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Pacific Legend Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

ANNOUNCEMENT OF THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board of Directors (the “**Board**”) of Pacific Legend Group Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2020. This announcement, containing the full text of the 2020 interim report of the Company, complies with the relevant requirements of The Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of the interim results. The Company’s 2020 interim report will be available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.pacificlegendgroup.com on or before 14 August 2020, and the printed version of the Company’s 2020 interim report will be despatched to the shareholders of the Company as soon as reasonably practicable after publishing on such websites.

By order of the Board
Pacific Legend Group Limited
Tracy-Ann Fitzpatrick
Executive Director,
Vice Chairperson and Chief Executive Officer

Hong Kong, 12 August 2020

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This announcement will also be published on the Company’s website at www.pacificlegendgroup.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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\$97.0 million for the six months ended 30 June 2020, representing a decrease of approximately HK\$29.3 million or 23.2% as compared with the revenue of approximately HK\$126.3 million for the six months ended 30 June 2019.
- The unaudited loss of the Group after tax was approximately HK\$24.2 million for the six months ended 30 June 2020 as compared to a loss of approximately HK\$15.6 million for the six months ended 30 June 2019.
- Basic and diluted loss per share were both 2.42 Hong Kong cents for the six months ended 30 June 2020 compared to basic and diluted loss per share of 1.56 Hong Kong cents for the six months ended 30 June 2019.
- No interim dividend is recommended by the Board for the six months ended 30 June 2020.

UNAUDITED INTERIM 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 and six months ended 30 June 2020 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2020

(Expressed in Hong Kong dollars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	57,656	58,578	96,982	126,340
Cost of sales		(23,283)	(23,529)	(38,464)	(51,864)
Gross profit		34,373	35,049	58,518	74,476
Other income and gains	5	3,545	1,200	4,074	1,460
Selling and distribution costs		(13,377)	(15,155)	(27,909)	(30,048)
Administrative and other operating expenses		(29,773)	(30,621)	(58,101)	(60,133)
Loss from operations		(5,232)	(9,527)	(23,418)	(14,245)
Finance costs	6(a)	(394)	(667)	(732)	(1,172)
Loss before taxation	6	(5,626)	(10,194)	(24,150)	(15,417)
Income tax credit/(expense)	7	4	(121)	(36)	(166)
Loss for the period attributable to equity shareholders of the Company		(5,622)	(10,315)	(24,186)	(15,583)
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		(29)	(109)	(84)	9
Total comprehensive loss for the period attributable to equity shareholders of the Company		(5,651)	(10,424)	(24,270)	(15,574)
Loss per share					
Basic and diluted (HK Cents)	8	(0.56)	(1.03)	(2.42)	(1.56)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(Expressed in Hong Kong dollars)

	Note	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	10,252	8,585
Right-of-use assets	11	37,106	33,080
Finance lease receivables		1,084	950
		48,442	42,615
Current assets			
Inventories		39,010	43,726
Contract assets		8,699	9,540
Trade and other receivables	12	57,145	57,151
Current portion of finance lease receivables		1,655	2,074
Pledged bank deposit		3,000	3,000
Cash and cash equivalents		52,395	71,607
Tax recoverable		–	839
		161,904	187,937
Current liabilities			
Trade and other payables	13	20,133	25,763
Contract liabilities		28,813	24,287
Short term bank loans	14	3,671	5,407
Current portion of lease liabilities		26,732	22,828
Tax payable		1,643	1,099
		80,992	79,384
Net current assets		80,912	108,553
Total assets less current liabilities		129,354	151,168

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2020

(Expressed in Hong Kong dollars)

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		12,335	11,224
Provisions		8,063	7,516
		<u>20,398</u>	<u>18,740</u>
NET ASSETS		<u>108,956</u>	<u>132,428</u>
Capital and reserves			
Share capital	15	10,000	10,000
Reserves		98,956	122,428
		<u>108,956</u>	<u>132,428</u>
TOTAL EQUITY		<u>108,956</u>	<u>132,428</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 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	-	-	-	-	-	(15,583)	(15,583)
Other comprehensive income	-	-	-	9	-	-	9
Total comprehensive income/(loss) for the period	-	-	-	9	-	(15,583)	(15,574)
Equity settled share-based payments transaction	-	-	1,767	-	-	-	1,767
Balance at 30 June 2019 (unaudited)	<u>10,000</u>	<u>67,136</u>	<u>3,001</u>	<u>164</u>	<u>789</u>	<u>42,699</u>	<u>123,789</u>
Balance at 1 January 2020 (audited)	10,000	67,136	3,900	109	789	50,494	132,428
Loss for the period	-	-	-	-	-	(24,186)	(24,186)
Other comprehensive loss	-	-	-	(84)	-	-	(84)
Total comprehensive loss for the period	-	-	-	(84)	-	(24,186)	(24,270)
Equity settled share-based payments transaction	-	-	798	-	-	-	798
Balance at 30 June 2020 (unaudited)	<u>10,000</u>	<u>67,136</u>	<u>4,698</u>	<u>25</u>	<u>789</u>	<u>26,308</u>	<u>108,956</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Net cash from operating activities	1,916	11,308
Net cash used in investing activities	(4,412)	(2,041)
Net cash used in financing activities	(16,596)	(15,395)
Net decrease in cash and cash equivalents	(19,092)	(6,128)
Cash and cash equivalents at 1 January	71,607	70,214
Effect of foreign exchange rate changes	(120)	(7)
Cash and cash equivalents at 30 June	<u>52,395</u>	<u>64,079</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 30 June 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 (“**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
Amendments to HKAS 9, HKAS 39 and HKAS 7	Interest rate benchmark reform

In addition, the Group has early applied the following amendment to HKFRSs, which becomes effective for accounting periods beginning on or after 1 June 2020:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
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Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of HK\$2.1 million in the profit or loss for the current interim period.

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income and gains”.

Saved as disclosed above, the adoption of the above standards and interpretations does not have a significant impact on the Group’s condensed consolidated financial statements.

Other than the above amendments, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Segment revenue				
– external customers				
– Sale of home furniture and accessories	41,653	37,025	71,684	82,841
– Rental of home furniture and accessories	5,138	4,745	9,293	9,522
– Project and hospitality services	10,865	16,808	16,005	33,977
	<u>57,656</u>	<u>58,578</u>	<u>96,982</u>	<u>126,340</u>
Revenue recognition				
– at a point of time				
– Sale of home furniture and accessories	41,653	37,025	71,684	82,841
– over time				
– Rental of home furniture and accessories	5,138	4,745	9,293	9,522
– Project and hospitality services	10,865	16,808	16,005	33,977
	<u>57,656</u>	<u>58,578</u>	<u>96,982</u>	<u>126,340</u>
Segment results				
– Sale of home furniture and accessories	25,320	23,488	43,379	50,716
– Rental of home furniture and accessories	3,939	3,784	7,348	7,823
– Project and hospitality services	5,114	7,777	7,791	15,937
	<u>34,373</u>	<u>35,049</u>	<u>58,518</u>	<u>74,476</u>
Other income and gains	3,545	1,200	4,074	1,460
Selling and distribution costs	(13,377)	(15,155)	(27,909)	(30,048)
Administrative and other operating expenses	(29,773)	(30,621)	(58,101)	(60,133)
Finance costs	(394)	(667)	(732)	(1,172)
Loss before taxation	<u>(5,626)</u>	<u>(10,194)</u>	<u>(24,150)</u>	<u>(15,417)</u>

There was no inter-segment revenue for the six months ended 30 June 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	Three months ended 30 June		Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Hong Kong	45,919	40,761	75,533	95,045
United Arab Emirates (the "UAE")	6,298	9,154	13,593	20,097
The People's Republic of China (excluding Hong Kong and Macao, the "PRC")	5,439	8,663	7,856	11,198
	<u>57,656</u>	<u>58,578</u>	<u>96,982</u>	<u>126,340</u>

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

Non-current assets

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Hong Kong	38,956	30,157
UAE	4,882	5,946
PRC	4,604	6,512
	<u>48,442</u>	<u>42,615</u>

The above non-current assets information is based on the locations of the assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER INCOME AND GAINS

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	162	172	338	192
Interest income from finance leases	43	40	88	85
Sundry income	56	42	71	140
Income from franchising	-	242	260	242
Other income from franchisee	-	801	-	801
Write off expired trade and other payables	458	-	458	-
Government grants received	660	-	660	-
COVID-19-related rent concessions	2,088	-	2,088	-
Gain on lease modification	111	-	111	-
Gain on disposal of property, plant and equipment	(33)	-	-	-
Reversal of exchange gains	-	(97)	-	-
	<u>3,545</u>	<u>1,200</u>	<u>4,074</u>	<u>1,460</u>

During the current interim period, the Group recognised government grants of HK\$660,000 in respect of Anti-Epidemic Fund.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
(a) Finance costs:				
Interest on short term bank loans	27	79	76	123
Interest on lease liabilities	367	588	656	1,049
	<u>394</u>	<u>667</u>	<u>732</u>	<u>1,172</u>
(b) Staff costs:				
Salaries, allowances and commission	17,219	19,563	35,552	38,793
Share-based payment expenses	399	872	798	1,767
Retirement benefits scheme contributions	577	814	1,324	1,692
Provision for long service payments and employees' end-of-service benefits	285	160	571	364
	<u>18,480</u>	<u>21,409</u>	<u>38,245</u>	<u>42,616</u>
(c) Other items:				
Auditor's remuneration	274	253	539	508
Cost of inventories recognised as expense	22,514	22,723	37,013	50,382
Depreciation of property, plant and equipment	1,565	1,731	2,966	3,322
Depreciation of right-of-use assets	8,433	8,144	15,889	16,647
Net exchange loss	54	332	479	332
Loss on disposals of property, plant and equipment	338	–	305	–
Expenses related to short term leases	1,572	676	3,223	1,065
Variable lease payments not included in the measurement of lease liabilities	71	117	141	162

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX CREDIT/(EXPENSE)

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax – credit/(provision) for the period				
Hong Kong Profits Tax	4	(121)	(36)	(166)
PRC Enterprise Income Tax	-	-	-	-
	<u>4</u>	<u>(121)</u>	<u>(36)</u>	<u>(166)</u>

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 six months ended 30 June 2020 is calculated at 8.25% (six months ended 30 June 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 for the six months ended 30 June 2020 is calculated at 25% (six months ended 30 June 2019: 25%) of the estimated assessable profits in accordance with relevant rules and regulations in the PRC.

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\$24,186,000 (six months ended 30 June 2019: HK\$15,583,000) and the weighted average of 1,000,000,000 (six months ended 30 June 2019: 1,000,000,000) ordinary shares in issue.

No diluted loss per share for the six months ended 30 June 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 six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

	Decoration and fittings <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Furniture for rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount:						
At 1 January 2019 (audited)	5,353	670	3,053	656	1,518	11,250
Additions	270	16	175	–	1,184	1,645
Depreciation	(994)	(106)	(637)	(103)	(1,482)	(3,322)
Exchange realignment	2	–	(2)	–	–	–
At 30 June 2019 (unaudited)	<u>4,631</u>	<u>580</u>	<u>2,589</u>	<u>553</u>	<u>1,220</u>	<u>9,573</u>
At 1 January 2020 (audited)	4,026	541	2,098	461	1,459	8,585
Additions	222	2,073	344	652	1,432	4,723
Disposals	–	(40)	–	–	–	(40)
Write-off	(26)	–	–	–	–	(26)
Depreciation	(626)	(162)	(587)	(140)	(1,450)	(2,965)
Exchange realignment	(7)	(3)	(4)	–	(11)	(25)
At 30 June 2020 (unaudited)	<u>3,589</u>	<u>2,409</u>	<u>1,851</u>	<u>973</u>	<u>1,430</u>	<u>10,252</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. RIGHT-OF-USE ASSETS

	<i>HK\$'000</i>
At cost:	
At 1 January 2019 (audited)	50,401
Additions	10,851
Adjustment relating to reassessment of lease liabilities	(474)
Exchange realignment	(212)
	<hr/>
At 31 December 2019 and 1 January 2020 (audited)	60,566
Additions	20,671
Adjustment relating to reassessment of lease liabilities	(631)
Exchange realignment	(137)
	<hr/>
At 30 June 2020 (unaudited)	80,469
	<hr/> <hr/>
Accumulated depreciation:	
At 1 January 2019 (audited)	–
Charge for the year	27,561
Exchange realignment	(75)
	<hr/>
At 31 December 2019 and 1 January 2020 (audited)	27,486
Charge for the period	15,889
Exchange realignment	(12)
	<hr/>
At 30 June 2020 (unaudited)	43,363
	<hr/> <hr/>
Carrying amount:	
At 30 June 2020 (unaudited)	37,106
	<hr/> <hr/>
At 31 December 2019 (audited)	33,080
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. TRADE AND OTHER RECEIVABLES

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables	14,811	19,405
Less: allowances for doubtful debts	(817)	(817)
	13,994	18,588
Other receivables	2,699	3,699
Trade deposits	12,156	8,721
Rental and other deposits	13,658	14,150
Prepayments	14,638	11,993
	57,145	57,151

At 30 June 2020 and 31 December 2019, apart from certain deposits totalling HK\$13,658,000 and HK\$14,150,000 respectively, all trade and other receivables are expected to be recovered or recognised as expenses within one year.

The ageing analysis of trade receivables, based on invoice date and net of allowance for doubtful debts, is as follows:

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Within 1 month	6,005	8,629
More than 1 month but less than 3 months	4,690	2,942
More than 3 months but less than 12 months	2,796	5,434
More than 12 months	503	1,583
	13,994	18,588

Trade receivables are due within 30 days from the date of billing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. TRADE AND OTHER PAYABLES

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Trade payables	2,370	3,181
Deposits received	4,526	4,055
Other payables	4,972	7,403
Accruals	8,265	11,124
	20,133	25,763

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The following is an ageing analysis of trade payables presented based on the invoice date:

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Within 1 month	1,210	2,163
More than 1 month but less than 3 months	451	170
More than 3 months	709	848
	2,370	3,181

Included in accruals as at 30 June 2020 were delivery service and manpower support charges payable to Winford Inc. Limited of HK\$301,000 (31 December 2019: HK\$383,000), which is unsecured, interest-free and payable within 21 days after the invoice date. A director, Mr. John Warren McLennan, has a 50% equity interest in Winford Inc. Limited as at 1 January 2020, which was reduced to 29% during the six months ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. SHORT TERM BANK LOANS

As at 30 June 2020 and 31 December 2019, the short term bank loans were secured by a pledged bank deposit of HK\$3,000,000 and a corporate guarantee from the Company.

15. SHARE CAPITAL

	Number of ordinary shares	Share Capital <i>HK\$'000</i>
Authorised:		
At 31 December 2019 (audited) and 30 June 2020 (unaudited)	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 December 2019 (audited) and 30 June 2020 (unaudited)	<u>1,000,000,000</u>	<u>10,000</u>

16. CONTINGENT LIABILITIES

At 30 June 2020 and 31 December 2019, the Group had no material contingent liabilities.

17. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key management personnel is determined with reference to the performance of individual and market trends.

The remuneration of key management personnel during the periods of six months ended 30 June 2020 and 2019 respectively, were as follows:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances and commission	7,720	8,755
Share-based payment expenses	688	1,523
Retirement benefits scheme contributions	99	81
Provision for long service payments and employees' end-of-service benefits	110	52
	<u>8,617</u>	<u>10,411</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related party transactions

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2020 and 2019 respectively:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<u>Winford Inc. Limited</u>		
– Delivery charge expense	2,073	2,533
– Manpower support expense	–	10
<u>Mr. John Warren McLennan</u>		
– Sales of home furniture and accessories	2	11
<u>Ms. Tracy-Ann Fitzpatrick</u>		
– Sales of home furniture and accessories	4	–

18. SUBSEQUENT EVENTS

The Group applied for the first tranche of the Employment Support Scheme provided by the Hong Kong SAR government. In July 2020, the Group received HK\$3,383,000 under such scheme as subsidy to the Group's staff cost in the third quarter of 2020.

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 30 June 2020, we were still faced with the continuing struggles in all of our geographic markets and in both retail and corporate sales as the impact of COVID-19 continued to take its toll across the globe albeit in a less devastating manner. Retail sales in Dubai took a hit in April and May as the lockdown continued. However, we saw a slight recovery in sales towards the end of June as the retail markets started to open. Meanwhile, Hong Kong retail saw a positive rebound in April and May with sales plateauing in June. Our corporate sales business has been delayed but there are certain sales order starting to get the green light and a number still in the pipeline. In the second quarter of 2020, we have seen an increase in all sectors of our Hong Kong business except Projects, and an overall decrease in Dubai and Shanghai compared to same period last year but nothing as severe as the first quarter of 2020.

While we still have a large amount of corporate sales in all our markets in the pipeline, with some projects moving forward, the execution of many projects has still been delayed until the market conditions improve.

In response to the slow down and the review of our operations, we continued a number of cost cutting measures in the second quarter of 2020 that included, salary cuts, unpaid leave options and negotiating rent reductions from some 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 some which are still not yet visible in the financials of the second quarter of 2020.

The impact of COVID-19 lessened in the second quarter of 2020 and provided brief respite and allowed us to claw back some revenue. However, it will continue to affect the Group’s businesses in the third quarter of 2020 as there have been signs of resurgence of the pandemic following an increase of daily new cases in July 2020, especially in Hong Kong. However, if the pandemic subsides and the current crowd control measures and lockdowns continue to be 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 slowdown in revenue. In the meantime, we will continuously monitor the recent changes in political and social environment on the Group’s businesses.

After continuing issues of government delay, we will finally be opening the second store in Jing An District in Shanghai in late August, 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 six months ended 30 June 2020 (the "**First Half Year 2020**") was approximately HK\$97.0 million, representing a decrease of HK\$29.3 million or 23.2% as compared with that of the six months ended 30 June 2019 (the "**First Half Year 2019**" or the "**Corresponding Period in 2019**") of HK\$126.3 million.

The revenue derived from the Furniture Sales business decreased by approximately 13.5% from approximately HK\$82.8 million in the First Half Year 2019 to approximately HK\$71.7 million in the First Half Year 2020.

In Hong Kong, the same store retail sales revenue dropped from HK\$40.7 million in the First Half Year 2019 to HK\$34.5 million for the First Half Year 2020. Following an exceptionally low sales in the first quarter of 2020, the revenue in the second quarter picked up as the daily new cases of COVID-19 almost fell to zero and the Hong Kong SAR government gradually relaxed her crowd control orders, which partly recovered the shortfall compared to last year before the social unrest in June 2019. To mitigate the slowdown in revenue, the Group has negotiated with the landlords of our retail stores and was offered certain rent concessions.

The corporate sales in Hong Kong, which consists mainly of the sales of showflats furniture to property developers, noted a slight increase in revenue of approximately HK\$2.1 million as compared to the Corresponding Period in 2019. Certain showflats which were delayed in early 2020 by COVID-19 pandemic have been completed in the second quarter. However, some property developers are still taking a wait-and-see attitude on the residential property market, which limits the number and scope of such showflats.

Retail revenue from our Sheikh Zayed Road and Al Wasl Road stores in Dubai, the UAE fell 37.1% in First Half Year 2020 as compared to the Corresponding Period in 2019. The footfalls have been seriously affected by the lockdown during the First Half Year 2020 until June 2020 when the business gradually resumed to normal. Dubai corporate sales also declined by HK\$1.6 million, but it has already shown an improvement from the slow start in the first quarter of 2020.

Our retail business in Shanghai, the PRC recorded a 24.3% decline in revenue in the First Half Year 2020. The consumer behaviors have been changing during and after the lockdown and the Group offered both online and offline promotion in order to regain old customers and attract new ones. The renovation of the new store in Jing An District has been delayed by COVID-19 and the progress of obtaining the construction permit from local government, and is expected to open in late August 2020.

The Group's online business in the First Half Year 2020 almost levelled with the Corresponding Period in 2019. The shortfall in Hong Kong was compensated by the growth in Dubai and Shanghai, as the customers turned to online shopping following the COVID-19 lockdown.

The Group's franchise business in Saudi Arabia recorded sales revenue of HK\$3.9 million in the First Half Year 2020, compared to HK\$3.7 million in the Corresponding Period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The revenue from the Furniture Rental business decreased slightly by 2.4% from approximately HK\$9.5 million in the First Half Year 2019 to approximately HK\$9.3 million in the First Half Year 2020. The Group is closely monitoring the operating environment of the Furniture Rental business, including the corporate customers intention on their employees relocation plans which are susceptible to the COVID-19 travelling restrictions and recent political and economic issues.

The revenue from the Projects business decreased significantly by approximately 52.9% from approximately HK\$34.0 million in the First Half Year 2019 to approximately HK\$16.0 million in the First Half Year 2020. 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 projects. The lockdown in Dubai and Europe has also had a direct impact on the number of confirmed projects, some of which may be delayed until the third to fourth quarter of 2020.

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\$16.0 million or 21.4% from approximately HK\$74.5 million in the Corresponding Period in 2019 to HK\$58.5 million in the First Half Year 2020. We saw a 1.4% increase in overall gross profit percentage (from 58.9% in First Half Year 2019 to 60.3% in First Half Year 2020) due to a relatively high decline in revenue from the Projects business compared to corporate sales, retail and rental revenues, as the 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.

Other income and gains

The Group's other income and gains for the First Half Year 2020 was HK\$4.1 million, significantly increased from the Corresponding Period in 2019 of HK\$1.5 million. The increase was mainly attributable to the COVID-19 rent concessions of HK\$2.1 million, gain on lease modification of HK\$111,000 and the retail and truck subsidies from the Hong Kong SAR government of HK\$660,000.

Selling and Distribution Costs

Our selling and distribution costs comprised mainly staff cost of sales teams, sales 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 7.1% from approximately HK\$30.0 million in the First Half Year 2019 to approximately HK\$27.9 million in the First Half Year 2020. The decrease of HK\$2.1 million was mainly the result of the decrease in staff costs (including sales commission) of approximately HK\$1.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 3.4% from approximately HK\$60.1 million in the First Half Year 2019 to approximately HK\$58.1 million in the First Half Year 2020. Such fall in the expenses was mainly the result of decrease in staff costs (other than sales teams) of approximately HK\$2.8 million due to streamlining of manpower in the first quarter of 2020, the no pay leave arrangement of certain staff, and salary cut of certain senior management during the First Half Year 2020.

The Group's application of the Hong Kong SAR government's Employment Support Scheme has been approved in July 2020 and the first tranche of the subsidy, amounting to HK\$3.4 million, will be applied against the salary payment in the third quarter of 2020.

Finance costs

The Group incurred bank interest expenses on short term import loan financing of approximately HK\$76,000 in the First Half Year 2020 (Corresponding Period in 2019: HK\$123,000).

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\$656,000 (Corresponding Period in 2019: HK\$1,049,000).

Loss for the period

Loss attributable to equity shareholders of the Company for the First Half Year 2020 amounted to approximately HK\$24.2 million (First Half Year 2019: a loss of approximately HK\$15.6 million).

The increase in loss in the First Half Year 2020 was mainly attributable to the net effects of the decline in revenues in most of the businesses; and net of the increase in other income and gains, savings of selling and distribution costs and administrative and other operating expenses as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Trade and other receivables

The Group's trade and other receivables as at 30 June 2020 amounted to HK\$57.1 million (31 December 2019: HK\$57.2 million), which consists of the following:

- (a) Trade receivables of HK\$14.0 million (31 December 2019: HK\$18.6 million), net of allowances for doubtful debts of HK\$0.8 million (31 December 2019: HK\$0.8 million);
- (b) Trade deposits of HK\$12.2 million (31 December 2019: HK\$8.7 million) paid to the Group's suppliers before receipts of the inventories purchased. The balances of such trade deposits at any given point of time depend on the progress of the corporate sales and projects (which in turn affects the timing of the purchases of items in respect of such projects) and also the timing of the purchases of seasonal launches and replenishments;
- (c) Rental and other deposits of HK\$13.7 million (31 December 2019: HK\$14.2 million);
- (d) Prepayments of HK\$14.6 million (31 December 2019: HK\$12.0 million) which mainly include HK\$7.7 million in respect of the development of ERP software (31 December 2019: HK\$7.4 million) which is expected to launch in the third quarter of 2020, software license and maintenance prepayments of HK\$1.7 million (31 December 2019: HK\$0.4 million) and the rental prepayments of the Group's premises of HK\$2.2 million (31 December 2019: HK\$1.9 million); and
- (e) Other receivables of HK\$2.7 million (31 December 2019: HK\$3.7 million).

Trade and other payables

The Group's trade and other payables as at 30 June 2020 amounted to HK\$20.1 million (31 December 2019: HK\$25.8 million), which consists of the following:

- (a) Trade payables to suppliers of HK\$2.4 million (31 December 2019: HK\$3.2 million);
- (b) Deposits received from customers of HK\$4.5 million (31 December 2019: HK\$4.1 million);
- (c) Other payables of HK\$5.0 million (31 December 2019: HK\$7.4 million), mainly represents credit notes issued, accrued project costs and purchases, and value-added tax payable; and
- (d) Accruals of HK\$8.3 million (31 December 2019: HK\$11.1 million) which consists of staff costs (mainly commission accruals and bonus provision) and accruals of certain expenses of the Group. The significant decrease is attributable to settlement of staff bonus during the period which has reduced the corresponding provision amount.

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 %	Amount utilised up to 30 June 2020 <i>HK\$'000</i>	Unutilised amount up to 30 June 2020 <i>HK\$'000</i>
Expand our retail network by opening additional retail stores	28,382	58.6%	4,368	24,014
Enhance our online shop and our information technology capability	3,893	8.0%	2,495	1,398
Recruitment of additional staff	5,545	11.4%	5,031	514
Recruitment for our planned new retail stores	1,556	3.2%	105	1,451
Increasing our inventory	5,056	10.4%	4,651	405
General working capital	4,043	8.4%	4,043	–
	<u>48,475</u>	<u>100.0%</u>	<u>20,693</u>	<u>27,782</u>

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Historically, we have funded our operations primarily through net cash flow generated from our operations and our import financing facilities. Our primary uses of cash have been, and are expected to continue to be, operational costs and capital expenditures for business expansion. We currently expect that there will not be any material change in the sources and uses of cash of our Group, except for the implementation of our future plans as detailed in the heading “Use of Proceeds” above using the additional funds from the proceeds of the Listing.

The Group had cash and cash equivalents of approximately HK\$52.4 million as at 30 June 2020 (31 December 2019: HK\$71.6 million). Certain significant cash receipts have been received by the Group in July 2020, including HK\$3.3 million from the Employment Support Scheme of the Hong Kong SAR government, and HK\$2.8 million of rental deposit refund from the Group’s old warehouse in Hong Kong.

As at 30 June 2020, the Group had total bank borrowings of approximately HK\$3.7 million (31 December 2019: HK\$5.4 million).

GEARING RATIO

The Group monitors capital using a gearing ratio, which is the Group’s total debts (short term bank loans) over its total equity. The Group’s policy is to keep the gearing ratio at a reasonable level.

The Group’s gearing ratios as at 30 June 2020 was 3.4% (31 December 2019: 4.1%). The decrease in gearing ratio of the Group was mainly due to the decrease in use of import financing facilities, which are usually drawn for purchases for each season and for significant sales projects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PLEDGE OF ASSETS

As at 30 June 2020 and 31 December 2019, a pledged bank deposit of HK\$3.0 million was applied as security for the general banking facilities granted to a subsidiary. These facilities were also secured by a corporate guarantee of HK\$8.0 million from the Company.

FOREIGN CURRENCY RISK

The Group's sales and direct costs were primarily denominated in the functional currency of the operations to which the transactions are related. Accordingly, we consider that the Group's exposure to foreign currency risk is minimal.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group did not have any significant capital commitments (31 December 2019: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, as at 30 June 2020, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the "Use of Proceeds" section of this report, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2020, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2020, the employee headcount (including executive Directors) of the Group was 198 (31 December 2019: 223) and the total staff costs, including share-based payment expenses and sales commission (including Directors' emoluments) amounted to approximately HK\$38.2 million in the First Half Year 2020 (Corresponding Period in 2019: approximately HK\$42.6 million).

The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed and approved by the Board of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement.

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 30 June 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 (note 1)	Total	Percentage of shareholding (note 2)
Mr. John Warren MCLENNAN	Interest in a controlled corporation and interest held jointly with other persons (note 3)	634,500,000	-	634,500,000	63.45%
Mrs. Jennifer Carver MCLENNAN	Interest of spouse (note 4)	634,500,000	-	634,500,000	63.45%
Ms. Tracy-Ann FITZPATRICK	Interest in a controlled corporation and interest held jointly with other persons (note 3)	634,500,000	-	634,500,000	63.45%
Ms. MOK Lai Yin Fiona (note 5)	Beneficial interests	-	9,980,000	9,980,000	1.00%

Notes:

- (1) These share options were granted by the Company under the Company’s Share Option Scheme, as defined and detailed in the “Share Option Scheme” section below.
- (2) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 30 June 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 “Share Option Scheme” section 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 “Share Option Scheme” section 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 30 June 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	634,500,000 (L)	63.45%
Mr. David Frances BULBECK	Interest of spouse <i>(note 3)</i>	634,500,000 (L)	63.45%
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>	634,500,000 (L)	63.45%
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>	634,500,000 (L)	63.45%
Mr. John Martin RINDERKNECHT	Interest in a controlled corporation and interest held jointly with other persons <i>(note 1)</i>	634,500,000 (L)	63.45%
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%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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 30 June 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 “Share Option Scheme” section 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.
- (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 30 June 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.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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.

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 30 June 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 six months ended 30 June 2020 are as follows:

	Number of share options at 1 January 2020 and 30 June 2020	Exercise price HK\$
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
	<u>44,500,000</u>	

During the six months ended 30 June 2020, no share options were issued, cancelled or lapsed. The number of share options outstanding as at 30 June 2020 were 44,500,000, including as at stated above, of which 14,685,000 are exercisable as at 30 June 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 June 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 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 six months ended 30 June 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 August 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.