zayed Road and Al Wasl Road stores in Dubai, the UAE fell 32.5% in the First Quarter 2020 as compared to the Corresponding Period in 2019. Market sentiment dropped as the economy has been affected by COVID-19 disruptions combined with a brutal crash in oil prices. Tourism, retail, hospitality and logistics were the first sectors to get pummelled as COVID-19 severely reduced global travel and shut down most public venues.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Dubai corporate sales declined by HK\$1.5 million to HK\$1.4 million in the First Quarter 2020 compared to the Corresponding Period in 2019. Despite a strong pipeline, a large number of transactions could not be completed in March due to the COVID-19 lockdown. The completion of these projects in the second quarter will depend on the pace at which the country reopens after the lockdown.

The Group's online business noted a decrease of 11.3% compared to the Corresponding Period in 2019, which was mainly attributable to Hong Kong. The Group will continue to explore potential O2O opportunities, including working with different partners by offering online flash sales.

Our retail business in Shanghai, the PRC, severely affected by the lockdown of the city after Chinese New Year holidays, recorded a 24.2% decline in revenue in the First Quarter 2020 with our An Fu Lu store being closed for 20 days and then reopened on reduced hours. The new store in Jing An District in Shanghai is expected to open in June 2020, which should bring in additional revenue to the Group.

The Group's franchise business in Saudi Arabia was stable, with sales revenue of HK\$2.3 million in the First Quarter 2020, compared to HK\$2.1 million in the Corresponding Period in 2019. Similar to the UAE, however, the country has been impacted by the oil crisis and COVID-19 impact and we would expect to see a knock-on effect in the second quarter.

The revenue from the Furniture Rental decreased by approximately 13.0% from approximately HK\$4.8 million in the First Quarter 2019 to approximately HK\$4.2 million in the First Quarter 2020. We noted a significant drop in long-term rental contracts signed up in the first quarter as international moves reduced significantly.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The revenue from the Projects business decreased by approximately 70.1% from approximately HK\$17.2 million in the First Quarter 2019 to approximately HK\$5.1 million in the First Quarter 2020. This was mainly due to the fact that a significant project in Hong Kong achieving 80% completion had been proportionally recognised in the Group's First Quarter 2019 results. However, the revenue recognised in the Current Quarter were only derived from a few projects with much less contract sums. The impact of social unrest and COVID-19 pandemic has meant the property developers are delaying their planning until the market sentiment improves, which has an adverse impact on the number of confirmed contracts.

Gross Profit

Our gross profit varied principally as a result of the composition of the revenues of our Furniture Sales, Furniture Rental and Projects businesses, changing market conditions and their effects on product pricing, product mix and our cost of sales. Overall, the gross profit margins of our Furniture Sales (except franchise) and Furniture Rental businesses are higher than the gross profit margin of the Projects business due to the provision of design and styling and custom furniture services in the latter.

The gross profit of the Group decreased by HK\$15.3 million or 38.8% from approximately HK\$39.4 million in the Corresponding Period in 2019 to HK\$24.1 million in the First Quarter 2020. We saw a 3.2% increase in overall gross profit percentage due to a relatively higher decline in revenue from Projects business compared to corporate sales, retail and rental revenues, as Projects business operates on a lower margin pricing strategy, in contrast to corporate sales and rental revenue which both have a higher gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and Distribution Costs

Our selling and distribution costs comprised mainly staff cost of sales teams, staff commission, advertising and promotion, transportation and delivery costs, credit card commission, agency fees and other expenses.

The Group's selling and distribution costs decreased by approximately 2.4% from approximately HK\$14.9 million in the First Quarter 2019 to approximately HK\$14.5 million in the First Quarter 2020. The decrease of HK\$0.4 million was mainly attributable to a reduction in delivery costs as a direct result of slower sales.

Administrative and other operating expenses

Our administrative and other operating expenses comprised mainly staff cost (other than the sales teams), rental and related expenses, depreciation of property, plant and equipment (other than those relating to the Furniture Rental business), depreciation of right-of-use assets, staff benefits and others. Such expenses decreased by approximately 4.0% from approximately HK\$29.5 million in the First Quarter 2019 to approximately HK\$28.3 million in the First Quarter 2020. This decrease was mainly the result of the decrease in staff costs (other than sales teams) of approximately HK\$1.8 million due to streamlining of manpower.

Finance costs

The interest expenses incurred on import loan financing amounted to HK\$49,000 in the First Quarter 2020 (First Quarter 2019: approximately HK\$44,000). The interest expenses on the remaining balance of the net present value of the aggregate lease payments in respect of the leases of certain premises, which the Group has entered into as a lessee, amounted to HK\$289,000 (First Quarter 2019: HK\$461,000).

Loss for the period

Loss attributable to equity shareholders of the Company for the Current Quarter amounted to approximately HK\$18.6 million (First Quarter 2019: loss of approximately HK\$5.3 million).

The loss in the First Quarter 2020 was mainly attributable to the decrease in gross profit following the decline in revenues in most of the businesses; and net of savings of selling and distribution costs and administrative and other operating expenses as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Use of Proceeds

The Company intends to utilise the net proceeds as disclosed in the “Future Plans and Use of Proceeds” section of the prospectus of the Company dated 29 June 2018 (the “**Prospectus**”), based on the net proceeds from the share offer of approximately HK\$48.5 million upon the Listing Date.

	Net proceeds to be applied <i>HK\$'000</i>	Approximate percentage of the proceeds <i>%</i>	Amount utilised up to 31 March 2020 <i>HK\$'000</i>	Unutilised amount up to 31 March 2020 <i>HK\$'000</i>
Expand our retail network by opening additional retail stores	28,382	58.6%	4,202	24,180
Enhance our online shop and our information technology capability	3,893	8.0%	2,329	1,564
Recruitment of additional staff	5,545	11.4%	4,561	984
Recruitment for our planned new retail stores	1,556	3.2%	105	1,451
Increasing our inventory	5,056	10.4%	4,025	1,031
General working capital	4,043	8.4%	4,043	–
	<u>48,475</u>	<u>100.0%</u>	<u>19,265</u>	<u>29,210</u>

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2020, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) held by the Directors and chief executives of the Company (the “Chief Executives”) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

(i) Long position in the shares of the Company (the “Shares”)

Name	Capacity/ Nature of interest	Number of Shares held	Number of share options granted <i>(note 1)</i>	Total	Percentage of shareholding <i>(note 2)</i>
Mr. John Warren MCLENNAN	Interest in a controlled corporation and interest held jointly with other persons <i>(note 3)</i>	634,980,000	-	634,980,000	63.50%
Mrs. Jennifer Carver MCLENNAN	Interest of spouse <i>(note 4)</i>	634,980,000	-	634,980,000	63.50%
Ms. Tracy-Ann FITZPATRICK	Interest in a controlled corporation and interest held jointly with other persons <i>(note 3)</i>	634,980,000	-	634,980,000	63.50%
Ms. MOK Lai Yin Fiona <i>(note 5)</i>	Beneficial interests	-	9,980,000	9,980,000	1.00%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Notes:

- (1) These share options were granted by the Company under the Company's Share Option Scheme, as defined and detailed in the heading "Share Option Scheme" below.
- (2) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 31 March 2020 (without taking into account any Shares which may be issued upon exercise of any option which may be granted under the Company's Share Option Scheme, as defined and detailed in the heading "Share Option Scheme" below).
- (3) Double Lions Limited is owned as to 40.48% by Mr. John Warren MCLENNAN, 20.00% by Ms. Tracy-Ann FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY, 14.88% by Mr. John Martin RINDERKNECHT and 9.76% by Mr. James Seymour Dickson LEACH (collectively with Double Lions Limited, the "**Controlling Shareholders**"). Each of the Controlling Shareholders executed the deed of acting in concert (the "**Deed of AIC**") dated 12 February 2018 confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited.
- (4) Mrs. Jennifer Carver MCLENNAN is the spouse of Mr. John Warren MCLENNAN and is deemed to be interested in the Shares held by Mr. John Warren MCLENNAN by virtue of the SFO.
- (5) Share options were granted by the Company to Ms. MOK Lai Yin Fiona pursuant to a Share Option Scheme of the Company, as defined and detailed in the heading "Share Option Scheme" below.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(ii) Long position in the shares of associated corporations

Name of Directors	Name of associated corporation	Nature of interest	Number of shares of US\$ 1.00 each in our associated corporation held	Approximate percentage of shareholding in our associated corporation
Mr. John Warren MCLENNAN	Double Lions Limited	Beneficial interest and interest held jointly with other persons <i>(note 1)</i>	2,530	40.48%
Ms. Tracy-Ann FITZPATRICK	Double Lions Limited	Beneficial interest and interest held jointly with other persons <i>(note 1)</i>	1,250	20.00%
Mrs. Jennifer Carver MCLENNAN	Double Lions Limited	Interest of spouse <i>(note 2)</i>	2,530	40.48%

Notes:

- (1) Double Lions Limited is owned as to 40.48% by Mr. John Warren MCLENNAN, 20.00% by Ms. Tracy-Ann FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY, 14.88% by Mr. John Martin RINDERKNECHT and 9.76% by Mr. James Seymour Dickson LEACH. By virtue of acting in concert arrangement as documented and confirmed under the Deed of AIC, each of Mr. John Warren MCLENNAN, Ms. Tracy-Ann FITZPATRICK, Ms. Alison Siobhan BAILEY, Mr. John Martin RINDERKNECHT and Mr. James Seymour Dickson LEACH is deemed to be interested in the entire issued shares of Double Lions Limited under the SFO. Mr. John Warren MCLENNAN, Ms. Tracy-Ann FITZPATRICK and Ms. Alison Siobhan BAILEY are directors of Double Lions Limited.
- (2) Mrs. Jennifer Carver MCLENNAN is the spouse of Mr. John Warren MCLENNAN and is deemed to be interested in the shares of Double Lions Limited held by Mr. John Warren MCLENNAN by virtue of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO showed that the Company had been notified of the following substantial shareholders' interests, being 5% or more in the issued ordinary share capital of the Company. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Name	Capacity/ Nature of interest	Number of Shares held <i>(note 6)</i>	Percentage of shareholding <i>(note 2)</i>
Double Lions Limited	Beneficial interest	634,980,000 (L)	63.50%
Mr. David Frances BULBECK	Interest of spouse <i>(note 3)</i>	634,980,000 (L)	63.50%
Ms. Alison Siobhan BAILEY	Interest in a controlled corporation, interest held jointly with other persons <i>(note 1)</i> and interest of spouse <i>(note 4)</i>	634,980,000 (L)	63.50%
Mr. James Seymour Dickson LEACH	Interest in a controlled corporation, interest held jointly with other persons <i>(note 1)</i> and interest of spouse <i>(note 4)</i>	634,980,000 (L)	63.50%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Name	Capacity/ Nature of interest	Number of Shares held <i>(note 6)</i>	Percentage of shareholding <i>(note 2)</i>
Mr. John Martin RINDERKNECHT	Interest in a controlled corporation and interest held jointly with other persons <i>(note 1)</i>	634,980,000 (L)	63.50%
Great Metro Limited	Beneficial interest	65,075,000 (L)	6.51%
Mr. KWAN Hoi Wang	Interests in controlled corporations <i>(note 5)</i>	87,775,000 (L)	8.78%

Notes:

- (1) Double Lions Limited is owned as to 40.48% by Mr. John Warren MCLENNAN, 20.00% by Ms. Tracy-Ann FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY, 14.88% by Mr. John Martin RINDERKNECHT and 9.76% by Mr. James Seymour Dickson LEACH (collectively, with Double Lions Limited, the “**Controlling Shareholders**”). Each of the Controlling Shareholders executed the Deed of AIC confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited.
- (2) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 31 March 2020 (without taking into account any Shares which may be issued upon exercise of any option which may be granted under the Company’s Share Option Scheme, as defined and detailed in the heading “Share Option Scheme” below).
- (3) Mr. David Frances BULBECK is the spouse of Ms. Tracy-Ann FITZPATRICK and is deemed to be interested in the Shares held by Ms. Tracy-Ann FITZPATRICK by virtue of the SFO.
- (4) Ms. Alison Siobhan BAILEY and Mr. James Seymour Dickson LEACH are married to each other and each of them is deemed to be interested in the Shares held by her/his spouse via Double Lions Limited by virtue of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

- (5) Mr. KWAN Hoi Wang is interested in the entire issued share capital of Great Metro Limited. Mr. KWAN Hoi Wang is deemed to be interested in the Shares held by Great Metro Limited by virtue of the SFO.
- (6) The letter “L” denotes the entity/person’s long position in the Shares.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2020.

SHARE OPTION SCHEME

(a) Share option scheme adopted by the Company

Pursuant to the written resolution of the shareholders of the Company on 19 June 2018, the Company adopted a share option scheme (the “**Share Option Scheme**”) for the purpose of granting options to eligible participants as incentives or rewards for their contribution to the Group.

Under the Share Option Scheme, the board of Directors may at their discretion grant options to full-time or part-time employees, including executive Directors, non-executive Directors and independent non-executive Directors, consultants or advisers of the Group. The offer of a grant of share options may be accepted by the grantee within 28 days from the date of the offer, upon payment of HK\$1 by way of consideration for the grant. Each share option gives the holder of the right to subscribe for one ordinary Share in the Company and is settled gross in Shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. In addition, the total number of Shares which may be issued upon exercise of all options to be granted under Share Option Scheme and any other share option schemes of the Company must not exceed 100,000,000 Shares, being the scheme mandate limit. The board of Directors may seek approval by the shareholders of the Company in a general meeting to renew the scheme mandate limit, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of the renewed limit.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant under the Share Option Scheme and other schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue from time to time.

The exercise price of share options is the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares on the Stock Exchange on the date of offer; and (iii) the average closing price of the Shares on the Stock Exchange for the five business days immediately preceding the date of offer. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme (19 June 2018).

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(b) The terms and conditions of the share options existing as at 31 March 2020

On 30 August 2018, a total of 45,000,000 share options under this Share Option Scheme was granted. The details of such share options and their movement during the three months ended 31 March 2020 are as follows:

	Number of share options at 1 January 2020 and 31 March 2020	Exercise price <i>HK\$</i>
Options granted to Ms. MOK Lai Yin Fiona, a Director of the Company, with exercise period:		
- 18 July 2019 to 17 July 2022	3,293,400	0.22
- 18 July 2020 to 17 July 2022	3,293,400	0.22
- 18 July 2021 to 17 July 2022	3,393,200	0.22
Options granted to employees and consultants, with exercise period:		
- 18 July 2019 to 17 July 2022	11,391,600	0.22
- 18 July 2020 to 17 July 2022	11,391,600	0.22
- 18 July 2021 to 17 July 2022	11,736,800	0.22
	44,500,000	

During the three months ended 31 March 2020, no share options were issued, cancelled or lapsed. The number of share options outstanding as at 31 March 2020 were 44,500,000, including as at stated above, of which 14,685,000 are exercisable as at 31 March 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial tree model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the model.

Fair value at measurement date	HK\$0.119- HK\$0.137
Closing price of the Share on the date of grant	HK\$0.22
Exercise price	HK\$0.22
Expected volatility (expressed as weighted average volatility used in the modelling under binomial tree model)	51.10%
Option life (expressed as weighted average life used in the modelling under binomial tree model)	3.88 years
Expected dividends	0%
Risk-free interest rate (based on Hong Kong Exchange fund notes)	2.15%

The binomial tree method has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of Directors' of the Company. The value of an option varies with different variables of certain subjective assumptions.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the three months ended 31 March 2020 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). Having made specific enquiry of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings during the three months ended 31 March 2020, and the Company was not aware of any non-compliance with such Required Standard of Dealings and its code of conduct regarding securities transactions by Directors during such period.

COMPETING INTERESTS

As at the date of this report, save as disclosed in "Relationship with Controlling Shareholders" section of the Prospectus, none of the Directors, and the Controlling Shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As at the date of this report, neither Altus Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE

The Company has established an audit committee with the written terms of reference in compliance with the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely Ms. Elaine June CHEUNG, who has the appropriate accounting and financial related management expertise and serves as the chairperson of the audit committee, Ms. Lale KESEBI and Mr. Roderick Donald NICHOL. The financial information in this report has not been audited by the auditor of the Company, but the audit committee has reviewed this report and has provided advice and comments thereon.

CORPORATE GOVERNANCE

Pursuant to Rules 17.22 and 17.24 of the GEM Listing Rules, the Company has complied with and does not have advances to any entity nor advances to affiliated companies. In addition, pursuant to Rule 17.23 of the GEM Listing Rules, the major shareholders of the Company have not pledged of the Shares of the Company.

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules and to the best knowledge of the Board, the Company had complied with the code provisions of the CG Code.

By Order of the Board

Pacific Legend Group Limited

Tracy-Ann FITZPATRICK

Executive Director, Vice-Chairperson and Chief Executive Officer

Hong Kong, 12 May 2020

As at the date of this report, the Board comprises Mr. John Warren MCLENNAN, Ms. Tracy-Ann FITZPATRICK and Ms. MOK Lai Yin Fiona as executive Directors; Mrs. Jennifer Carver MCLENNAN as non-executive Director; and Ms. Elaine June CHEUNG, Ms. Lale KESEBI and Mr. Roderick Donald NICHOL as independent non-executive Directors.