

PACIFIC LEGEND GROUP LIMITED

(Incorporated in the Cayman Islands
with limited liability)

Stock Code: 8547



FIRST QUARTERLY REPORT 2021

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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\$46.8 million for the three months ended 31 March 2021, representing an increase of approximately HK\$7.5 million or 19.0% as compared with the revenue of approximately HK\$39.3 million for the three months ended 31 March 2020.
- The unaudited loss of the Group after tax was approximately HK\$9.1 million for the three months ended 31 March 2021 as compared to a loss of approximately HK\$18.6 million for the three months ended 31 March 2020.
- Basic and diluted loss per share were both 0.81 Hong Kong cents for the three months ended 31 March 2021 compared to basic and diluted loss per share of 1.86 Hong Kong cent for the three months ended 31 March 2020.
- No interim dividend is recommended by the Board for the three months ended 31 March 2021.

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 2021 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 2021

(Expressed in Hong Kong dollars)

	Note	Three months ended 31 March	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	46,780	39,326
Cost of sales		(20,448)	(15,181)
Gross profit		26,332	24,145
Other income and gains	4	2,903	529
Selling and distribution costs		(11,420)	(14,532)
Administrative and other operating expenses		(26,637)	(28,328)
Loss from operations		(8,822)	(18,186)
Finance costs	5(a)	(251)	(338)
Loss before taxation	5	(9,073)	(18,524)
Income tax expense	6	–	(40)
Loss for the period attributable to equity shareholders of the Company		(9,073)	(18,564)
Other comprehensive income/(loss)			
Item that may be classified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		151	(55)
Total comprehensive loss for the period attributable to equity shareholders of the Company		(8,922)	(18,619)
		HK cents	HK cents
Loss per share			
Basic and diluted	7	(0.81)	(1.86)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2021
(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/ (losses) <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 payment transactions	-	-	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>
Balance at 1 January 2021 (audited)	10,000	67,136	3,874	298	789	7,019	89,116
Loss for the period	-	-	-	-	-	(9,073)	(9,073)
Other comprehensive income	-	-	-	151	-	-	151
Total comprehensive income/(loss) for the period	-	-	-	151	-	(9,073)	(8,922)
Proceeds from placing of new shares	2,000	10,000	-	-	-	-	12,000
Issuing expenses of placing of new shares	-	(721)	-	-	-	-	(721)
Share options lapsed	-	-	(395)	-	-	395	-
Equity settled share-based payment transactions	-	-	50	-	-	-	50
Balance at 31 March 2021 (unaudited)	<u>12,000</u>	<u>76,415</u>	<u>3,529</u>	<u>449</u>	<u>789</u>	<u>(1,659)</u>	<u>91,523</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, P.O. 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 2021, 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA, as included in the Company’s 2020 Annual Report.

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

The preparation of the unaudited condensed 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. 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 net of impairment losses on non-current assets. 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)

3. 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.

For the three months ended 31 March 2021

	Sale of home furniture and accessories <i>HK\$'000</i> <u>(Unaudited)</u>	Rental of home furniture and accessories <i>HK\$'000</i> <u>(Unaudited)</u>	Project and hospitality services <i>HK\$'000</i> <u>(Unaudited)</u>	Total <i>HK\$'000</i> <u>(Unaudited)</u>
Revenue from contracts with customers within the scope of HKFRS 15				
– Point in time	40,086	–	–	40,086
– Over time	–	–	2,815	2,815
Revenue from other source				
– Over time	–	3,879	–	3,879
	<u>40,086</u>	<u>3,879</u>	<u>2,815</u>	<u>46,780</u>
Segment results	<u>22,085</u>	<u>3,565</u>	<u>682</u>	26,332
Other income and gains				2,903
Selling and distribution costs				(11,420)
Administrative and other operating expenses				(26,637)
Finance costs				<u>(251)</u>
Loss before taxation				<u>(9,073)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the three months ended 31 March 2020

	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)
Revenue from contracts with customers within the scope of HKFRS 15				
— Point in time	30,031	–	–	30,031
— Over time	–	–	5,140	5,140
Revenue from other source				
— Over time	–	4,155	–	4,155
	<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				(338)
Loss before taxation				<u>(18,524)</u>

There was no inter-segment revenue for the three months ended 31 March 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	Three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong	28,723	29,614
United Arab Emirates (the "UAE")	11,655	7,295
The People's Republic of China (excluding Hong Kong and Macao, the "PRC")	6,402	2,417
	46,780	39,326

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

4. OTHER INCOME AND GAINS

	Three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	32	176
Interest income from finance leases	42	45
Royalty income from franchising	288	260
Other income from franchisee	1,780	–
COVID-19-related rent concessions received	537	–
Gain on disposal of property, plant and equipment	–	33
Sundry income	29	15
Net exchange gains	195	–
	2,903	529

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(a) Finance costs:		
Interest on short-term bank loans	22	49
Interest on lease liabilities	229	289
	251	338
(b) Staff costs:		
Salaries, allowances and commissions	17,783	18,333
Share-based payment expenses	50	399
Retirement benefits scheme contributions	830	747
Provision for long service payments and employees' end-of-service benefits	199	286
	18,862	19,765
(c) Other items:		
Amortisation of intangible assets	305	–
Auditors' remuneration	231	265
Cost of inventories recognised as expense	20,196	14,499
Depreciation of property, plant and equipment	615	1,401
Depreciation of right-of-use assets	2,973	7,456
Net exchange loss	–	425
Expenses related to short-term leases	1,598	1,651
Variable lease payments not included in the measurement of lease liabilities	66	70
	66	70

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INCOME TAX EXPENSE

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

	Three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong Profits Tax		
— Provision for the period	—	40

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 2021 is calculated at 8.25% (three months ended 31 March 2020: 8.25%) of the first HK\$2,000,000 and 16.5% (2020: 16.5%) of the remaining estimated assessable profits for the period.

No provision for the PRC Enterprise Income Tax is made as the Group has no assessable profit arising in or derived from the PRC for both periods.

7. 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\$9,073,000 (2020: HK\$18,564,000) and the weighted average of 1,124,444,444 (2020: 1,000,000,000) ordinary shares in issue.

No diluted loss per share for the three months ended 31 March 2021 and 2020 respectively was presented as there were no dilutive potential ordinary shares in issue during both periods.

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend in respect of the three months ended 31 March 2021 (three months ended 31 March 2020: 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 show flats).

During the three months ended 31 March 2021, the general market conditions continued to be challenging across all of our markets with the continuing struggle of COVID-19. Overall, the Company reported an increase in revenue for first quarter 2021 compared to first quarter 2020 due primarily to an increase in retail sales in Hong Kong and Dubai. Projects business continued to be soft throughout the quarter. To circumvent losses, we continued cost cutting exercises across all our markets. On 4 February 2021, we have also completed a placing under the Company’s general mandate of 200,000,000 shares, with net proceeds of approximately HK\$11.3 million which will be used as general working capital of the Group. The placing represents an opportunity to raise additional funding for the business operations of the Group and should strengthen the Group’s financial position. It will enlarge our shareholders’ base and may in turn enhance the liquidity of the Company’s shares and provide working capital to the Group to meet any financial obligations of the Group without any interest burden, within a relatively shorter time frame and at lower costs when compared with other means of fundraising.

For the balance of 2021, we will continue to focus on development of our products and services in all regions, to differentiate ourselves in our markets such as increased B2C design services both in store and online. The forthcoming quarter will continue to be challenging due to the competitive market conditions in the industry as well as the uncertainty as a result of low vaccination take up. We will continue to actively cut costs and streamline operations wherever possible to deliver on our strategic development plans and take advantage of growth opportunities as they arise in all regions. For example, our new furniture brand, TRIBE, will launch in the second quarter in Hong Kong, which targets the growing small apartment living market segment. We will also continue to develop the brand to stay aligned with current market trends and technology ensuring we remain ahead of the competitor curve.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue for the three months ended 31 March 2021 (the "**First Quarter 2021**" or the "**Current Quarter**") was approximately HK\$46.8 million, representing an increase of HK\$7.5 million or 19.0% as compared with that of the three months ended 31 March 2020 (the "**First Quarter 2020**" or the "**Corresponding Period in 2020**") of HK\$39.3 million.

The revenue derived from the Furniture Sales increased by approximately 33.5% from approximately HK\$30.0 million in the First Quarter 2020 to approximately HK\$40.1 million in the First Quarter 2021.

In Hong Kong, the retails sales revenue in the First Quarter 2021 increased by 17.9% from the Corresponding Period in 2020, the fourth wave of the COVID-19 epidemic in Hong Kong gradually subsided in early 2021 and the people are getting to know how to live with the pandemic as compared to same period last year, when the outbreak of the pandemic and the initial crowd-control orders had brought the shopper traffic in the malls and in the streets to unprecedented low levels. However, the retail market is still unstable as the customer spending has been adversely affected by the high unemployment rate in Hong Kong, and the uncertainty of the pace of the COVID-19 vaccination which is the key to turning to the people's daily lives back to normal.

The corporate sales in Hong Kong in the First Quarter 2021 noted a slight decrease compared to the Corresponding Period in 2020. While we have been awarded several corporate sales orders during the period, their impact on the revenue would not materialise shortly while other sales orders for residential showflats have been further delayed as the property developers are still taking a wait-and-see attitude as to the timing of the sale of their residential flats.

Retail revenue from our Sheikh Zayed Road and Al Wasl Road stores in Dubai, the UAE increased 23.0% in the First Quarter 2021 as compared to the Corresponding Period in 2020. The improvement was partly due to exceptionally low revenue in March 2020 following the lockdown measures as a result of COVID-19 outbreak. Stock clearance activities to reduce the aging stock also improved sales performance.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Dubai corporate sales almost tripled in the First Quarter 2021 compared to the Corresponding Period in 2020. Thanks to the effort of our UAE team, they have successfully developed and converted client pipeline to sales orders and their supplier base has been diversified to support this segment.

The Group's online business noted a decline of 5.3% in the First Quarter 2021 compared to the Corresponding Period in 2020, which was mainly attributable to Hong Kong. The user interface of our website is currently under revamp with a view to improve the customer experience. The Group's franchise business in Saudi Arabia increased to HK\$3.4 million in the First Quarter 2021, compared to HK\$2.3 million in the Corresponding Period in 2020.

Our retail business in Shanghai, the PRC consists of two stores in An Fu Lu and Jing An District. The performance of An Fu Lu store gradually recovered from the impact of COVID-19 pandemic when compulsory shop closure and reduction of trading hours were imposed in the First Quarter 2020. However, the revenue from new store in Jing An District (opened in late September 2020) was much less than expected. We are currently reviewing the operations of these retail stores in a view to maximise their efficiency and contribution to the Group.

The revenue from the Furniture Rental decreased by approximately 6.6% from approximately HK\$4.2 million in the First Quarter 2020 to approximately HK\$3.9 million in the First Quarter 2021. The decline was mainly related to our rental business Dubai as they have been facing fierce price competition and certain clients have opted for our corporate sales business instead of rental.

The revenue from the Projects business was only HK\$2.8 million in First Quarter 2021, which was mainly related to our business in the PRC, as compared to approximately HK\$5.1 million in the First Quarter 2020. COVID-19 pandemic continues to affect project business, lockdown of cities further delayed in building construction. On the other hand, it has an impact on property developer's strategy and timetable to release their projects, as the property developers are conservative as to the timing of the sale of their residential flats, and the progress of the existing projects are very slow. Certain projects have been delayed to third to fourth quarter 2021 or even to 2022. In the meantime, we still have a number of tenders in the pipeline and our project team are working hard to get the contract.

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 increased by HK\$2.2 million or 9.1% from approximately HK\$24.1 million in the Corresponding Period in 2020 to HK\$26.3 million in the First Quarter 2021. We noted a 5.1% decrease in overall gross profit percentage due to our effort to clear aging stock at a discount which reduced our gross margin, and our Project business in the PRC has a even lower gross profit percentage compared to that in Hong Kong which previously dominated our Project business revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other income and gains

Other income and gains in the Current Quarter amounted to HK\$2.9 million, which consisted mainly of HK\$0.5 million from COVID-19-related rent concessions in respect of the Group premises, HK\$0.3 million royalty income from franchising and HK\$1.8 million other income from franchisee. Such other income and gains in the Corresponding Period in 2020 amounted to HK\$0.5 million.

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 21.4% from approximately HK\$14.5 million in the First Quarter 2020 to approximately HK\$11.4 million in the First Quarter 2021. The decrease of HK\$3.1 million was mainly attributable to savings in sales-related staff costs, advertising and promotion expenses, and the agency fee paid to the owner of the brand of Sonder Living following the cessation of Sonder Living @Indigo store in July 2020.

Administrative and other operating expenses

Our administrative and other operating expenses comprised mainly staff cost (other than the sales teams), rental and related expenses, amortisation of intangible assets, 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 6.0% from approximately HK\$28.3 million in the First Quarter 2020 to approximately HK\$26.6 million in the First Quarter 2021. This decrease was mainly the result of the reduction in depreciation as a result of impairment of certain non-current assets in 2020.

Finance costs

The interest expenses incurred on import loan financing amounted to approximately HK\$22,000 in the First Quarter 2021 (First Quarter 2020: approximately HK\$49,000). 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 approximately HK\$229,000 (First Quarter 2020: approximately HK\$289,000).

Loss for the period

Loss attributable to equity shareholders of the Company for the Current Quarter amounted to approximately HK\$9.1 million (First Quarter 2020: loss of approximately HK\$18.6 million).

The decrease in loss in the First Quarter 2021 was mainly attributable to the increase in gross profit following the recovery in revenues in our sale of furniture business, increase in other income and gains, and savings of selling and distribution costs and administrative and other operating expenses as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Use of Proceeds from the Listing

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 31 March 2021 <i>HK\$'000</i>	Unutilised amount up to 31 March 2021 <i>HK\$'000</i>
Expand our retail network by opening additional retail stores	28,382	58.6%	6,441	21,941
Enhance our online shop and our information technology capability	3,893	8.0%	3,549	344
Recruitment of additional staff	5,545	11.4%	5,545	–
Recruitment for our planned new retail stores	1,556	3.2%	164	1,392
Increasing our inventory	5,056	10.4%	5,056	–
General working capital	4,043	8.4%	4,043	–
	<u>48,475</u>	<u>100.0%</u>	<u>24,798</u>	<u>23,677</u>

Use of Proceeds from the Placing

The net proceeds from the Placing of the 200,000,000 new shares of the Company on 4 February 2021 (the “**Placing**”), after deduction of the relevant fees paid by the Company in connection therewith, were approximately HK\$11.3 million. The Company intends to apply the unutilised net proceeds from the Placing as general working capital of the Group, as disclosed in the announcement of the Company dated on 7 January 2021. Up to 31 March 2021, HK\$2.9 million has been utilised and HK\$8.4 million and remained unutilised.

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 2021, 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	52.87%
Mrs. Jennifer Carver MCLENNAN	Interest of spouse (note 4)	634,500,000	–	634,500,000	52.87%
Ms. Tracy-Ann FITZPATRICK	Interest in a controlled corporation and interest held jointly with other persons (note 3)	634,500,000	–	634,500,000	52.87%
Ms. MOK Lai Yin Fiona (note 5)	Beneficial interests	–	9,980,000	9,980,000	0.83%

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 1,200,000,000 Shares in issue as at 31 March 2021 (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 2021, 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 5)</i>	Percentage of shareholding <i>(note 2)</i>
Double Lions Limited	Beneficial interest	634,500,000 (L)	52.87%
Mr. David Frances BULBECK	Interest of spouse <i>(note 3)</i>	634,500,000 (L)	52.87%
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)	52.87%
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)	52.87%
Mr. John Martin RINDERKNECHT	Interest in a controlled corporation and interest held jointly with other persons <i>(note 1)</i>	634,500,000 (L)	52.87%

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 1,200,000,000 Shares in issue as at 31 March 2021 (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.
- (5) The letter "L" denotes the entity/person's long position in the Shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 31 March, 2021, 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 2021.

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 31 March 2021

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 2021 are as follows:

	Exercise price HK\$	Number of share options at 1 January 2021	Number of share options lapsed during the period	Number of share options at 31 March 2021
Options granted to Ms. Mok Lai Yin Fiona, a director of the Company, with exercise period:				
– 18 July 2019 to 17 July 2022	0.22	3,293,400	–	3,293,400
– 18 July 2020 to 17 July 2022	0.22	3,293,400	–	3,293,400
– 18 July 2021 to 17 July 2022	0.22	3,393,200	–	3,393,200
Options granted to employees and consultants, with exercise period:				
– 18 July 2019 to 17 July 2022	0.22	8,405,100	(1,646,700)	6,758,400
– 18 July 2020 to 17 July 2022	0.22	8,405,100	(1,646,700)	6,758,400
– 18 July 2021 to 17 July 2022	0.22	8,659,800	(1,696,600)	6,963,200
		<u>35,450,000</u>	<u>(4,990,000)</u>	<u>30,460,000</u>

During the three months ended 31 March 2021, a total of 4,990,000 share options were lapsed, no share options were exercised, issued or cancelled. The number of share options outstanding as at 31 March 2021 were 30,460,000, including as at stated above, of which 20,103,600 are exercisable as at 31 March 2021.

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 2021 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 three months ended 31 March 2021, 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 2021, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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.

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 Mr. SO Alan Wai Shing, 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
John Warren MCLENNAN
Chairman and Executive Director

Hong Kong, 14 May 2021

As at the date of this report, the Board comprises Mr. John Warren MCLENNAN, Ms. Tracy-Ann FITZPATRICK, Ms. MOK Lai Yin Fiona and Mr. SO Kin Ting Wilson as executive Directors; Mrs. Jennifer Carver MCLENNAN as non-executive Director; and Ms. Lale KESEBI, Mr. Roderick Donald NICHOL, Mr. SO Alan Wai Shing and Mr. LEE Kwong Ming as independent non-executive Directors.