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PACIFIC LEGEND GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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*This announcement, 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 announcement 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 announcement misleading.*

The original report is prepared in the English language. This announcement 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.

FINANCIAL HIGHLIGHTS

- The revenue of the Group amounted to approximately HK\$244.3 million for the year ended 31 December 2021, representing an increase of approximately HK\$24.4 million or 11.1% as compared with the revenue of approximately HK\$219.9 million for the year ended 31 December 2020.
- The loss of the Group after tax was approximately HK\$28.2 million for the year ended 31 December 2021 including impairment losses on non-current assets of HK\$17.1 million, as compared to a loss of approximately HK\$43.8 million for the year ended 31 December 2020 (including impairment losses on non-current assets of approximately HK\$19.1 million).
- No final dividend is recommended by the Board for the year ended 31 December 2021.

ANNUAL RESULTS

The Board of Directors (the “**Board**”) of Pacific Legend Group Limited (the “**Company**”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2021 together with the comparative figures in the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	244,349	219,859
Cost of sales		<u>(114,055)</u>	<u>(83,723)</u>
Gross profit		130,294	136,136
Other income and gains	5	7,605	15,169
Selling and distribution costs		(44,665)	(55,886)
Administrative and other operating expenses		(103,593)	(118,493)
Impairment losses on non-current assets, net		<u>(17,115)</u>	<u>(19,128)</u>
Loss from operations		(27,474)	(42,202)
Finance costs	6(a)	<u>(793)</u>	<u>(1,646)</u>
Loss before taxation	6	(28,267)	(43,848)
Income tax credit	7	<u>101</u>	<u>18</u>
Loss for the year		(28,166)	(43,830)
Other comprehensive (loss)/income			
Item that may be classified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		<u>(294)</u>	<u>189</u>
Total comprehensive loss for the year		<u>(28,460)</u>	<u>(43,641)</u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to:			
— Owners of the Company		(28,166)	(43,830)
— Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(28,166)</u>	<u>(43,830)</u>
Total comprehensive loss attributable to:			
— Owners of the Company		(28,460)	(43,641)
— Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(28,460)</u>	<u>(43,641)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic and diluted	8	<u>(2.31)</u>	<u>(4.38)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		2,821	4,161
Intangible assets		440	5,485
Right-of-use assets		4,089	13,894
Finance lease receivables		698	517
Financial asset measured at fair value through profit or loss (FVPL)		6,000	–
Non-refundable deposit	9	4,000	–
		18,048	24,057
Current assets			
Inventories		36,608	36,343
Contract assets		2,988	6,432
Trade and other receivables	9	54,884	36,286
Finance lease receivables		2,116	2,958
Pledged bank deposits		3,000	3,000
Cash and cash equivalents		33,390	64,490
Tax recoverable		279	758
		133,265	150,267
Current liabilities			
Trade and other payables	10	19,811	20,949
Contract liabilities		15,397	22,846
Short term bank loans		859	4,670
Lease liabilities		12,987	22,797
Tax payable		1,075	1,040
		50,129	72,302
Net current assets		83,136	77,965
Total assets less current liabilities		101,184	102,022

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	5,499	4,623
Provisions	6,987	8,283
	<u>12,486</u>	<u>12,906</u>
NET ASSETS	88,698	89,116
Capital and reserves		
Share capital	13,200	10,000
Reserves	71,498	79,116
	<u>84,698</u>	<u>89,116</u>
Equity attributable to owners of the Company	84,698	89,116
Non-controlling interests	4,000	–
TOTAL EQUITY	88,698	89,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 on 18 July 2018 (the "**Listing Date**").

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 December 2021, the Directors consider the immediate and ultimate holding company to be Double Lions Limited ("**Double Lions**"), which is incorporated in the British Virgin Islands (the "**BVI**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is also the functional currency of the company.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost, except for the financial assets measured at fair value through profit or loss (FVPL).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. CHANGES IN ACCOUNTING POLICIES

The Group has either applied or early adopted the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2
- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021

Other than the amendments to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the above adoption of the amendments are discussed below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021 (the “2021 Amendment”)

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 Amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 Amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

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 resource 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.

Segment revenue and results

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

For the year ended 31 December 2021

	Sale of home furniture and accessories <i>HK\$'000</i>	Rental of home furniture and accessories <i>HK\$'000</i>	Project and hospitality services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15				
— Point in time	165,646	–	–	165,646
— Over time	–	–	60,108	60,108
Revenue from other sources				
— Over time	–	18,595	–	18,595
	<u>165,646</u>	<u>18,595</u>	<u>60,108</u>	<u>244,349</u>
Reportable segment results	<u>68,127</u>	<u>15,726</u>	<u>20,390</u>	104,243
Unallocated items				
Interest revenue				32
Expected credit losses allowance				(250)
Depreciation of property, plant and equipment				(2,118)
Depreciation of right-of-use assets				(7,734)
Amortisation of intangible assets				(1,219)
Finance costs				(793)
Unallocated corporate expenses				<u>(120,428)</u>
Loss before taxation				(28,267)
Income tax credit				<u>101</u>
Loss for the year				<u>(28,166)</u>
Reversal of impairment loss on non-current assets	1,168	112	–	1,280
Impairment losses on non-current assets	(17,575)	–	(820)	(18,395)
Expected credit losses allowance	–	–	(1,111)	(1,111)
Depreciation of property, plant and equipment	(1,080)	–	–	(1,080)
Depreciation of right-of-use assets	<u>(6,745)</u>	<u>–</u>	<u>–</u>	<u>(6,745)</u>

For the year ended 31 December 2020

	Sale of home furniture and accessories <i>HK\$'000</i>	Rental of home furniture and accessories <i>HK\$'000</i>	Project and hospitality services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15				
— Point in time	167,381	–	–	167,381
— Over time	–	–	31,827	31,827
Revenue from other sources				
— Over time	–	20,651	–	20,651
	<u>167,381</u>	<u>20,651</u>	<u>31,827</u>	<u>219,859</u>
Reportable segment results	<u>72,585</u>	<u>16,280</u>	<u>13,906</u>	102,771
Unallocated items				
Interest revenue				416
Reversal of expected credit loss allowance				39
Expected credit loss allowance				(168)
Depreciation of property, plant and equipment				(6,872)
Depreciation of right-of-use assets				(21,126)
Amortisation of intangible assets				(772)
Finance costs				(1,646)
Unallocated corporate expenses				<u>(116,490)</u>
Loss before taxation				(43,848)
Income tax credit				<u>18</u>
Loss for the year				<u>(43,830)</u>
Impairment losses on non-current assets	(18,248)	(598)	(282)	(19,128)
Reversal of expected credit loss allowance	–	123	–	123
Expected credit losses allowance	–	–	(1,213)	(1,213)
Depreciation of property, plant and equipment	(1,833)	–	–	(1,833)
Depreciation of right-of-use assets	<u>(11,314)</u>	<u>–</u>	<u>–</u>	<u>(11,314)</u>

There was no inter-segment revenue for years ended 31 December 2021 and 2020.

Geographical information

Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	144,968	164,561
United Arab Emirates (the “UAE”)	72,845	37,041
The People’s Republic of China (excluding Hong Kong and Macao) (the “PRC”)	<u>26,536</u>	<u>18,257</u>
	<u><u>244,349</u></u>	<u><u>219,859</u></u>

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

Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	12,434	23,201
UAE	4,914	28
PRC	<u>2</u>	<u>311</u>
	<u><u>17,350</u></u>	<u><u>23,540</u></u>

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

Information about a major customer

One single customer (which is a hotel operator and an independent third party) contributed approximately 10.59% of the Group’s revenue for the year ended 31 December 2021. Revenue from sale of home furniture and accessories, rental of home furniture and accessories and project and hospitality services for this customer amounted to HK\$25,888,000 (2020: Nil).

Revenue expected to be recognised in the future arising from project contracts with customers in existence at the end of the reporting period

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its project contracts such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the project contracts as all project contract works have an original expected duration of one year or less.

5. OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	32	416
COVID-19-related rent concessions received	1,206	3,705
Gain on disposal of property, plant and equipment	–	54
Government grants received (<i>note (i)</i>)	–	7,335
Gains on lease modification	–	135
Interest income from finance leases	243	233
Net exchange gains	601	1,450
Other income from franchisee	1,642	–
Royalty income from franchising	1,087	1,110
Reversal of provision for long service payments	202	112
Reversal of provision for inventories	848	–
Rental income	926	–
Write off expired trade and other payables	172	–
Sundry income	646	619
	<u>7,605</u>	<u>15,169</u>

- (i) The government grants received represented mainly an amount of HK\$6,675,000 being the funding support in 2020 from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. Apart from the above, the Group also received an amount of HK\$640,000 being the Retail Sector Subsidy Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region. No government grants were received during the year ended 31 December 2021.

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Finance costs:		
Interest on short-term bank loans	69	168
Interest on lease liabilities	724	1,478
	<u>793</u>	<u>1,646</u>
(b) Staff costs [#] :		
Salaries, allowances and commissions	64,770	70,857
(Reversal of)/share-based payment expenses	(4)	329
Retirement benefits scheme contributions	3,017	2,630
Provision for long service payments and employees' end-of-service benefits, net	545	889
	<u>68,328</u>	<u>74,705</u>
[#] Staff costs are net of reversal of provision for long service payments and employees' end-of-service benefits of HK\$202,000 (2020:HK\$112,000) which is also included in other income and gains in note 5 above.		
(c) Other items:		
Amortisation of intangible assets	1,219	772
Auditors' remuneration	1,021	939
Provision for/(reversal of) expected credit loss allowance for:		
— Contract assets	1,111	1,213
— Trade receivables	250	168
— Other receivables, deposits and prepayments	–	(123)
— Finance lease receivables	–	(39)
Bad debts written off	31	135
Cost of inventories recognised as expense	112,019	81,078
Depreciation of property, plant and equipment	3,198	8,705
Depreciation of right-of-use assets	14,479	32,440
Impairment losses on:		
— Property, plant and equipment	870	5,037
— Intangible assets	3,826	1,461
— Right-of-use assets	12,419	12,630
Expenses related to short-term leases	8,394	5,871
Written off of property, plant and equipment	5	26
Variable lease payments not included in the measurement of lease liabilities	228	897
	<u>228</u>	<u>897</u>

7. INCOME TAX CREDIT

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
— Current year provision	—	2
— Over-provision in respect of prior year	<u>(101)</u>	<u>(20)</u>
	<u>(101)</u>	<u>(18)</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 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

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 years.

(b) Reconciliation between tax credit and accounting loss at applicable tax rates

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before taxation	<u>(28,267)</u>	<u>(43,848)</u>
Notional tax at applicable tax rates at respective jurisdictions	(6,206)	(7,182)
Tax effect of non-taxable income	(281)	(1,733)
Tax effect of non-deductible expenses	2,256	2,613
Tax effect of temporary differences not recognised	2,052	597
Tax effect on unused tax losses not recognised	2,179	5,713
Over-provision in respect of prior years	(101)	(20)
Others	<u>—</u>	<u>(6)</u>
Actual tax credit	<u>(101)</u>	<u>(18)</u>

(c) **Deferred taxation**

As at 31 December 2021, deferred tax assets of HK\$1,227,000 (2020: HK\$245,000) has not been recognised as no sufficient taxable profit will be available in the foreseeable future (2020: Nil).

At 31 December 2021, the Group has unused tax losses arising in Hong Kong of approximately HK\$29,832,000 (2020: HK\$19,007,000), that are available indefinitely for offsetting against future taxable profits of the group companies in which the losses arose. The Group also has tax losses arising in the PRC of approximately HK\$23,495,000 (2020: HK\$22,973,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity shareholders of the Company of HK\$28,166,000 (2020: HK\$43,830,000) and the weighted average of 1,217,205,500 (2020: 1,000,000,000) ordinary shares in issue.

No diluted loss per share for the years ended 31 December 2021 and 2020 was presented as there were no dilutive potential ordinary shares in issue during both years.

9. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	15,161	8,897
Less: expected credit loss allowance	<u>(683)</u>	<u>(427)</u>
	14,478	8,470
Current		
Other receivables	3,744	4,537
Trade deposits	13,583	8,613
Rental and other deposits	8,491	10,813
Prepayments	<u>14,588</u>	<u>3,853</u>
	54,884	36,286
Non-current		
Non-refundable deposit (<i>note 1</i>)	<u>4,000</u>	–
Total	<u><u>58,884</u></u>	<u><u>36,286</u></u>

As at 31 December 2021, apart from certain deposits totalling HK\$8,491,000 (2020: HK\$10,813,000), all trade and other receivables are expected to be recovered or recognised as expenses within one year.

Note 1: On 17 November 2021, Indigo Living Limited, a wholly owned subsidiary of the Company, entered into a joint venture agreement with an independent third party (the “**Other Party**”) which is a company incorporated in Hong Kong. During the year ended 31 December 2021, in which both Parties agreed to set up a joint venture for the purpose of acquiring, design, renovating and selling individual condo units in Canada by capital contribution of cash HK\$4,000,000 by Indigo Living Limited, and cash and property units of HK\$38,000,000 by Other Party. As at 31 December 2021, Indigo Living Limited has paid \$4,000,000 to Other Party as non-refundable deposit for the proposed joint venture. As at the end of the reporting period and up to the date of this announcement, the set up of this joint venture is still under progress.

The ageing analysis of trade receivables, based on invoice date and net of expected credit loss allowance, is as follows:

	2021	2020
	HK\$'000	HK\$'000
Within 1 month	8,182	3,914
More than 1 month but less than 3 months	3,688	3,450
More than 3 months but less than 12 months	2,606	916
More than 12 months	2	190
	14,478	8,470

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

10. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	4,478	2,272
Deposits received	3,456	3,847
Other payables	3,370	5,083
Accruals	8,507	9,747
	<u>19,811</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	3,273	887
More than 1 month but less than 3 months	18	590
More than 3 months	1,187	795
	<u>4,478</u>	<u>2,272</u>

Included in accruals as at 31 December 2021 were delivery service and manpower support charges payable to Winford Inc. Limited of HK\$278,000 (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% (2020: 29%) equity interest in Winford Inc. Limited as at 31 December 2021.

11. DIVIDEND PAID

The directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2021.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

13. EVENTS OCCURRING AFTER THE REPORTING DATE

Since early 2020, the outbreak of COVID-19 pandemic has adversely affected the global business environment. Up to the date of this announcement, certain arrangements such as working from home and social distancing requirements continue, have also created changes to the business environment in which the Group is operating. Up to the date of this announcement, although vaccines are now available and injection programmes have been launched, there has been no clear indication that the pandemic will subside soon. Therefore, the pandemic may continue to have impact on the financial results of the Group for the year ending 31 December 2022, the extent of which could not be estimated reliably as at the date of the approval of these consolidated financial statements. The Group will continue to pay close attention to the development of COVID-19 and evaluate its potential impact on its financial position and operating results in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

FINANCIAL REVIEW

Revenue

The Group’s revenue for the year ended 31 December 2021 (the “**Current Year**”) was approximately HK\$244.3 million, representing an increase of HK\$24.4 million or 11.1% as compared with the year ended 31 December 2020 (the “**Last Year**”) of approximately HK\$219.9 million.

The revenue from the Furniture Sales in Current Year was HK\$165.6 million which was slightly less than Last Year of approximately HK\$167.4 million.

In Hong Kong, the retail sales revenue dropped by approximately 7.9% compared to the Last Year. The decline was due to (a) the closure of Yoho Mall store in July and Repulse Bay store in October; (b) growing number of expatriates returning to their home countries after prolonged periods of tight border and quarantine restrictions; and (c) potential loss of sales because of the shipping delays as a result of COVID-19 lockdowns. On the other hand, such change of demography has led to increased local customer spending, and has also driven various management of major central and prime shopping malls to give preferable rates and terms to attract local brands. The Group has taken this opportunity to open a new store in Times Square, Causeway Bay in November 2021. Its revenue performance has been encouraging and successfully attracted local customers. The Group also launched a new product range “Tribe by Indigo” in June 2021, which is tailored for smaller size residential flats while expressing individuality and creativity through trendsetting yet accessible design. It has been well-received by the public, taking up approximately 9% share of total HK retail revenue.

Retail revenue of the two stores in Dubai, the United Arab Emirates (the “**UAE**”) has improved, with an 13.7% increase compared to the Last Year. The growth was partly attributable to the continuous stock optimization throughout the year. However, the momentum of the growth was somehow hampered by the delay in the receipts of certain stock due to lack of availability in shipping and manufacturing delays as a result of COVID-19 lockdowns.

In Shanghai, our An Fu Lu store noted an improvement in revenue by 25.7% compared to the Last Year, following the recovery of business from COVID-19 pandemic. A pop-up store by Coach, another luxury brand has been set up within this store since mid-October 2021. Although our revenue in the fourth quarter of 2021 was compromised by such arrangement, its impact on net results was compensated by other income from Coach from the above-mentioned pop-up store arrangement. Our another store in Jing An District was still underperforming in 2021 and we have exercised the break clause under its tenancy agreement and closed down this store in May 2021.

The Group's performance in online business in the Current Year declined by 14.7% compared to the Last Year. This was mainly attributable to the delay of shipment of incoming stock due to COVID-19 lockdowns. On the other hand, the Group has noted a growing trend in online shopping by the consumers following the COVID-19 preventive measures. The Group will continue to invest in online shopping facilities and the relevant marketing campaign in support, with a view to boost its sales performance.

The Group's franchise business in Saudi Arabia recorded a growth of 19.9% in sales revenue, reflecting an increase in the demand of Indigo products in this Middle East country.

Our corporate sales in Hong Kong, which consists mainly of the sales of showflats furniture to property developers, noted a significant decrease in revenue of 25.5% in the Current Year because the prospects of the Hong Kong economy and property market remained unclear as a result of COVID-19, which resulted in the property developers tightening their marketing budgets and hence reducing the number of showflats. On the other hand, our corporate sales revenue in UAE has significantly improved in the Current Year by 66.0% as our sales team have successfully developed and converted client pipeline to sales orders and managed to achieve their stock optimisation objective together with the diversification of their supplier base in order to support this segment.

The revenue from the Furniture Rental decreased by approximately 10.0% from approximately HK\$20.7 million in the Last Year to approximately HK\$18.6 million in the Current Year. The fall in revenue from the Furniture Rental business was mainly due to COVID-19 travelling restrictions which affected the staff mobility across the borders. As a result, the new rental contracts entered into in 2021 could not sufficiently replace the expiring ones.

Revenue from the Projects business increased significantly by approximately 88.9% from approximately HK\$31.8 million in the Last Year to approximately HK\$60.1 million in the Current Year. Our project business in Hong Kong, which has been seriously suffered in the first half year 2021 by the delay in building construction and in the property developer's timetable to release their residential flats for sale, has gradually picked up in the second half of 2021. On the other hand, our UAE project revenue has significantly increased in the Current Year thanks to the substantial completion of a significant hospitality project in UAE in the second half of 2021.

During the Current Year, the Group formed a non wholly-owned subsidiary Indigo Overseas Projects Company Limited (“Indigo Overseas Projects”) with an independent third party, in order to develop the design-and-build contracting business. As of 31 December 2021 Indigo Overseas Projects paid HK\$10.0 million to its subcontractor for a design-and-build contracting project, it is expected this project would be completed in 2022.

Gross profit

The gross profit margins for our three lines of business varied principally as a result of the composition of the revenues of our Furniture Sales, Furniture Rental and Projects businesses, changing conditions of the markets and their effects on product pricing, product mix and our cost of sales. Generally 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 in the latter.

The gross profit of the Group decreased by approximately HK\$5.8 million or 4.3% from approximately HK\$136.1 million in the Last Year to approximately HK\$130.3 million in the Current Year. We saw a decrease in overall gross profit percentage from 61.9% in the Last Year to 53.3% in the Current Year 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.

Other income and gains

Other income and gains in the Current Year amounted to approximately HK\$7.6 million compared to approximately HK\$15.2 million in Last Year. The significant decrease was mainly attributable to (i) a one-off HK\$7.3 million from government grants received in 2020, including HK\$6.7 million from the employee support scheme by Hong Kong SAR Government; and (ii) decrease of COVID-19-related rent concessions in respect of the Group premises of HK\$2.5 million.

Selling and distribution costs

Our selling and distribution costs comprise mainly staff cost of sales teams, staff commission, advertising and promotion, transportation and delivery costs, credit card commission, agency fees and others. The Group's selling and distribution costs decreased by approximately 20.1% from approximately HK\$55.9 million in the Last Year to approximately HK\$44.7 million in the Current Year. This decrease of HK\$11.2 million was mainly the net result of: (i) a decrease in sales-related staff costs of HK\$6.9 million, from HK\$34.0 million in the Last Year to HK\$27.1 million in the Current Year; (ii) a decrease of HK\$2.0 million on the agency fee, mainly related to payment to the owner of the brand of Sonder Living, owing to the cessation of running of Sonder Living @Indigo in July 2020; (iii) savings in advertising and promotion expenses of HK0.7 million; and (iv) savings in credit card commission of HK\$0.9 million due to decrease in Hong Kong Retail sales as mentioned above and savings from switching to a less-expensive online payment gateway.

Administrative and other operating expenses

Our administrative and other operating expenses comprise mainly staff cost (other than the sales teams), rental and related expenses, depreciation on property, plant and equipment (other than those relating to the furniture for rental), amortisation of intangible assets, staff benefits and others. Such expenses decreased by approximately 12.6% from approximately HK\$118.5 million in the Last Year to approximately HK\$103.6 million in the Current Year. Such decrease is mainly the result of reduction of depreciation of certain non-current assets following the impairment of such assets in 2020, including (i) property, plant and equipment; and (ii) depreciation of right-of-use assets.

Impairment losses on non-current assets

Same as the Last Year, the Group's management identified certain retail stores and business units which under-performed and estimated the recoverable amounts of non-current assets (namely right-of-use assets, intangible assets and property, plant and equipment) attributable or allocated to these stores and business units based on their values-in-use as calculated in accordance with Hong Kong Accounting Standard No. 36 "Impairment of Assets" and compared to the carrying value of such assets. The impairment loss of these assets for the Current Year amounted to HK\$17.1 million (Last Year: HK\$19.1 million).

Finance costs

The Group finance costs consisted of (i) bank interest expenses on short term import loan financing of approximately HK\$69,000 in the Current Year (Last Year: HK\$168,000); and (ii) Interest expenses of HK\$724,000 (Last Year: HK\$1.5 million) on the lease liabilities in respect of the tenancies of certain premises, which the Group has entered into as a lessee.

Loss for the year

Loss attributable to equity shareholders of the Company for the Current Year amounted to approximately HK\$28.2 million (Last Year: loss of approximately HK\$43.8 million). The decrease in loss was mainly attributable to (i) the savings of selling and distribution costs, administrative and other operating expenses and finance costs as mentioned above totaling HK\$27.0 million and (ii) the decrease in impairment losses on non-current assets of HK\$2.0 million, and net of certain unfavourable impact such as (i) the fall in gross profit of HK\$5.8 million as a result of the decline in overall gross profit ratio; (ii) the decrease in other income and gains of HK\$7.6 million, mainly related to reduction of government grants and COVID-19-related rent concessions.

TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables as at 31 December 2021 amounted to HK\$54.9 million (31 December 2020: HK\$36.3 million), which consists of the following:

- a) Trade receivables of HK\$14.5 million (31 December 2020: HK\$8.5 million), net of allowances for doubtful debts of HK\$0.7 million (31 December 2020: HK\$0.4 million). The increase was in line with the growth in projects revenues;
- b) Trade deposits of HK\$13.6 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 for seasonal launches and replenishments;
- c) Rental and other deposits of HK\$8.5 million (31 December 2020: HK\$10.8 million). The decrease was mainly attributable to the release of rental deposit of HK\$2.3 million in respect of two retail stores in Repulse Bay and Yuen Long, Hong Kong, the leases of which expired during the Current Year;
- d) Prepayments of HK\$14.6 million (31 December 2020: HK\$3.9 million), the increase was mainly attributable to HK\$10.0 million payment to a subcontractor in a design-and-build contracting project; and
- e) Other receivables of HK\$3.7 million (31 December 2020: HK\$4.5 million).

TRADE AND OTHER PAYABLES

The Group's trade and other payables as at 31 December 2021 amounted to HK\$19.8 million (31 December 2020: HK\$20.9 million), which consists of the following:

- a) Trade payables to suppliers of HK\$4.5 million (31 December 2020: HK\$2.3 million). The increase was attributable to the increase in purchases in the Current Year;
- b) Deposits received from customers of HK\$3.5 million (31 December 2020: HK\$3.8 million);
- c) Other payables of HK\$3.4 million (31 December 2020: HK\$5.1 million), mainly represent credit notes issued, accrued project costs and purchases; and
- d) Accruals of HK\$8.5 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We have funded our operations primarily through net cash flow generated from our operations. Our primary uses of cash have been, and are expected to continue to be, operational costs and capital expenditures for business expansion. We also use our import financing facilities as well as the additional funds from the proceeds of the Listing and two placings for implementing our plans and purposes as detailed in the heading "Use of Proceeds from Listing" and "Use of Proceeds from the Placings" below.

The Group had cash and cash equivalents of approximately HK\$33.4 million as at 31 December 2021 (31 December 2020: HK\$64.5 million). Most of such cash and cash equivalents were denominated in the functional currencies of the countries/regions in which the Group's subsidiaries operate. As at 31 December 2021, the Group had total bank borrowings of approximately HK\$0.9 million (31 December 2020: HK\$4.7 million). All borrowings were denominated in Hong Kong Dollars with variable interest rates based on the Hong Kong Interbank Offered Rate (HIBOR).

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 31 December 2021 was 1.0% (31 December 2020: 5.2%). The decrease in the gearing ratio of the Group was primarily resulted from the decrease in short term bank loans during the year.

PLEDGE OF ASSETS

As at 31 December 2021 and 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\$5.0 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. And the Group's several subsidiaries have intra-group balances which have been eliminated in the consolidated financial statements of which the functional currency of the relevant entities are RMB and AED at the end of the reporting period are as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from group entities	17,903	17,802
Amounts due to group entities	(36,486)	(47,007)
	<u>(18,583)</u>	<u>(29,205)</u>

The following sensitivity analysis includes only intra-group HK\$ balances and adjusts its translation at the period end for a 5% change in HK\$ rates against RMB and AED. A negative number below indicates an increase in post-tax loss for the year where HK\$ has depreciated 5% against RMB and AED. For strengthen of HK\$ by 5% against RMB and AED, there would be an equal but opposite impact on the result for the year.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in post-tax loss for the year	<u>548</u>	<u>1,162</u>

CAPITAL COMMITMENTS

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

SIGNIFICANT INVESTMENT HELD

Apart from investments in subsidiaries, as at 31 December 2021 the Group also had investments in a non-listed fund of HK\$6,000,000 measured at fair value through profit or loss, and a non-refundable deposit of HK\$4,000,000 in respect of a proposed new joint venture.

CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, the Group had no significant contingent liabilities.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing (the “**Net Proceeds**”) received by the Company after deducting the underwriting commissions and fees and other listing related expenses amounted to approximately HK\$48.5 million. As at 31 December 2021, the Company had utilised approximately HK\$24.8 million of the Net Proceeds and the amount of the unutilised Net Proceeds was approximately HK\$23.7 million (the “**Unutilised Net Proceeds**”) and deposited into licensed banks in Hong Kong.

Due to the generally volatile operating environment of the Group in face of the COVID-19 pandemic, the Net Proceeds were not fully utilised as at 31 December 2021. As disclosed in the Company’s announcement dated 16 February 2022, having carefully considered the latest business environment and development needs of the Group, the Board had resolved to change the use of the Unutilised Net Proceeds.

The following table sets forth the status of the use of the Net Proceeds as at 31 December 2021:

	Planned use of the Net Proceeds as stated in the Prospectus <i>HK\$'000</i> <i>(approximately)</i>	Utilised Net Proceeds up to 31 December 2021 <i>HK\$'000</i> <i>(approximately)</i>	Original allocation of Unutilised Net Proceeds as at 31 December 2021 <i>HK\$'000</i> <i>(approximately)</i>	Revised allocation of the Net Proceeds <i>HK\$'000</i> <i>(approximately)</i>	Expected timeline for fully utilizing the remaining Net Proceeds (taking into account of the new allocation)
Expand the Group's retail network by opening additional retail stores in Mainland China and UAE	28,382	(6,441)	21,941	12,284	End of December 2023
Expand the Group's retail network by opening additional retail stores in Hong Kong	–	–	–	2,000	End of December 2022
Enhance the Group's online shop and the Group's information technology capability	3,893	(3,550)	343	3,000	End of December 2023
Recruitment of additional staff	5,545	(5,545)	–	–	Not applicable
Recruitment for the Group's planned new retail stores in Mainland China and UAE	1,556	(164)	1,392	1,392	End of December 2023
Increasing the Group's inventory	5,056	(5,056)	–	–	Not applicable
General working capital	4,043	(4,043)	–	5,000	End of December 2023
	<u>48,475</u>	<u>(24,799)</u>	<u>23,676</u>	<u>23,676</u>	

USE OF PROCEEDS FROM THE PLACINGS

On 7 January 2021, the Company entered into a placing agreement with Lego Securities Limited, pursuant to which Lego Securities Limited as the placing agent agreed to place 200,000,000 new shares of the Company (the “**Shares**”) to not less than six independent placees at HK\$0.060 per Share under a general mandate granted by the shareholders of the Company (the “**Shareholders**”) at the Company’s annual general meeting on 25 May 2020 (the “**January 2021 Placing**”). The January 2021 Placing was completed on 4 February 2021.

On 25 August 2021, the Company entered into another placing agreement with Lego Securities Limited, pursuant to which Lego Securities Limited as the placing agent agreed to place 120,000,000 new Shares to not less than six independent placees at HK\$0.112 per share under the general mandate granted by Shareholders at the Company’s annual general meeting on 9 June 2021 (the “**August 2021 Placing**”). The August 2021 Placing was completed on 14 September 2021.

Event	Reason of Placing	Net proceeds (after deduction of commission and other expenses of the placing)	Actual use of proceeds as 31 December 2021
January 2021 Placing	In view of the current market conditions, the Directors consider that the January 2021 Placing will strengthen the Group’s financial position and represents an opportunity to raise additional funding for the business operations of the Group (including but not limited to achievement of the Company’s business objectives as set out in the Prospectus) and will enlarge Shareholders’ base of the Company which may in turn enhance the liquidity of the 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.	Approximately HK\$11,279,000	Fully utilized with administrative and operations of approximately HK\$11,279,000

Event	Reason of Placing	Net proceeds (after deduction of commission and other expenses of the placing)	Actual use of proceeds as of 31 December 2021
August 2021 Placing	In view of the current market conditions, the Directors consider that the August 2021 Placing will strengthen the Group's financial position and represents an opportunity to raise additional funding for the business operations of the Group (including but not limited to achievement of the Company's business objectives as set out in the Prospectus) and will enlarge Shareholders' base of the Company which may in turn enhance the liquidity of the 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.	Approximately HK\$12,767,000	Fully utilised in administrative and operations of HK\$12,767,000

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the “Use of Proceeds from the Listing” section as discussed above, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the Company’s announcement on 29 September 2021 in relation to the investment of Indigo Overseas Projects Company Limited as the Group’s non-wholly owned subsidiary by way of share subscription, during the Current Year, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2021, the employee headcount (including executive Directors) of the Group was 168 (31 December 2020: 196) and the total staff costs, including share-based payments and sales commission (including Directors’ emoluments) amounted to approximately HK\$68.3 million in the Current Year (Last Year: approximately HK\$74.7 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.

The Group participates in a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) under rules and regulations of Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) (the “**MPF Ordinance**”) for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the MPF Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, contributions are made based on a percentage of the participating employees’ relevant income from the Group and are charged to the profit or loss as they become payable. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

The employees of the Group in the People's Republic of China (excluding Hong Kong and Macao) (the “**PRC**”) are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

FUTURE PROSPECTS

Our mission for 2022 will remain the same — to enable our customers and their clients to Live Beautifully. In 2022, we will continue to focus on delivering this promise through continual 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 financial year is expected to be challenging in Hong Kong due to the recent surge of the Omicron variant COVID-19 cases and the uncertainty of global economic and political environment. However, there are encouraging signs that the number of new COVID-19 cases in some other countries, including United Arab Emirates, is in a falling trend recently. We expect revenue to continue to improve in our other markets outside of Hong Kong as the rest of the world relaxes their covid restrictions. We will continue to actively cut costs in Hong Kong and streamline operations wherever possible to deliver on our strategic development plans and take advantage of growth opportunities as they arise in all regions.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The date of the annual general meeting of the Company for the year ended 31 December 2021 (“**AGM**”) will be announced in due course. Such date is expected to be sometime before 30 June 2022. In accordance with the GEM Listing Rules and code provision E1.3 of the CG Code (as defined below), we will issue and publish the notice of the AGM at least 20 clear business days before the AGM.

CLOSURE OF REGISTER OF MEMBERS

The period for which the register of members of the Company will be closed for the purpose of ascertaining the entitlement of the shareholders of the Company to attend and vote at the AGM will be announced at least 10 business days before such closure in accordance with rule 17.78(1) of the GEM Listing Rules.

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 confirmed that they had complied with the Required Standard of Dealings throughout the year ended 31 December 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 the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities.

CORPORATE GOVERNANCE PRACTICES

Pursuant to Rules 17.22 and 17.24 of the GEM Listing Rules, the Company does not have advances to any entity nor provided any financial assistance and guarantees to affiliated companies. In addition, pursuant to Rule 17.23 of the GEM Listing Rules, the controlling shareholders of the Company have not pledged 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, the Board now comprises four executive Directors, one non-executive Director and five 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.

EVENTS AFTER THE REPORTING PERIOD

Since early 2020, the outbreak of COVID-19 pandemic has adversely affected the global business environment. Up to the date of this report, certain arrangements such as working from home and social distancing requirements continue, have also created changes to the business environment in which the Group is operating. Up to the date of this report, although vaccines are now available and injection programmes have been launched, there has been no clear indication that the pandemic will subside soon. Therefore, the pandemic may continue to have impact on the financial results of the Group for the year ending 31 December 2022, the extent of which could not be estimated reliably as at the date of the approval of these consolidated financial statements. The Group will continue to pay close attention to the development of COVID-19 and evaluate its potential impact on its financial position and operating results in 2022.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C3.3 of the CG Code pursuant to a resolution of the Directors passed on 19 June 2018. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, reappointment and removal of external auditors, review the financial statements and provide advice in respect of financial reporting, oversee our financial reporting process, internal control, risk management systems and audit process, and perform other duties and responsibilities assigned by the Board.

The Audit Committee comprises Ms. Elaine June CHEUNG (chairperson, resigned with effect from 15 January 2021), Mr. SO Alan Wai Shing (appointed with effect from 23 February 2021 as member and chairman), Mr. Roderick Donald NICHOL, and Ms. Lale KESEBI, all being independent non-executive Directors. Ms. Elaine June CHEUNG was the chairperson of the Audit Committee until her resignation 15 January 2021, whose vacancy was filled by Mr. SO Alan Wai Shing on 23 February 2021.

The Audit Committee held four meetings during the Year for the purposes of, among other things, review the annual financial results for the year ended 31 December 2019, the first quarterly, interim and third quarterly financial results for 2020, respectively before submission to the Board. It also reviewed the activities of the Group's risk management and internal control functions.

The Audit Committee has also reviewed the consolidated financial statements of the Group for the year ended 31 December 2021 and is of the opinion that such consolidated financial statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made .

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary results announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the above-mentioned financial year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.pacificlegendgroup.com respectively. The annual report of the Company for the year ended 31 December 2021 containing the information required by the GEM Listing Rules and the applicable laws will be dispatched to the shareholders of the Company in due course.

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

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 March 2022

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, Mr. Lee Kwong Ming and Mr. Lee Fung Lun as independent non-executive Directors.