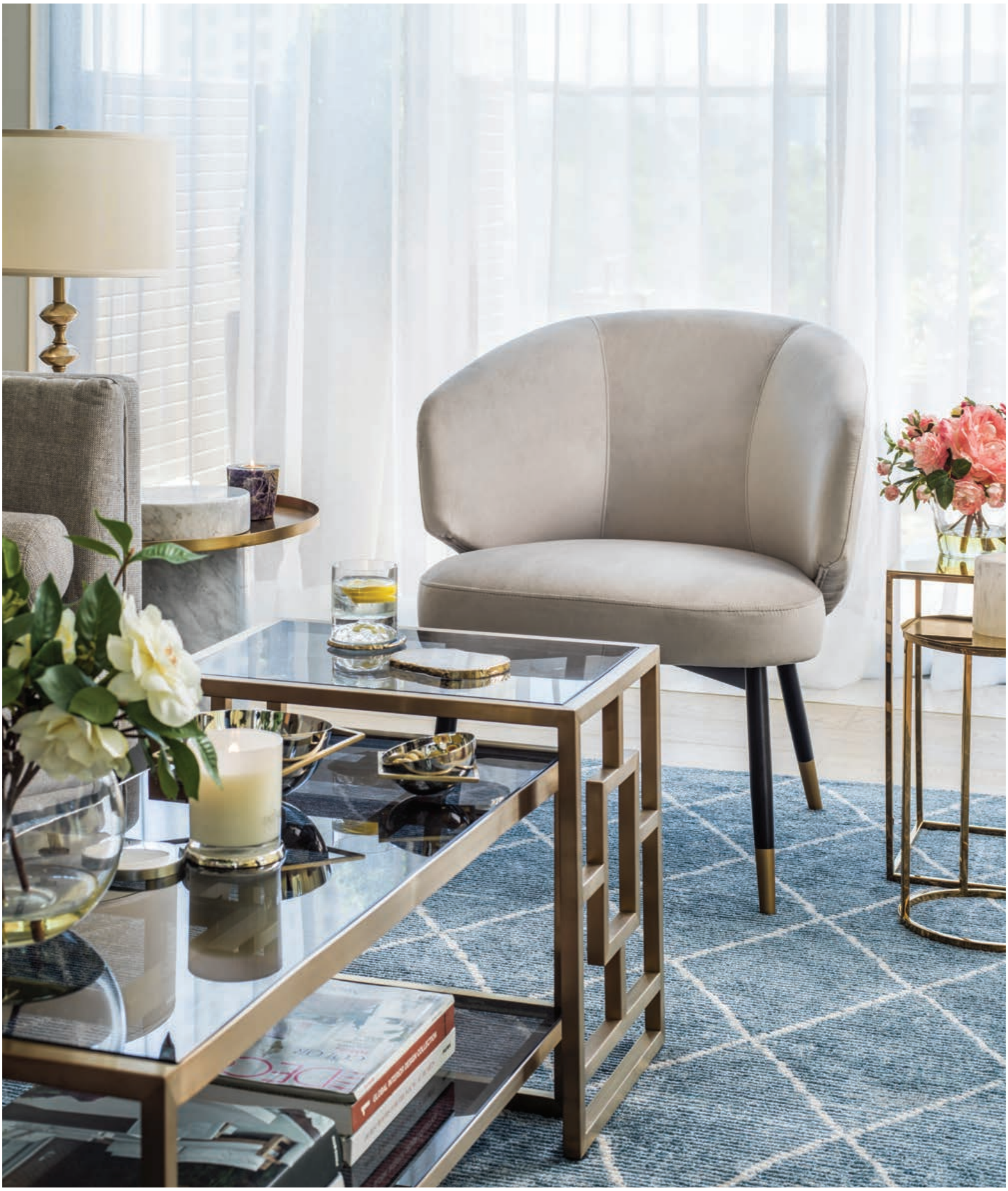
PACIFIC LEGEND GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8547



2019 INTERIM REPORT

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

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*This report, for which the directors (the "**Directors**") of Pacific Legend Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.*

The original report is prepared in the English language. This report is translated into Chinese. In the event of any inconsistencies between the Chinese and the English versions, the latter shall prevail and it is available on the Company's website at www.pacificlegendgroup.com.

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FINANCIAL HIGHLIGHTS

- The unaudited revenue of the Group amounted to approximately HK$126.3 million for the six months ended 30 June 2019, representing an increase of approximately HK$7.2 million or 6.0% as compared with the revenue of approximately HK$119.1 million for the six months ended 30 June 2018.

- The unaudited loss of the Group after tax was approximately HK$15.6 million for the six months ended 30 June 2019 as compared to a loss of approximately HK$17.0 million for the six months ended 30 June 2018.

- Basic and diluted loss per share were both 1.56 Hong Kong cents for the six months ended 30 June 2019 compared to basic and diluted loss per share of 2.27 Hong Kong cents for the six months ended 30 June 2018.

- No interim dividend is recommended by the Board for the six months ended 30 June 2019.

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 2019 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 2019

(Expressed in Hong Kong dollars)

	Note	**Three months ended 30 June**		**Six months ended 30 June**	
		2019	2018	**2019**	2018
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)		**(Unaudited)**	
Revenue	4	**58,578**	56,380	**126,340**	119,139
Cost of sales		**(23,529)**	(22,464)	**(51,864)**	(47,513)
Gross profit		**35,049**	33,916	**74,476**	71,626
Other income and gains	5	**1,200**	435	**1,460**	1,584
Selling and distribution costs		**(15,155)**	(14,914)	**(30,048)**	(26,981)
Administrative and other operating expenses		**(30,621)**	(27,105)	**(60,133)**	(53,917)
Listing expenses		**–**	(3,016)	**–**	(9,215)
Loss from operations		**(9,527)**	(10,684)	**(14,245)**	(16,903)
Finance costs	6(a)	**(667)**	(7)	**(1,172)**	(7)
Loss before taxation	6	**(10,194)**	(10,691)	**(15,417)**	(16,910)
Income tax (expense)/credit	7	**(121)**	100	**(166)**	(81)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2019

(Expressed in Hong Kong dollars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2019	2018	**2019**	2018
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)		**(Unaudited)**	
Loss for the period attributable to equity shareholders of the Company		**(10,315)**	(10,591)	**(15,583)**	(16,991)
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		**(109)**	27	**9**	205
Total comprehensive loss for the period attributable to equity shareholders of the Company		**(10,424)**	(10,564)	**(15,574)**	(16,786)
Dividends paid	8	**–**	–	**–**	(26,250)
Loss per share					
Basic and diluted *(HK Cents)*	9	**(1.03)**	(1.42)	**(1.56)**	(2.27)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

(Expressed in Hong Kong dollars)

	Note	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**9,573**	11,250
Right-of-use assets		**43,051**	–
Finance lease receivables		**270**	681
		52,894	11,931
Current assets			
Inventories		**51,892**	44,570
Contract assets		**8,420**	9,872
Trade and other receivables	11	**73,238**	59,933
Current portion of finance lease receivables		**1,744**	2,385
Pledged bank deposits		**3,000**	3,000
Cash and cash equivalents		**64,079**	70,214
Tax recoverable		**63**	275
		202,436	190,249
Current liabilities			
Trade and other payables	12	**32,408**	27,999
Contract liabilities		**41,408**	23,260
Amount due to a related company	13	**–**	250
Current portion of lease liabilities		**25,926**	–
Short term bank loans	14	**5,781**	5,030
		105,523	56,539
Net current assets		**96,913**	133,710
Total assets less current liabilities		**149,807**	145,641

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2019

(Expressed in Hong Kong dollars)

	Note	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Non-current liabilities			
Lease liabilities		**17,703**	-
Provisions		**8,315**	8,045
		26,018	8,045
NET ASSETS		**123,789**	137,596
Capital and reserves			
Share capital	15	**10,000**	10,000
Reserves		**113,789**	127,596
TOTAL EQUITY		**123,789**	137,596

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(Expressed in Hong Kong dollars)

	Share capital	Share premium	Share option reserve	Exchange reserve	Other reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2018 (audited)	779	–	–	128	10	101,900	102,817
Loss for the period	–	–	–	–	–	(16,991)	(16,991)
Other comprehensive income	–	–	–	205	–	–	205
Total comprehensive income/(loss) for the period	–	–	–	205	–	(16,991)	(16,786)
Dividends paid *(note 8)*	–	–	–	–	–	(26,250)	(26,250)
Effect of reorganisation	(779)	–	–	–	779	–	–
Issue of new shares	–	10,000	–	–	–	–	10,000
Balance at 30 June 2018 (unaudited)	–	10,000	–	333	789	58,659	69,781
Balance at 1 January 2019 (audited)	**10,000**	**67,136**	**1,234**	**155**	**789**	**58,282**	**137,596**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(15,583)**	**(15,583)**
Other comprehensive income	**–**	**–**	**–**	**9**	**–**	**–**	**9**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**9**	**–**	**(15,583)**	**(15,574)**
Equity settled share-based payments transaction	**–**	**–**	**1,767**	**–**	**–**	**–**	**1,767**
Balance at 30 June 2019 (unaudited)	**10,000**	**67,136**	**3,001**	**164**	**789**	**42,699**	**123,789**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from/(used in) operating activities	**11,308**	(16,793)
Net cash used in investing activities	**(2,041)**	(1,146)
Net cash used in financing activities	**(15,395)**	(13,531)
Net decrease in cash and cash equivalents	**(6,128)**	(31,470)
Cash and cash equivalents at 1 January	**70,214**	45,882
Effect of foreign exchange rate changes	**(7)**	175
Cash and cash equivalents at 30 June	**64,079**	14,587

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Pacific Legend Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 1 September 2017. The registered office of the Company is Cricket Square Hutchins Drive, PO Box 2681, Grand Cayman KY1–1111, Cayman Islands and its principal place of business is Units 1202–04, Level 12, Cyberport 2, 100 Cyberport Road, Hong Kong. The Company's shares have been listed on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 July 2018.

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

At 30 June 2019, 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**").

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial information should be read in conjunction with the audited consolidated financial information for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the HKICPA, as included in the Company's 2018 Annual Report.

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

The preparation of the unaudited consolidated financial statements of the Group for the relevant period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

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

HKFRS 16	Leases
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-Term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The following new HKFRS is relevant to the Group's consolidated financial statements:

HKFRS 16 "Leases"

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

– fixed payments (including in-substance fixed payments), less any lease incentives receivables;

– variable lease payments that depend on an index or a rate, initially measured using index or rate as at the commencement date;

– amounts expected to be payable by the lessee under residual value guarantees;

– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES (CONTINUED)

HKFRS 16 "Leases" (Continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

– the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

– a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES (CONTINUED)

HKFRS 16 "Leases" (Continued)

The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2018 has not been restated. The right-of-use asset for property lease was measured at the amount equal to the lease liability, adjusted by the amount of any prepayments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

The reconciliation of operating lease commitment to lease liabilities is set out below:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018 (audited)	57,672
Lease liabilities discounted at relevant incremental borrowing rates	(3,135)
Lease liabilities as at 1 January 2019 (unaudited)	54,537

	At 1 January 2019 *HK$'000* (Unaudited)
Analysed as	
Current	29,030
Non-current	25,507
	54,537

The adjustment of the opening balances (affected items only) below results from the initial application of the HKFRS 16 as at 1 January 2019. The prior-year amounts were not adjusted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES (CONTINUED)

HKFRS 16 “Leases” (Continued)

Consolidated Statement of Financial Position (extracted)

	At 31 December 2018 *HK$'000* (Audited)	HKFRS 16 Reclassification *HK$'000* (Unaudited)	At 1 January 2019 *HK$'000* (Unaudited)
Assets:			
Right-of-use assets	–	54,537	54,537
Liabilities:			
Lease liabilities	–	(54,537)	(54,537)

The Group has not applied any new standard of interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments:

– Sale of home furniture and accessories

– Rental of home furniture and accessories

– Project and hospitality services

Performance is based on segment gross profit. The Group's most senior executive management does not evaluate operating segment using assets and liabilities information, so segment assets and liabilities are not reported to the Group's most senior executive management. Accordingly, reportable segment assets and liabilities have not been presented in the consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)		**(Unaudited)**	
Segment revenue – external customers				
– Sale of home furniture and accessories	**37,025**	41,059	**82,841**	87,550
– Rental of home furniture and accessories	**4,745**	5,451	**9,522**	11,741
– Project and hospitality services	**16,808**	9,870	**33,977**	19,848
	58,578	56,380	**126,340**	119,139
Revenue recognition – at a point of time				
– Sale of home furniture and accessories	**37,025**	41,059	**82,841**	87,550
over time				
– Rental of home furniture and accessories	**4,745**	5,451	**9,522**	11,741
– Project and hospitality services	**16,808**	9,870	**33,977**	19,848
	58,578	56,380	**126,340**	119,139

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)		**(Unaudited)**	
Segment results				
– Sale of home furniture and accessories	**23,488**	25,998	**50,716**	54,362
– Rental of home furniture and accessories	**3,784**	4,382	**7,823**	9,288
– Project and hospitality services	**7,777**	3,536	**15,937**	7,976
	35,049	33,916	**74,476**	71,626
Other income and gains	**1,200**	435	**1,460**	1,584
Selling and distribution costs	**(15,155)**	(14,914)	**(30,048)**	(26,981)
Administrative and other operating expenses	**(30,621)**	(27,105)	**(60,133)**	(53,917)
Finance costs	**(667)**	(7)	**(1,172)**	(7)
Listing expenses	**–**	(3,016)	**–**	(9,215)
Loss before taxation	**(10,194)**	(10,691)	**(15,417)**	(16,910)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)		**(Unaudited)**	
Segment revenue – external customers				
– Hong Kong	**40,761**	35,209	**95,045**	81,152
– United Arab Emirates ("**UAE**")	**9,154**	10,581	**20,097**	23,053
– Mainland China ("**PRC**")	**8,663**	10,590	**11,198**	14,934
	58,578	56,380	**126,340**	119,139

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

Non-current assets

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
– Hong Kong	**37,046**	8,209
– UAE	**7,451**	3,091
– PRC	**8,397**	631
	52,894	11,931

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER INCOME AND GAINS

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)		**(Unaudited)**	
Bank interest income	**172**	10	**192**	18
Interest income from finance leases	**40**	62	**85**	120
Sundry income	**42**	209	**140**	220
Reversal of provision for bad debts	**–**	351	**–**	351
(Reversal of)/net exchange gain	**(97)**	(424)	**–**	452
Income from franchising	**1,043**	227	**1,043**	423
	1,200	435	**1,460**	1,584

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)		**(Unaudited)**	
(a) Finance costs				
Interest on short-term loans	**79**	7	**123**	7
Interest on lease liabilities	**588**	–	**1,049**	–
	667	7	**1,172**	7
(b) Staff costs:				
Salaries, allowances and commissions	**19,563**	18,214	**38,793**	35,036
Share-based payment expenses	**872**	–	**1,767**	–
Retirement benefits scheme contributions	**814**	850	**1,692**	1,604
	21,249	19,064	**42,252**	36,640
(c) Other items:				
Auditor's remuneration	**253**	107	**508**	237
Allowance for doubtful debts	**–**	57	**–**	57
Cost of inventories recognised as expense	**22,723**	21,657	**50,382**	45,914
Depreciation on property, plant and equipment	**1,731**	1,729	**3,322**	3,432
Depreciation on right-of-use assets	**8,144**	–	**16,647**	–
Net exchange loss	**332**	–	**332**	–
Operating lease rentals in respect of rented premises				
– Minimum lease payments	**676**	8,549	**1,065**	16,670
– Contingent rent	**117**	52	**162**	105

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX (EXPENSE)/CREDIT

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)		**(Unaudited)**	
Current tax – (provision)/credit for the period				
Hong Kong Profits Tax	**(121)**	114	**(166)**	(67)
PRC Enterprise Income Tax	**–**	(14)	**–**	(14)
	(121)	100	**(166)**	(81)

The Group is not subject to any income tax in the Cayman Islands, the BVI and the UAE pursuant to the rules and regulations in those jurisdictions.

The provision for Hong Kong Profits Tax for the six months ended 30 June 2019 is calculated at 16.5% (six months ended 30 June 2018: 16.5%) of the estimated assessable profit for the period.

The PRC Enterprise Income Tax for the six months ended 30 June 2019 is calculated at 25% (six months ended 30 June 2018: 25%) of the estimated assessable profits in accordance with relevant rules and regulations in the PRC.

8. DIVIDENDS PAID

On 4 January 2018, the Company paid HK$26,250,000 to the then sole shareholder, Double Lions.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. 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$15,583,000 (six months ended 30 June 2018: HK$16,991,000) and the weighted average of 1,000,000,000 (six months ended 30 June 2018: 750,000,000) ordinary shares in issue.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganisation (as defined in note 1 to the Group's consolidated financial statements for the year ended 31 December 2018 ("**2018 Consolidated Financial Statements**") in the Company's Annual Report 2018) and the Capitalisation issue (as defined in note 22(a) to 2018 Consolidated Financial Statements) had been effective on 1 January 2018.

No diluted loss per share for the six months ended 30 June 2019 and 30 June 2018 respectively was presented as there were no dilutive potential ordinary shares in issue during both periods.

10. PROPERTY, PLANT AND EQUIPMENT

	Decoration and fittings *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicle *HK$'000*	Furniture for rental *HK$'000*	Total *HK$'000*
Carrying amount:						
At 1 January 2018 (audited)	2,452	563	3,141	923	1,489	8,568
Additions	3,036	75	442	–	1,378	4,931
Depreciation	(980)	(116)	(602)	(134)	(1,600)	(3,432)
Exchange realignment	3	(2)	(3)	2	5	5
At 30 June 2018 (unaudited)	4,511	520	2,978	791	1,272	10,072
At 1 January 2019 (audited)	**5,353**	**670**	**3,053**	**656**	**1,518**	**11,250**
Additions	**270**	**16**	**175**	**–**	**1,184**	**1,645**
Depreciation	**(994)**	**(106)**	**(637)**	**(103)**	**(1,482)**	**(3,322)**
Exchange realignment	**2**	**–**	**(2)**	**–**	**–**	**–**
At 30 June 2019 (unaudited)	**4,631**	**580**	**2,589**	**553**	**1,220**	**9,573**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables	32,788	23,172
Less: allowances for doubtful debts	(450)	(450)
	32,338	22,722
Other receivables	4,148	3,395
Deposits and prepayments	36,752	33,816
	73,238	59,933

At 30 June 2019 and 31 December 2018, apart from certain deposits totalling HK$10,895,000 and HK$11,083,000 respectively, all trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 1 month	22,775	13,787
More than 1 month but less than 3 months	5,561	5,043
More than 3 months but less than 12 months	1,999	2,787
More than 12 months	2,003	1,105
	32,338	22,722

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**4,714**	2,826
Deposits received	**4,288**	3,861
Other payables and accruals	**23,406**	21,312
	32,408	27,999

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 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**832**	1,817
More than 1 month but less than 3 months	**455**	211
More than 3 months	**3,427**	798
	4,714	2,826

13. AMOUNT DUE TO A RELATED COMPANY

The amount due to Winford Inc. Limited is trade related, unsecured, interest-free and repayable on demand.

A Director, Mr. John Warren McLennan ("**Mr. McLennan**"), has a 50% equity interest in Winford Inc. Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. SHORT TERM BANK LOANS

As at 30 June 2019 and 31 December 2018, the short term bank loans were secured by pledged bank deposits of HK$3,000,000 and a corporate guarantee from the Company.

15. SHARE CAPITAL

	Number of ordinary shares	Share Capital *HK$'000*
Authorised:		
At 31 December 2018 (audited) and 30 June 2019 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 31 December 2018 (audited) and 30 June 2019 (unaudited)	1,000,000,000	10,000

16. CONTINGENT LIABILITIES

At 30 June 2019 and 31 December 2018, the Group had no material contingent liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

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

The remuneration of key management personnel during each of the periods of six months ended 30 June 2019 and 30 June 2018 respectively, were as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and bonus	**8,755**	6,211
Share-based payments	**1,523**	–
Mandatory provident fund contribution	**81**	81
Provision for long service payments	**52**	59
	10,411	6,351

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related party transactions

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2019 and 30 June 2018 respectively:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Winford Inc. Limited		
– Delivery charge expense	**2,533**	1,222
– Manpower support expense	**10**	36
Mr. McLennan		
– Sales of furniture and home accessories	**11**	2
Ms. Jennifer Carver McLennan (spouse of Mr. McLennan)		
– Consultancy fee expense	**–**	184

18. SUBSEQUENT EVENTS

There is no significant event of the Company after the reporting period.

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 six months ended 30 June 2019 we have been met with several challenges in the retail market globally as a result of uncertainties in Sino-U.S. trade tensions leading to negative market consumption sentiment on stock prices in the second quarter. Such market sentiment has recently worsened in Hong Kong due to social unrest in June 2019, which is expected to linger into the third quarter, impacting Hong Kong retail performance. In Dubai, although there are signs of recovery of the economy, the consumer spending is still affected by high unemployment and political tensions between the United Arab Emirates and some of its neighbouring countries.

On the other hand, as the Hong Kong property developers are keener to offload their unsold residential units in order to avoid the proposed vacancy tax, we seized such opportunity for our project business with successful delivery of multiple furniture projects, and with a growing number of showflats in pipeline which are expected to complete in the second half of the year. We have also been awarded a furniture furnishing contract for a hotel in the United States.

In the second quarter 2019 we launched our Design Studio advertising campaign both online and through the media. As market awareness of our design consultancy services grows we expect this to drive revenue growth in all markets. Owing to the weak consumer spending in Dubai and the performance of our existing retail store in Shanghai, we have not yet opened new stores in the first half of 2019, but we continue to seek suitable retail locations within the China market as well as developing our China online strategy in close consultation with market experts to ensure our investment has the highest chance of success.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2019 (the "**First Half Year 2019**") was approximately HK$126.3 million, representing an increase of HK$7.2 million or 6.0% as compared with that of the six months ended 30 June 2018 (the "**First Half Year 2018**" or the "**Corresponding Period in 2018**") of HK$119.1 million.

The revenue derived from the Furniture Sales decreased by approximately 5.4% from approximately HK$87.6 million in the First Half Year 2018 to approximately HK$82.8 million in the First Half Year 2019. The decline in overall Furniture Sales was due to the tough market conditions, especially in retail sector.

In Hong Kong, the same store (which excluded our new store at Yoho Mall in Yuen Long and our Sonder Living @ Indigo operation in Ap Lei Chau, which operated less than a whole calendar year) sales revenue dropped from HK$39.3 million in the First Half Year 2018 to HK$34.8 million for the First Half Year 2019. This was mainly attributable to a drop in our Shatin store sales of HK$2.2 million as compared to the First Half Year 2018 which was mainly due to the downsizing of the store, in line with our new rental contract that took place in August 2018, along with the closure of our Horizon Plaza Discount store (which contributed HK$2.3 million sales revenue in First Half Year 2018) at the end of 2018. Most of our locations also saw a drop in overall footfall which impacted on sales. The recent social unrest in June 2019 has an adverse impact on the shopper traffic of the malls and led to early close of certain stores in districts affected by public processions.

Such shortfall was fully offset by our new store operations at Yoho Mall in Yuen Long (opened in May 2018) and our Sonder Living @ Indigo operation (commenced business in November 2018). As a result, the overall Hong Kong retail revenue recorded an increase of 2.8% to HK$40.7 million.

Hong Kong Corporate Sales, which consists mainly of the sales of showflats furniture to property developers, also noted a decline in revenue of approximately HK$1.6 million. However we have a strong pipeline for including a confirmed of sales value of approximately HK$13.8 million to be completed by the end of July 2019.

Retail revenue from our Sheikh Zayed Road store in Dubai, the UAE has weakened, with 50.9% decline in revenue in the First Half Year 2019 as compared to the Corresponding Period in 2018. This has been in some part due to the weak performance of the Dubai retail market as a result of high unemployment and the consumers being more cost conscious in their spending. This store was also used to actively clear stock at a discounted rate. Such decline has been compensated by the sales amount derived from the new Al Wasl Road store from predominantly new customers, leading to an overall increase of 16.5% in retail stores sales.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our retail store in An Fu Lu, Shanghai also noted a decline in sales of 38.0% as a result of more competition in the market from new and expanding brands and at the same time a cooling down of the property market and customer sentiment in spending.

Our Group's online business continued to grow, with an increase of 13.5% compared to the Corresponding Period in 2018.

Dubai corporate sales in the First Half Year 2019 appeared weak, declined by 51.6% compared to the Corresponding Period in 2018. We expect a better performance for the Dubai corporate sales in the second half of 2019 with deposits received for a number of sales contracts.

The Group's franchise business in Saudi Arabia recorded sales revenue of HK$3.7 million in the First Half Year 2019, slightly increased from HK$3.3 million in the Corresponding Period in 2018.

The revenue from the Furniture Rental decreased by approximately 18.9% from approximately HK$11.7 million in the First Half Year 2018 to approximately HK$9.5 million in the First Half Year 2019. The fall in revenue from the Furniture Rental was mainly due to the completion of lease periods for rental contracts from 2016 and 2017, without being sufficiently replaced with new contracts.

The revenue from the Projects business increased by approximately 71.2% from approximately HK$19.8 million in the First Half Year 2018 to approximately HK$34.0 million in the First Half Year 2019. This is mainly due to an increase in revenue derived from projects in Hong Kong, including two significant projects achieving 80% and 100% completion respectively in the First Half Year 2019.

As property developers are keener to offload their unsold residential units, they have been seeking innovative furniture solutions from us and so this pipeline remains strong for the coming 12 months.

Gross Profit

Our gross profit varied principally as a result of the composition of the revenues of our Furniture Sales, Furniture Rental and Projects businesses, changing market conditions and their effects on product pricing, product mix and our cost of sales. Overall the gross profit margins of our Furniture Sales (except franchise) and Furniture Rental businesses are higher than the gross profit margin of the Projects business due to the provision of design and styling and custom furniture services in the latter.

The gross profit of the Group increased by HK$2.9 million or 4.0% from approximately HK$71.6 million in the Corresponding Period in 2018 to HK$74.5 million in the First Half Year 2019. We saw a decline in overall gross profit percentage (from 60.1% in First Half Year 2018 to 58.9% in First Half Year 2019) due to a relatively high portion of Projects and franchise businesses which operate on a lower margin pricing strategy, together with the decline in corporate sales and rental revenue which both have a higher gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and Distribution Costs

Our selling and distribution costs comprised mainly staff cost of sales teams, staff commission, advertising and promotion, transportation and delivery costs, credit card commission, agency fees and other expenses.

The Group's selling and distribution costs increased by approximately 11.4% from approximately HK$27.0 million in the First Half Year 2018 to approximately HK$30.0 million in the First Half Year 2019.

This increase of HK$3.1 million was mainly the result of the surge in sales-related staff costs of HK$2.1 million, predominantly accounted for by the new store operations, and transportation and delivery expenses of HK$1.3 million, which is in part due to increasing the outsourcing of more deliveries instead of in-house and the impact of renegotiation to fixed contracts to ensure supply during peak times.

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 on property, plant and equipment (other than those relating to the Furniture Rental business), depreciation on right-of-use assets, staff benefits and others. Such expenses increased by approximately 11.5% from approximately HK$53.9 million in the First Half Year 2018 to approximately HK$60.1 million in the First Half Year 2019. This increase was mainly the result of

(i) the increase in staff costs (other than sales teams) of approximately HK$3.5 million includes share-based payments of HK$1.8 million relating to share options granted to employees, and some salary increments due to general salary increases and promotions of employees within the First Half Year 2019. We also see some impact of additional staff employed after First Half Year 2018 with the necessary skills and knowledge to implement our strategies and planned expansion;

(ii) an increase in rental expenses (including the depreciation on right-of-use assets) of approximately HK$0.8 million related mainly to the opening of our new stores in Yuen Long, Hong Kong and Al Wasl Road, Dubai, net the impact of the downsizing of the Shatin store and closure of the Horizon Plaza Discount store.

(iii) an increase in post listing compliance expenses of HK$0.8 million as the Group had not yet been listed in June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Listing expenses

There were listing expenses of HK$9.2 million in the First Half Year 2018 as the Company was then in the process of listing application. Such expenses were non-recurring in 2019 as the Company had been listed in July 2018.

Finance costs

The Group incurred bank interest expenses on short term import loan financing of approximately HK$123,000 in the First Half Year 2019 (Corresponding Period in 2018: HK$7,000).

Following the application of Hong Kong Financial Reporting Standard 16 "Leases" (effective on 1 January 2019), approximately HK$1.0 million was recognised in the First Half Year 2019 as 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.

Loss for the period

Loss attributable to equity shareholders of the Company for the First Half Year 2019 amounted to approximately HK$15.6 million (First Half Year 2018: a loss of approximately HK$17.0 million which also included the listing expenses).

The increase in loss before listing expenses in the First Half Year 2019 was mainly attributable to the net effects of (i) the decline in corporate sales and rental revenues; and (ii) the increase of selling and distribution costs and administrative and other operating expenses as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Use of Proceeds

The Company intends to utilise the net proceeds as disclosed in the "Future Plans and Use of Proceeds" section of the prospectus of the Company dated 29 June 2018 (the "**Prospectus**"), based on the net proceeds from the share offer of approximately HK$48.5 million upon the listing date (18 July 2018).

	Net proceeds to be applied *HK$'000*	Approximate percentage of the proceeds *%*	**Amount utilised up to 30 June 2019** ***HK$'000***	**Unutilised amount up to 30 June 2019** ***HK$'000***
Expand our retail network by opening additional retail stores	28,382	58.6%	**–**	**28,382**
Enhance our online shop and our information technology capability	3,893	8.0%	**958**	**2,935**
Recruitment of additional staff	5,545	11.4%	**2,111**	**3,434**
Recruitment for our planned new retail stores	1,556	3.2%	**–**	**1,556**
Increasing our inventory	5,056	10.4%	**2,173**	**2,883**
General working capital	4,043	8.4%	**4,043**	**–**
	48,475	100.0%	**9,285**	**39,190**

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The Group had cash and cash equivalents of approximately HK$64.1 million as at 30 June 2019 (31 December 2018: HK$70.2 million). On the same date, the Group had total bank borrowings of approximately HK$5.8 million (31 December 2018: HK$5.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

GEARING RATIO

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

The Group's gearing ratios as at 30 June 2019 was 4.7% (31 December 2018: 3.7%), the increase in gearing ratio of the Group is mainly due to the increase in use of import financing facilities, which are usually drawn for purchases for each season and for significant sales projects.

PLEDGE OF ASSETS

At 31 December 2018 and 30 June 2019, pledged bank deposit of HK$3,000,000 was applied as security for the general banking facilities granted to a subsidiary.

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 2019, the Group did not have any significant capital commitments (31 December 2018: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, as at 30 June 2019, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2019, the employee headcount (including executive Directors) of the Group was 215 (31 December 2018: 210) and the total staff costs, share-based payments and sales commission (including Directors' emoluments) amounted to approximately HK$42.3 million in the First Half Year 2019 (Corresponding Period in 2018: approximately HK$36.6 million).

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2019, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) held by the Directors and chief executives of the Company (the "**Chief Executives**") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

(i) Long position in the shares of the Company (the "Shares")

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Notes:

(1) These share options were granted by the Company under the Company's Share Option Scheme, as defined and detailed in the "Share Option Scheme" section below).

(2) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 30 June 2019 (without taking into account any Shares which may be issued upon exercise of any option which may be granted under the Company's Share Options 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 confirmation (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.

(ii) Long position in the shares of associated corporations

Name of Directors	Name of associated corporation	Nature of interest	Number of shares 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 *(note 1)*	2,530	40.48%
Ms. Tracy-Ann FITZPATRICK	Double Lions Limited	Beneficial interest and interest held jointly with other persons *(note 1)*	1,250	20.00%
Mrs. Jennifer Carver MCLENNAN	Double Lions Limited	Interest of spouse *(note 2)*	2,530	40.48%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Notes:

(1) Double Lions Limited is owned as to 40.48% by Mr. John Warren MCLENNAN, 20.00% by Ms. Tracy-Ann FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY, 14.88% by Mr. John Martin RINDERKNECHT and 9.76% by Mr. James Seymour Dickson LEACH. 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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 6)*	**Percentage of shareholding** *(note 2)*
Double Lions Limited	Beneficial interest	634,500,000 (L)	63.45%
Mr. David Frances BULBECK	Interest of spouse *(note 3)*	634,500,000 (L)	63.45%
Ms. Alison Siobhan BAILEY	Interest in a controlled corporation, interest held jointly with other persons *(note 1)* and interest of spouse *(note 4)*	634,500,000 (L)	63.45%
Mr. James Seymour Dickson LEACH	Interest in a controlled corporation, interest held jointly with other persons *(note 1)* and interest of spouse *(note 4)*	634,500,000 (L)	63.45%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Name	Capacity/Nature of Interest	Number of Shares held *(note 6)*	Percentage of shareholding *(note 2)*
Mr. John Martin RINDERKNECHT	Interest in a controlled corporation and interest held jointly with other persons *(note 1)*	634,500,000 (L)	63.45%
Great Metro Limited	Beneficial interest	69,075,000 (L)	6.91%
Mr. KWAN Hoi Wang	Interests in controlled corporations *(note 5)*	87,775,000 (L)	8.78%
National Investments Fund Limited	Beneficial interest	53,200,000 (L)	5.32%

Notes:

(1) Double Lions Limited is owned as to 40.48% by Mr. John Warren MCLENNAN, 20.00% by Ms. Tracy-Ann FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY, 14.88% by Mr. John Martin RINDERKNECHT and 9.76% by Mr. James Seymour Dickson LEACH (collectively, with Double Lions Limited, the "**Controlling Shareholders**"). Each of the Controlling Shareholders executed the Deed of AIC confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited.

(2) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 30 June 2019 (without taking into account any Shares which may be issued upon exercise of any option which may be granted under the Company's Share Option Scheme, as defined and detailed in the "Share Option Scheme" section below).

(3) Mr. David Frances BULBECK is the spouse of Ms. Tracy-Ann FITZPATRICK and is deemed to be interested in the Shares held by Ms. Tracy-Ann FITZPATRICK by virtue of the SFO.

(4) Ms. Alison Siobhan BAILEY and Mr. James Seymour Dickson LEACH are married to each other and each of them is deemed to be interested in the Shares held by her/his spouse via Double Lions Limited by virtue of the SFO.

(5) Mr. KWAN Hoi Wang is interested in the entire issued share capital of Great Metro Limited. Mr. KWAN Hoi Wang is deemed to be interested in the Shares held by Great Metro Limited by virtue of the SFO.

(6) The letter "L" denotes the entity/person's long position in the Shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Save as disclosed above, from 1 January 2019 and up to the date of this report, 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

On 4 January 2018, the Company paid HK$26.3 million to the then sole shareholder, Double Lions.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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).

(b) The terms and conditions of the share options existing as at 30 June 2019:

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 2019 are as follows:

	Exercise price *HK$*	Number of share options at 1 January 2019	Number of share options lapsed during the period	**Number of share options at 30 June 2019**
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	11,556,600	(165,000)	**11,391,600**
– 18 July 2020 to 17 July 2022	0.22	11,556,600	(165,000)	**11,391,600**
– 18 July 2021 to 17 July 2022	0.22	11,906,800	(170,000)	**11,736,800**
		45,000,000	(500,000)	**44,500,000**

During the six months ended 30 June 2019, a total of 500,000 share options were lapsed, no share options were issued or cancelled. The number of share options outstanding as at 30 June 2019 was 44,500,000, including as at stated above, all these share options have exercise period commencing after 30 June 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial tree model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the model.

Fair value at measurement date	HK$0.119–HK$0.137
Closing price of the Share on the date of grant	HK$0.22
Exercise price	HK$0.22
Expected volatility (expressed as weighted average volatility used in the modelling under binomial tree model)	51.10%
Option life (expressed as weighted average life used in the modelling under binomial tree model)	3.88 years
Expected dividends	0%
Risk-free interest rate (based on Hong Kong Exchange fund notes)	2.15%

The binomial tree method has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of Directors of the Company. The value of an option varies with different variables of certain subjective assumptions.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 June 2019 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 2019, 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 throughout the period from 1 January 2019 to the date of this report, and the Company was not aware of any non-compliance with such Required Standard of Dealings and its code of conduct regarding securities transactions by Directors during such period.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

COMPETING INTERESTS

As at the date of this report, save as disclosed in "Relationship with Controlling Shareholders" section of the Prospectus, none of the Directors, and the Controlling Shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As at the date of this report, neither Altus Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of GEM Listing Rules.

UPDATE ON DIRECTOR'S INFORMATION

On 13 June 2019, Ms. Yan Yan Li ("**Ms. Li**") resigned as an independent non-executive Director due to her other business engagement which requires more of her attention and dedication. Ms. Lale Kesebi ("**Ms. Kesebi**") was appointed an independent non-executive Director on the same date. We thank Ms. Li for her valuable contribution to the Company during her tenure in office, and welcome Ms. Kesebi to the board of Directors.

AUDIT COMMITTEE

The Company has established an audit committee with the written terms of reference in compliance with the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely Ms. Elaine June CHEUNG, who has the appropriate accounting and financial related management expertise and serves as the chairperson of the audit committee, Ms. Lale KESEBI and Mr. Roderick Donald NICHOL. The financial information in this report has not been audited by the auditor of the Company, but the audit committee has reviewed this report and has provided advice and comments thereon.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE

Pursuant to Rules 17.22 and 17.24 of the GEM Listing Rules, the Company has complied with and does not have advances to any entity nor advances to affiliated companies. In addition, pursuant to Rule 17.23 of the GEM Listing Rules, the major shareholders of the Company have not pledged of the Shares of the Company.

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules and to the best knowledge of the Board, the Company had complied with the code provisions of the CG Code.

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

Hong Kong, 12 August 2019

As at the date of this report, the Board comprises Mr. John Warren MCLENNAN, Ms. Tracy-Ann FITZPATRICK and Ms. MOK Lai Yin Fiona as executive Directors; Mrs. Jennifer Carver MCLENNAN as non-executive Director; and Ms. Elaine June CHEUNG, Ms. Lale KESEBI and Mr. Roderick Donald NICHOL as independent non-executive Directors.