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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 2021

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 2021. This announcement, containing the full text of the 2021 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 2021 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 13 August 2021, and the printed version of the Company’s 2021 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
John Warren McLennan
*Executive Director, Chairman
and Chief Executive Officer*

Hong Kong, 13 August 2021

As at the date of this announcement, the Board comprises Mr. John Warren McLennan, Ms. Mok Lai Yin Fiona, Mr. So Kin Ting Wilson and Mr. Zheng Tianzhi as executive Directors; Mrs. Jennifer Carver McLennan as non-executive Director; and Mr. Roderick Donald Nichol, Ms. Lale Kesebi, Mr. So Alan Wai Shing and Mr. Lee Kwong Ming 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\$96.5 million for the six months ended 30 June 2021, representing a decrease of approximately HK\$0.5 million or 0.6% as compared with the revenue of approximately HK\$97.0 million for the six months ended 30 June 2020.
- The unaudited loss of the Group after tax was approximately HK\$22.7 million for the six months ended 30 June 2021 as compared to a loss of approximately HK\$24.2 million for the six months ended 30 June 2020.
- Basic and diluted loss per share were both 1.95 Hong Kong cents for the six months ended 30 June 2021 compared to basic and diluted loss per share of 2.42 Hong Kong cents for the six months ended 30 June 2020.
- No interim dividend is recommended by the Board for the six months ended 30 June 2021.

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 2021 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 2021

(Expressed in Hong Kong dollars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	49,666	57,656	96,446	96,982
Cost of sales		(22,328)	(23,283)	(42,776)	(38,464)
Gross profit		27,338	34,373	53,670	58,518
Other income and gains	5	1,245	3,545	4,148	4,074
Selling and distribution costs		(11,371)	(13,377)	(22,791)	(27,909)
Administrative and other operating expenses		(30,596)	(29,773)	(57,233)	(58,101)
Loss from operations		(13,384)	(5,232)	(22,206)	(23,418)
Finance costs	6(a)	(202)	(394)	(453)	(732)
Loss before taxation	6	(13,586)	(5,626)	(22,659)	(24,150)
Income tax credit/(expense)	7	–	4	–	(36)
Loss for the period attributable to equity shareholders of the Company		(13,586)	(5,622)	(22,659)	(24,186)
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		6	(29)	157	(84)
Total comprehensive loss for the period attributable to equity shareholders of the Company		(13,580)	(5,651)	(22,502)	(24,270)
Loss per share					
Basic and diluted (HK Cents)	8	(1.14)	(0.56)	(1.95)	(2.42)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021
(Expressed in Hong Kong dollars)

	Note	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	3,214	4,161
Intangible assets		4,875	5,485
Right-of-use assets	11	12,908	13,894
Finance lease receivables		355	517
		21,352	24,057
Current assets			
Inventories		38,416	36,343
Contract assets		7,799	6,432
Trade and other receivables	12	42,380	36,286
Current portion of finance lease receivables		1,988	2,958
Pledged bank deposit		3,000	3,000
Cash and cash equivalents		46,419	64,490
Tax recoverable		758	758
		140,760	150,267
Current liabilities			
Trade and other payables	13	20,224	20,949
Contract liabilities		31,762	22,846
Short term bank loans	14	2,966	4,670
Current portion of lease liabilities		16,153	22,797
Tax payable		1,053	1,040
		72,158	72,302
Net current assets		68,602	77,965
Total assets less current liabilities		89,954	102,022
Non-current liabilities			
Lease liabilities		2,940	4,623
Provisions		9,071	8,283
		12,011	12,906
NET ASSETS		77,943	89,116
Capital and reserves			
Share capital	15	12,000	10,000
Reserves		65,943	79,116
TOTAL EQUITY		77,943	89,116

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in Hong Kong dollars)

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Accumulated profits/(losses) HK\$'000	Total HK\$'000
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>
Balance at 1 January 2021 (audited)	10,000	67,136	3,874	298	789	7,019	89,116
Loss for the period	-	-	-	-	-	(22,659)	(22,659)
Other comprehensive income	-	-	-	157	-	-	157
Total comprehensive income/(loss) for the period	-	-	-	157	-	(22,659)	(22,502)
Proceeds from placing of new shares	2,000	10,000	-	-	-	-	12,000
Issuing expenses of placing of new shares	-	(721)	-	-	-	-	(721)
Share options lapsed	-	-	(616)	-	-	616	-
Equity settled share-based payments transaction	-	-	50	-	-	-	50
Balance at 30 June 2021 (unaudited)	<u>12,000</u>	<u>76,415</u>	<u>3,308</u>	<u>455</u>	<u>789</u>	<u>(15,024)</u>	<u>77,943</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in)/from operating activities	(13,332)	1,916
Net cash used in investing activities	(452)	(4,412)
Net cash used in financing activities	(4,138)	(16,596)
Net decrease in cash and cash equivalents	(17,922)	(19,092)
Cash and cash equivalents at 1 January	64,490	71,607
Effect of foreign exchange rate changes	(149)	(120)
Cash and cash equivalents at 30 June	<u>46,419</u>	<u>52,395</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 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 (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. 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 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:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39	Interest Rate Benchmark Reform — Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16	

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

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 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)

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contract with customers within the scope of HKFRS 15				
– Point in time				
– Sale of home furniture and accessories	37,472	41,653	77,558	71,684
– Over time				
– Project and hospitality services	8,609	10,865	11,424	16,005
Revenue from other source				
– Over time				
– Rental of home furniture and accessories	3,585	5,138	7,464	9,293
	<u>49,666</u>	<u>57,656</u>	<u>96,446</u>	<u>96,982</u>
Segment results				
– Sale of home furniture and accessories	21,741	25,320	43,826	43,379
– Project and hospitality services	2,550	5,114	3,232	7,791
– Rental of home furniture and accessories	3,047	3,939	6,612	7,348
	<u>27,338</u>	<u>34,373</u>	<u>53,670</u>	<u>58,518</u>
Other income and gains	1,245	3,545	4,148	4,074
Selling and distribution costs	(11,371)	(13,377)	(22,791)	(27,909)
Administrative and other operating expenses	(30,596)	(29,773)	(57,233)	(58,101)
Finance costs	(202)	(394)	(453)	(732)
	<u>(13,586)</u>	<u>(5,626)</u>	<u>(22,659)</u>	<u>(24,150)</u>

There was no inter-segment revenue for the six months ended 30 June 2021 and 2020.

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong	32,111	45,919	60,834	75,533
United Arab Emirates (the "UAE")	10,566	6,298	22,221	13,593
The People's Republic of China (excluding Hong Kong and Macao, the "PRC")	6,989	5,439	13,391	7,856
	<u>49,666</u>	<u>57,656</u>	<u>96,446</u>	<u>96,982</u>

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

Non-current assets

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Hong Kong	15,973	23,201
UAE	4,996	28
PRC	28	311
	<u>20,997</u>	<u>23,540</u>

The above non-current assets information is based on the locations of the assets and excluded the finance lease receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER INCOME AND GAINS

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	1	162	33	338
Interest income from finance leases	113	43	155	88
Royalty income from franchising	308	–	596	260
Other income from franchisee	–	–	1,780	–
Write off expired trade and other payables	–	458	–	458
Government grants received	–	660	–	660
COVID-19-related rent concessions received	321	2,088	858	2,088
Gain on lease modification	–	111	–	111
Gain on disposal of property, plant and equipment	–	(33)	–	–
Sundry income	44	56	73	71
Net exchange gains	458	–	653	–
	1,245	3,545	4,148	4,074

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	
	2021 <i>HK\$'000</i> <u>(Unaudited)</u>	2020 <i>HK\$'000</i> <u>(Unaudited)</u>	2021 <i>HK\$'000</i> <u>(Unaudited)</u>	2020 <i>HK\$'000</i> <u>(Unaudited)</u>
(a) Finance costs:				
Interest on short term				
bank loans	46	27	68	76
Interest on lease liabilities	156	367	385	656
	<u>202</u>	<u>394</u>	<u>453</u>	<u>732</u>
(b) Staff costs:				
Salaries, allowances and				
commissions	19,493	17,219	37,276	35,552
Share-based payment				
expenses	–	399	50	798
Retirement benefits scheme				
contributions	746	577	1,576	1,324
Provision for long service				
payments and employees'				
end-of-service benefits	199	285	398	571
	<u>20,438</u>	<u>18,480</u>	<u>39,300</u>	<u>38,245</u>
(c) Other items:				
Amortisation of intangible				
assets	305	–	610	–
Auditor's remuneration	302	274	533	539
Cost of inventories				
recognised as expense	21,992	22,514	42,188	37,013
Depreciation of property,				
plant and equipment	816	1,565	1,431	2,966
Depreciation of right-of-use				
assets	3,701	8,433	6,674	15,889
Net exchange loss	–	54	–	479
Loss on disposals of property,				
plant and equipment	–	338	–	305
Expenses related to short				
term leases	1,283	1,572	2,881	3,223
Variable lease payments not				
included in the				
measurement of lease				
liabilities	31	71	97	141

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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax – credit/(provision) for the period				
Hong Kong Profits Tax	-	4	-	(36)
PRC Enterprise Income Tax	-	-	-	-
	<u>-</u>	<u>4</u>	<u>-</u>	<u>(36)</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 2021 is calculated at 8.25% (six months ended 30 June 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 Hong Kong profits tax has been made as the Group did not have assessable profit in Hong Kong for current 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 the both period.

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\$22,659,000 (six months ended 30 June 2020: HK\$24,186,000) and the weighted average of 1,162,430,939 (six months ended 30 June 2020: 1,000,000,000) ordinary shares in issue.

No diluted loss per share for the six months ended 30 June 2021 and 2020 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 2021 (six months ended 30 June 2020: 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 2021	163	1,513	953	535	997	4,161
Additions	72	19	40	-	507	638
Disposals	-	-	-	-	(154)	(154)
Depreciation	(129)	(193)	(227)	(102)	(780)	(1,431)
Exchange realignment	1	(1)	(1)	-	1	-
At 30 June 2021 (unaudited)	107	1,338	765	433	571	3,214

11. RIGHT-OF-USE ASSETS

Carrying amount:	<i>HK\$'000</i>
At 1 January 2021	13,894
Additions	5,685
Depreciation	(6,674)
Exchange realignment	3
At 30 June 2021 (unaudited)	12,908

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. TRADE AND OTHER RECEIVABLES

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	16,926	8,897
Less: allowances for doubtful debts	(427)	(427)
	<u>16,499</u>	<u>8,470</u>
Other receivables	2,116	4,537
Trade deposits	7,944	8,613
Rental and other deposits	10,495	10,813
Prepayments	5,326	3,853
	<u>42,380</u>	<u>36,286</u>

At 30 June 2021 and 31 December 2020, apart from certain deposits totalling HK\$10,495,000 and HK\$10,813,000 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 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Within 1 month	12,638	3,914
More than 1 month but less than 3 months	1,646	3,450
More than 3 months but less than 12 months	1,925	916
More than 12 months	290	190
	<u>16,499</u>	<u>8,470</u>

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 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Trade payables	2,452	2,272
Deposits received	3,101	3,847
Other payables	2,239	5,083
Accruals	12,432	9,747
	<u>20,224</u>	<u>20,949</u>

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 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Within 1 month	1,809	887
More than 1 month but less than 3 months	145	590
More than 3 months	498	795
	<u>2,452</u>	<u>2,272</u>

Included in accruals as at 30 June 2021 were delivery service and manpower support charges payable to Winford Inc. Limited of HK\$570,000 (31 December 2020: HK\$402,000), which is unsecured, interest-free and payable within 21 days after the invoice date. A director, Mr. John Warren McLennan, has a 29% equity interest in Winford Inc. Limited as at 30 June 2021 and 31 December 2020.

14. SHORT TERM BANK LOANS

As at 30 June 2021 and 31 December 2020, the short term bank loans were secured by a pledged bank deposit of HK\$3,000,000 and a corporate guarantee from the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. SHARE CAPITAL

	Number of ordinary shares	Share Capital <i>HK\$'000</i>
Authorised:		
At 1 January 2021 and 30 June 2021 (unaudited)	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2021	1,000,000,000	10,000
Proceeds from placing of new shares	<u>200,000,000</u>	<u>2,000</u>
At 30 June 2021 (unaudited)	<u>1,200,000,000</u>	<u>12,000</u>

16. CONTINGENT LIABILITIES

At 30 June 2021 and 31 December 2020, 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 2021 and 2020 respectively, were as follows:

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Salaries, allowances and commission	6,979	7,720
Share-based payment expenses	11	688
Retirement benefits scheme contributions	130	99
Provision for long service payments and employees' end-of-service benefits	<u>1,708</u>	<u>110</u>
	<u>8,828</u>	<u>8,617</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 2021 and 2020 respectively:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
	<u> </u>	<u> </u>
Winford Inc. Limited		
— Delivery charge expense	1,986	2,073
Mr. John Warren McLennan		
— Sales of home furniture and accessories	1	2
Ms. Tracy-Ann Fitzpatrick		
— Sales of home furniture and accessories	<u>4</u>	<u>4</u>

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 2021, the general market conditions continued to be challenging across all of our markets with the continuing struggle of COVID-19 knock-on effects. We were hampered by the lockdowns in some of the countries where our suppliers are located leading to erratic delivery of products. Furthermore, we have seen our target market, expatriates in HK, shrink with little or no replacements. With these two things in mind, we have widened our supplier base across the region and put more marketing efforts toward the local market in HK. Nevertheless, in the first half of 2021, the Company generated similar revenue to the corresponding period in 2020 as project sales revenue in Hong Kong and Dubai have gradually recovered during the second quarter of 2021. It was also due to the successful launch of our new TRIBE BY INDIGO brand. To circumvent losses, we continued cost cutting exercises across all our markets, which included closing a store in Shanghai and some staff reorganization in the head office.

Ms. Tracy-Ann Fitzpatrick gave notice to resign as executive Director and chief executive officer (“**CEO**”) of the Company, effective 1 July 2021, so that she could pursue personal interests. Her CEO vacancy is filled by Mr. John Warren McLennan, the chairman of the Company. The board also appointed Mr. Zheng Tianzhi (Anthony) as an executive Director who will be coming on board on 1 July 2021.

For the balance of 2021, we will continue to focus on development of our suppliers, 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 because of low vaccination take up. Part of the cost cutting exercises included cutting some staff. While that cost hurt our figures for the second quarter, we feel that we have now reached a point where we no longer need to make significant cuts. We are comfortable that the changes we have made will begin to bear fruit in the third quarter and are optimistic about the direction of the business going forward.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2021 (the **"First Half Year 2021"**) was approximately HK\$96.5 million, representing a slight decrease of HK\$0.5 million or 0.6% as compared with that of the six months ended 30 June 2020 (the **"First Half Year 2020"** or the **"Corresponding Period in 2020"**) of HK\$97.0 million.

The revenue derived from the Furniture Sales business increased by approximately 8.2% from approximately HK\$71.7 million in the First Half Year 2020 to approximately HK\$77.6 million in the First Half Year 2021.

In Hong Kong, the same store retail sales revenue slightly decreased by 4.2% in the First Half Year 2021 as compared to First Half Year 2020. Following a sturdy start in the first quarter of 2021, the footfall in the second quarter dropped with disappointing sales performance in our spring/summer season products. We launched our new line, TRIBE BY INDIGO, in May 2021 to target smaller living apartments in Hong Kong. We are going to close down our store in Yoho Mall, Yuen Long in July 2021 and are reviewing the existing leases of other stores and shall explore any possibility of opening pop up stores when opportunities arise.

The corporate sales in Hong Kong, which consists mainly of the sales of showflats furniture to property developers, noted a decrease in revenue by approximately 23.8% from as compared to the Corresponding Period in 2020. Delay in construction site and pandemic continue to affect corporate sales clients' strategy and timetable to release their projects result in delay in sales bookings.

Retail revenue from our Sheikh Zayed Road and Al Wasl Road stores in Dubai, the UAE improved significantly by 40.8% in First Half Year 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. Up to mid June about two-third of Dubai resident eligible for inoculation have received two doses of COVID-19 vaccine, and the activities restrictions under COVID-19 have been gradually eased. Our homecation promotion and Ramadan art of dining campaign in the second quarter 2021 are also successful and have further contributed to the improvement of UAE retail sales performance. Dubai corporate sales also doubled in the First Half 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.

Our An Fu Lu store in Shanghai, the PRC recorded a 57.3% increase in revenue in the First Half Year 2021, following recovery of business from COVID-19 pandemic. On the other hand, our another store in Jing An District was still underperforming in 2021 and we have decided to exercise the break clause under its tenancy agreement and close down this store in May 2021. We continue to review of the operation of the remaining An Fu Lu store in a view to maximise its efficiency and contribution to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's online business in the First Half Year 2021 declined by 20.8% compared to the Corresponding Period in 2020. Our newly launched TRIBE BY INDIGO product line have already available in our website for purchase online.

The Group's franchise business in Saudi Arabia recorded sales revenue of HK\$4.9 million in the First Half Year 2021, improved from to HK\$3.9 million in the Corresponding Period in 2020.

The revenue from the Furniture Rental business decreased by 19.7% from approximately HK\$9.3 million in the First Half Year 2020 to approximately HK\$7.4 million in the First Half Year 2021. The fall in revenue from the Furniture Rental was mainly due to the completion of lease periods for rental contracts from 2018 and 2019, without being sufficiently replaced with new contracts as the result of the impact of travelling restrictions under COVID-19. Lockdown of cities globally and home office arrangement has a big impact on mobility and expatriate relocation plans resulted in less new rental contracts and declined in rental revenue.

The revenue from the Projects business decreased significantly by approximately 28.6% from approximately HK\$16.0 million in the First Half Year 2020 to approximately HK\$11.4 million in the First Half Year 2021. Our project business in Hong Kong continued to be suffered by the delay in building construction under COVID-19 pandemic, which affects property developer's strategy and timetable to release their residential flats for sale, certain projects have been delayed to third to fourth quarter 2021 or even to 2022. On the other hand, our Dubai project team is successfully awarded another significantly hospitality project in UAE which is expected to be completed the fourth quarter 2021 or the first quarter 2022.

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\$4.8 million or 8.3% from approximately HK\$58.5 million in the Corresponding Period in 2020 to HK\$53.7 million in the First Half Year 2021. We saw a 4.7% decrease in overall gross profit percentage (from 60.3% in First Half Year 2020 to 55.6% in First Half Year 2021) due to (a) our effort to clear aging stock at a discount which reduced our gross margin, (b) the increase in the proportion of our design consultancy in our Hong Kong Retail business, which involves renovation of the client's houses and therefore have a lower gross profit percentage than general retail sales, and (c) the increase in shipping costs as a result of global shipping containers shortage, which affects the gross margin of both retail and projects businesses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other income and gains

The Group's other income and gains for the First Half Year 2021 was HK\$4.1 million almost levelled with the Corresponding Period in 2020.

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 18.3% from approximately HK\$27.9 million in the First Half Year 2020 to approximately HK\$22.8 million in the First Half Year 2021. The decrease of HK\$5.1 million was mainly the result of the savings in sales-related staff costs, advertising and promotion expenses, and the saving of 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, 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 slightly decreased by approximately 1.5% from approximately HK\$58.1 million in the First Half Year 2020 to approximately HK\$57.2 million in the First Half Year 2021. Such decrease was mainly the result of the reduction in depreciation as a result of impairment of certain non-current assets in 2020, net of the additional payroll costs following the staff reorganisation in Hong Kong office.

Finance costs

The Group incurred bank interest expenses on short term import loan financing of approximately HK\$68,000 in the First Half Year 2021 (Corresponding Period in 2020: HK\$76,000).

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\$385,000 (Corresponding Period in 2020: HK\$656,000).

Loss for the period

Loss attributable to equity shareholders of the Company for the First Half Year 2021 amounted to approximately HK\$22.7 million (First Half Year 2020: a loss of approximately HK\$24.2 million).

The decrease in loss in the First Half Year 2021 was mainly attributable to the net effects of the decline in gross margin in sales of furniture and project businesses and 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 2021 amounted to HK\$42.4 million (31 December 2020: HK\$36.3 million), which consists of the following:

- a) Trade receivables of HK\$16.5 million (31 December 2020: HK\$8.5 million), net of allowances for doubtful debts of HK\$0.4 million (31 December 2020: HK\$0.4 million). The increase is mainly attributable to the billing of projects business to certain property developers in the second quarter;
- b) Trade deposits of HK\$7.9 million (31 December 2020: HK\$8.6 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\$10.5 million (31 December 2020: HK\$10.8 million);
- d) Prepayments of HK\$5.3 million (31 December 2020: HK\$3.9 million); and
- e) Other receivables of HK\$2.1 million (31 December 2020: HK\$4.5 million).

Trade and other payables

The Group's trade and other payables as at 30 June 2021 amounted to HK\$20.2 million (31 December 2020: HK\$20.9 million), which consists of the following:

- a) Trade payables to suppliers of HK\$2.5 million (31 December 2020: HK\$2.3 million);
- b) Deposits received from customers of HK\$3.1 million (31 December 2020: HK\$3.8 million);
- c) Other payables of HK\$2.2 million (31 December 2020: HK\$5.0 million), mainly represents credit notes issued, accrued project costs and purchases, and value-added tax payable; and
- d) Accruals of HK\$12.4 million (31 December 2020: HK\$9.7 million) which consists of staff costs (mainly commission accruals and bonus provision) and accruals of certain expenses of the Group. The increase is attributable to the accrued of additional payroll costs as a result of staff reorganisation in Hong Kong office.

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 <i>%</i>	Amount utilised up to 30 June 2021 <i>HK\$'000</i>	Unutilised amount up to 30 June 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%	3,550	343
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>24,799</u>	<u>23,676</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 7 January 2021. Up to 30 June 2021, HK\$5.4 million has been utilized and HK\$5.9 million remained unutilised.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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. In February 2021, we have also completed a placing under the Company’s general mandate with net proceeds of HK\$11.3 million which will be used as general working capital of the Group.

The Group had cash and cash equivalents of approximately HK\$46.4 million as at 30 June 2021 (31 December 2020: HK\$64.5 million).

As at 30 June 2021, the Group had total bank borrowings of approximately HK\$3.0 million (31 December 2020: HK\$4.7 million) which are mainly drawn for purchases for each season and for significant sales projects.

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 ratio as at 30 June 2021 was 3.8% (31 December 2020: 5.2%) which was in line with the decrease in the bank borrowings during the period.

PLEDGE OF ASSETS

As at 30 June 2021 and 31 December 2020, 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 2021, the Group did not have any significant capital commitments (31 December 2020: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, as at 30 June 2021, the Group did not hold any significant investment in equity interest in any other company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2021, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2021, the employee headcount (including executive Directors) of the Group was 178 (31 December 2020: 196) and the total staff costs, including share-based payment expenses and sales commission (including Directors’ emoluments) amounted to approximately HK\$39.3 million in the First Half Year 2021 (Corresponding Period in 2020: approximately HK\$38.2 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 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)	414,500,000	–	414,500,000	34.54%
Mrs. Jennifer Carver MCLENNAN	Interest of spouse (note 4)	414,500,000	–	414,500,000	34.54%
Ms. Tracy-Ann FITZPATRICK (note 6)	Interest in a controlled corporation and interest held jointly with other persons (note 3)	414,500,000	–	414,500,000	34.54%
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 “Share Option Scheme” section below.
- (2) The calculation is based on the total number of 1,200,000,000 Shares in issue as at 30 June 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 “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.
- (6) Ms. Tracy-Ann Fitzpatrick resigned as the Company’s Director and chief executive officer with effective from 1 July 2021.

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 (<i>note 3</i>)	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.
- (3) Ms. Tracy-Ann FITZPATRICK resigned as the Company's Director and chief executive officer with effective from 1 July 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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 (note 5)	Percentage of shareholding (note 2)
Double Lions Limited	Beneficial interest	414,500,000 (L)	34.54%
Mr. David Frances BULBECK	Interest of spouse (note 3)	414,500,000 (L)	34.54%
Ms. Alison Siobhan BAILEY	Interest in a controlled corporation, interest held jointly with other persons (note 1) and interest of spouse (note 4)	414,500,000 (L)	34.54%
Mr. James Seymour Dickson LEACH	Interest in a controlled corporation, interest held jointly with other persons (note 1) and interest of spouse (note 4)	414,500,000 (L)	34.54%
Mr. John Martin RINDERKNECHT	Interest in a controlled corporation and interest held jointly with other persons (note 1)	414,500,000 (L)	34.54%
Mr. CHEUNG Wai Keung	Beneficial interest	120,000,000 (L)	10.00%

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 30 June 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 "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) 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 30 June 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.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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 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 six months ended 30 June 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 30 June 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	(2,796,700)	5,608,400
– 18 July 2020 to 17 July 2022	0.22	8,405,100	(2,796,700)	5,608,400
– 18 July 2021 to 17 July 2022	0.22	8,659,800	(2,886,600)	5,773,200
		<u>35,450,000</u>	<u>(8,480,000)</u>	<u>26,970,000</u>

During the six months ended 30 June 2021, a total of 8,480,000 share options were lapsed, no share options were exercised, issued or cancelled. The number of share options outstanding as at 30 June 2021 were 26,970,000, including as at stated above, of which 17,803,600 are exercisable as at 30 June 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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, except that Mr. MCLENNAN serves as both the chairman of the Board and the chief executive officer (“**CEO**”) of the Company with effect from 1 July 2021, such practice deviates from code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as contained in Appendix 15 to the GEM Listing Rules. The Board believes that vesting the roles of both the chairman of the Board and the CEO of the Company in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. Taking into account Mr. MCLENNAN’s substantial experience and leadership position in the management of the Company, the Board considers that Mr. MCLENNAN acting as both the chairman of the Board and the CEO of the Company enables effective management of the Company and is in the interests of the Group and the Shareholders as a whole. In addition, after the resignation of executive Director and change of CEO of the Company becomes effective, the Board will be comprised of three executive Directors, one non-executive Director and four independent non-executive Directors. The Board will remain appropriately structured with balance of power to provide sufficient checks and supervision to protect the interests of the Company and the Shareholders.

By Order of the Board
Pacific Legend Group Limited
John Warren MCLENNAN

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 13 August 2021

As at the date of this report, the Board comprises Mr. John Warren MCLENNAN, Ms. MOK Lai Yin Fiona, Mr. So King Ting Wilson and Mr. Zheng Tianzhi 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.