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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 2022**

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 2022. This announcement, containing the full text of the 2022 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 2022 interim report will be available for viewing on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and of the Company at [www.pacificlegendgroup.com](http://www.pacificlegendgroup.com) on 12 August 2022, and the printed version of the Company’s 2022 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  
**John Warren McLennan**  
*Executive Director, Chairman  
and Chief Executive Officer*

Hong Kong, 12 August 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 Ms. Shawlain Ahmin as executive Directors; Mrs. Jennifer Carver McLennan as non-executive Director; and Mr. So Alan Wai Shing, Mr. Lee Kwong Ming, Mr. Lee Fung Lun, Mr. Tom Kuet Szutu and Mr. Kurt Kwai Ching Mak 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](http://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](http://www.pacificlegendgroup.com).*

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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](http://www.pacificlegendgroup.com).*






# Table of Contents

FINANCIAL HIGHLIGHTS	3
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	8
MANAGEMENT DISCUSSION AND ANALYSIS	24
CORPORATE GOVERNANCE AND OTHER INFORMATION	32

## FINANCIAL HIGHLIGHTS

- The unaudited revenue of the Group amounted to approximately HK\$82.2 million for the six months ended 30 June 2022, representing a decrease of approximately HK\$14.3 million or 14.8% as compared with the revenue of approximately HK\$96.5 million for the six months ended 30 June 2021.
  - The unaudited loss of the Group after tax was approximately HK\$13.4 million for the six months ended 30 June 2022 as compared to a loss of approximately HK\$22.7 million for the six months ended 30 June 2021.
  - Basic and diluted loss per share were both 1.01 Hong Kong cents for the six months ended 30 June 2022 compared to basic and diluted loss per share of 1.95 Hong Kong cents for the six months ended 30 June 2021.
  - No interim dividend is recommended by the Board for the six months ended 30 June 2022.
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## 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 2022 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 2022

(Expressed in Hong Kong dollars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	4	43,626	49,666	82,229	96,446
Cost of sales		(16,401)	(22,328)	(33,953)	(42,776)
<b>Gross profit</b>		27,225	27,338	48,276	53,670
Other income and gains	5	1,983	1,245	3,830	4,148
Selling and distribution costs		(11,770)	(11,371)	(22,187)	(22,791)
Administrative and other operating expenses		(21,807)	(30,596)	(42,946)	(57,233)
<b>Loss from operations</b>		(4,369)	(13,384)	(13,027)	(22,206)
Finance costs	6(a)	(160)	(202)	(324)	(453)
<b>Loss before taxation</b>	6	(4,529)	(13,586)	(13,351)	(22,659)
Income tax expense	7	–	–	–	–
<b>Loss for the period</b>		(4,529)	(13,586)	(13,351)	(22,659)
<b>Other comprehensive income</b>					
Item that may be classified subsequently to profit or loss:					
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		886	6	912	157
<b>Total comprehensive loss for the period</b>		(3,643)	(13,580)	(12,439)	(22,502)
<b>Loss for the period attributable to:</b>					
– Owners of Company		(4,529)	(13,586)	(13,351)	(22,659)
– Non-controlling interests		–	–	–	–
		(4,529)	(13,586)	(13,351)	(22,659)
<b>Total comprehensive loss attributable to:</b>					
– Owners of Company		(3,643)	(13,580)	(12,439)	(22,502)
– Non-controlling interests		–	–	–	–
		(3,643)	(13,580)	(12,439)	(22,502)
<b>Loss per share</b>		HK cent(s)	HK cent(s)	HK cent(s)	HK cent(s)
Basic and diluted	8	(0.34)	(1.14)	(1.01)	(1.95)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022  
(Expressed in Hong Kong dollars)

	Note	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	1,904	2,821
Intangible assets		377	440
Right-of-use assets	11	10,485	4,089
Finance lease receivables		1,483	698
Financial assets measured at fair value through profit or loss (FVPL)		6,000	6,000
Non-refundable deposit	12	4,000	4,000
		<b>24,249</b>	18,048
<b>Current assets</b>			
Inventories		44,503	36,608
Contract assets		4,746	2,988
Trade and other receivables	12	49,478	54,884
Finance lease receivables		1,033	2,116
Restricted cash	13	6,738	3,000
Cash and cash equivalents		14,715	33,390
Tax recoverable		279	279
		<b>121,492</b>	133,265
<b>Current liabilities</b>			
Trade and other payables	14	19,898	19,811
Contract liabilities		16,727	15,397
Borrowings	15	1,498	859
Lease liabilities		12,080	12,987
Tax payable		1,025	1,075
		<b>51,228</b>	50,129
<b>Net current assets</b>		<b>70,264</b>	83,136
<b>Total assets less current liabilities</b>		<b>94,513</b>	101,184
<b>Non-current liabilities</b>			
Borrowings	15	4,910	–
Lease liabilities		5,821	5,499
Provisions		7,523	6,987
		<b>18,254</b>	12,486
<b>NET ASSETS</b>		<b>76,259</b>	88,698
<b>Capital and reserves</b>			
Share capital	16	13,200	13,200
Reserves		59,059	71,498
Equity attributable to owners of the Company		<b>72,259</b>	84,698
Non-controlling interests		4,000	4,000
<b>TOTAL EQUITY</b>		<b>76,259</b>	88,698



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(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	Sub total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2021 (audited)	10,000	67,136	3,874	298	789	7,019	89,116	-	89,116
Loss for the period	-	-	-	-	-	(22,659)	(22,659)	-	(22,659)
Other comprehensive income	-	-	-	157	-	-	157	-	157
Total comprehensive income/(loss) for the period	-	-	-	157	-	(22,659)	(22,502)	-	(22,502)
Proceeds from placing of new shares	2,000	10,000	-	-	-	-	12,000	-	12,000
Issuing expenses of placing of new shares	-	(721)	-	-	-	-	(721)	-	(721)
Share options forfeited	-	-	(616)	-	-	616	-	-	-
Equity settled share-based payments transaction	-	-	50	-	-	-	50	-	50
Balance at 30 June 2021 (unaudited)	12,000	76,415	3,308	455	789	(15,024)	77,943	-	77,943
Balance at 1 January 2022 (audited)	13,200	87,982	3,014	4	789	(20,291)	84,698	4,000	88,698
Loss for the period	-	-	-	-	-	(13,351)	(13,351)	-	(13,351)
Other comprehensive income	-	-	-	912	-	-	912	-	912
Total comprehensive income/ (loss) for the period	-	-	-	912	-	(13,351)	(12,439)	-	(12,439)
Share options forfeited	-	-	(177)	-	-	177	-	-	-
Balance at 30 June 2022 (unaudited)	13,200	87,982	2,837	916	789	(33,465)	72,259	4,000	76,259



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022  
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(9,894)	(13,332)
Net cash used in investing activities	(4,886)	(452)
Net cash used in financing activities	(3,796)	(4,138)
Net decrease in cash and cash equivalents	(18,576)	(17,922)
Cash and cash equivalents at 1 January	33,390	64,490
Effect of foreign exchange rate changes	(99)	(149)
Cash and cash equivalents at 30 June	14,715	46,419

# 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. On 18 July 2018, the Company’s shares have been listed (the “**Listing**”) on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

At 30 June 2022, the Directors consider the immediate and ultimate holding company to be Double Lions Limited, 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

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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA, as included in the Company’s 2021 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

### 3. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

### 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.

#### For the three months ended 30 June 2022

	Sale of home furniture and accessories HK\$'000 (Unaudited)	Rental of home furniture and accessories HK\$'000 (Unaudited)	Project and hospitality services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
— Point in time	35,855	—	—	35,855
— Over time	—	—	3,449	3,449
Revenue from other source				
— Over time	—	4,322	—	4,322
	<u>35,855</u>	<u>4,322</u>	<u>3,449</u>	<u>43,626</u>
Segment results	<u>20,581</u>	<u>4,111</u>	<u>1,862</u>	26,554
Unallocated items				
Interest income				14
Depreciation of property, plant and equipment				(12)
Depreciation of right-of-use assets				(353)
Amortisation of intangible assets				(32)
Finance costs				(160)
Unallocated corporate expenses				<u>(30,540)</u>
Loss before taxation				<u>(4,529)</u>
Depreciation of property, plant and equipment	365	708	—	1,073
Depreciation of right-of-use assets	<u>1,044</u>	<u>—</u>	<u>—</u>	<u>1,044</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results (Continued)

For the six months ended 30 June 2022

	Sale of home furniture and accessories HK\$'000 (Unaudited)	Rental of home furniture and accessories HK\$'000 (Unaudited)	Project and hospitality services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
— Point in time	65,595	—	—	65,595
— Over time	—	—	7,301	7,301
Revenue from other source				
— Over time	—	9,333	—	9,333
	<u>65,595</u>	<u>9,333</u>	<u>7,301</u>	<u>82,229</u>
Segment results	<u>34,940</u>	<u>7,440</u>	<u>3,500</u>	45,880
Unallocated items				
Interest income				27
Depreciation of property, plant and equipment				(164)
Depreciation of right-of-use assets				(640)
Amortisation of intangible assets				(63)
Finance costs				(324)
Unallocated corporate expenses				<u>(58,067)</u>
Loss before taxation				<u>(13,351)</u>
Depreciation of property, plant and equipment	449	1,446	—	1,895
Depreciation of right-of-use assets	<u>1,947</u>	<u>—</u>	<u>—</u>	<u>1,947</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (Continued)

For the three months ended 30 June 2021

	Sale of home furniture and accessories <i>HK\$'000</i> (Unaudited)	Rental of home furniture and accessories <i>HK\$'000</i> (Unaudited)	Project and hospitality services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
— Point in time	37,472	—	—	37,472
— Over time	—	—	8,609	8,609
Revenue from other source				
— Over time	—	3,585	—	3,585
	<u>37,472</u>	<u>3,585</u>	<u>8,609</u>	<u>49,666</u>
Segment results	<u>20,183</u>	<u>3,243</u>	<u>2,550</u>	25,976
Interest income				1
Depreciation of property, plant and equipment				(396)
Depreciation of right-of-use assets				(2,279)
Amortisation of intangible assets				(305)
Finance costs				(202)
Unallocated corporate expenses				<u>(36,381)</u>
Loss before taxation				<u>(13,586)</u>
Depreciation of property, plant and equipment	136	284	—	420
Depreciation of right-of-use assets	<u>1,422</u>	<u>—</u>	<u>—</u>	<u>1,422</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results (Continued)

For the six months ended 30 June 2021

	Sale of home furniture and accessories HK\$'000 (Unaudited)	Rental of home furniture and accessories HK\$'000 (Unaudited)	Project and hospitality services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
— Point in time	77,558	—	—	77,558
— Over time	—	—	11,424	11,424
Revenue from other source				
— Over time	—	7,464	—	7,464
	<u>77,558</u>	<u>7,464</u>	<u>11,424</u>	<u>96,446</u>
Segment results	<u>41,364</u>	<u>6,612</u>	<u>3,232</u>	51,208
Interest income				33
Depreciation of property, plant and equipment				(605)
Depreciation of right-of-use assets				(4,558)
Amortisation of intangible assets				(610)
Finance costs				(453)
Unallocated corporate expenses				<u>(67,674)</u>
Loss before taxation				<u>(22,659)</u>
Depreciation of property, plant and equipment	346	480	—	826
Depreciation of right-of-use assets	<u>2,116</u>	<u>—</u>	<u>—</u>	<u>2,116</u>

There was no inter-segment revenue for the six months ended 30 June 2022 and 2021.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Geographical information

##### Revenue from external customers

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	27,786	32,111	52,546	60,834
United Arab Emirates (the "UAE")	13,856	10,566	24,754	22,221
The People's Republic of China (excluding Hong Kong and Macao, the "PRC")	1,984	6,989	4,929	13,391
	<u>43,626</u>	<u>49,666</u>	<u>82,229</u>	<u>96,446</u>

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

##### Non-current assets

	30 June 2022	31 December 2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	18,355	12,434
UAE	3,380	4,914
PRC	1,031	2
	<u>22,766</u>	<u>17,350</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

### 5. OTHER INCOME AND GAINS

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	14	1	27	33
COVID-19-related rent concessions received	382	321	422	858
Government grants received	1,536	–	1,536	–
Interest income from finance leases	65	113	99	155
Net exchange gains	(265)	458	–	653
Other income from franchisee	–	–	–	1,780
Rental income	–	–	952	–
Royalty income from franchising	220	308	495	596
Sundry income	31	44	159	73
Write off expired trade and other payables	–	–	140	–
	<u>1,983</u>	<u>1,245</u>	<u>3,830</u>	<u>4,148</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(a) Finance costs:</b>				
Interest on short-term bank loans	–	46	2	68
Interest on lease liabilities	160	156	322	385
	<u>160</u>	<u>202</u>	<u>324</u>	<u>453</u>
<b>(b) Staff costs:</b>				
Salaries, allowances and commissions	15,857	19,493	30,052	37,276
Share-based payment expenses	–	–	–	50
Retirement benefits scheme contributions	855	746	1,572	1,576
Provision for long service payments and employees' end-of-service benefits	247	199	494	398
	<u>16,959</u>	<u>20,438</u>	<u>32,118</u>	<u>39,300</u>
<b>(c) Other items:</b>				
Amortisation of intangible assets	32	305	63	610
Auditor's remuneration	253	302	506	533
Cost of inventories recognised as expense	15,693	21,992	32,507	42,188
Depreciation of property, plant and equipment	1,085	816	2,059	1,431
Depreciation of right-of-use assets	1,397	3,701	2,587	6,674
Net exchange loss	1,067	–	802	–
Loss on disposals of property, plant and equipment	37	–	37	–
Expenses related to short term leases	1,766	1,283	3,084	2,881
Variable lease payments not included in the measurement of lease liabilities	<u>58</u>	<u>31</u>	<u>64</u>	<u>97</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. INCOME TAX EXPENSE

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.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in or derived from Hong Kong for the six months ended 30 June 2022 and 2021.

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 six months ended 30 June 2022 and 2021.

### 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\$13,351,000 (six months ended 30 June 2021: HK\$22,659,000) and the weighted average of 1,320,000,000 (six months ended 30 June 2021: 1,162,430,939) ordinary shares in issue.

No diluted loss per share for the six months ended 30 June 2022 and 2021 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 2022 (six months ended 30 June 2021: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 vehicles <i>HK\$'000</i>	Furniture for rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Carrying amount:</b>						
<b>At 1 January 2022 (audited)</b>	431	251	333	127	1,679	2,821
Additions	601	25	119	153	430	1,328
Disposals	-	-	-	(80)	-	(80)
Write-off	-	(89)	(21)	-	-	(110)
Depreciation	(449)	(49)	(91)	(24)	(1,446)	(2,059)
Exchange realignment	1	-	2	1	-	4
<b>At 30 June 2022 (unaudited)</b>	<b>584</b>	<b>138</b>	<b>342</b>	<b>177</b>	<b>663</b>	<b>1,904</b>

### 11. RIGHT-OF-USE ASSETS

	<i>HK\$'000</i>
<b>Carrying amount:</b>	
<b>At 1 January 2022 (audited)</b>	4,089
Additions	8,915
Depreciation	(2,587)
Exchange realignment	68
<b>At 30 June 2022 (unaudited)</b>	<b>10,485</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. TRADE AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	10,395	15,161
Less: allowances for doubtful debts	(683)	(683)
	<b>9,712</b>	14,478
Other receivables	3,583	3,744
Trade deposits	12,564	13,583
Rental and other deposits	7,308	8,491
Prepayments	16,311	14,588
	<b>49,478</b>	54,884
<b>Non-current</b>		
Non-refundable deposit	4,000	4,000
	<b>53,478</b>	58,884

At 30 June 2022 and 31 December 2021, apart from certain deposits totalling HK\$7,308,000 and HK\$8,491,000 respectively, all trade and other receivables are expected to be recovered or recognised as expenses within one year.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	3,605	8,182
More than 1 month but less than 3 months	1,915	3,688
More than 3 months but less than 12 months	2,512	2,606
More than 12 months	1,680	2
	<b>9,712</b>	<b>14,478</b>

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

### 13. RESTRICTED CASH

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the condensed consolidated balance sheets, and is not included in the total cash and cash equivalents in the condensed consolidated statements of cash flows.

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Pledged bank deposits (Note a)	3,000	3,000
Restricted cash (Note b)	3,738	–
	<b>6,738</b>	<b>3,000</b>

Notes:

- (a) Pledged bank deposits had been pledged to secure the Group's general banking facilities and were classified as current assets.
- (b) The Group's restricted cash was held in the designed bank account of the Group. It shall only be used for trade purchases payments.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. TRADE AND OTHER PAYABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade payables	3,412	4,478
Deposits received	2,937	3,456
Other payables	3,890	3,370
Accruals	9,659	8,507
	<b>19,898</b>	<b>19,811</b>

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	1,777	3,273
More than 1 month but less than 3 months	622	18
More than 3 months	1,013	1,187
	<b>3,412</b>	<b>4,478</b>

Included in accruals as at 30 June 2022 were delivery service and manpower support charges payable to Winford Inc. Limited of HK\$281,000 (31 December 2021: HK\$278,000), 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 2022 and 31 December 2021.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. BORROWINGS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Short terms bank loans ( <i>Note a</i> )	–	859
Bank borrowing ( <i>Note b</i> )	6,408	–
	6,408	859
Less: Amount due within one year shown under current liabilities	(1,498)	(859)
Amount shown under non-current liabilities	4,910	–

Notes:

- (a) As at 30 June 2022 and 31 December 2021, the short term bank loans were secured by a pledged bank deposit of HK\$3,000,000 and a corporate guarantee of HK\$5,000,000 from the Company (31 December 2021: HK\$5,000,000).
- (b) During the current interim period, the Group obtained a new bank loan accounting to HK\$6,408,000. The loan is interest bearing at fixed market rate of 10% and are repayable in instalments over a period of 4 years. The proceeds were used to finance the operating activities.

### 16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 January 2022 and 30 June 2022 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2022 and 30 June 2022 (unaudited)	1,320,000,000	13,200

### 17. CONTINGENT LIABILITIES

At 30 June 2022 and 31 December 2021, the Group had no material contingent liabilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. 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 2022 and 2021 respectively, were as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and commission	3,127	6,979
Share-based payment expenses	–	11
Retirement benefits scheme contributions	36	130
Provision for long service payments and employees' end-of-service benefits	35	1,708
	<u>3,198</u>	<u>8,828</u>

#### (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 2022 and 2021 respectively:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Winford Inc. Limited</b>		
— Delivery charge expense	1,670	1,986
<b>Mr. John Warren McLennan</b>		
— Sales of home furniture and accessories	–	1
<b>Ms. Tracy-Ann Fitzpatrick</b>		
— Sales of home furniture and accessories	<u>270</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 2022, the general market conditions in Hong Kong has gradually improved as the number of cases under the city’s 5th wave of COVID-19 pandemic has decreased since April 2022. As the social distancing policies in Hong Kong have been relaxed in phases we launched our Mega Sale in late May with the support of our new television commercials, which has successfully attracted new local customers. On the other hand, our businesses in Shanghai, including newly established wholesale and distribution units have been seriously affected by a new wave of COVID-19 pandemic which was followed with tight lockdown measures in that region. We noted continuous improvement in the sales performances of our businesses in the United Arab Emirates the recovery of its economy.

Our cost cutting exercise continued to pay off which partly compensated the impact of the revenue decrease on the bottom line in the first half of the year. Apart from the savings from the staff reorganisation since June 2021, we have also subcontracted our warehouse function in Hong Kong earlier this year. With warehouse charges based on actual usage rather than fixed rent, the Group could be able to react to market changes more effectively. As a result, the Group recorded a smaller loss in the second quarter compared to the first three months ended 31 March 2022.

In May 2022, two independent non-executive Directors, namely Ms. Lale Kesebi and Mr. Roderick Donald Nichol, and our executive Director Mr. Zheng Tianzhi resigned due to their other business engagements which require more of their attention and dedication. Their vacancies have been filled by Mr. Tom Kuet Szutu and Mr. Kurt Kwai Ching Mak as independent non-executive Directors and Ms. Shawlain Ahmin as an executive Director. We welcome Mr. Szutu, Mr. Mak and Ms. Ahmin to join the Board and thank Ms. Kesebi, Mr. Nichol and Mr. Zheng for their valuable contributions to the Company during their respective tenures in office and wish them every success.

For the balance of 2022, we will continue to focus on development of our products and services in all regions, to differentiate ourselves in our markets such as increased B2C design services both in store and online as well as the growing project market here in Hong Kong and the Middle East. As the social distancing measures have been gradually relaxed in Hong Kong, the property developers started to release their residential flats for sale and we shall try to take this opportunity to consolidate our market position in showflats and projects market. Our new store in Dubai Hills Mall shall open in the third quarter. We will continue to actively cut costs and streamline operations wherever possible to deliver on our strategic development plans and take advantage of growth opportunities as they arise in all regions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

The Group's revenue for the six months ended 30 June 2022 (the **"First Half Year 2022"**) was approximately HK\$82.2 million, representing a decrease of HK\$14.2 million or 14.7% as compared with that of the six months ended 30 June 2021 (the **"First Half Year 2021"** or the **"Corresponding Period in 2021"**) of approximately HK\$96.5 million.

The revenue derived from the Furniture Sales business decreased by approximately 15.4% from approximately HK\$77.6 million in the First Half Year 2021 to approximately HK\$65.6 million in the First Half Year 2022.

In Hong Kong, the retail sales revenue decreased by approximately 17.1% in the First Half Year 2022 as compared to First Half Year 2021. Hong Kong's retail industry in the second quarter 2022 saw a mild recovery after being seriously hit by the 5th wave COVID-19 pandemic in the previous quarter, partly attributable to gradual relaxation of social distancing measures and the new round of consumption voucher particularly introduced by the Hong Kong SAR Government. In late May we launched our summer sale with a new approach on marketing; focusing on locals and targeting new customers.

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 21.8% as compared to the Corresponding Period in 2021, in light of the lockdown measures during the 5th wave of COVID-19 pandemic, which has stalled the release of the showflats. As the Hong Kong SAR Government gradually relaxed the social distancing measures in the second quarter there have been signs that the property developers recommence their plans to release residential flats for sale. There are growing enquiries of our showflat furniture but their impact was still not yet reflected in our second quarter performance.

Retail revenue from our Sheikh Zayed Road and Al Wasl Road stores in Dubai, the UAE increased by approximately 10.3% in First Half Year 2022 as compared to the Corresponding Period in 2021 following the continuous recovery of the UAE economy. Apart from maintaining our stock optimisation policy in 2022 we have confirmed to open in the third quarter 2022 a new store in Dubai Hills Mall with approximately 5,500 square feet retail spaces with a view to further increase our market share.

Dubai corporate sales also increased by approximately 19.4% in the First Half Year 2022 compared to the Corresponding Period in 2021, reflecting gradual recovery of the UAE economy from COVID-19.

## MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from our retail business in Shanghai suffered a significant decrease of approximately 74.3% in the First Half Year 2022 as compared to the Corresponding Period in 2021, mainly because of our decision to close An Fu Lu store in March 2022 following the expiry of the lease and the closure of our Jing An District store in May 2021. We have moved to a new office in March 2022, which will at this stage focus on wholesale and dealership distribution model. However, the development of such distribution business has been stalled and our delivery to customers has almost been completely put on hold in the second quarter as a result of the watertight lockdown measures in Shanghai, which seriously affected the performance of our Shanghai businesses in the second quarter.

The Group's online business and franchise in the First Half Year 2022 decreased by approximately 16.8%, and 35.5% respectively, as compared to the Corresponding Period in 2021.

The revenue from the Furniture Rental business increased by approximately 25.0% from approximately HK\$7.5 million in the First Half Year 2021 to approximately HK\$9.3 million in the First Half Year 2022. Such growth was mainly attributable to our UAE team who has extended our Furniture Rental business to embassies and larger value B2C customers.

The revenue from the Projects business decreased significantly by approximately 36.1% from approximately HK\$11.4 million in the First Half Year 2021 to approximately HK\$7.3 million in the First Half Year 2022. The fifth wave of COVID-19 pandemic has almost totally stalled the progress of our existing projects in the second quarter. However, similar to showflat furniture sales, as the number of COVID-19 cases had gradually declined in the second quarter, several projects in Hong Kong could now recommence, with one of them has already kicked started in July and is expected to be completed in 2023. Our UAE team was also awarded a significant multi-year furniture supply project to a local conglomerate for the next 3 years.

### 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\$5.4 million or 10.0% from approximately HK\$53.7 million in the Corresponding Period in 2021 to approximately HK\$48.3 million in the First Half Year 2022. We saw a 3.1% increase in overall gross profit percentage (from 55.6% in First Half Year 2021 to 58.7% in First Half Year 2022) due to improvement of gross margin from Furniture Rental and Projects businesses.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Other income and gains

The Group's other income and gains for the First Half Year 2022 was approximately HK\$3.8 million compared to approximately HK\$4.1 million in the Corresponding Period in 2021 which included net exchange gains of HK\$0.7 million. There was an net exchange of loss of HK\$0.8 million in the First Half Year 2022, which was included in "Administrative and other operating expenses" section below.

### 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 slightly by approximately 2.7% from approximately HK\$22.8 million in the First Half Year 2021 to approximately HK\$22.2 million in the First Half Year 2022. The sales-related staff cost continued to decrease in line with the revenue, while we increased the spending in advertising and promotion in order to maintain our market exposure.

### 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 significantly decreased by approximately 25.0% from approximately HK\$57.2 million in the First Half Year 2021 to approximately HK\$42.9 million in the First Half Year 2022. Such decrease was mainly the result of the further reduction in staff costs following the staff reorganisation in Hong Kong office since June 2021, and reduction of rental expenses (including the depreciation of rights-of-use assets) as a result of closure of certain stores in Hong Kong. The removal of Hong Kong fixed-lease warehouse to a subcontracted one with variable costs based on usage also contributed further savings to the Group.

### Finance costs

The Group incurred bank interest expenses on short term import loan financing of approximately HK\$2,000 in the First Half Year 2022 (Corresponding Period in 2021: HK\$68,000). 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\$322,000 (Corresponding Period in 2021: HK\$385,000).

### Loss for the period

Loss attributable to equity shareholders of the Company for the First Half Year 2022 amounted to approximately HK\$13.4 million (First Half Year 2021: a loss of approximately HK\$22.7 million). The decrease in loss in the First Half Year 2022 was mainly attributable to the significant savings from administrative and other operating expenses as mentioned above, net of the decline in gross profit as a result of the decrease in revenue.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Trade and other receivables

The Group's trade and other receivables as at 30 June 2022 amounted to HK\$49.5 million (31 December 2021: HK\$54.9 million), which consists of the following:

- (a) Trade receivables of HK\$9.7 million (31 December 2021: HK\$14.5 million), net of allowances for doubtful debts of HK\$0.7 million (31 December 2021: HK\$0.7 million). The decrease was in line with the fall in Hong Kong corporate sales and projects revenue;
- (b) Trade deposits of HK\$12.6 million (31 December 2021: HK\$13.6 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\$7.3 million (31 December 2021: HK\$8.5 million);
- (d) Prepayments of HK\$16.3 million (31 December 2021: HK\$14.6 million); and
- (e) Other receivables of HK\$3.6 million (31 December 2021: HK\$3.7 million).

### Trade and other payables

The Group's trade and other payables as at 30 June 2022 amounted to HK\$19.9 million (31 December 2021: HK\$19.8 million), which consists of the following:

- (a) Trade payables to suppliers of HK\$3.4 million (31 December 2021: HK\$4.5 million);
- (b) Deposits received from customers of HK\$2.9 million (31 December 2021: HK\$3.5 million);
- (c) Other payables of HK\$3.9 million (31 December 2021: HK\$3.4 million), mainly represents credit notes issued, accrued project costs and purchases, and value-added tax payable; and
- (d) Accruals of HK\$9.7 million (31 December 2021: HK\$8.5 million) which consists of staff costs (mainly commission accruals and bonus provision) and accruals of certain expenses of the Group.

### 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 30 June 2022, the Company had utilised approximately HK\$30.7 million of the Net Proceeds and the amount of the unutilised Net Proceeds was approximately HK\$17.8 million (the “**Unutilised Net Proceeds**”) and deposited into licensed banks in Hong Kong.

As disclosed in the Company's announcement dated 18 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. Due to the generally volatile operating environment of the Group in the face of the COVID-19 pandemic, the Net Proceeds were not fully utilised as at 30 June 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the status of the use of the Net Proceeds as at 30 June 2022:

	Adjusted allocation of Net Proceeds HK\$'000 (approximately)	Utilised Net Proceeds up to 30 June 2022 HK\$'000 (approximately)	Balance of Net Proceeds as at 30 June 2022 HK\$'000 (approximately)	Expected timeline for fully utilising the remaining Net Proceeds
Expand the Group's retail network by opening additional retail stores in Mainland China and UAE	18,725	(7,092)	11,633	End of December 2023
Expand the Group's retail network by opening additional retail stores in Hong Kong	2,000	(233)	1,767	End of December 2022
Enhance the Group's online shop and the Group's information technology capability	6,550	(3,550)	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	End of December 2023
Increasing the Group's inventory	5,056	(5,056)	-	Not applicable
General working capital	9,043	(9,043)	-	Not applicable
	<u>48,475</u>	<u>(30,683)</u>	<u>17,792</u>	

### 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 the placings for implementing our plans and purposes. The funds raised from the two placings in 2021 had been fully utilised in administrative and operations (refer to the Company's 2021 Annual Report). The details of the usage of the fund from the proceeds of the Listing could be found in "Use of Proceeds from the Listing" above.

The Group had cash and cash equivalents of approximately HK\$14.7 million as at 30 June 2022 (31 December 2021: HK\$33.4 million).

The details of the restricted cash can be referenced to note 13 of the condensed consolidated financial statement.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group had total bank borrowings of approximately HK\$6.4 million (31 December 2021: HK\$0.9 million) which are mainly drawn for purchases for each season and for significant sales projects, the increase was mainly attributable to a new bank loan drawn by our UAE subsidiary of HK\$6.4 million.

### GEARING RATIO

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

The Group's gearing ratio as at 30 June 2022 was 8.4% (31 December 2021: 1.0%) which was in line with the increase in the bank borrowings during the period.

### PLEDGE OF ASSETS

As at 30 June 2022 and 31 December 2021, a pledged bank deposit of HK\$3.0 million was applied as security for the general banking facilities granted to a subsidiary of Hong Kong. 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. Accordingly, we consider that the Group's exposure to foreign currency risk is minimal.

### CAPITAL COMMITMENTS

As at 30 June 2022, the Group did not have any significant capital commitments (31 December 2021: Nil).

### SIGNIFICANT INVESTMENT HELD

Apart from investments in subsidiaries, as at 30 June 2022, the Group also had investments in a non-listed fund of HK\$6,000,000 and a non-refundable deposit of a proposed new joint venture of HK\$4,000,000.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the "Use of Proceeds from the Listing" 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 2022, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2022, the employee headcount (including executive Directors) of the Group was 150 (31 December 2021: 168) and the total staff costs, including share-based payment expenses and sales commission (including Directors' emoluments) amounted to approximately HK\$32.1 million in the First Half Year 2022 (Corresponding Period in 2021: approximately HK\$39.3 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 2022, 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	31.40%
Mrs. Jennifer Carver MCLENNAN	Interest of spouse (note 4)	414,500,000	–	414,500,000	31.40%
Ms. MOK Lai Yin Fiona (note 5)	Beneficial interests	–	9,980,000	9,980,000	0.76%

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 1,320,000,000 Shares in issue as at 30 June 2022 (without taking into account any Shares which may be issued upon exercise of any option which may be granted under the Company's Share Option Scheme, as defined and detailed in the “Share Option Scheme” section below).
- (3) Double Lions Limited is owned as to 40.48% by Mr. John Warren MCLENNAN, 20.00% by Ms. Tracy-Ann FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY, 14.88% by Mr. John Martin RINDERKNECHT and 9.76% by Mr. James Seymour Dickson LEACH (collectively with Double Lions Limited, the “**Controlling Shareholders**”). Each of the Controlling Shareholders executed the deed of acting in concert (the “**Deed of AIC**”) dated 12 February 2018 confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited.
- (4) Mrs. Jennifer Carver MCLENNAN is the spouse of Mr. John Warren MCLENNAN and is deemed to be interested in the Shares held by Mr. John Warren MCLENNAN by virtue of the SFO.
- (5) Share options were granted by the Company to Ms. MOK Lai Yin Fiona pursuant to a Share Option Scheme of the Company, as defined and detailed in the “Share Option Scheme” section below.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### (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%
Mrs. Jennifer Carver MCLENNAN	Double Lions Limited	Interest of spouse ( <i>note 2</i> )	2,530	40.48%

*Notes:*

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



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, 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)	31.40%
Ms. Tracy-Ann FITZPATRICK	Interest in a controlled corporation, interest held jointly with other persons (note 1)	414,500,000 (L)	31.40%
Mr. David Frances BULBECK	Interest of spouse (note 3)	414,500,000 (L)	31.40%
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)	31.40%
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)	31.40%
Mr. John Martin RINDERKNECHT	Interest in a controlled corporation and interest held jointly with other persons (note 1)	414,500,000 (L)	31.40%
Mr. CHEUNG Wai Keung	Beneficial interest	200,000,000 (L)	15.15%

*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 1,320,000,000 Shares in issue as at 30 June 2022 (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

Save as disclosed above, as at 30 June 2022, 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 2022 (six months ended 30 June 2021: 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

### (b) The terms and conditions of the share options existing as at 30 June 2022

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 2022 are as follows:

	Exercise price HK\$	Number of share options at 1 January 2022	Number of share options lapsed during the period	Number of share options at 30 June 2022
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	4,848,400	(481,800)	4,366,600
– 18 July 2020 to 17 July 2022	0.22	4,848,400	(481,800)	4,366,600
– 18 July 2021 to 17 July 2022	0.22	4,963,200	(496,400)	4,466,800
		<u>24,640,000</u>	<u>(1,460,000)</u>	<u>23,180,000</u>

During the six months ended 30 June 2022, a total of 1,460,000 share options were lapsed, no share options were exercised, issued or cancelled. The number of share options outstanding as at 30 June 2022 were 23,180,000, all of which are exercisable as at 30 June 2022.

### (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%

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2022 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 2022, 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 2022, and the Company was not aware of any non-compliance with such Required Standard of Dealings and its code of conduct regarding securities transactions by Directors during such period.

### COMPETING INTERESTS

As at the date of this report, save as disclosed in "Relationship with Controlling Shareholders" section of the prospectus of the Company dated 29 June 2018, none of the Directors, 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 (resigned on 27 May 2022), Mr. Roderick Donald NICHOL (resigned on 27 May 2022), Mr. Tom Kuet SZUTU (appointed on 27 May 2022) and Mr. Kurt Kwai Ching MAK (appointed on 27 May 2022). 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 AND OTHER INFORMATION

### CORPORATE GOVERNANCE

As at 30 June 2022, the Company does not have advances to any entity nor advances to affiliated companies and the controlling shareholders of the Company have not pledged all or part of their Shares. There is no circumstances which would give rise to a disclosure obligation on the part of the Group pursuant to Rules 17.22 to 17.24 of the GEM Listing Rules.

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 of the Company, such practice deviates from code provision C.2.1 of 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 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 enables effective management of the Company and is in the interests of the Group and the Shareholders as a whole. In addition, the Board currently 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 as a whole.

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

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 12 August 2022

*As at the date of this report, the Board comprises Mr. John Warren MCLENNAN, Ms. MOK Lai Yin Fiona, Mr. SO Kin Ting Wilson and Ms. Shawlain AHMIN as executive Directors; Mrs. Jennifer Carver MCLENNAN as non-executive Director; and Mr. SO Alan Wai Shing, Mr. LEE Kwong Ming, Mr. LEE Fung Lun, Mr. Tom Kuet SZUTU and Mr. Kurt Kwai Ching MAK as independent non-executive Directors.*